

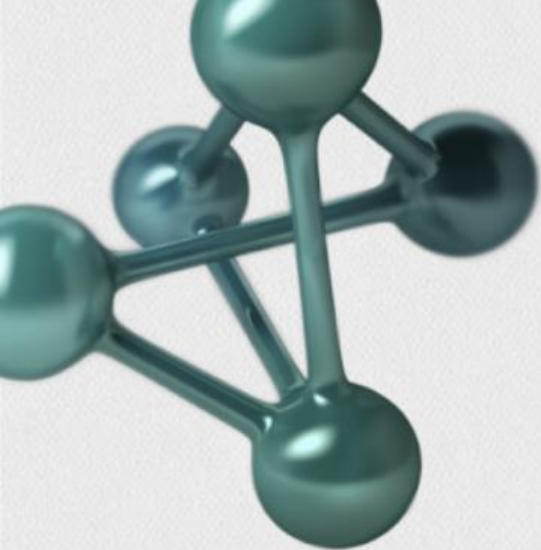
Baltic & Nordic Roadshow Presentation

October, 2014

In This Presentation

- Olainfarm – the background and the key facts;
- Company's recent performance;
- Ukraine and Russia: present and prospects;
- Future plans and possibilities;
- Financial update.





Key Facts

What is Olainfarm? (I)

- Olainfarm, established in 1972, is one of the leading pharmaceutical companies in Baltic States employing more than 1000 highly qualified professionals;
- Produces both Finished Dosage Forms (FDFs) and full cycle Active Pharmaceutical Ingredients (APIs)
 - Primarily branded and historically unique “generics”;
 - Almost 90% of FDFs produced from captive APIs;
- A mother company of one of the biggest Latvian pharmacy chains and the leading Latvian food supplement producer.

Mission

To manufacture reliable and effective high quality pharmaceutical products to the whole world in an environmentally friendly way and in a fair and effective cooperation with customers.

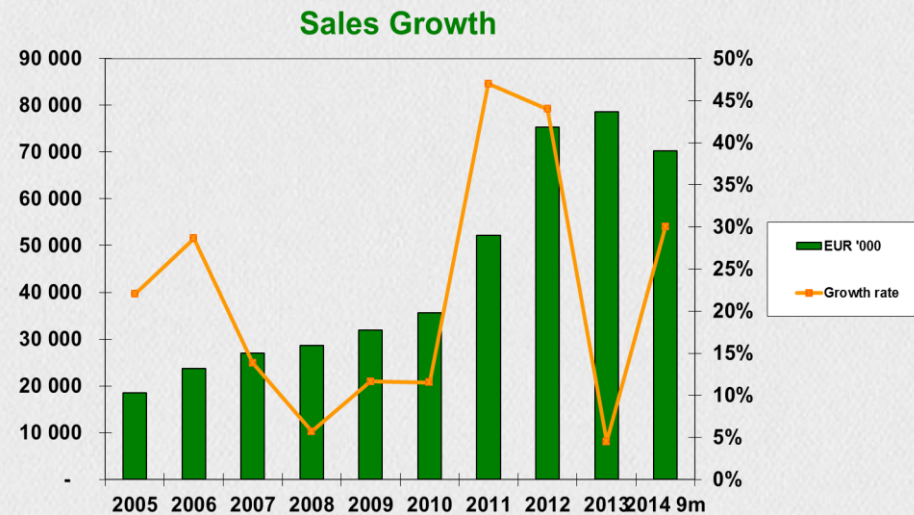
Vision

To become the leading manufacturer of finished dosage forms and chemical-pharmaceutical products in the Baltic States.




What is Olainfarm? (II)

- Certified in accordance with the requirements of the EU Good Manufacturing Practice (GMP), U.S. Food and Drug Administration GMP in API manufacturing, and environmental management systems standard ISO 14001;
- Privatised in 1997, majority by Valerijs Maligins. Now he owns about 70% of the company. Remaining 30% is a free float Nasdaq Riga. Market capitalisation approx. 100 m;
- The company that has demonstrated stable sales growth every year since 2002, despite any local, regional or global crises.



Corporate Milestones

- 
- 2013** ← Olainfarm acquires controlling stake in leading Latvian food supplement company Silvanols.
 - 2011** ← Olainfarm starts building its own chain of pharmacies Latvijas aptieka, dividends paid for the first time.
 - 2008** ← More aggressive approach to marketing taken, bringing the company to significant loss in 2008, but record sales and profits ever since.
 - 2006** ← Moved to the Official list of Riga Stock Exchange.
 - 2004** ← A major reconstruction of the production plant completed and EU Good Manufacturing Practice certificate obtained.
 - 2002** ← Obtained a certificate of conformity to the requirements of U.S. Food and Drug Administration in API manufacturing.
 - 2001** ← A certificate of conformity to the requirements of environmental management systems standard ISO 14001 obtained.
 - 1997** ← The state enterprise Olaine Chemical-Pharmaceutical Plant privatized and reorganized to the joint-stock company Olainfarm and subsequently listed on the stock exchange.
 - 1991** ← After collapse of Soviet Union refocuses to selling specialty synthesis (Adamantane, Quinuclidone and other derivatives) to the western countries.
 - 1980** ← Commenced production of finished dosage forms.
 - 1972** ← Foundation of Olainfarm (at that time Olaine Chemical-Pharmaceutical Plant).

Production

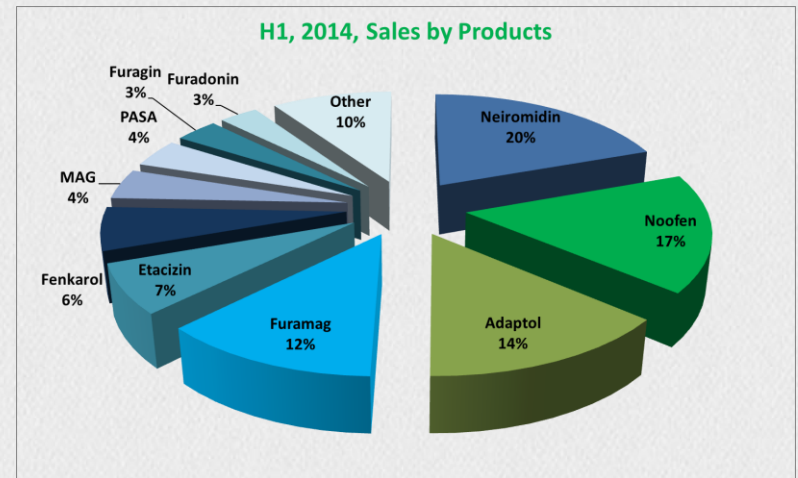
- Own capacities for chemical synthesis, tablet, capsule, sachet production;
- Existing capacity of chemical equipment approx. 200 tons p.a.; capacity of final dosage forms approx. 1 bln units p.a.;
- New investment of 4 mln EUR in small batch final forms and brand new production unit for nitrofurane derivatives will significantly increase overall capacity;
- New investment of 2 mln EUR in synthesis scheme will significantly raise capacity of synthesis of Noofen, Fenkarol and Bikarfen.



OlainFarm

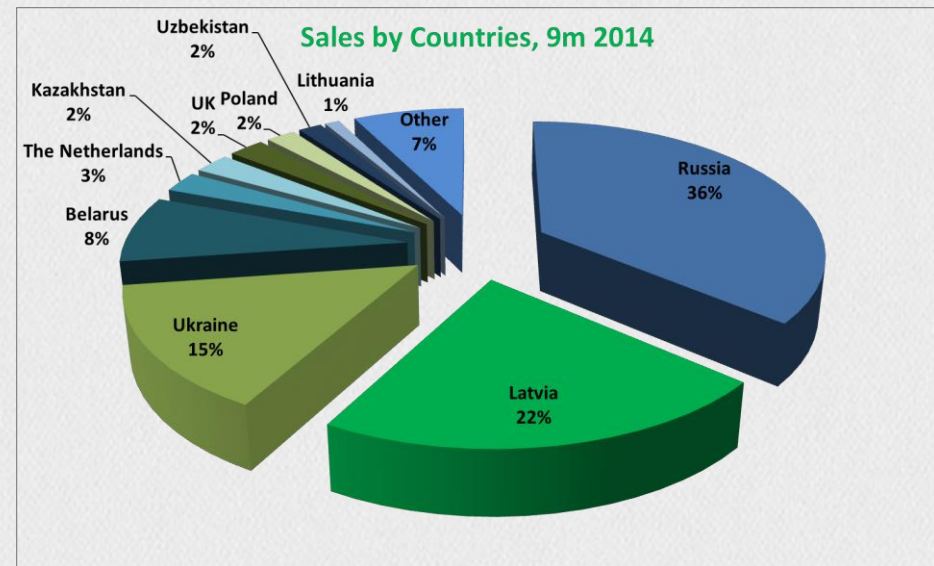
Products

- Product portfolio is well diversified with main emphasis on branded generics, historically unique to or originated in Olainfarm:
 - In total more than 70 names;
 - 10 best-selling products account for less than 90% of sales;
- The main products are:
 - Neiromidin: Cholinesterase inhibitor, stimulant of neuromuscular transmission;
 - Noofen: mood elevator, tranquilizer; Olainfarm owns cost efficient synthesis;
 - Etacizin - antiarrhythmic ;
 - Furamag: one of original nitrofurantoin derivatives, applied to treat urinary infections;
 - Adaptol: adaptogenic product, daytime tranquilizer.
- Main trends of product distribution in pie-chart relatively unchanged for several years.



Markets

- About 2/3 are sales to CIS countries, about 1/2 to Russia and Ukraine combined;
- Latvia's share has recently grown significantly due to acquisition of pharmacies and Silvanols;
- Share of The Netherlands of 3% and growing represents shipments to the WHO of qualified anti-tuberculosis product PASA;
- Entry into new markets is one of the top priorities, recent success includes Central Asian countries, Mongolia, Albania, Kosovo, plans for Turkey.



Management

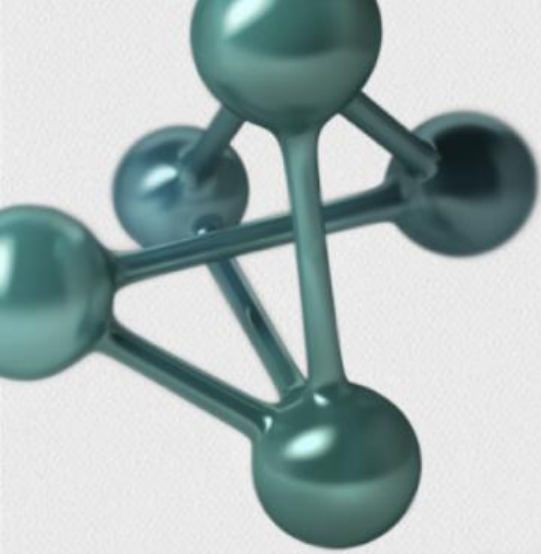
- Independent Supervisory Council, consisting of 5 members, professionals in pharma marketing, regulatory, financial and administrative matters, headed by Dr. Valentina Andrejeva;
- Professional Management Board, consisting of 5 members, each of members having at least 10 years of experience in respective fields of production, finance, marketing, sales and investor relations;
- Management Board headed by Dr. Valerijs Maligins, who also is the main shareholder of the company;
- Independent Auditing Committee, headed by Mr. Viesturs Gurtlavs.



CAPEX Programme

- In May 2013, Government of Latvia approved corporate tax rebate for Olainfarm if a CAPEX programme of more than 33 million EUR is implemented over five years;
- Because of other investment needs, the total 5 year CAPEX programme of Olainfarm was increased to 40 million EUR, but since more careful approach was taken due to Russia – Ukraine situation, it was again scaled down to 36 million;
- Small batch, nitrofurane and Noofen synthesis units nearly completed, total investment made is approx. 6 mln EUR;
- Main items in the remainder of the programme include:
 - capacities for Adaptol, Etacizin and PASA and chemical products;
 - improved energy efficiency, with particular emphasis on cooling systems;
 - wastewater treatment capacity;
 - Quality assurance and R&D capacities.



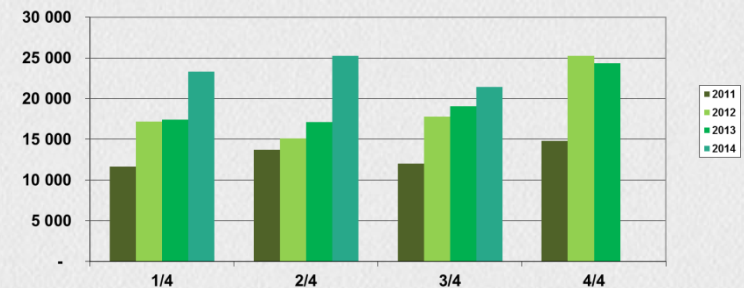


Recent Performance

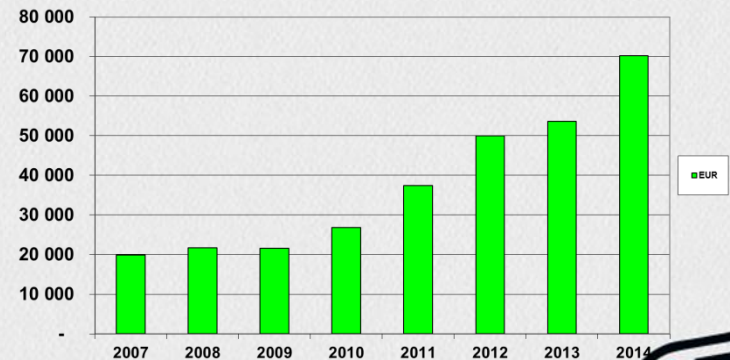
Sales

- All three quarters of this year are best respective quarters in corporate history so far in terms of sales;
- Has been achieved despite very volatile situation in two main markets of Russia and Ukraine;
- Annual sales growth in nine months slightly above 30%;
- 75% of annual target of 93 million EUR achieved during 9 months;
- Important factor in achieving is a marketing expense of approx. 25% of sales.

Sales by Quarters, Thsnd. EUR



Sales In Nine Months, Thsnd

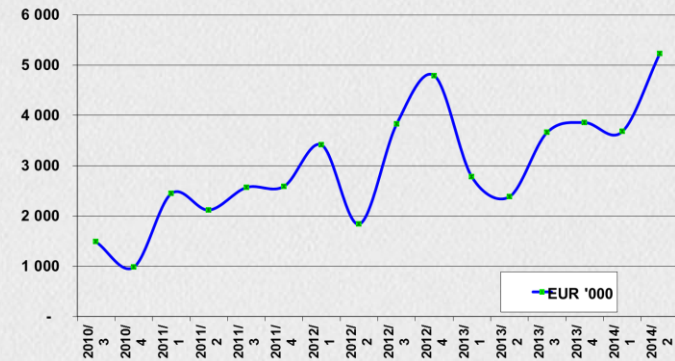


OlainFarm

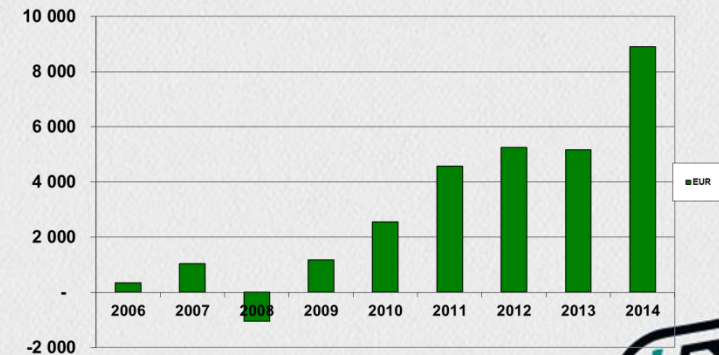
Profit

- Both quarters are best in corporate history so far in terms of profit;
- Because of high fixed costs, profits grow disproportionately high once the break-even point is passed;
- YoY growth of 73%;
- 60% of annual target of 15 mln EUR met in H1;

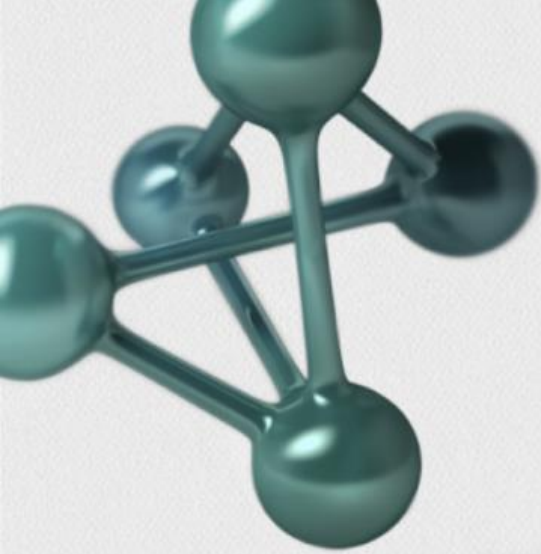
Profit by Quarters



Profit, H1, Thsnd.



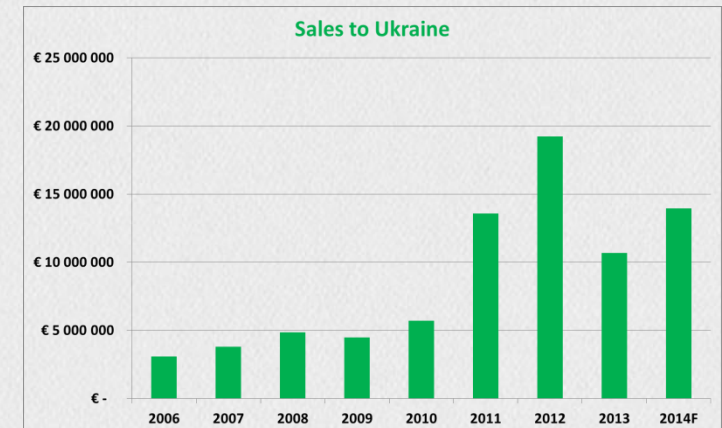
OlainFarm



Ukraine and Russia

Ukraine

- Usually either 2nd or 3rd biggest market of Olainfarm, depending on a year;
- Olainfarm has a representation in Ukraine since late 1990s;
- Overshipments due to regulatory issues caused sales peaks in 2011 and especially in 2012;
- Sales made to one exclusive local partner;
- Sales made in EUR, local partner sells on in UAH, with a few days payment terms;
- Local partner almost fully covers the country in terms of marketing;



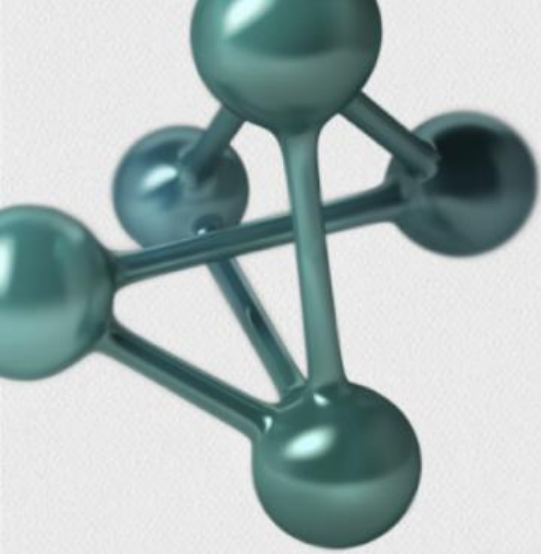
Russia

- Most important market since Olainfarm was established;
- Russia's share down from 80% in late 1990s;
- Representation ever since privatization;
- Sales made to 8 leading Russian wholesalers;
- Since 2008, marketing outsourced to Trade Technologies, and recent peak of 48% share in sales is due to their success;
- Sales made in rubles with currency exchange rate risks being priced in;
- Gradual dilution of Russia's share achieved because of acquisitions and some success in new markets.



Success and the Risks

- Olainfarm is one of the very few pharma companies, demonstrating growth in two troubled markets;
- About 90% of sales made from selling RX medicines, that are much less subjected to influence of economic situation than food supplements and OTC medicines;
- Since the major military conflict seems less likely, economic issues still remain in both countries;
- Since very (if any) sales are made to public sector, purchasing power of population remains the key risk, though from all the sub sectors of pharma it is the least felt with RX products.



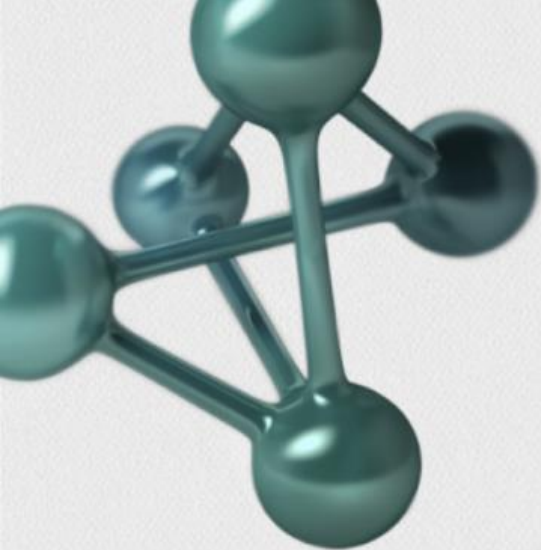
Future Outlook

Future Prospects

- Continue dilution of Russia, Ukraine and other CIS countries with Central Asian, South- East European countries, possibly with some countries of MENA, while keeping the momentum of growth in our current key markets;
- Continue work on new products and co-marketing, started with Orion, Lyomark, Silvanols and others, to take maximum advantage of marketing and logistics networks established in key markets of Baltics and the CIS:
- Since the entry into the new markets and regions seems more lengthy and costly than initially anticipated, continue with identification of possible affordable and promising acquisition targets;
- Although the current conditions might not be most favorable for detailed long term planning, the company expects that its organic sales growth over the next five years will be between 10 and 15% per annum.

Still Under Consideration

- Re-listing or possible dual-listing. Nasdaq's intention to create pan-Baltic-Nordic market could be a good solution;
- Stock split; could as well be considered along with re-listing/dual-listing.



Financials

Key Indicators of Recent Years

(EUR'000)	2005	2006	2007	2008	2009	2010	2011	2012	2013
Sales	18,476	23,768	26,982	28,580	31,931	35,605	52,179	75,288	77,956
EBITDA	3,766	4,832	4,660	2,302	7,985	9,066	14,734	19,917	19,407
EBIT	1,248	2,046	1,527	-1,334	4,765	6,442	12,238	17,000	16,202
Net profit	899	1,107	478	-2,045	3,362	5,017	9,838	13,834	12,596
Assets	27,353	36,098	40,824	45,047	43,482	46,356	59,106	71,231	95,828
<i>incl. cash</i>	149	122	1,535	53	260	704	1,525	2,550	2,097
Equity	13,596	19,119	23,043	20,986	24,348	29,365	38,723	51,322	61,987
Liabilities	13,757	16,979	17,781	24,061	19,134	16,992	20,383	19,909	33,841
<i>incl. interest-bearing liabilities</i>	7,353	10,118	11,925	12,544	8,505	6,873	9,925	10,162	17,078
Sales growth	21.6%	28.6%	13.5%	5.9%	11.2%	11.5%	47%	44%	4%
EBITDA margin	20.4%	20.3%	17.3%	8.1%	25.0%	25.0%	28.2%	26.5%	24.9%
EBIT margin	6.8%	8.6%	5.7%	(4.7%)	14.9%	18.1%	23.5%	22.6%	20.8%
Net profit margin	4.9%	4.7%	1.8%	(7.2%)	10.5%	14.1%	18.9%	18.4%	16.2%
Earnings per share	0.08	0.08	0.03	(0.14)	0.24	0.36	0.70	0.98	0.89
ROE	6.6%	5.8%	2.1%	(9.8%)	13.8%	17.1%	25.4%	27.0	20.3

More Recent Figures

- Company has been increasingly paying dividends since the profits of 2010, but due to extensive CAPEX programme, dividend payment is put on hold for 2 years, and then will be restarted with payout ratio of 17.5% from the profits of 2015;
- Targets for 2014: Unconsolidated sales of 80 mln EUR, consolidated sales 93 mln EUR, Unconsolidated profit: 14 mln EUR, consolidated profit 15 mln EUR. So far sales according to schedule, profit ahead of schedule.

(EUR'000)	H1 2014	H1 2013	% to previous
Sales	48,563	34,556	141%
COGS	-15,271	-11,441	133%
Gross Profit	33,292	23,115	144%
Selling expense	-13,113	-10,353	127%
Administrative expense	-8,096	-6,554	124%
Other items	-836	134	
EBITDA	13,213	7,631	173%
<i>EBITDA margin</i>	27%	22%	
Financial items	-811	-608	
EBIT	11,340	6,342	179%
<i>EBIT margin</i>	23%	18%	
Profit before tax	10,529	5,734	184%
Corporate income tax	1,679	575	292%
Net profit	8,926	5,159	173%
<i>Net margin</i>	18%	15%	

Thank You!

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