



Rovi

First Quarter 2015 Financial Results

April 2015

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Operating results



First quarter 2015 financial results - Highlights

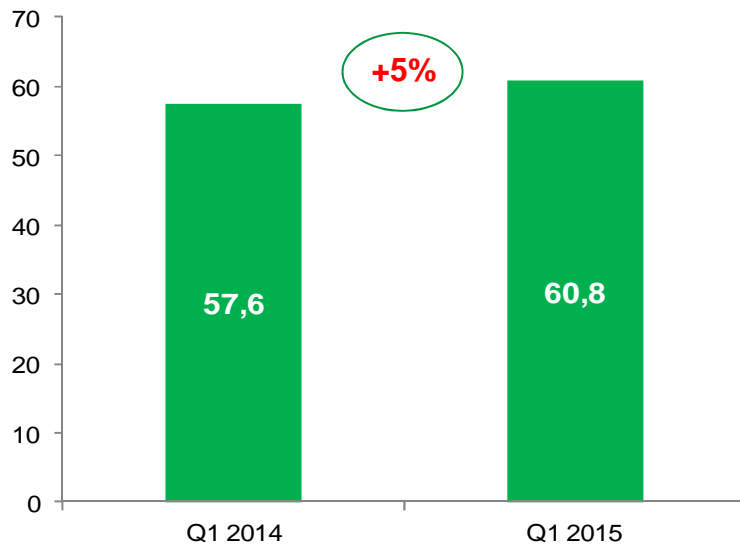
- **Operating revenue** increased by 5% to €60.8Mn, mainly driven by the strength of the toll manufacturing business which grew by 11% and by the specialty pharmaceutical business, where sales rose 3%, outperforming the prescription market¹ by 2.5pp. Total revenue increased by 4% to €61.1Mn in Q1 2015.
- **For 2015**, ROVI expects a **mid-to-high single digit growth rate** for the operating revenue.
- **Outstanding performance of Bemiparin in Spain**: +10% growth to €12.5Mn.
- **Good performance of Absorcol & Vytorin and Corlentor**: sales increase of 11% and 4% respectively.
- **Sales of Hirobriz and Ulunar**, both products for patients with COPD, launched in Spain in Q4 2014 reached €1.0Mn.
- **Sales of Medicebran and Medikinet**, both products launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, increased by 12% to €2.0Mn.
- Sales of **Volutsa**, a product launched in February 2015, reached €0.4Mn in Q1 2015.
- **EBITDA increased by 7%** to 9.6 million euros in Q1 2015, reflecting a 0.2 pp rise in the EBITDA margin to 15.8% in Q1 2015 up from 15.6% in Q1 2014.
- **Net profit increased by 9%** to 6.5 million euros in Q1 2015.
- ROVI will propose to the AGM a **dividend of €0.1690/share** on 2014 earnings, **+5%** vs last dividend.

¹ IMS data

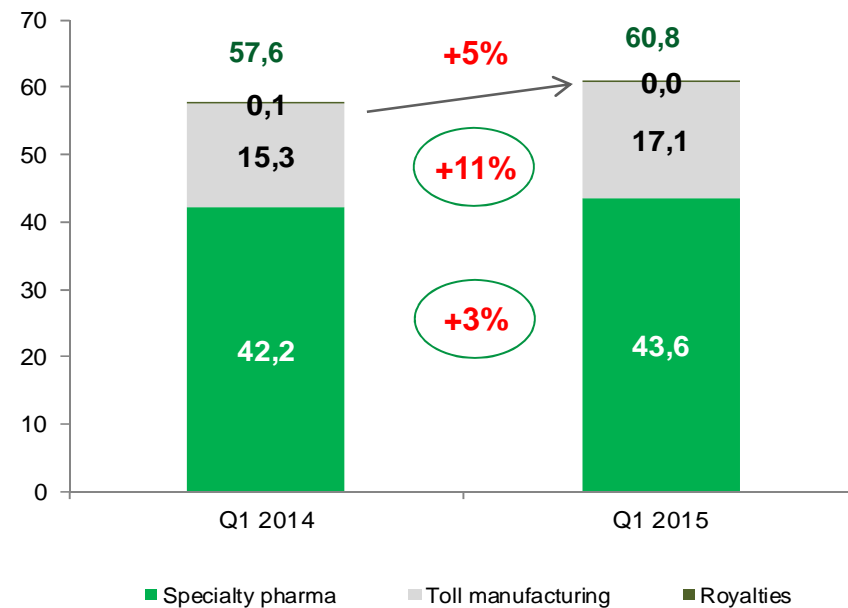
Growth driven by the toll manufacturing and specialty pharmaceutical businesses strength...



Total operating revenue (€Mn)



Operating revenue growth by category (€Mn)



- Operating revenue increased by 5% in Q1 2015, up to €60.8Mn, driven by the strength of:
 - ✓ the toll manufacturing business, where sales increased by 11%; and
 - ✓ the specialty pharmaceutical business, where sales rose 3% in Q1 2015.
- ROVI forecasts to continue growing despite the difficult situation that the Spanish pharmaceutical industry is going through:
 - ✓ slight 0.8% increase and 0.2% fall expected for 2015 and 2016 respectively, according to Farmaindustria¹; and
 - ✓ zero to negative spending growth on medicine in Spain for the period 2014-2018 forecast by IMS Health².

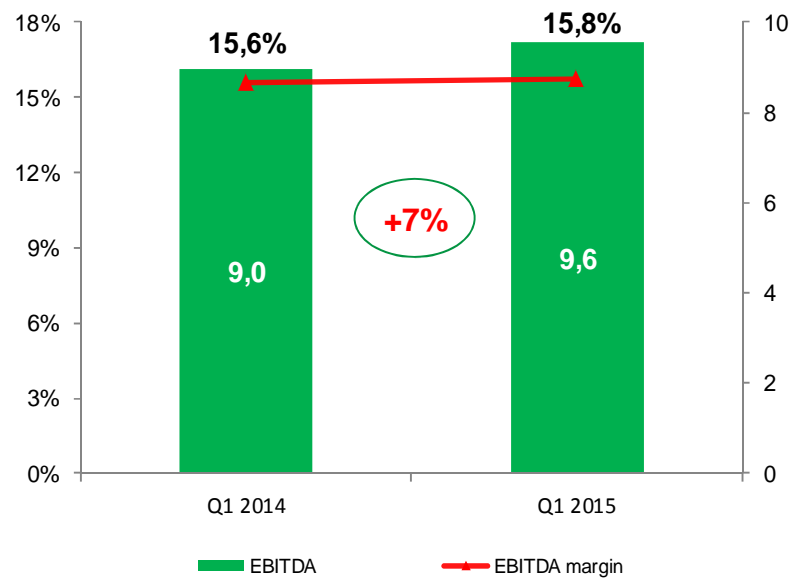
¹ <http://www.farmaindustria.es/web/indicador/analisis-de-la-evolucion-del-gasto-farmacologico-publico-en-espana-mes-mes-2/>

² <http://www.imshealth.com/portal/site/imshealth/menuitem.762a961826aad90153c713c711d8c22a/?vgnnextoid=263e05267aca0410VgnVCM10000076192ca2RCRD&vgnnextchannel=736de5fda6370410VgnVCM10000076192ca2RCRD&vgnnextmt=default>

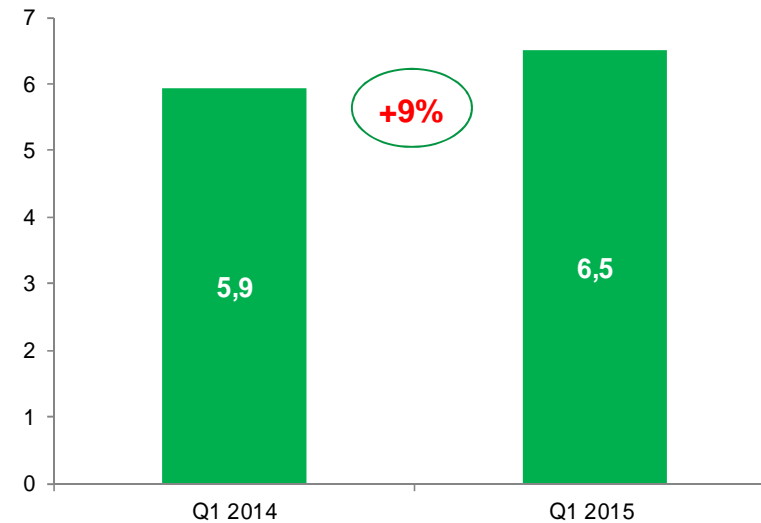


...with high profitability

EBITDA (€Mn) and EBITDA margin (%)



Net profit (€Mn)

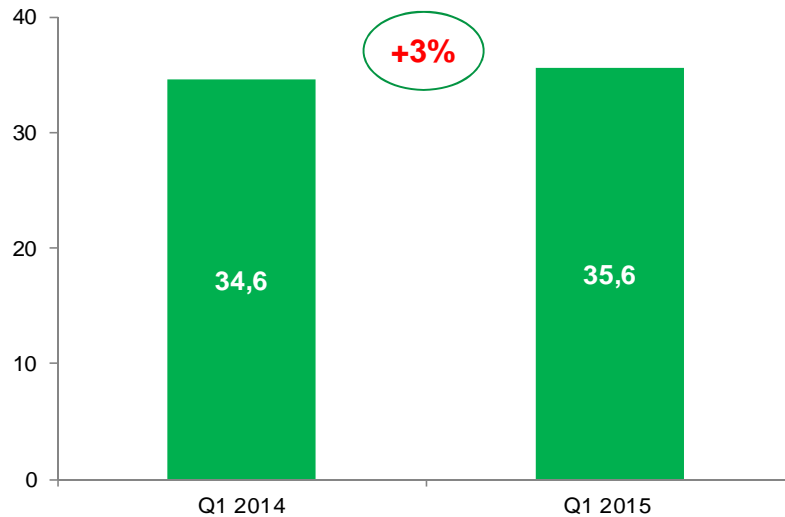


- **EBITDA increased by 7%** to 9.6 million euros in Q1 2015, reflecting a 0.2 pp rise in the EBITDA margin to 15.8% in Q1 2015 up from 15.6% in Q1 2014.
- **Net profit increased by 9%** to 6.5 million euros in Q1 2015.

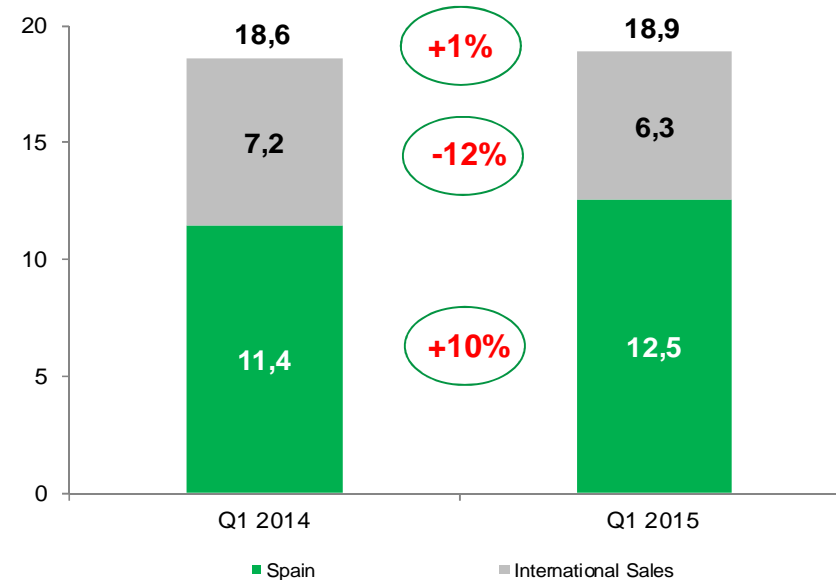


Bemiparin, leading the growth

Prescription-based pharma products sales (€Mn)



Bemiparin sales (€Mn)

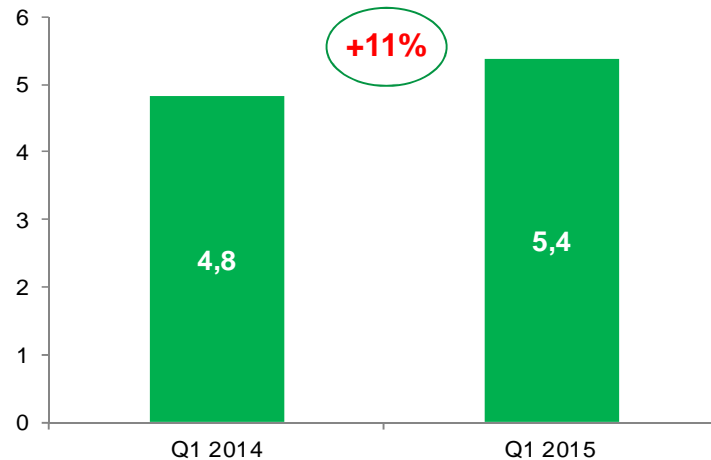


- Sales of **prescription-based pharmaceutical products increased by 3%** to €35.6Mn in Q1 2015.
- **Bemiparin total sales increased by 1%** to 18.9 million euros in Q1 2015.
 - ✓ **Bemiparin performed well in Spain** in Q1 2015, **with sales up 10%** to €12.5Mn.
 - ✓ International sales decreased by 12% to €6.3Mn. This decrease was specifically linked to Q1 2015 and ROVI expects Bemiparin marketing in China and Brasil, forecast for H2 2015, as well as the launch of the product in new countries, such as Qatar in Q1 2015, will contribute to stable sales in 2015.

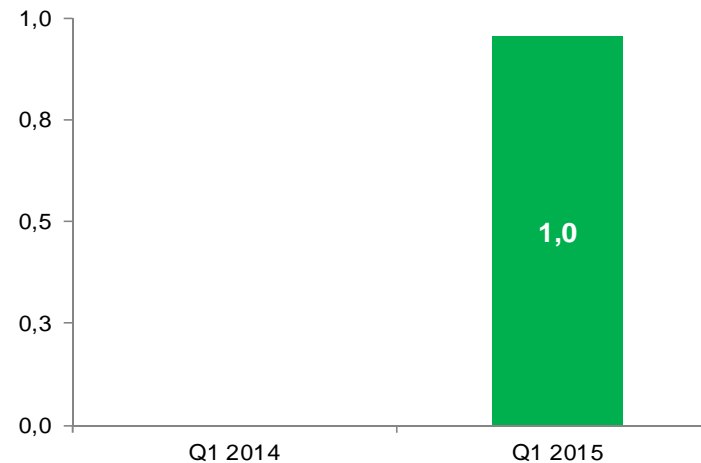


Good performance of the product portfolio (1/2)

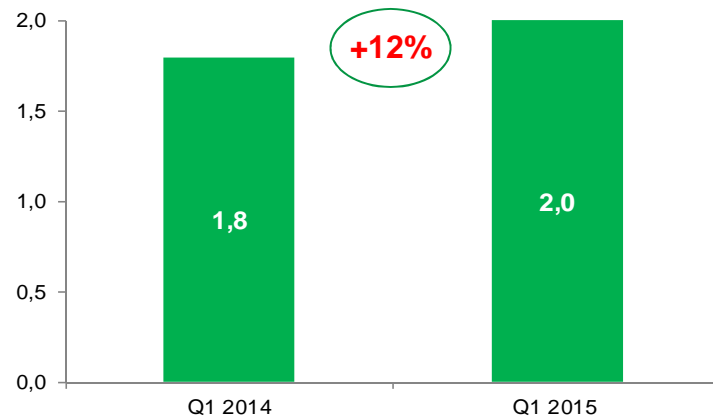
Absorcol and Vytorin sales (€Mn)



Hirobriz and Ulunar sales (€Mn)



Medicebran and Medikinet sales (€Mn)



- Sales of **Absorcol and Vytorin**, products launched in January 2011, **increased by 11%** to €5.4Mn in Q1 2015.
- Sales of **Hirobriz and Ulunar**, both products for patients with COPD, launched in Spain in Q4 2014 **reached €1.0Mn** in Q1 2015.
- Sales of **Medicebran and Medikinet**, products launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, **increased by 12%** to **€2.0Mn** in Q1 2015.
- Sales of **Thymanax**, product launched in March 2010, decreased by 24% to €2.0Mn in Q1 2015.

Vytorin and Absorcol are the first of the five licenses of MSD.

Hirobriz Breezhaler and Ulunar Breezhaler are both products from Novartis indicated for the treatment of COPD (Chronic Obstructive Pulmonary Disease).

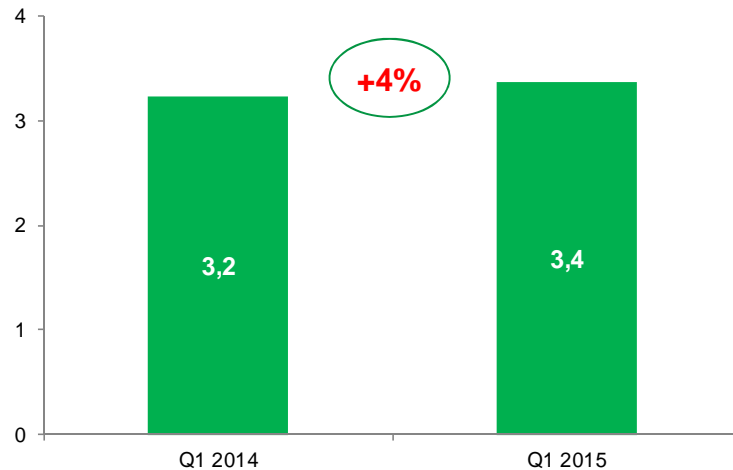
Medicebran and Medikinet are specialty products from Medice indicated for the treatment of ADHD in children and teenagers.

Thymanax is an innovative antidepressant from Laboratoires Servier.

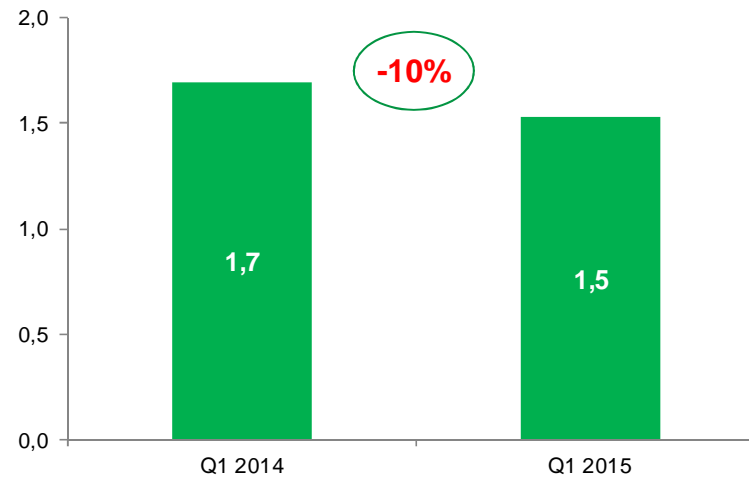


Good performance of the product portfolio (2/2)

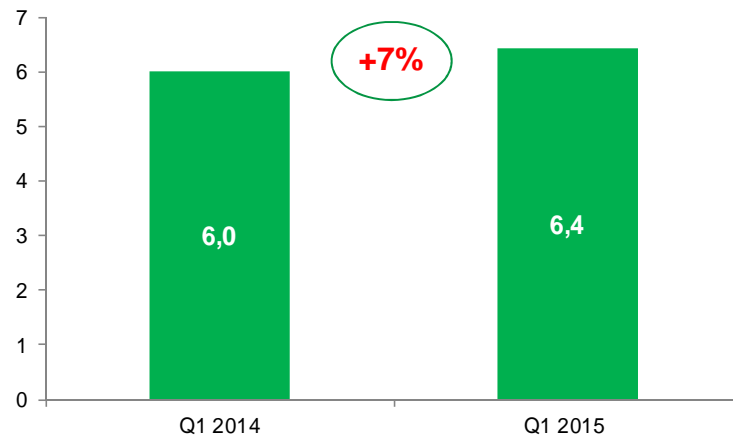
Corlantor sales (€Mn)



Exxiv sales (€Mn)



Contrast imaging agents (€Mn)



- Sales of **Corlantor** increased by 4% to €3.4Mn in Q1 2015.
- Sales of **Volutsa**, launched in Spain in February 2015, reached €0.4Mn in Q1 2015.
- **Exxiv** sales decreased by 10% to €1.5Mn, mainly due to a deceleration of the COX-2 market.
- **Contrast imaging agents** and other hospital products increased by 7% to €6.4Mn in Q1 2015.

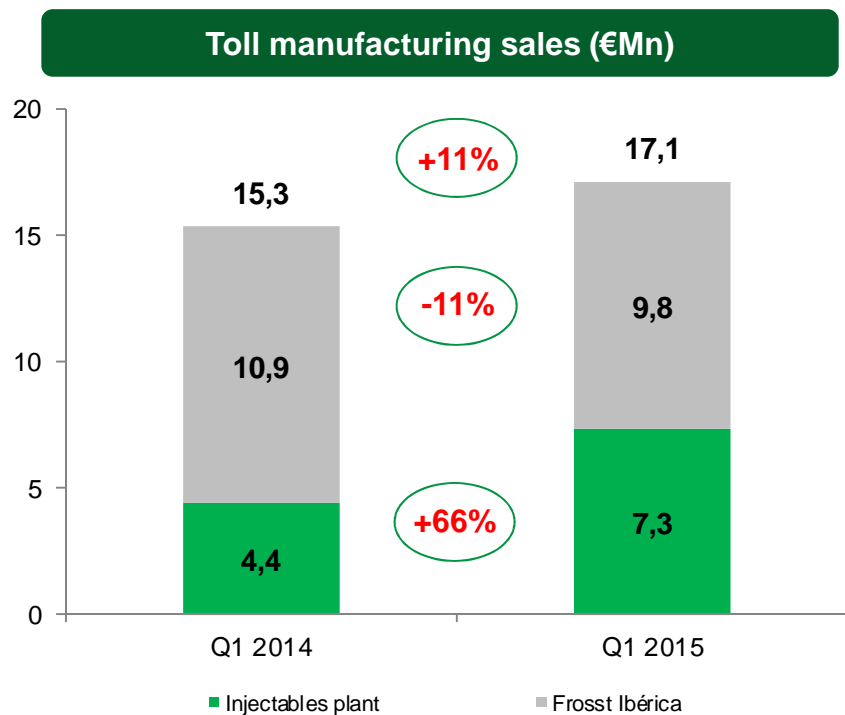
Corlantor is a specialty product for stable angina and chronic heart failure from Laboratoires Servier.

Volutsa is a specialty product from Astellas indicated for the treatment of moderate to severe storage symptoms and voiding symptoms associated with benign prostatic hyperplasia.

Exxiv is a selective COX-2 inhibitor from Merck Sharp & Dohme (MSD).



Value added toll manufacturing services



- **Toll manufacturing** sales increased by 11% to €17.1Mn in Q1 2015.
- Very positive evolution of the **injectables plant**, whose revenue **increased by 66%** to €7.3Mn in Q1 2015. In line with the increase in sales, spare capacity has been reduced.
- **Frosst Ibérica** plant revenue amounted to €9.8Mn in Q1 2015 compared to €10.9Mn in Q1 2014 because of a lower production for MSD.



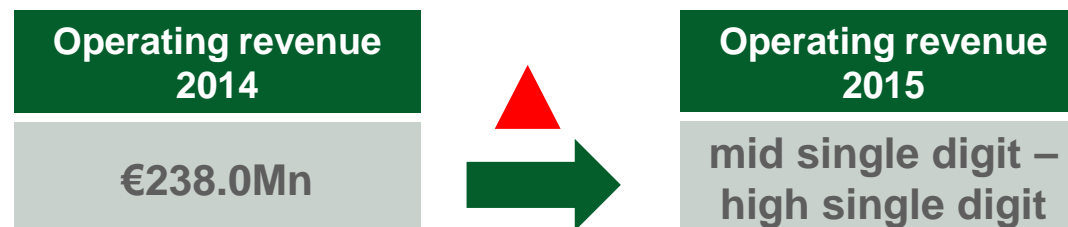
Focus on Drug Release Platform & Glycomics

Platform	Product	Potential indication	Current situation				Expected milestones
			Pre-Clinical	I	II	III	
ISM	Risperidone, monthly	Schizophrenia	[Progress bar: Pre-Clinical, I, II, III]				<ul style="list-style-type: none"> Phase I results disclosed Phase II ongoing Phase III starts 2H 2015
	Letrozole, quarterly	Breast Cancer	[Progress bar: Pre-Clinical, I]				<ul style="list-style-type: none"> Phase I starts 1H 2016
Glycomics	Enoxaparin biosimilar	VTD	[Progress bar: Pre-Clinical, I, II, III, IV]				<ul style="list-style-type: none"> Registration process

ISM: *in situ microparticles*



Guidance 2015



Our main strategic pillars to lead growth

Specialty pharma

- Bemiparin
- Recent launches such as Volutsa, Ulunar, Hirobriz, Medikinet...
- Existing portfolio (Vytorin, Absorcol, Corlentor, contrast imaging agents...)
- New in-licensed products to be launched

Toll manufacturing

- Spare capacity both in the injectable plant and in the oral compounds plant
- New customers to be acquired in both plants

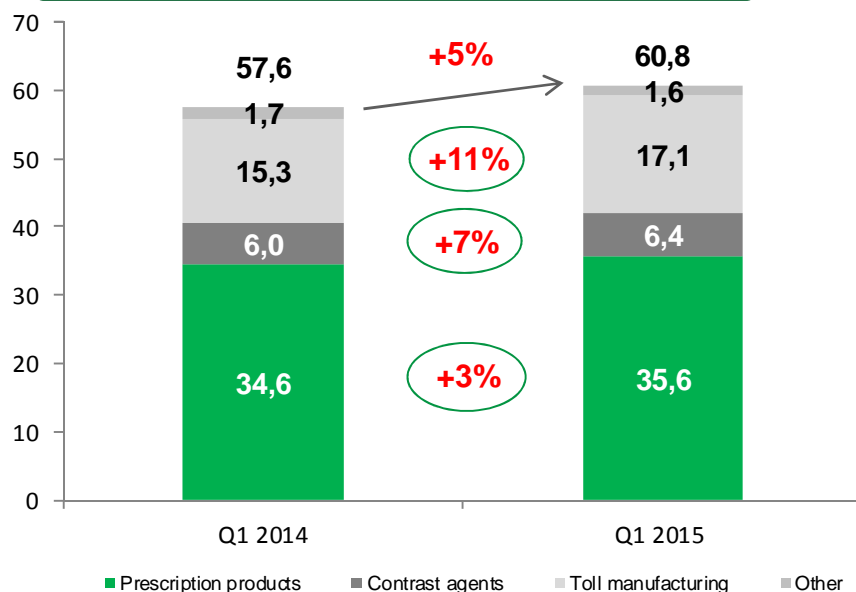


Financial results

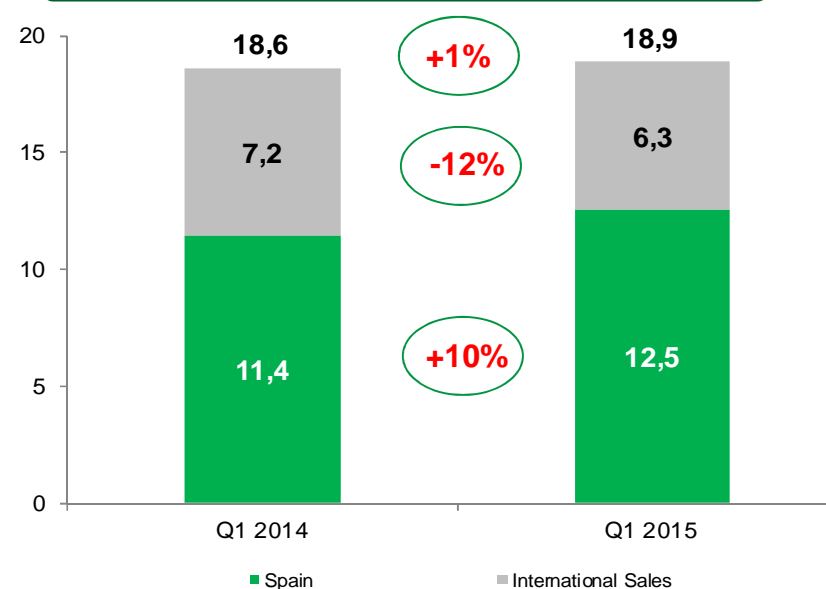
Good revenue level with outstanding Bemiparin growth in Spain



Total operating revenue (€Mn)



Bemiparin sales (€Mn)



➤ **Operating revenue** at €60.8Mn, reaching a **5% growth** achieved on:

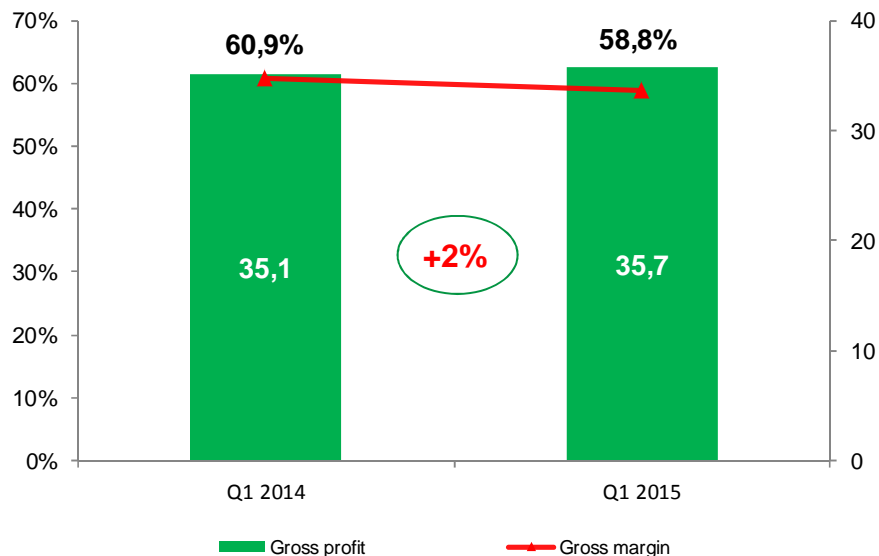
- ✓ 3% growth in prescription-based products;
- ✓ 7% growth in contrast agents and other hospital products;
- ✓ 11% growth in toll manufacturing; and
- ✓ OTC and other revenues decreased by 5% (including revenue from distribution licenses).

➤ **Bemiparin**, ROVI'S flagship product internally developed, reached sales of €18.9Mn (**1% growth** vs Q1 2014). Sales grew by 10% in the domestic market.

Gross margin impacted by a reduction of the amount invoiced to MSD



Gross profit (€Mn) & Gross margin (%)

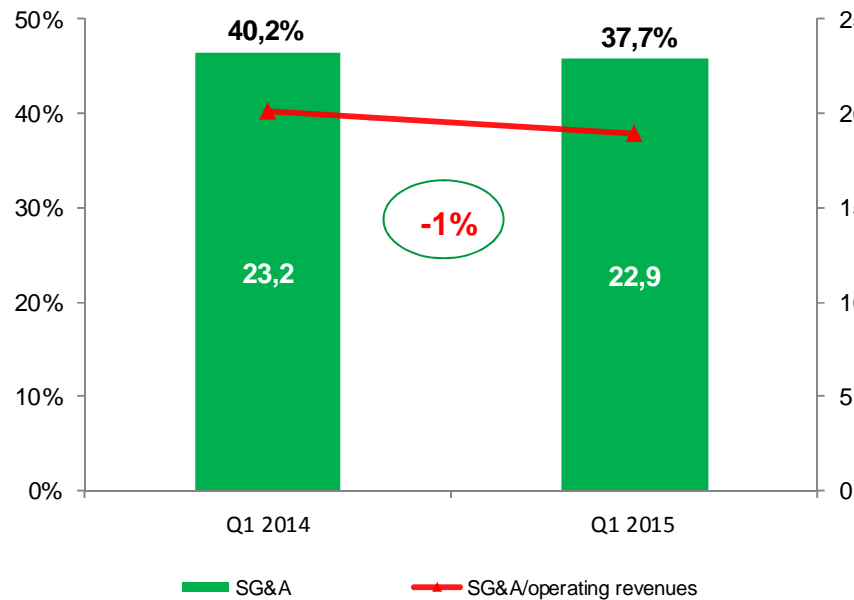


- **Gross profit increased by 2%** to €35.7Mn in Q1 2015.
- **Gross margin** decreased by 2.1 pp in Q1 2015 to 58.8% vs Q1 2014.
- Excluding the impact of other income (subsidies), which decreased by 67% in Q1 2015, **gross margin** decreased by 1.0 pp to 58.3% mainly due to a reduction of the amount invoiced to MSD, which contribute high margins.
- The decrease of the Bemiparin raw material cost impacted positively in Q1 2015 gross margin.

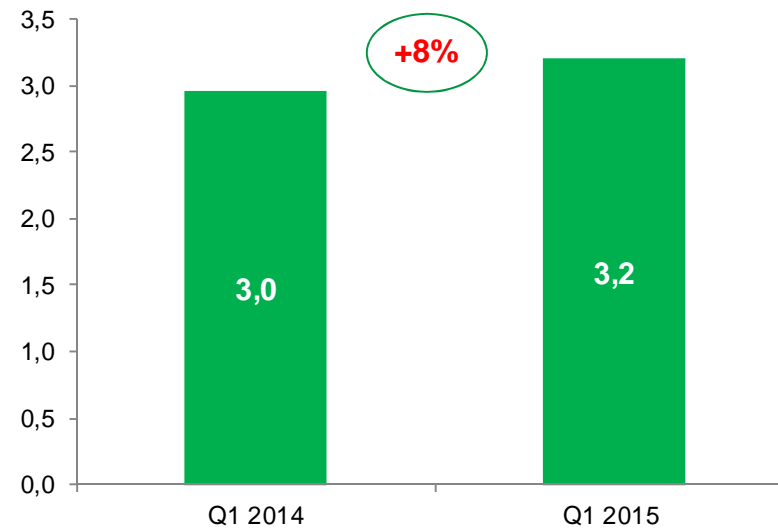


Cost control along with commitment to R&D

SG&A expenses (€Mn)



R&D expenses (€Mn)

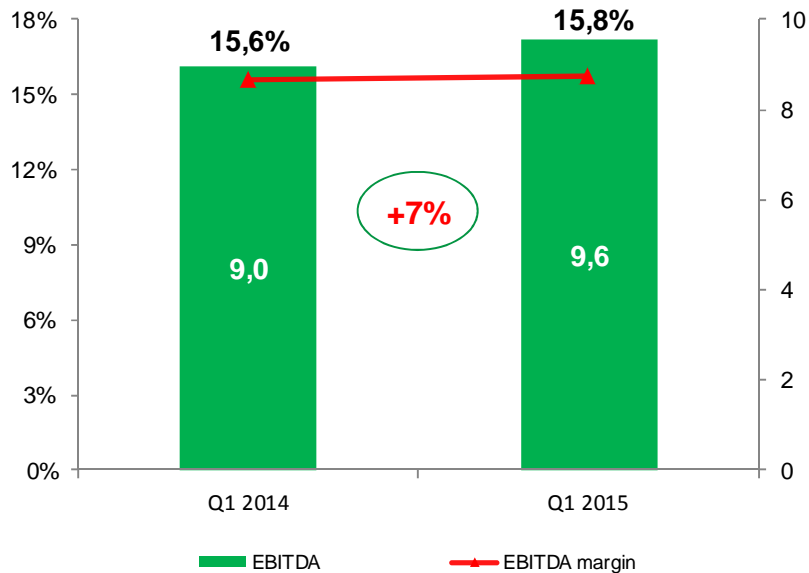


- **SG&A expenses** decreased by 1% to €22.9Mn in Q1 2015 mainly due to a strict cost control. Also, the SG&A/revenues ratio decreased by 2.4 pp to 37.7%.
- **R&D expenses** increased by 8% reflecting ROVI investments in products that are under development, mainly on the ISM[®] project. R&D represents approximately 5% of operating revenues.

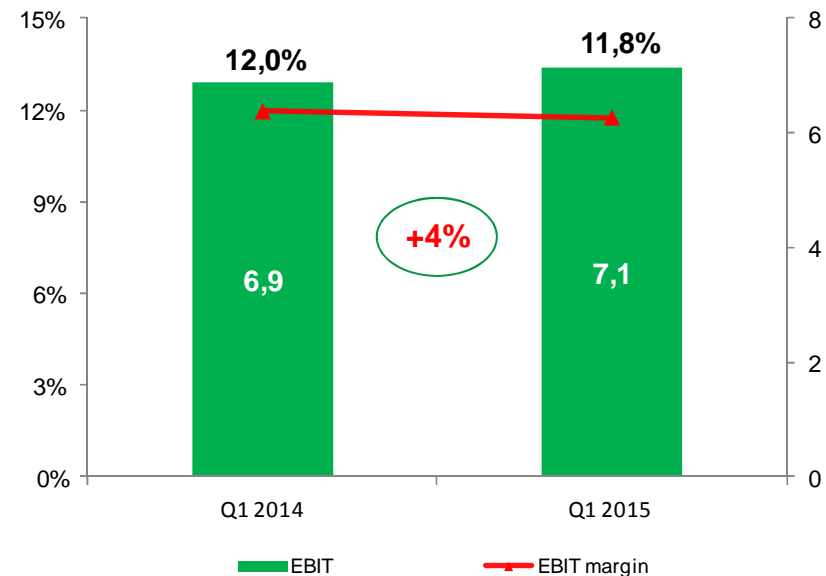


EBITDA & EBIT

EBITDA (€Mn) and EBITDA margin (%)



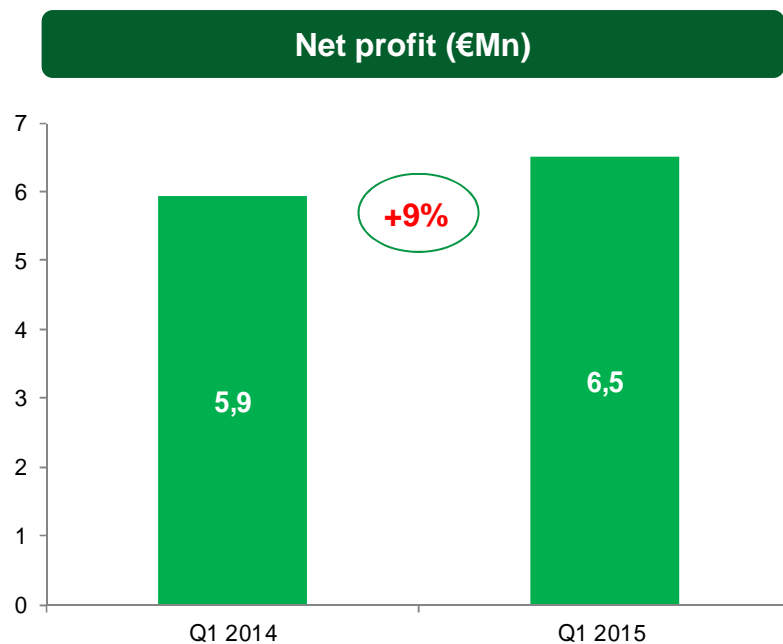
EBIT (€Mn) and EBIT margin (%)



- **EBITDA increased by 7%** to €9.6Mn in Q1 2015, reflecting a **0.2 pp rise in the EBITDA margin** to 15.8% in Q1 2015 up from 15.6% in Q1 2014. This increase has been achieved on higher sales and operating leverage of the business.
- **Depreciation and amortization expenses** increased by 16% in Q1 2015, up to €2.4Mn, as a result of the new PP&E and intangible assets purchases made during the last twelve months.
- **EBIT increased by 4%** to €7.1Mn in Q1 2015, reflecting a **0.2 pp decline in the EBIT margin** to 11.8% down from 12.0% in Q1 2014.



Net profit

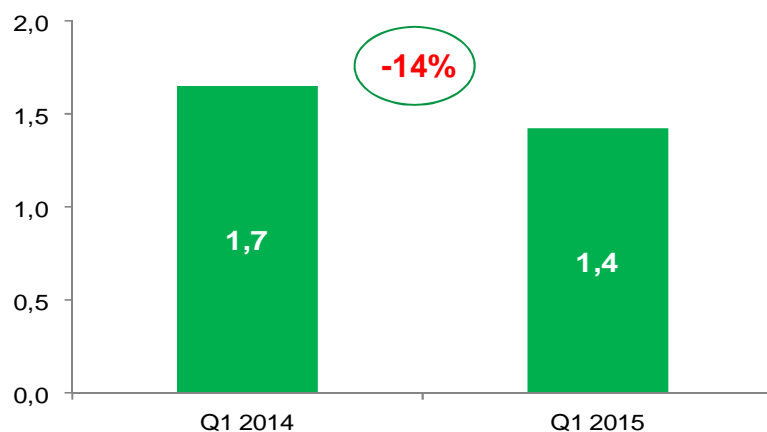


- Net profit increased by 9% to €6.5Mn in Q1 2015.
- Effective tax rate of 6.5% in Q1 2015 vs 4.8% in Q1 2014. This favourable effective tax rate is due to:
 - ✓ deduction of existing R&D expenses; and
 - ✓ capitalisation of existing negative tax bases from Frosst Ibérica.
- As of 31 December 2014, Frosst Ibérica **negative tax bases amounted to 50.1 million euros**, of which €7.7Mn will be used in the 2014 income tax and €1.8Mn in Q1 2015.
- On 27 November 2014, a deep tax reform was approved by law. These tax measures, that have been in force since Jan 2015, will positively affect ROVI income statement and income tax payable rate. ROVI expects to maintain an effective tax rate from mid to high single digit for the following years.
- Among the tax measures that will affect corporate income tax, it should be noted that:
 - ✓ the tax rate is reduced from 30% to 28% in 2015 and to 25% from 2016;
 - ✓ tax losses may offset positive taxable income faster and without time limit; and
 - ✓ R&D tax credit schedule is maintained.

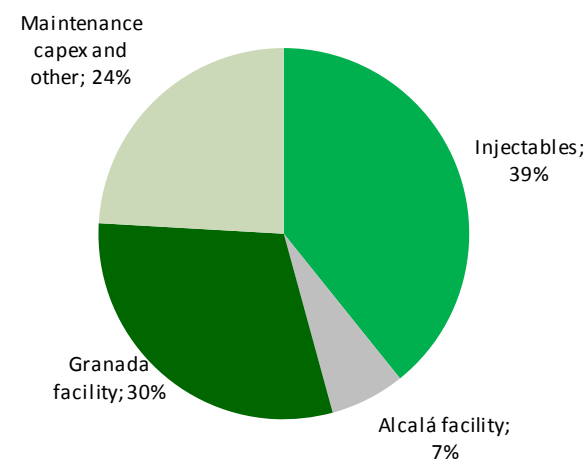


Capital expenditure & Free Cash Flow

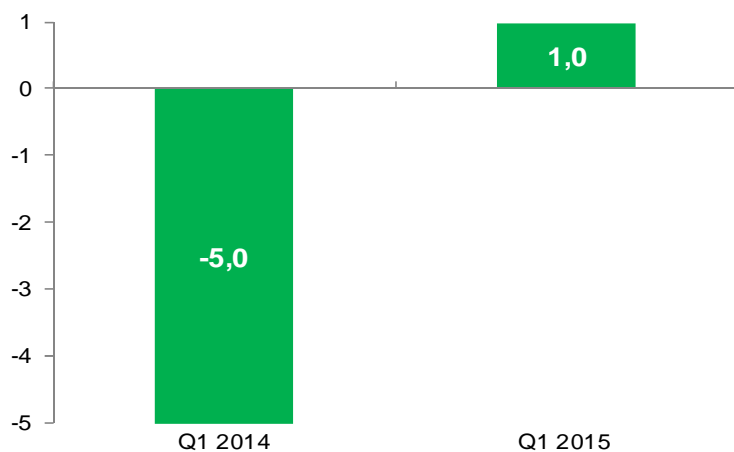
Capex evolution (€Mn)



Capex breakdown (%)



FCF (€Mn)

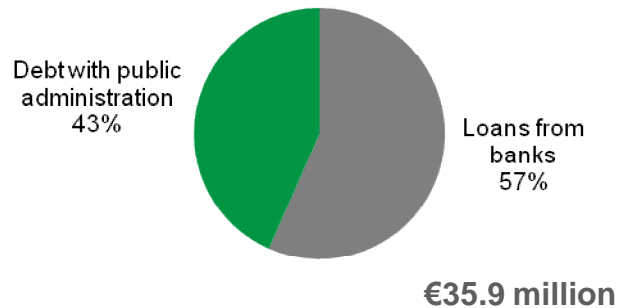


- €1.4Mn of **capex** invested in Q1 2015.
 - ✓ €0.6Mn of investment capex related to the injectables facility;
 - ✓ €0.4Mn of investment capex related to the Granada facility;
 - ✓ €0.1Mn of investment capex related to the Alcalá facility; and
 - ✓ €0.3Mn of maintenance capex and other.
- **FCF** increased to €1.0Mn mainly due to:
 - ✓ €1,2Mn increase in “trade and other receivables” in Q1 2015 vs €7.0Mn increase in Q1 2014; and
 - ✓ €1.7Mn increase in “inventories” in Q1 2015 vs €2.7Mn increase in Q1 2014.

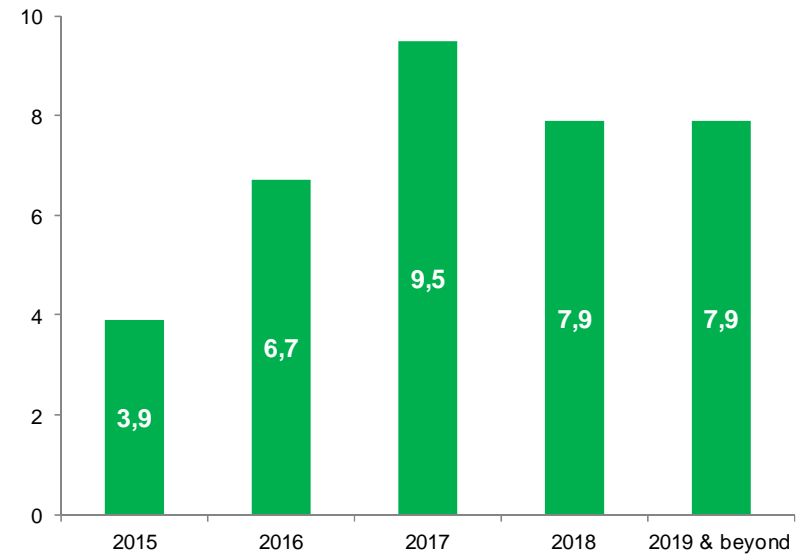


Financial debt

Debt breakdown by source (%)



Debt maturities by year (€Mn)



- **Debt with public administration** represented **43%** of total debt, with 0% interest rate.
- **Gross cash position of €29.1Mn** as of 31 March 2015 vs €28.0Mn as of 31 December 2014.
- **Net cash position of -€6.8Mn** as of 31 March 2015 vs -€8.3Mn as of 31 December 2014.
- ROVI will propose to the Shareholders General Meeting a **dividend of 0.1690** euros per share on 2014 earnings. This dividend would mean an increase of 5% compared to the dividend on 2013 earnings (€0.1612).



News-flow 2015

Specialty pharma

- Additional new in-licensing products to be launched

Toll manufacturing

- New contracts to be announced

R&D

- Results of ISM-Risperidone[®] Phase II to be released in Q3 2015
- Start of ISM-Risperidone[®] Phase III in H2 2015
- Potential authorisation for the marketing of a biosimilar of enoxaparin



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