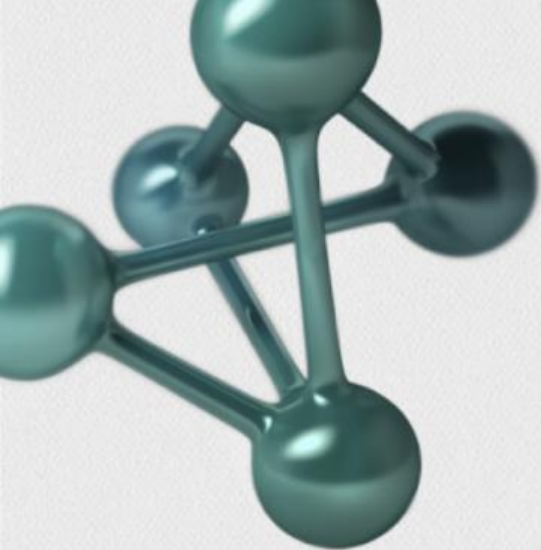


# Webinar Presentation



3rd quarter and  
9 months of 2016

December 8, 2016

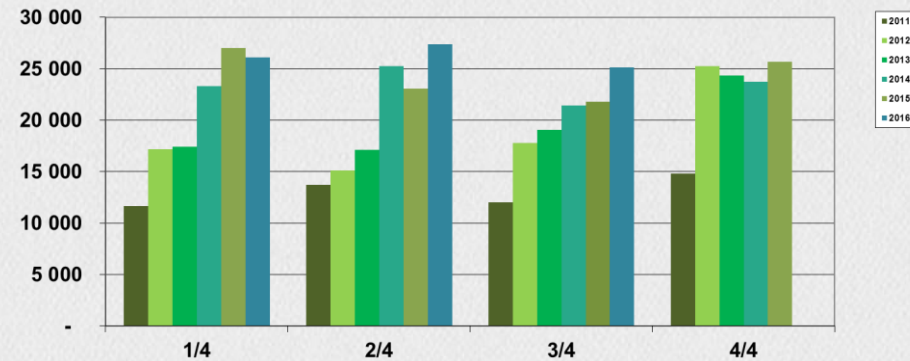


## 3rd Quarter

# Sales in 3rd Quarter

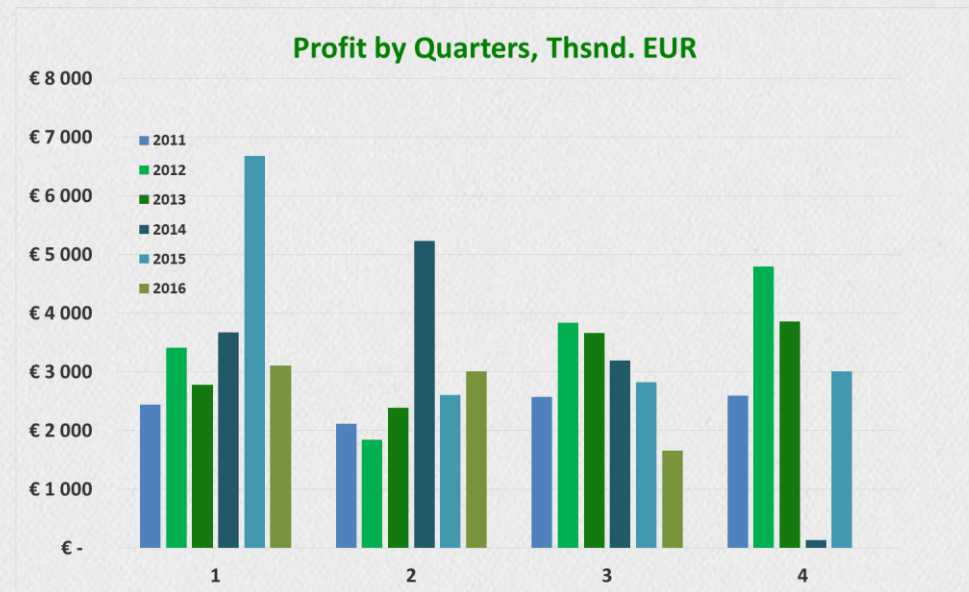
- Sales worth more than 25 million euros;
- An increase by 15% compared to Q3 2015;
- In terms of sales, best third quarter in corporate history so far;
- Sales by pharmacies = 4.4 million gross, 2.2 million net;
- Sales by Silvanols = 1.3 million gross, 1.1 million net;
- Sales by Tonus Elast 1.8 million.

Sales by Quarters, Thsnd. EUR.



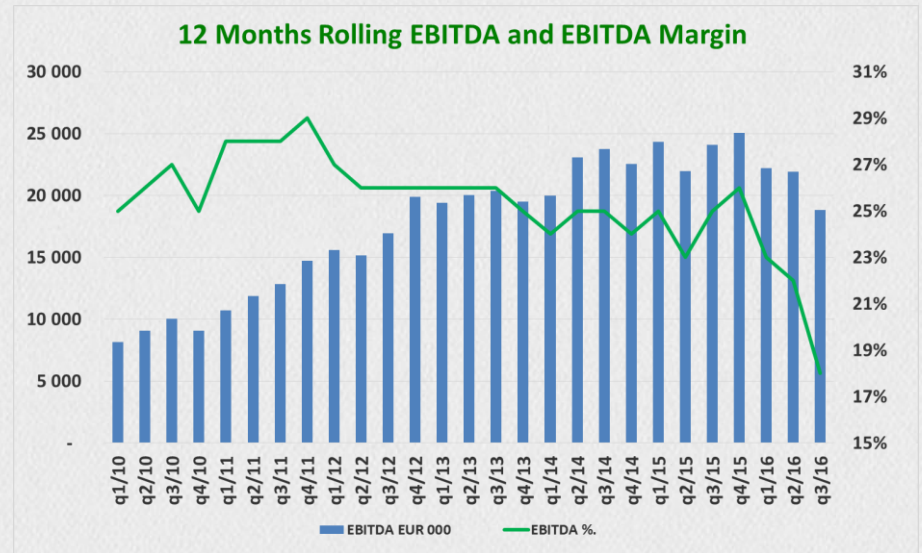
# Profit of 3rd Quarter

- Preliminary at 1.7 million euros, a reduction by 41.3% compared to Q3 2015;
- Heavily adversely impacted by the following provisions:
  - Ukrainian receivables 1M
  - Russian receivables 0.5 M
  - Potential revaluation of NPK Biotest 0.7 M
  - TOTAL 2.2 M EUR in Q3 alone;
- Without provisions the net profit of 3.9 million would make this one of the most profitable Q3 ever.



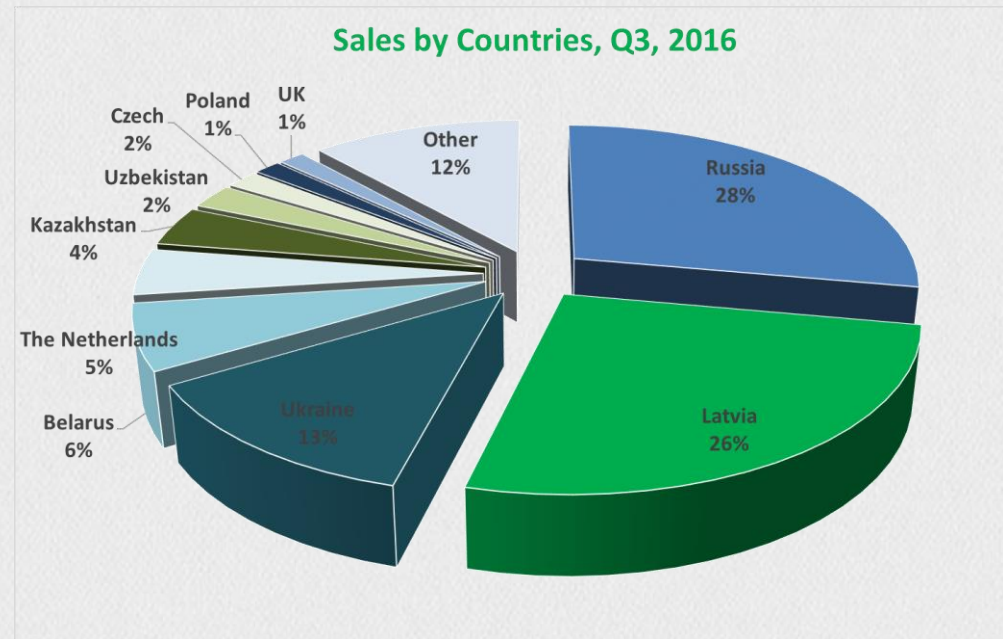
# EBITDA and Margin

- 9 months EBITDA at 13.4 million, margin at 17%, 12 months rolling at 18.8 million euros, margin at 18.1%.
- As all provisions booked in “other costs” they are directly influencing EBITDA, hence the rapid reduction.



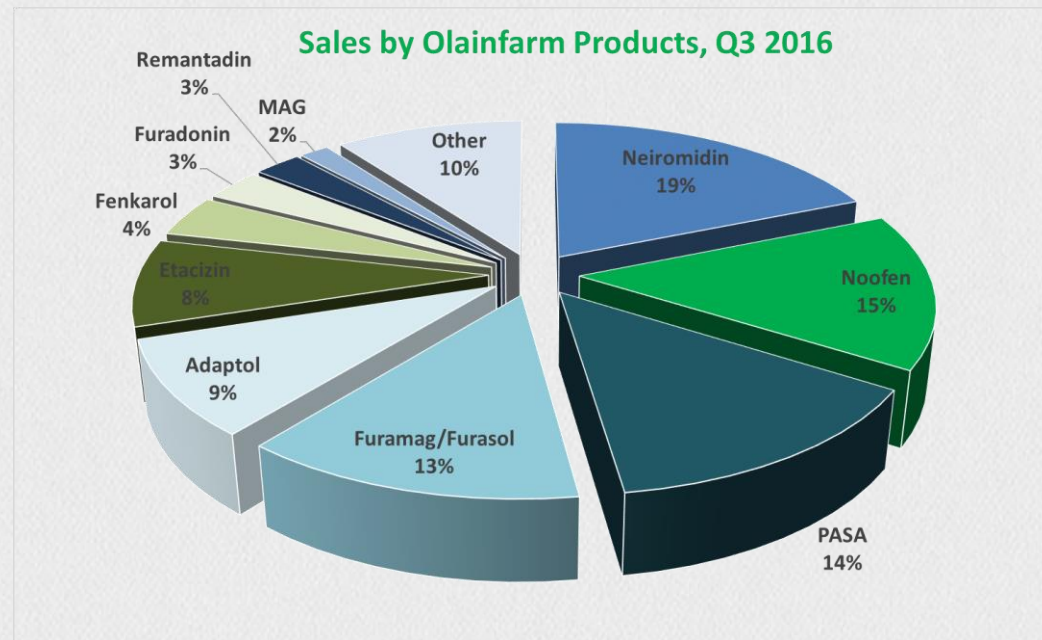
# Sales By Countries, 3rd Quarter

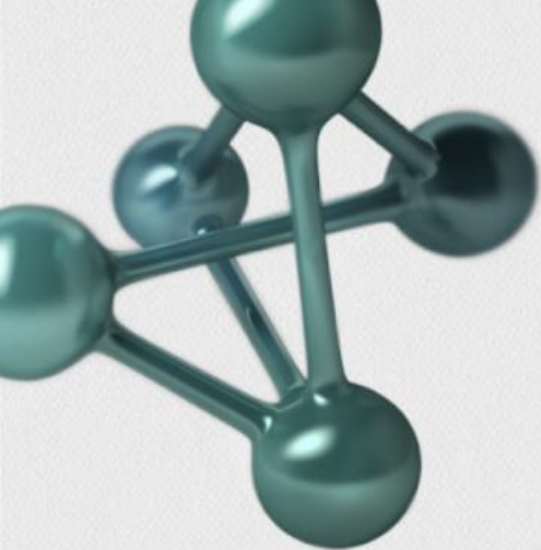
- Russia's share down to 28% from 36% in Q2, with some weak months and absence of Tonus sales for 2 months;
- Latvia improves from 22% in Q2 to 26% in Q3;
- Ukraine shrunk to 13%;
- Netherlands reappeared and strong sales of Tonus brought Czech Republic into charts;



# Sales By Products, 3rd Quarter

- Neiromidin again is still a clear leader with the same 19% share, still followed by Noofen with stable 15% share;
- PASA up from 6% to 14%, while Adaptol down from 13% to 9%;
- Fenkarol down from 7% to 4% and Remantadin replaces Furagin as a normal seasonal adjustment.





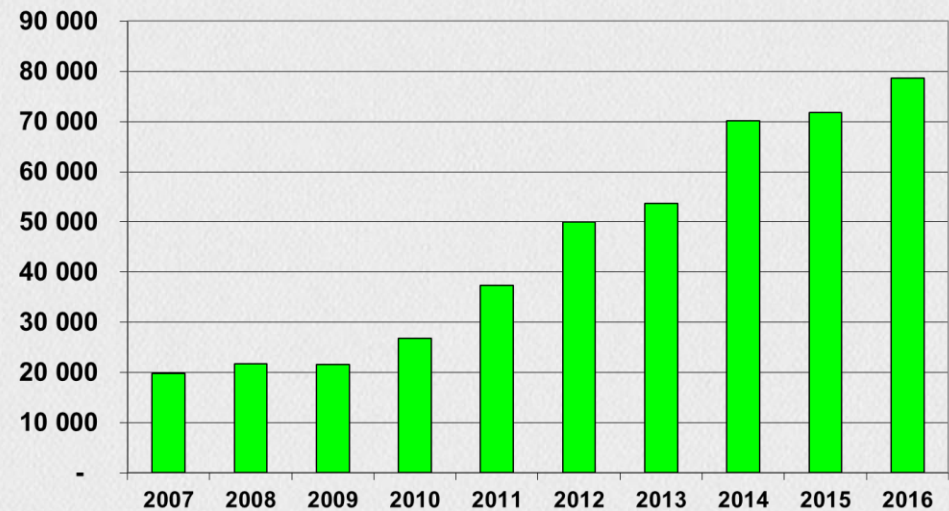
# 9 Months of 2016



# Sales in 9 Months of 2016

- Sales at 78.7 million euros, or 78.7% of annual target of 100 million;
- Increase by 9%, mainly due to good Q2 and Q3;
- Yet again the best 9 months so far;
- Sales by pharmacies: 13.9 million gross, 6.6 million net;
- Sales by Silvanols: 3.7 million gross, 3.2 million net;
- Sales by Tonus Elast: 3.5 million.

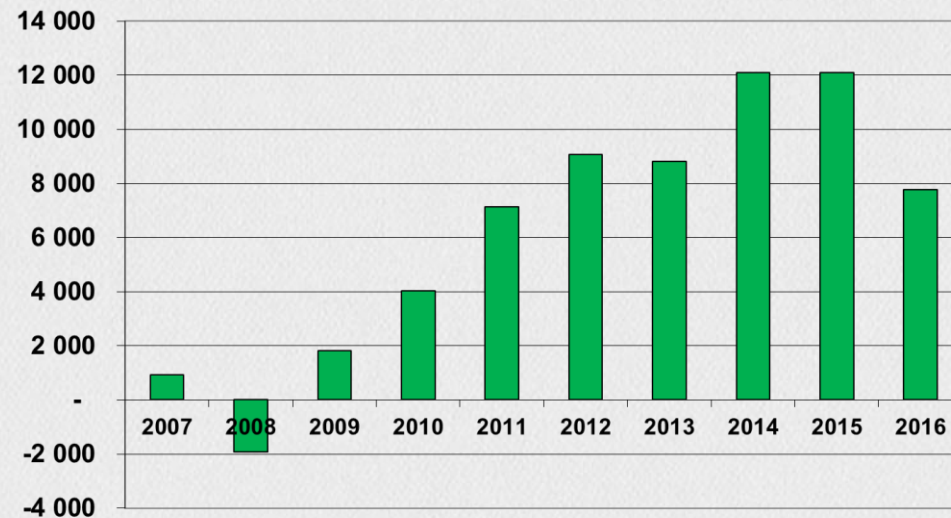
Sales in 9 Months, Thsnd. EUR



# Profit of 9 Months of 2016

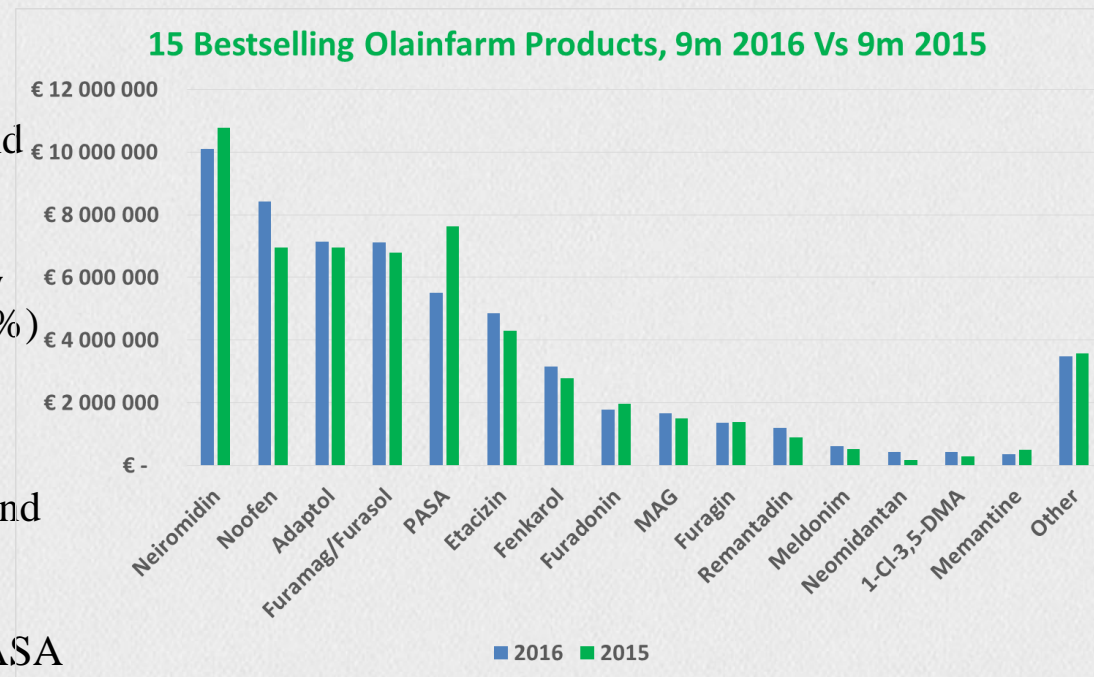
- Preliminary at 7.8 million euros, after provisions of close to 5 million euros for Russian and Ukrainian receivables and expected impairment of NPK Biotest;
- Reduction by 36% compared to 9 months of 2015;
- 78% of profit guidance for 2016 met; consolidated profit target being 10 million euros.

9 Months Profit, Thsnd. EUR



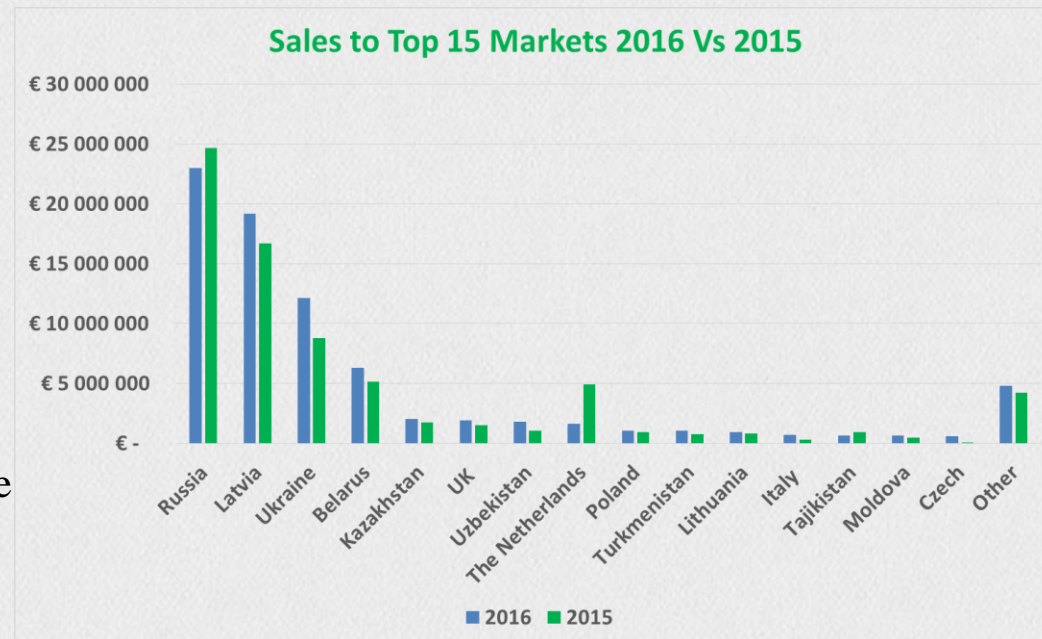
# Growth Drivers: Products

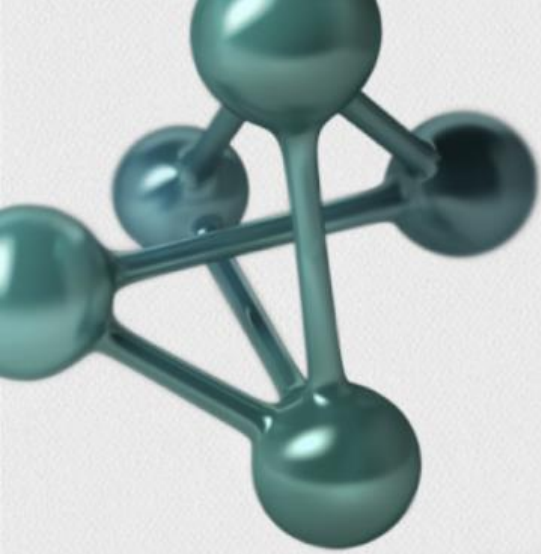
- 10 out of 15 growing;
- Most growth in monetary terms added by Noofen (1.45 mln), Etacizin (0.56 mln) and Fenkarol (0.37 mln);
- Most growth in relative terms provided by Neomidantane (164%), 1Cl 3.5 DMA (48%) and Remantadin (36%);
- Most loss in monetary terms comes from PASA (-2.1 mln), Neiromidin (-0.7 mln) and Furadonin (-0.19 mln);
- Most loss in relative terms comes from PASA (-28%), Memantine (-28%) and Furadonin (-10%).
- Total sales growth of Olainfarm products was 0.6 mln.



# Growth Drivers: Countries

- 12 out of 15 countries growing;
- Most growth in monetary terms comes from Ukraine (3.3 mln), Latvia (2.5 mln) and Belarus (1.2 mln);
- Most growth in relative terms comes from Czech Rep. (1584%), Italy (152%) and Uzbekistan (72%);
- Most loss in monetary terms comes from The Netherlands (3.3 mln), Russia (1.7 mln) and Tajikistan (0.26 mln);
- Most loss in relative terms comes from The Netherlands (-67%), Tajikistan (-28%) and Russia (-7%).





# Update On Recent Events

# Another Market Maker

- Since October 3 LHV Pank is another liquidity provider for shares of Olainfarm;
- Since April 2012 market making was provided by Šiaulių Bankas (previously Finasta);
- Bid and Ask of 15 000 EUR/day;
- Spread of 2.5% maximum;
- Single bid/ask position not below 3000 EUR

# Corporate Excellence Award

- Swiss based CE Services in partnership with CE Asset Management AG and BA School of Business and Finance make comprehensive qualitative and quantitative analyses of Baltic listed companies since 2007;
- Olainfarm is five time winner as the Best in Latvia;
- This year Olainfarm was also named the «Best Listed company in Baltics»
- Harju Elekter and Apranga were best companies in Estonia and Lithuania respectively.



# Third Road Show

- October 24-28 Olainfarm went on its Baltic – Nordic Road show;
- This annual non deal related roadshow was held for the third consecutive year;
- About 20 meetings were held in 6 cities;
- For the first time Warsaw and Copenhagen were also included in the route.



# Acquisition of Diamed

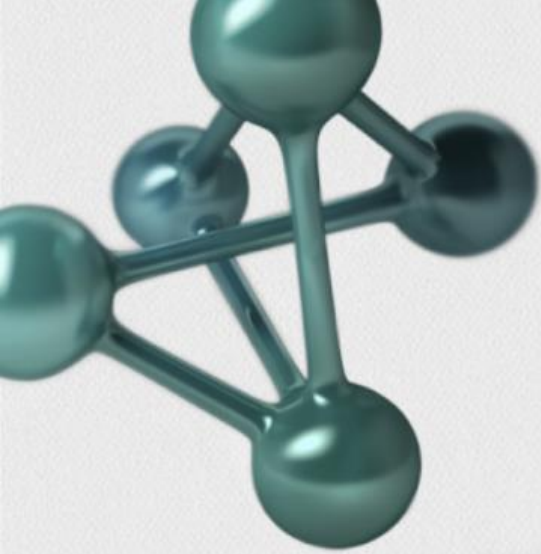
- Latvian leader in radiological diagnostics with 10 years of experience in the field;
- First acquisition of Olainfarm in health care sector;
- More health care service providers to be added in coming years;
- Company's sales fluctuating around 1.2 million euros for a last number of years;
- Loss making, as several years in a row company faced unfavourable one-offs;



# Acquisition of NPK Biotest Completed

- Olainfarm now owns 100% of Belarussian company «NPK Biotest»;
- 3.7 million euros paid for the acquisition
- Company is based in Hrodna and produces herbal teas, powders and mixtures;
- It is expected that Biotest will become a packaging base for Olainfarm and its partners in Belarus, allowing us and our partners to use some advantages provided by Belarus authorities for Belarus based companies.





# In Focus : Provisions

# Provisions in 2016

- When Olainfarm came up with profit targets for 2016, planning for profit reduction by approx. 5 mln, it was due to the fact that the management already knew about the necessity of significant provisions;
- Throughout 2016 different provisions in different quarters have left more impact on EBITDA, EBIT and the Net Profit than during previous years;
- In previous webinar I promised to focus more on how the medicines are being developed, but feedback in Road Show and questions of analysts made me think that having a little greater detail on provisions might be of greater interest.

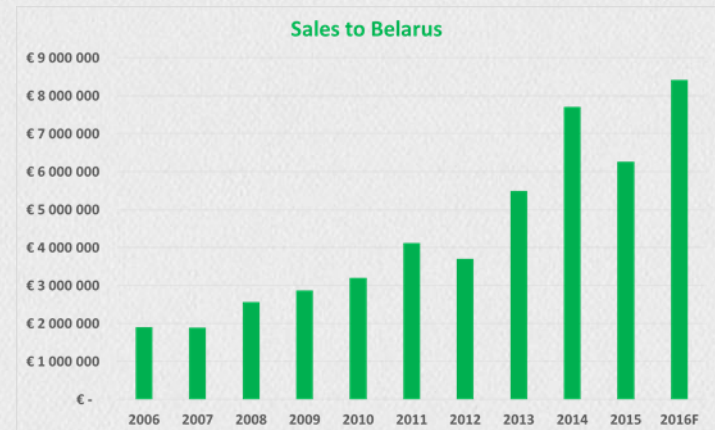
# OLFA, The Ukrainian Client

- Huge receivables from that company from overshipments in 2012;
- As time to pay got closer, political and economic situation got more tense in Ukraine;
- Forex shortage and Hryvna devaluation made situation even worse;
- Non recourse factorizing was arranged with Trasta Komerbanka, as clients continued to pay;
- Outstanding debt was gradually reduced from 12 mln to 9 mln;
- Trasta komercbanka ceased operations, no sensible insurance was available, Olainfarm decided to provide for the debt;
- A total of 4 mln will be provided in 2016, no new provisions planned for this client



# Expected Impairment of Biotest

- In September 2016, Olainfarm acquired 70% NPK Biotest of Belarus based pharma company ;
- The value of transaction was 2.6 million euros;
- The main assets in Olainfarm's view were a local GMP certificate, and an acceptable production site;
- All of the above would provide a good possibility to pack our products there, allowing to bypass protectionist measures of Belarus authorities and use advantages provided for local producers in Belarus, and eventually in Customs Union countries;
- Sales in Belarus alone in 2016 are expected to be at about 8 million;
- Since more investment is required into Biotest before we can start packaging operations, the value of this asset will have difficulties passing the impairment test and up to 1.4 mln might need to be provided.



# Oriola, Medsnab, Apteka AVE

- In 2014 Finnish company Oriola sold its Russian subsidiary, and it soon faced financial difficulties;
- Outstanding payable to Olainfarm at the time was 1057 thsnd. EUR, which were immediately fully provided;
- Renamed into Medsnab new owners wanted to continue buying from Olainfarm and agreed on payments and services schedule, therefore 979 thsnd of provisions were reversed;
- The agreed schedule, who their daughter company Apteka AVE should also participate, was barely met at all, therefore 960 thousand were again provided for them in 2016;

# Kivvi and Diamed

- Two relatively small companies acquired by Olainfarm in 2016;
- Kivvi, although growing well, might have difficulties passing an impairment test, therefore provisions of 200 thousand are very likely in Q4 2016;
- Diamed, a very new acquisition, currently undergoing an impairment test;
- Diamed becomes profitable in 2018, according to our business plan, but there remains some possibility that if we do not agree about assumptions with auditors, a maximum of 300 thousand of provisions might be made in Q4 2016.





# Other Provisions

- It is expected that 942 thsnd. EUR provisions, of provisions previously made for Russian client Rosta will be reversed in Q4, as the payment has been received;
- Two Uzbekistani clients have significantly increased their overdue payment times, therefore Olainfarm plans to provide 30% of the outstanding debt or 226 thousand EUR in Q4 2016;

# Summary

	Total in 2016 '000	Q4 2016 '000
Olfa	4 000	1 000
Apteka AVE	960	-
NPK Biotest	1 400	700
Uzbekistan	226	226
Kivvi	200	200
Rosta	105	-112
Total	6 891	2 014

# Without Provisions

		2016		2015		2014		2013
Provisions	€	6 891 000.00	-€	620 154.00	€	1 326 000.00	-€	256 000.00
Net profit	€	8 818 000.00	€	15 138 000.00	€	12 224 000.00	€	12 692 000.00
Net profit net of provisions	€	15 709 000.00	€	14 517 846.00	€	13 550 000.00	€	12 436 000.00

# Q&A Session

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  - Cellular: +371 2 6448873 ;
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# Thank you!

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