Webinar Presentation

1st quarter of 2015

June 9, 2015

www.olainfarm.lv

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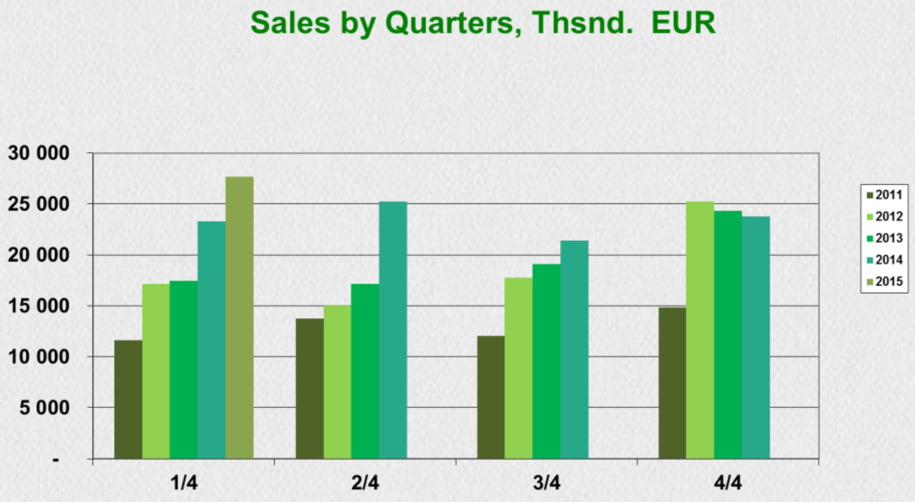
1st Quarter

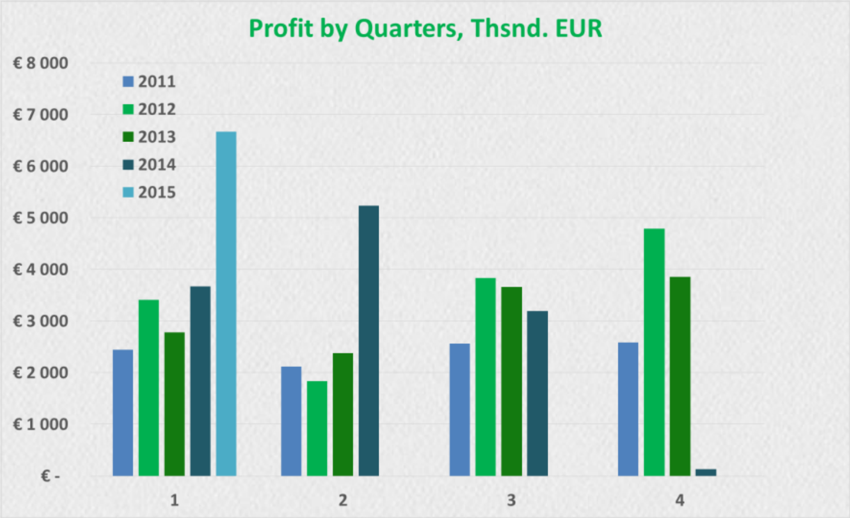
Sales in 1st Quarter

- Sales slightly exceeded 27 million EUR, an increase by more than 16% compared to Q1 2014;
- Not only the best first quarter, but the best quarter overall in corporate history;
- About 4.2 million euros are sales by pharmacies, increase by 10%; about 1.1 million euros are sales by Silvanols, increase by 28%.



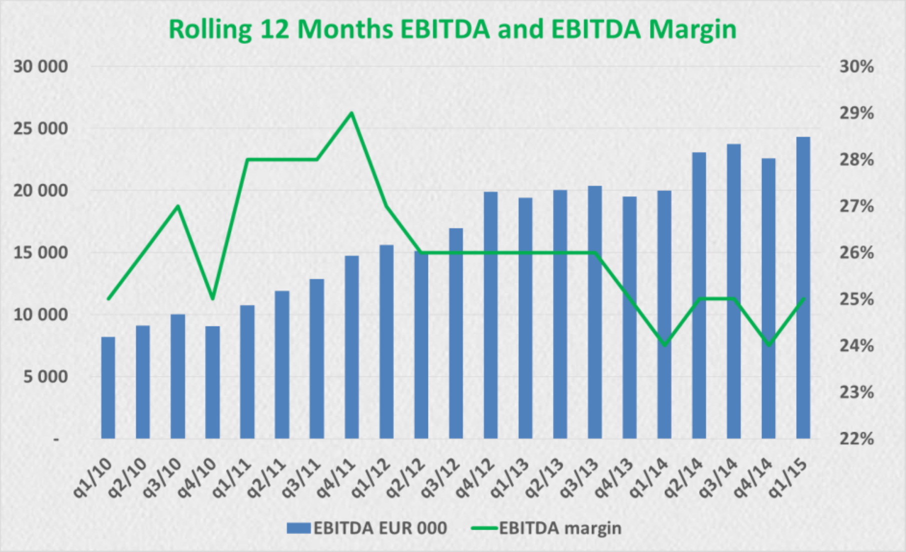
Profit of 1st Quarter

- Preliminary at 6.7 million euros, increase by 83% compared to Q1 2014, the best quarter by significant margin;
- Net profit has been reduced through provisions for:
- Both, good sales numbers and favorable Russian Ruble fluctuations contributed significantly to great profitability;
- An annual profit target of 15 million EUR has been proposed to the AGM, 45% reached in Q1.



EBITDA and Margin

- New chart in Management reports of financial statements;
- Q1 EBITDA at 8.1 million, 12 months rolling at 24.3 million – highest so far;
- Historical figures show the margin at its recent highest at 29% at Q4 2011;
- Ever after fluctuates between 24% and 26%;
- The change coincides with starting to build a chain of pharmacies;
- EBITDA itself, however, has been steadily growing.



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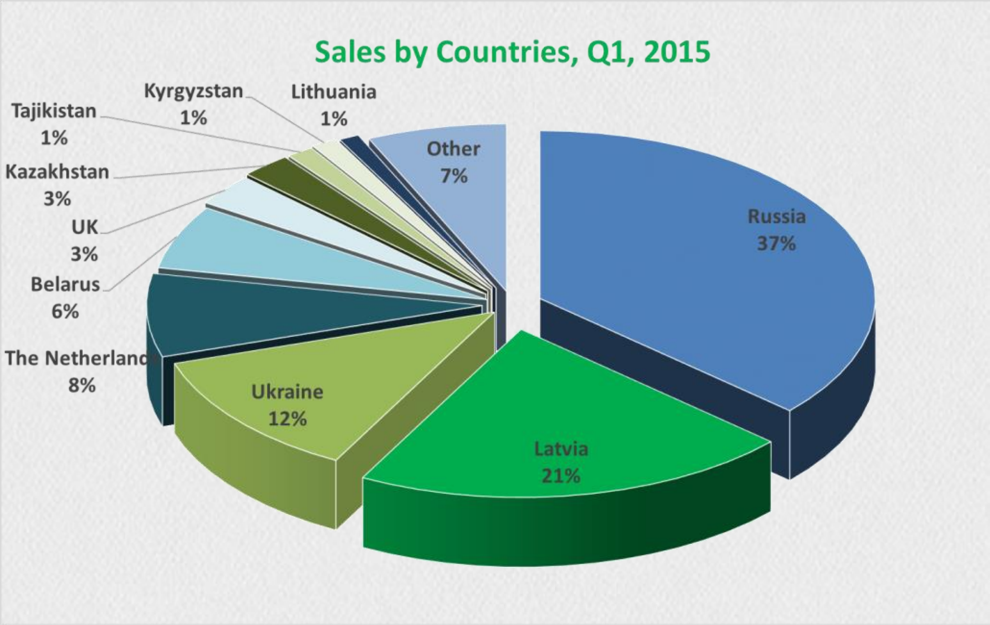
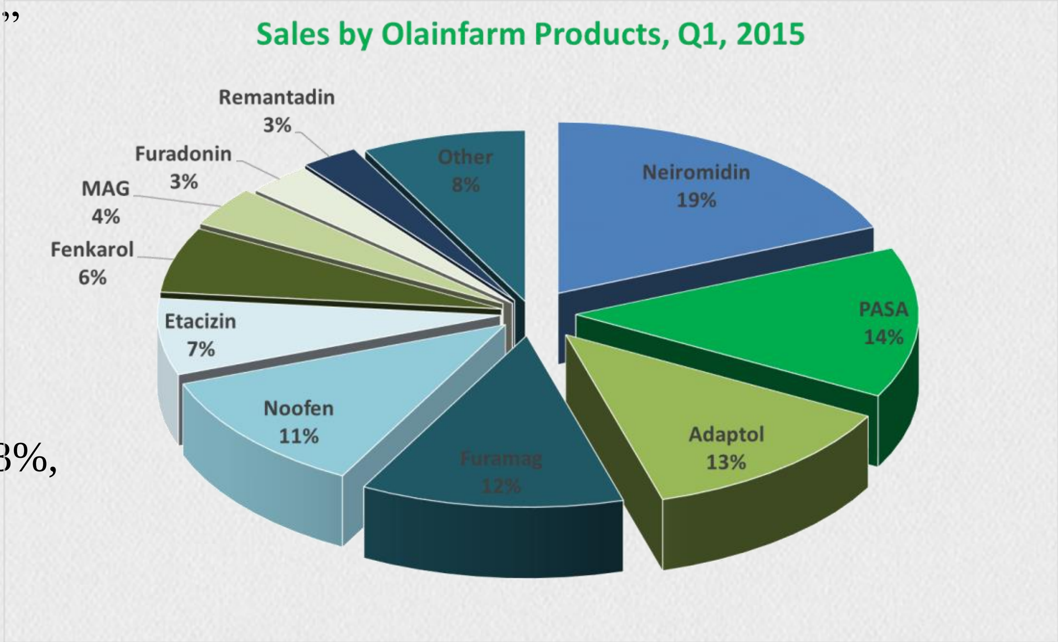
Sales By Countries, 1st Quarter

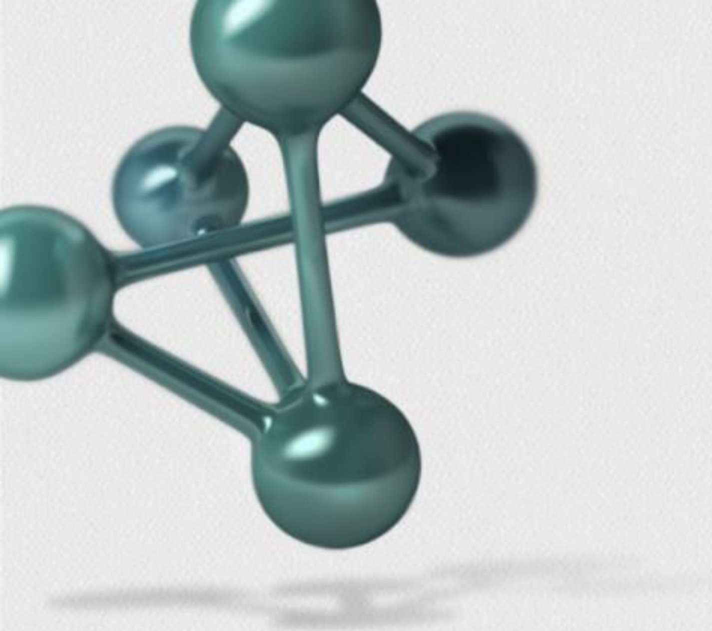
- Share of Russia almost unchanged;
- Both, Latvia's and Ukraine's shares shrunk by 2pp, Belarus' by 3;
- UK appeared with 3%, KG, TJ and LT with 1%;
- Poland, Italy, Georgia no longer among top 10;
- The Netherlands (WHO) now the fourth biggest market, even bigger than Belarus.



Sales By Products, 1st Quarter

- Distribution more concentrated as “others” down to 8% from 10%;
- Neiromidin stable at 19%, PASA #2 with 14%;
- Noofen down to 11%, Furagin in TOP 10 replaced by MAG;
- Fenkarol up to 6%, Remantadin down to 3%, remaining products unchanged;





Growth drivers Q1

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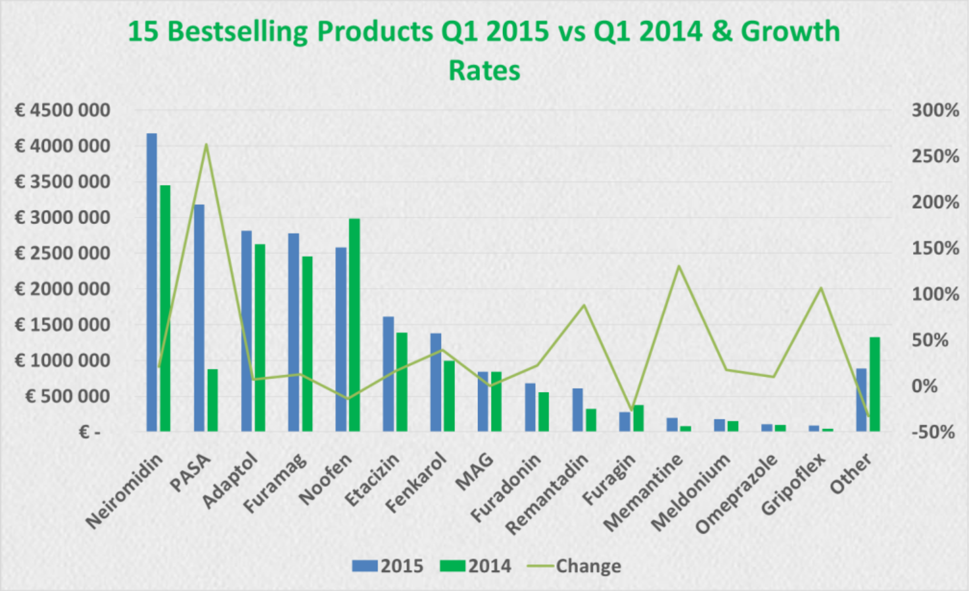
Products

- Only 2 out of top 15 falling;
- Growth of Memantine, Remantadin, and Gripoflex also impressive, last two could be attributed to flu, Gripoflex first time among top 15;
- Growth leaders in monetary terms: PASA + 2.3M, Neiromidin + 0.7M, Fenkarol + 0.4M;
- Noofen fell by 0.5M, Furagin by 0.1M, others by 0.4 M



Products: Noofen

- Noofen falling by 409 thousand EUR;
- Sales of API – a «one of»;
- Sales of bulk tablets made to Georgia, matter of timing of shipments; normally 2-3 shipments p.a.;
- Sachet sales increasing, demand moves to smaller dosages;
- Tablets and capsules falling significantly, especially in Uzbekistan, Ukraine and Belarus.

	Q1 15		Q1 14	
Noofen/Fenibut Tab 250 mg N 20	€	1 885 513.60	€ 1 959 704.57	-€ 74 190.97
Noofen Caps. 250 mg N 20	€	396 137.05	€ 643 886.52	-€ 247 749.47
Noofen Sac 100 mg N 15	€	255 756.27	€ 174 428.16	€ 81 328.11
Noofen Caps 500 mg N 24	€	19 640.57	€ 39 442.01	-€ 19 801.44
Noofen Sac 500 mg N 5	€	18 506.07	€ 29 655.67	-€ 11 149.60
Noofen 250 mg tabl."in bulk"	€	-	€ 73 900.35	-€ 73 900.35
Fenibut API	€	-	€ 64 079.86	-€ 64 079.86

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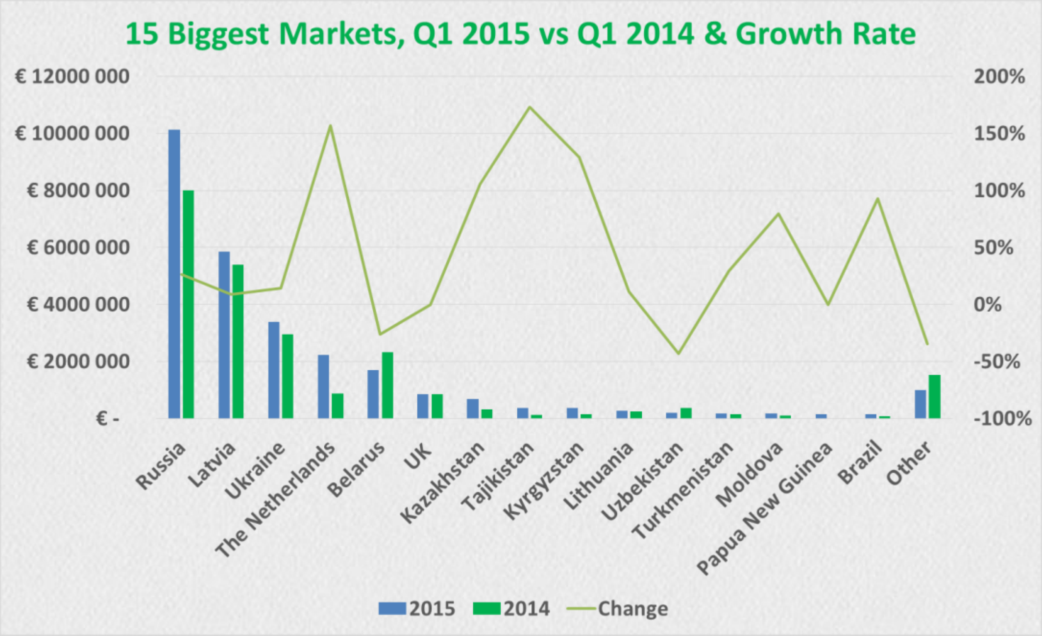
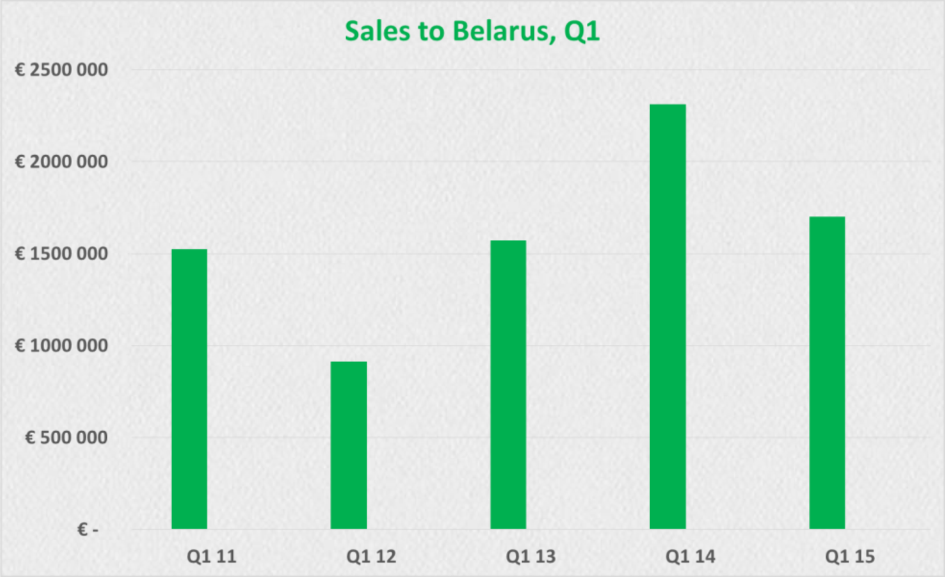
Countries

- Overall growth rate around 16%, 13 out of 15 countries growing;
- The only ones falling are Belarus, Uzbekistan and Others by 26%, 43% and 35% respectively;
- Top growers in monetary terms: Russia +2.1M, The Netherlands + 1.4M, Latvia 0.5M, Ukraine +0.4M;
- Decliners in monetary terms: Belarus by 0.6M, Others by 0.5 M, Uzbekistan by 0.2M.



Countries: Belarus

- Belarus fell by 26% or 613 thousand EUR;
- YoY growth rate is that negative due to untypically high sales in Q1 2014;
- Because of large influence of state owned entities, Q1 tends to be distorted;
- Q1 2012 – a first quarter after multiple devaluations, Q1 2014 – a first quarter after foreign exchange limitations in Q4 2013.



Update On Recent Events

Recent Events

- Some changes have been made to audited version of financial statements compared to unaudited one:
  - Because of changes to deferred tax calculations, the net profit has been increased by 490 thousand EUR;
  - Because of significantly overdue payments from Russian wholesaler OOO “Oriola”, the company decided to make provisions of 979 thousand EUR, which corresponds to 100% of receivables outstanding from the said client. The net profit has been respectively reduced by this amount;

- As mentioned above, one of formerly leading Russian wholesalers OOO “Oriola” after being acquired by new owners started to significantly delay payments. All shipments to this partner have been ceased since December 2014, litigation is being prepared.

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Recent Events - Continued

- AS Olainfarm has been named the biggest Latvian exporter to third countries. The respective award was presented by Latvian State Revenue Service officials;

- Latvian Association of Free Trade Unions named Olainfarm one of its all time best cooperation partners and celebrated our input in development of social dialogue in Latvia by awarding us with the special award dedicated to 25 years anniversary of Free Trade Unions.

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Recent Events - Continued

- An AGM of Olainfarm is being convened on June 11, 2015. Main decisions proposed:
  - As per earlier disclosures, no dividends from the profits of 2014;
  - Targets for 2015:
    - Unconsolidated sales 87 M EUR
    - Unconsolidated profit 14 M EUR
    - Consolidated sales 100 M EUR
    - Consolidated profit 15 M EUR
  - Strengthening the Audit Committee , initially by approving the its by-laws.
  - All other items on the agenda are typical for ordinary AGM and include approval of financial reports, electing Auditing Committee, approval of budget and targets, report of external audit, Council

In Focus : Tajikistan, Kyrgyzstan, Turkmenistan

Key Data

- Population:
  - Tajikistan: 8.5 mln
  - Kyrgyzstan: 5.9 mln
  - Turkmenistan 5.4 mln

  Aggregate: Approx. 20 mln

- Major cities:
  - Ashgabat (TM) 950 thousand inhabitants;
  - Bishkek (KG) 830 thousand inhabitants;
  - Dushanbe (TJ) 800 thousand inhabitants;
  - Turkmenabat (TM) 280 thousand inhabitants;
  - Dasoguz (TM) 250 thousand inhabitants;
  - Osh (KG) 233 thousand inhabitants;
  - Khujand (TJ) 170 thousand inhabitants;
  - Mary (TM) 126 thousand inhabitants.

- GDP per capita (PPP, 2014): Tajikistan 2 700 $, Turkmenistan 14 200 $, Kyrgyzstan 3 400$.

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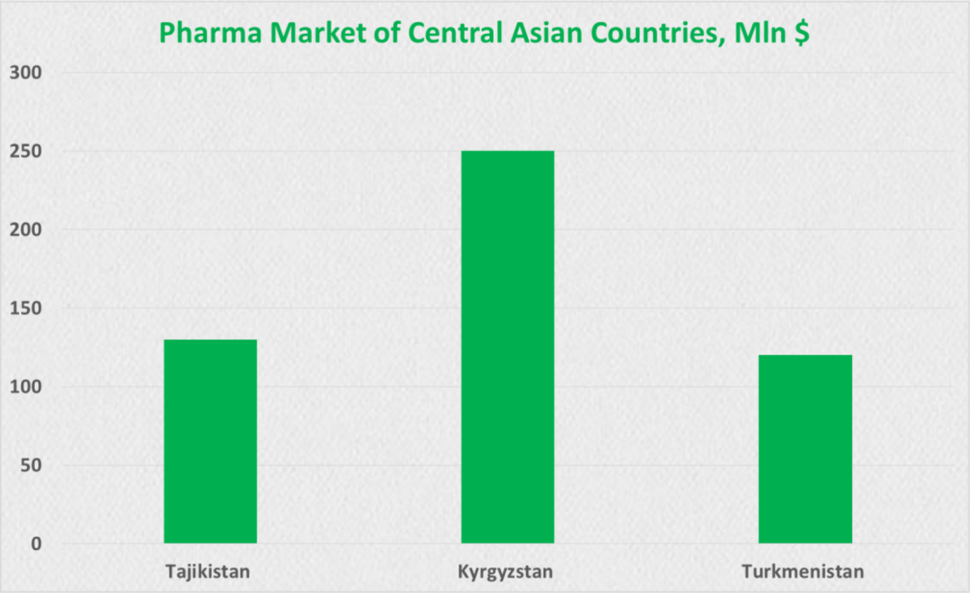
Pharma Market

- All numbers are estimated, based on last more or less reliable data from 2010 – 2011, as more recent reliable data is not publicly available for either of the countries;
- In Tajikistan, about 58% of imported medicines is provided as humanitarian aid, humanitarian aid funds about 23% of pharma market;
- Kyrgyzstan has demonstrated impressive market growth, as it has increased nearly 5 times since 2007;



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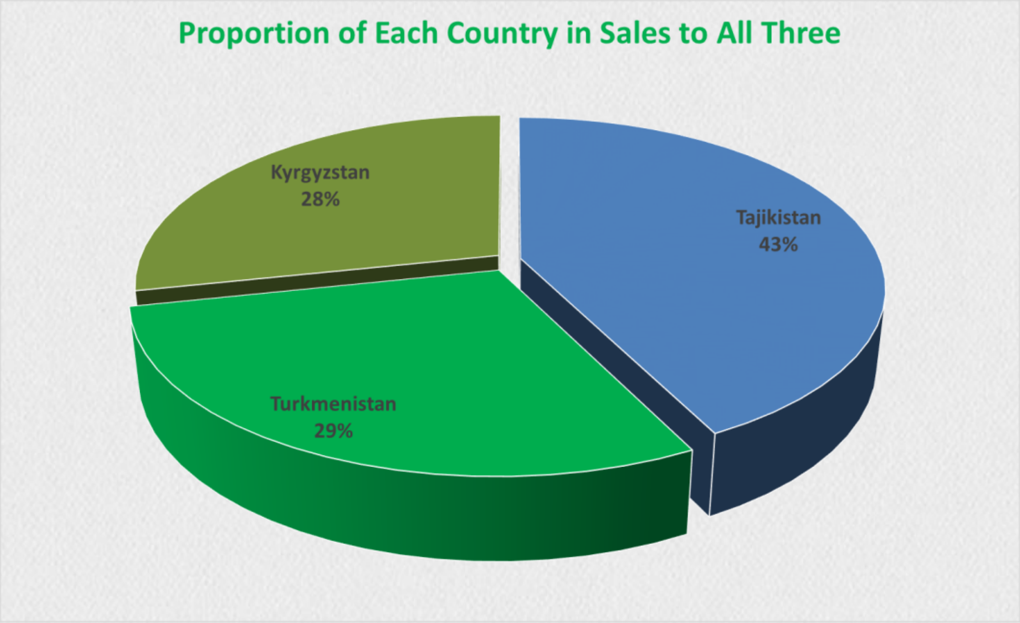
Differences

- Tajikistan- the biggest but the poorest. Since we started there earlier than in other two, our sales are better there; country heavily dependent on exports of its labor force;
- Turkmenistan, the smallest, but by far the wealthiest of all three, as it is very rich in minerals; most sectors heavily influenced by the government, Olainfarm started there only in 2011;
- Kyrgyzstan slightly wealthier than Tajikistan, and slightly bigger than Turkmenistan, the only member of Customs Union from all three. Probably, the most transparent;



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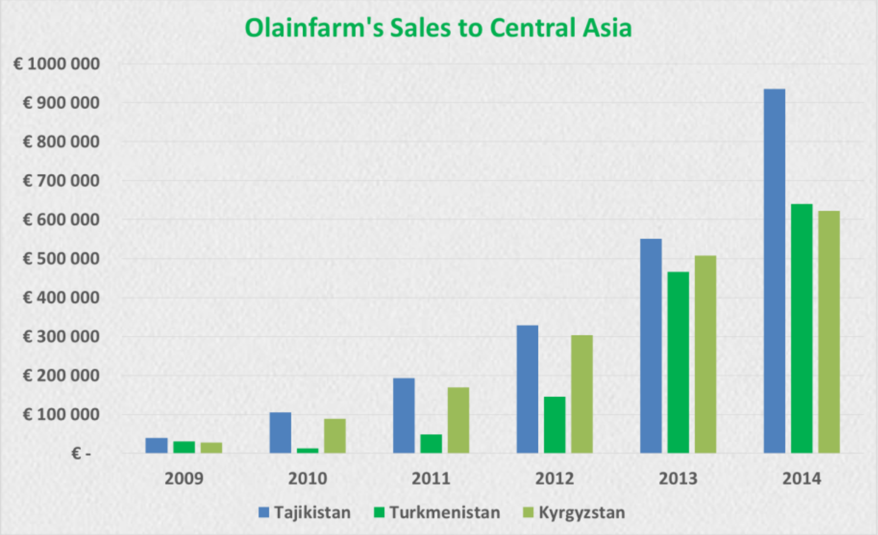
Olainfarm in Region

- Olainfarm has been selling to this region a little since late 1990s predominantly via Russian and Kazakhstani partners;

- Olainfarm established its own presence and launched marketing activities only a few years ago:
  - In 2009 in Tajikistan;
  - In 2010 in Kyrgyzstan;
  - In 2011 in Turkmenistan

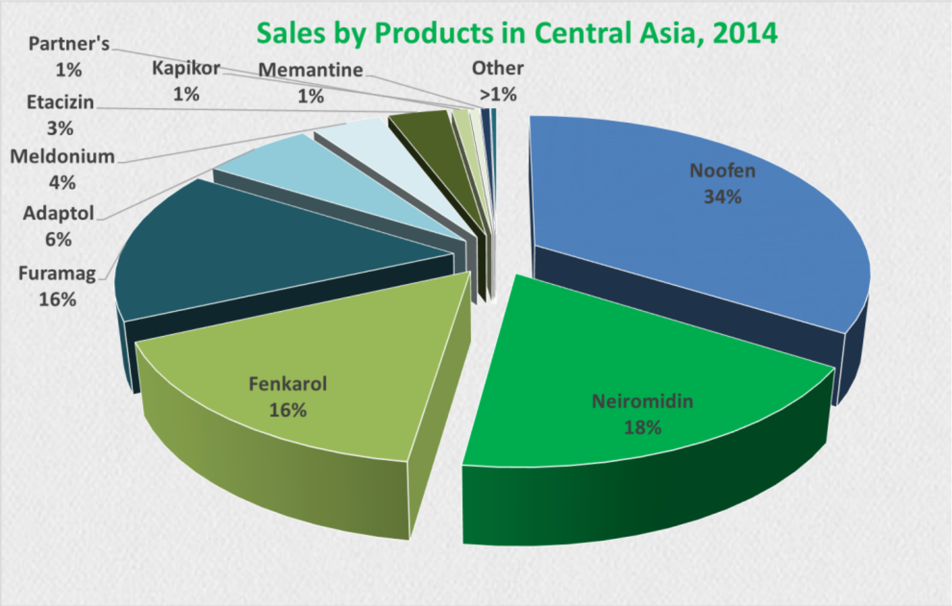
- Besides own products, Olainfarm also promotes and sells products of its partners in this region.

- Representation:
  - 100% daughter company Olainfarm Aziya in Kyrgyzstan;
  - Representative office in Tajikistan;
  - Contracted individuals in Turkmenistan.

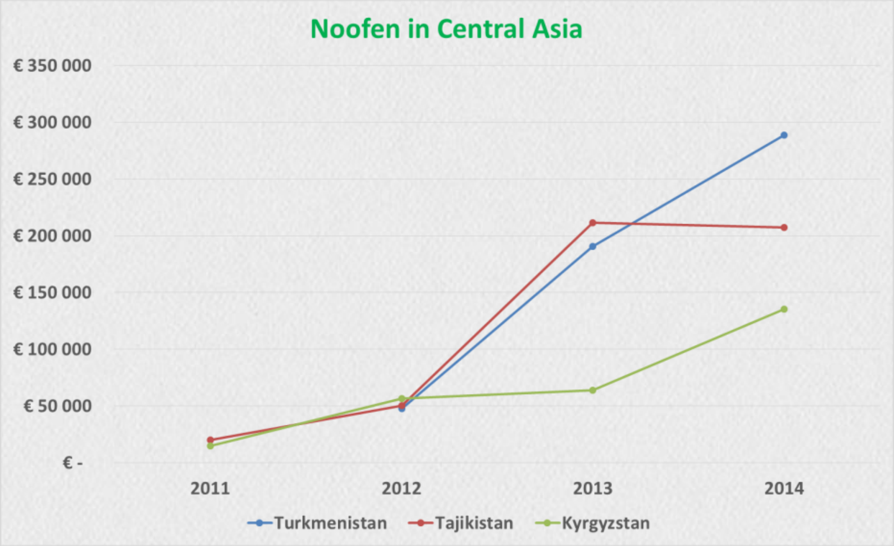


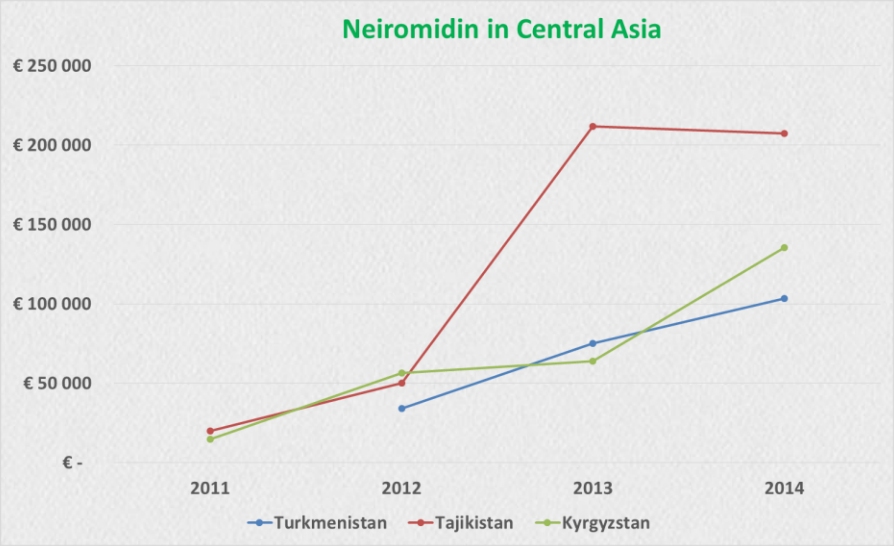
Sales by Products

- Charts based on secondary sales;
- Total of 12 different molecules produced by Olainfarm are registered in the region;
- Remantadin, Jogurt and Bikarphen are the ones left outside top 10;
- Main differences from overall pie chart:
  - Different best seller, larger share;
  - Absence of APIs and chemical products;
  - Absence of pure generics, like Furadonin and Furagin;
  - New products (Memantine, Kapikor and Meldonium) have a much bigger share, as marketing started only little later than others.



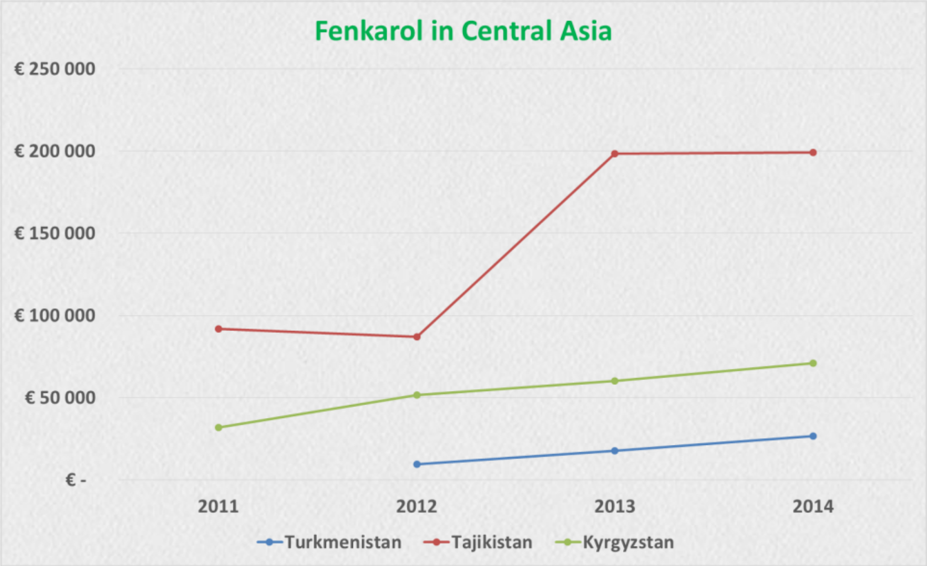
Noofen and Neiromidin in Region

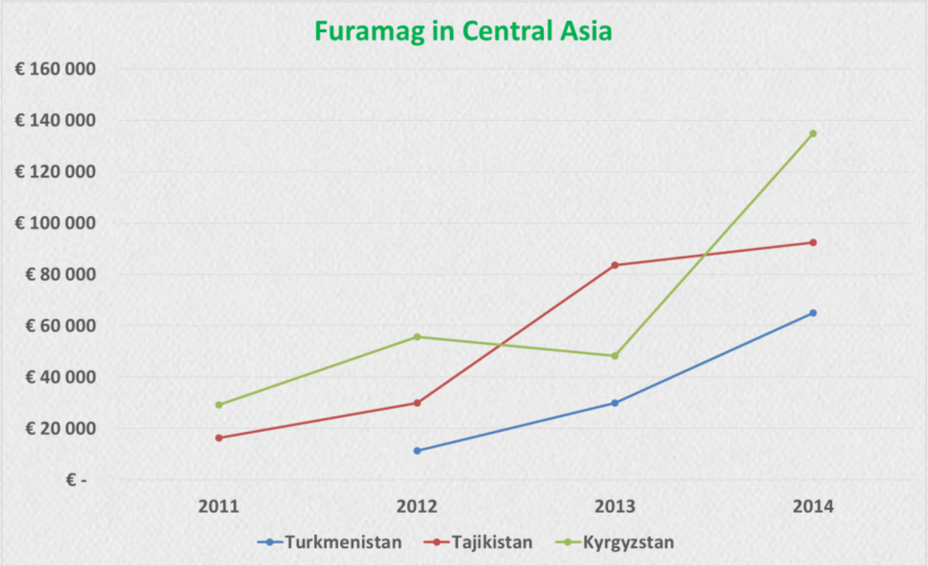




- No market share information is available in these countries;
- Turkmenistan data available only since 2012;
- Since 2012, Noofen has grown fourfold, Neiromidin threefold;
- Noofen is sold in 4 different forms, Neiromidin in 3.

Furamag and Fenkarol in Region





- Since 2012, both products have grown threefold;
- Here and elsewhere, Furamag numbers also include sales of Furasol, the sachet form of the same molecule;
- Each product is sold in 4 different forms, including ampules of Fenkarol.

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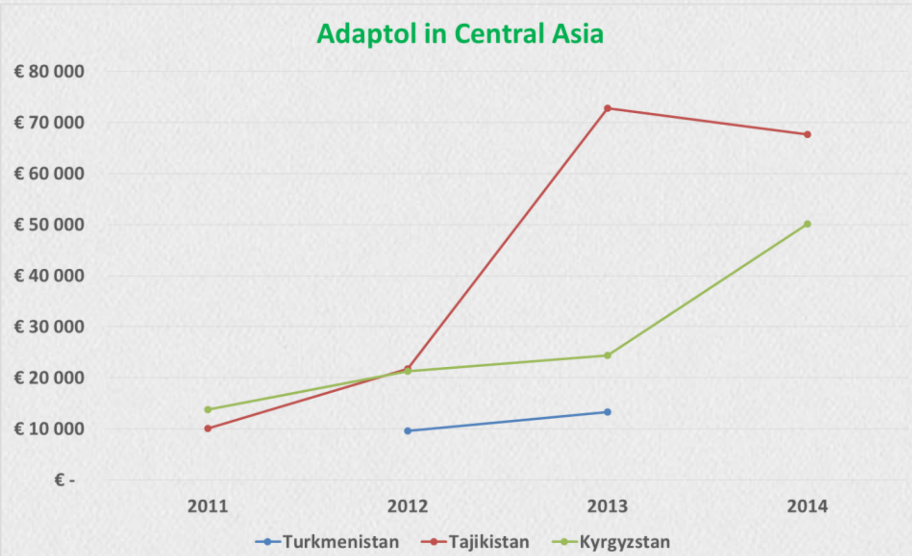
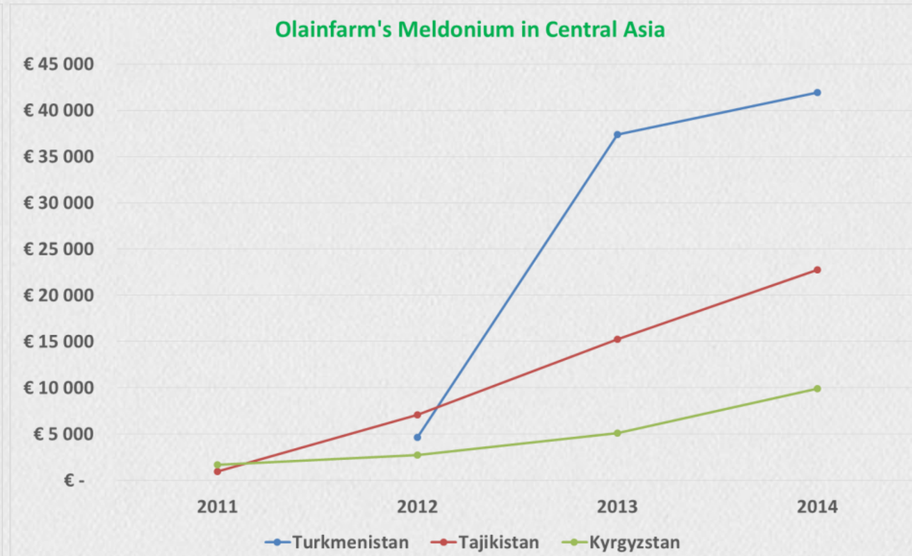
Adaptol and Meldonium in Region





- Adaptol sales halted in 2014 in Turkmenistan by the government as part of program to limit the use of tranquilizers;
- Sales are expected to restart in Q2 2015;
- Since 2012 Adaptol sales more than doubled, Meldonium’s more than fivefolded;
- Meldonium sold as Vazonat;
- Adaptol sold in two forms, Meldonium in three.

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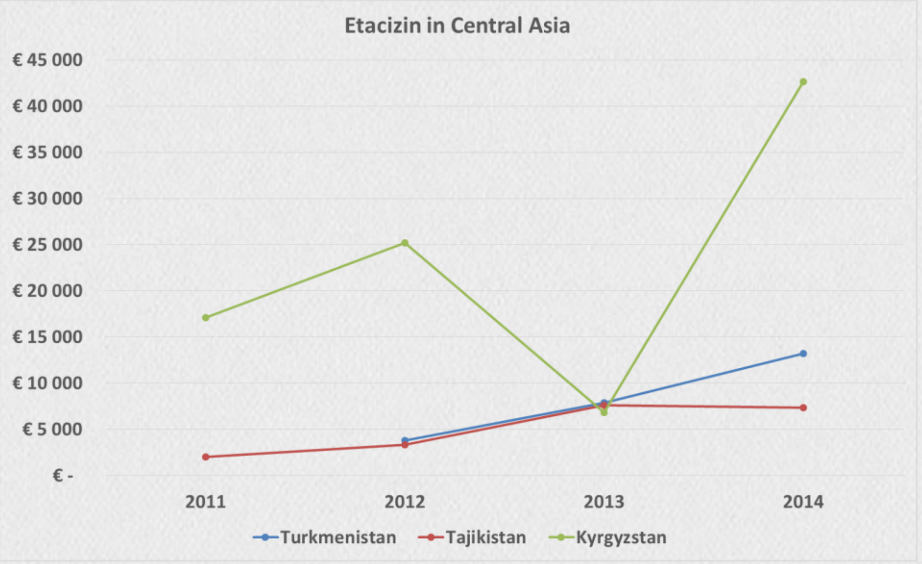
Etacizin and Partners’ Products

- Etacizin nearly doubled since 2012, sold only in coated tablets;
- 15 different partner products sold in Kyrgyzstan and 8 in Tajikistan in 2014;
- Total volume of sales of partner products = 17 k EUR;
- List of partner products dominated by Orion’s products.



Memantine and Kapikor in Region

- Memantine:
  - Sold as Memodex in the region;
  - Launched in 2013 in Tajikistan and Turkmenistan and 2014 in Kyrgyzstan;
  - Total sales in 2014 were 10 000 EUR;
  - The only form sold is tablets;

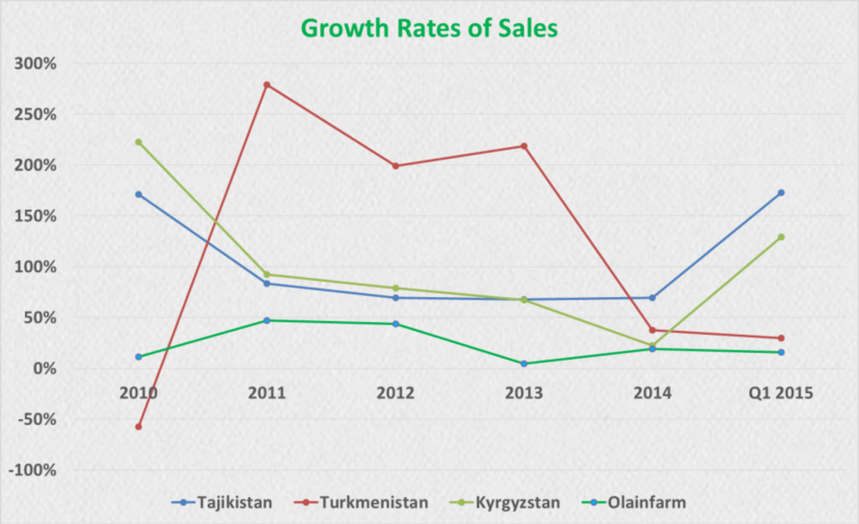
- Kapikor:
  - Formerly known as Olvazol;
  - Launched in 2013 in Tajikistan and Turkmenistan and expected in 2015 in Kyrgyzstan;
  - Total sales in 2014 were slightly above 10 000 EUR;
  - So far only sold in capsules.

Central Asia as Growth Driver

- All three countries have been growing clearly above overall sales growth of Olainfarm since 2011;

- Although the nominal values are still immaterial, they do add to overall diversification;

- CAGR 2009 – 2014:
  - Tajikistan 89%;
  - Turkmenistan 84%;
  - Kyrgyzstan 87%:
  - Olainfarm overall 24%.



Q&A Session

- In between webinars, please contact me at:
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Thank you!

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