



JSC Olainfarm

Webinar Presentation

Q4 2020

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Agenda

01

**Financial
performance**
12M 2020

03

Year in review: 2020

02

Outlook: 2021

04

Q&A session

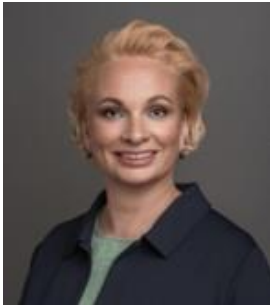
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FORWARD
WITH THE
NEW STRATEGY
2020-2025

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Representatives of Management Board



Zane Kotāne, Group CFO

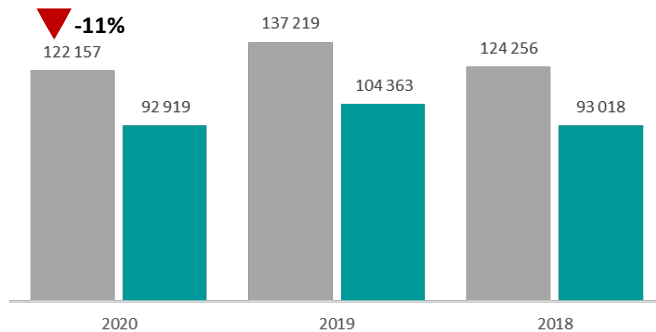


Jeroen Hidde Weites, Group
CEO, Chairman of Olainfarm
Management Board

Key Measures

- Olainfarm parent Company delivers according to forecast provided to investors while Group results are more exposed to COVID impact
- All key markets deliver sales growth, except Russia that is impacted from temporarily factors due to regulatory change and currency fluctuations
- Significant governance and business model changes implemented in 2020

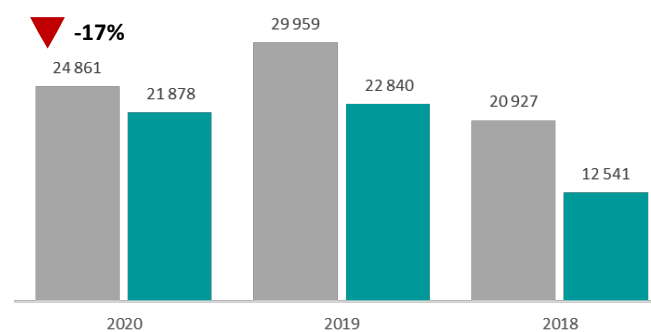
Sales, th EUR



OlainFarm

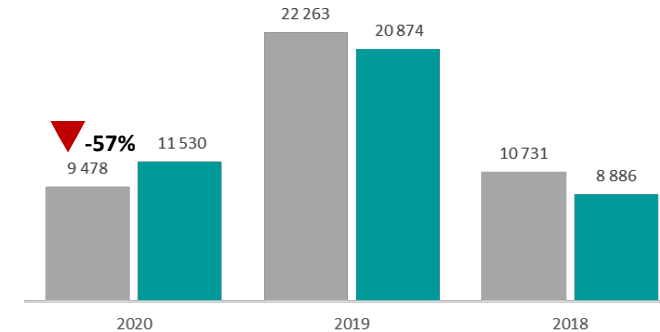
2020 Target, mEUR	
Group	126.1
Standalone	92.0

EBITDA, th EUR



2020 Target, mEUR	
Group	11.2
Standalone	12.5

Net Profit, th EUR



2020 Target, mEUR	
Group	11.2
Standalone	12.5

Global Trends

COVID 19 more impact
Olainfarm subsidiaries

2020 CAPEX
implementation
delayed due to external
limitations



Group operations

As 2nd COVID wave in Latvia is substantially higher, all measures developed in Q1 were extended to allow flexible work. Production has not stopped.

Decrease in purchasing power has impact on affordability to buy medical products

Group companies have received Latvian Government financial support amounting to EUR 529 thousand

Vertical integration is a major advantage in the ability to ensure the production of both chemical components and FDF

Group subsidiaries had unexpected impact from COVID 19 due to regulatory closings of services as well as impacts on clients demand

Number of markets did not carry out the necessary marketing activities (face to face meetings) not all activities could restart due to COVID 19 second wave

Taking into account guidelines issued by the European Medicines Agency some clinical trials were deferred to 2021

* *Final Dosage Forms*

Sales

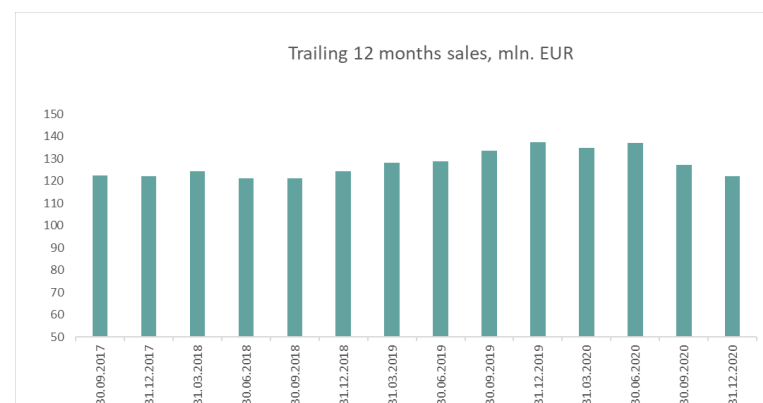
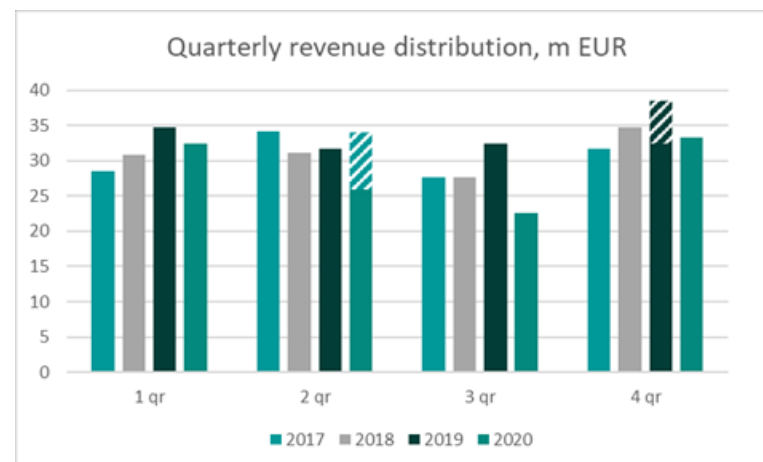
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Group's Medicine Production segment reports primary sales – shipment to distributors, thus sales does not reflect final consumption

Accumulated Q4 of 2020 – Group's sales EUR 122 157 thousand, 11% decrease y-o-y

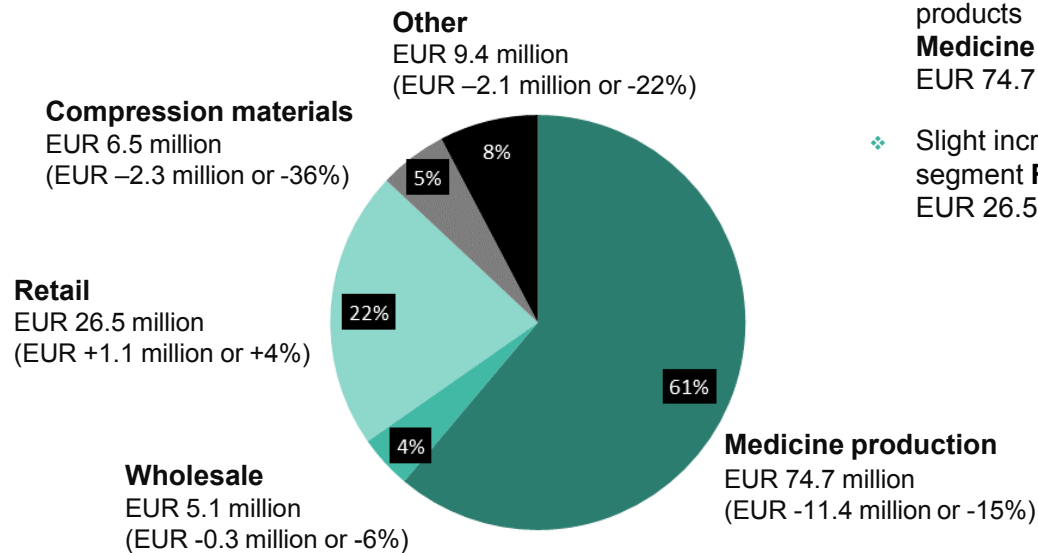
One off items – Q4 2019 – sale of 6mEUR to Russia for use in Q1 2020; Q2 2020 – sale of 8mEUR to Russia for use in Q3 2020 (impact of traceability regulation)

Q4 2020 sales of 33 MEUR shows strong recovery from Q3 2020 (+43%) and taking into account one off items – is 3% increase compared to Q4 2019

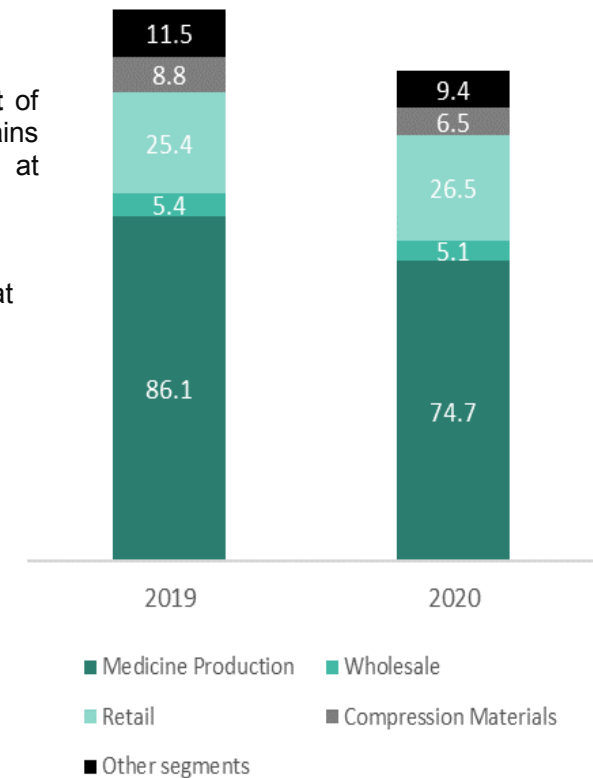


AS “Olainfarm” Sales by Segment

Medicine production key segment



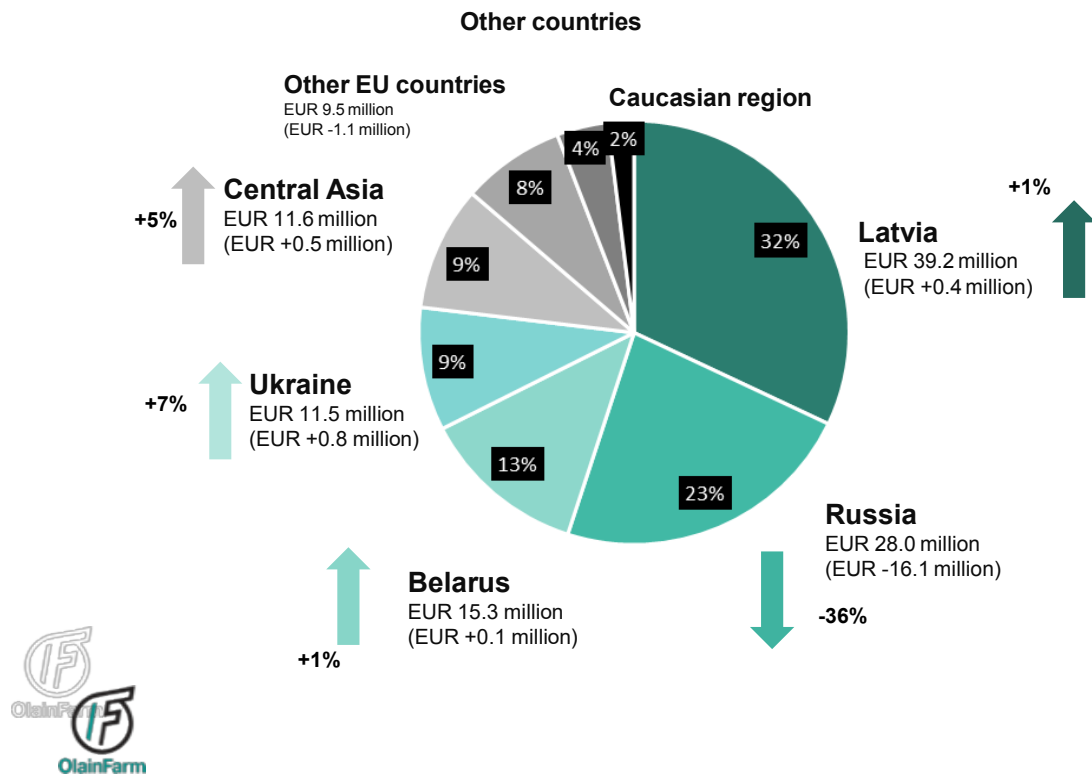
- ❖ AS “Olainfarm” most important segment of products in terms of sales value remains **Medicine production**, with sales totaling at EUR 74.7 million
- ❖ Slight increase in second most important segment **Retail by 4%**. Retail sales totaled at EUR 26.5 million.



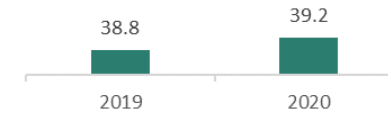
Group Revenues

Main target markets

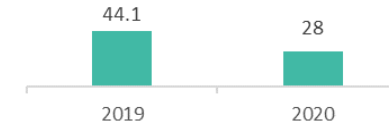
2020 sales: EUR 122 million;
decrease of EUR 15 million (-11% yoy)



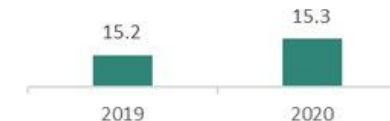
- ❖ **Largest market for AS “Olainfarm” in 2020 was Latvia:** EUR 39.2 million of products sold; **an increase of EUR +0.4 million (+1% yoy)**



- ❖ **2nd largest market was Russia:** EUR 28.0 million of products sold, **a decrease of EUR -16.1 million (-37% yoy)**



- ❖ **3rd largest market was Belarus:** EUR 15.3 million of products sold, **an increase of EUR +0.1 million (+1% yoy)**



- ❖ **4th largest market was Ukraine:** EUR 11.5 million of products sold, **an increase of EUR +0.8 million (+7% yoy)**

Main business factors - Russia

Sales in Russia are impacted by introduction of new **traceability*** regulation causing unusual purchasing behavior of distributors compared to prior years. Secondary market shows stable sales results while primary sales reflect stock up trends in several periods.

Business model restructuring in 2020 – change of distributors to Tier 1 companies and change of marketing model oriented to inhouse marketing. Fully operational team from September 2020

Currencies of developing countries lost their value against EUR in nine months of 2020 – value of the **Russian Ruble** dropped by 32%

EUR/RUB exchange rate

32% Ruble depreciation y-o-y



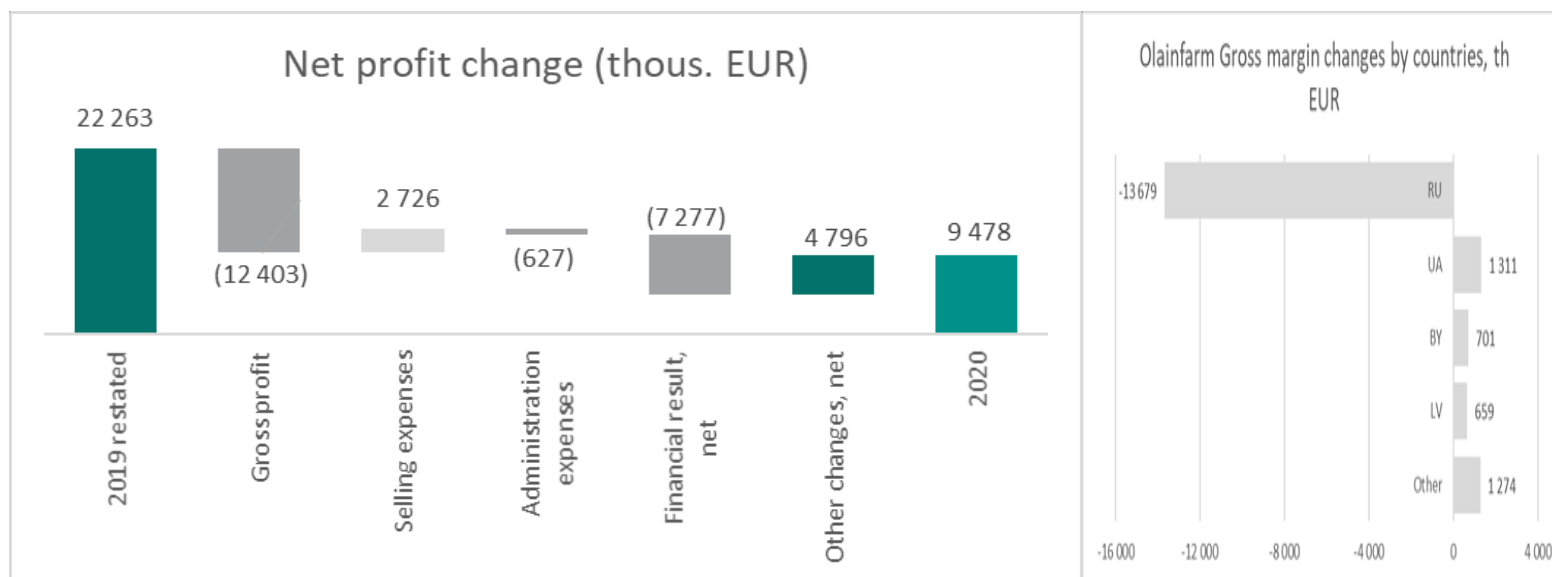
Net Profit drivers

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Gross Profit – Less shipments to Russia due to stock-up at the end of 2019 as well as unfavorable FX conditions
All other markets outperforming 2019

Financial – exchange rate fluctuations (Russian Ruble)

Selling expenses – timing delay due to marketing model change in major markets and there were physical limitations for performing marketing activities



AS “Olainfarm” Medicine Segment Sales by Product Group



Nervous system products
key product group

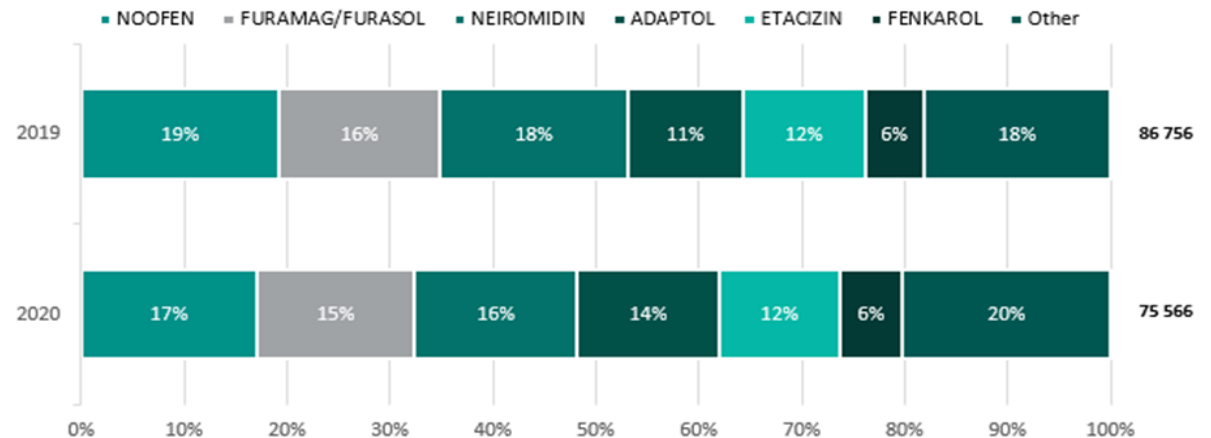
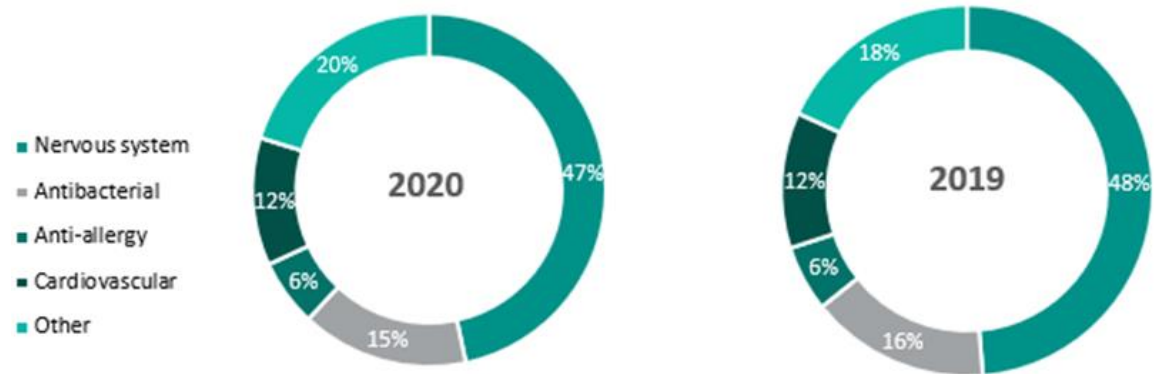


Sales of medicine for
health of nervous system
reached 47% of product
sales (-1% y-o-y)



OlainFarm

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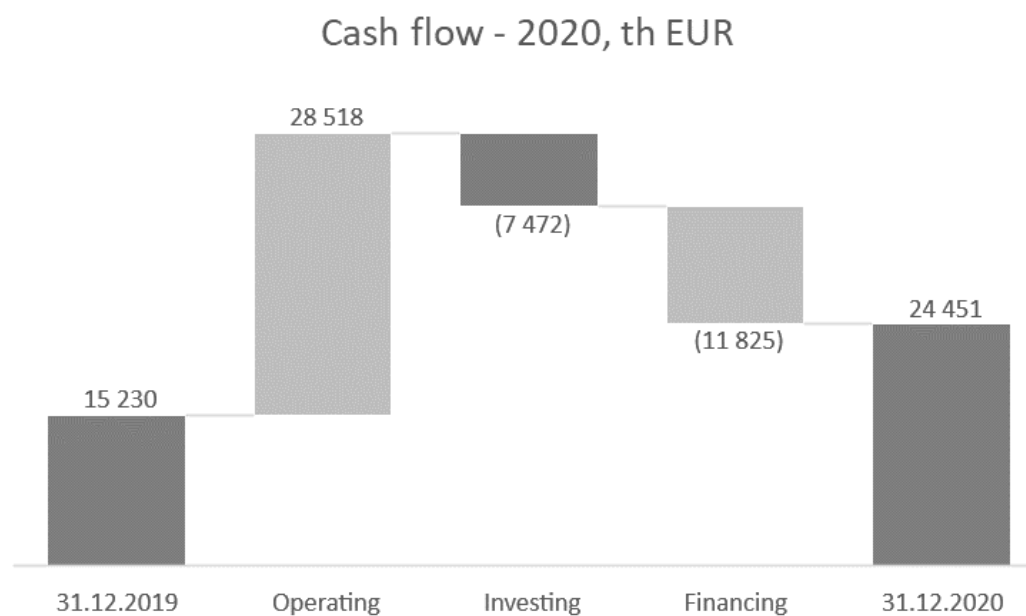


Financial Stability

Cash accumulated during reporting period is **24.5 million EUR**

The Group's Debt service coverage ratio (**DSCR**) in 2020 continued to improve and was 4.0

Dividends of 4.5 million EUR paid in Q4 2020



2021 Financial Outlook

Group's forecast annual sales to record high of **140 million EUR** (14% increase from 2020)

Parent company sales are forecasted to **101 million EUR**

Estimated of annual profit of the Group is **8.6 million EUR**

The profits of the Parent company are expected to be **6.5 million EUR**

Estimated R&D CAPEX of the Parent company is **10.2 million EUR** – 10% from sales (3% in 2020)

Estimated maintenance CAPEX of the Parent company is **13.8 million EUR**

In the year 2021 JSC Olainfarm changed its accounting policy regarding to measurement of the cost of inventories: for measurement of finished goods is used the standard cost method.

Starting 2021, JSC Olainfarm uses foreign currency forward contracts, in order to maintain fixed exchange rates on already existing sales receivables and to reduced overall foreign currency exposure

Given unaudited results of 2020, the Management Board expects suggesting at shareholders meeting to **pay out dividends** amounting to **2 394 463 EUR, or 0.17 euro per share**

2021 Business Outlook (KPI's)

Customer Dimension

- Improving brand and product awareness
- Implementing Customer Relation Management digital (CRM) tools

Finance Dimension

- Meeting financial targets
- EU funding in line with national priorities and Olainfarm strategy

Development & Learning Dimension

- Strengthening R&D capabilities within the Group
- Focusing on product development

Management Dimension

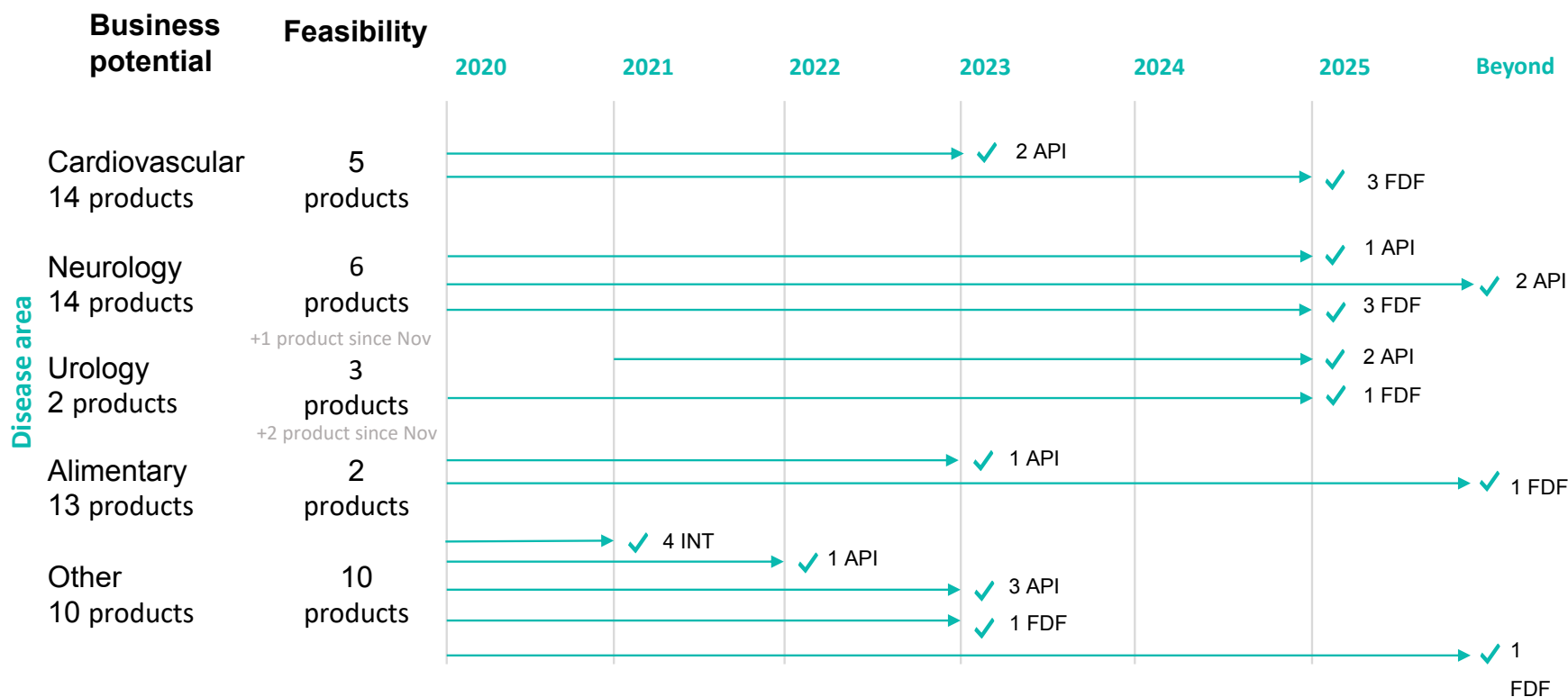
- Improve corporate governance in line with new Code of Conduct
- Develop digitalization strategy to enhance Olainfarm operations

2021 key performance indicators and targets for Management Board are approved by the Supervisory Council

Product Development

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R&D: Current* product pipeline driving value



API = Active Pharmaceutical Ingredient

✓ = commercially available

FDF = Final Dose Form

* February 2021

INT = Intermediates

New products at feasibility phase

- Neurology (+1 product)

- Urology (+2 products)

Pharma2020 – Clinical Trial Program

Objective: CIS/EU Registration and Label Extension

	Status Phase 1 trial	Status Phase 3 trial	Phase 3 First Patient In	Phase 3 Completion	Market access program
Neiromidin	Completed	Obtaining permits to perform trial	Q2-3'21	Q2'22	'23-'25
Adaptol	Completed	Protocol in Development	Q4'21	Q2'23	'23-'25
Noofen	Completed	Protocol in Development	Q3'21	Q1'23	'23-'25
Fenkarol	Q3, 2021 (Delayed due to Covid-19)	Planned after Phase 1 completion	Q3'22	2024	'24-'25
Furamag	Completed	Obtaining permits to perform trial	Q2'21	Q1'23	'23-'25
Etacizin (new formulation)	Q4, 2021 (under evaluation)	Planned after Phase 1 completion	2022	2024	'24-'25



JSC Olainfarm

2020: A year in review

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Strategy “FORWARD 2020-2025”

The vision – to become one of the **TOP10** Central and Eastern European **manufacturing companies** by 2025



Double digit sales growth



Focus on R&D, new products



Geographical diversification



Modernization & digital transformation



Business transformation to reach sustainable growth

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2020

Focus on fixing the base

Reviewing our
operational footprint

Culture building,
empowering local &
international teams

Strengthening the management teams of our daughter companies **Tonus Elast** and **Latvijas Aptieka**

Silvanols and **DiaMed** – focus on improving operational models

- Increasing efficiency
- Business segments diversification
- Shift to e-commerce & digital transformation

Sustainable manufacturing

Introduction of experimental technologies to manufacture new products. Altogether **253 components of an experimental production line**. Their total value was **EUR 6.4 mln**

Renewal of Cold Station for a greener manufacturing. More than **EUR 2.7 million** have been invested in **the modernisation of the Cold Station and its infrastructure**



Good Manufacturing Practice

JSC Olainfarm is **certified in accordance with the requirements of Good Manufacturing Practice (GMP) of Russia and EU**, as well as the inspection standards of the **US, Australia (TGA) and Japan (PMDA)**



Direct approach to the markets – Russia and Ukraine

01

Review of cooperation partners in major markets. **New subsidiary in Russia**, fully operational August 2020. Focused marketing activities with improved governance

02

Introduction of **traceability** requirements for medicinal products in Russia. Medicines reach patients according to new medication verification regulations

03

Setting up a fully operating **representative office in Ukraine**. Up to 25 professional Olainfarm employees provide a full-fledged presence in 14 cities

Support to universities & scholarships

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Olainfarm continued to support the development and growth of the young professionals

JSC Olainfarm **donation of EUR 10 000** will ensure the promotion of digitalization of the study process for the law students of Riga Stradiņš University (RSU).

Scholarships to partners - University of Latvia, Riga Stradiņš University, Riga Technical University



Corporate social responsibility: Covid-19

Support to **Pauls Stradins Clinical University Hospital**. **EUR 100 000** donation of artificial lung ventilation equipment

Support to **National reference laboratory of Riga East Hospital** for purchasing of Covid-19 analysis equipment.
Funds amounting **EUR ~ 18 000**



Q&A session



Thank you!

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