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Orion Investor presentation

Updated on 26 October 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) Highlights of 1-9/2017
- 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

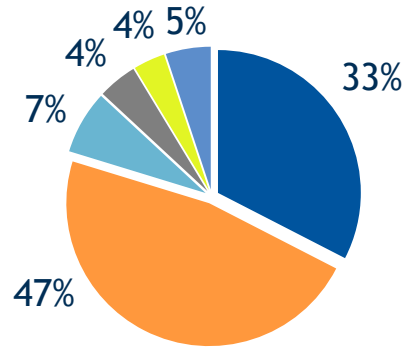


6 production sites in
Finland



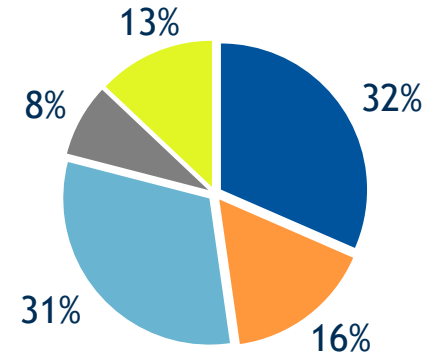
Own sales unit in
26 European countries

Sales by business



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

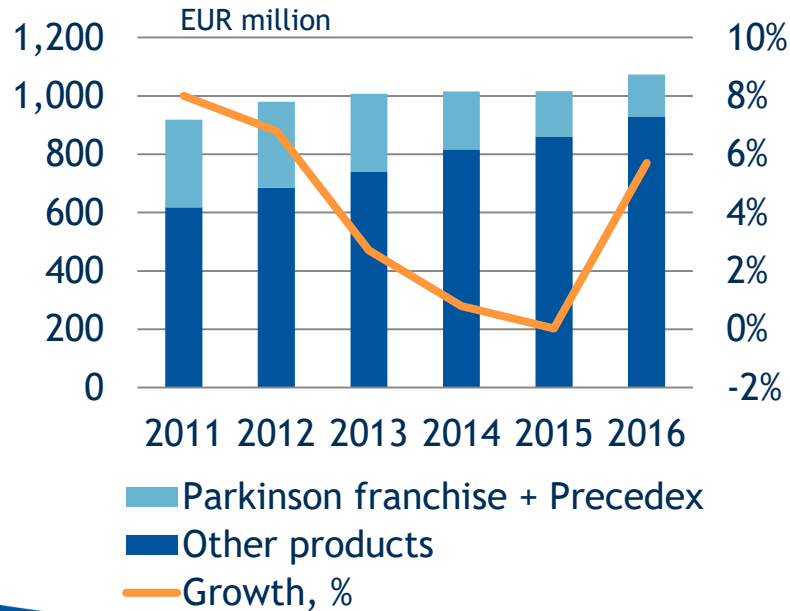
Sales by market area



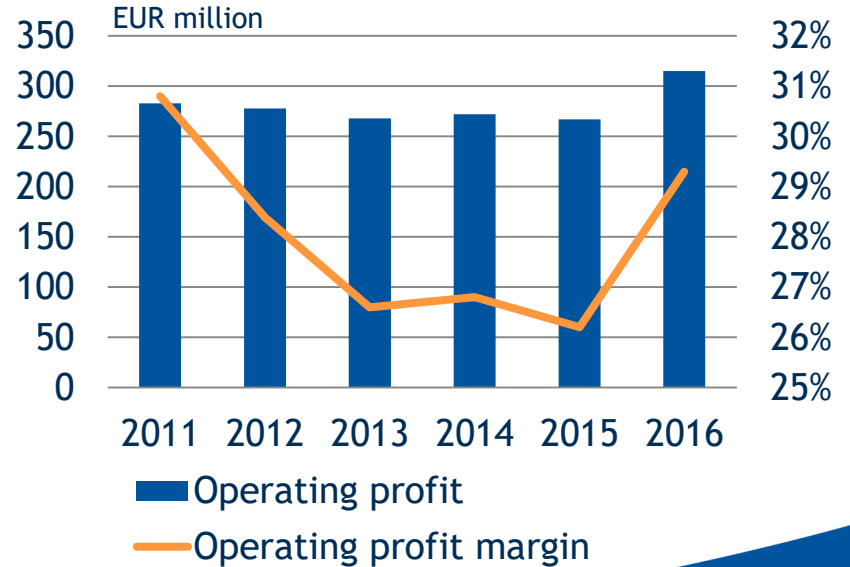
- Finland
- Scandinavia
- Other Europe
- North America
- ROW

Steady development despite patent expiries

Net sales

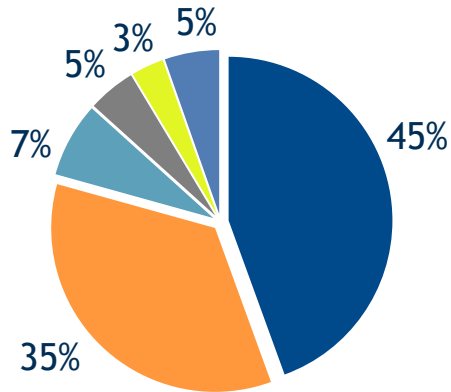


Operating profit

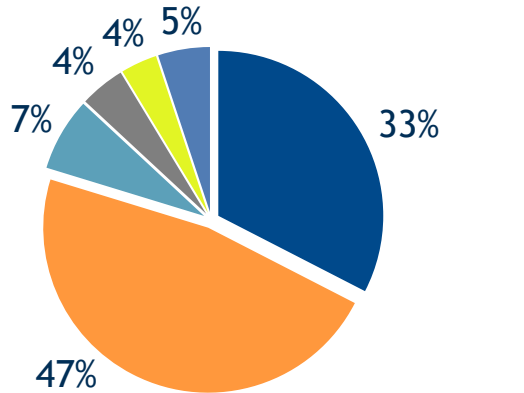


Orion's product mix has changed

Sales by business 2011



Sales by business 2016



■ Proprietary Products

■ Animal Health

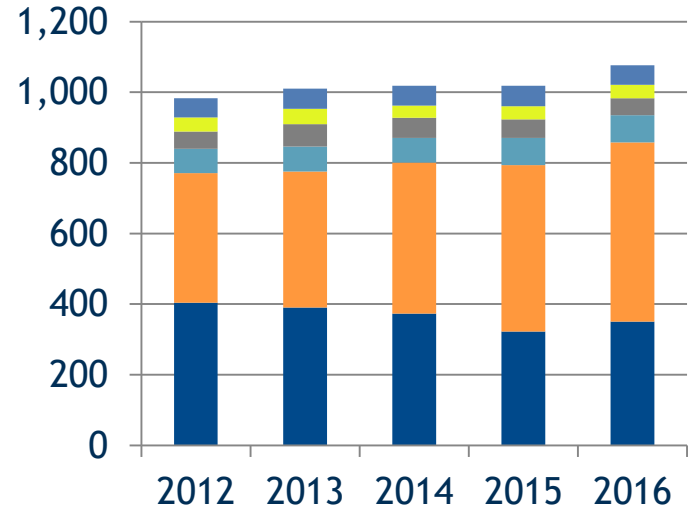
■ Contract manufacturing & other

■ 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, biosimilars



Animal Health

Medicine and well-being products for animals



Fermion

Active pharmaceutical ingredients (APIs)



Contract Manufacturing

Production for other pharmaceutical companies



Orion Diagnostica

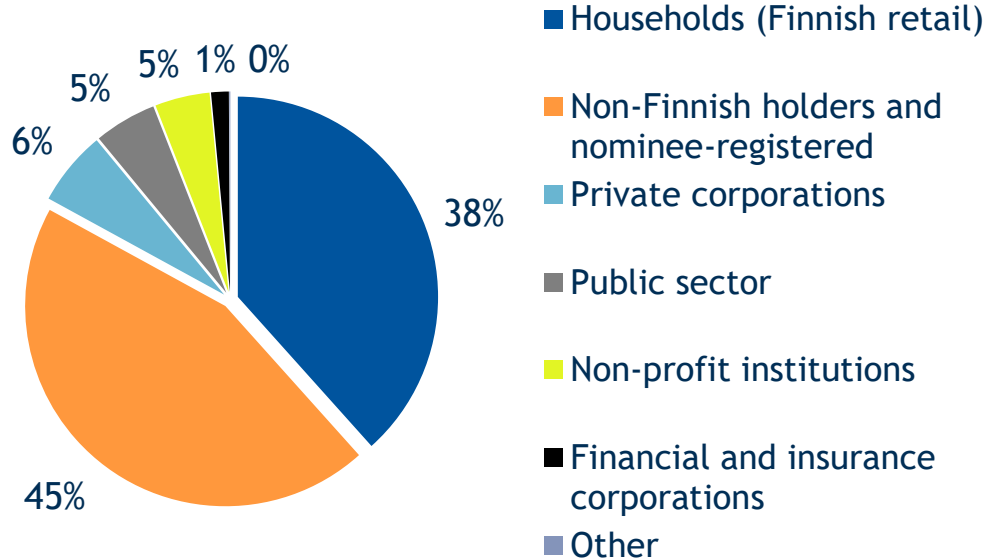
Diagnostic tests and test solutions

Orion's strategy – Mission to build well-being

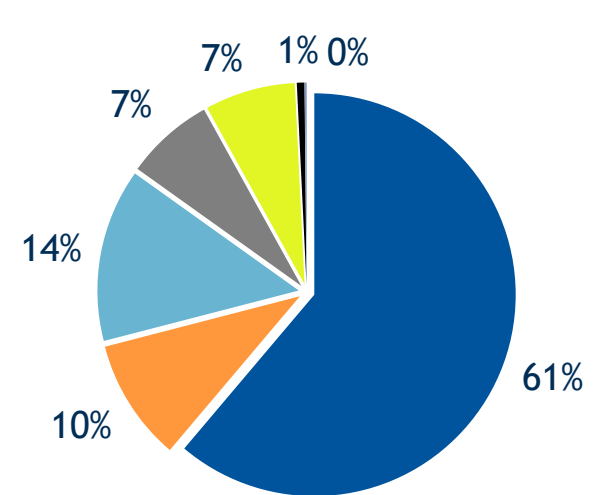


Orion has ~50,000 shareholders (September 30, 2017)

By number of shares



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



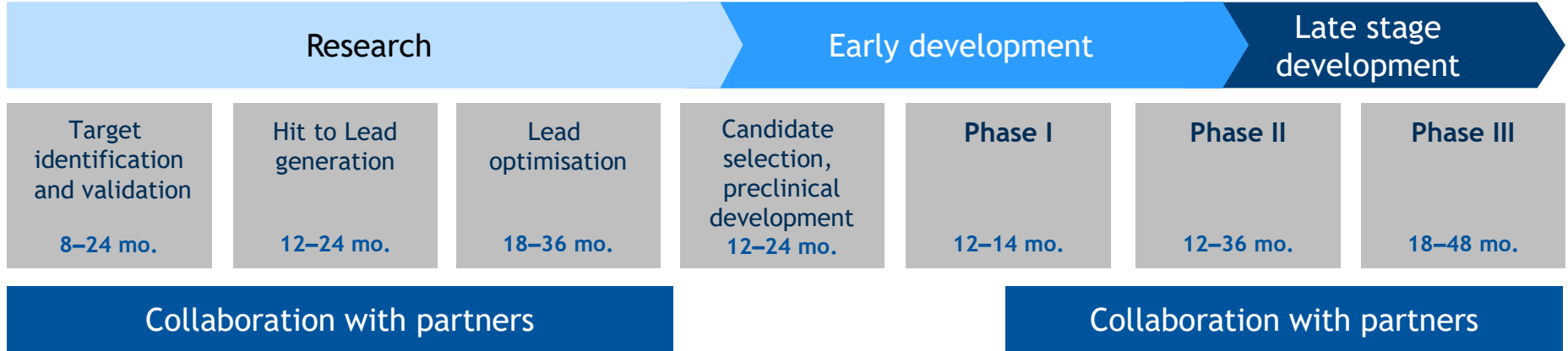
- APIs to Orion's proprietary products
- Generic APIs
- Contract development for pharmaceutical companies

Orion Diagnostica



- QuikRead test system
- GenRead test system

Together we can achieve more in R&D



Asahi**KASEI**



Key clinical pharmaceutical development projects

Project	Indication	PHASE			Registration
Easyhaler® salmeterol-fluticasone	Asthma, COPD	Bioequivalence study			Registration
Darolutamide (ODM-201) ¹⁾	Prostate cancer (nmCRPC)	I	II	III	
Darolutamide (ODM-201) ¹⁾	Prostate cancer (mHSPC)	I	II	III	
ODM-109 (oral levosimendan)	ALS	I	II		
ORM-12741 (alpha-2c adrenoceptor antagonist) ²⁾	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			

¹⁾ In collaboration with Bayer

²⁾ In collaboration with Janssen Pharmaceuticals

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

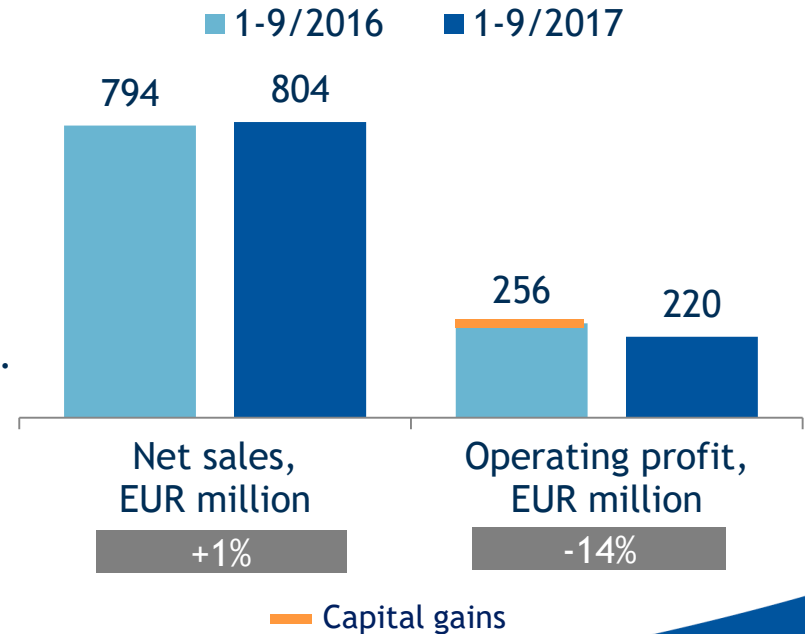
I	= Phase completed
II	= Phase ongoing
III	= Status changed



Orion highlights 1-9/2017

Centenary year has continued as planned

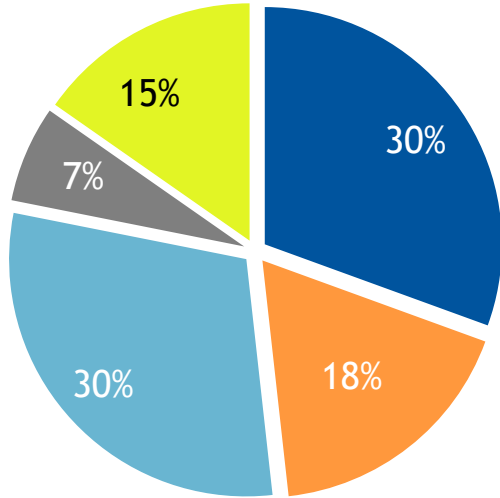
- Net sales were at previous year's level.
- Easyhaler product family maintained good growth and geographical expansion. Sales of budesonide-formoterol Easyhaler formulation have now commenced also in Germany and the United Kingdom, and deliveries to Menarini have commenced in Southern Europe.
- Operating profit was lower than in comparative period.
 - There were EUR 22 million of capital gains in comparative period. Decline in sales of Parkinson's drugs, narrowing of the price band in Finland, longer summer shutdowns and inputs into sales also had an impact.
- Outlook estimate for 2017 remains unchanged.



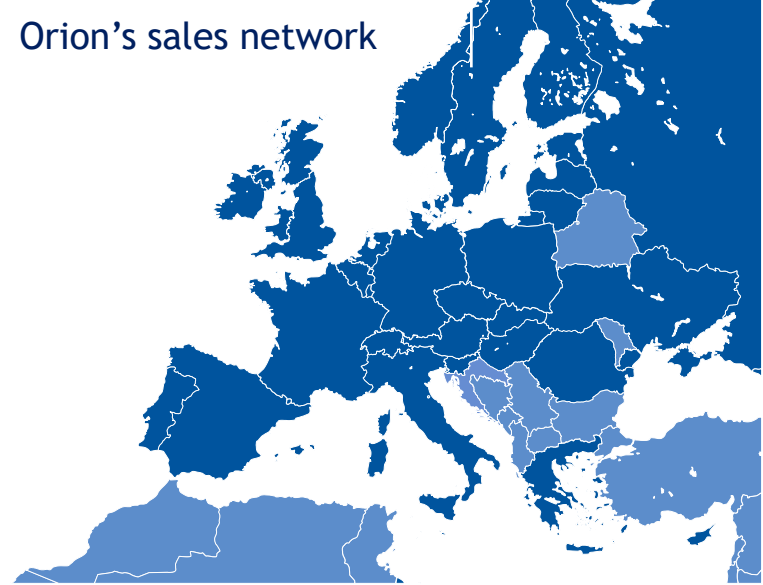
Geographical breakdown of net sales

1-9/2017

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

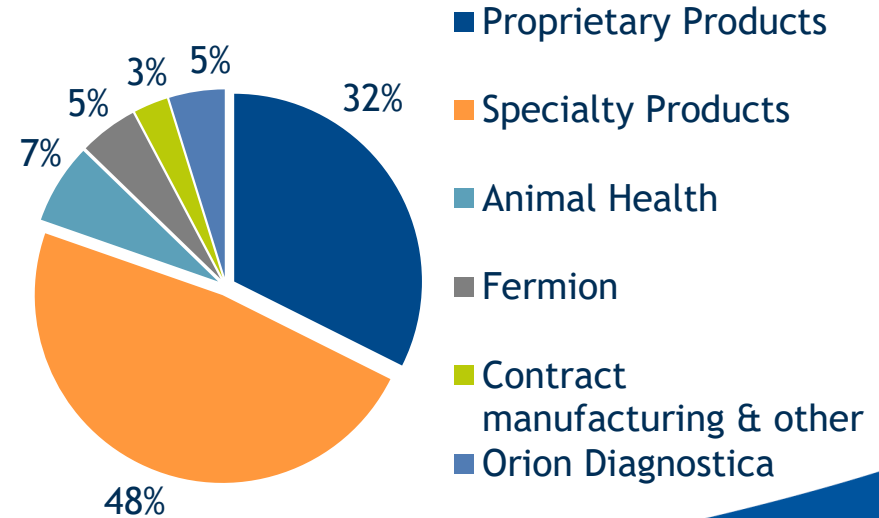


■ Orion's sales network














Breakdown of net sales by business division

Net sales, EUR million	1-9/ 2017	1-9/ 2016	Change
Specialty Products	387	372	+4%
Proprietary Products	261	269	-3%
Animal Health	56	54	+4%
Fermion	41	33	+23%
Contract manufacturing & other	24	27	-13%
Orion Diagnostica	39	41	-7%



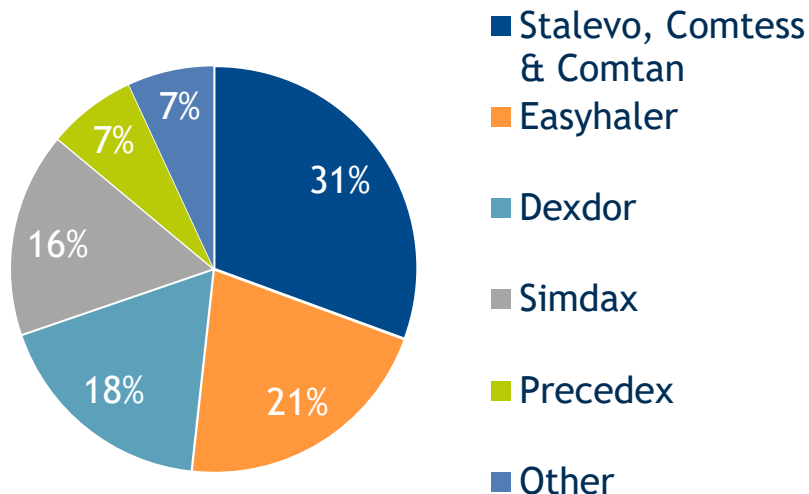
Best-selling pharmaceuticals 1-9/2017

	Product	Indication	Net sales, EUR million	Change vs. 1-9/2016
1.	 <i>Stalevo</i> <i>Comtess</i> <i>COMTan</i>	Parkinson's disease	80	-22%
2.	 Easyhaler®	Asthma, COPD	55	+18%
3.	 dexdor	Intensive care sedative	47	+16%
4.	 Remsima™ Infliximab	Rheumatoid arthritis, inflammatory bowel diseases	45	+44%
5.	 SIMDAX levosimendan	Acute decompensated heart failure	43	+5%
6.	 DEXDOMITOR®  DOMITOR®  DOMOSEDAN®  ANTISEDAN®	Animal sedatives	22	+38%
7.	 Precedex® (dexmedetomidine HCl injection)	Intensive care sedative	18	+18%
8.	 burana®	Inflammatory pain	18	+7%
9.	Generic entacapone products	Parkinson's disease	15	+55%
10.	Marevan®	Anticoagulant	14	-2%
	= Products of Proprietary Products business division			

Proprietary Products

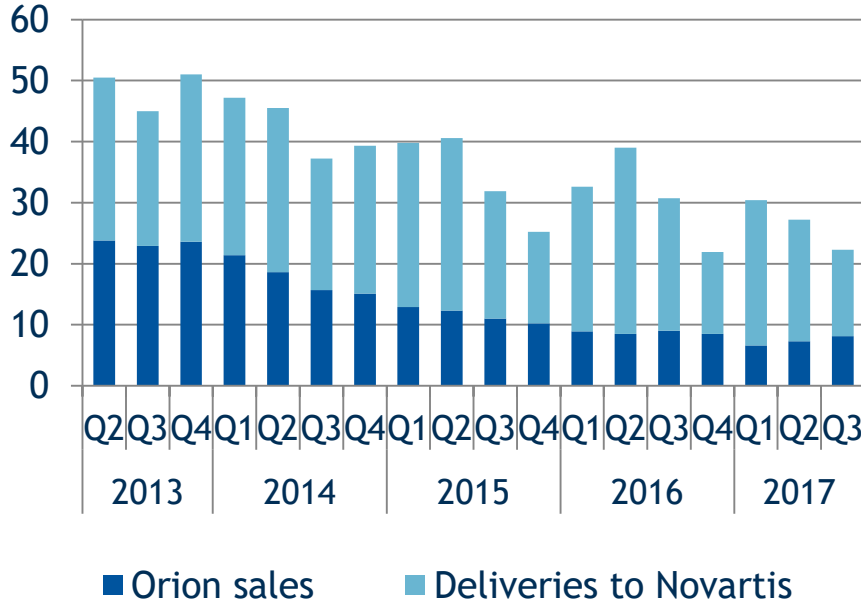
- As expected, sales of Stalevo, Comtess and Comtan continued to decline, but growth in Easyhaler product family, Dexdor and Simdax has partly compensated for the decline.
- Budesonide-formoterol Easyhaler product has been launched in Germany and the United Kingdom, and it has received national marketing authorisation in France.
- Competitor has launched a generic version of Dexdor in German market, but competition has not yet expanded into other countries.

Breakdown of net sales

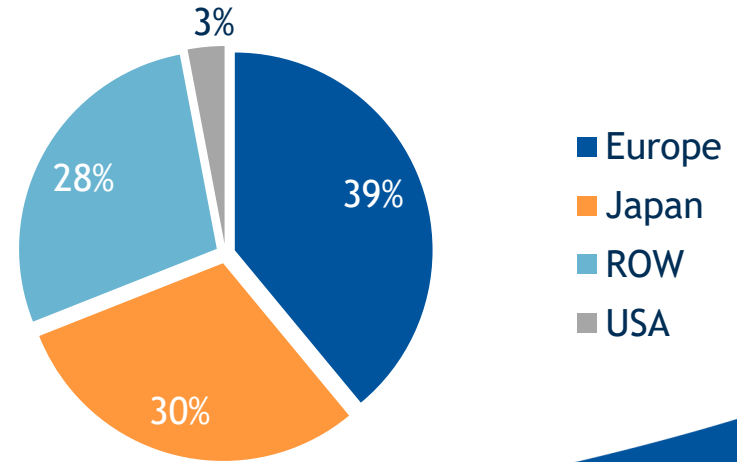


Parkinson's drugs

Sales, EUR million

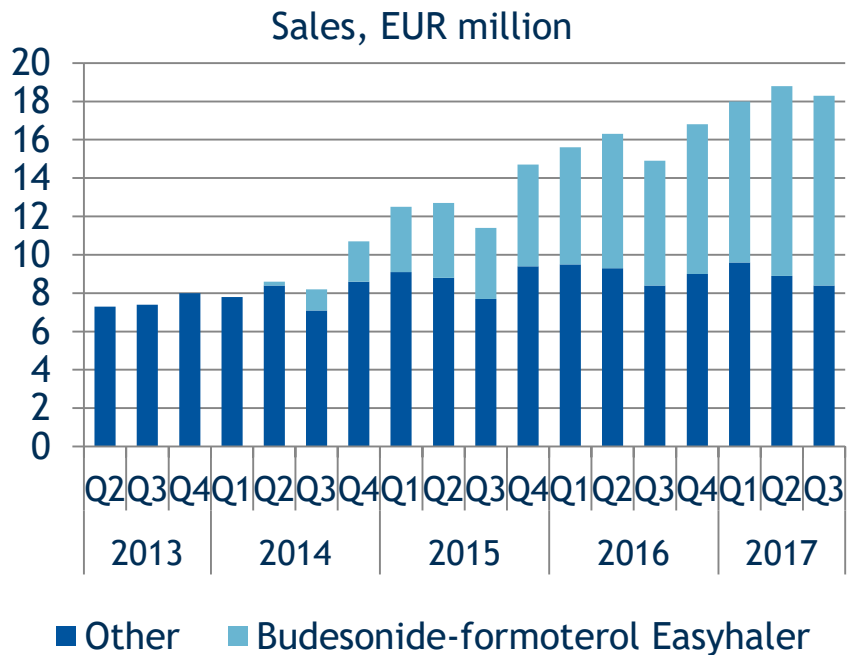


Sales of Orion's branded Parkinson's drugs by market area MAT6/2017*



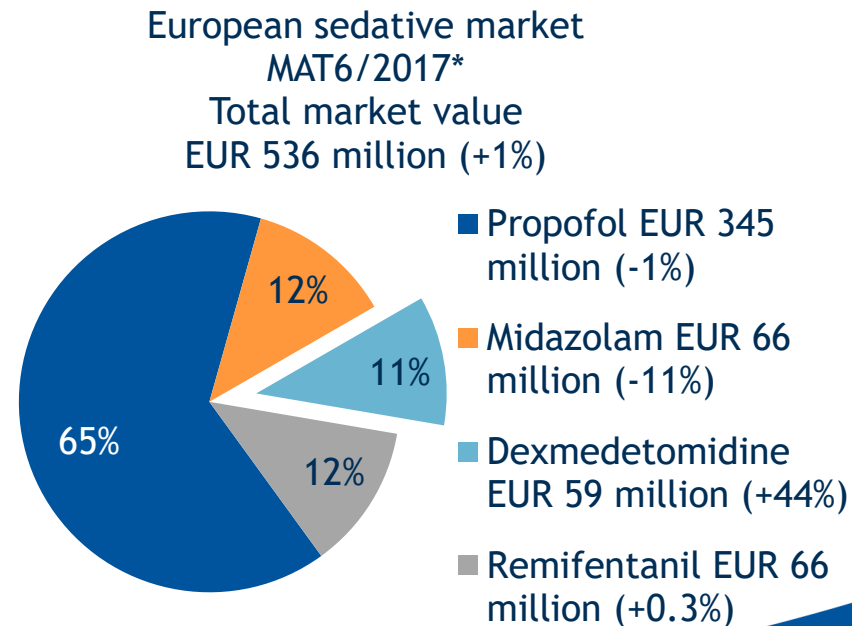
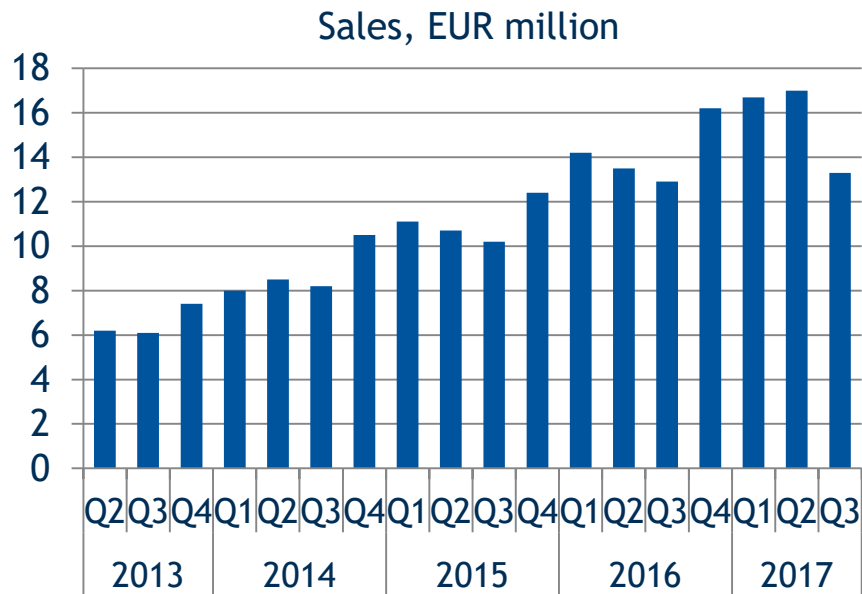
*Source: IMS Health sales statistics MAT6/2017

Easyhaler product family



- Easyhaler product family sales grew by 18% – driven by budesonide-formoterol Easyhaler, which grew by 44%.
- Sales of budesonide-formoterol have commenced in Germany and the United Kingdom, as well as deliveries to Menarini in Southern Europe. National marketing authorisation has been received in France.
- Marketing authorisation process for salmeterol-fluticasone Easyhaler combined formulation is progressing according to planned schedule.
- Negotiations concerning commercialisation of the product family in new markets are ongoing.

Dexdor intensive care sedative



*Source: IMS Health sales statistics MAT6/2017

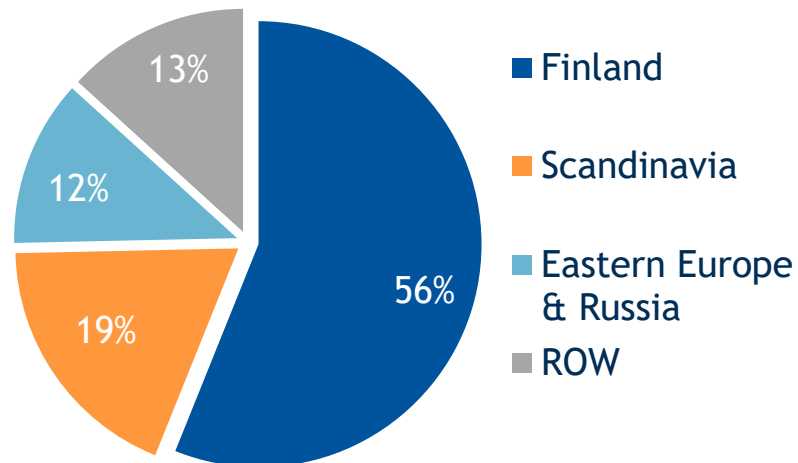
Specialty Products

Net sales in key markets 1-9/2017

	EUR million	vs. 1-9/2016
Finland	217	0%
Scandinavia	72	+19%
Eastern Europe and Russia	47	+13%

- Sales of biosimilar Remsima developed well, change in pricing system in Finland weakened sales of Specialty Products.

Breakdown of net sales

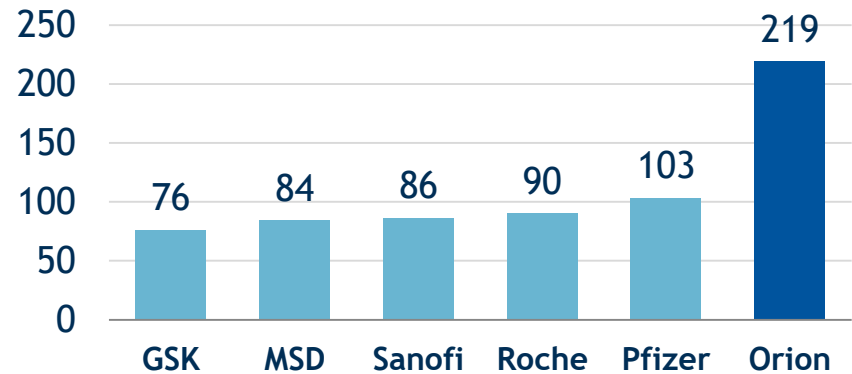


Orion strong in home market Finland

Finnish human pharmaceuticals market 1-9/2017:

- Wholesale EUR 1,731 million
- Orion's market share 13%
- Growth of total market +2%, Orion's growth 0%
 - Changes to the pricing systems of substitutable prescription drugs (narrowing price band) is estimated to have EUR -15 million impact on Orion's net sales in 2017.

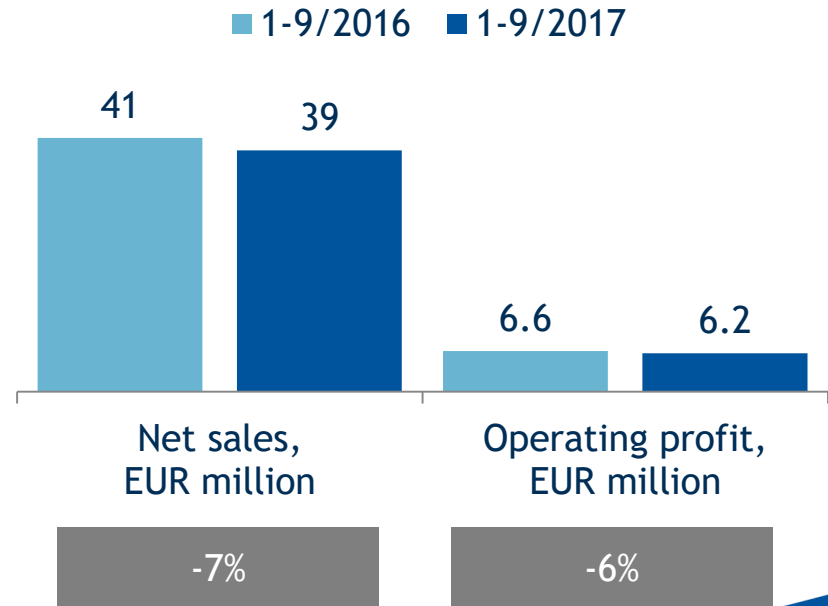
Finland's biggest pharmaceutical companies
1-9/2017, EUR million



Source: IMS Health sales statistics MAT6/2017

Orion Diagnostica

- QuikRead® tests remained the main product.





Outlook and financials

Outlook for 2017

Net sales	Net sales are estimated to be at similar level to 2016 (net sales were EUR 1,074 million in 2016).
Operating profit	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%.

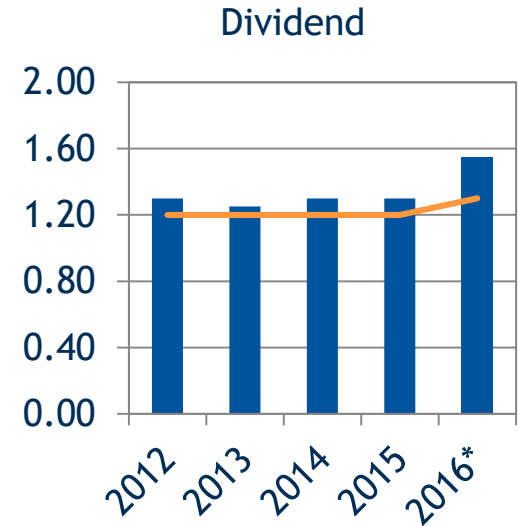
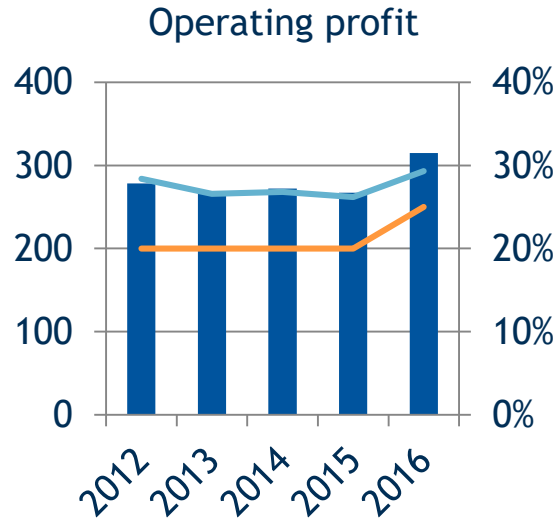
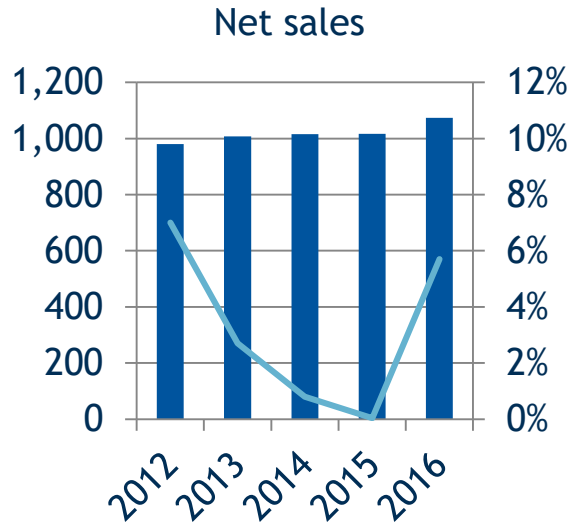


Maintaining profitability at a good level. The aim is operating profit that exceeds 25% of net sales.



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



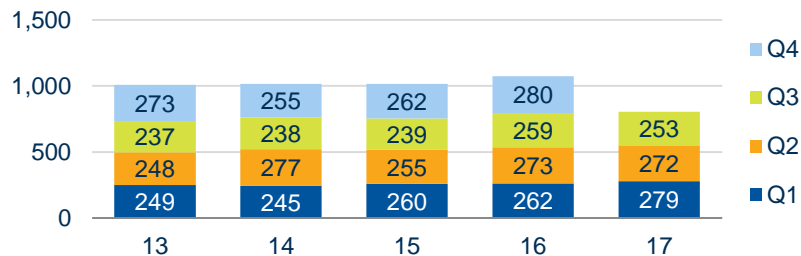
■ Net sales, EUR million
— Growth, %

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

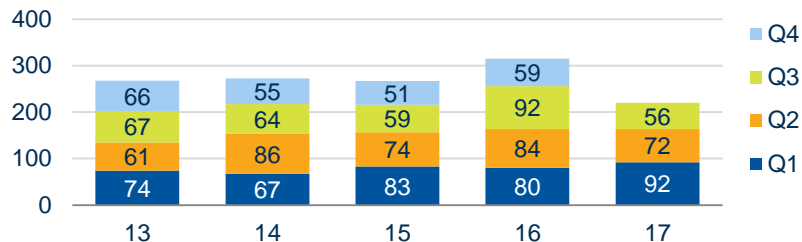
■ Dividend per share
— Dividend target

Key figures by quarter

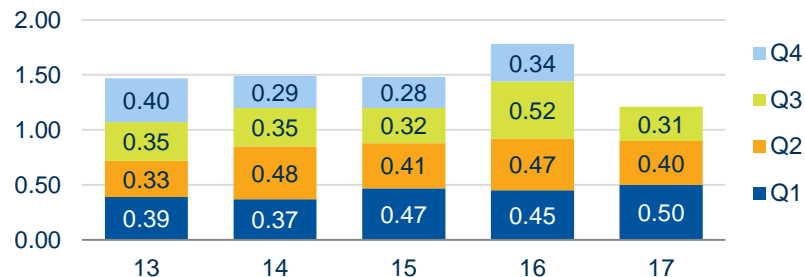
Net sales, EUR million



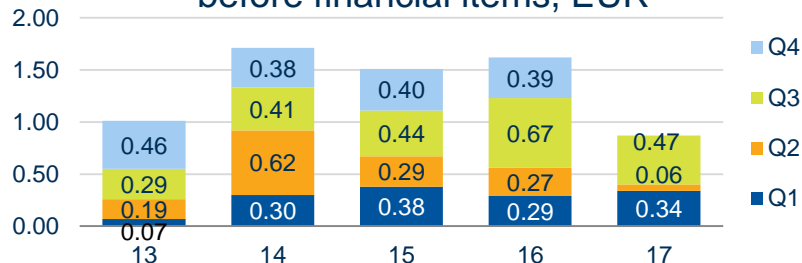
Operating profit, EUR million



Basic earnings per share, EUR



Cash flow per share before financial items, EUR



Key figures

Orion's key figures	2013	2014	2015	2016	1-9/2017	Change % vs. 1-9/2016
Net sales, EUR million	1,006.9	1,015.3	1015.6	1,073.5	804.3	+1.3%
Operating profit, EUR million	267.7	272.4	266.6	314.6	219.9	-14.1%
Profit before taxes, EUR million	264.0	267.8	262.3	310.9	214.8	-15.2%
R&D expenses, EUR million	101.9	106.2	108.1	118.2	77.0	-4.1%
Equity ratio, %	53.6%	52.3%	57.4%	60.8%	61.6%	
Gearing, %	8.4%	-4.7%	-9.6%	-12.4%	3.1%	
ROCE (before taxes), %	38.5%	36.6%	35.7%	40.9%	38.3%	
Return on equity, %	40.3%	41.1%	37.5%	40.3%	36.9%	
Basic earnings per share, EUR	1.46	1.50	1.48	1.77	1.22	-15.1%
Cash flow per share before financial items, EUR	1.02	1.72	1.51	1.62	0.86	-29.7%
Dividend per share, EUR	1.25	1.30	1.30	1.55*		

*) Dividend includes extra dividend of EUR 0.20

Income Statement

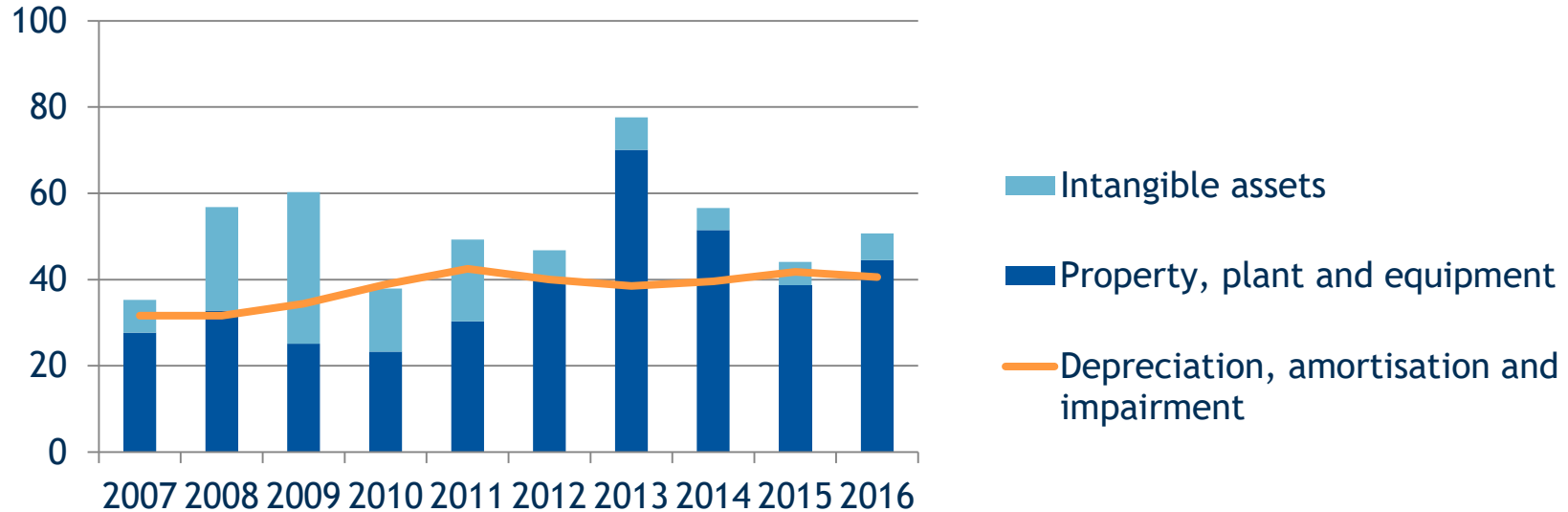
Formation of profits, EUR million	2013	2014	2015	2016	1-9/2017	Change % vs. 1-9/2016
Net sales	1,006.9	1,015.3	1015.6	1,073.5	804.3	+1.3%
Cost of goods sold	-393.5	-401.7	-405.8	-421.7	-329.0	+6.6%
Gross profit	613.4	613.6	609.8	651.8	475.3	-2.0%
Other operating income and expenses	5.6	1.7	1.5	24.3	0.8	-96.3%
Sales and marketing expenses	-204.9	-193.4	-190.4	-194.7	-146.3	+6.5%
R&D expenses	-101.9	-106.2	-108.1	-118.2	-77.0	-4.1%
Administrative expenses	-44.5	-43.3	-46.2	-48.7	-33.0	-2.8%
Operating profit	267.7	272.4	266.6	314.6	219.9	-14.1%
Profit before taxes	264.0	267.8	262.3	310.9	214.8	-15.2%
Profit for the period	206.2	211.3	208.2	249.0	170.8	-15.2%

Financial position

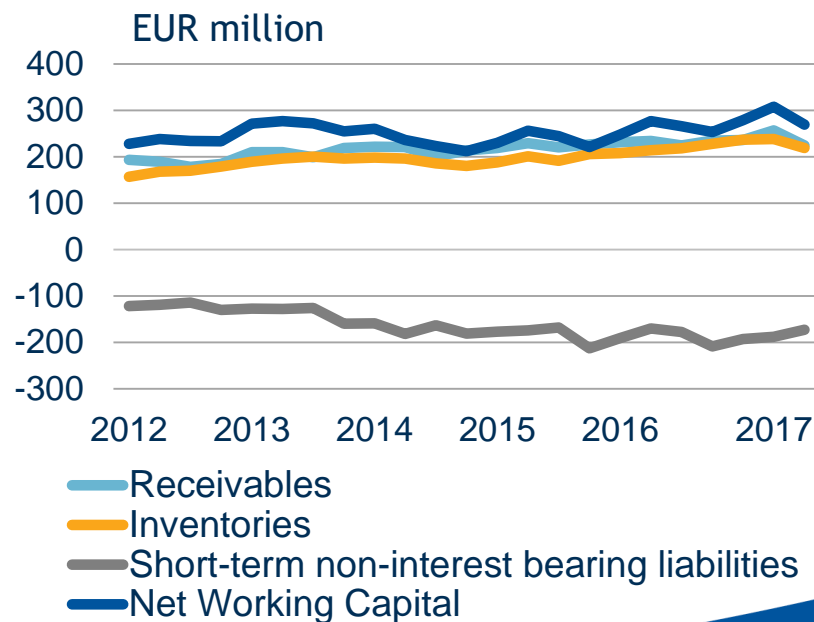
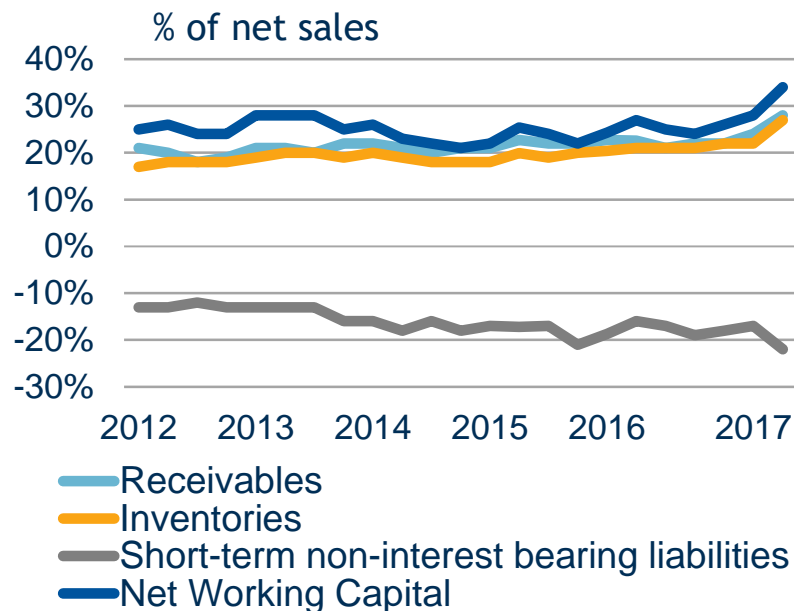
EUR million	9/17	9/16	Change %	EUR million	9/17	9/16	Change %
Non-current assets total	395.8	360.5	+9.8%	Equity total	594.5	588.9	+1.0%
Inventories	218.7	218.4	+0.1%	Interest-bearing non-current liabilities	150.4	150.1	+0.2%
Trade receivables	187.8	185.5	+1.2%	Non-current liabilities total	188.8	187.8	+0.6%
Other receivables	34.8	35.9	-3.0%	Current liabilities total	186.8	221.9	-15.8%
Cash & cash equivalents & money market investments	133.1	178.2	-25.3%	Liabilities total	375.6	409.7	-8.3%
Current assets total	574.4	638.0	-10.0%	Equity and liabilities total	970.1	998.6	-2.8%
Assets total	970.1	998.6	-2.8%				

Development of capital expenditure

Orion Capex, EUR million



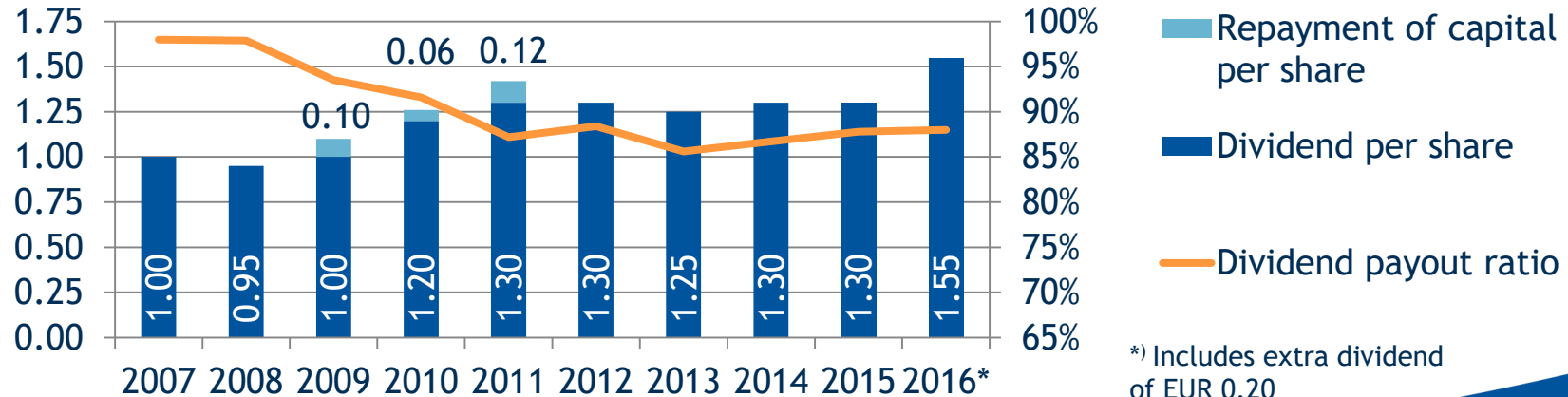
Development of Net working capital



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.

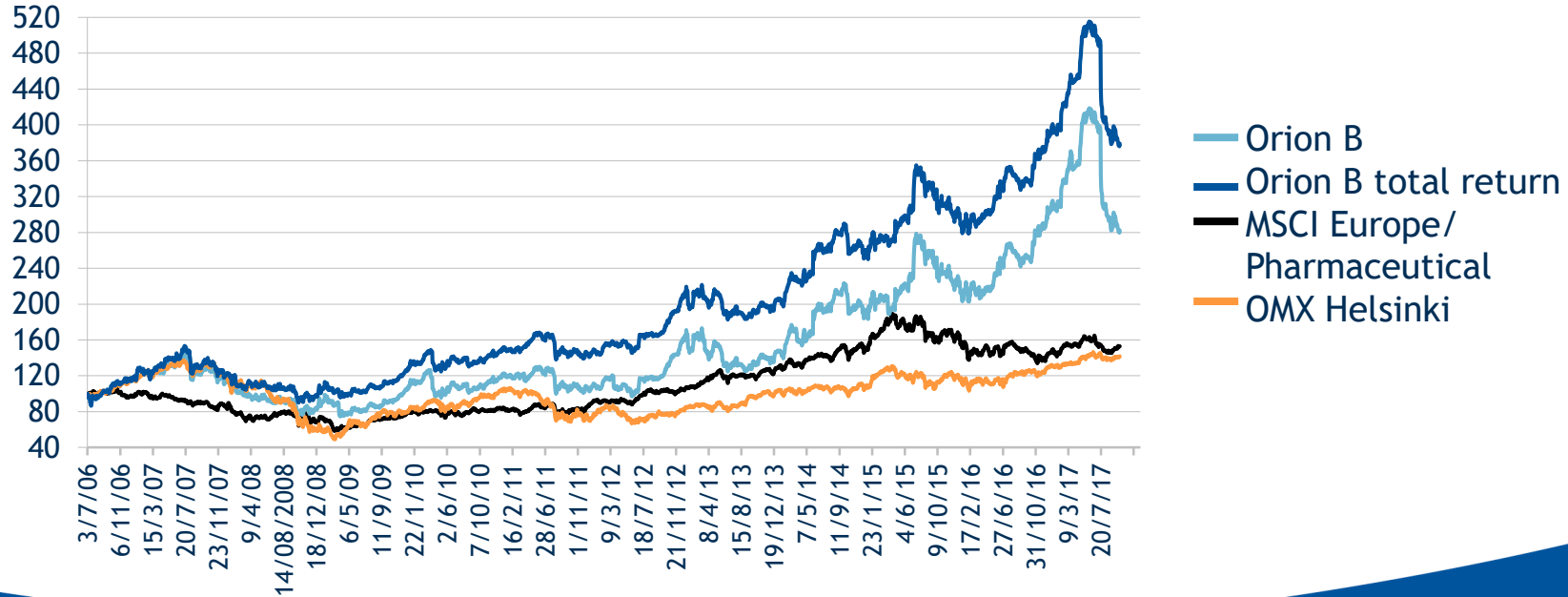
EUR Dividend distribution history



*) Includes extra dividend of EUR 0.20

Orion B share performance, 3 July 2006 - 30 September 2017

Index
3 July 2006=100





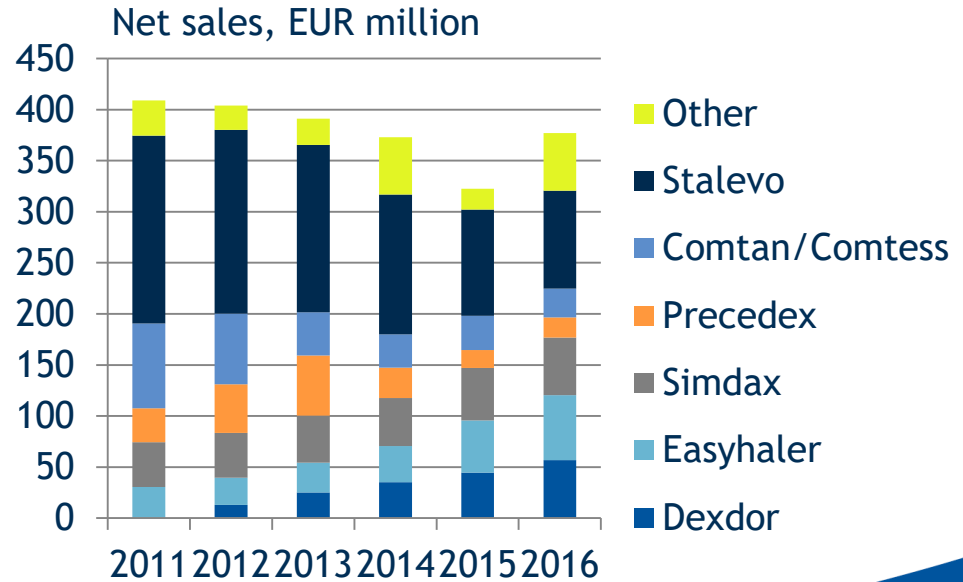
Business units

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
- ▼ Generic competition for Stalevo and Comtan/Comtess

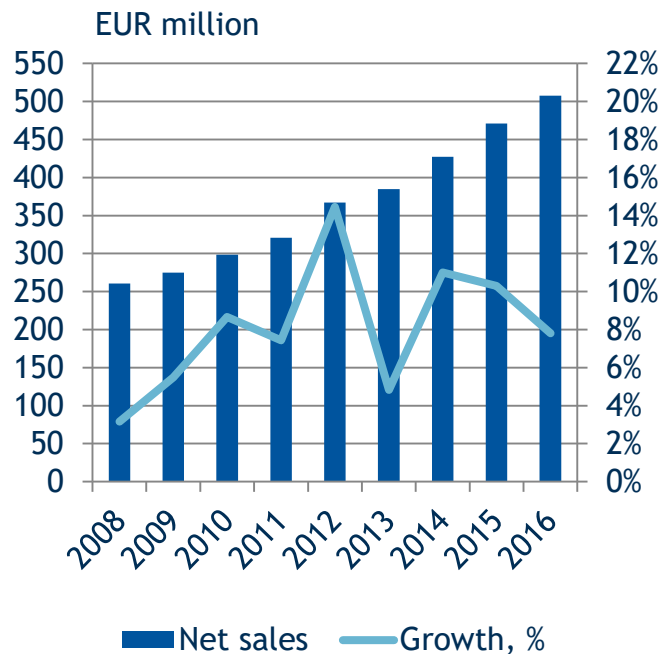


Proprietary human pharmaceuticals developed by Orion

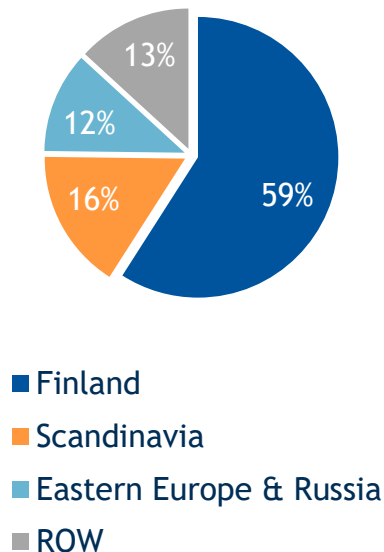
Product	Indication	Year	 Easyhaler®	Year	Indication
	Sedative for ICU use	2011	Bufomix Easyhaler®	2014	
	Parkinson's disease	2003	Formoterol Easyhaler®	2004	
	Acute decompensated heart failure	2000	Budesonid Easyhaler®	2002	Asthma and COPD
	Sedative for ICU use	1999	Beclomet Easyhaler®	1994	
 	Parkinson's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

Steady sales growth for Specialty Products

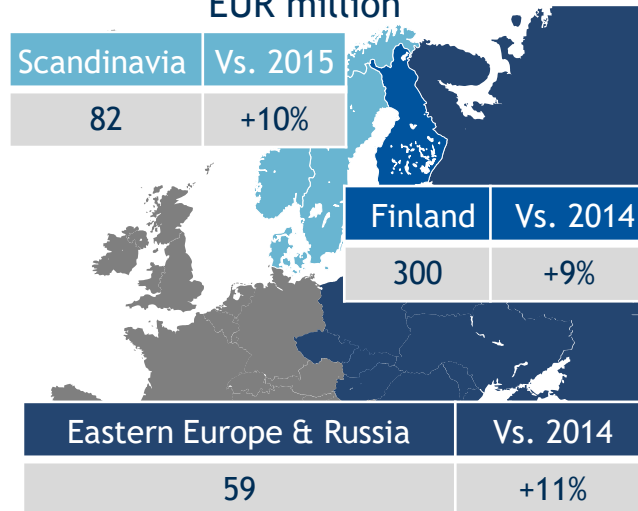
Orion Specialty Products = Gx + OTC including also non-medicinal products



Sales split 2016



Net sales in key markets in 2016, EUR million



Specialty Products – portfolio of hundreds of different product



Generic
prescription drugs

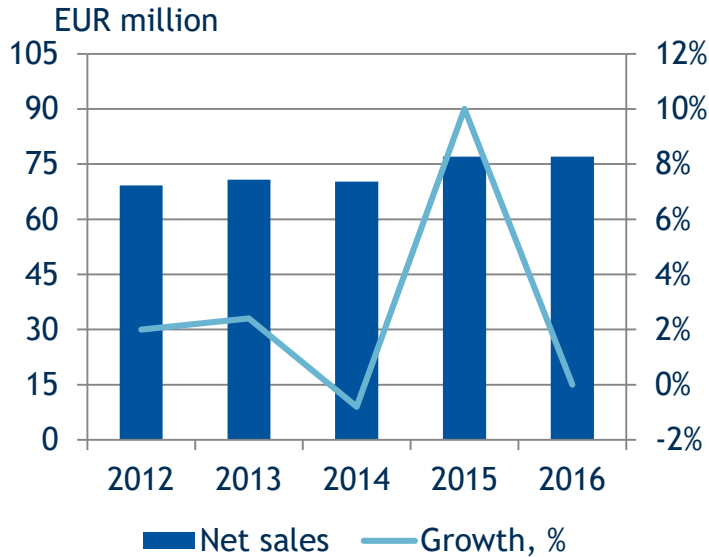


OTC and self-care



Biosimilars

Animal Health

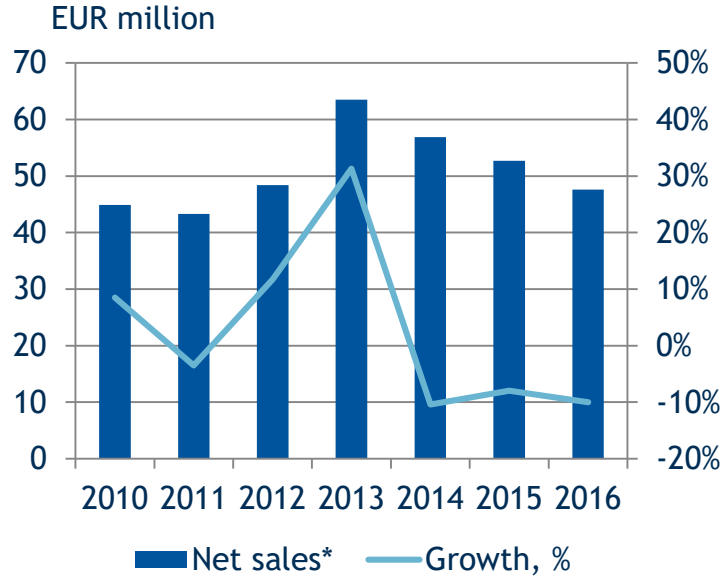


In-house developed proprietary products



- 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



*) 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

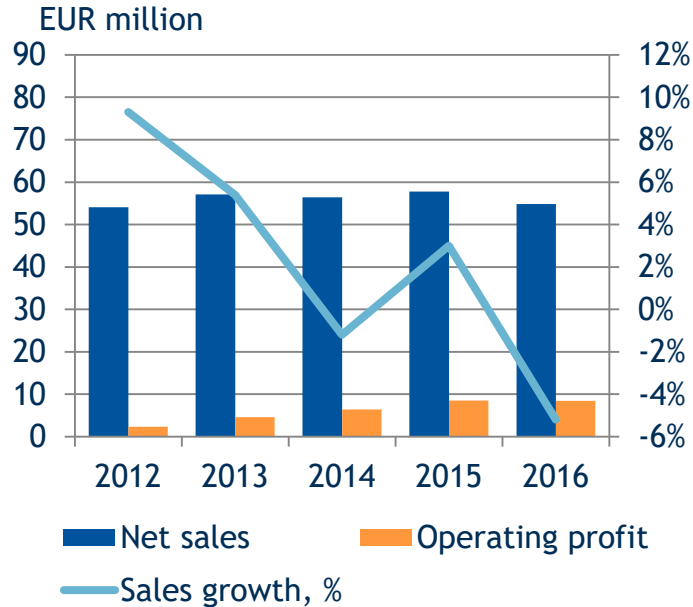


Pharmaceutical manufacturing for other companies



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 Europe), 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*
100

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



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Orion Investor Relations

Jari Karlson
CFO

jari.karlson@orion.fi
+358 10 426 2883

Lilli Riikonen
Communications Manager

lilli.riikonen@orion.fi
+358 10 426 2319

Heidi Ahti
Executive Assistant
(Investor meeting requests)

heidi.ahti@orion.fi
+358 10 426 2169

www.orion.fi/EN/Investors
twitter.com/OrionCorpIR