



# Company Presentation

CEO Meets Investor  
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Vilnius



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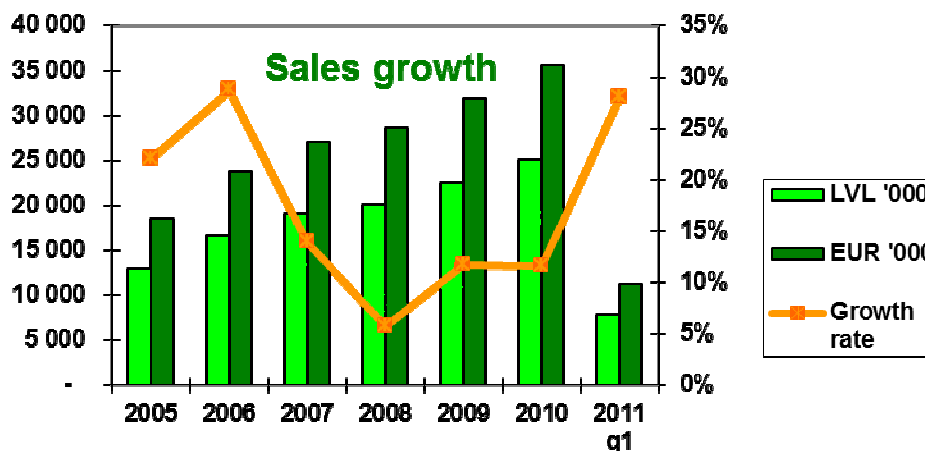


Olainfarm at a glance...

# What is Olainfarm?

One of the leading pharmaceutical companies in the Baltic States

- Olainfarm, established in 1972, is one of the leading pharmaceutical companies in Baltic States employing more than 700 highly qualified professionals;
- Produces both Finished Dosage Forms (FDFs) and full cycle Active Pharmaceutical Ingredients (APIs)
  - Primarily branded and historically unique “generics”;
  - About 75% of FDFs produced from own APIs;
- Certified in accordance with the requirements of the EU Good Manufacturing Practice (GMP), U.S. Food and Drug Administration GMP in API manufacturing, and environmental management systems standard ISO 14001;
- After privatization in 1997 were listed on the Baltic Secondary List
  - Since 2006 in NASDAQ OMX Baltic Main List;
  - Capitalization as of May 2011, – EUR 46 million;



## Mission

To manufacture reliable and effective high quality pharmaceutical products to the whole world in an environmentally friendly way and in a fair and effective cooperation with customers.

## Vision

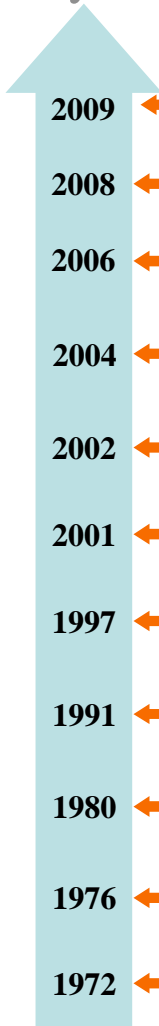
To become the leading manufacturer of finished dosage forms and chemical-pharmaceutical products in the Baltic States.



OlainFarm

# Corporate milestones

39 years of growth

- 
- 2009** ← Record sales and profits achieved in falling markets, as marketing effort pays back.
  - 2008** ← More aggressive approach to marketing taken, bringing the company to significant loss.
  - 2006** ← New product and market strategy approved, planning launch of 5 potential bestsellers; Company moved to the Official list of Riga Stock Exchange.
  - 2004** ← A major reconstruction of the production plant completed and EU Good Manufacturing Practice certificate obtained.
  - 2002** ← Obtained a certificate of conformity to the requirements of U.S. Food and Drug Administration in API manufacturing.
  - 2001** ← A certificate of conformity to the requirements of environmental management systems standard ISO 14001 obtained.
  - 1997** ← The state enterprise Olaine Chemical-Pharmaceutical Plant privatized and reorganized to the joint-stock company OlainFarm and subsequently listed on the stock exchange.
  - 1991** ← After collapse of Soviet Union refocuses to selling specialty synthesis (Adamantane, Quinuclidone and other derivatives) to the western countries.
  - 1980** ← Commenced production of finished dosage forms.
  - 1976** ← Olaine Chemical-Pharmaceutical Plant becomes one of the main suppliers of active chemical ingredients and intermediaries to all the existing factories-producers within the Eastern block.
  - 1972** ← Foundation of OlainFarm (at that time Olaine Chemical-Pharmaceutical Plant).



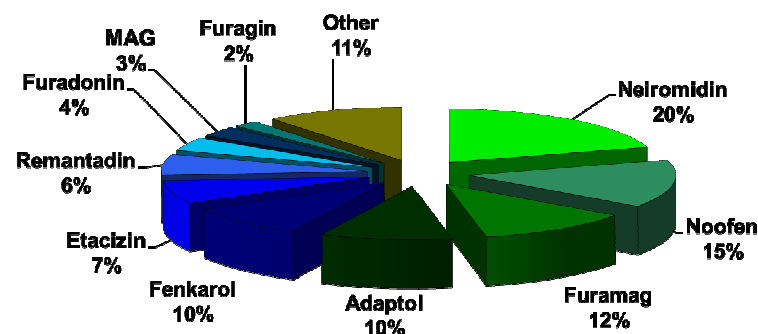
... and in a greater detail

# Main products

## Emphasis on branded generics

- Product portfolio is well diversified with main emphasis on branded generics, historically unique to OlainFarm:
  - In total more than 70 names;
  - 9 best-selling products account for 87% of sales.
- The main products are:
  - Neiromidin: Cholinesterase inhibitor, stimulant of neuromuscular transmission;
  - Noofen: mood elevator, tranquilizer; OlainFarm owns cost efficient synthesis;
  - Fenkarol: antihistamine with negligible side effects; unique to OlainFarm;
  - Furamag: one of original nitrofurantoin derivatives, applied to treat urinary infections;
  - Adaptol: adaptogenic product, daytime tranquilizer.
- Optimization of product portfolio under way, three potential best-sellers to be added in the upcoming years, memantine and meldonium already among top 12.

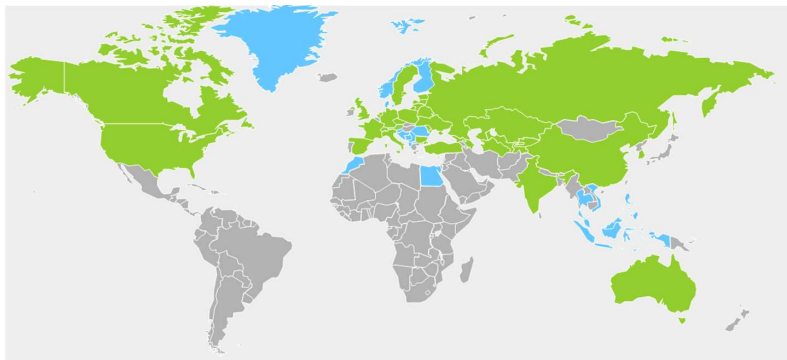
Sales by Products, 2010



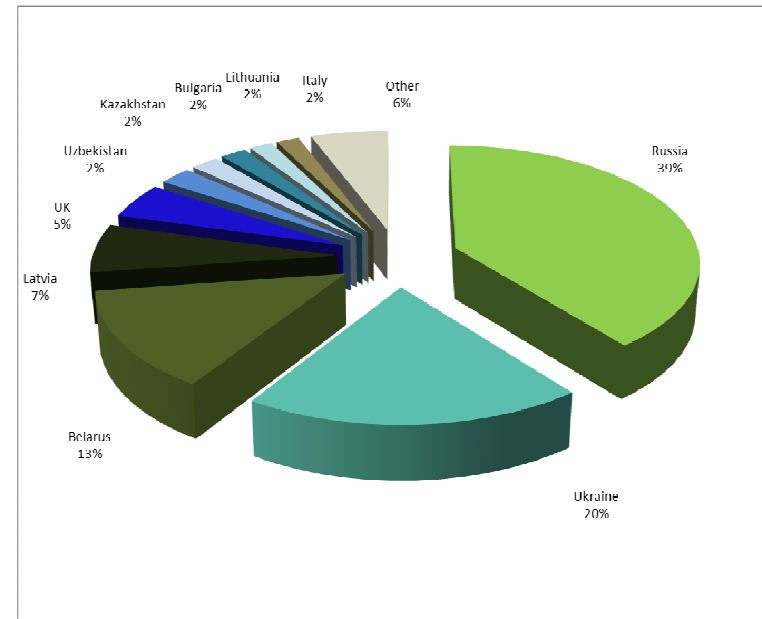
# Main markets


## Focus on home market and the CIS

- Sales to 30 countries, but main focus on home market and the CIS
  - More than 90% of sales is export;
- Over 300 medical representatives in key markets;
- Representative offices in Russia, Ukraine, Kazakhstan, Belarus, Poland, Azerbaijan, Vietnam, Serbia, Tajikistan, contracted agents in USA and Sweden;
- Significant investments in marketing in Russia started in 2008;
- Considerable growth in Belarus, Ukraine and Latvia; Kazakhstan the only one falling;
- Registration and opening of rep-offices under way in countries of SE Asia, Central Asia and SE Europe.



Sales in the main markets Q1, 2011



 Existing markets

 Under consideration



OlainFarm



# Management team

Independent, reliable and experienced

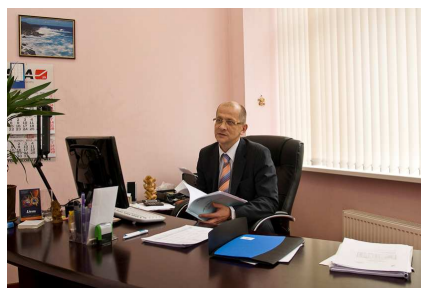
## • Supervisory Council

- Supervisory Council with 5 members, 4 independent
  - Helmut Balderis-Sildedzis;
  - Olena Dudko;
  - Aleksandrs Raicis;
  - Volodymir Kryvozubov;
  - Signe Baldere- Sildedze;



## • Management Board

- 5 members
  - Dr. Valerijs Maligins, CEO
    - In pharmaceutical business since late 80s;
  - Jelena Borcova, Production
    - More than 15 years of experience in regulatory; and production affairs of pharmaceutical business;
  - Inga Liscika, CFO
    - 15 years of experience in taxation, auditing, financial management;
  - Veranika Dubitskaya, Marketing
    - In pharma marketing for 6 years; behind outstanding performance in Belarus;
  - Salvis Lapins, Investor Relations
    - 15 years of corporate finance and investor relations experience.



# Manufacturing facilities

Modern and sufficient

- All the laboratories of the company conform with the requirements of GMP standards and are fitted with modern equipment complying with international standards: spectrophotometers, gas and liquid chromatographs, etc.
- Warehousing units are fitted with the latest registration systems and climate control facilities;
- Modern equipment used in production of final dosage forms;
- Production flow is organized to prevent any critical bottlenecks from appearing;
- Current capacity at about 1 billion pills/capsules per annum.



OlainFarm

# Research & Development

Combinations, fine-tuning and scale-up

- Research and development effort in the company is mainly focused on the work at tests and trials necessary for existing products in pipeline, identification and testing of potentially promising combinations of known molecules, fine – tuning of existing technologies and scale-up of acquired laboratory proven ones;
- Nearly 100 people are involved in different R&D related activities, on average OlainFarm annually spends from 5 to 10 % of sales on R&D;
- Post marketing studies and trials are also important part of company's R&D effort. Several such studies and trials have been conducted for all of OlainFarm's best selling products.



# Key Investment Highlights

Equipped and experienced for growth

## Well diversified product portfolio

- Product portfolio is well diversified with main emphasis on branded generics, historically unique to OlainFarm;
- In total more than 70 names;
- 9 best-selling products account for less than 90% of sales.

## Strong regional presence

- Among top 100 pharma producers of the world presented in Russia, and growing;
- One of the leaders in Ukraine, Latvia and Belarus;
- Over 300 medical representatives operating in 10 countries.

## Experienced and well equipped

- All members of management Board have at least 10 years of experience in their respective fields;
- Good growth record in recent years, even despite shrinking of almost all pharmaceutical markets;
- Significant investments in construction and equipment have been done during the last 5 years.

## Clear growth drivers

- Pipeline of 5 promising products in process, 2 already commercialized, among top sellers;
- Plan of development into new markets in place, first shipments to SE Asia/Europe to be made in 2011/2012;
- Aggressive approach to pharmaceutical marketing in existing and new markets.

# What is next generation OlainFarm?

## Olainfarm future growth drivers

- Products
  - Finalize the launch of group of five new products;
  - Continue work on identification of improved versions, combinations or optic isomers of known molecules with particular focus on antivirals and CNS medicines;
  - Continue efforts to identify cooperation opportunities regarding production of APIs, with emphasis on multinational partners.
- Countries
  - Strengthening the existing positions in Central Asian countries of the former Soviet Union;
  - Expansion into South East Asian and South East European countries;
  - Consider cooperation schemes with Chinese, Indian, Nordic and South American companies.
- Marketing
  - Conduct post-marketing studies to strengthen the sales of existing products and existing markets;
  - Establish networks of medical representatives in new markets;
  - Conduct post-marketing studies and trials on new products.
- Outcomes
  - Stable two digit organic sales growth per annum;
  - Diversity of products and markets keeps company safe from major product/country failures;
  - OlainFarm remains independent while exploring and exploiting industry consolidation opportunities.



# Key Financials

# Financial summary

## Way to stabilisation

(EUR'000)	2004	2005	2006	2007	2008	2009	2010
Sales	15,193	18,476	23,768	26,982	28,580	31,931	35,605
EBITDA	1,460	3,766	4,832	4,660	2,302	7,985	9,066
EBIT	-243	1,248	2,046	1,527	-1,334	4,765	6,442
Net profit	-1,134	899	1,107	478	-2,045	3,362	5,017
Assets	26,270	27,353	36,098	40,824	45,047	43,482	46,356
<i>incl. cash</i>	<i>50</i>	<i>149</i>	<i>122</i>	<i>1,535</i>	<i>53</i>	<i>260</i>	<i>704</i>
Equity	12,696	13,596	19,119	23,043	20,986	24,348	29,365
Liabilities	13,574	13,757	16,979	17,781	24,061	19,134	16,992
<i>incl. interest-bearing liabilities</i>	<i>7,820</i>	<i>7,353</i>	<i>10,118</i>	<i>11,925</i>	<i>12,544</i>	<i>8,505</i>	<i>6,873</i>
Sales growth	n.a.	21.6%	28.6%	13.5%	5.9%	11.2%	11.5%
EBITDA margin	9.6%	20.4%	20.3%	17.3%	8.1%	25.0%	25.0%
EBIT margin	(1.6%)	6.8%	8.6%	5.7%	(4.7%)	14.9%	18.1%
Net profit margin	(7.5%)	4.9%	4.7%	1.8%	(7.2%)	10.5%	14.1%
Earnings per share (LVL)	(0.011)	0.08	0.08	0.03	(0.14)	0.24	0.25
ROE	(8.9%)	6.6%	5.8%	2.1%	(9.8%)	13.8%	17.1%

# Recent developments

## Growth in falling markets

- In early 2008 OlainFarm hires regional pharma marketing company to do the promotion in Russia, Moldova, Kazakhstan, Azerbaijan and Uzbekistan;
- Extensive marketing effort results in more than 2M EUR loss, as the increase in sales does not appear as instantly;
- End of 2008 shows increase in sales as a result of increased marketing;
- As marketing starts delivering, sales considerably higher throughout 2009, 2010 and Q1 2011 resulting in record sales combined with record profits;
- Target of 41.8 m EUR in sales and 7.3 m EUR in profits to be decided by AGM on April 29. In Q1 2011 24.8% of sales target already met.
- First time ever Board proposes dividends. Decision to be made by AGM. Poposed dividends are 3.56 EUR cents per share or slightly above 1% yield .

(EUR'000)	2009	2010	% to previous
<b>Sales</b>	<b>31,931</b>	<b>35,605</b>	<b>112%</b>
Changes in inventory and WIP	124	-526	-424%
Other operating income	591	358	61%
Cost of materials	5,597	5,456	97%
Staff costs	8,761	8,577	98%
Other operating expense	10,303	12,337	120%
<b>EBITDA</b>	<b>7,985</b>	<b>9,066</b>	<b>114%</b>
<i>EBITDA margin</i>	<i>25%</i>	<i>25%</i>	
Depreciation/amortisation	3,219	2,625	82%
<b>EBIT</b>	<b>4,765</b>	<b>6,442</b>	<b>135%</b>
<i>EBIT margin</i>	<i>15%</i>	<i>18%</i>	
Financial income	99	209	211%
Financial expense	787	488	62%
Profit before taxes	4,077	6,157	151%
Taxes	715	1,140	159%
Net profit	3,362	5,017	149%
<i>Net margin</i>	<i>11%</i>	<i>14%</i>	



OlainFarm



# Thank you!

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# Annexes

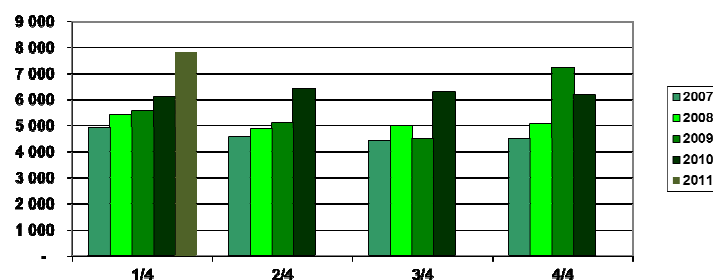


# Charts – share performance and key financials

Visible breakthrough

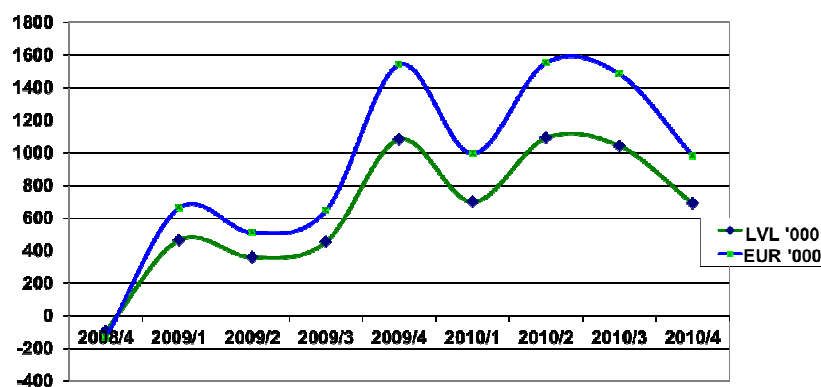
Sales by Quarters

Sales by Quarters, thsnd. LVL



Profit by Quarters

Profit by Quarters



OlainFarm vs. OMX Riga rebased, 2010

-- OMR Riga  
-- AS "Olainfarm"



OlainFarm in LVL, 2007 - 2010

LVL

