

WEBINAR PRESENTATION

3rd QUARTER 2019

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11 December 2019



3rd QUARTER

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SALES IN the 3rd QUARTER

Sales reached **EUR 32.4 million**

An increase by **17%** compared to Q3 2018

Gross sales by pharmacies **= EUR 6.2 million**

Gross sales by Silvanols **= EUR 1.2 million**

Gross sales by Tonus Elast and Elast Medical

= EUR 2.6 million

Sales breakdown by quarter, '000 EUR



SALES IN 9 months of 2019 – a new all-time record

Sales reached **EUR 98.8 million**

An increase by **10%** compared to 9M 2018

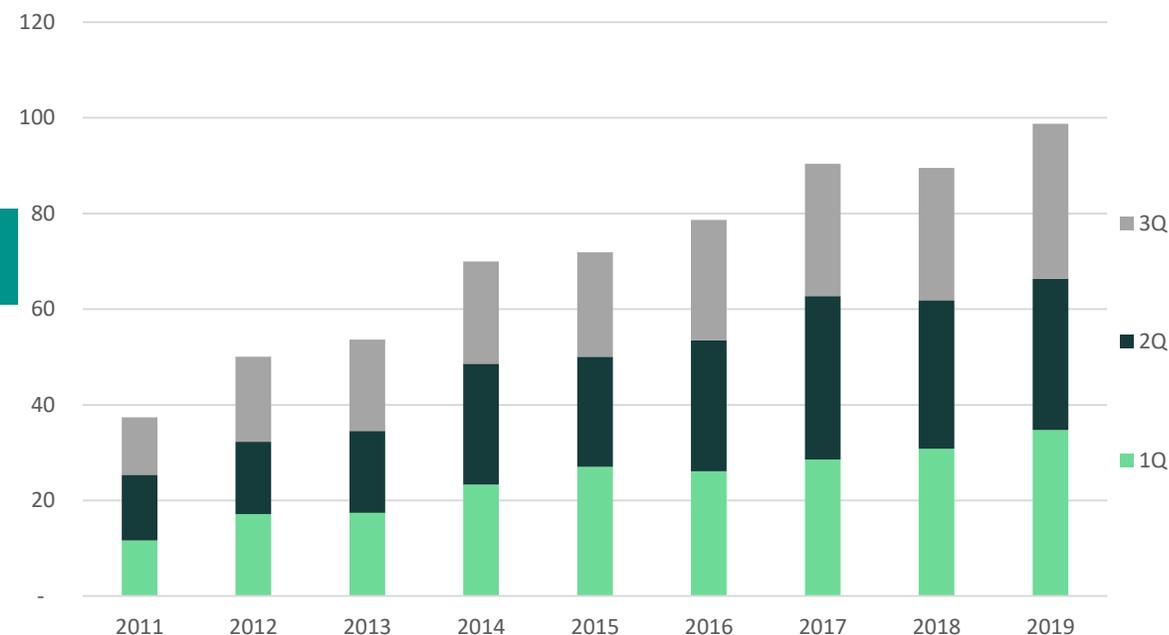
Gross sales by pharmacies **= EUR 19.2 million**

Net sales by Silvanols **= EUR 4.2 million**

Net sales by Tonus Elast and Elast Medical

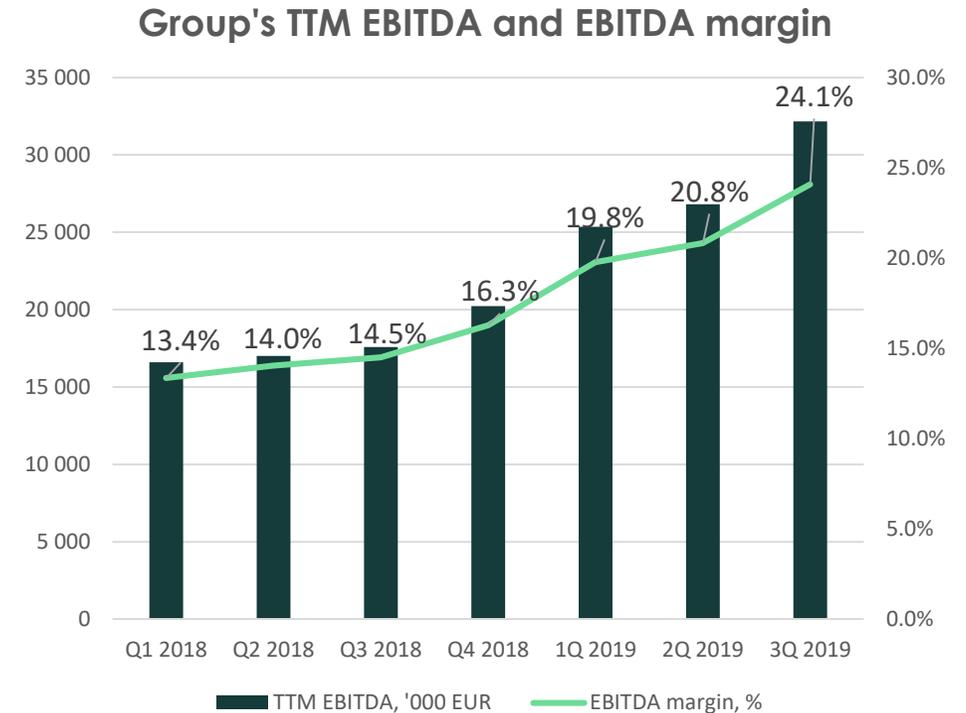
= EUR 7.1 million

Sales in first nine months, mil. EUR



CONTINUING GROWTH OF EBITDA AND MARGIN

- EBITDA in the 3rd quarter reached **EUR 9 million, +134% y-o-y**
- EBITDA in 9 months of 2019 reached **EUR 26.3 million** increasing by **83%**
- TTM EBITDA reached **EUR 32.2 million**
- TTM EBITDA margin further improved to **24.1%**, from 20.8% from the last quarter



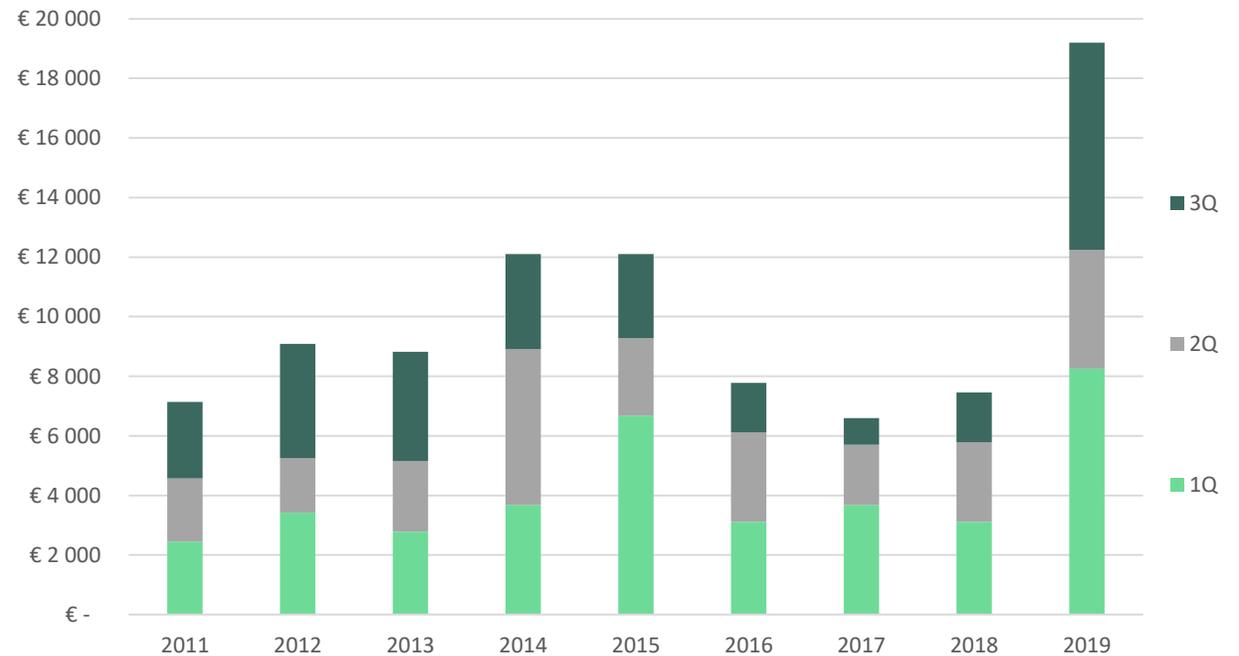
STRONG NET PROFIT IN THE 3RD QUARTER OF 2019

Net profit of EUR 7 million, which is an increase by **317% y-o-y**

Net profit for 9 months of 2019 was

EUR 19.2 million, the largest in Group's history by far

First nine months net profit, '000 EUR



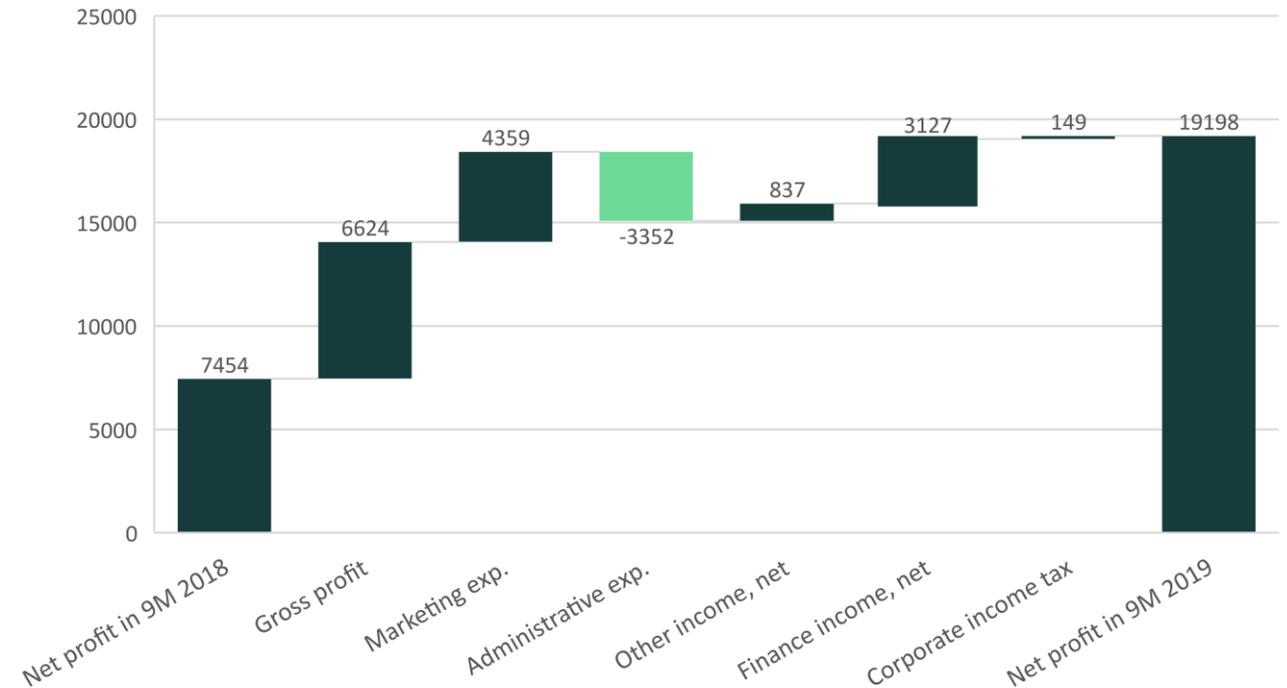
FACTORS AFFECTING NET PROFIT

Main factors contributing to the increase of net profit:

- Strong improvement in gross profit due to higher gross margin (**61.1%**, from **60.0%**)
- Decline in marketing expenses (from EUR **26.7** to **22.4** million)
- Gains from favourable changes in Russian rouble rate (~EUR **3.5** million)

Increase in administrative expenses from EUR 17.1 to 20.5 million negatively impacted net profit and was related to a rise in salaries and R&D expenses.

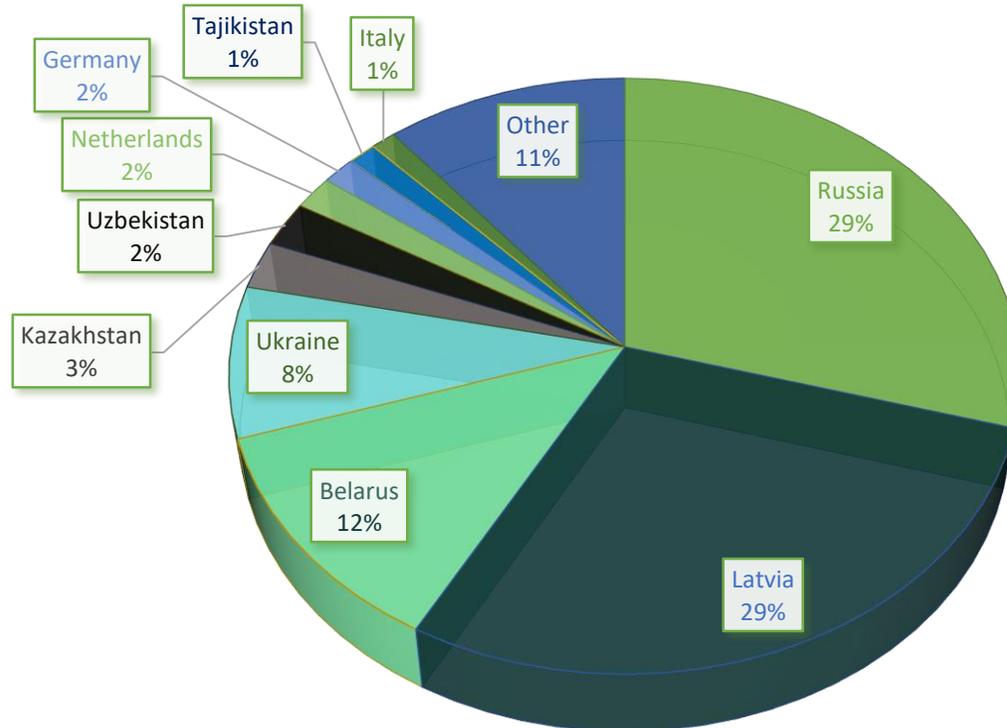
Net profit bridge 9M 2018 to 9M 2019, '000 EUR



SALES BY COUNTRIES, IN 9 months of 2019

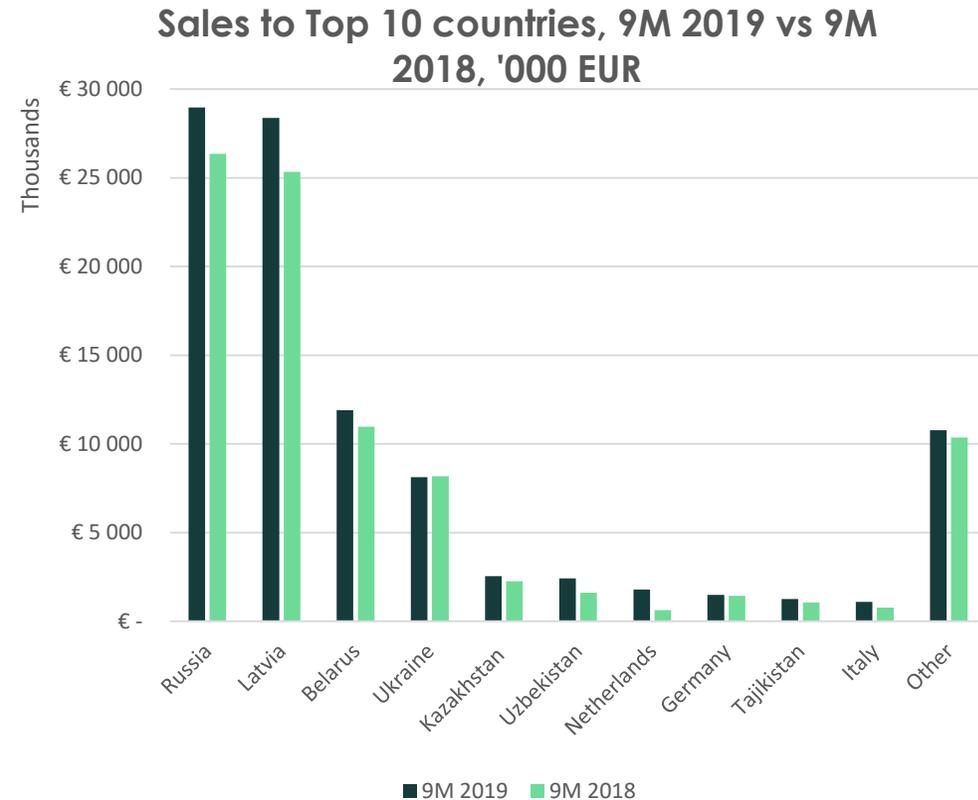
- Share of sales in TOP4 countries reached **78%**
- Latvia's share increased and Russia's share lost **1pp**
- Share of sales in the Ukraine decreased by **1pp** and was **8%** 1H, 2019

SALES BREAKDOWN BY COUNTRIES, 9M 2019



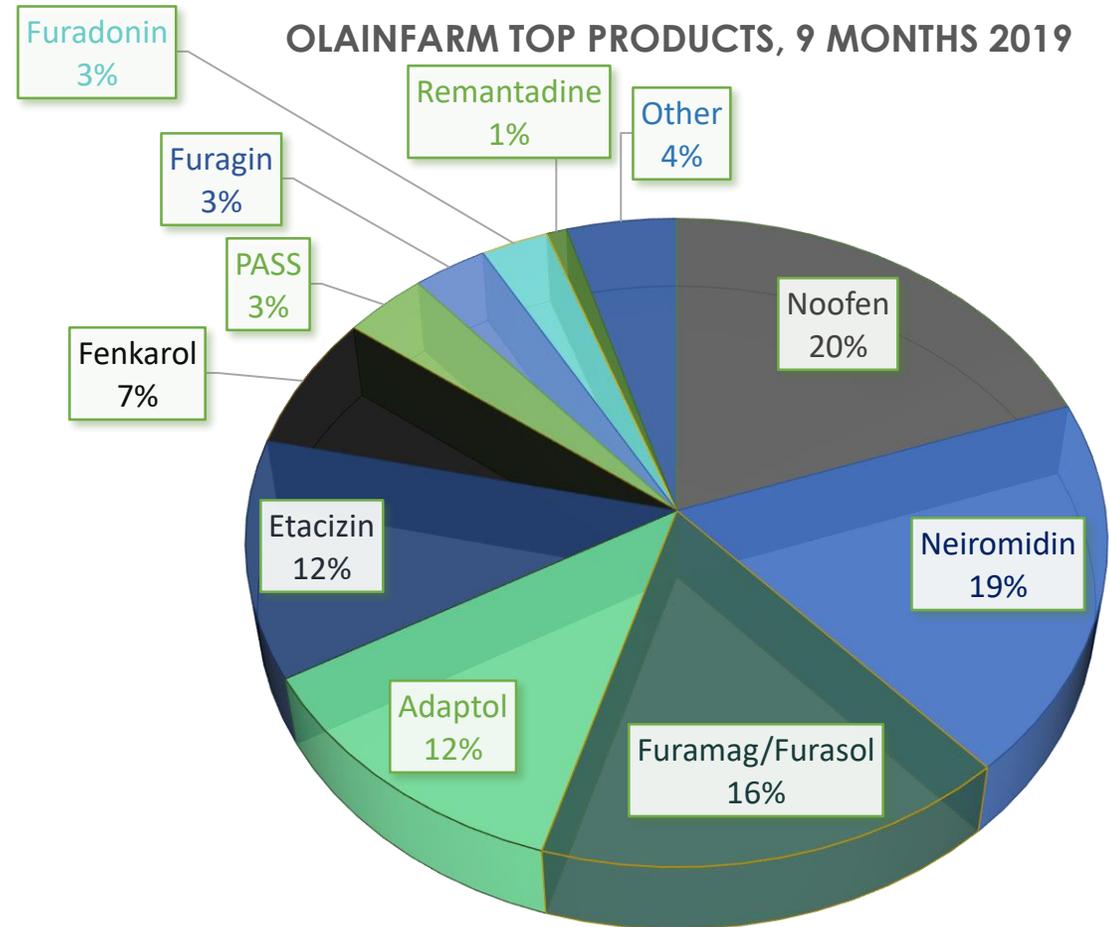
GROWTH DRIVERS: COUNTRIES

- Nine out of ten major **markets are growing**
- Largest growth in monetary terms added by **Latvia** (EUR 3m), **Russia** (EUR 2.6m), **the Netherlands** (EUR 1.2m) and **Belarus** (EUR 0.9m)
- Largest growth in relative terms provided by the **Netherlands** (188%), **Uzbekistan** (50%), **Italy** (40%) and **Tajikistan** (18%)
- Sales in the **Ukraine** declined insignificantly (EUR 0.06m) or less than 1%



SALES BY PRODUCTS, IN 9 months of 2019

- Noofen's share rose by 1pp y-o-y and it remained **THE BEST SELLING PRODUCT**
- Sales of Neiromidin were flat and Furamag/Furasol lost 1pp, which makes a total share of the TOP 3 products equal to 55%
- Etacizin and PASS increased shares y-o-y while Adaptol's share declined

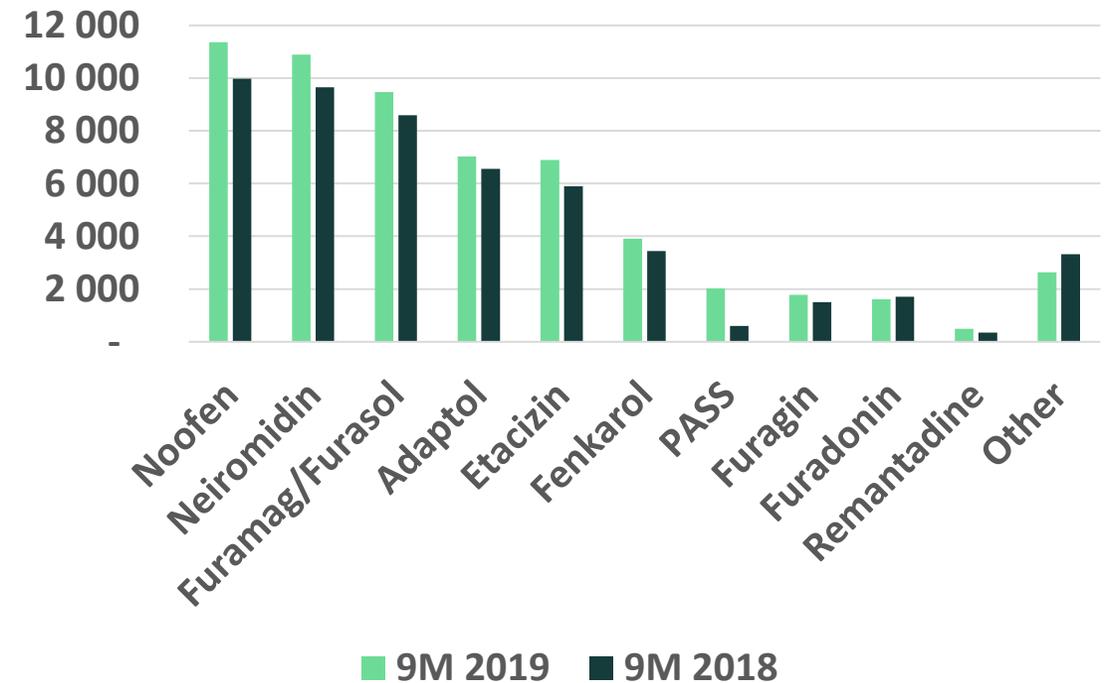


*Final dosage forms only

GROWTH DRIVERS: PRODUCTS

- Out of the **TOP 10** products **nine are growing**;
- The biggest growth in monetary terms added by **PASS** and **Noofen** (1.4m each) and **Neiromidin** (1.2m);
- The biggest growth in relative terms provided by **PASS** (233%), **Remantadine** (40%) and **Furagin** (19%).

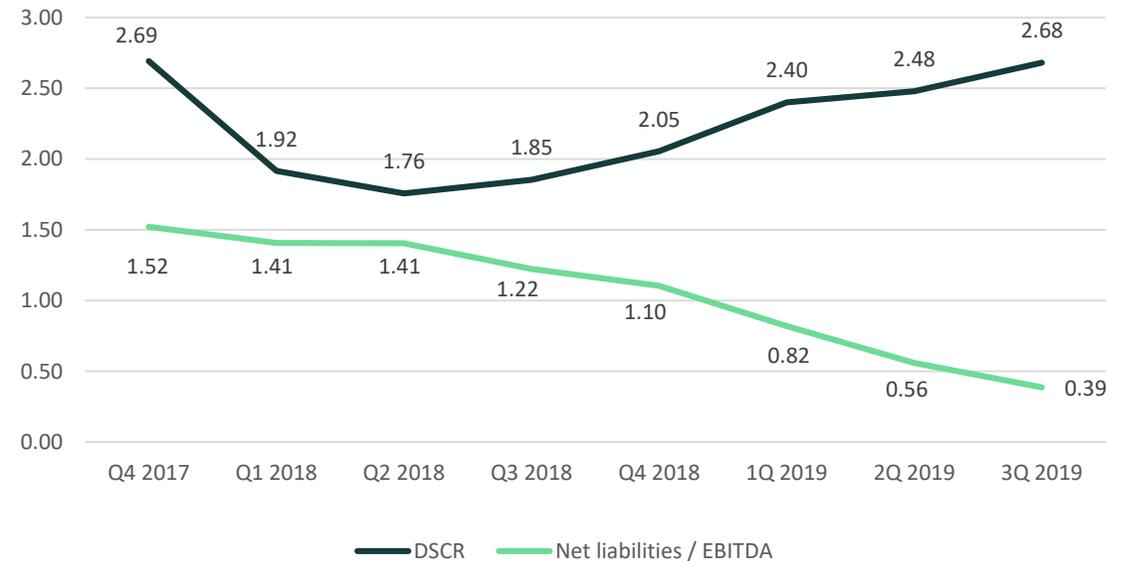
Bestselling Products, 9M 2019 vs 9M 2018, EUR '000



BORROWINGS

- Leverage ratio continued to decline in the 3rd quarter of 2019
- **Main contributing factors** were:
 - Improvement of TTM EBITDA by EUR 5.3m;
 - Increase in cash position by EUR 0.8m;
 - Decline in interest bearing liabilities by EUR 1.8m
- Strong financial positions will help to finance future R&D

Group's DSCR and Net liabilities / EBITDA



UPDATE ON RECENT EVENTS

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DIVIDEND POLICY

Key principles:

- **stability** - target payout ratio of 20% from the previous year's net profit of JSC Olainfarm
- **balance** between payout amount, cashflows and long-term requirements of the Group
- **transparency** – disclose reasons for recommending specific amount



POLL QUESTION

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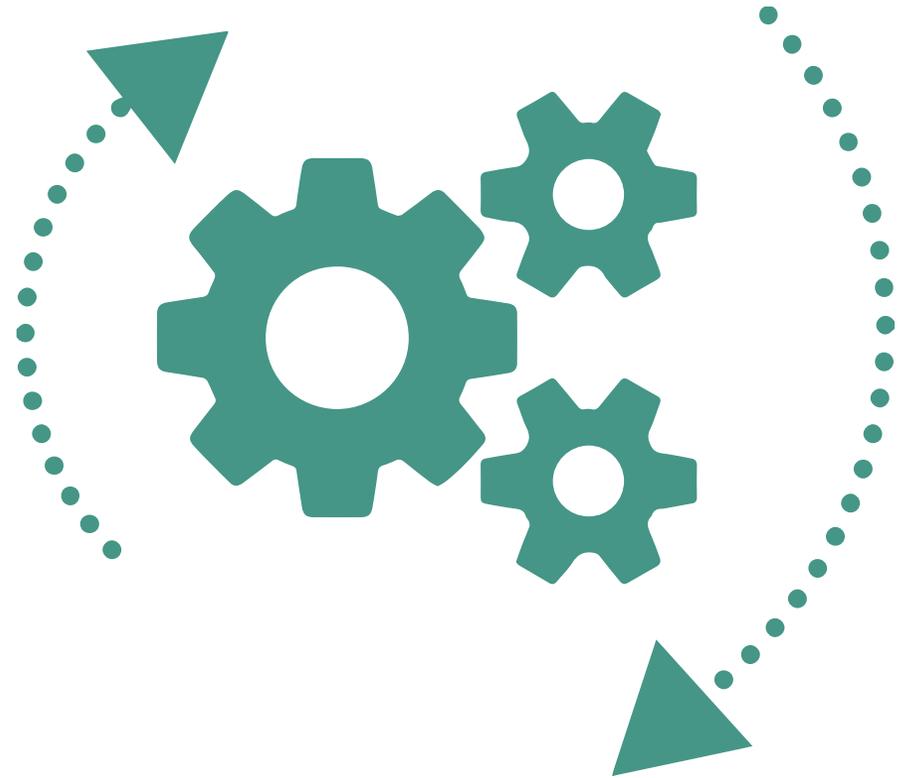
INVESTMENTS IN RESEARCH AND DEVELOPMENT

- Investments of **EUR 1.3 m** (+74% y-o-y) made during the 9 months of 2019 in pre-clinical and clinical trials
- **A global pharmaceutical and healthcare consultancy has been hired** to analyze existing product portfolio and to advise on specific strategic initiatives.



STRENGTHENING THE MANAGEMENT TEAM

- In May, 2019, the **Supervisory Council** decided to hire **professionals with experience in global pharmaceutical industry** who could lead transformation processes at the Olainfarm Group
- **Amrop Latvia**, a top-level recruitment company, was hired to assist in the selection process:
 - **More than 20 candidates** in ten European countries were approached
 - Management skills, professional experience, type of personality and reputation were key criteria
 - Supervisory Council interviewed seven candidates and chose to invite **Mr. Jeroen Weites** as Olainfarm Group CEO and **Mrs. Elena Bushberg** as JSC Olainfarm CEO



JEROEN WEITES – CHAIRMAN OF THE BOARD, CEO

- Primary focus – developing and implementing the Group's strategy
- Between 2014 and 2019 – Head of South Europe region (14 countries) followed by Head of North Europe Region (11 countries) of General Medicines at Sanofi, where his key task was to ensure successful transformation processes for the company.
- Between 2010 and 2014 – Senior Director at Sanofi Genzyme, France, responsible for implementing, managing and advising on new European markets as well as developing launch strategies in Japan and China.
- More than 30 new pharmaceutical products have been successfully introduced in international markets under his leadership.
- Mr. Weites holds a Master's degree in Economics from the University of Amsterdam



ELENA BUSHBERG – MEMBER OF THE BOARD

• **Mrs. E. Bushberg is the CEO of JSC Olainfarm**

• Primary focus:

- transformation of business processes to raise productivity and effectiveness of manufacturing,
- sales and marketing operations in order to achieve sustainable organic growth

• Her professional experience adds up to over 25 years at international pharmaceutical companies such as Schering-Plough, MSD and Abbott Laboratories. Since 2015 E. Bushberg has served as the General Manager of Abbott's Veropharm, one of Russia's leading manufacturers of pharmaceuticals and medical devices.

• She holds a professional master's degree (Global Executive MBA) and a Certificate in Healthcare Sector Management from The Fuqua School of Business, Duke University, USA



EGM ON 24 JANUARY 2020

- The letter has been received from Register of Enterprises of the Republic of Latvia that shareholder Ltd. “OLMAFARM” requested to convene an extraordinary general meeting to:
 - Recall of the Council and Election of the new Council;
 - Recall of the Auditing committee and election of the new Auditing committee.

- Record date – **16 January 2020**;

Registration of shareholders will take place on the day of the meeting **from 10:00 until 10:45 on the venue**;

- Shareholder meeting will start at **11:00**.



Q&A SESSION

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