

WEBINAR PRESENTATION

2nd QUARTER 2019

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September 3, 2019



OlainFarm



2nd QUARTER

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SALES IN 2nd QUARTER

Sales reached **EUR 31.7 million**

An increase by **2%** compared to Q2 2018

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

Net sales by Silvanols **= EUR 0.9 million**

Net sales by Tonus Elast and Elast Medical

= EUR 2.2 million

Sales breakdown by quarter, '000 EUR



SALES IN 1st half of 2019 – new all-time record

Sales reached **EUR 66.4 million**

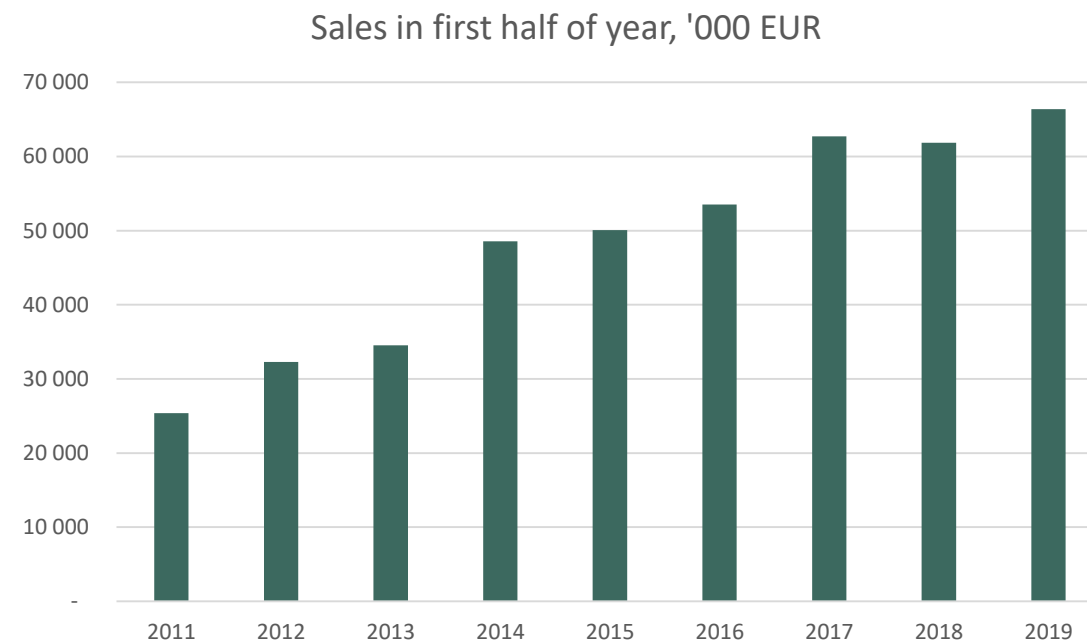
An increase by **7%** compared to 1H 2018

Net sales by pharmacies **= EUR 12.6 million**

Net sales by Silvanols **= EUR 2.1 million**

Net sales by Tonus Elast and Elast Medical

= EUR 4.1 million



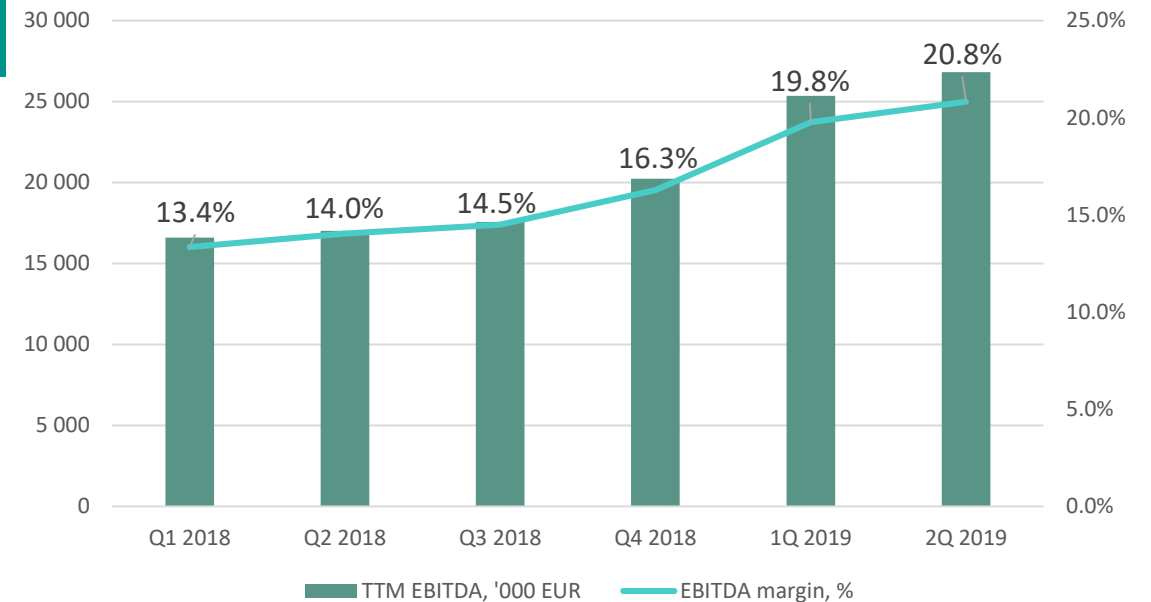
CONTINUING GROWTH OF EBITDA AND MARGIN

EBITDA in the 1st half of 2019 was **EUR 17 million** that grew by **64%**

TTM EBITDA reached **EUR 26.8 million**

TTM EBITDA margin further improved to **20.8%**, from 19.8% last quarter

Group's TTM EBITDA and EBITDA margin



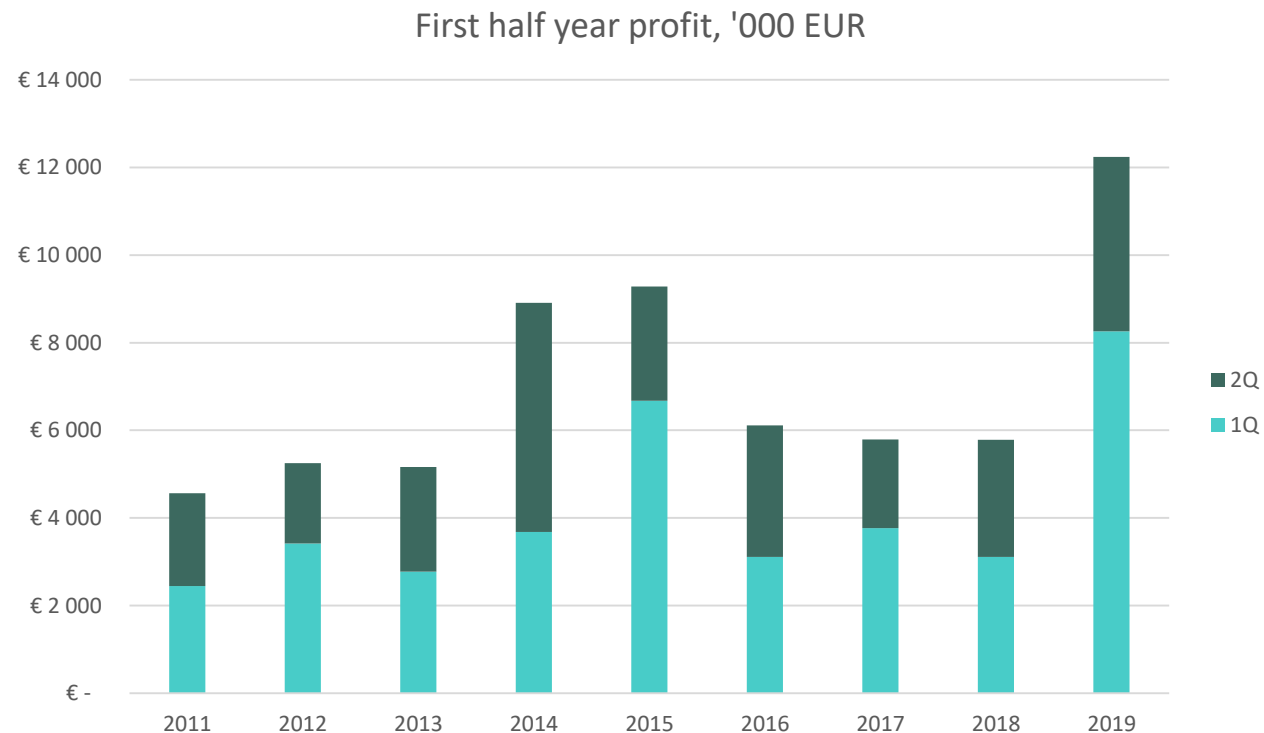
STRONG NET PROFIT IN THE 2ND QUARTER OF 2019

Net profit of EUR 4 million, which is an increase by **49% y-o-y**

Highest 2nd quarter profit since 2014

Net profit for the 1st half of 2019 was

EUR 12.2 million, by far the largest in Group's history



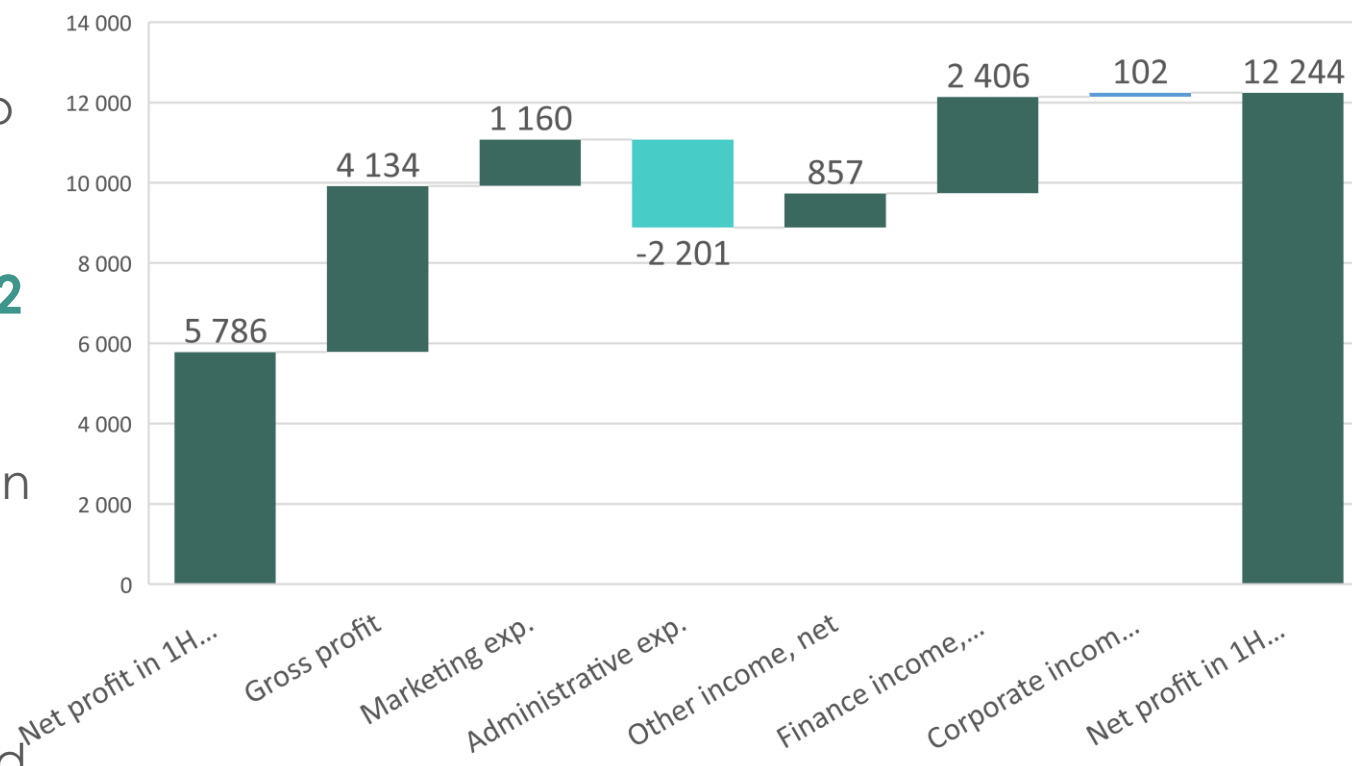
FACTORS AFFECTING NET PROFIT

Main factor contributing to the increase of net profit:

- Strong improvement in gross profit due to higher gross margin (**61.9%**, from **59.7%**)
- Decline in marketing expenses (from **18.2** to **17** million EUR)
- Gains from favourable changes in Russian rouble rate (~**2.7** million EUR)

Increase in administrative expenses from 11.4 to 13.6 million EUR negatively impacted net profit and was related to a rise in salaries and R&D expenses.

Net profit bridge 1H 2018 to 1H 2019



POLL QUESTION

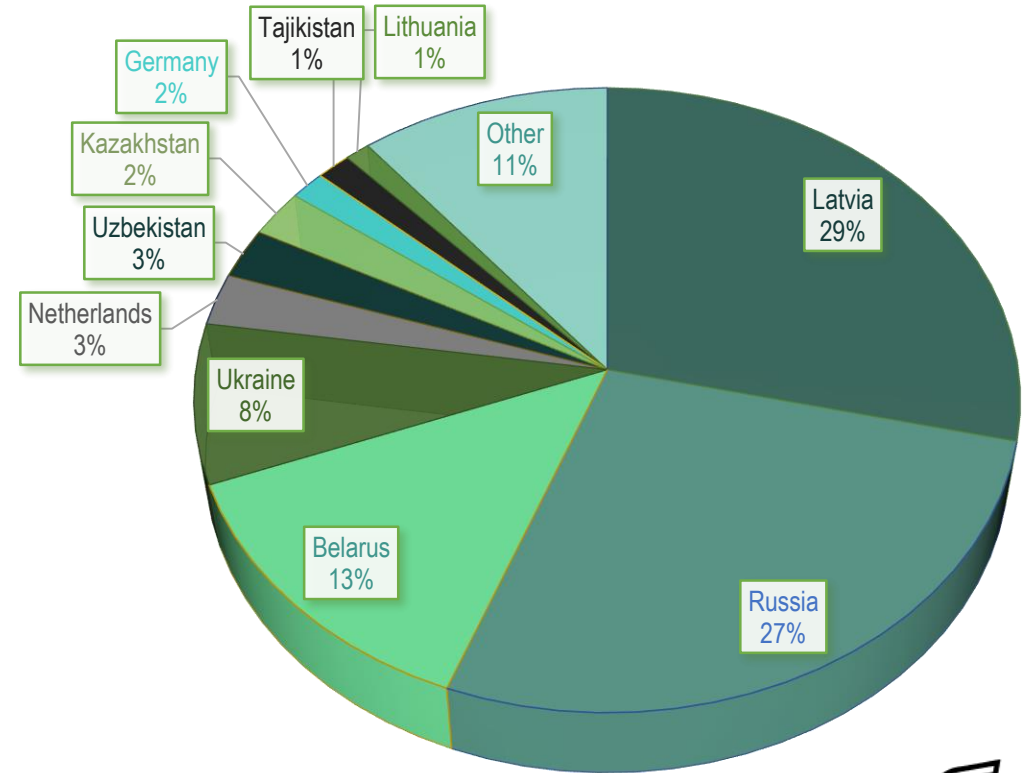
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SALES BY COUNTRIES, 1st half of 2019

- Share of sales in TOP4 countries reached **77%**
- Latvia's share increased and Russia's share lost **1pp**
- Share of sales in Ukraine decreased by **2pp** and was **8%** 1H, 2019
- The Netherlands are now the 5th largest market due to a renewed contract with the UN

SALES BREAKDOWN BY COUNTRIES, FIRST HALF OF 2019

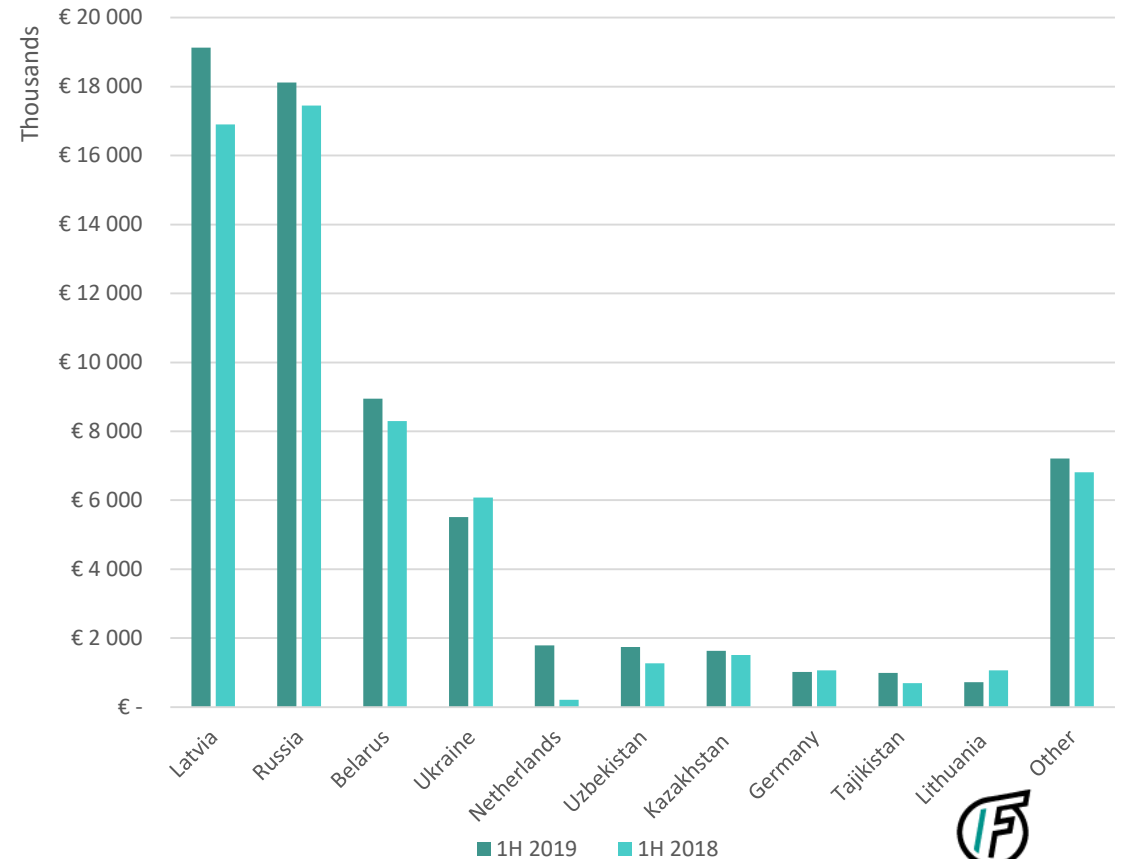


GROWTH DRIVERS: COUNTRIES

- Most of major markets are growing
- Largest growth in monetary terms added by **Latvia** (EUR 2.2m), **the Netherlands** (EUR 1.6m) and **Russia** (EUR 0.7m)
- Largest growth in relative terms provided by the **Netherlands** (729%), **Tajikistan** (42%) and **Uzbekistan** (37%)
- Biggest loss in monetary terms comes from the **Ukraine** (EUR 0.6m) and **Lithuania** (-EUR 0.35 m)
- Biggest loss in relative terms is in **Lithuania** (-33%), the **Ukraine** (-9%) and **Germany** (-5%)

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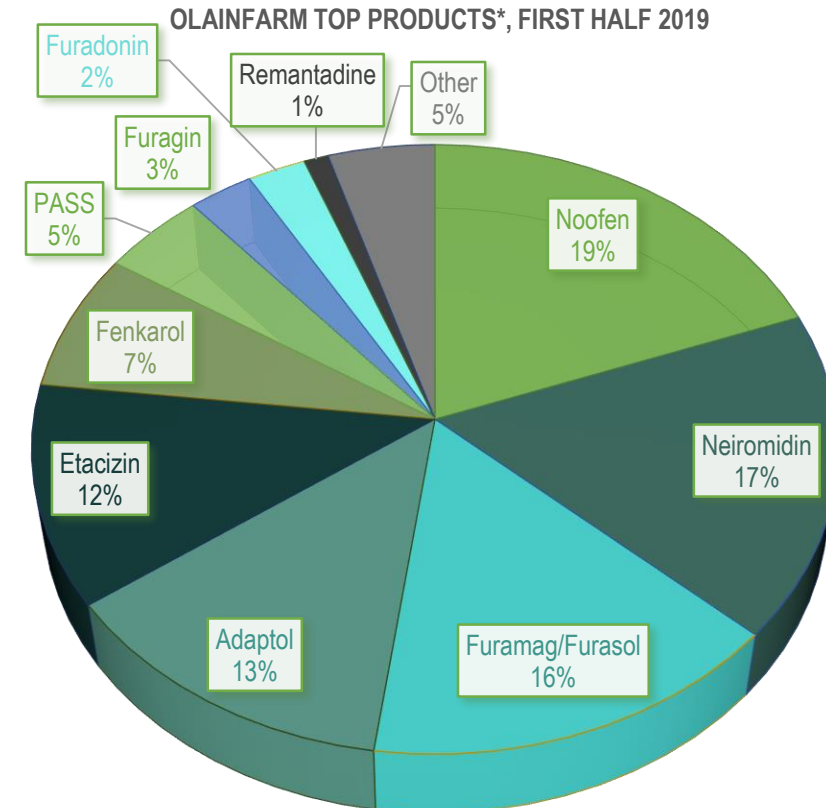
Sales to Top 10 countries, 1H 2019 vs 1H 2018



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SALES BY PRODUCTS, 1st half of 2019

- Noofen's share rose by 1p.p. y-o-y and it remained **THE BESTSELLING PRODUCT**
- Neiromidin lost 1pp and Furamag/Furasol lost 2pp but are still in **TOP 3** product list
- PASS returned to the **TOP 10** due to renewed supplies to the UN

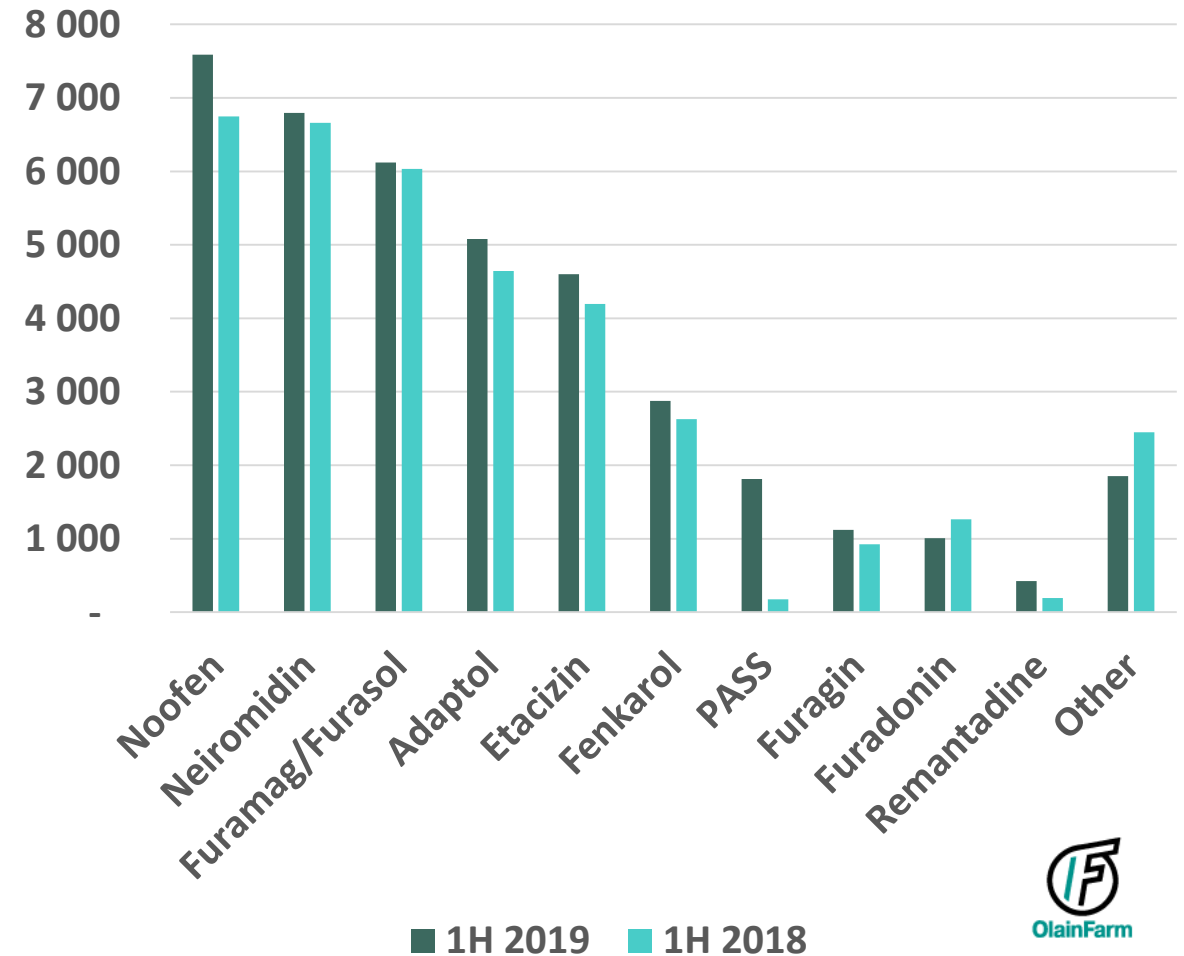


*Final dosage forms only

GROWTH DRIVERS: PRODUCTS

- Out of the **TOP 10** products nine are growing;
- The biggest growth in monetary terms added by **PASS** (1.6m), **Noofen** (0.8m) and **Adaptol** (0.5m);
- The biggest growth in relative terms provided by **PASS** (933%), **Remantadine** (121%) and **Furagin** (21%);

Bestselling Products, 1H 2019 vs 1H 2018, EUR '000



POLL QUESTION

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UPDATE ON RECENT EVENTS

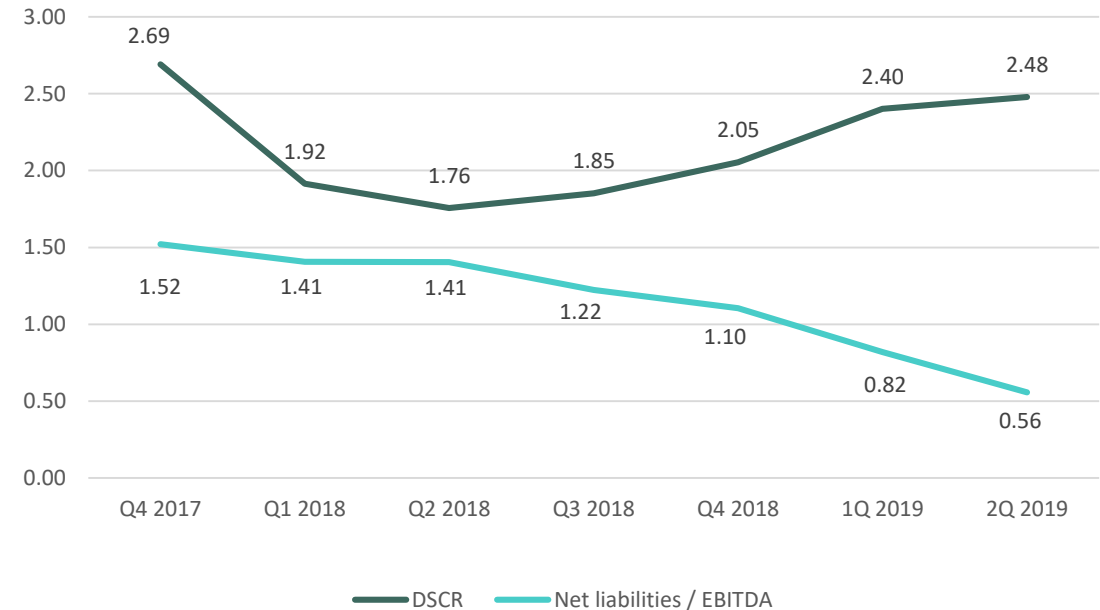
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BORROWINGS

- ABLV loan was refinanced by BlueOrange Bank:
 - Amount: **10.5 million EUR**
 - Use of proceeds: refinancing and new investments
 - Duration: **5 years**, full amortization
- Net Debt / EBITDA top limit is **2.3**
- DSCR bottom limit is **1.5**

Group's TTM EBITDA and EBITDA margin



MANAGEMENT REMUNERATION

Total remuneration including all taxes for all members of Supervisory Council and Management Board

Quarter	Amount, EUR	Changes, q-o-q, EUR	Changes, q-o-q, %	Comment
1Q 2018	264 474	-	-	
2Q 2018	317 633	53 159	20%	Supervisory Council election
3Q 2018	497 512	179 879	57%	Supervisory Council election
4Q 2018	704 811	207 299	42%	
1Q 2019	717 556	12 745	2%	
2Q 2019	616 994	-100 562	-14%	Supervisory Council election

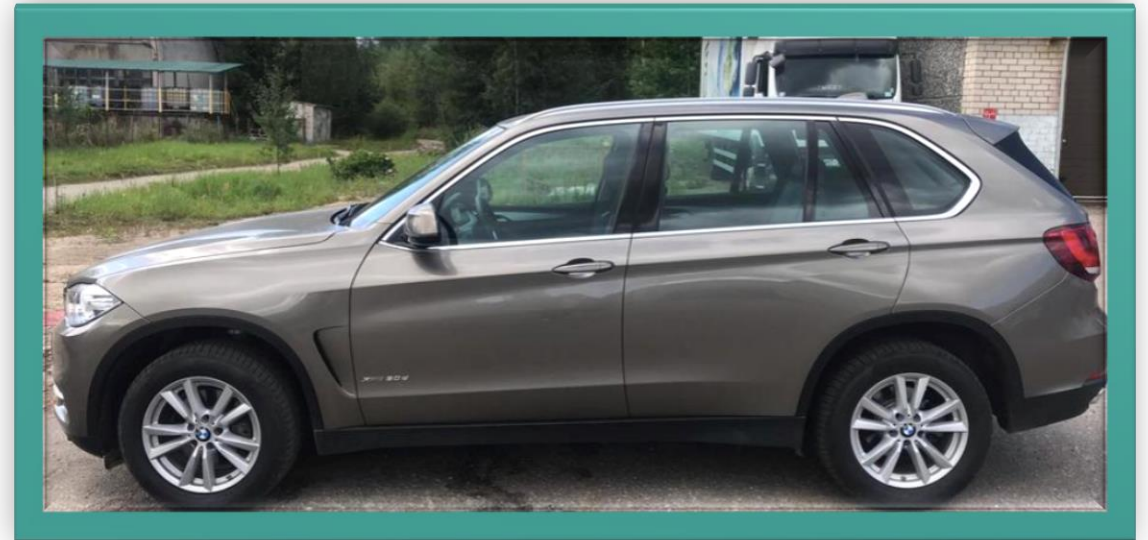
NEED A CAR?

Start of a fully transparent process for the sale of luxury vehicles:

- BMW X5, BMW X5, BMW X1, BMW X4
- MB S600, MB GLE 350
- Lexus NX 300

Total purchase cost was **386 thousand** EUR

*If interested please send a message
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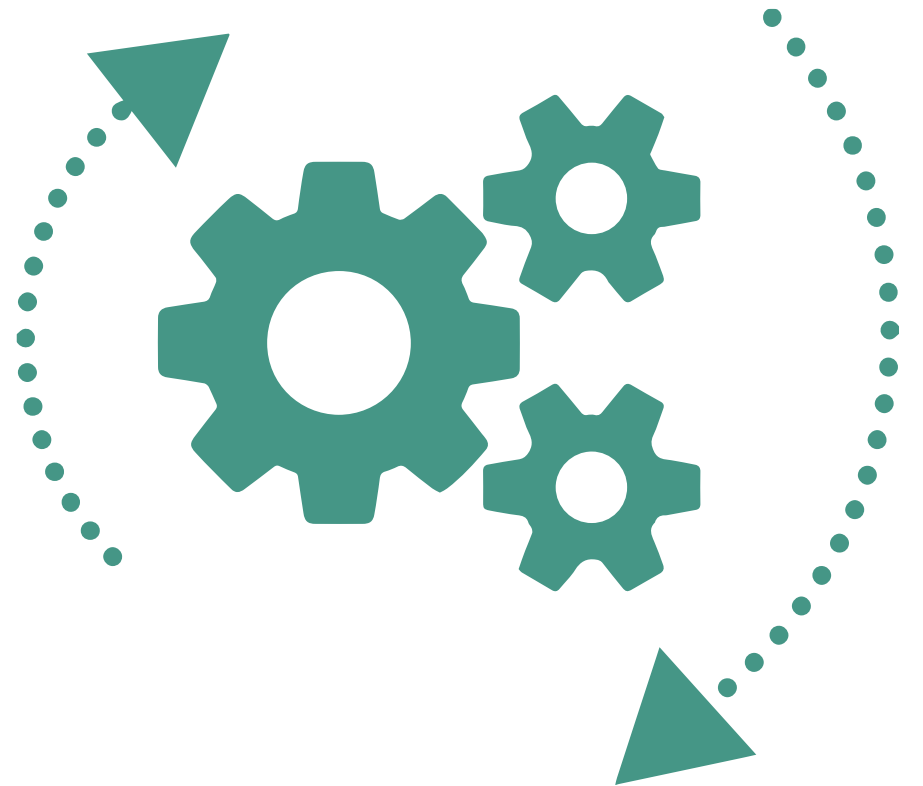
INVESTIGATION OF MARKETING EXPENSES

- Large-scale possibly fraudulent activity suspected in the use of the company's assets by former executives of JSC Olainfarm
- Marketing services raised doubts about their potential fictitious nature, economic validity and legitimacy
- The international auditor confirms that the transaction occurred, possibly causing losses to JSC Olainfarm
- Suspicious transactions occurred between 2 January, 2017 and 4 April, 2019
- Cooperation with the company has been completely suspended
- Criminal proceedings have been initiated by the police



NEW CEO

- Olainfarm is looking to hire a **new Chairman of the Management Board** with international experience in the pharmaceutical industry
- A recruitment company **Amrop Latvia** has been engaged
- The process is planned to be completed by **the end of October**
- **Lauris Macijevskis**, current Chairman of the Management Board, will continue to be a member of the Board of JSC Olainfarm



EGM ON NOVEMBER 1ST, 2019

- A request to convene an extraordinary general meeting of shareholders has been received from shareholder Ltd. “OLMAFARM”:
 - Recall of the Council and Election of the new Council;
 - Recall of the Auditing committee and election of the new Auditing committee.
- Record date – **October 24th, 2019**;
- Registration of shareholders will take place on the day of the meeting, i.e. **November 1st, 2019, from 10:00 until 10:45 on the venue**;
- Shareholder meeting starts at **11:00**.



Q&A SESSION

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