



Rovi

Full Year 2016 Financial Results

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Operating results

Juan López-Belmonte
Chief Executive Officer



2016 financial results - Highlights

- **Operating revenue** increased by 8% to €265.2Mn in 2016, mainly driven by the strength of the prescription-based pharmaceutical business, where sales rose 18%, clearly outperforming the market. Total revenue increased by 8% to €266.7Mn in 2016.
- **For 2017**, ROVI expects operating revenue **to grow from low-to-mid single digits**.
- The clinical trial of Risperidone ISM® “PRISMA-2” was successfully finished. **Patients’ recruitment of the “PRISMA-3” study is planned to be started by the second quarter of 2017**. The enoxaparin biosimilar assessment process is ongoing within the pre-established timelines.
- **Outstanding performance of Bemiparin**: +6% growth to €79.7Mn; this growth came both from sales in Spain (+9%) and from international sales (+1%).
- **Good performance of Absorcol & Vytorin & Orvatez**: sales increase of 38% to €33.5Mn.
- **Sales of Hirobriz and Ulunar**, both products for patients with COPD launched in Spain in Q4 2014, increased by 64% to €12.2Mn.
- Sales of **Volutsa**, a product launched in February 2015, increased by 2.2 times to €6.9Mn.
- In December 2016, ROVI started marketing **Neparvis** (sacubitril/valsartan), from Novartis.
- **EBITDA** increased by 24% to €39.3Mn in 2016, reflecting a 1.9 pp rise in the EBITDA margin to 14.8% in 2016 up from 12.9% in 2015, mainly due to the positive impact of non recurrent revenue of €4.0Mn as a result of the joint venture created by ROVI and Enervit for the distribution of nutritional products in Spain and Portugal.
- **Net profit** increased to €26.1Mn in 2016, a 32% increase compared to 2015.
- ROVI will propose to the AGM a **dividend of €0.1830/share** on 2016 earnings (+32% vs last dividend).

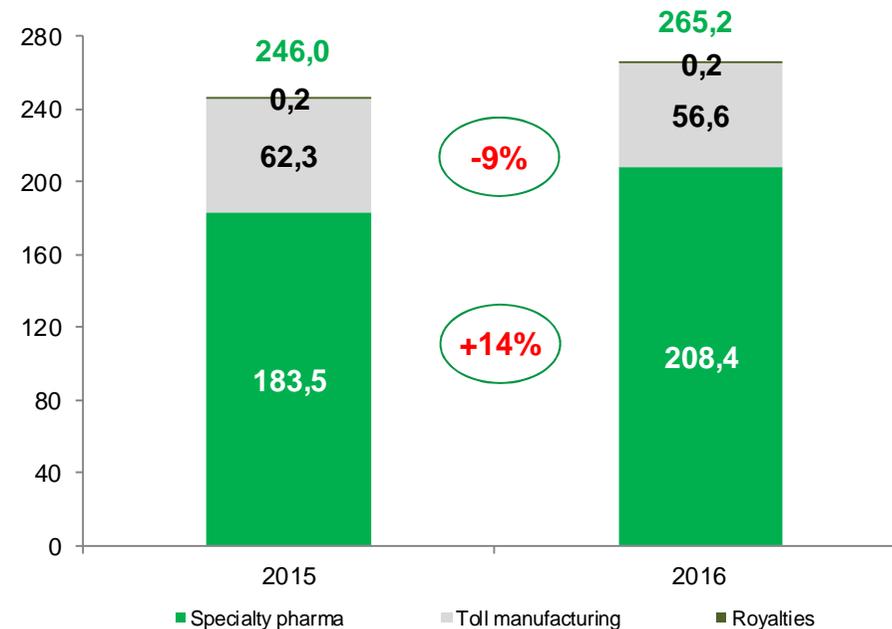
Growth driven by the specialty pharmaceutical business strength...



Total operating revenue (€Mn)



Operating revenue growth by category (€Mn)



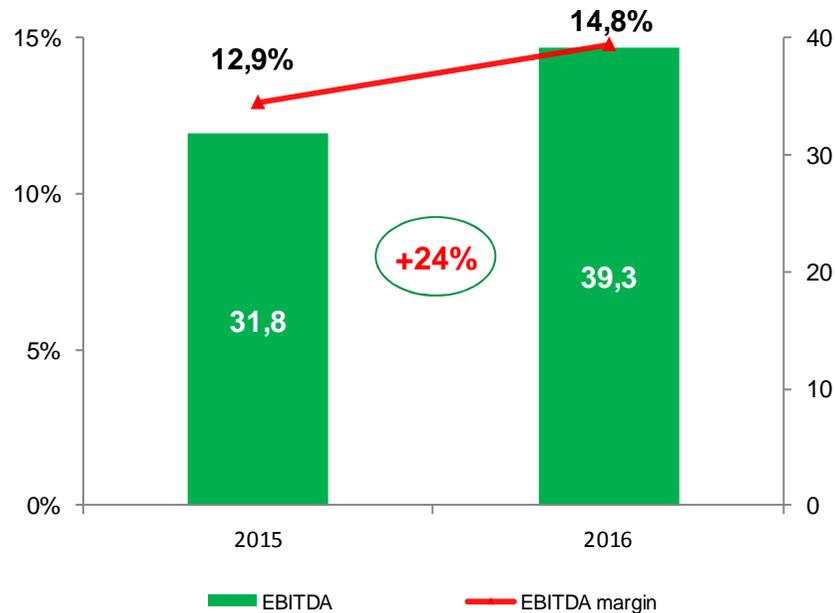
- Operating revenue increased by 8% to €265.2Mn in 2016 driven by the strength of:
 - ✓ the **specialty pharmaceutical business**, where **sales rose 14%**.
 - ✓ Toll manufacturing sales decreased by 9%.
- ROVI forecasts to continue to grow despite:
 - ✓ a new 550 million euro reduction in pharmaceutical expenditure expected for 2017, according to the Budget Plan¹ submitted by the Spanish Government to the European Commission; and
 - ✓ zero growth in spending on medicine in Spain for the period 2017-2020 forecast by QuintilesIMS².

¹http://www.mineco.gob.es/stfls/mineco/comun/pdf/161017_plan_presupuestario.pdf
²QuintilesIMS, Market Prognosis September 2016

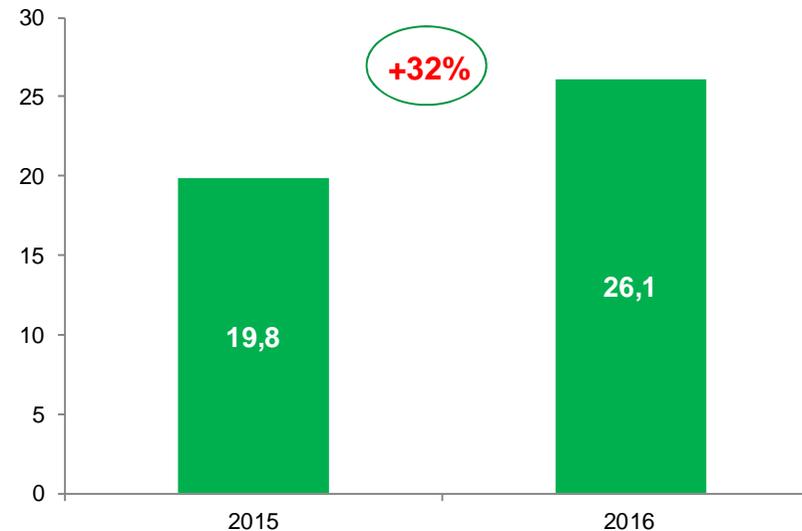


...with high profitability

EBITDA (€Mn) and EBITDA margin (%)



Net profit (€Mn)

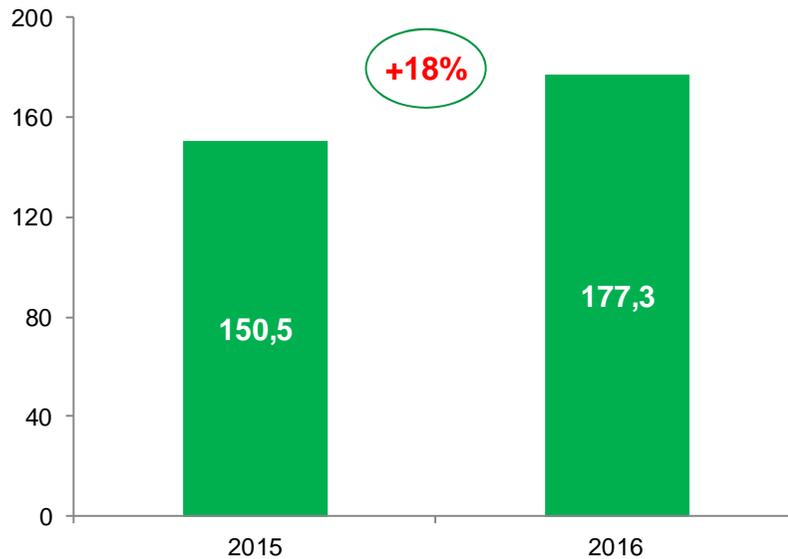


- In 2016, **EBITDA** was impacted by non recurrent revenue of €4.0Mn as a result of the creation of a joint venture between ROVI and Enervit for the distribution of nutritional products in Spain and Portugal.
- **EBITDA increased by 24%** to €39.3Mn in 2016, reflecting a 1.9 pp rise in the EBITDA margin to 14.8% in 2016 up from 12.9% in 2015. However,
 - ✓ excluding the positive impact of the non recurrent revenue, EBITDA would increase by 11% to €35.3Mn, reflecting a 0.4 pp rise in the EBITDA margin to 13.3% in 2016.
- **Net profit increased** to €26.1Mn in 2016, a **32%** increase compared to 2015. However;
 - ✓ excluding the positive impact of the non recurrent revenue, net profit would increase by 13% to €22.3Mn.
- **In 2016, ROVI achieved the highest EBITDA and net profit figures in its history**

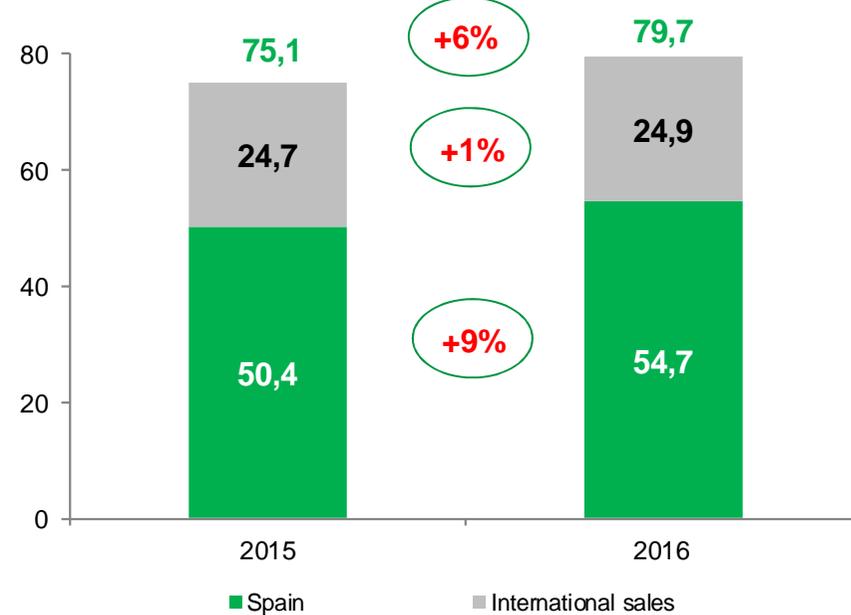
Bemiparin, leading the specialty pharmaceutical business growth



Prescription-based pharma products sales (€Mn)



Bemiparin sales (€Mn)

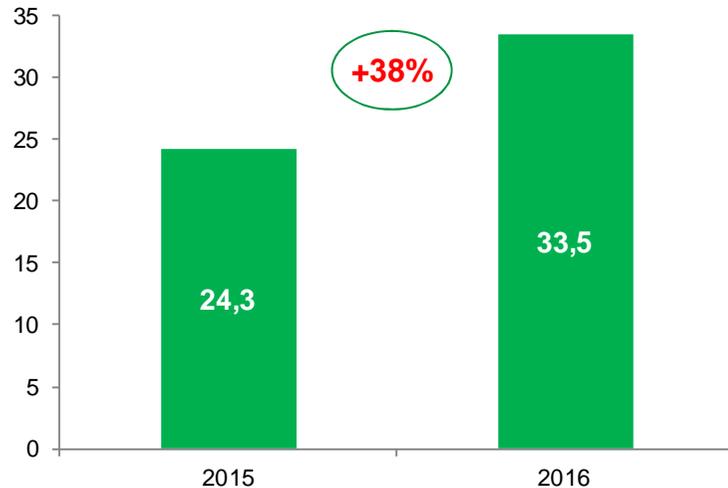


- Sales of prescription-based pharmaceutical products increased by 18% to €177.3Mn in 2016.
- Bemiparin total sales increased by 6% to €79.7Mn in 2016:
 - ✓ Sales in Spain increased 9% to €54.7Mn.
 - ✓ International sales increased by 1% to €24.9Mn, supported by the launch of the product in two new countries in 2016: Argentina and the Philippines.

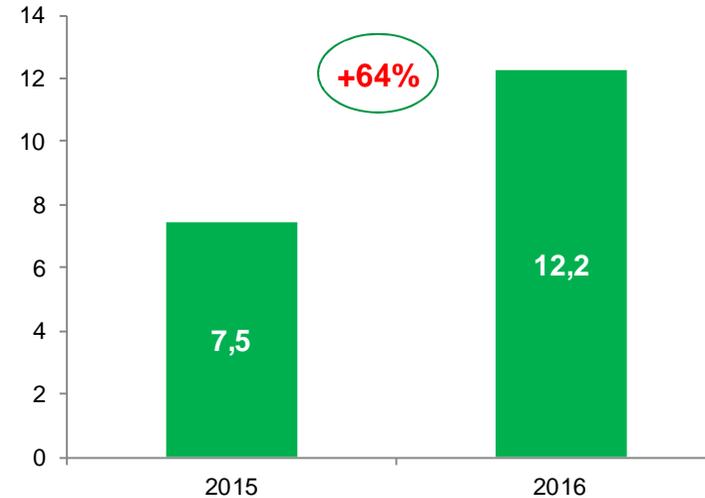


Good performance of the product portfolio (1/2)

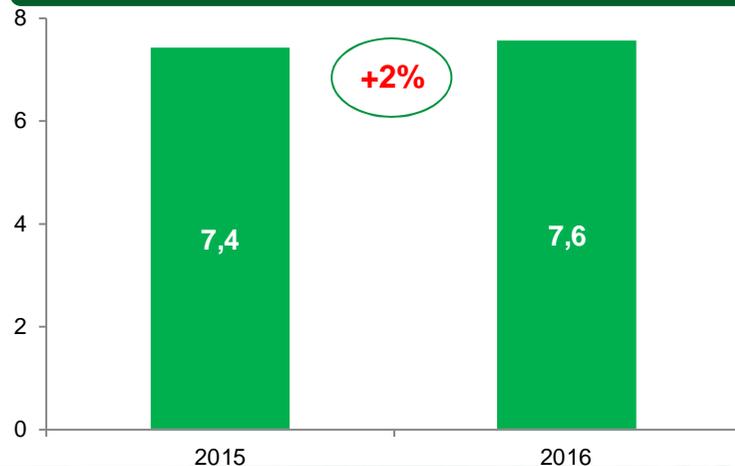
Absorcol, Vytorin and Orvatez sales (€Mn)



Hirobriz and Ulunar sales (€Mn)



Medicebran and Medikinet sales (€Mn)



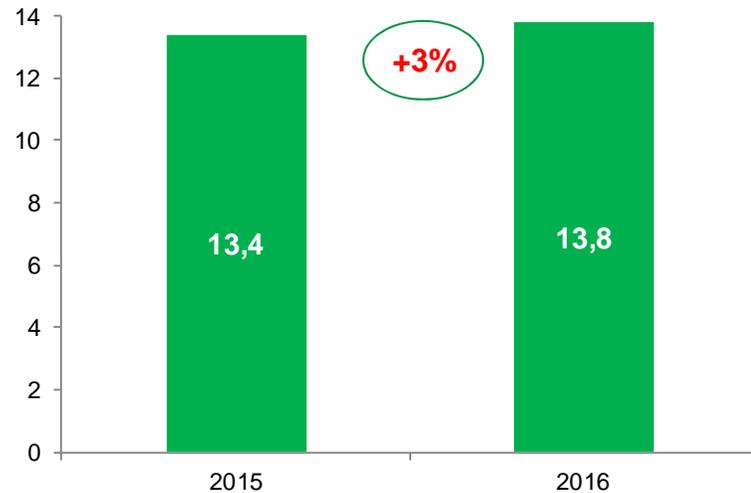
- Sales of **Absorcol, Vytorin and Orvatez** (the last one launched in June 2015), **increased by 38%** to €33.5Mn in 2016.
- Sales of **Hirobriz and Ulunar**, both products for patients with COPD, launched in Spain in Q4 2014 **increased by 64%** to €12.2Mn in 2016.
- Sales of **Medicebran and Medikinet**, products launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, **increased by 2%** to €7.6Mn in 2016.
- Sales of **Thymanax**, product launched in March 2010, decreased by 26% to €5.4Mn in 2016.

Vytorin, Orvatez and Absorcol, the first of the five licenses of MSD, are indicated for the treatment of hypercholesterolemia. 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.

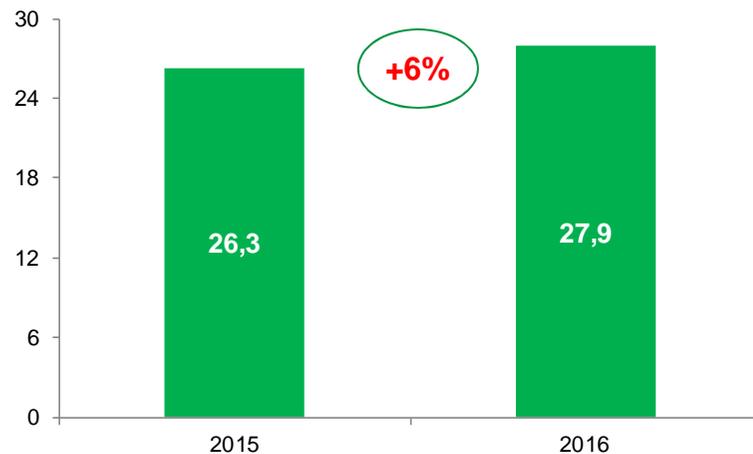


Good performance of the product portfolio (2/2)

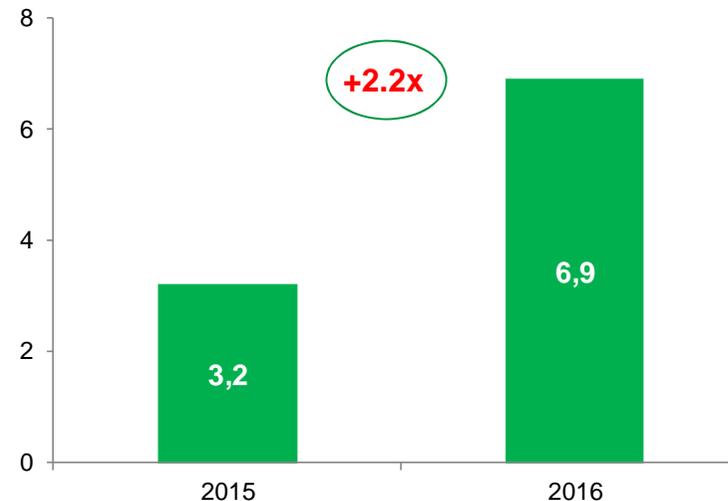
Corlantor sales (€Mn)



Contrast imaging agents (€Mn)



Volutsa sales (€Mn)



- Sales of **Corlantor** increased by 3% to €13.8Mn in 2016.
- Sales of **Volutsa**, launched in Spain in February 2015, increased by 2.2x to €6.9Mn in 2016.
- **Exxiv** sales decreased by 9% to €5.4Mn, mainly due to a deceleration of the COX-2 market.
- **Contrast imaging agents** and other hospital products increased by 6% to €27.9Mn in 2016.

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

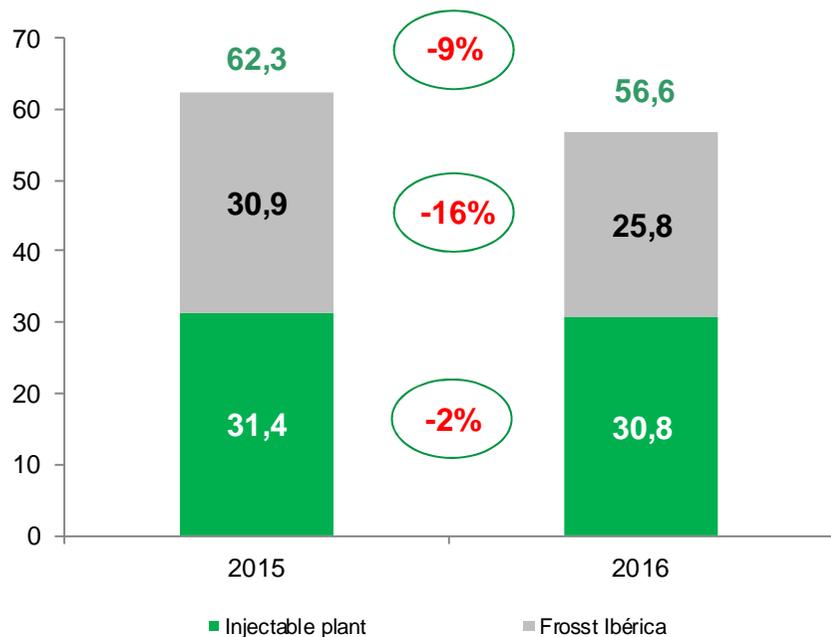
Volutsa is a specialty product from Astellas Pharma indicated for the treatment of moderate to severe storage symptoms and voiding symptoms associated with benign prostatic hyperplasia.

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



Value added toll manufacturing services

Toll manufacturing sales (€Mn)



- **Toll manufacturing sales** decreased by 9% to €56.6Mn in 2016, compared to the previous year, mainly because of the €5.1Mn revenue decline in the Frosst Ibérica plant to €25.8Mn in 2016, due to lower production levels for MSD as a result of the initial MSD contract expiration on the 31st March 2015.
- In addition, injectable plant revenue decreased by €0.6Mn.



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 II successfully finished. Final positive results 1Q 2016 Phase III starts 1H 2017
	Letrozole, quarterly	Breast Cancer	[Progress bar: Pre-Clinical, I]				<ul style="list-style-type: none"> Phase I starts 1H 2017
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 2017

**2017 operating
revenues growth rate**

low single digit –
mid single digit

Our main strategic pillars to lead growth

Specialty pharma

- Bemiparin
- Latest launches such as Neparvis, Orvatez, Volutsa, Ulunar and Mysimba
- Existing portfolio of specialty pharmaceuticals
- New in-licensed products to be launched

Toll manufacturing

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



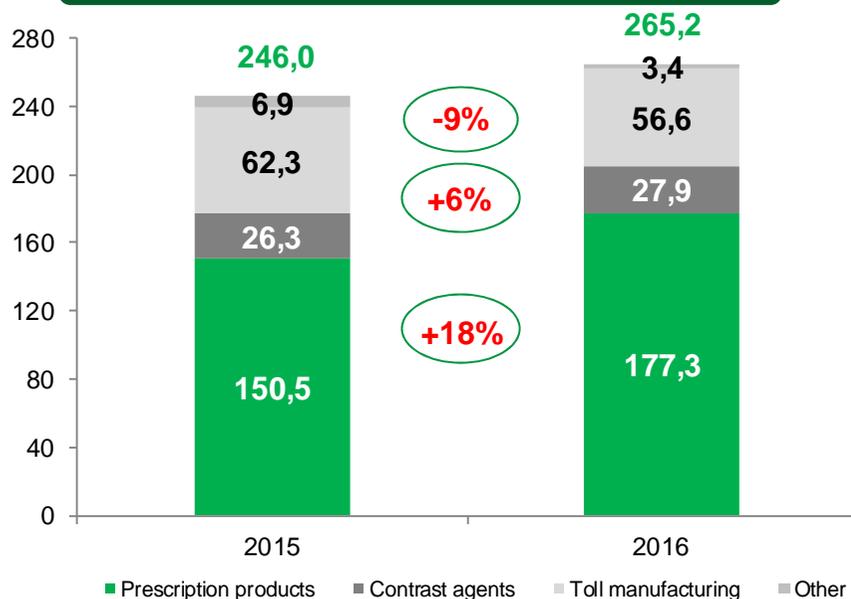
Financial results

Javier López-Belmonte
Chief Financial Officer

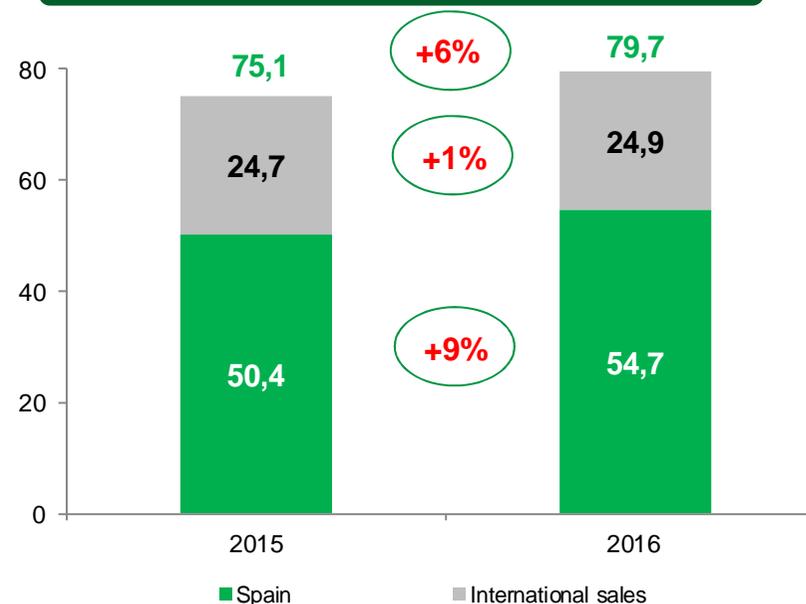
Good revenue level with outstanding Bemiparin growth



Total operating revenue (€Mn)



Bemiparin sales (€Mn)



➤ **Operating revenue** increased by 8% to €265.2Mn, achieved on:

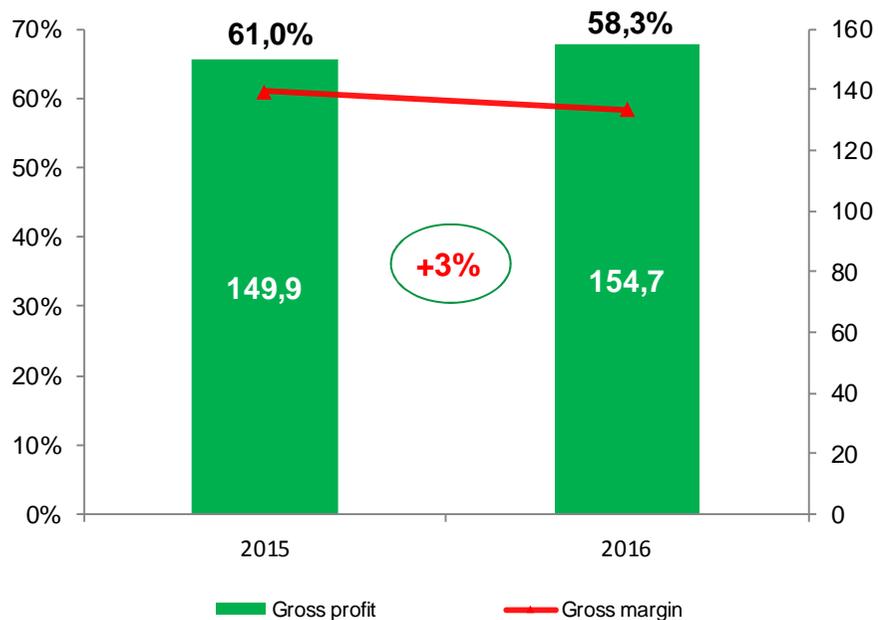
- ✓ 18% growth in prescription-based products;
- ✓ 6% growth in contrast agents and other hospital products;
- ✓ -9% growth in toll manufacturing; and
- ✓ OTC and other revenues decreased by 51% (including revenue from distribution licenses).

➤ **Bemiparin**, ROVI's flagship product internally developed, reached sales of €79.7Mn (**6% growth** vs 2015). **Sales grew by 9% in the domestic market and 1% in the international market.**

Gross margin impacted by the registration of the Sintrom sales



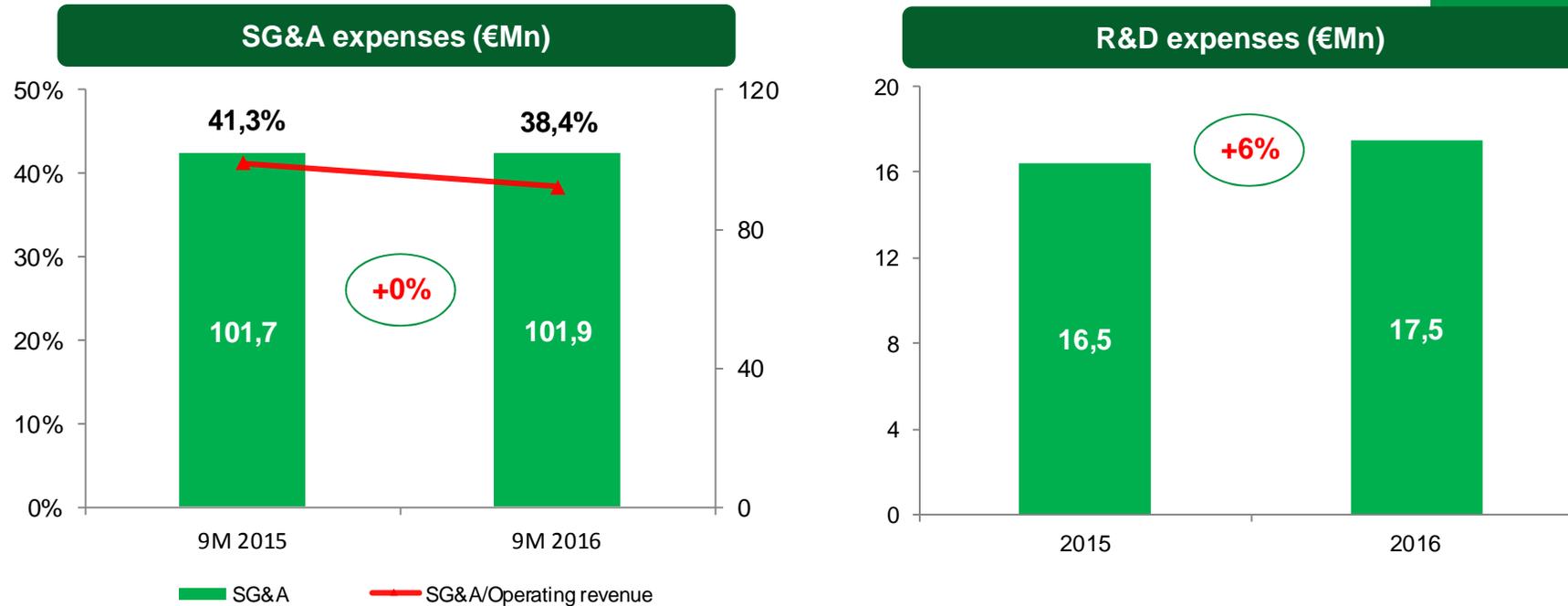
Gross profit (€Mn) & Gross margin (%)



- **Gross profit** increased by 3% to €154.7Mn in 2016, reflecting a decrease of 2.6 pp in the gross margin to 58.3% in 2016 from 61.0% in 2015.
- This gross margin reduction is mainly due to the registration of low margin Sintrom product sales (€12.4Mn in 2016 compared to €3.3Mn in 2015).
- The decrease of the Bemiparin raw material cost impacted positively in 2016 gross margin.



Cost control along with commitment to R&D

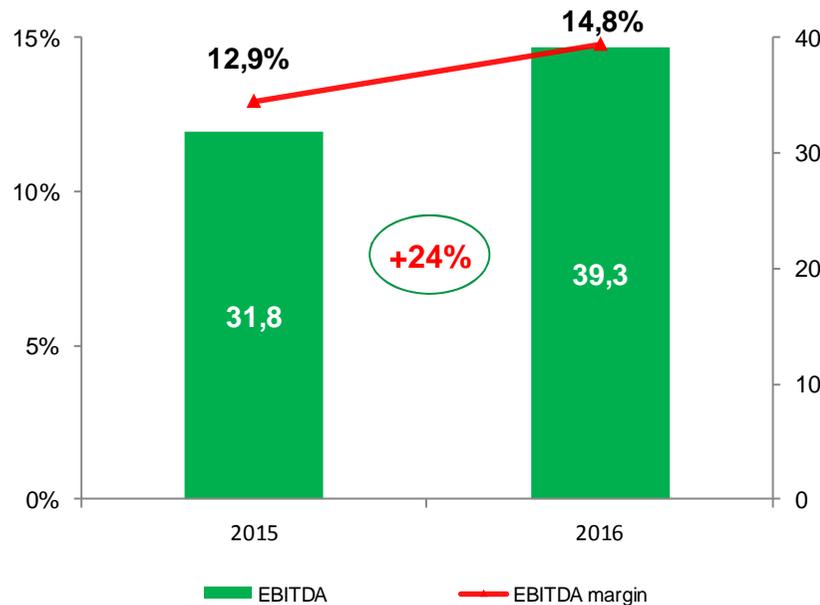


- **SG&A expenses** stood flat at €101.9Mn in 2016 despite the increase in sales, mainly due to (i) the product launches such as Hirobriz®, Ulunar®, Volutsa® and Orvatez® in 2015, which added expenses of €3.3Mn that year, and (ii) ROVI's strict cost control policy.
- **R&D expenses** rose 6% to €17.5Mn in 2016 mainly due to (i) the preparation of the Risperidone-ISM® phase III trial and (ii) the performing of development activities for the formulation of the Risperidone-ISM® phase III trial and the Letrozole-ISM® phase I trial. This slight increase is mainly due to a delay in the start of the Risperidone-ISM® phase III trial as a result of the several meetings held with the FDA and the EMA in order to obtain scientific advice about the design of the phase III clinical study.

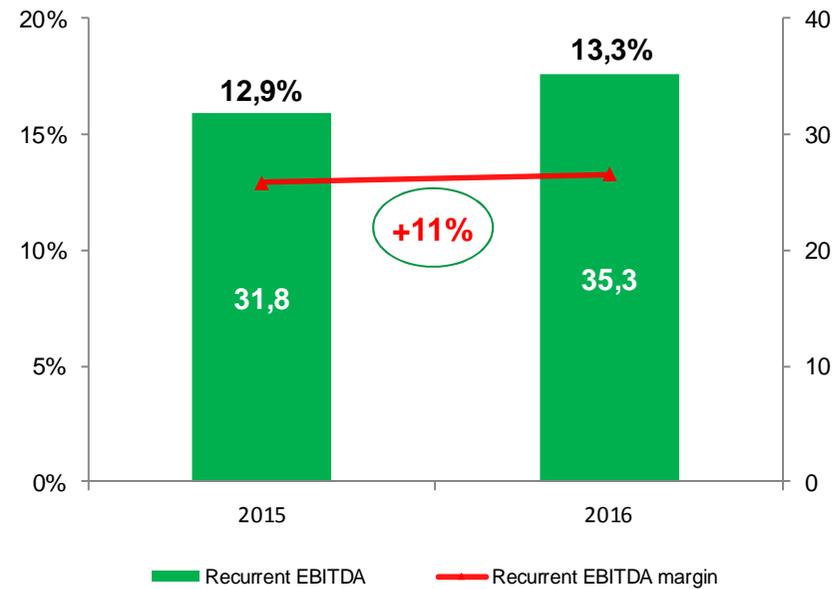


EBITDA

EBITDA (€Mn) and EBITDA margin (%)



Recurrent EBITDA (€Mn) and EBITDA margin (%)

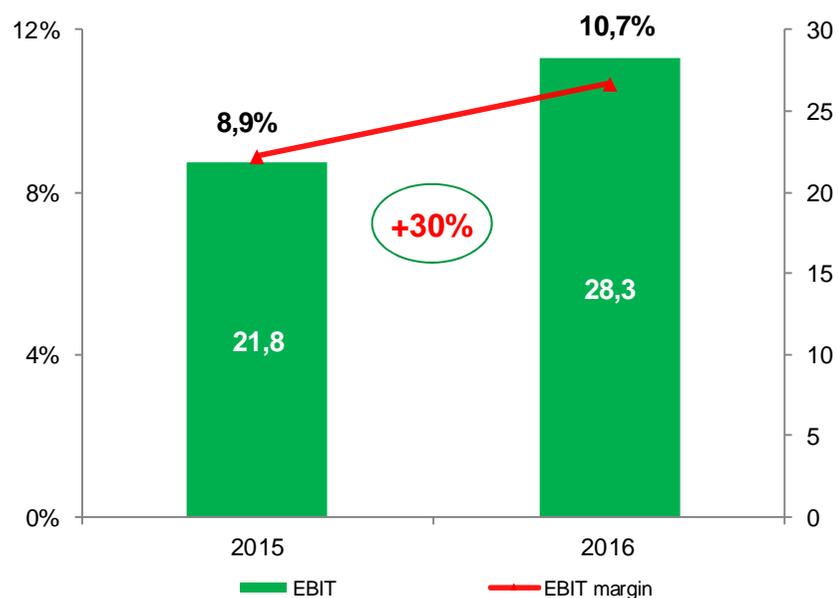


- **EBITDA** increased by 24% to €39.3Mn in 2016, reflecting a 1.9 pp rise in the EBITDA margin to 14.8% in 2016 up from 12.9% in 2015, mainly due to the positive impact of non recurrent revenue of €4.0Mn as a result of the joint venture created by ROVI and Enervit for the distribution of nutritional products in Spain and Portugal. However,
 - ✓ excluding the impact of the non recurrent revenue, EBITDA would increase by 11% to €35.3Mn, reflecting a 0.4 pp rise in the EBITDA margin to 13.3% in 2016.

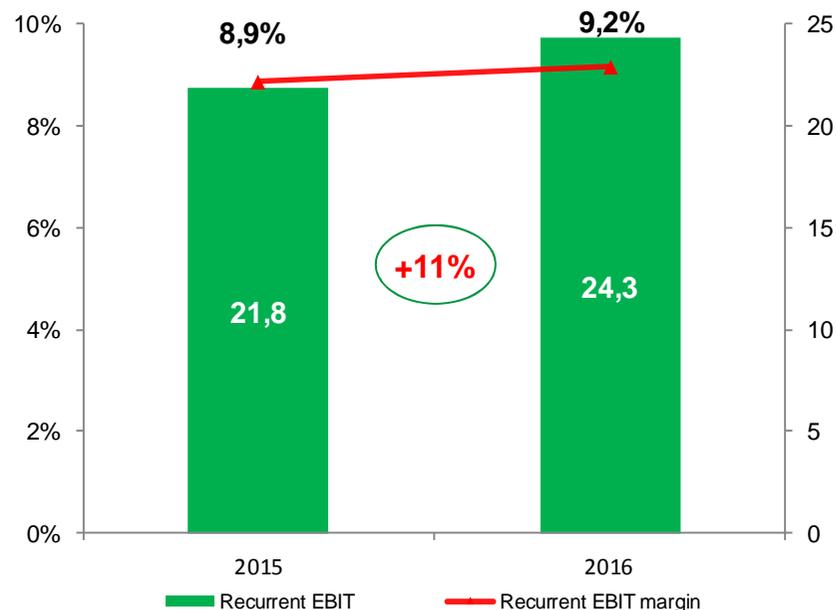


EBIT

EBIT (€Mn) and EBIT margin (%)



Recurrent EBIT (€Mn) and EBIT margin (%)

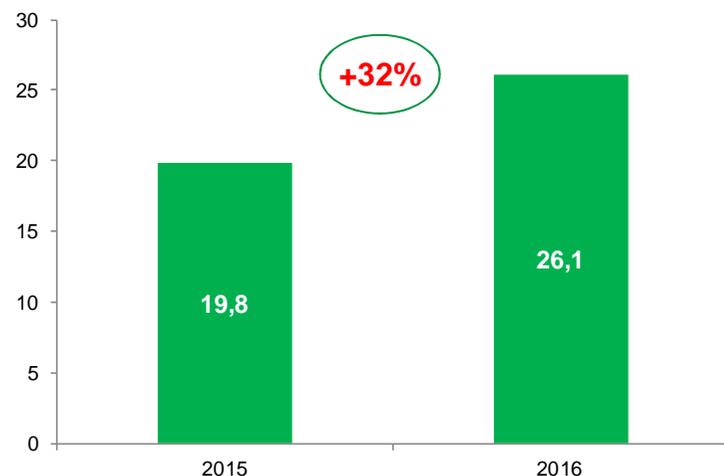


- **Depreciation and amortization expenses** increased by 11% in 2016, up to €11.0Mn, as a result of the new PP&E and intangible assets purchases made over the last twelve months.
- **EBIT** increased by 30% to €28.3Mn in 2016, reflecting a 1.8 pp rise in the EBIT margin to 10.7% in 2016 up from 8.9% in 2015, mainly due to the positive impact of non recurrent revenue of €4Mn as a result of the joint venture created by ROVI and Enervit. However,
 - ✓ excluding the impact of the non recurrent revenue, EBIT would increase by 11% to €24.3Mn, reflecting a 0.3 pp rise in the EBIT margin to 9.2% in 2016.



Net profit

Net profit (€Mn)



Recurrent net profit (€Mn)

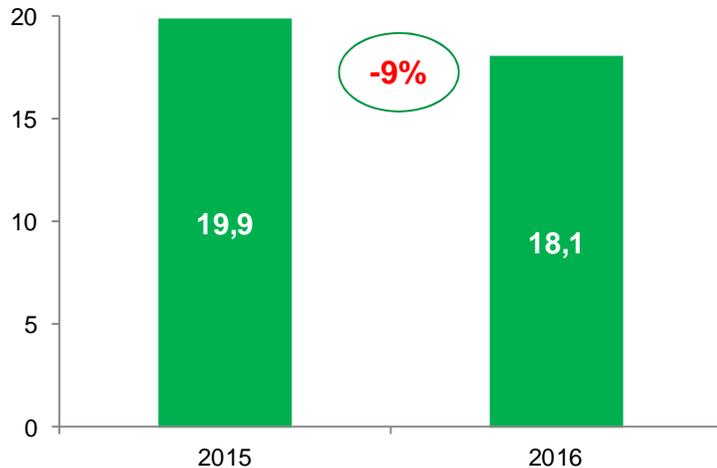


- **Net profit** increased to €26.1Mn in 2016, a 32% increase compared to 2015. However,
 - ✓ excluding the positive impact of the non recurrent revenue related to the ROVI and Enervit joint venture creation, net profit would increase by 13% to €22.3Mn.
- **Effective tax rate of 6.4%** in 2016 vs 5.2% in 2015. 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 Dec 2016, Frosst Ibérica **negative tax bases amounted to €36.7Mn**, of which €1.6Mn will be used in the 2016 income tax.



Capital expenditure & Free Cash Flow

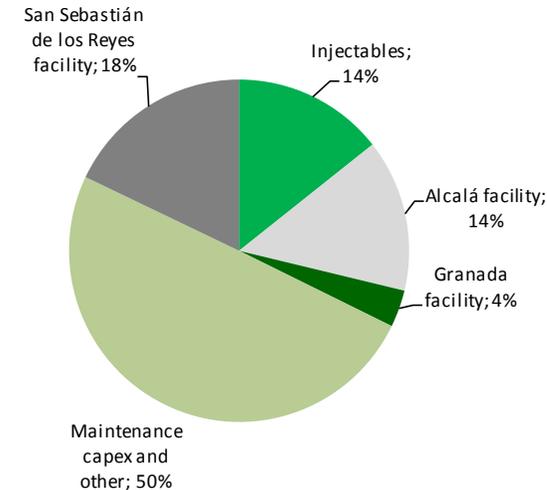
Capex evolution (€Mn)



FCF (€Mn)



Capex breakdown (%)

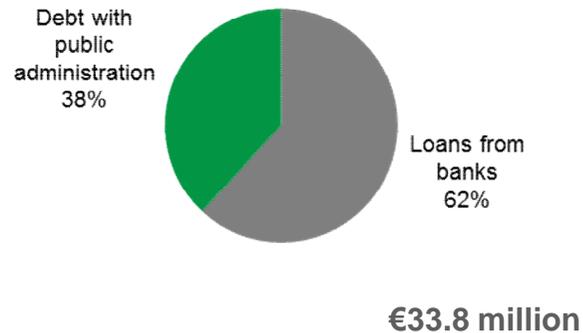


- €18.1Mn of **capex** invested in 2016.
 - ✓ €2.6Mn of investment capex related to the injectable plant;
 - ✓ €0.6Mn of investment capex related to the Granada facility;
 - ✓ €2.6Mn of investment capex related to the Alcalá facility;
 - ✓ €3.2 Mn of investment capex related to the San Sebastián de los Reyes facility; and
 - ✓ €9.1Mn of maintenance capex and other capex (including capex invested for the new distribution agreements).
- **FCF** increased to €28.2Mn mainly due to:
 - ✓ €14.1Mn increase in “trade and other payables” in 2016 vs €9.3Mn decrease in 2015; and
 - ✓ €1.8Mn reduction in capex.

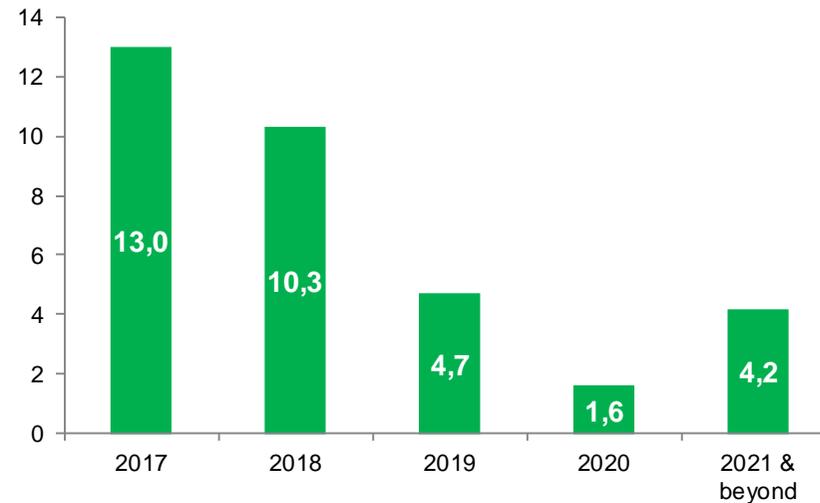


Financial debt

Debt breakdown by source (%)



Debt maturities by year (€Mn)



- **Debt with public administration** represented **38%** of total debt, with 0% interest rate.
- **Gross cash position of €42.8Mn** as of 31 December 2016 vs €30.7Mn as of 31 December 2015.
- **Net cash position of €9.0Mn** as of 31 December 2016 vs net debt of €12.1Mn as of 31 December 2015.
- ROVI will propose to the Shareholders General Meeting a **dividend of 0.1830** euros per share with dividend rights on 2016 earnings. This proposed dividend would mean an **increase of 32%** compared to the dividend on 2015 earnings (0.1390 euros per share).



News-flow 2017

Specialty pharma

- Additional new in-licensing products to be launched

Toll manufacturing

- New contracts to be announced

R&D

- Start of ISM-Risperidone[®] Phase III in H1 2017
- Start of ISM-Letrozole[®] Phase I in H1 2017
- Potential authorisation for the marketing of a biosimilar of enoxaparin



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