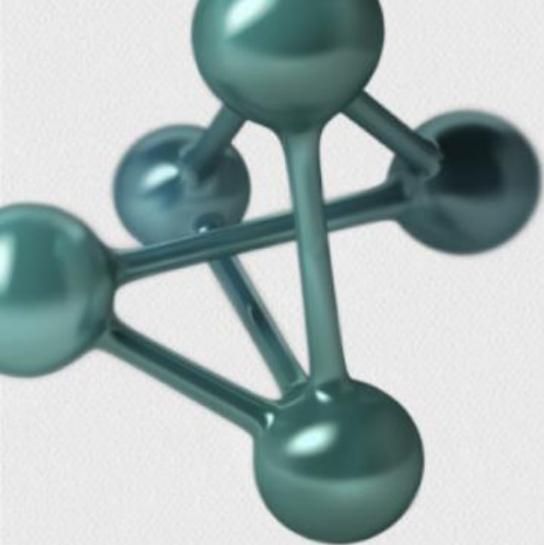


Webinar Presentation



4th quarter and
the entire 2013

March 11, 2014

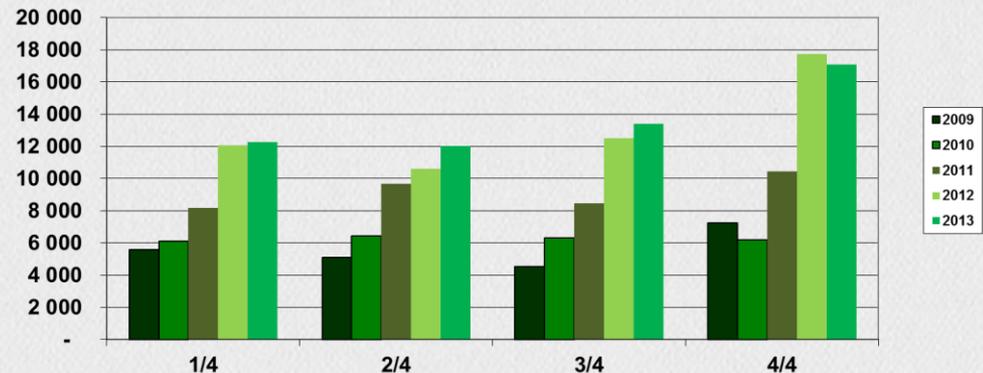


4th Quarter

Sales in 4th Quarter

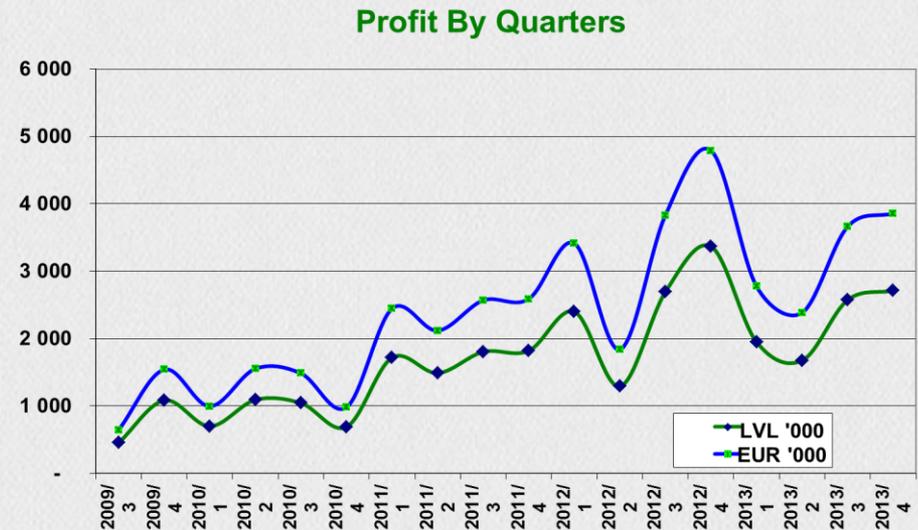
- Sales worth more than 17.1 million lats (24.3 million euros), a reduction by 3%;
- Overshipment to Ukraine in last quarter of 2012 is the sole reason for shrinking of sales this quarter; as this is the second best in corporate history;
- About 2.6 million lats are sales by pharmacies, increase by 28%; about 0.54 million lats are sales by Silvanols;

Sales By Quarters, Thsnd. LVL



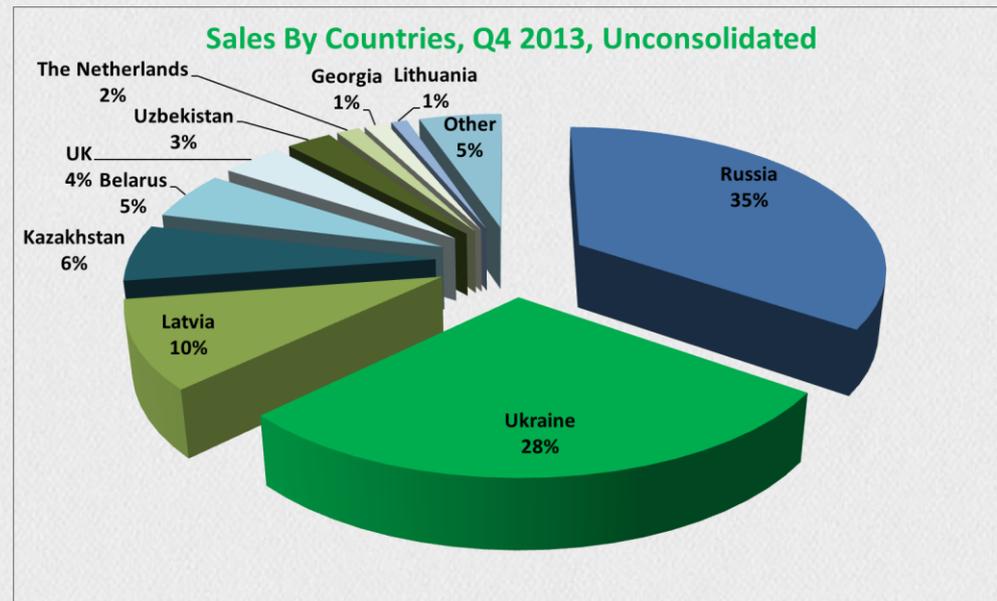
Profit of 4th Quarter

- Preliminarily at 2.7 million lats (3.8 million euros), a reduction by 20%;
- Although profits shrinking by 20% compared to q4 2012, still the second best in corporate history;
- Again, overshipment to Ukraine in 2012, higher costs and bigger influence of retail business are main contributors to reducing margins;



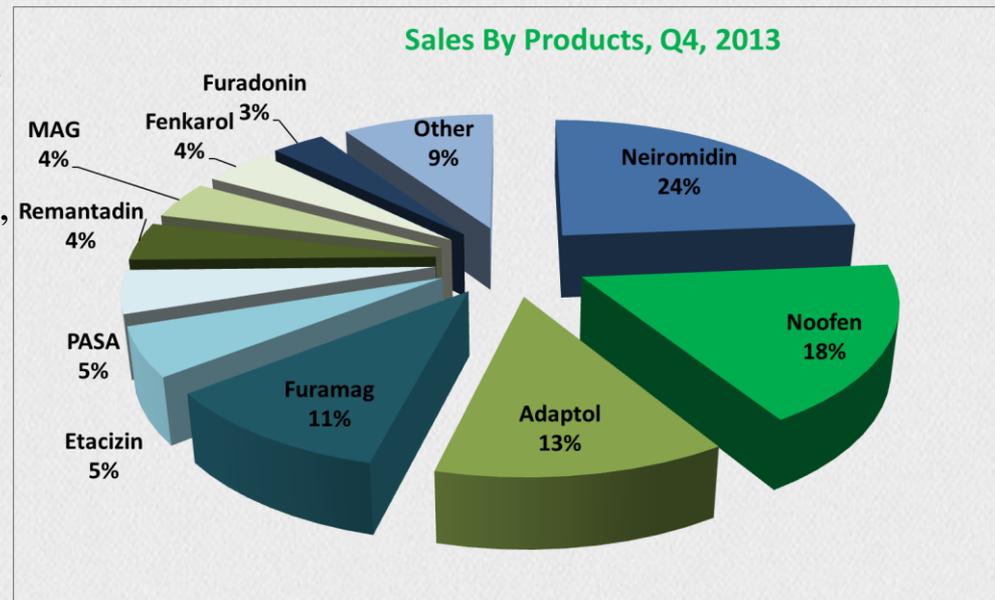
Sales By Countries, 4th Quarter

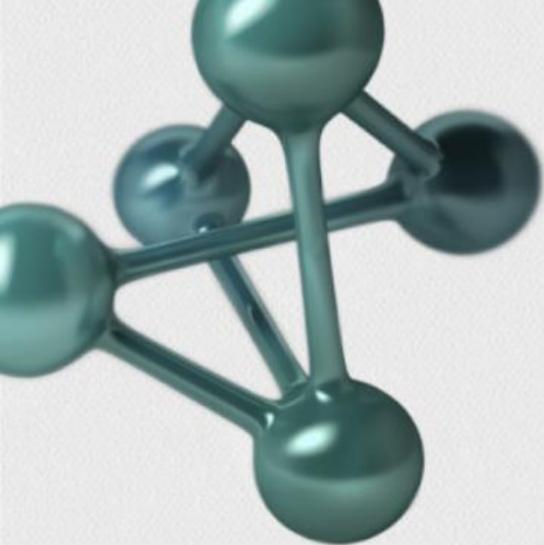
- Ukraine catching up, Russia, somewhat stagnant;
- Belarus down to 5% due to absence of sales in December. No sales in December to BY due to foreign currency shortages.
- UK back on list, along with Georgia and Lithuania;
- Others down to 5%, sales more concentrated in fewer countries.



Sales By Products, 4th Quarter

- Neiromidin, Noofen, PASA up, Furamag and Adaptol down;
- Fenkarol down significantly compared to Q3, as antiallergic medicines are poorly consumed in wintertime;
- PASA up to 5% as new orders from WHO have come in;
- MAG back in top 10 list.



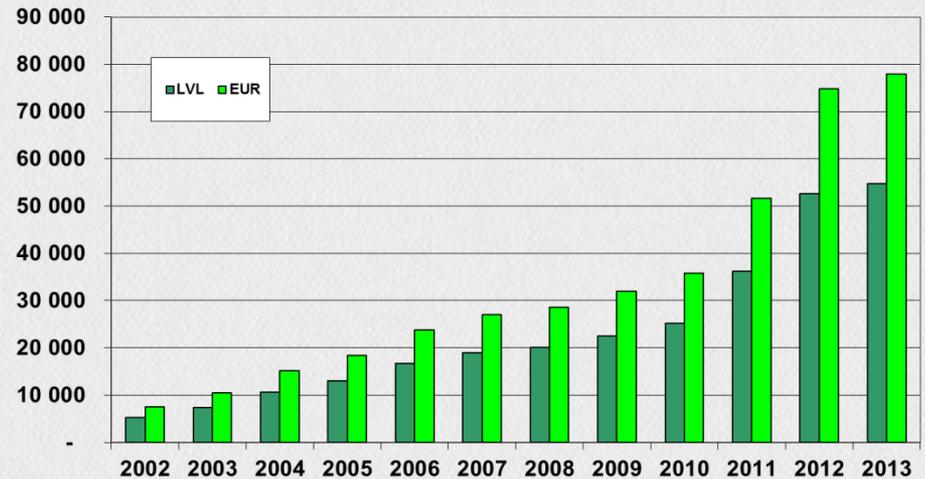


Full Year 2013

Sales in 2013

- Sales worth almost 55 million lats (78 million euros);
- Increase by 4%, compared to 2012, despite overshipments to Ukraine in 2012;
- About 9.5 million lats (13.5 million euro) are gross sales by pharmacies (up 33%), and about 6.6 million lats (9.4 million euro) are net sales by pharmacies; Sales by Silvanols since acquisition are 1.3 million lats (1.8 million euro).

Sales In Thousands



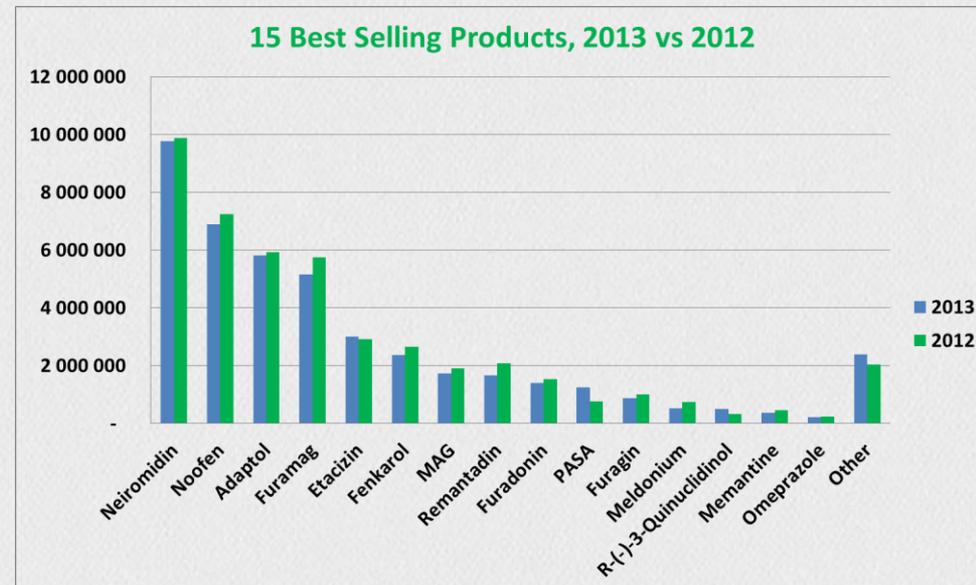
Profit of 2013

- Preliminary at 8.9 million lats (12.7 million euros);
- By 10% smaller than in 2012;
- Adjusted profit target outperformed by 0.8%, initial underperformed by 29%;
- Among other factors, increase in share of retail in consolidated sales also contributed to falling margins.



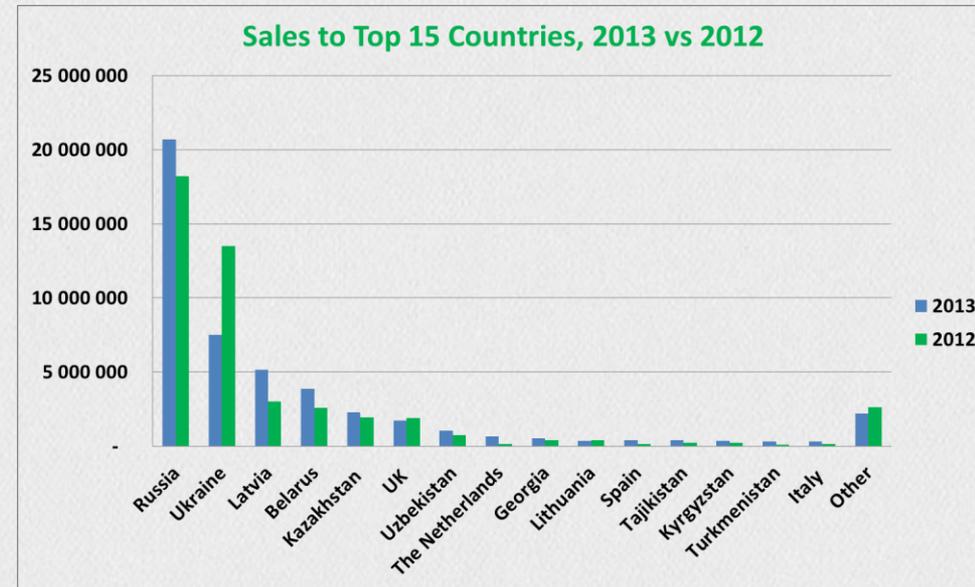
Growth Drivers: Products

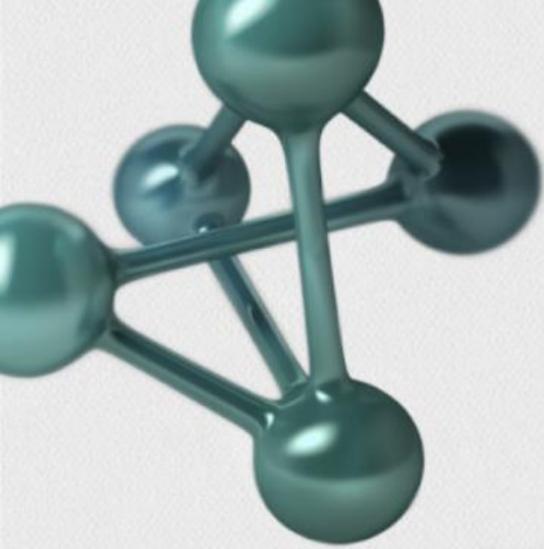
- All “promotables” falling, by approx. 2 million lats combined, due to overshipment to Ukraine in 2012.
- “Promotables” are also the ones with best margins;
- Only Etacizin, PASA, R-3-Quinuclidinol and others show growth;



Growth Drivers: Countries

- Only Ukraine, UK, Lithuania and small others falling;
- Latvia (+70%), Belarus (+48%) and Russia (+14%) all demonstrate impressive growth, again despite relatively high base;
- Three new markets of Tajikistan, Turkmenistan and Kyrgyzstan, although still negligible in volume are growing very impressively;
- Top growers: The Netherlands +351%, Turkmenistan 219%, Spain 202%





Update On Recent Events

Recent Events - January

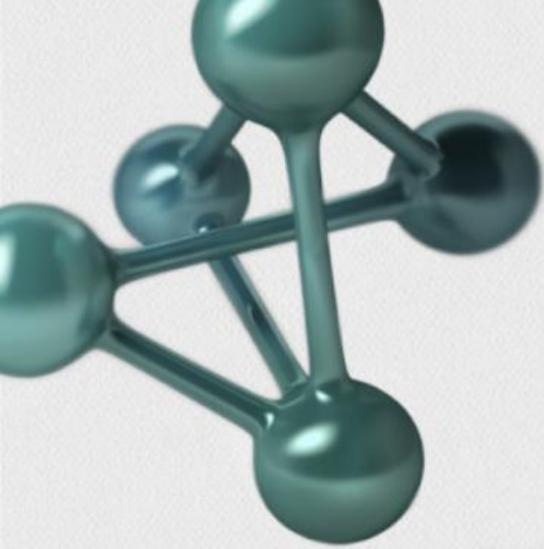
- In January the Supreme Court ruled that “Olainfarm” is not allowed to use trademark of “Midolat”, including in cyrilic transcriptions. “Olainfarm” is not using this trademark since 2010, therefore this ruling will have no impact on sales of any of Olainfarm’s products.
- Three new pharmacies have been acquired, two in Riga and one in Priekule, bringing the total number of operating pharmacies to 55.

Recent Events – Considerations

- The Government of Latvia has agreed to provide a tax rebate for Olainfarm, if company executes certain CAPEX program;
- The maximum CAPEX program that has been approved is worth about 35 million EUR over the next 4 years, and in this case a tax rebate of approx. 7 million EUR will available;
- Because of a very dynamic growth over the last years, capacities for production of some best selling products are nearly exhausted, therefore most of such investments are crucial for further growth;
- CAPEX program for 2014 is worth about 20 million euro, similar amount necessary for 2015;
- This program will require additional borrowing in times, that are turbulent in many of our key markets.

Recent Events – Dividends

- Given the considerations above, the Board of the Company will propose to put a dividend payments on hold for the profits of 2013 and 2014;
- It will also propose to restart it from the profits made in 2015, with a pay out ratio of 17.5%
- Intention to gradually increase the pay out ratio to 25%, increasing it by 2.5 percentage points per annum after this two year period remains in place.



In Focus : CIS Crisis

Devaluation in Kazakhstan 1/2

- In February, Kazakhstan's national currency the Tenge has been devalued by 20%;
- In 2013 Kazakhstan was the fifth biggest market for Olainfarm, making up a little less than 5% of our total sales;
- Sales to Kazakhstan have clearly demonstrated above the market increase over last years as they increased by 17% in 2013, by 10% in 2012, by 30% in 2011 and by 15% in 2010.
- Sales to Kazakhstan are made in euros, thus the devaluation will make our products more expensive for local consumers;
- Virtually no local producers present in Kazakhstan market;

Devaluation in Kazakhstan 2/2

- In many cases we do split foreign exchange losses with local wholesalers. This way the cost of current devaluation to Olainfarm has been 34 000 EUR, written off to partially compensate our partners.
- Future outlook for our situation and development in Kazakhstan is good, unless Russia – Ukraine crisis worsens the economic situation in this country significantly.

Russia – Ukraine Crisis

- Relationships between the two countries started rapidly deteriorating in late February/ early March as the uprising in Kiev turned into violent clashes;
- Russia threatens military intervention, EU threatens to impose sanctions on Russia;
- Ukrainian economy suspected to be in a very poor shape, crisis has caused currency devaluations by about 10% in both countries;
- It is still quite unclear, how and when the crisis will be resolved;

Russia

- Russia is the biggest market for Olainfarm, its share fluctuating between 35% and 45%;
- Sales to Russia are made in Russian rubles, however the base price for products is set in euros, and the exchange rate is adjusted when necessary;
- Currently the applied exchange rate is 50 rubles per euro and Olainfarm reserves the right to adjust it, once the actual exchange rate becomes very different from currently applied one.
- Sales to Russia have been growing nicely despite the large base. In 2013 they grew by 14%, in 2012 by 31%, in 2011 by 17%, in 2010 by 23%, all clearly above the market;
- Olainfarm is 80th biggest seller of pharmaceutical products in Russia

Ukraine

- Ukraine is the second biggest market for Olainfarm, its share fluctuating around 20% of our total sales;
- Sales to Ukraine are made in euros to our exclusive partner, who then releases products only against a down payment. This allows us to significantly reduce currency risks;
- There is still a significant outstanding ARs from Ukraine, deriving mainly from overshipments of 2012. Most of them will be factorized shortly;
- Sales to Ukraine were growing rather impressively, except for 2013, due to overshipments in 2012. In 2011 sales to Ukraine grew by 132%, in 2010 by 25%, again – way above the market;
- Sales to Ukraine in January 2014 grew by 4%, very preliminary data shows, that sales to Ukraine in February were in the area of 700 000 EUR.

Future Outlook

- Both countries combined make up more than 50% of our sales, with high entrance barriers in other countries, both markets are crucial to Olainfarm, at least in medium term;
- For internal planning purposes we plan a short term stop in growth of sales in Russia and the sales of about 0.7 to 1 million euros a month to Ukraine;
- Possible slightly negative developments in Russia will be outweighed by marketing coverage of smaller cities, that we so far have not been covering;
- Economic sanctions, if applied, normally are not related to medicines and other humanitarian products;
- If current crisis persists, it may scare some of more frightened companies off those markets, thus allowing for increase in market share once situation starts returning to normal.

Q&A Session

- In between webinars, please contact me at:
 - Salvis.Lapins@olainfarm.lv;
 - Cellular: +371 2 6448873 ;
 - Twitter: @SalvisLapins or @OlainFarm;

Thank you!

JSC Olainfarm

5 Rūpnīcu iela., Olaine, LV-2114, Latvia

Phone: +371 67013701

Fax: +371 67013777

www.olainfarm.lv

Investor relations:

Salvis Lapiņš, Member of the Board

Phone.: +371 26448873

e-mail: Salvis.Lapins@olainfarm.lv

www.olainfarm.lv



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