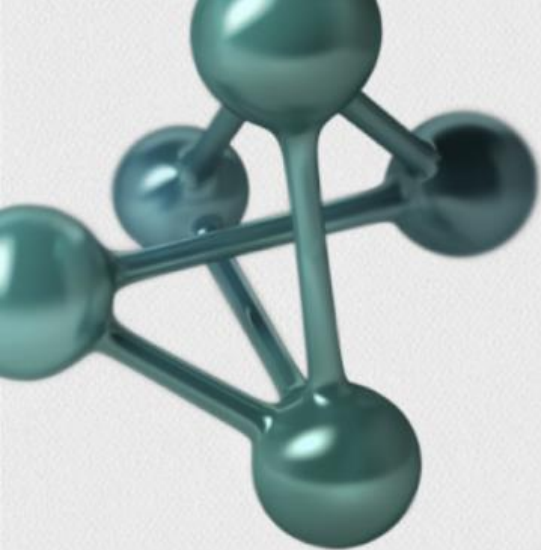


# Webinar Presentation



3rd quarter and  
9 months of 2014

December 9, 2014

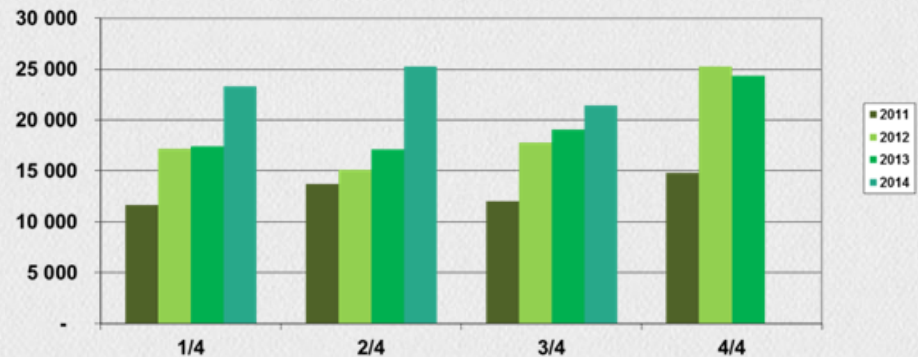


## 3rd Quarter

# Sales in 3rd Quarter

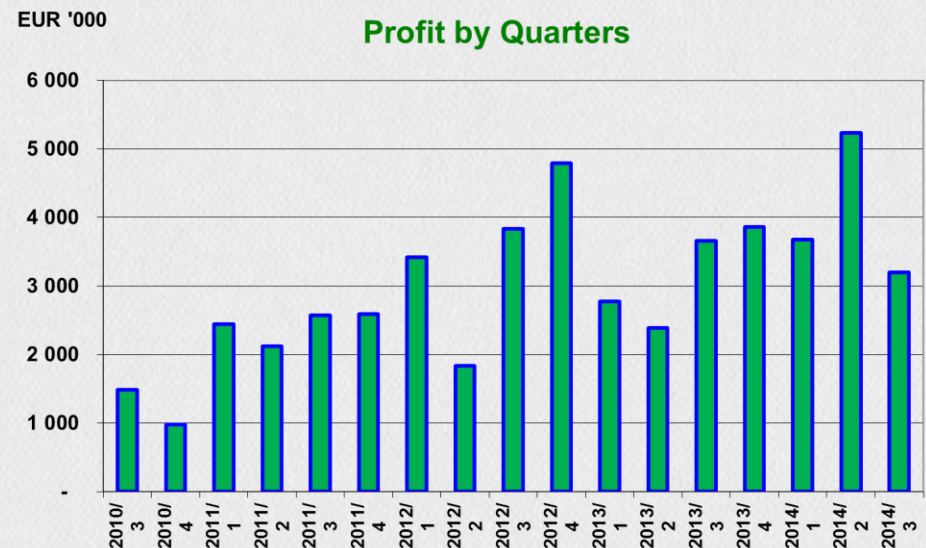
- Sales worth more than 21 million euros, an increase by 12%, again best Q3 and one of the best quarters ever;
- All three quarters have been the best respective quarters in corporate history;
- Sales records have been achieved despite more than volatile situation in Russia and especially in Ukraine;
- About 3.6 million euros lats are sales by pharmacies, increase by 9%; about 0.83 million euros are sales by Silvanols.

Sales by Quarters, Thsnd. EUR



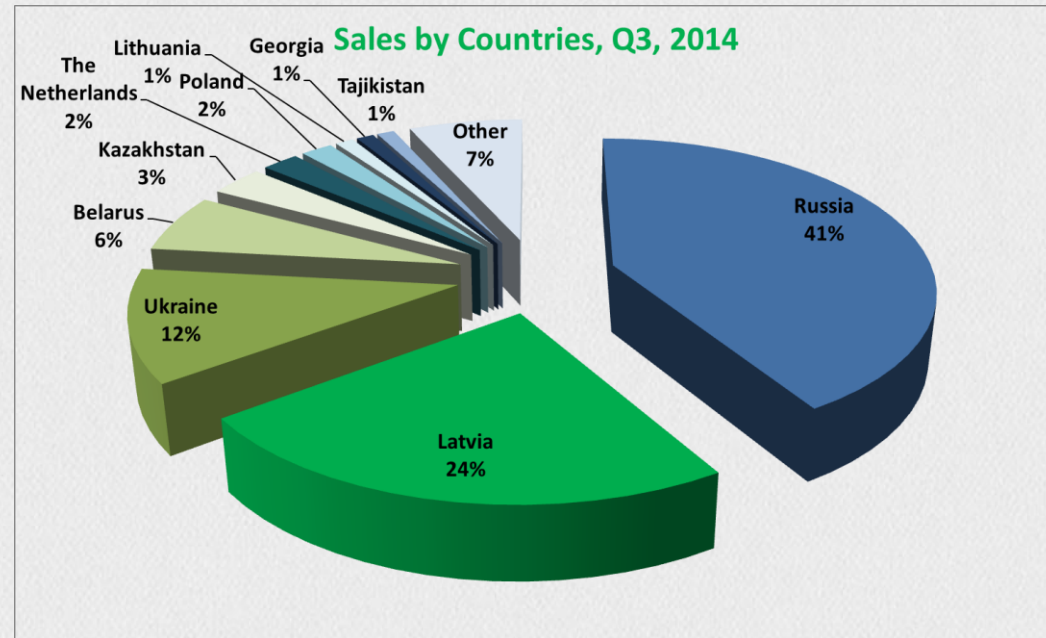
# Profit of 3rd Quarter

- Preliminary at 3.2 million euros, reduction by 12.5% compared to Q3 2013;
- Influenced by provisions of 0.7 million EUR made to secure outstanding receivables from Russia and Ukraine, would be the best third quarter if no provisions were made;
- Significant forex loss additionally reduced profits of the quarter.



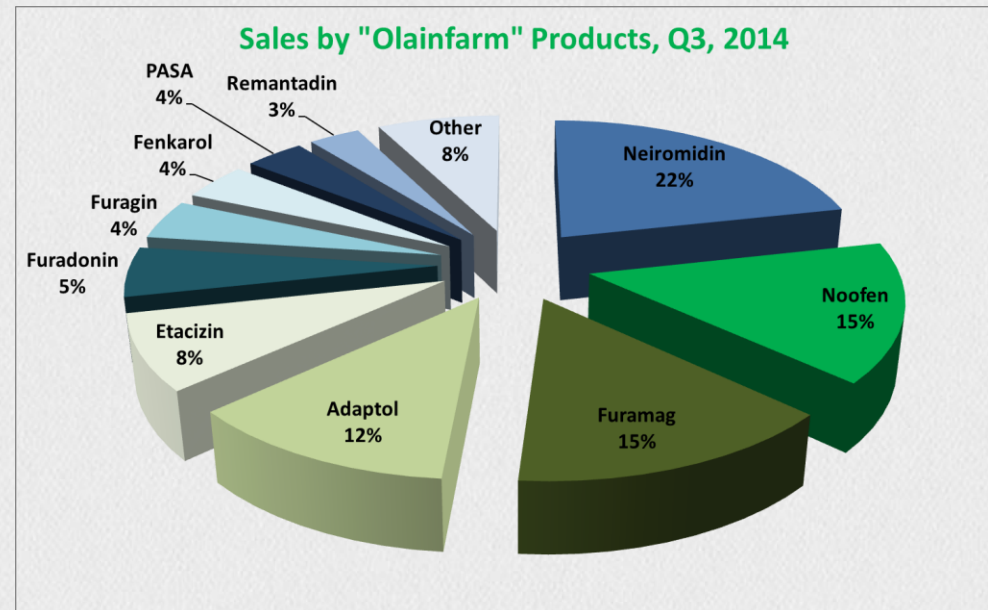
# Sales By Countries, 3rd Quarter

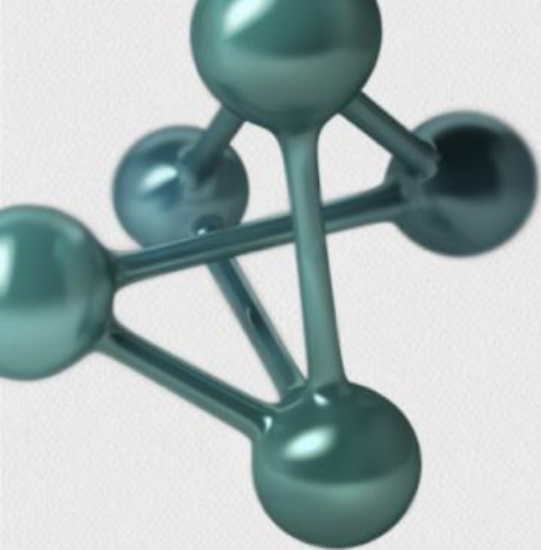
- Share of Russia increased to 41% from 34% in Q2;
- Share of Latvia increased to 24% from 19% in Q2;
- Share of Ukraine decreased significantly to 12% from 19% in Q2;
- Belarus decreased from 8% to 6%, others increased;
- Uzbekistan and the UK disappeared, replaced by Georgia and Lithuania.



# Sales By Products, 3rd Quarter

- Still a reasonably even distribution;
- Neiromidin 2pp up, Noofen 2 pp down;
- Furamag bypassed Adaptol to become third best selling product;
- Fenkarol down significantly by 3 pp, bypassed even by 2 unbranded generics;
- MAG replaced by Remantadin.



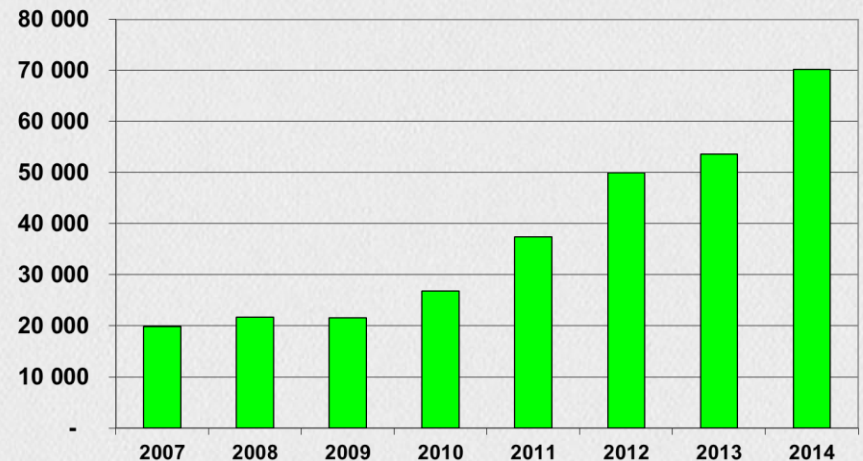


# 9 Months of 2014

# Sales in 9 Months of 2014

- Sales worth 69.9 million euros;
- Increase by 30%, compared to 9 months of 2013, still partially due to undershipments to Ukraine in early 2013;
- Best nine months so far;
- About 11.1 million euro are gross sales by pharmacies (up 13%), and about 6.8 million euro are net sales by pharmacies; Sales by Silvanols are 2.4 million euro.

Sales in Nine Months, Thsnd. Euro

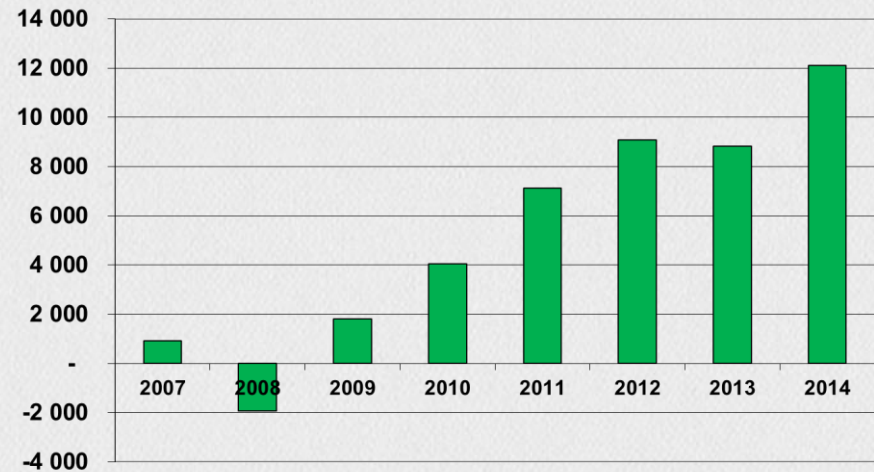




# Profit of 9 Months of 2014

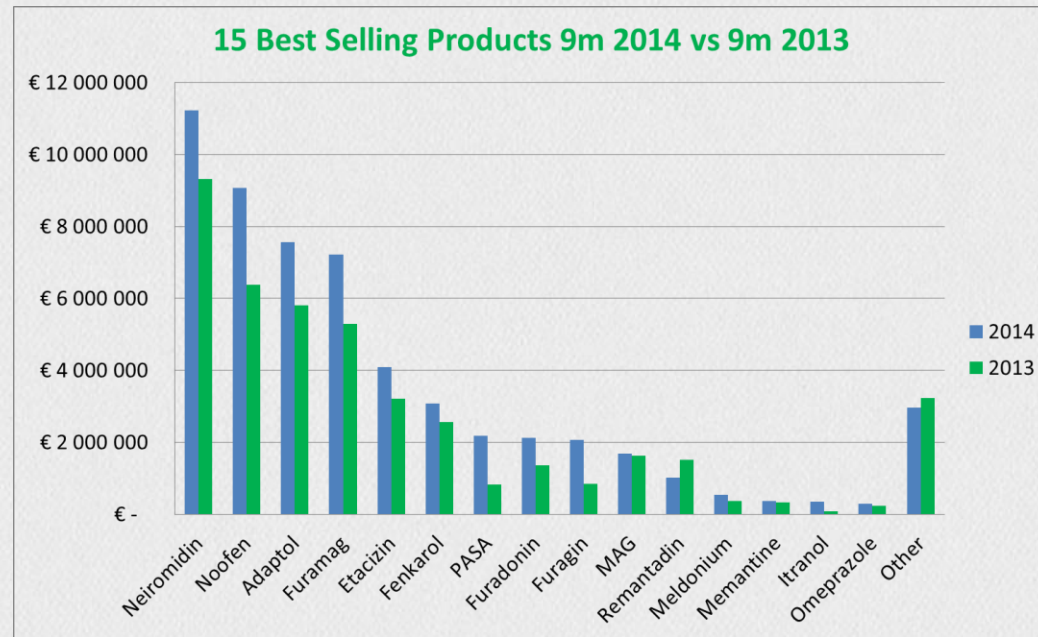
- Preliminary at 12.1 million euros, even after foreign exchange loss of 950 TEUR and provisions of 1.7 for Ukrainian and Russian receivables;
- Increase by 37%, compared to 9 months of 2013, also here last year's undershipment had an influence;
- 80.7% of profit guidance for 2014 met;

9 Months Profit, Thsnd. Euro



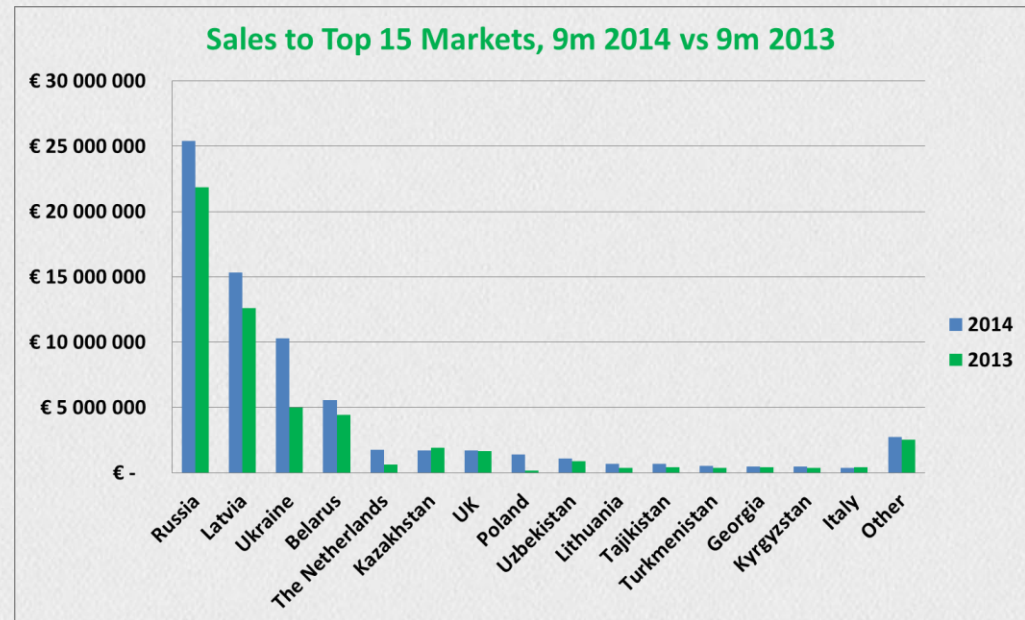
# Growth Drivers: Products

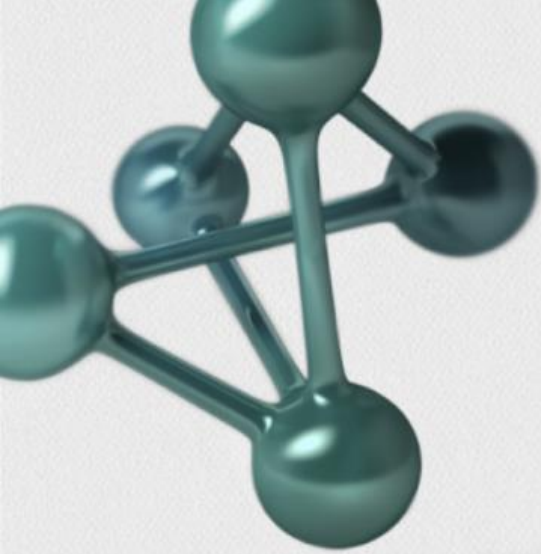
- Particularly strong growth by 4 leading products;
- Decent growth also demonstrated by PASA and Furadonin;
- New Polish contracts facilitated growth of Itranol and Furagin;
- Growth leaders: Itranol +358%, PASA +162%, Furagin +143%, Furadonin +56%, Meldonium +45%;
- Only Remantadin and “others” are falling.



# Growth Drivers: Countries

- 13 out of 15 countries growing;
- The only ones falling are Kazakhstan and Italy;
- Top growers in nominal terms: Ukraine +5.3M, Russia +3.6M, Latvia 2.7M, Poland +1.2M;
- Growth in top 5 countries provide 90% of total growth in monetary terms;
- Top growers in %: Poland +714%, The Netherlands +184%, Lithuania +94%, Tajikistan +61%.





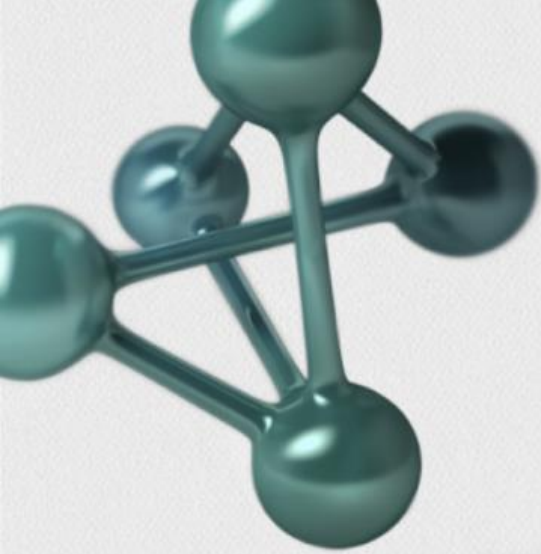
# Update On Recent Events

# Recent Events

- In October Olainfarm went on Baltic – Nordic roadshow, visiting Estonia, Finland, Sweden and Lithuania. Almost 30 meetings were held during the roadshow. We are considering to make this an annual practice;
- Because of economic uncertainties in Russia and Ukraine and due to instabilities with local currencies, the company has decided to increase provisions on all receivables from these two countries by 0.7 million EUR to 1.7 million EUR.
- In order to avoid conflict of interest, the biggest shareholder of “Olainfarm” Mr. Valerijs Maligins has sold all his holdings in Ukrainian company “Olfa”.

# Recent Events - Continued

- Member of the Supervisory Council Mrs. Elena Dudko, has resigned, quoting the necessity to pay more attention to her businesses in Ukraine. An extraordinary General Meeting will be held on December 17 to elect a new Council. Former Latvian Health minister Mrs. Ingrida Circene has been nominated for the position to replace Mrs. Dudko.
- Other items for the agenda of the General Meeting include denomination of share value in euros and amendments of Articles to ease signatory rights;
- Due to somewhat stagnant share price the Board decided not to pursue the stock split idea for the time being.



# In Focus : CAPEX Programme



# Background

- 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;
- 25% of eligible investments will be received as CIT credit at the end of the project in 2018;
- EU funding is used extensively where possible to support investments;
- 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 further scaled down and now is at 32 million;



# Nitrofurantiones, Small Batch and FD Laboratory

- Much more modern and productive site for production of FDFs of nitrofurantoin derivatives (Furamag, Furagin, Furasol, Furadonin) with a potential of developing new products;
- Dedicated line for small batches will release main production site from significant downtime arising due to switches from product to product;
- New, more sophisticated laboratory for development of FDFs;
- Project is completed;
- Total investments: 10 M EUR;
- It is expected that through various sources (TR and EU funding) 5.3 MEUR will be recovered;
- 1.8 MEUR are already recovered;



# Increased Capacities for Noofen

- 2 projects – one related to intermediate of phenibutum, another related to the final API;
- Overall phenibutum capacity will be increased by approx. 50%;
- Intermediates project will be completed in September 2015, API project is completed;
- Total investments:
  - Intermediates: 1.9 MEUR
  - API 2.0 MEUR
- Expected recovery from both projects from both sources (TR & EU funding) is 0.9 MEUR, 170 TEUR are already recovered.

# Efficiency and Productivity Improvement for Chemical Production

- Numerous investments into units of chemical production, all targeted at increasing capacities, and improving efficiency;
- Expected completion in November 2015;
- Total investments: 3.8 MEUR 1.4 MEUR invested in 2014;
- Expected recovery of 2 MEUR, of which 1 MEUR has already been recovered;

# R&D Projects

- Identifying new indications for R-phenylpiracetam:
  - 100% outsourced to LIOS;
  - Total investment of 570 TEUR;
  - Expected recovery of 285 TEUR;
  - 89 TEUR already recovered;
- Development of new drug delivery and taste masking systems:
  - Total investments of 758 TEUR;
  - Expected recovery of 350 TEUR;
  - Expected completion in June 2015;
- Development of documentation for clinical trials and some items of clinical trials;
  - Total investment: 1.1MEUR;
  - Expected recovery: 0.5 MEUR
  - Expected completion: June 2015

# Cooling Systems

- Replacement of cooling station and pipeline network of coolant;
- Will allow significant energy savings throughout the process;
- Expected investment: 1.9 MEUR;
- Expected recovery: 0.58 MEUR;
- Expected start of the project: Spring 2016.

# Wastewater Treatment

- Very inefficient at the moment, as large quantities of water are pumped to treatment facility located 5km from the production site;
- Several alternatives being considered, the cheapest offer at the moment is 3.1 MEUR;
- Expected Start of the project: late 2016 / early 2017;
- Recovery: at least 25% + whatever can be recovered from EU or from Climate Change instruments.

# Synthesis of Etacizin, Adaptol and PASA

- Would allow increasing capacity and efficiency of production of three best sellers;
- Planned investment: 3.5 MEUR;
- Expected recovery: approx. 1.5 MEUR;
- Planned to commence: late 2015 / early 2016

# Other Items

- Automation of accounting of energy:
  - To be commenced in 2017;
  - Planned investment: 145 TEUR;
  - Expected recovery: 70 TEUR;
- Modernization of water treatment facilities:
  - To be commenced in 2016;
  - Planned investment: 1.1 MEUR;
  - Expected recovery: 0.5 MEUR;
- Extension of warehouses:
  - To be commenced: late 2015;
  - Planned investment: 1.4 MEUR;
  - Expected recovery: 0.6 MEUR;



# Other Items - Continued

- Heating efficiency of industrial buildings:
  - To be commenced in 2107;
  - Planned investment: 1.4 MEUR;
  - Expected recovery: 0.7 MEUR;
- Modernization of quality control, quality assurance and analytical capacities:
  - To be commenced in 2015;
  - Planned investment over 3 years: 1.8 MEUR;
  - Expected recovery: up to 0.9 MEUR

# Summary

- Total CAPEX investments “identified”: 32.6 MEUR;
- Already invested: ~ 10 MEUR, 9.4 MEUR planned for 2015;
- Total recovery expected: approx. 15 MEUR
- Already recovered: 3.1 MEUR.

# Q&A Session

- In between webinars, please contact me at:
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  - Cellular: +371 2 6448873 ;
  - Twitter: @SalvisLapins or @OlainFarm;

# Thank you!

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