REIG JOFRE

Barcelona (Spain), 26 July 2016

RESULTS NOTE: FIRST HALF 2016

After a first quarter affected by a decline in the consumption of antibiotics

REIG JOFRE INCREASED SALES BY 7% AND EBITDA BY 11% IN THE SECOND QUARTER OF 2016 AND CONFIRMED A FIRM INVESTMENT POLICY FOR ONGOING PROJECTS

- Following the decrease of 1.4% in sales and 46.3% in EBITDA in the first quarter of 2016, turnover grew by 6.6% and EBITDA by 11.1% from April to June, thus reaching 83.44 M€ and 7.43 M€ respectively in the first six months of the year.
- By divisions, in the second quarter of the year sales of RJF Pharma (ca. 80% of total annual turnover) grew by 8.0%, compared to +0,7% in the first quarter. RJF CDMO (ca. 20% of total annual sales) grew by 0.9% compared to a decrease of 9.2% in the first quarter.
- The company is implementing a firm investment policy to address ongoing projects of industrial and commercial growth, including increases of workforce, productive capacity and investments in R&D.
- Debt levels kept set at around 1 time EBITDA.
- Reig Jofre's GSM approved, at its meeting on 23 June, a reorganization of the equity of the company, transferring part of the share capital to reserves, with the main objective of facilitating the setting up of a dividend policy in the future.

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OPERATING PERFORMANCE

Between April and June, the positive development of Reig Jofre's business helped offset part of the decline of the first quarter of the year, the latter mainly driven by a decrease in consumption of antibiotics and a weak pre-campaign of nutritional supplements for weight control in France.

The 1.4% decline in sales in the first quarter was followed by an increase of 6.6% between April and June, which allowed the company to close the first half of the year with **turnover** of 83.44 million euros, an increase of 2.5% compared to the first half of 2015.

By product segment, the area of own developments (RJF Pharma), representing at the end of June 81% of the total turnover of the company, set sales at 67.63 million euros, an increase of 4.2% over the same period last year. Sales in this division increased by 8.0% in the second quarter, compared with an increase of 0.7% in the first three months of the year.

Meanwhile, the area of specialized development manufacturing for third parties (RJF CDMO), representing 19% of total company sales, closed the first half of the year with a drop of 4.5% due to the combination of 9.2% decrease in the first quarter and growth of 0.9% in the second quarter.

The contribution to higher margin products also offset in the second quarter the weaker evolution of **gross margin** at the beginning of the year, which improved from 59.9% in the first quarter to 65.0% between the months of April and June.

The profit and loss account of the first half of the year collected the effect of the investment policy the company is implementing to address the ongoing projects of industrial and commercial growth. In this regard, in the first six months of the year **operating expenses** increased by 3.47 million euros over the same period last year, mainly as the result of increased- staffing and investments in R&D.

Despite the impact of such investments on the income statement, as a result of the positive development of sales in the second quarter and the product mix, the company's **EBITDA** grew by 11.1% between the months of April to June, against a decline of 46.3% in the first quarter, which allowed partially offset the comparison between semesters and close June at 7.43 million euros.

EVOLUTION OF KEY OPERATING FIGURES BY QUARTERS
H1 2015-2016

	2015			2016			Evolution		
	Q1	Q2	H1	Q1	Q2	H1	Q1	Q2	H1
Turnover	43,00	38,49	81,49	**42,41**	**41,03**	**83,44**	-1,4%	6,6%	2,4%
Gross margin	27,03	24,46	51,49	**25,42**	**26,67**	**52,09**	-6,0%	9,0%	1,2%
% sales	*62,9%*	*63,5%*	*63,2%*	*59,9%*	*65,0%*	*62,4%*			
EBITDA	7,66	2,98	10,64	**4,11**	**3,31**	**7,43**	-46,3%	11,1%	-30,2%

ONGOING INVESTMENTS

Reig Jofre is implementing a firm investment firm policy to deal with ongoing projects of industrial and commercial growth, including increases in workforce, productive capacity and investments in R&D.

a) With respect to **new recruitments**, at the end of the first half of 2016 the company reached 911 employees, following the incorporation of 72 new employees in the last twelve months, 55 of them between January and June.

   The new incorporations were mainly concentrated in Spain, in the areas of production, R&D and sales teams and shall allow the company to address several projects in each of these areas.

   Regarding the above, it is worth highlighting:

   - The creation of a fourth shift in the development and production antibiotics plant in Toledo (Spain), linked to new projects in Europe and the US, where the company is working on the FDA approval;
   - The strengthening of the medical sales team in Spain for the respiratory/ENT category, with the hiring of an external sales team on an exclusive basis;
   - New incorporations in the R&D team, partially linked to the new analysis- and quality control laboratory under construction at Barcelona headquarters.

   The growth of Reig Jofre's team increased personnel expenses in the first half of 2016 to 2.56 million euros over the same period last year (recorded under "Personnel expenses" and, partly, in" Other operating expenses").

b) In addition, in the first six months of the year, the company allocated via income statement, around 0.78 million euros over the first half of 2015 to boost its **R&D** and strengthen its **marketing strategy** to support its brands and new product launches.

c) As for the **increase in production capacity**, Reig Jofre plans to invest in 2016, via capex, around 8.5 million euros in its development and production plants in Toledo and Barcelona (Spain), in the completion of the new development-, analysis- and quality control laboratory and in R&D.

All in all, personnel costs and operating expenses reached 44.70 million euros, up 3.47 million euros from the first half of 2015. Despite sales and gross margin improvements in the second quarter of the year, higher operating expenses set EBITDA in 7.43 million euros in the first six months of the year, down 3.21 million euros than in the same period in 2015.

OPERATING EXPENSES
H1 2015-2016

	H1 2015	H1 2016	Dif. €
Turnover	**81,49**	**83,44**	**1,95**
Gross margin	**51,49**	**52,09**	**0,60**
Other operating income	0,37	0,04	-0,33
Personnel expenses	-21,13	-22,93	-1,80
Other operating expenses	-20,10	-21,77	-1,67
EBITDA	**10,64**	**7,43**	**-3,20**

NET PROFIT

After a stable evolution of the net figure resulting from financial income and expenses, the devaluation of the British pound against the Swedish krona in Reig Jofre's subsidiary in Sweden had a negative impact of 0.17 million euros in the financial result of the first half of the year, compared to exchange gains amounting to 0.32 million euros in the same period last year.

At the end of the first half, Reig Jofre's net financial debt stood at 17.90 million euros, still at levels of 1 time EBITDA 2015.

Regarding taxation, the company estimated a tax rate of 18% in the first half of the year. However, Reig Jofre has net tax credits amounting to 14.77 million euros, so effective tax rate at year-end is expected to stand at around 14-15%.

The positive operating performance of the business in the second quarter, still not allowed to offset the beginning of the year and the company ended June with a net profit of 3.31 million euros, compared to 7.18 million euros in the first months of 2015.

EQUITY REORGANISATION AND MODIFICATION OF CORPORATE BY-LAWS

Reig Jofre's GSM approved, at its meeting on 23 June, a reorganization of the equity of the company, transferring part of the share capital to reserves, with the main objective of facilitating the setting up of a dividend policy in the future

The agreement will be conducted through a reduction of the share capital of Reig Jofre, currently set at 126,428,440.00 euros, down to 31,607,110.00 euros and the transfer of the exceeding 94,821,330.00 euros to voluntary reserves, for a potential dividend policy in the future.

This capital decrease is under compliance with all legal requirements prior to its implementation, scheduled to take place during the first days of August.

The GSM also approved the amendment of Articles 40 and 41 of Reig Jofre's by-laws so that both dividends against profits and interim dividends, can be realized, wholly or partly, in kind.

LATEST BUSINESS NEWS

Following the news announced in the first quarter of the year (the launch of the sea water nasal spray license Sterimar; the acquisition of a sodium heparin most widely used in dialysis treatments and surgeries; and the start of commercial relations with Japan with an injectable product for hospital use), followed in the second quarter the increase in shareholding and subsequent **takeover in Geadic Biotech**, head of GynEC®-DX and the **entry of Forté Pharma in Hong Kong and Macao**.

GynEC®-DX is the first *in vitro* molecular diagnostic test for the early diagnosis of endometrial cancer, based on biomarkers detection in endometrial aspiration. The development was started in 2006 by Reig Jofre and Oryzon Genomics, in collaboration with several research teams in Spanish university hospitals.

The transaction amounted to 2.2 million euros, which Reig Jofre financed with own resources and the commitment to deliver before 31 January 2017, 221,518 shares of Reig Jofre to Inveready Technology Investment Group and a group of minority shareholders with interests in the biotech sector, who were to that date shareholders in the project. Inveready is one of the leading venture capital corporations investing in Spanish early-stage technology companies with high growth potential and innovative business models

Additionally, Reig Jofre announced in June the launch of its Forté Pharma range of nutritional supplements in Hong Kong and Macao.

Following its integration in the pharmaceutical company Reig Jofre in January 2015, Forte Pharma designed an expansion plan into new markets through agreements with local distributors. This operation is part of Reig Jofre's internationalization plan, by which 60% of company sales are now made outside Spain, with a target of 70% in 2019.

In 2015 sales in the food supplements and consumer healthcare product range were set at 35 million euros, 22% of Reig Jofre’s total turnover.

FORECAST FOR 2016 YEAR-END

In line with the expectations conveyed in the first quarter of the year, despite the weak start of 2016, ongoing industrial and commercial projects are still evolving positively, a fact that justifies the investment policy currently carried out by the company.

Following the first quarter results, Reig Jofre informed that the good progress of sales in Japan after obtaining the authorizations by health agencies in the country, would couple with the recovery in sales of antibiotics in less seasonal and more stable months and this would enable the reversal of the trend in the coming quarters, as it was already so in the second quarter.

If 2015 was the year of integration following the merger between the former Reig Jofre and Natraceutical, in 2016 the company is increasing its investments to strengthen its operational structure and meet ongoing growth projects. These investments are being financed through own resources (as evidenced in the profit and loss account of the first half of the year), as well as through a slight increase of financial debt, though still at levels of one time EBITDA.

All in all, Reig Jofre expects to close 2016 with a sales increase not below 2% and EBITDA not below 15 million euros, due to the effect of ongoing investments.

PROFIT AND LOSS ACCOUNT OF THE FIRST HALF OF 2016

(euro)	H1 2015	H1 2016
Turnover	**81,493,618**	**83,440,508**
Cost of sales	-30,001,236	-31,351,605
Gross margin	**51,492,382**	**52,088,903**
Other operating income	372.032	38,642
Personnel expenses	-21,129,925	-21,930,585
Other operating expenses	-20,097,250	-21,771,324
EBITDA	**10,637,239**	**7,425,636**
Depreciation and amortization	-2,309,395	-2,719,898
Impairment and gains on disposals	0	0
Operating income	**8,327,844**	**4,705,738**
Financial income	126,108	79,939
Financial expenses	-549,322	-532,119
Results from disposal of financial instruments	0	0
Results from asset impairment	0	0
Changes in fair value of financial assets	0	0
Exchange differencies	317,373	-175,940
Equity in the results of subsidiaries	0	-45,538
Profit before taxes	**8222,003**	**4,032,081**
Income tax	-1,043,660	-725,774
Net result	**7,178,343**	**3,306,306**

BALANCE SHEET ON 30 JUNE 2016

(in euros)	30/06/2015	30/06/2016
ASSETS		
Non-current assets		
Goodwill	25,147,584	25,910,612
Other intangible assets	32,487,672	32,729,960
Property, plant and equipment	25,804,315	30,760,401
Non-current financial assets	9,926,045	10,481,882
Deferred tax assets	15,408,680	14,771,982
TOTAL NON-CURRENT ASSETS	**108,774,296**	**114,654,838**
Current assets		
Inventories	24,190,472	30,112,097
Trade and other receivables	32,360,529	32,428,175
Current tax assets	-	343
Other current financial assets	2,474,968	2,144,324
Other current assets	7,417,420	6,852,986
Cash and cash equivalents	8,350,856	6,319,435
TOTAL CURRENT ASSETS	**74,794,245**	**77,857,361**
TOTAL ASSETS	**183,568,541**	**192,512,199**
EQUITY AND LIABILITIES		
Equity		
Share capital	126,428,441	126,428,441
Reserves	-4,483,401	4,419,697
Treasury shares	-4,901,950	-5,020,277
Interim dividend paid during the year	-	-
Profit attributable to the parent company	7,172,942	3,299,329
Exchange differences	870	290,123
Other comprehensive income for assets available for sale	43,331	8,978
Equity attributable to parent company	**125,129,828**	**128,846,044**
Non-controlling interests	32,917	8,865
TOTAL EQUITY	**125,162,745**	**128,854,909**
Non-current liabilities		
Capital grants	123,677	193,906
Provisions	1,874,368	710
Financial liabilities with credit institutions	5,166,643	3,938,348
Financial lease liabilities	6,124,862	5,552,584
Derivative financial instruments	419,457	273,998
Other financial liabilities	2,302,205	5,712,313
Deferred tax liabilities	3,578,785	2,923,464
TOTAL NON-CURRENT LIABILITIES	**19,589,997**	**19,304,512**
Current liabilities		
Provisions	418,606	280,748
Financial liabilities with credit institutions	5,064,179	8,324,296
Financial lease liabilities	583,011	573,193
Other financial liabilities	806,789	678,172
Trade and other payables	27,983,789	29,065,993
Current tax liabilities	1,117,974	836,711
Other current liabilities	2,841,451	4,593,665
TOTAL CURRENT LIABILITIES	**38,815,799**	**44,352,778**
TOTAL EQUITY AND LIABILITIES	**183,568,541**	**192,512,199**

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About Reig Jofre

After the merger between Laboratorio Reig Jofre and Natraceutical, the new Reig Jofre is a pharmaceutical company whose business is divided into two major areas: one main for the marketing and manufacture of own developments (RJF Pharma, approximately 79% of sales in 2015) and one of specialized contract development and manufacturing (RJF CDMO, 21% of sales in 2015). At its core activity, the company focuses on the development of technological-specialization products (beta-lactam antibiotics, injectable and freeze-dried products); therapeutic-specialization products in the areas of dermatology, respiratory/ENT and gynaecology; and food supplements and consumer healthcare. The company directs its R&D to develop new indications and/or dosage forms of already-known active ingredients, generic medicines with a special focus on the development of injectable, freeze-dried and generic beta-lactam antibiotics, topical dermatological products, OTCs and food supplements as well as the development of new innovative molecules in partnership with start-ups and biotech research centres.

Reig Jofre trades on the Spanish stock exchange under the ticker RJF. Share capital: 63,214,220 shares.

For further information

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