

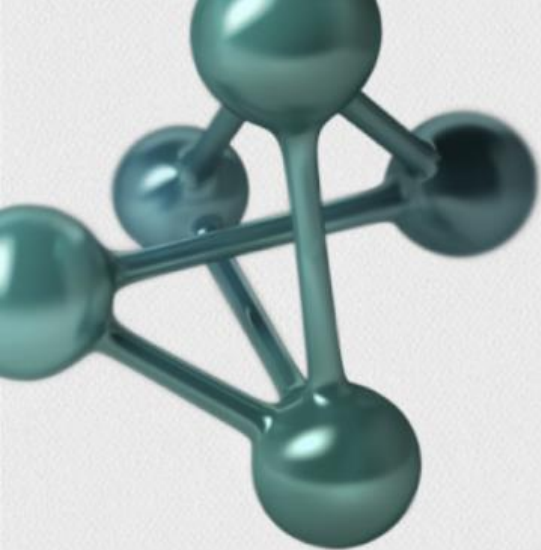
Baltic Sea Region Roadshow Presentation

October, 2016

In This Presentation

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





Key Facts

What is Olainfarm? 1/2

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

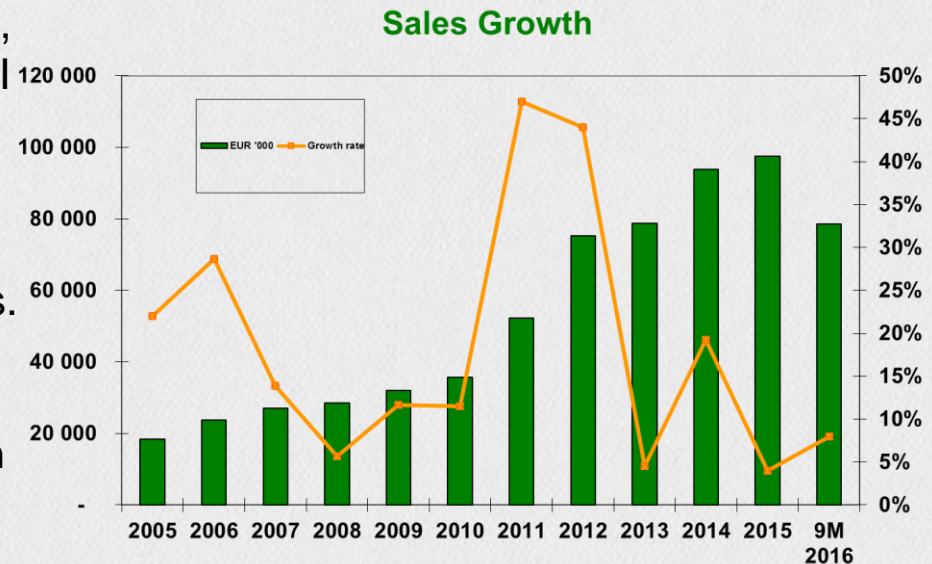
To become the leading manufacturer of finished dosage forms and chemical-pharmaceutical products in the Baltic States.



- 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.

What is Olainfarm? 2/2

- 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 free float listed on Nasdaq Riga. Market capitalisation around 120 million euros;
- The company that has demonstrated stable sales growth every year since 2002, despite any local, regional or global crises, CAGR during this period being above 15%.

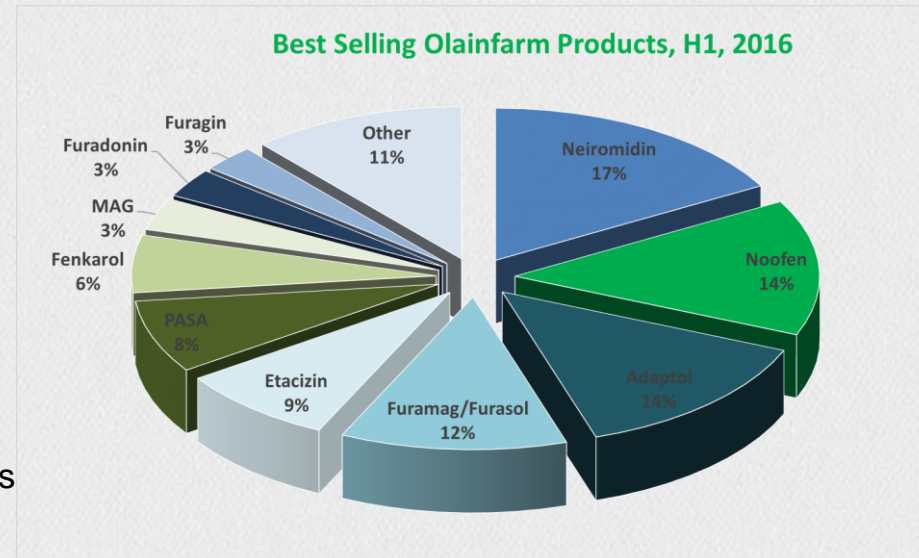


Corporate Milestones

- 
- 2016 ← OlainFarm acquires Kivvi Cosmetics, Tonus Elast and Belarussian NPK Biotest
 - 2013 ← OlainFarm acquires controlling stake in leading Latvian food supplement company “Silvanols”
 - 2011 ← OlainFarm starts building its own chain of pharmacies, 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).

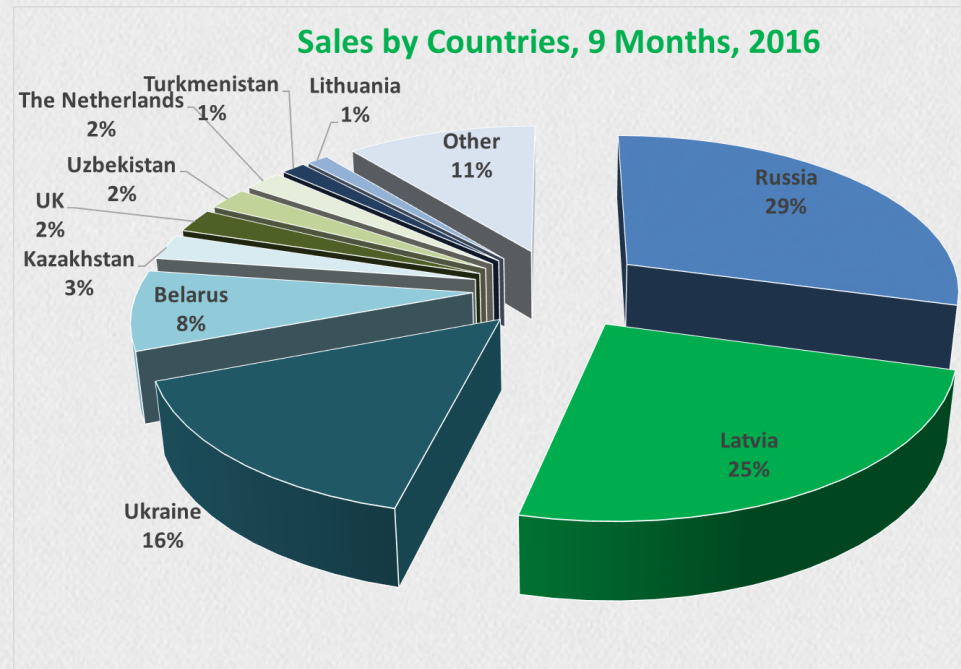
Products

- 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;
 - PASA – Anti-tuberculosis products, extensive shipments to WHO;
 - 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 players in pie-chart relatively unchanged for several years, distribution of shares is becoming more even



Markets

- About 1/2 are sales to CIS countries, significant reduction from 2/3 few years ago;
- Latvia's share has recently grown significantly due to acquisition of pharmacies and Silvanols;
- One of the reasons behind more focus on acquisitions is a strategic decision to diversify sales markets even further;



The Group: Silvanols

- In 2014 Olainfarm acquired a controlling stake in leading Latvian food supplement company Silvanols;
- Silvanols has more than 20 years of experience in development and production of innovative natural ingredients based foods supplements, medical devices and medicines;
- Its portfolio includes almost 70 different products in different forms, including capsules, gels, syrups, ointments, drops, tablets, balsams and sprays;
- Silvanols has been exporting its products to more than 20 countries in Europe and Asia, in cooperation with Olainfarm number of countries and sales volumes are growing significantly.
- Sales expectations in 2016 approx. 4.4 mln.



The Group: Latvijas Aptieka

- In order to strengthen positions on Latvian market, since 2011 Olainfarm is building its own chain of pharmacies in Latvia;
- It is a 4th biggest pharmacy chain in Latvia in 2015;
- Currently 64 pharmacies are operating throughout Latvia, and the number continues growing;
- Expected sales in 2016 approx. 18 mln EUR, contribution to consolidates sales approx 9 mln;
- No expansion to other countries with retail business expected any time soon.



The Group: Kivvi

- In January 2016, Olainfarm acquired 100% shares in Latvian producer of eco-cosmetics SIA Kivvi;
- Kivvi has more than 70 names in their portfolio, most of them certified by Eco- Cert, the most recognized international eco certification system;
- Company sells its products in 20 countries;
- Total sales in 2015 were 123 thousand euros, while 100 thousand in H1 2016;
- Significant synergies between Kivvi and other companies of the group, including production, sales, marketing and logistics.



The Group: Tonus Elast

- In May 2016 Olainfarm acquired 100% shares in leading Latvian producer of elastic and compression products «Tonus Elast»;
- Tonus Elast has 20 years of experience in development and production of classic and innovative medical devices for traumatology, rehabilitation, pregnant women, athletes and many other applications;
- Its portfolio includes more than 100 types of products, including neoprene products, bandages, belts, correctors, fixators and compression products;
- Tonus Elast has been exporting its products to more than 30 countries in Europe, CIS and the Middle East, in cooperation with Olainfarm number of countries and sales volumes are expected to grow significantly.
- Sales expectations in 2016 approx. 8 mln.



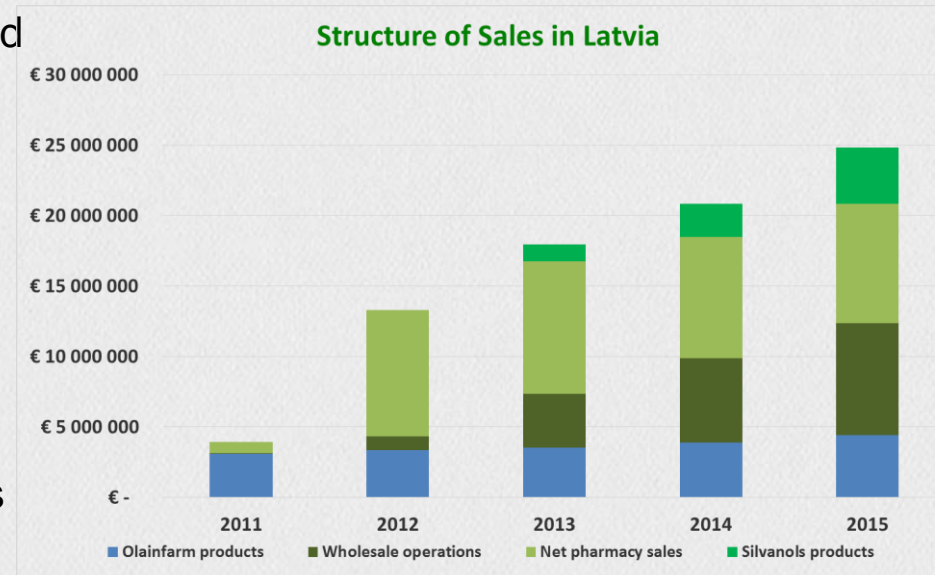
The Group: Biotest

- In September 2016, Olainfarm acquired 24% shares in Belarusian pharmaceutical company Biotest; it is planned to gradually increase the share to 70%;
- Biotest focuses on production of natural herbal infusions and mixtures for medical applications;
- Biotest was selling 95% of its products in Belarus only;
- The main reason for acquisition is to move the last stages of FDF production to Belarus, to overcome some protectionist limitations imposed by Belarus government on foreign producers;



Impact of Being The Group

- Since acquisitions of pharmacies consolidated Latvian sales have grown significantly;
- Only small part of that growth caused by increase in sales of Olainfarm products;
- Retail activity also gave a boost to wholesale operations;
- Since 2013 sales made in Latvia by Silvanols also were being consolidated in.
- In 2016 the consolidated sales start including Kivvi, Tonus Elast and Biotest.



Olainfarm Today: Management

- Independent Supervisory Council, consisting of 5 members, professionals in pharma marketing, regulatory, financial and administrative matters, headed by Mr. Ivars Godmanis, former PM of Latvia and former MEP;
- Professional Management Board, consisting of 7 members, each of members having at least 10 years of experience in respective fields of production, finance, marketing, sales, IT 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.



Olainfarm Today: R&D

- R&D effort is mainly focused on the following areas:
 - Development and improvements of synthesis;
 - Synthesis of optic isomers of known molecules;
 - Finding promising combinations of known molecules;
 - Finding new indications for existing or related products;
 - Development of new Final dosage formulations;
- Nearly 100 people are involved in different R&D related activities, on average OlainFarm annually spends from 5 to 10 % of sales on R&D;
- Post marketing studies and trials are also important part of company's R&D effort. Several such studies and trials have been conducted for all of OlainFarm's best selling products



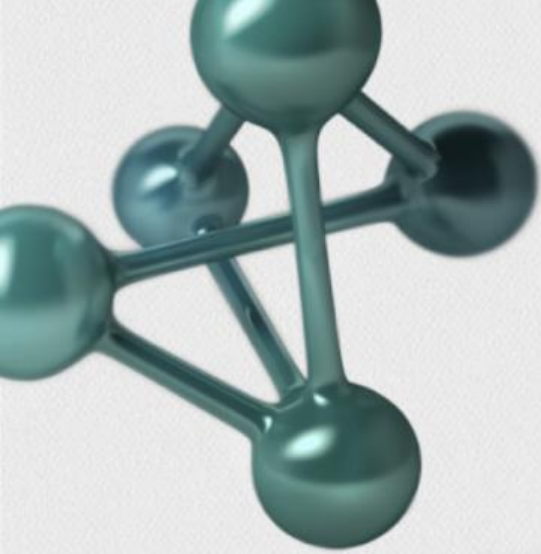
Existing Production

- Own capacities for chemical synthesis, tablet, capsule, sachet production;
- Up to very recently the capacity of chemical equipment approx. 200 tons p.a.; capacity of final dosage forms approx. 1 bln. units p.a.;
- New investment of nearly 10 mln EUR in small batch final forms and brand new production unit for nitrofurane derivatives, co-funded by ERDF has significantly increase overall capacity;
- New own investment of 2 mln. EUR in synthesis scheme will significantly raise capacity of synthesis of Noofen, Fenkarol and Bikarfen.



Acquisition Ambitions

- As market penetration in many of company's key markets (Latvia ,Ukraine, Belarus, major regions of Russia) with current products is close maximum, the company has identified acquisition of companies and/or products as its main medium term growth driver;
- The focus is on companies not bigger than Olainfarm itself (in terms of market capitalisation);
- Central and Western Europe is a preferred region;
- The «perfect target» would have limited sales to CIS and Eastern Europe, complementing product range and skilled regulatory team.
- Several targets currently in very early stages of processing.

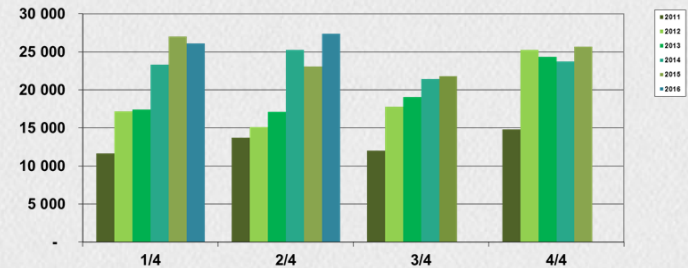


Recent Performance

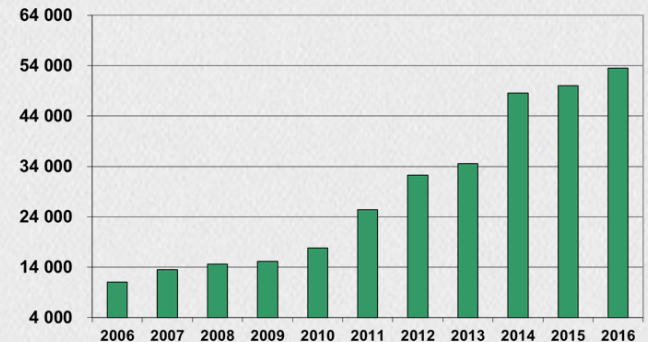
Sales

- Both quarters reasonably good, both in «top 3» quarters in corporate history;
- Has been achieved despite very volatile situation in Russia, especially in Q1;
- Annual sales growth slightly above 7% after 6 months;
- Slightly ahead of pace for annual target of 100 mln, as 53.5 million achieved in 6 months;

Sales by Quarters, Thsnd. EUR

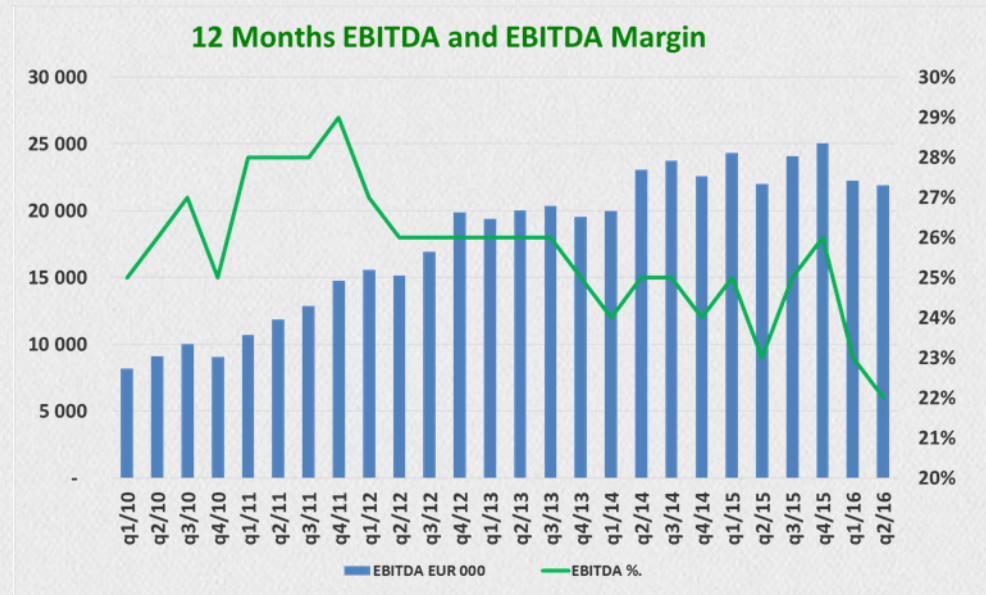


Six Months Sales, Thsnd. EUR



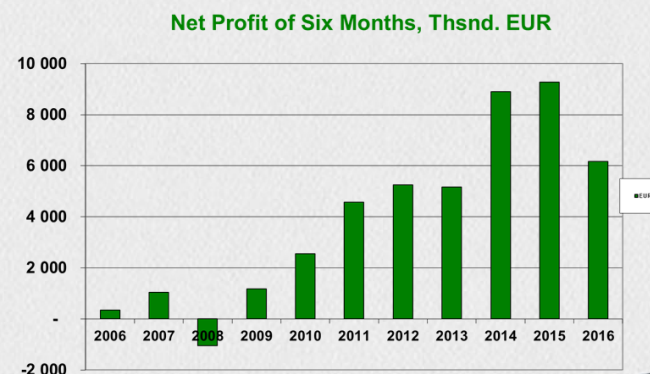
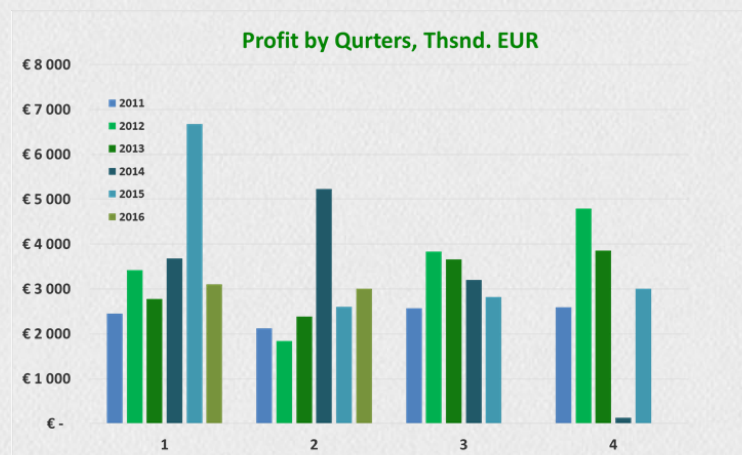
EBITDA

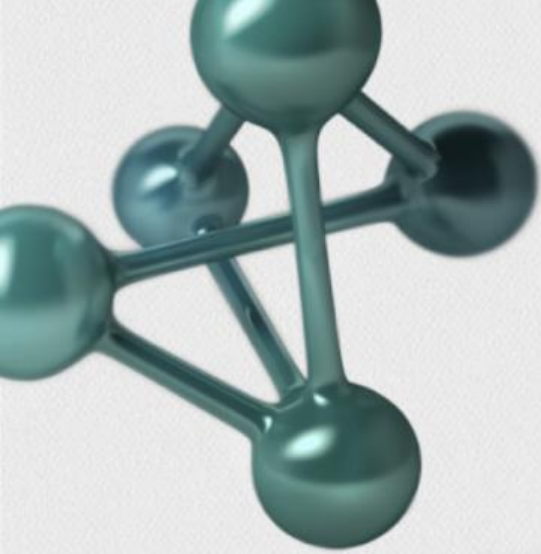
- 12 months rolling EBITDA fluctuated around 23 mln, recent EBITDA margin around 25% until Q2, 2016, when it dropped to 22%;
- Prior to acquisition of pharmacies EBITDA margin fluctuated around 28%;
- More recent reduction in EBITDA and the margin mainly due to sales mix changing from top margin sales to CIS countries, to smaller margin sales of chemicals and sales in pharmacies.



Profit

- Both quarters at roughly 3 mln each after provisions of 1 mln in Q1 and 1.5 mln in Q2;
- Slightly above 6 million in 6 months, a reduction by 34% compared to 6 months of 2015;
- Main reason for reduction was forex gains of Q1 2015, which did not reoccur in 2016; smaller contribution also provided by less favourable sales mix and bigger share of sales in pharmacies;
- 61% of annual target of 10 mln. EUR met in 6 months.

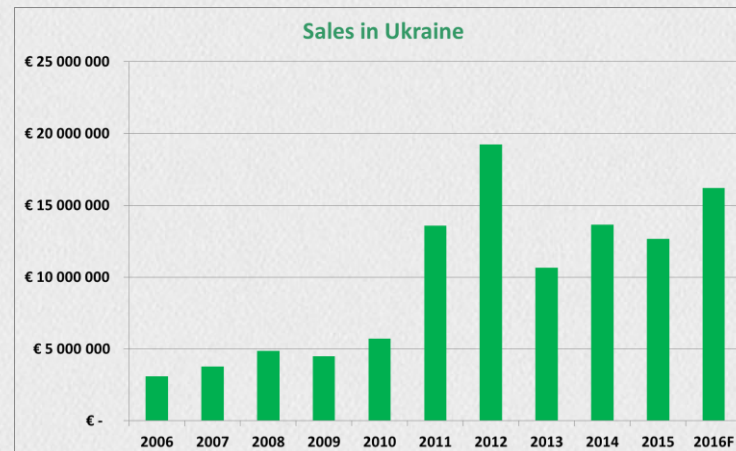




Ukraine, Russia and Belarus

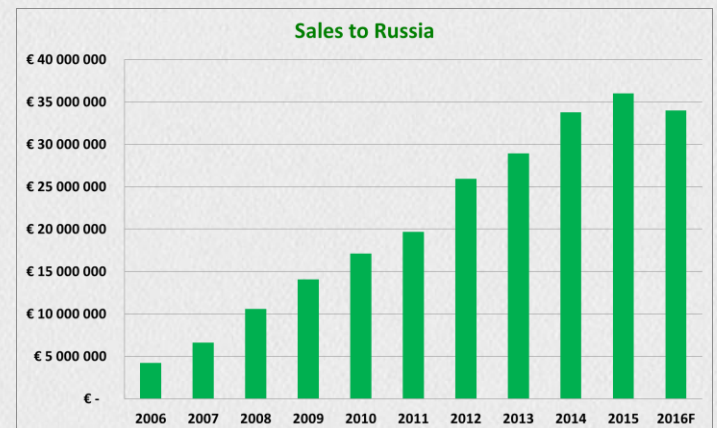
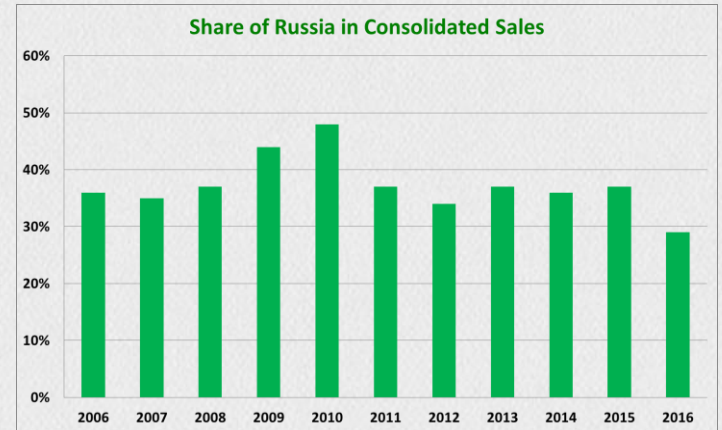
Ukraine

- Usually either 2nd or 3rd biggest market of Olainfarm, depending on a year;
- Olainfarm has a representation in Ukraine since late 1990s;
- Outperforming moderate expectations for 2016;
- Sales made to one exclusive local partner, except for PASA programme;
- Sales made in EUR, local partner sells on in UAH, with a few days payment terms, conversion is an issue further limiting sales;
- Local partner almost fully covers the country in terms of marketing;



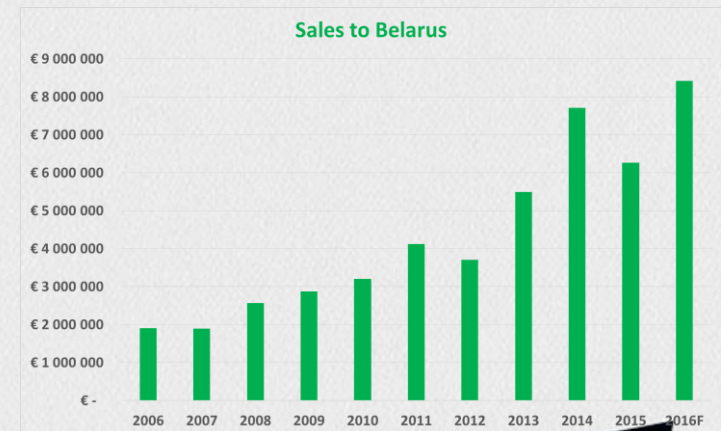
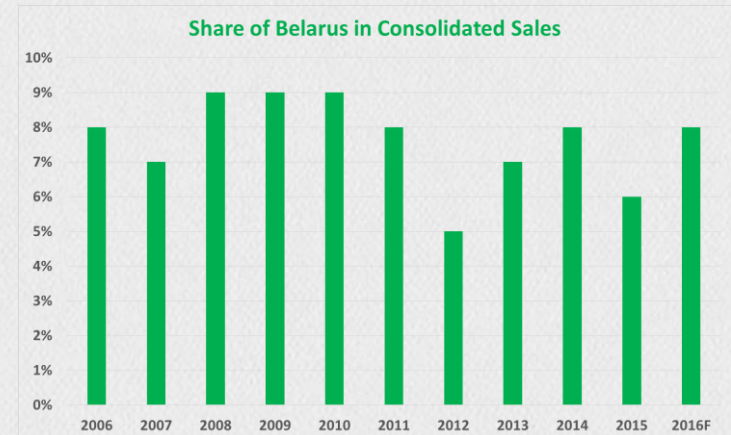
Russia

- Most important market since Olainfarm was established, share gradually shrinks though;
- Underdelivers on targets for 2016, as relative stability generated elevated expectations;
- Representation ever since privatisation;
- Wholesalers financially unstable amidst market redistribution processes;
- 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.



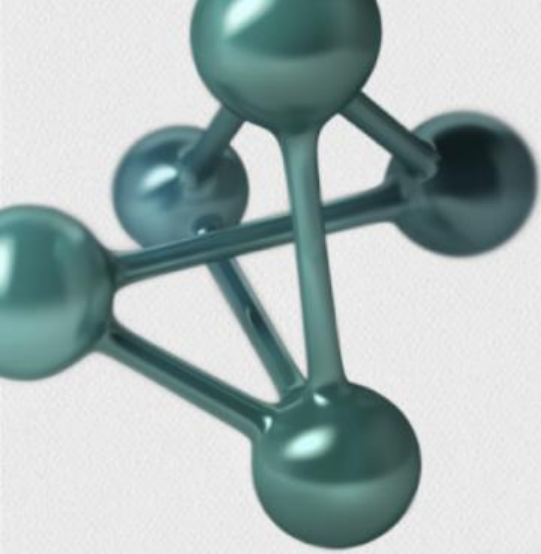
Belarus

- A stable number 4 market since very many years;
- Belarus share fluctuates between 5% and 9% for a last decade;
- Representation since early 2000s;
- A lot of protectionist rhetoric and actions combined with unstable currency make sales very volatile ;
- Marketing conducted by own representative office with staff of 50;
- Acquisition of NPK Biotest shall mitigate protectionist and some local currency risks.



Success and the Risks

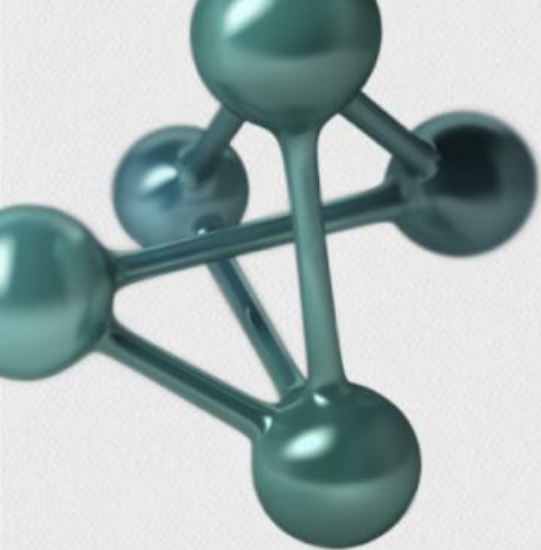
- Olainfarm is one of the very few pharma companies, performing reasonably well in three troubled markets, especially Ukraine and Belarus;
- Vast majority of sales made from selling RX medicines, that are much less subjected to influence of economic situation than food supplements and OTC medicines, however some food supplements are doing well in Belarus
- Since very few (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;
- Factors like market redistribution in Russia, volatility of local currencies, protectionist rhetoric, lack of hard currency still significantly influence sales development in all three countries.



Future Outlook

Future Prospects

- Continue dilution of Russia, Ukraine and other CIS countries with Central Asian, Central – Western European countries, possibly with some countries of MENA, while keeping the momentum of growth in our current key markets; acquisition of countries operating in those markets will remain a very high priority;
- First market approvals in Turkey are expected in early 2017, in longer run Turkey may become one of company's key markets;
- As the company has well established marketing and logistics network throughout CIS countries, selling marketing and logistics services will remain one of company's activities. Such service is already being provided to several partners;
- Before products are authorized for Turkey or other bigger market, the company does not expect its organic growth to exceed 7-8% p.a. However, some bigger acquisitions might add significantly to the overall growth rate



Financials

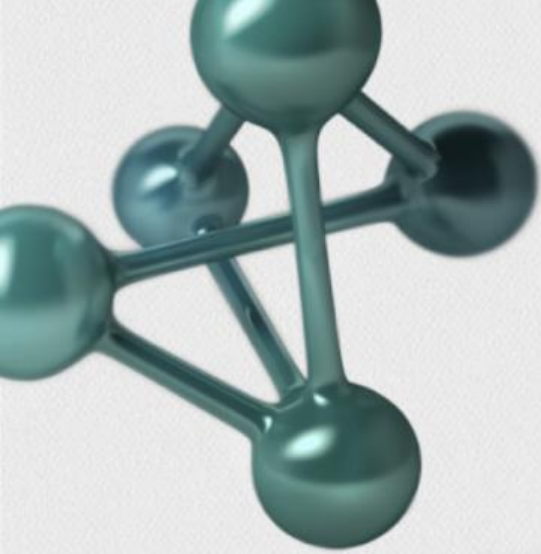
Key Indicators of Recent Years

(EUR'000)	2007	2008	2009	2010	2011	2012	2013	2014	2015
Sales	26,982	28,580	31,931	35,605	52,179	75,288	77,956	93,654	97,392
EBITDA	4,660	2,302	7,985	9,066	14,734	19,917	19,407	21,484	23,548
EBIT	1,527	-1,334	4,765	6,442	12,238	17,000	16,202	17,712	17,830
Net profit	478	-2,045	3,362	5,017	9,838	13,834	12,596	11,424	14,566
Assets	40,824	45,047	43,482	46,356	59,106	71,231	95,828	106,723	118,131
<i>incl. cash</i>	1,535	53	260	704	1,525	2,550	2,097	2,055	5,574
Equity	23,043	20,986	24,348	29,365	38,723	51,322	61,987	73,045	88,348
Liabilities	17,781	24,061	19,134	16,992	20,383	19,909	33,841	33,678	29,783
<i>incl. interest-bearing liabilities</i>	11,925	12,544	8,505	6,873	9,925	10,162	17,078	16,940	12,361
Sales growth	13.5%	5.9%	11.2%	11.5%	47%	44%	4%	20%	4%
EBITDA margin	17.3%	8.1%	25.0%	25.0%	28.2%	26.5%	24.9%	24.1%	25.6%
EBIT margin	5.7%	(4.7%)	14.9%	18.1%	23.5%	22.6%	20.8%	19.6%	19.3%
Net profit margin	1.8%	(7.2%)	10.5%	14.1%	18.9%	18.4%	16.2%	13.1%	15.7%
Earnings per share	0.03	(0.14)	0.24	0.36	0.70	0.98	0.89	0.87	1.08
ROE	2.1%	(9.8%)	13.8%	17.1%	25.4%	27.0%	20.3%	16.8%	17.3%

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 was be restarted with payout ratio of 17.5% from the profits of 2015;
- Intention is to have no more dividend breaks, but be less aggressive in payout ratio;

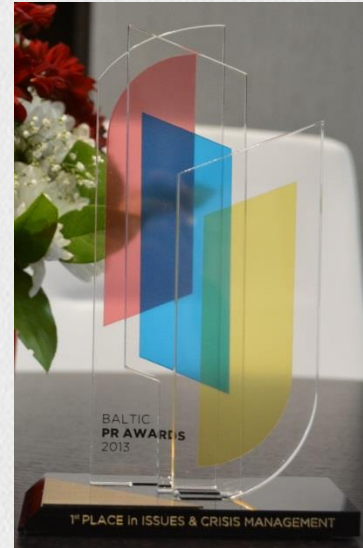
(EUR'000)	H1 2015	H1 2016	% YoY
Sales	50,069	53,517	107%
COGS	-16,242	-20,320	125%
Gross Profit	33,827	33,197	98%
Selling expense	-13,552	-14,624	108%
Administrative expense	-8,302	-9,050	109%
Other items	-2,399	-2,755	115%
EBITDA	12,711	9,745	77%
<i>EBITDA margin</i>	25%	18%	
Financial items	2,147	1,190	55%
EBIT	9,778	6,807	70%
<i>EBIT margin</i>	20%	13%	
Profit before tax	11,925	7,997	67%
Corporate income tax	-2,510	-2,095	83%
Net profit	9,280	6,116	66%
<i>Net margin</i>	19%	11%	



Appreciation

Appreciation

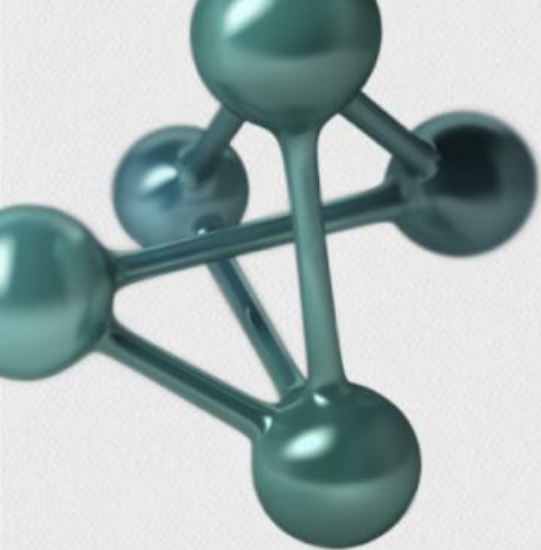
- During the last five years Olainfarm has received dozens of awards for almost all elements of our operations, including:
 - Champion of Exports;
 - Five times Latvian Corporate Excellence Award;
 - Baltic Corporate Excellence Award winner;
 - Baltic PR Award;
 - Two times Best partner of Trade Unions Award;
 - Best Latvian Investor Relations Award;
 - Best Pharmaceutical Company Award;
 - ..and many, many more.



Recently on Times Square

- Olainfarm was celebrated as the best performing listed company in the Baltics in decade;
- Not only financials, but corporate governance and investor relations improvement were also evaluated;
- As a winner, Olainfarm was awarded an honour to ring NASDAQ closing bell in New York in a ceremony on August 1,2016

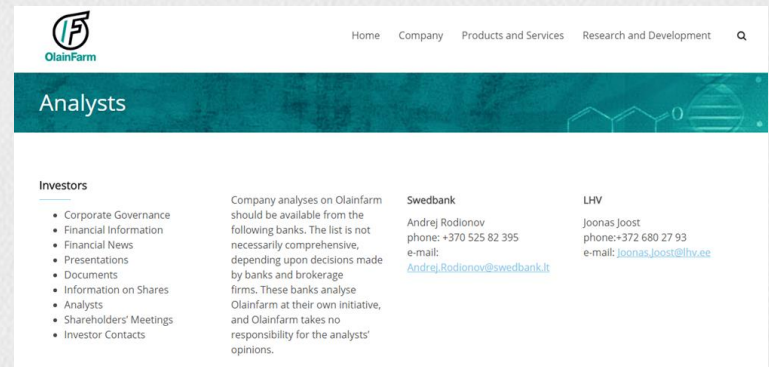




Investor Relations

Investor Relations Activities

- Monthly disclosures on preliminary sales of all three major companies in the group;
- Quarterly webinars shortly after publishing financial reports on recent financial performance, selected topics of focus and with extensive online Q&A session;
- Annual Baltic – Nordic road shows;
- New Analyst section open in web page, when number of analysis is sufficient, consensus figures will also be published;
- Up to 100 investor meetings p.a.;



The screenshot shows the 'Analysts' section of the OlainFarm website. At the top left is the OlainFarm logo. The navigation menu includes 'Home', 'Company', 'Products and Services', and 'Research and Development'. The main heading is 'Analysts'. Below this, there is a section for 'Investors' with a list of links: Corporate Governance, Financial Information, Financial News, Presentations, Documents, Information on Shares, Analysts, Shareholders' Meetings, and Investor Contacts. To the right of this list, there is a paragraph stating that company analyses are available from various banks, but they are not necessarily comprehensive and depend on the banks' and brokerage firms' analyses. Further right, there are contact details for 'Swedbank' (Andrej Rodionov) and 'LHV' (Joonas Joost).

OlainFarm

Home Company Products and Services Research and Development

Analysts

Investors

- Corporate Governance
- Financial Information
- Financial News
- Presentations
- Documents
- Information on Shares
- Analysts
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Company analyses on Olainfarm should be available from the following banks. The list is not necessarily comprehensive, depending upon decisions made by banks and brokerage firms. These banks analyse Olainfarm at their own initiative, and Olainfarm takes no responsibility for the analysts' opinions.

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