



45
YEARS OF
PROVEN
VALUE



Webinar Presentation

4th Quarter and Full Year 2016

March 7, 2017



4th Quarter

www.olainfarm.com

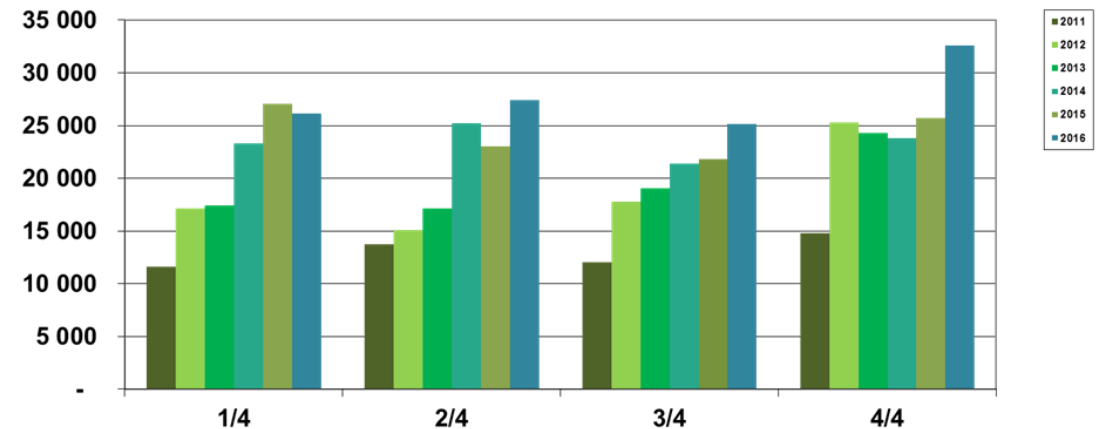


Sales in 4th Quarter

- Sales worth more than 32.5 million euros;
- An increase by 27% compared to Q4 2015;
- In terms of sales, yet another best quarter in corporate history so far;
- Sales by pharmacies = 4.9 million gross, 2.3 million net;
- Sales by Silvanols = 1.7 million gross, 1.5 million net;
- Sales by Tonus Elast 2.7 million.

www.olainfarm.com

Sales by Quarters, Thsnd. EUR

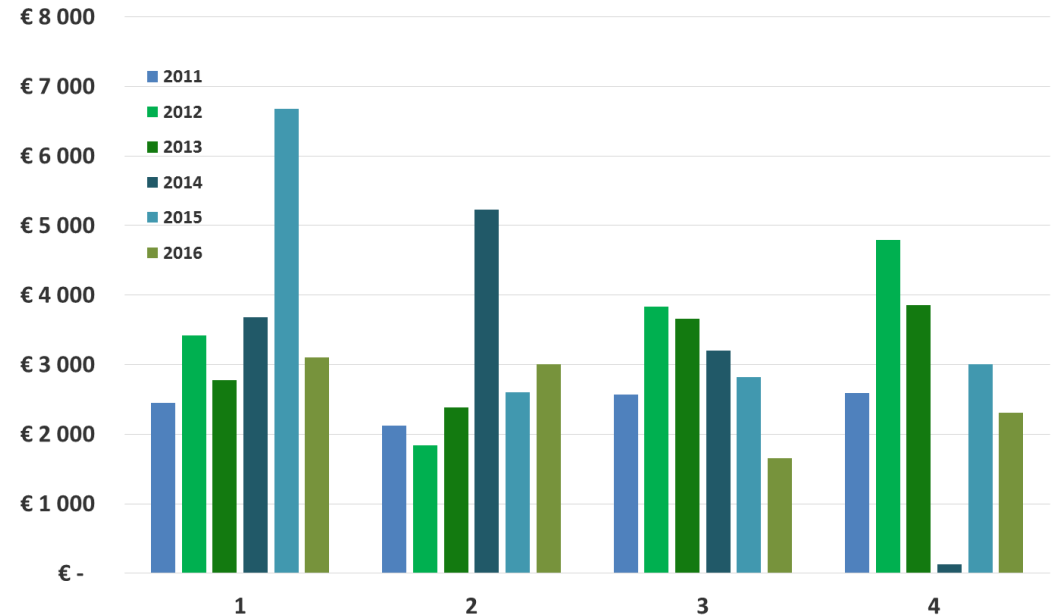


Profit of 4th Quarter

- Preliminary at 2.3 million euros, a reduction by 13% compared to Q4 2015;
- Adversely impacted by the following provisions:
 - Ukrainian receivables 1M,
 - Russian receivables 0.8 M,
 - Other receivables 0.65M;
- Positive impact of approx. 2M, caused by strengthening Russian rouble;
- Without such one-offs the net profit of the company would be in the area of 2.8 million euros.

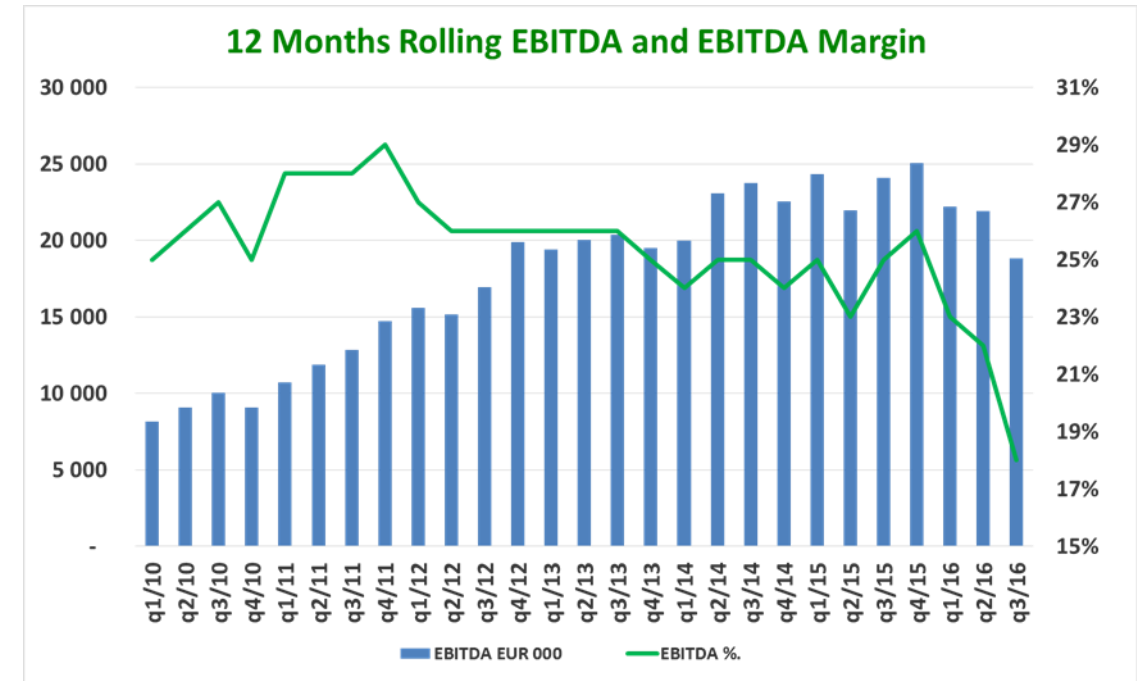
www.olainfarm.com

Profit by Quarters, Thsnd. EUR



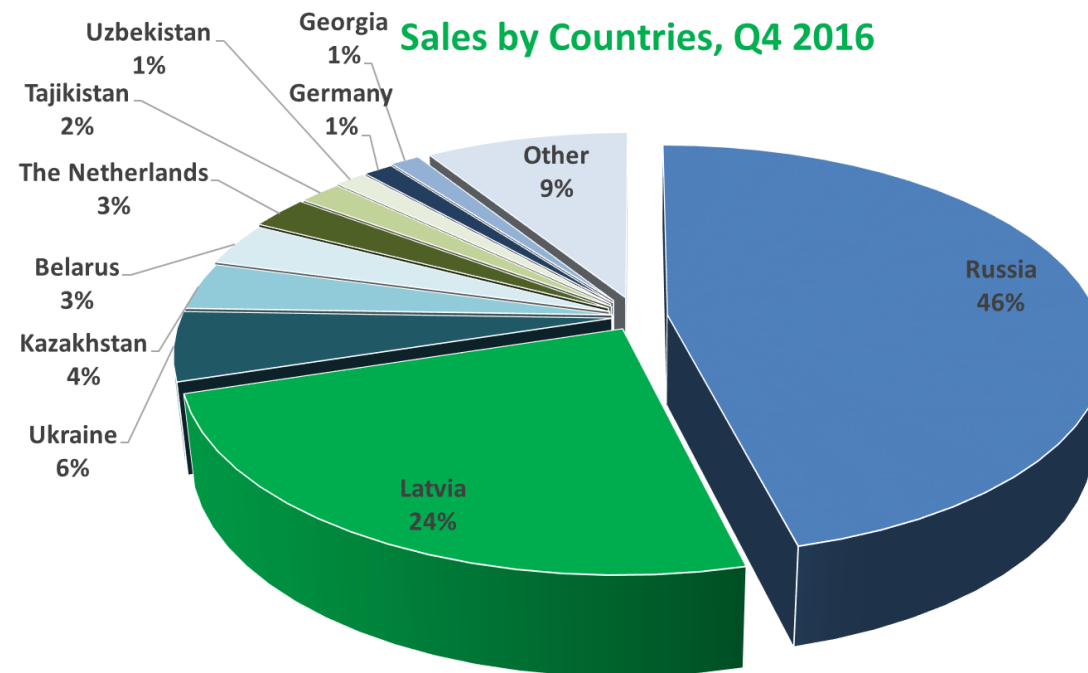
EBITDA and Margin

- 12 months EBITDA at 16.2 million, lowest since 2012, margin at 15%, lowest for more than 6 years.
- As all provisions of 7 MEUR booked in “other costs” they are directly influencing EBITDA, without such provisions EBITDA of 23 million would represent a normal EBITDA of recent years.



Sales by Countries, 4th Quarter

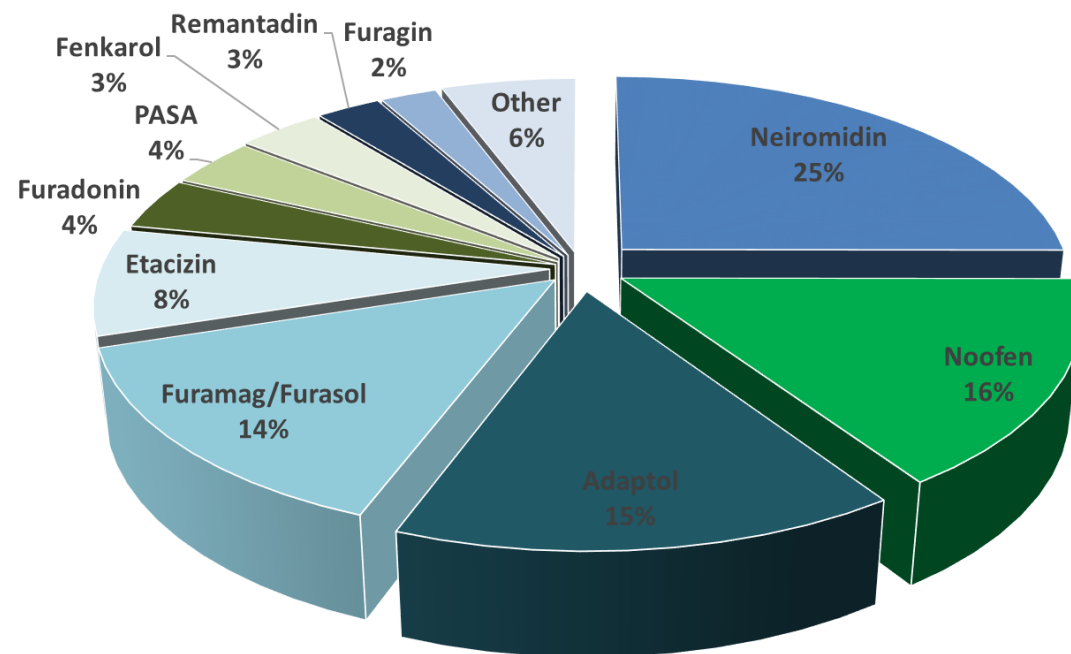
- Russia's share up to a very high 46%, diluting shares of all other markets;
- With Tonus Elast having significant sales to Czech Republic and with Silvanols' sales there increasing, Czech Republic first time in quarterly top 10;
- In total, 16 countries were among ten biggest monthly markets.



Sales by Products, 4th Quarter

- Neiromidin is still a clear leader with impressive 25% share;
- Noofen increased from 15% to 16%, Adaptol from 9% to 15%, Furamag/Furasol from 13% to 14%, Furadonin from 3% to 4%;
- Etacizin stable at 8% share, Remantadin stable at 3% share ;
- PASA fell significantly from 14% to 4%, Fenkarol from 4% to 3%, MAG out of list, others down to 6% from 10%;

Sales by Olainfarm Products 4th Quarter 2016



Full Year 2016

www.olainfarm.com

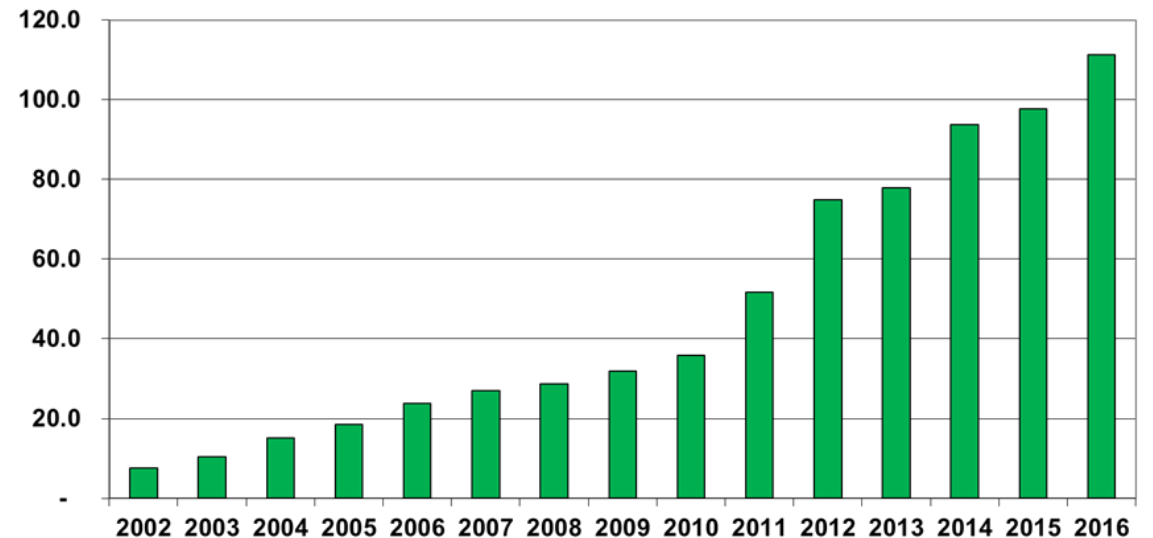


Sales in 2016

- Sales at 111.2 million euros, or 111.2 % of annual target of 100 million;
- Increase by 14%, mainly due to good Q2 and a very good Q4;
- New sales record, first time above 100 million;
- Sales by pharmacies: 18.8 million gross, 8.9 million net;
- Sales by Silvanols: 5.3 million gross, 4.7 million net;
- Sales by Tonus Elast: 5.4 million.

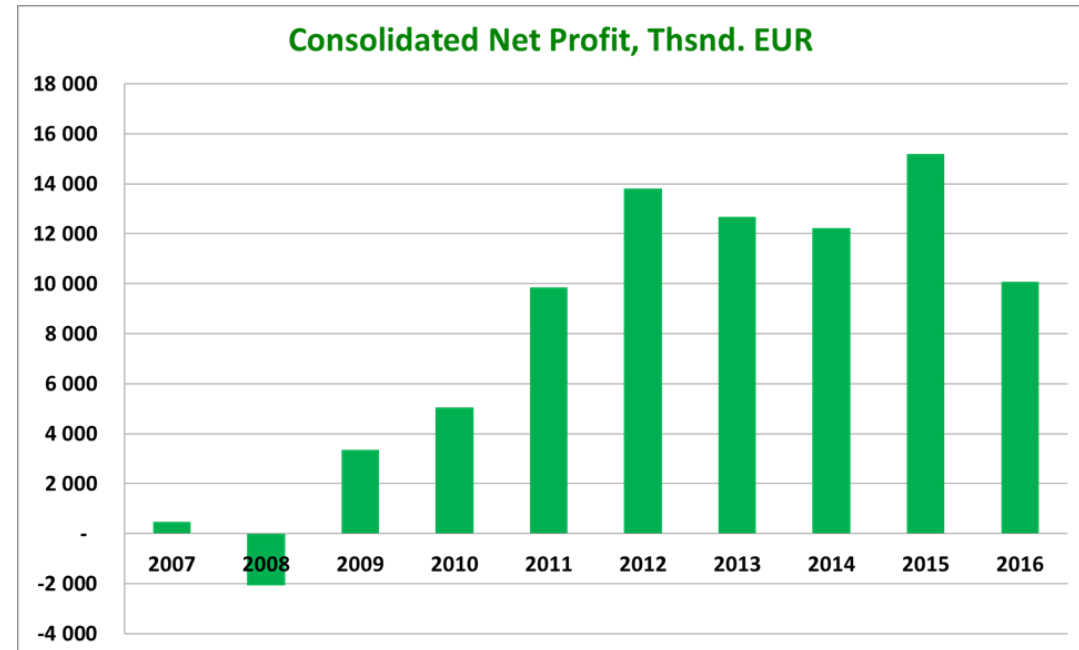
www.olainfarm.com

Consolidated Sales, Mln. EUR



Profit in 2016

- Preliminary at 10.1 million euros, after provisions of about 7 million euros and forex gains of about 3 million euros;
- Without influence of one offs, the net profit would have been in the area of 14.1 million euros;
- Reduction by 33% compared to 2015;
- 101% of profit guidance met.

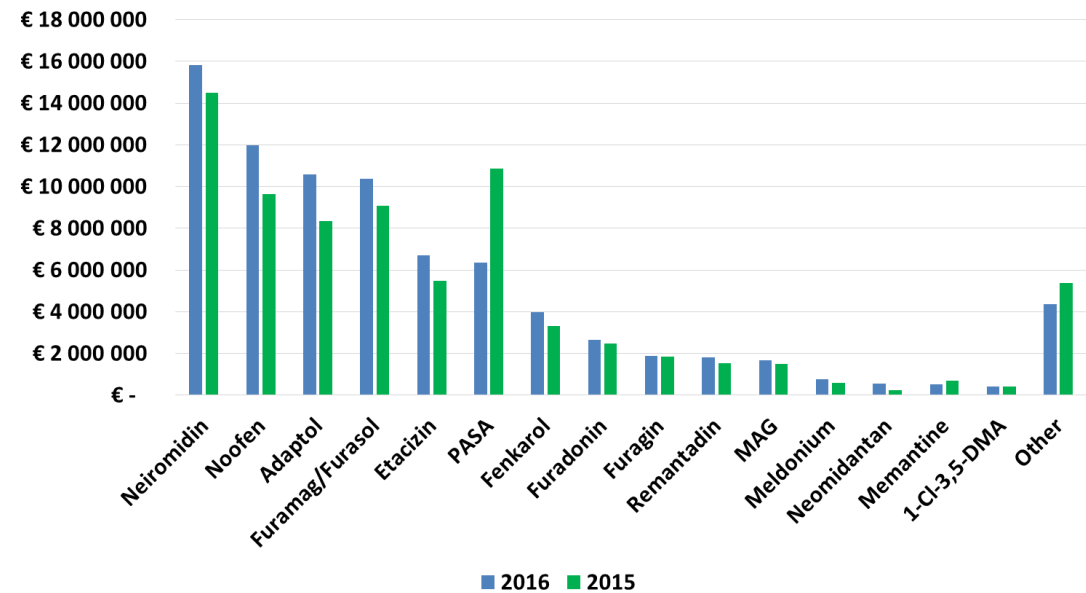


Growth Drivers: Products

- 12 out of 15 growing;
- Most growth in monetary terms added by Noofen (2.3 mln), Adaptol (2.2 mln) and Neiromidin (1.3 mln);
- Most growth in relative terms provided by Neomidantane (139%), Meldonium (30%) and Adaptol (27%);
- Most loss in monetary terms comes from PASA (-4.5 mln) and Memantine (-0.2 mln);
- Most loss in relative terms comes from PASA (-41%) and Memantine (-27%);
- Total sales growth of Olainfarm products was 4.5 mln.

www.olainfarm.com

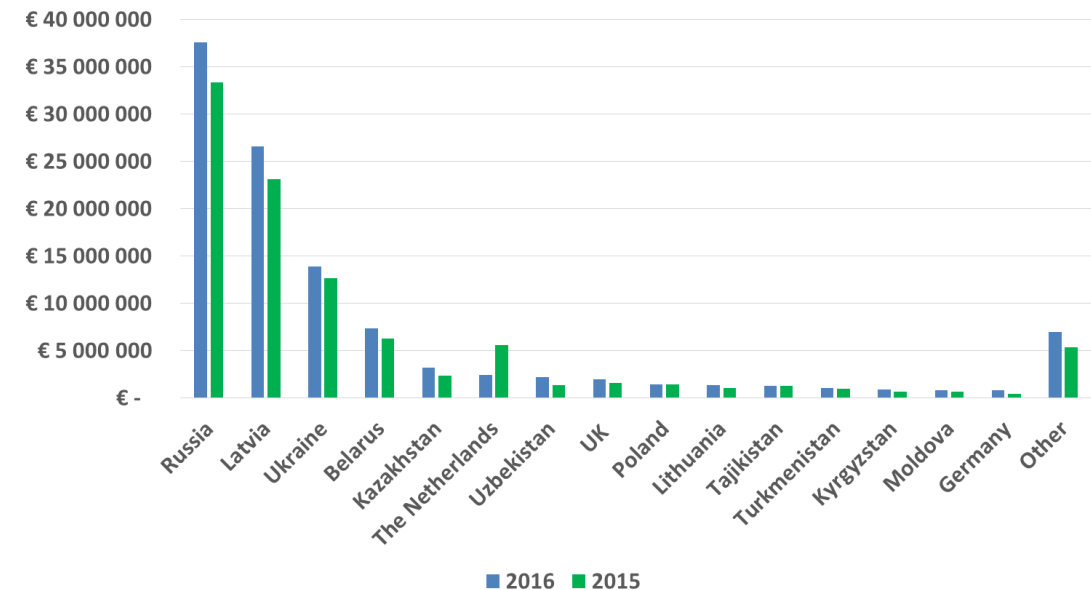
15 Bestselling Olainfarm Products, 2016 vs 2015



Growth Drivers: Countries

- 13 out of 15 growing;
- Most growth in monetary terms added by Russia (4.2 mln), Latvia (3.5 mln) and «Others» (1.7 mln);
- Most growth in relative terms provided by Germany (104%), Uzbekistan (65%) and Kazakhstan (36%);
- Most loss in monetary terms comes from The Netherlands (-3.1 mln) and Tajikistan (18 thsnd);
- Most loss in relative terms comes from The Netherlands(-56%) and Tajikistan(-1%);

Sales to Top 15 Markets, 2016 vs 2015



Update on Recent Events

www.olainfarm.com



Dividends

- Board proposed a dividend of 0.66 EUR per share;
- By far the most generous dividend proposal in corporate history;
- Two main reasons:
 - possibility to very significantly reduce or even eliminate related party lending;
 - upcoming CIT and dividend tax reform, whereby dividend payments may become more expensive;
- To limit impact on company's liquidity it is proposed that dividends will be paid in three equal installments at the end on 2nd, 3rd and 4th quarters.

Historic and Future Dividends

- First ever dividends were paid in 2011, with dividend yield being approx. 1.1%;
- Initial intention was to start paying dividends with p/o ration of 10%, then increase it by 2.5 pp until the payout ratio of 25%;
- Extensive investment program and Russia – Ukraine situation made company to put dividends on hold for 2 years;
- Dividend payment restarted in 2016 with a discussion about future dividend policies;
- Current approach – payout ratio must be increased to about 40%, final discussions still to take place between Board and the Council.

		2011		2012		2013		2014		2015		2016		2017
Dividend	€	0.04	€	0.09	€	0.15	€	-	€	-	€	0.18	€	0.66
Share price on March 1	€	3.36	€	4.27	€	5.69	€	7.86	€	6.25	€	7.21	€	9.05
Dividend yield		1.1%		2.1%		2.7%		0.0%		0.0%		2.5%		7.3%

In Focus: Budgets 2017

www.olainfarm.com



Kivvi Cosmetics

- Significant sales increase planned for 2017, mainly in export markets;
- Related development costs have been born in 2016;
- Sales costs of almost 50% of sales have been budgeted to better boost the sales;
- Still loss making.

Thsnd. EUR	2016	2017
Sales	164	421
Gross Profit	96	211
Sales costs	-92	-199
Administrative costs	-40	-32
Other items	-57	0
EBT	-93	-20
Tax	0	0
Net profit	-93	-20

Klinika Diamed

- Acquired late in 2016;
- Major turnaround underway, including new services, more efficient management and higher sales and marketing costs;
- Recent high administrative costs mostly related with relocation of clinic, not least with relocation of sophisticated equipment;
- Still loss making.

Thsnd. EUR	2016	2017
Sales	1393	1807
Gross Profit	613	419
Sales costs	0	-183
Administrative costs	-585	-293
Other items	-98	-7
EBT	-70	-64
Tax	-6	0
Net profit	-76	-64

NPK Biotest

- Also acquired late in 2016;
- Potential placement of some packing activities in Belarus was the key reason behind acquisition;
- Packing and similar services for Olainfarm will be launched not sooner than 2018;
- Profitability is expected to increase significantly in 2017, as transfer pricing schemes created by previous owners will be abolished.

Thsnd. EUR	2016 2 months	2017
Sales	213	3037
Gross Profit	70	562
Sales costs	-6	-61
Administrative costs	-54	-204
Other items	1	-103
EBT	11	194
Tax	-5	-37
Net profit	6	157

Silvanols

- Discrepancies with what was previously published, as contract manufacturing is partially included in other items;
- Sales costs expected to increase significantly in 2017, as Silvanols plans to enter few new markets with its own brand name;
- Profits are expected to temporarily shrink, mainly due to high market entrance sales costs.

Thsnd. EUR	2016	2017
Sales	4 865	5 600
Gross Profit	2 448	3 097
Sales costs	-1 785	-2 627
Administrative costs	-478	-405
Other items	140	11
EBT	325	76
Tax	-53	-11
Net profit	272	65

Tonus Elast and Elast Medical

- Elast Medical is a Russian company, 100% owned by Olainfarm;
- There are two main tasks for the company: exclusive distribution of Tonus Elast products in Russia, and Marketing services for Silvanols in Russia;
- As Silvanols' marketing has virtually no margin for the company, combined margins is a slight misrepresentation due to dilution.

	2016 7 months	2017
Thsnd. EUR		
Sales	5 917	16 326
Gross Profit	1 799	5 262
Sales costs	-583	-2 297
Administrative costs	-202	-1 492
Other items	51	17
EBT	1 065	1 490
Tax	-142	-293
Net profit	923	1 197

Latvijas Aptieka

- Other income, (mainly marketing) are conservatively ignored;
- Increase in sales mainly derives from increased number of pharmacies;
- Conservatively, only a slight improvement of margins is planned.

Thsnd. EUR	2016	2017
Sales	18 880	20 277
Gross Profit	4 879	5 370
Sales costs	-3 694	-3 694
Administrative costs	-672	-777
Other items	287	-
EBT	800	899
Tax	-128	-135
Net profit	672	764

Olainfarm

- Standalone sales target budgeted at 96 million, standalone net profit target at 12.7 million;
- As less provisions are expected, in absence of significant forex loss profitability is expected to increase significantly;
- Due to potential changes to Latvian corporate and dividend taxation, here, and in all other Latvian companies, tax and net profit numbers may vary.

Thsnd. EUR	2016	2017
Sales	91 622	96 007
Gross Profit	61 944	65 037
Sales costs	-27 545	-23 260
Administrative costs	-18 000	-23 615
Other items	-3 841	-3 237
EBT	12 558	14 925
Tax	-3 333	-2 239
Net profit	9 225	12 686

Olainfarm Group

- Budgets of 2017 provide for consolidated sales target of 127 million euros and consolidated net profit target of 15.5 million euros;
- Possible provisions of about 3 million are temporarily budgeted under administrative costs;
- Due to good sales force presence in many markets, overall sales costs are not planned to increase;
- Some tax rebates are expected on consolidated level.

Thsnd. EUR	2016	2017
Sales	111 275	126 924
Gross Profit	70 037	79 336
Sales costs	-33 882	-32 321
Administrative costs	-19 346	-26 050
Other items	-3 261	-4 134
EBT	13 548	16 831
Tax	-3 462	-2 720
Net profit	10 086	15 511

Q&A Session

www.olainfarm.com





Salvis Lapins

Member of the Board



(+371) 67013717



salvis.lapins@olainfarm.lv



www.olainfarm.com



Rupnicu iela 5, Olaine, LV-2114, Latvia