



45
YEARS OF
PROVEN
VALUE

Investor Presentation

2018 Autumn Roadshow

October/November , 2018

www.olainfarm.com



In this Presentation

- ❖ Olainfarm – the background and the key facts;
- ❖ Products and Markets;
- ❖ Olainfarm: The Group;
- ❖ Financial Performance;
- ❖ Introducing new owners/management



Key Facts

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What is Olainfarm? 1/2

- ❖ OlainFarm, established in 1972, is one of the leading pharmaceutical companies in the Baltic States employing more than 1100 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 several daughter companies, including one of the largest Latvian pharmacy chains and the leading Latvian food supplement producer.

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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

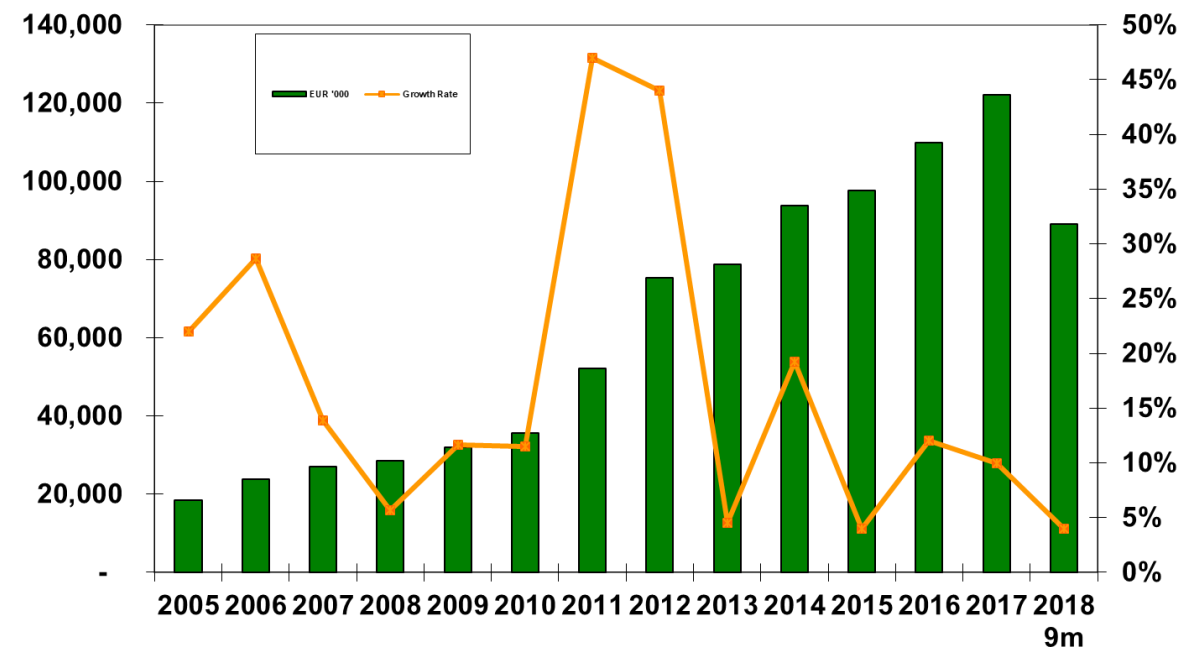
To become the leading manufacturer of finished dosage forms and chemical-pharmaceutical products in the Baltic States.

What is Olainfarm? 2/2

- ❖ Certified in accordance with the requirements of the EU Good Manufacturing Practice (GMP), U.S. FDI, Australian TGA and environmental management systems standard ISO 14001;
- ❖ Privatised in 1997, majority by the late Valerijs Maligins. Now his heirs own about 70% of the company. Remaining 30% is free float listed on Nasdaq Riga. Market capitalisation around 100 million euros;
- ❖ The company that has demonstrated stable sales growth every year since 2002, despite local, regional or global crises.

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Sales Growth



Corporate Milestones

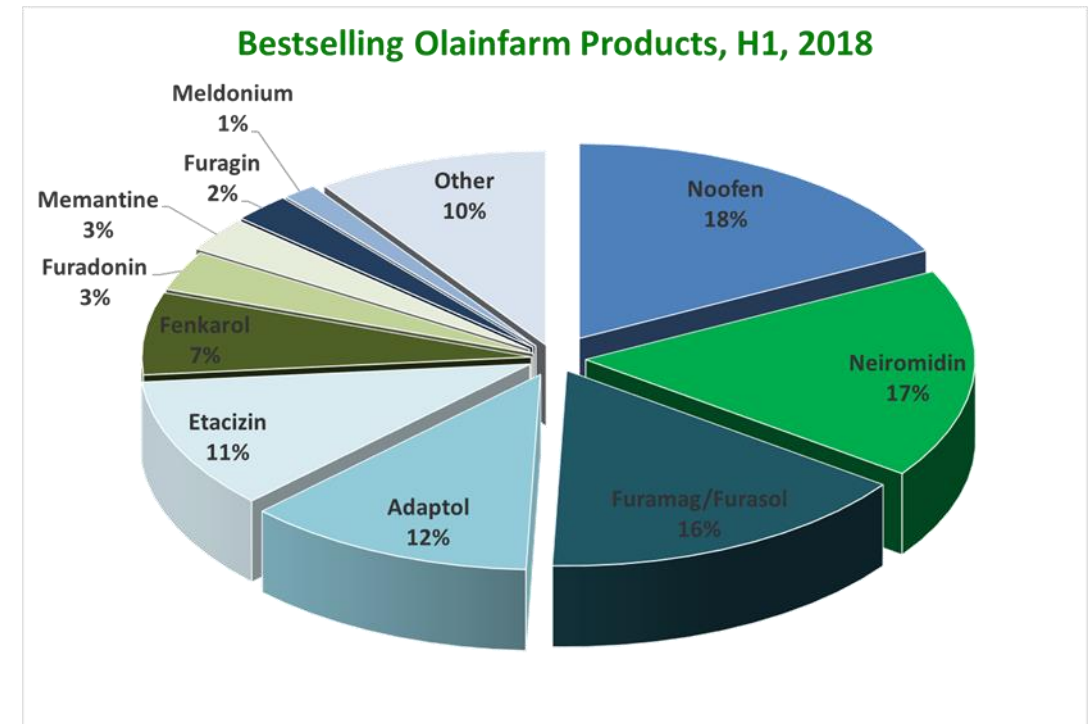
- 2018** After main shareholder Valerijs Maligins unexpectedly passed away in 2017, the company was subjected to some governance turbulence, which key shareholders and management have largely overcome.
- 2016** The company owns several daughter companies in related sectors, consolidated sales exceed 100 mln. EUR
- 2011** The company starts building a chain of daughter companies, dividends paid for the first time.
- 2004** After major reconstruction the company is certified according to EUGMP, USFDA, ISO 14000.
- 1997** The company is privatized and subsequently listed on the stock exchange.
- 1980** Commencement of production of finished drug formulations
- 1972** Foundation of Olainfarm (at that time Olaine Chemical-Pharmaceutical Plant)

Products and Markets

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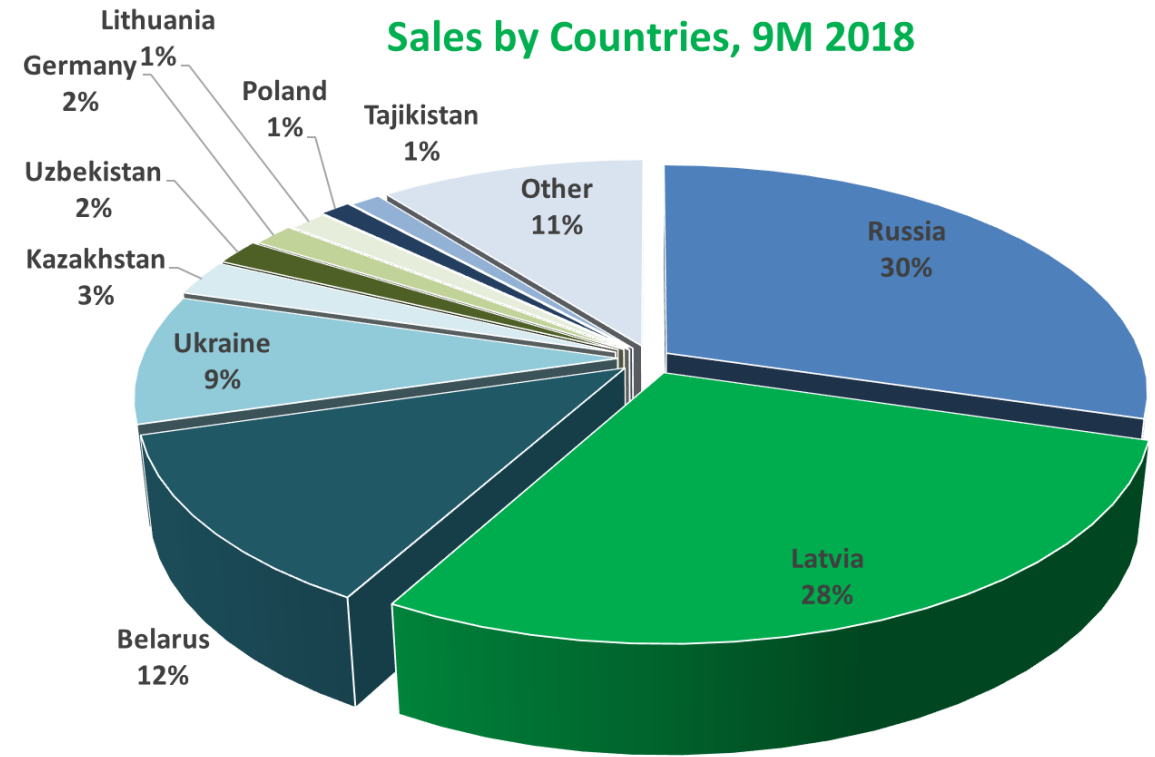
Products

- ❖ Product portfolio is well diversified with main emphasis on branded generics, historically unique to or originated in Olainfarm:
- ❖ In total more than 50 names;
- ❖ 10 best-selling products account for about 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.
- ❖ Potential bestsellers Memantine and Meldonium have made it to the top 10.
- ❖ Olainfarm products make up about 2/3 of total sales of the Group.



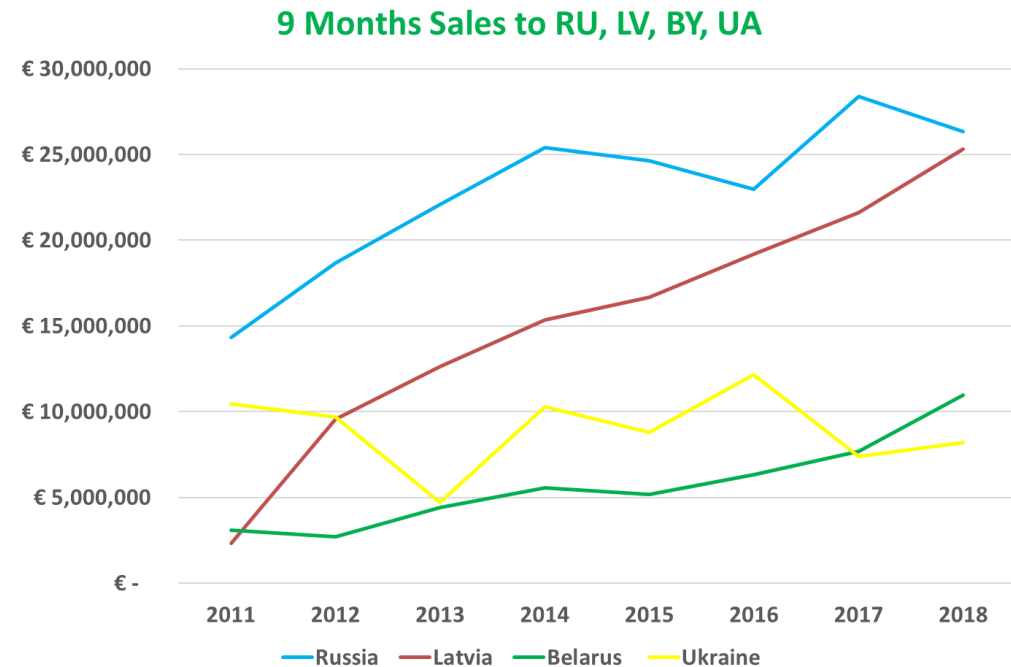
Markets

- ✦ In total almost 50 countries;
- ✦ More than 50% are still sales to CIS countries, maintained by logistics and marketing system with a sales force of approx 400 people;
- ✦ During the last year Russia's share has decreased while Latvia's increased, making shares of these two countries almost identical;
- ✦ More local presence in Belarus has helped increase Belarus' share to 12%;
- ✦ As shipments of PASA are significantly lower so far this year, sales to The Netherlands have decreased;



Performance In Key Markets

- ❖ Russia: slight reduction in sales in 2018 was planned, basing on RUR valuation forecast and local purchasing power issues, flat to marginal growth in sales expected in next few years;
- ❖ Sales to Latvia boosted after acquisition of daughter companies in late 2011. In five years sales more than doubled. Good growth expected during the coming years;
- ❖ Belarus performing well, doubling sales volumes in three years, especially after the acquisition of a local producer and overcoming some protectionist obstacles. Good growth also expected in the coming few years;
- ❖ Ukraine virtually flat, struggling throughout last seven years. Highly dependent on local political and economic issues;



The Group

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Acquisitions

- ✦ Since 2011 for reasons including securing markets, more efficient use of administrative and sales resources, diversification of markets, Olainfarm became active in the area of acquisitions;
- ✦ A pharmacy chain of Ilmas Aptieka, later renamed Latvijas Aptieka was the first acquisition, with an intention to secure our position in the very concentrated Latvian pharma retail market;
- ✦ As a newly-built marketing and logistics system could process more products than the Parent company could offer, Olainfarm acquired the natural food supplement company Silvanols in 2013;
- ✦ The company's sales and marketing system still needed more products, and the Group needed more sales diversity, so in 2016 an elastic medical products company, Tonus Elast, was acquired;
- ✦ In order to protect the Group's position in the CIS and especially in Eurasian customs union countries, Belarus-based NPK Biotest was acquired in 2016, with an intention to move some last stages of production to the territory of the Eurasian union;
- ✦ Late in 2016 the Group also decided to enter the market of health care services, and a private medical clinic Diamed was purchased.

Silvanols

- ✦ In 2014 Olainfarm acquired a controlling stake in leading Latvian food supplement company Silvanols;
- ✦ Silvanols has more than 20 years of experience in the development and production of innovative natural ingredients based foods supplements, medical devices and medicines;
- ✦ Its portfolio includes almost 60 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 the number of countries and sales volumes are growing significantly;
- ✦ 2018 is developing particularly well, and the company is expected to demonstrate at least 10% sales growth with record earnings.



Latvijas Aptieka

- ✦ In order to strengthen positions on the Latvian market, since 2011 Olainfarm is building its own chain of pharmacies in Latvia;
- ✦ It is the 4th – 5th biggest pharmacy chain in Latvia in recent years;
- ✦ Currently 70 pharmacies are operating throughout Latvia, and the number is expected to increase further;
- ✦ Expected sales in 2018 are to exceed 23 mln EUR, contribution to consolidated sales more than 10 mln;
- ✦ No expansion to other countries with retail business expected for Latvijas Aptieka. However, as Biotest already owns 4 pharmacies in Belarus, retail operations in that country might be expanded.



Tonus Elast

- ✦ In May 2016 Olainfarm acquired 100% of 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, Americas and the Middle East, in cooperation with Olainfarm number of countries and sales volumes are expected to grow significantly;
- ✦ Acquisition of a western European based company is being considered, as this would make entry into those markets significantly easier;
- ✦ It is expected that in combination with Russian sales subsidiary «Elast Medical» the company's sales in 2018 will exceed 10 million euros, with net earnings at break even – due to significant marketing and promotion costs for activities launched this year

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NPK Biotest

- ❖ In September 2016, Olainfarm acquired 24% of shares in Belarusian pharmaceutical company Biotest. Later the ownership was gradually increased to 100%;
- ❖ Biotest focuses on the production of natural herbal infusions and mixtures for medical applications;
- ❖ Biotest is selling 95% of its products only in Belarus;
- ❖ The main reason for acquisition is to move the last stages of FDF production to Belarus, to overcome some protectionist limitations imposed by the Belarusian government on foreign producers;
- ❖ Acquisition did help boost Olainfarm's and partially Tonus Elast's sales to Belarus. Biotest itself is expected to reach sales worth 2.5 million euros this year make a small profit.



Diamed

- ✦ In December 2016, Olainfarm acquired 100% of shares in Latvian health care company «Klinika Diamed»;
- ✦ This acquisition marks beginning of Olainfarm's involvement in Latvian health care business – a segment previously not represented in the Group;
- ✦ Diamed has a history of being one of the leaders in diagnostics, however, as other health care chains developed, Diamed was somewhat left without a source of clientele;
- ✦ A later acquisition of «Olaines Veselibas Centrs» covering approx. 15 000 people is expected to partially mitigate the lack of access to patients entering the system;
- ✦ Both companies are expected to reach break even this year, with net sales expected to exceed 2.6 million euros.

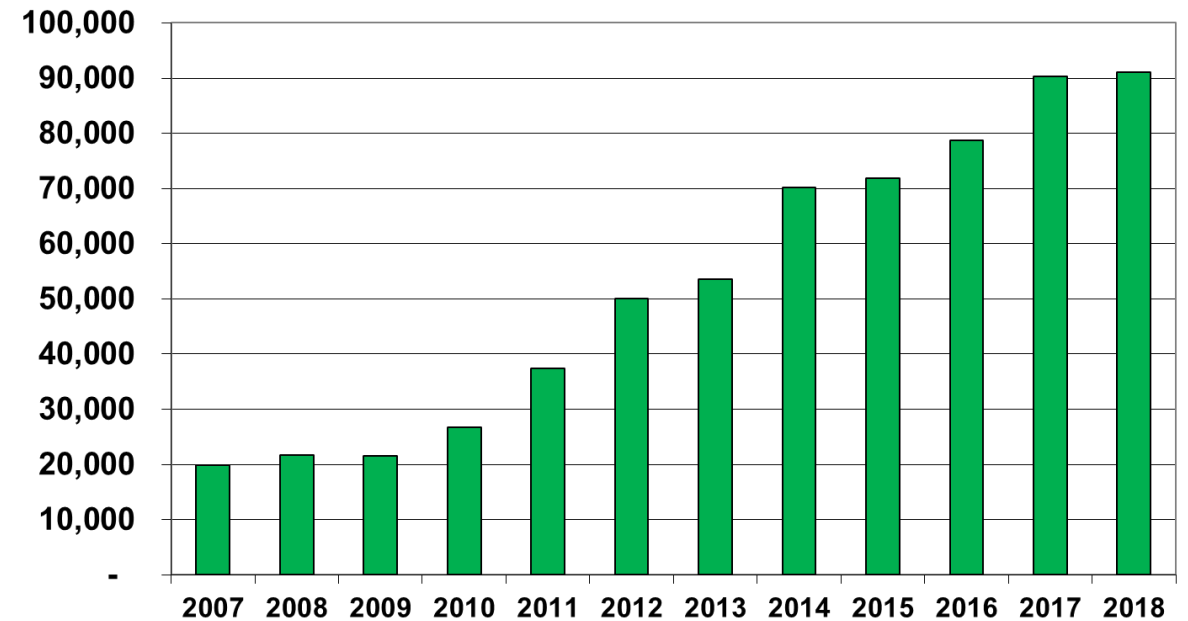


Financial Performance

Sales

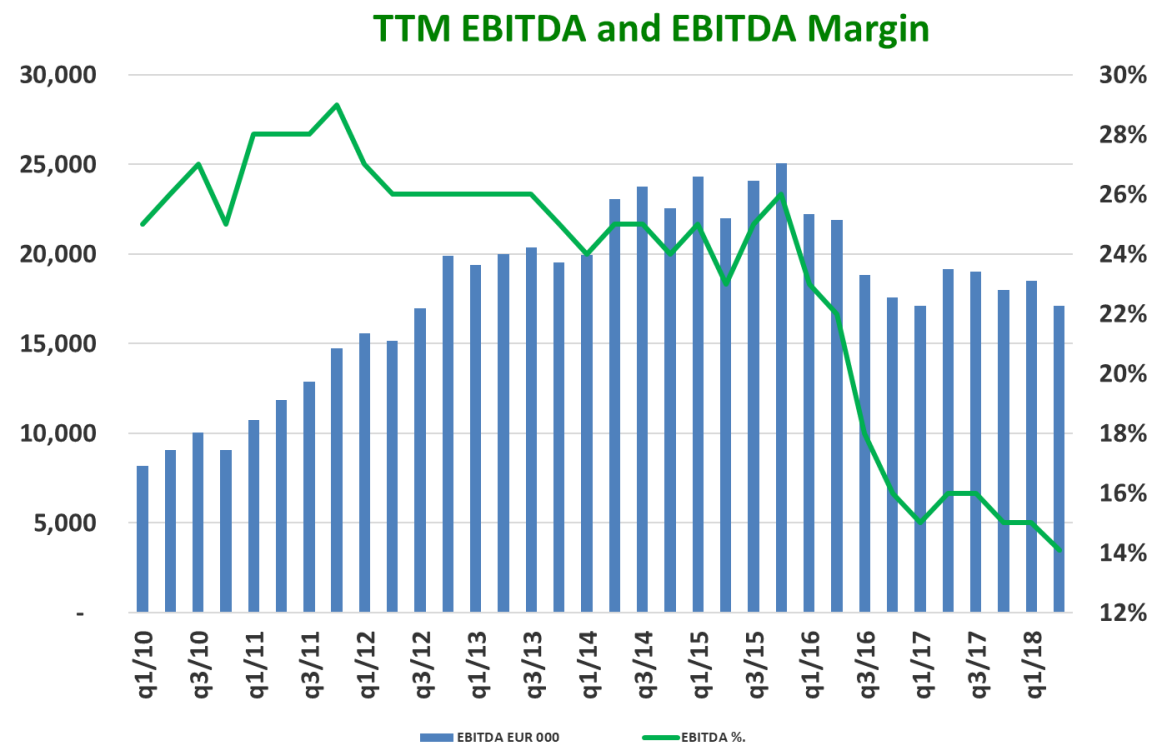
- A minor increase in 2018 according to preliminary data;
- Still in the area of 90 million EUR;
- Sales by pharmacies: 17.2 million gross, 7.7 million net (9 months);
- Sales by Silvanols: 4.1 million gross, 3 million net (9 months);
- Sales by Tonus Elast and Elast Medical 7.1 million (9 months).

9 Months Sales, Thsnd. EUR



EBITDA and Margin

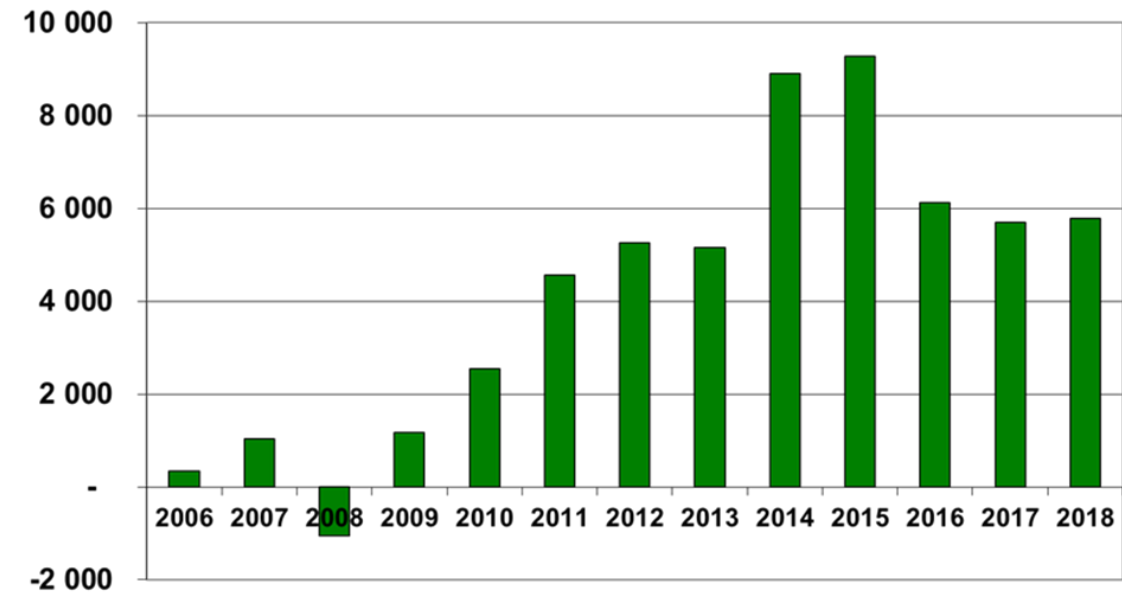
- Trailing 12 month EBITDA decreased to 17.1 million EUR, as EBITDA margin decreased to 14.1%;
- Rapid fall of Russian rouble in the beginning of April adversely impacted topline;
- Forex loss (deriving mainly from receivables) does not influence EBITDA;



Profit

- Annual net profit comfortably above 10 million euros p.a. for several years in a row;
- Preliminary 6 month profit was 5.8 million euros, an increase of 1% compared to H1 2017;
- Smaller, yet present impact of forex losses and provisions;
- Small positive impact of changes to Latvian tax legislation

Net Profit of First Halves, Thsnd. EUR



Selected Financials

(EUR'000, unless stated otherwise)	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales	28,580	31,931	35,605	52,179	75,288	77,956	93,654	97,392	110,693	122,076
EBITDA	2,302	7,985	9,066	14,734	19,917	19,407	22,564	24,884	17,557	17,999
EBIT	-1,334	4,765	6,442	12,238	17,000	16,202	18,384	18,786	11,747	11,450
Net profit	-2,045	3,362	5,017	9,838	13,834	12,596	12,237	15,281	11,579	10,798
Assets	45,047	43,482	46,356	59,106	71,231	95,828	106,723	118,131	144,580	146,429
<i>incl. cash</i>	53	260	704	1,525	2,550	2,097	2,055	5,574	3,165	3,158
Equity	20,986	24,348	29,365	38,723	51,322	61,987	73,045	88,348	96,663	97,824
Liabilities	24,061	19,134	16,992	20,383	19,909	33,841	33,678	29,783	47,917	48,605
<i>incl. interest-bearing liabilities</i>	12,544	8,505	6,873	9,925	10,162	17,078	16,940	12,361	25,063	28,891
Sales growth	5.9%	11.2%	11.5%	47%	44%	4%	20%	4%	14%	10%
EBITDA margin	8.1%	25.0%	25.0%	28.2%	26.5%	24.9%	24.1%	25.6%	15.9%	14.7%
EBIT margin	(4.7%)	14.9%	18.1%	23.5%	22.6%	20.8%	19.6%	19.3%	10.6%	9.4%
Net profit margin	(7.2%)	10.5%	14.1%	18.9%	18.4%	16.2%	13.1%	15.7%	10.5%	8.8%
Earnings per share (EUR)	(0.14)	0.24	0.36	0.70	0.98	0.89	0.87	1.08	0.82	0.77
ROE	(9.8%)	13.8%	17.1%	25.4%	27.0%	20.3%	16.8%	16.5%	10.1%	9.7%

More Recent Figures

- ❖ Margins slightly worsening as sales of lower value added products increase;
- ❖ Gross margin still at about 60%;
- ❖ As expected, no further increase of administrative costs in 2018;
- ❖ Still some negative RUR impact, especially in the beginning of the year;
- ❖ Near term plan includes more careful approach towards selling expenses, as it makes up about 30% of sales.

(EUR'000)	6M 2018	6M 2017	% YoY
Sales	61,844	62,719	99%
COGS	-24,895	-23,930	104%
Gross Profit	36,949	38,789	95%
Selling expense	-18,181	-18,631	98%
Administrative expense	-11,431	-11,449	100%
Other items	-399	-577	69%
EBITDA	10,436	11,342	92%
<i>EBITDA margin</i>	<i>17%</i>	<i>18%</i>	
Financial items	-1,052	1,184	89%
EBIT	7,013	8,192	86%
<i>EBIT margin</i>	<i>11%</i>	<i>13%</i>	
Profit before tax	5,691	7,008	81%
Corporate income tax	-179	-1,305	14%
Net profit	5,786	5,701	101%
<i>Net margin</i>	<i>9%</i>	<i>9%</i>	

Update on Recent Events

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EGM on September 4th, 2018

- ✦ Initially convened to make amendments to Articles;
- ✦ Unexpectedly 60% of the Council and 2/3 of the Auditing committee were replaced;
- ✦ Although the process of replacing the Council did not meet the best corporate governance criteria, the newly elected Council instantly declared, their intention to improve governance and transparency standards;

Supervisory Council

- ✦ New Supervisory Council elected for a period of five years;
- ✦ Members of the new Council are
 - Pavels Rebenoks– Chairman of the Council;
 - Irina Maligina – Vice Chairwoman of the Council;
 - Martins Kriekis
 - Daina Sirlaka
 - Signe Baldere – Sildedze – resigned
- ✦ Total remuneration of the all the Council members together has been increased from 40,000 EUR to 70,000 EUR per month.

The New Council

- ❖ Mr. Pavels Rebenoks was elected the new Chairman of the Supervisory council;
- ❖ Mr. Rebenoks has been the head of the legal department of PricewaterhouseCoopers, and advisor to the Latvian Minister of Finance and the Prime Minister of Latvia.
- ❖ Irina Maligina was elected the Vice Chairperson of the Supervisory Council;
- ❖ Ms. Maligina is the CEO of Olmafarm, SIA, the company controlling more than 42% of Olainfarm shares;
- ❖ Ms. Maligina has held various positions in Olainfarm group during the past five years.



Auditing Committee

- ✦ Elected for a two year period;
- ✦ Now comprises of:
 - Viesturs Gurtlavs (A member of the Committee for several years);
 - Daina Sirlaka (Member of Supervisory Council,);
 - Irina Maligina (Vice Chairperson of Supervisory Council);
- ✦ Remuneration of all members of the Auditing Committee was increased from 11,500 EUR per month gross to 12,000 EUR per month.

Selected Activities of the New Council

- ❖ Former Board member, Mr. Salvis Lapins has been hired as an adviser to the Board and is addressing several areas, including banking and investor relations, as well as general corporate transparency, Mr. Lapins has been associated with the company for over ten years;
- ❖ Former CEO of SEB Bank in Latvia, Mr. Ainars Ozols, has been contracted to assess the existing corporate governance practices and suggest improvements, including suggestions on longer term dividend policy;
- ❖ The practice of autumn Baltic – Nordic roadshows has been restarted;
- ❖ Negotiations with a western European based producer of elastic materials have recommenced. The expected cost of the transaction is below 2 million euros, and, if concluded, could significantly boost sales of Tonus Elast in selected western European countries;
- ❖ Veterinary medicine identified as a potential source of growth. Respective research has started.

Near Term Prospects

What To Expect

- ✦ EGM convened on November 22, upon request from other heirs with agenda proposed by them;
- ✦ Neither current Council nor Irina Maligina supports the proposed decisions, as they once again may adversely impact the ability of the management Board to operate efficiently;
- ✦ The stability of the current management setting is supported by Ms. Irina Maligina owning approx. 7% of shares in Olainfarm directly and being the CEO of Olmafarm, SIA, which controls more than 42% of Olainfarm shares;
- ✦ The current Council is of a strong opinion that private or other liabilities of any heirs of the late Mr. Valerijs Maligins and of any other shareholders of Olainfarm is exclusively the responsibility of such heirs and shareholders and Olainfarm should not in any way directly participate in settling such liabilities;
- ✦ It can not be excluded, that other heirs may want to realize some of their shares in Olainfarm to settle some of their liabilities arising from the inheritance case.

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