



Rovi

Full year 2014 Financial Results

February 2015

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Operating results

Juan López-Belmonte
Chief Executive Officer



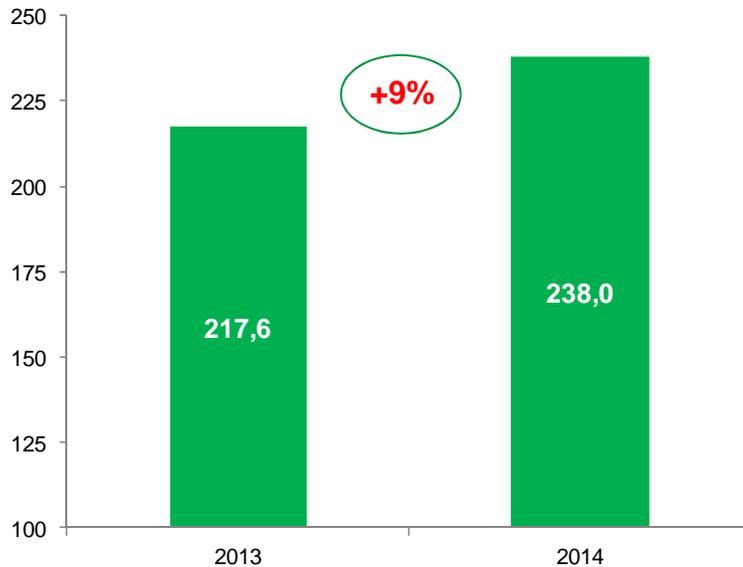
Full year 2014 financial results - Highlights

- **Operating revenue** increased by 9% to €238.0Mn, mainly driven by the strength of the prescription-based pharmaceutical business, where sales rose 11%, clearly outperforming the market, and by the toll manufacturing business which grew by 9%. Total revenue increased by 10% to €240.9Mn in 2014, more than doubling total revenue for 2007 when ROVI held its IPO.
- For 2015, ROVI expects a **mid-to-high single digit growth rate** for the operating revenue.
- **Outstanding performance of Bemiparin:** +9% growth to €72.7Mn, representing 31% of total operating revenue.
- **Excellent performance of Absorcol & Vytorin and Corlentor:** sales increase of 20% and 15% respectively.
- **Sales of Hirobriz and Ulunar**, both products for patients with COPD, launched in Spain in Q4 2014 reached €2.1Mn.
- **Sales of Medicebran and Medikinet**, both products launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, reached €7.5Mn.
- **EBITDA increased by 13%** to €36.6Mn, reflecting a **0.5pp EBITDA margin rise** vs 2013. Record EBITDA figure in ROVI's history. **Recurrent EBITDA increased by 18%**, reflecting a **1.1pp EBITDA margin rise** vs 2013.
- **Net profit (€24.1Mn) growth of 5%**. Record net profit figure in ROVI's history. **Recurrent net profit increased by 11%** in 2014.
- ROVI will propose to the AGM a **dividend of €0.1690/share** on 2014 earnings, **+5%** vs last dividend.

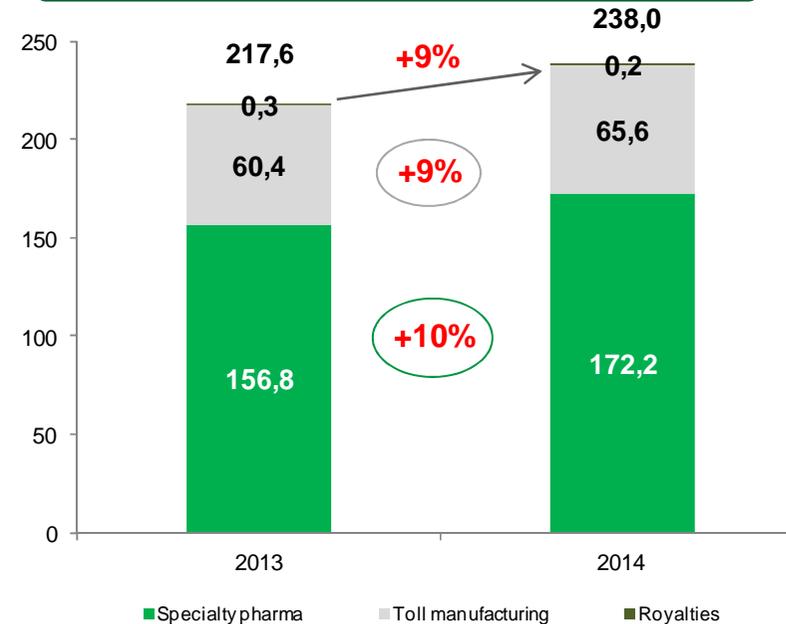
Growth driven by the specialty pharmaceutical business strength...



Total operating revenue (€Mn)



Operating revenue growth by category (€Mn)



- Operating revenue increased by 9% in 2014, up to €238,0Mn, driven by the strength of:
 - ✓ the **specialty pharmaceutical business**, where **sales rose 10%**; and
 - ✓ the **toll manufacturing business**, where **sales increased by 9%**.
- ROVI forecasts to continue growing despite the difficult situation that the Spanish pharmaceutical industry is going through:
 - ✓ 2% reduction expected by Farmaindustria¹ for 2015; and
 - ✓ zero to negative spending growth on medicines in Spain for the period 2014-2018 forecast by IMS Health².

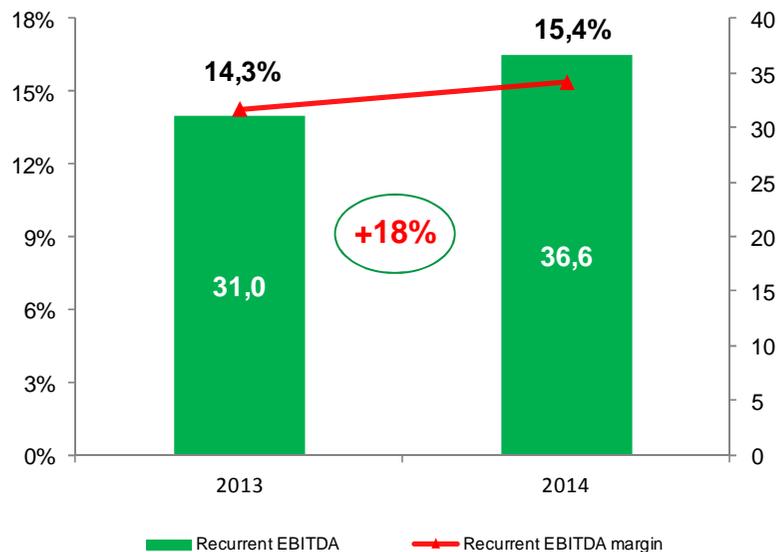
¹ http://www.farmaindustria.es/web/indicadores/mex_ado-farmaceutico/

² <http://www.imshealth.com/portal/site/imshealth/menuitem.762a961826aad90153c713c711nd8c22a/?vgnnextoid=263e05267aca0410VgnVCM10000076192ca2RCRD&vgnnextchannel=736de5fda6370410VgnVCM10000076192ca2RCRD&vgnnextmt=default>

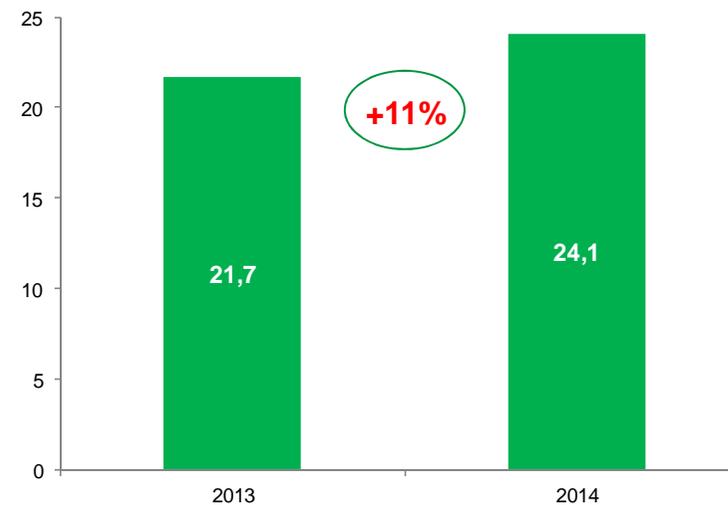


...with high profitability

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



Recurrent net profit (€Mn)

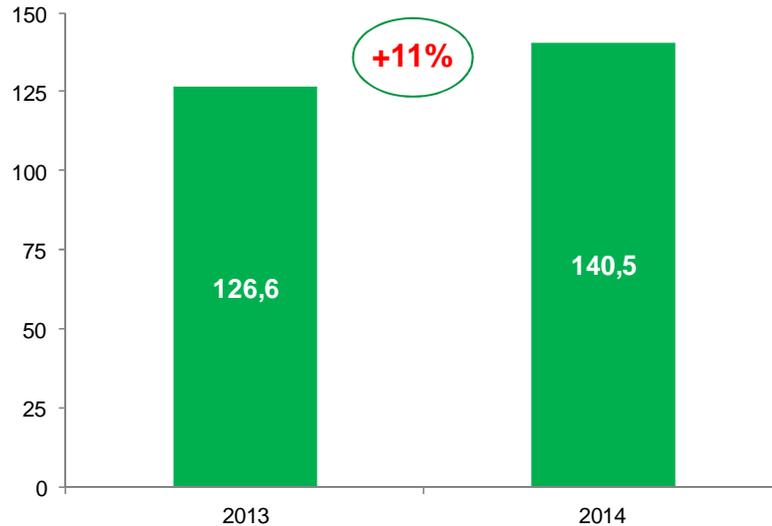


- Recurrent EBITDA increased by 18% to 36.6 million euros in 2014, reaching the highest EBITDA figure in ROVI's history. Recurrent EBITDA margin stood at 15.4%, reflecting a 1.1 percentage points rise from 14.3% in 2013.
- Recurrent net profit increased by 11% to 24.1 million euros in 2014, which also represented a record figure in ROVI's history.

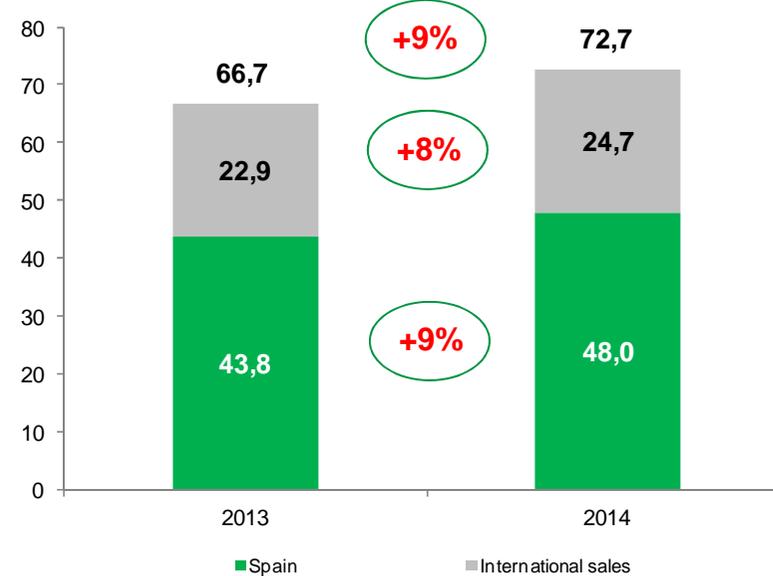


Bemiparin, leading the growth

Prescription-based pharma products sales (€Mn)



Bemiparin sales (€Mn)



- Sales of prescription-based pharmaceutical products increased by 11% to €140.5Mn in 2014.
- Bemiparin sales increased by 9% in 2014:
 - ✓ Sales in Spain grew by 9% to €48.0Mn, reaching a 26% market share in 2014.
 - ✓ International sales rose 8% supported by the increased presence in countries where it was already present.
 - ✓ Registration approval obtained in China and potential launch in the Chinese market in Q2 2015.

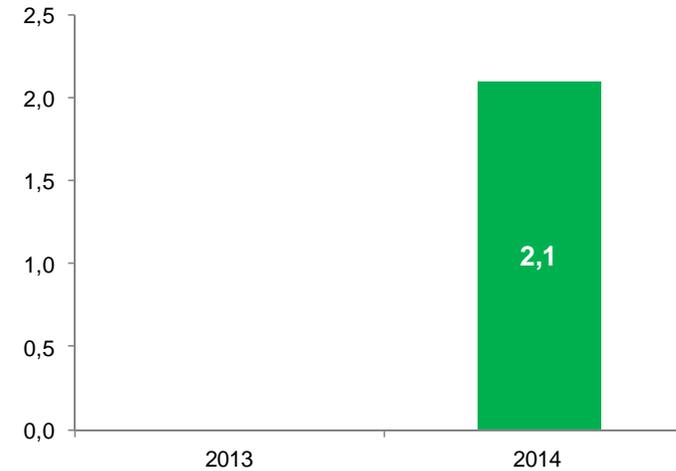


Good performance of the product portfolio (1/2)

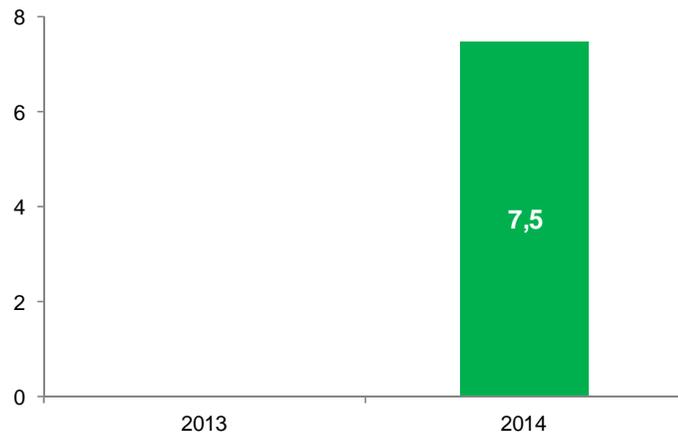
Absorcol and Vytorin sales (€Mn)



Hirobriz and Ulunar sales (€Mn)



Medicebran and Medikinet sales (€Mn)



- Sales of **Absorcol and Vytorin**, products launched in January 2011, **increased by 20%** to €21.2Mn in 2014.
- Sales of **Hirobriz and Ulunar**, both products for patients with COPD, launched in Spain in Q4 2014 **reached €2.1Mn**.
- Sales of **Medicebran and Medikinet**, products launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, **reached €7.5Mn** in 2014.
- Sales of **Thymanax**, product launched in March 2010, decreased by 11% to €10.2Mn in 2014.

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).

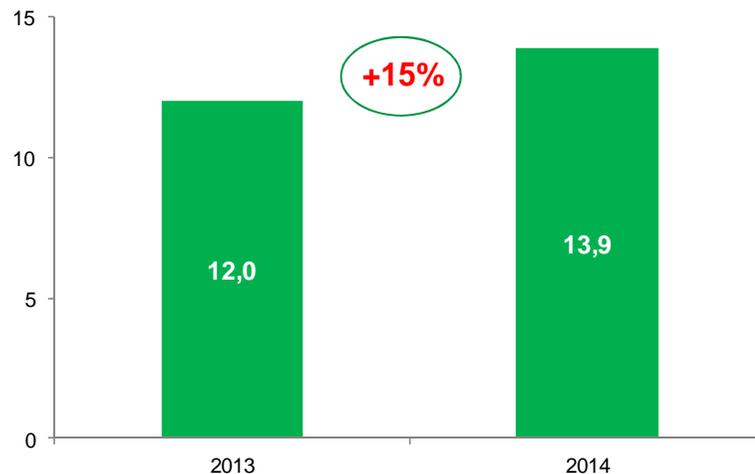
Medicebran and Medikinet are specialty products from Medice indicated for the treatment of ADHD in children and teenagers.

Thymanax is an innovative antidepressant from Laboratoires Servier.

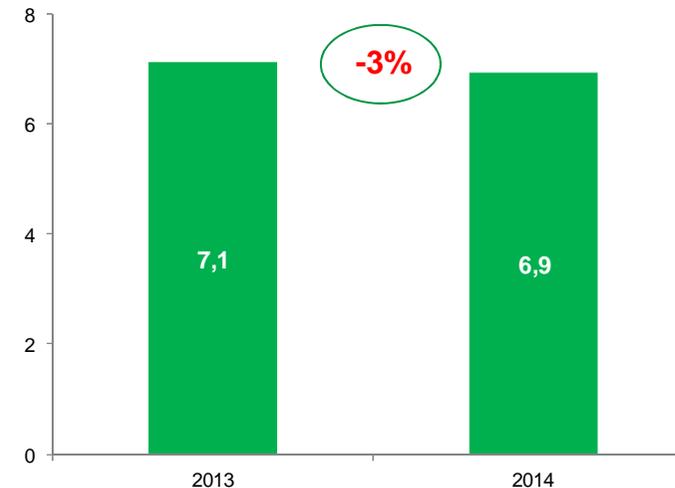


Good performance of the product portfolio (2/2)

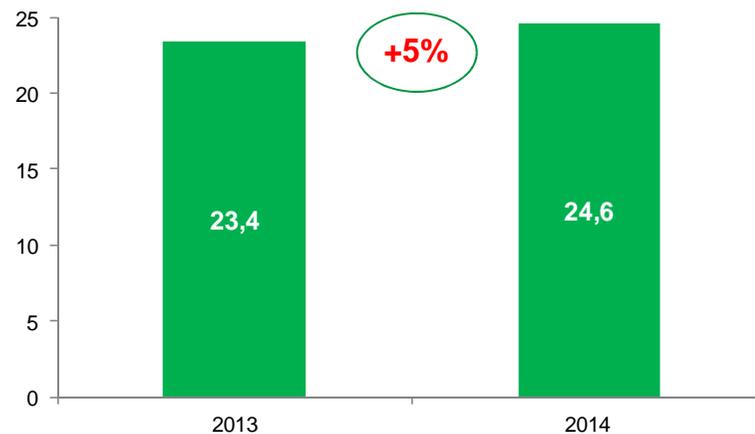
Corlentor sales (€Mn)



Exxiv sales (€Mn)



Contrast imaging agents (€Mn)

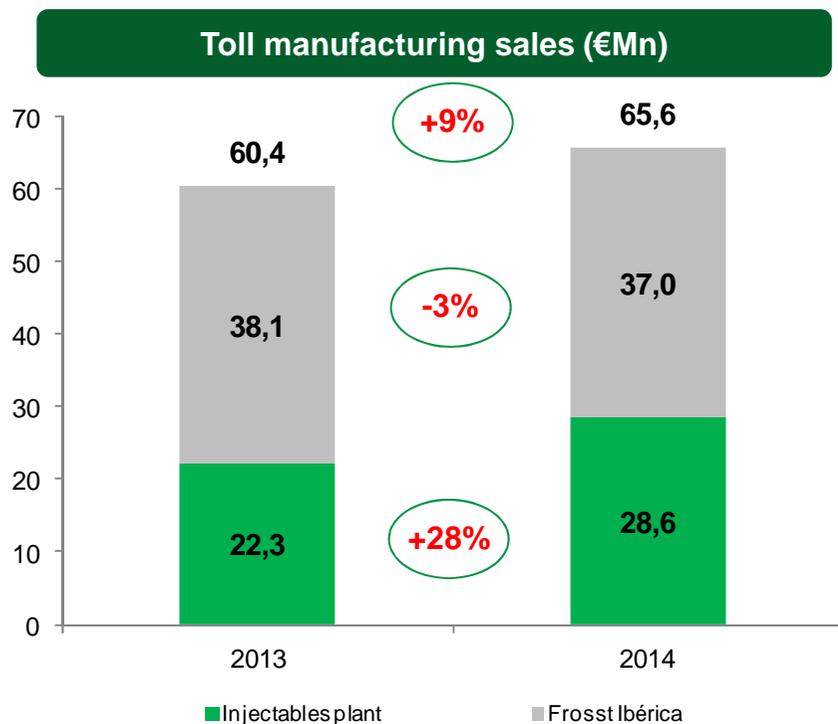


- Sales of **Corlentor** maintained a very positive behaviour, with a **15% increase** in sales to €13.9Mn.
- **Exxiv** sales decreased by 3% to €6.9Mn, mainly due to a deceleration of the COX-2 market.
- **Contrast imaging agents** and other hospital products **increased by 5%** to €24.6Mn in 2014.

*Corlentor is a specialty product for stable angina and chronic heart failure from Laboratoires Servier.
Exxiv is a selective COX-2 inhibitor from Merck Sharp & Dohme (MSD).*



Value added toll manufacturing services



- **Toll manufacturing** sales increased by 9% to €65.6Mn in 2014.
- Very positive evolution of the **injectables plant**, whose revenue **increased by 28%** to €28.6Mn in 2014. In line with the increase in sales, spare capacity has been reduced.
- **Frosst Ibérica** plant revenue amounted to €37.0Mn in 2014 compared to €38.1Mn in 2013 because of a lower production for MSD.



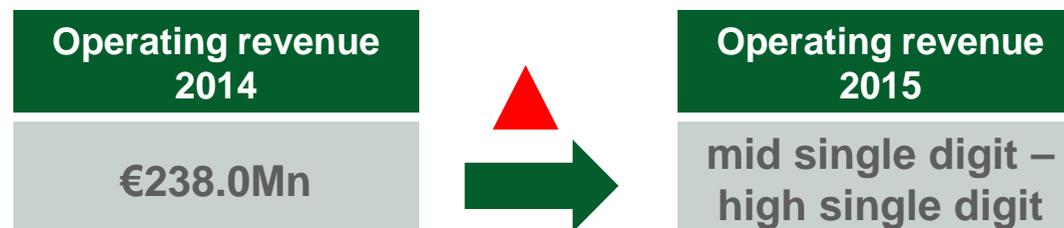
Focus on Drug Release Platform & Glycomics

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]				<ul style="list-style-type: none"> Phase I starts 1H 2016
Glycomics	Enoxaparin biosimilar	VTD	[Progress bar: Registration process]				<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



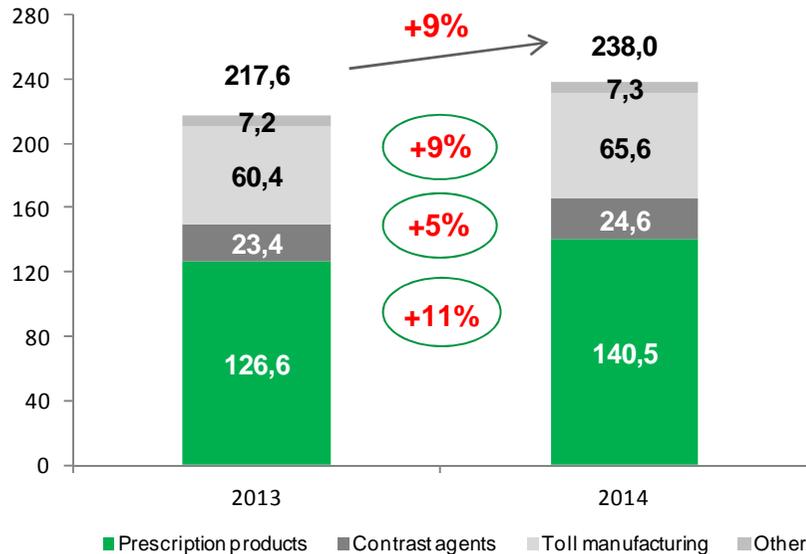
Financial results

Javier López-Belmonte
Chief Financial Officer

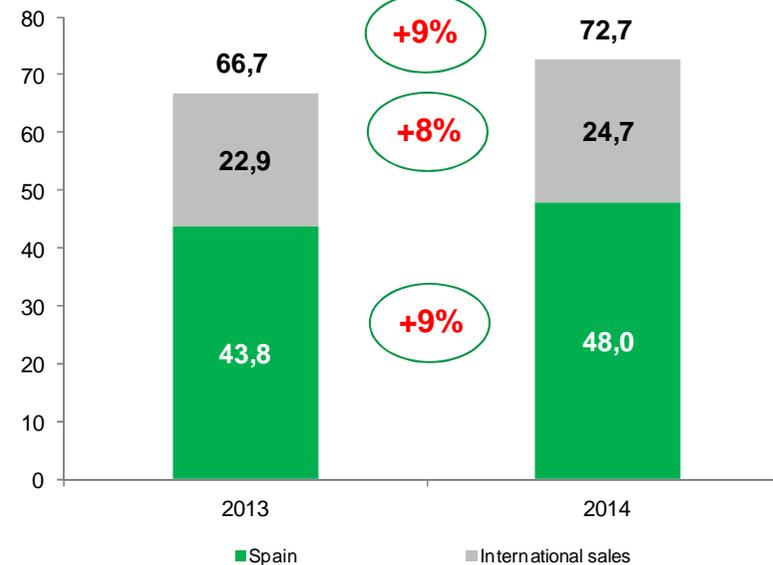
Excellent revenue level with outstanding Bemiparin growth



Total operating revenue (€Mn)



Bemiparin sales (€Mn)

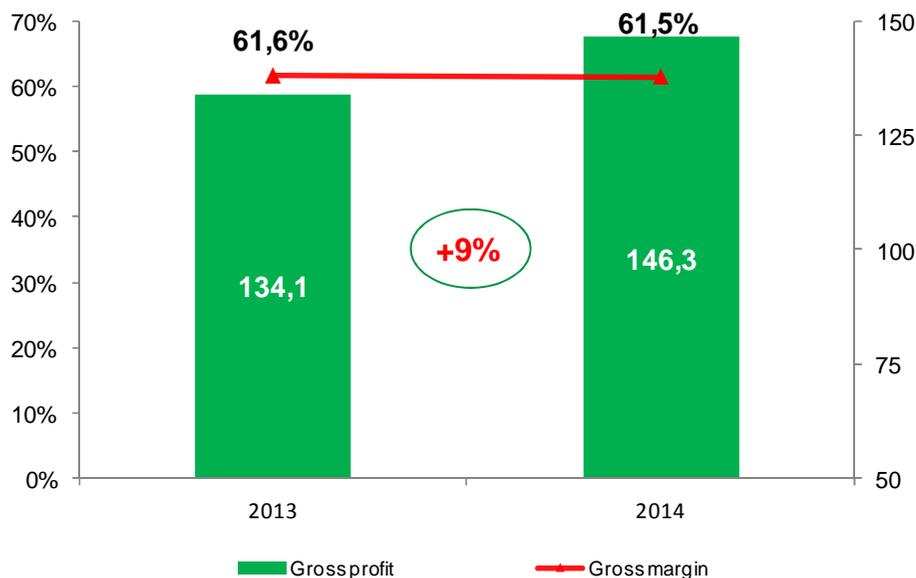


- **Operating revenue** at €238.0Mn, reaching a **9% growth** achieved on:
 - ✓ 11% growth in prescription-based products;
 - ✓ 5% growth in contrast agents and other hospital products;
 - ✓ 9% growth in toll manufacturing; and
 - ✓ OTC and other revenues grew by 2% (including revenue from distribution licenses).
- **Bemiparin**, ROVI'S flagship product internally developed, reached sales of €72.7Mn (**9% growth** vs 2013). Sales grew by 9% and 8% in the domestic and international markets respectively.

Gross margin impacted by the increase of customers being invoiced for materials in the injectables plant



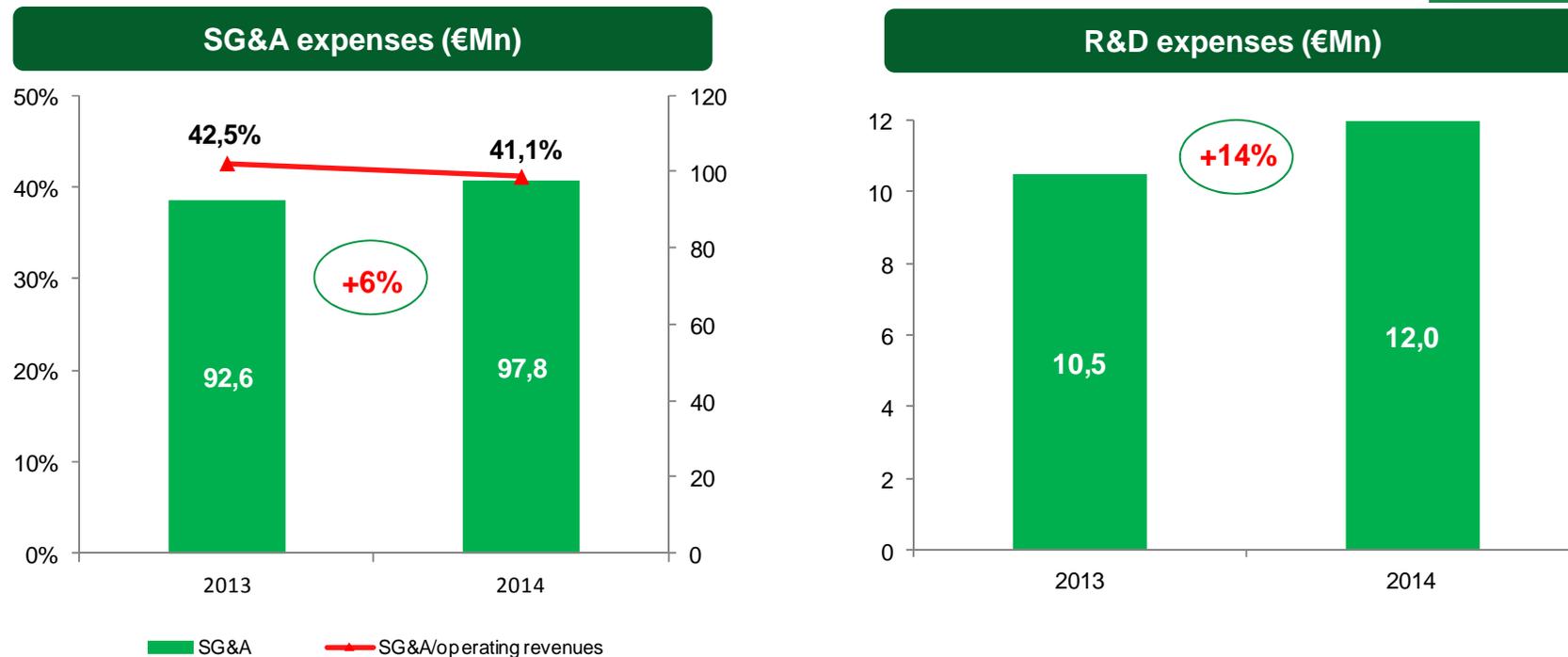
Gross profit (€Mn) & Gross margin (%)



- **Gross margin** decreased by 0.1 pp in 2014 vs 2013 mainly due to:
 - ✓ the increase in volumes manufactured for clients being invoiced for materials in the injectables plant, contributing with lower margins.
 - ✓ The decrease of the Bemiparin raw material cost impacted positively in 2014 gross margin.
- **Gross profit increased by 9%** to €146.3Mn in 2014.



Cost control along with commitment to R&D

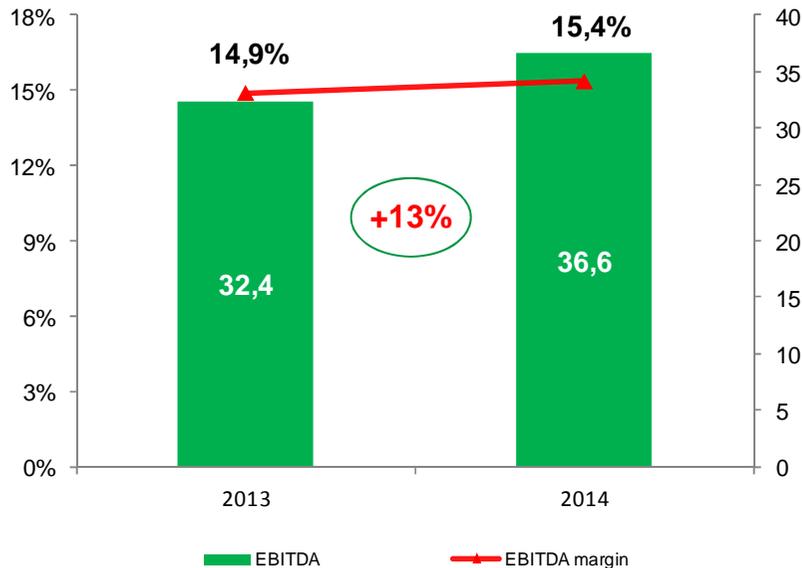


- **SG&A expenses** increased by 6% to €97.8Mn in 2014 mainly due to an increase in personnel costs. Nevertheless, the SG&A/revenues ratio decreased by 1.4 pp to 41.1%.
- **R&D expenses** increased by 14% reflecting ROVI investments in products that are under development, mainly on the ISM[®] project. R&D represents approximately 5% of operating revenues.

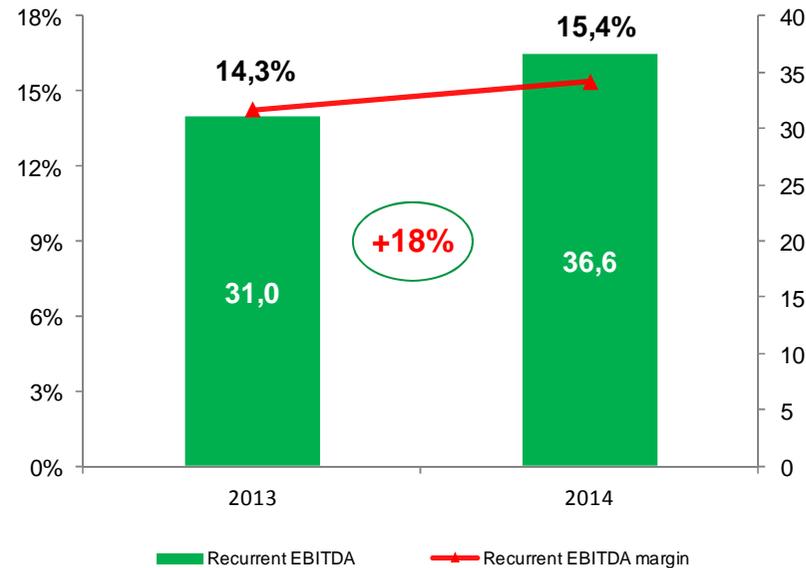


EBITDA

EBITDA (€Mn) and EBITDA margin (%)



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

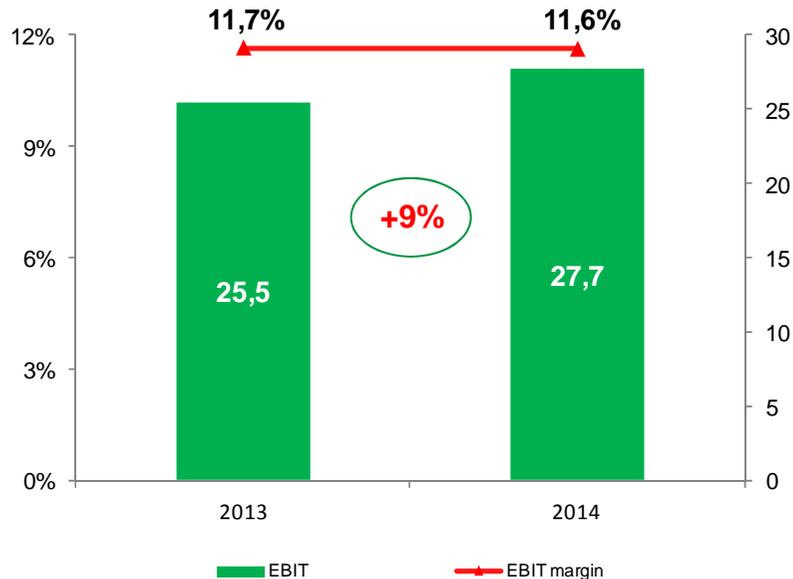


- **EBITDA increased by 13% to €36.6Mn in 2014, reaching the highest EBITDA figure in ROVI's history. EBITDA margin stood at 15.4%, reflecting a 0.5 percentage points rise from 14.9% in 2013.** This increase has been achieved on higher sales and operating leverage of the business.
- The 2013 EBITDA figure includes a one-off profit of €1.4Mn as a result of Frosst Ibérica tax inspection for the tax periods 2006, 2007 and 2008. This one-off profit is related to the compensation received from the owner of Frosst Ibérica during the years inspected due to the reduction in the negative tax bases from those years.
- **Excluding the impact of this one-off profit registered in 2013, EBITDA increased by 18% in 2014 reflecting a 1.1 percentage points rise in the EBITDA margin to 15.4% from 14.3% in 2013.**

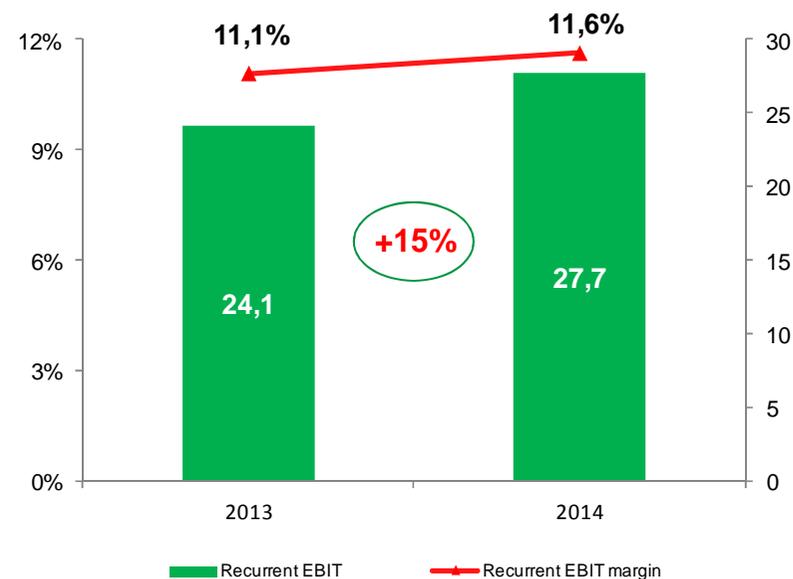


EBIT

EBIT (€Mn) and EBIT margin (%)



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



- **Depreciation and amortization expenses** increased by 28% in 2014, up to €8.9Mn, as a result of the new PP&E and intangible assets purchases made during the last twelve months.
- **EBIT increased by 9%** to €27.7Mn in 2014, reflecting a **0.1 pp decline in the EBIT margin** to 11.6% down from 11.7% in 2013.
- **Excluding the impact of the one-off income** of €1.4Mn registered in 2013, **EBIT increased by 15%** in 2014 reflecting a **0.6 percentage points rise in the EBIT margin** to 11.6% from 11.1% in 2013.

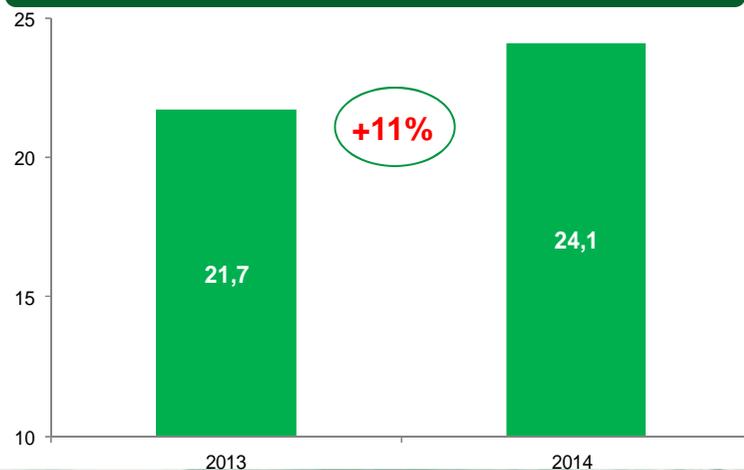


Net profit

Net profit (€Mn)



Recurrent net profit (€Mn)

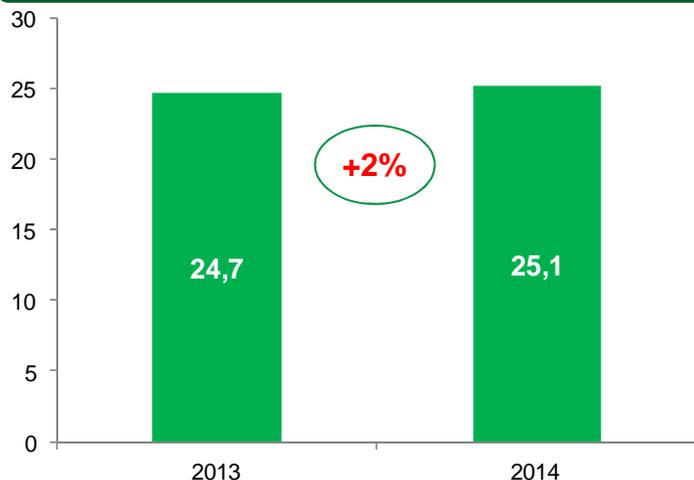


- **Net profit increased by 5% to €24.1Mn in 2014.**
- **Record net profit figure in ROVI's history.**
- **Excluding the impact of the one-off income** of €1.4Mn registered in 2013, **net profit increased by 11%** in 2014.
- **Effective tax rate of 5.9%** in 2014 vs 5.1% in 2013. This favourable effective 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.
- On 27 November 2014, a deep tax reform was approved by law. These tax measures, that have been in force since January 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.

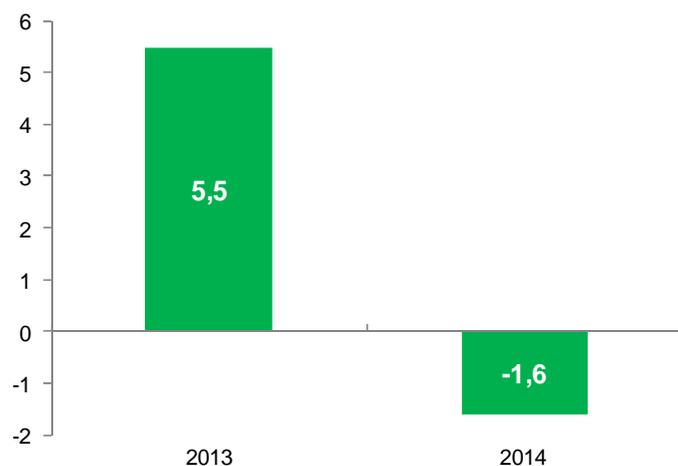


Capital expenditure & Free Cash Flow

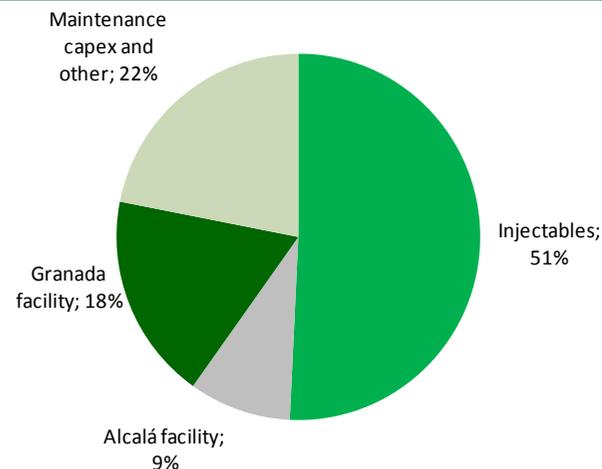
Capex evolution (€Mn)



FCF (€Mn)



Capex breakdown (%)

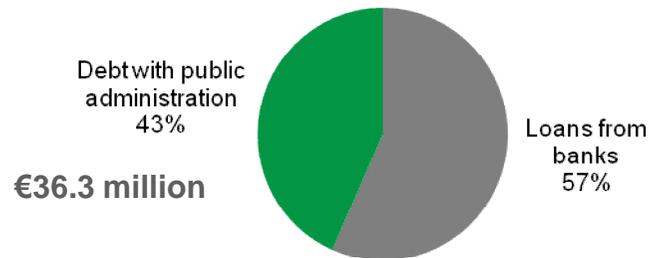


- €25.1Mn of **capex** invested in 2014.
 - ✓ €12.7Mn of investment capex related to the injectables facility;
 - ✓ €4.6Mn of investment capex related to the Granada facility;
 - ✓ €2.3Mn of investment capex related to the Alcalá facility; and
 - ✓ €5.5Mn of maintenance capex and other.
- **FCF** decreased to €-1.6Mn mainly due to:
 - ✓ €8.8Mn increase in “inventories” in 2014 vs €2.5Mn increase in 2013; and
 - ✓ €7.8Mn increase in “trade and other receivables” in 2014 vs €1.5Mn increase in 2013.

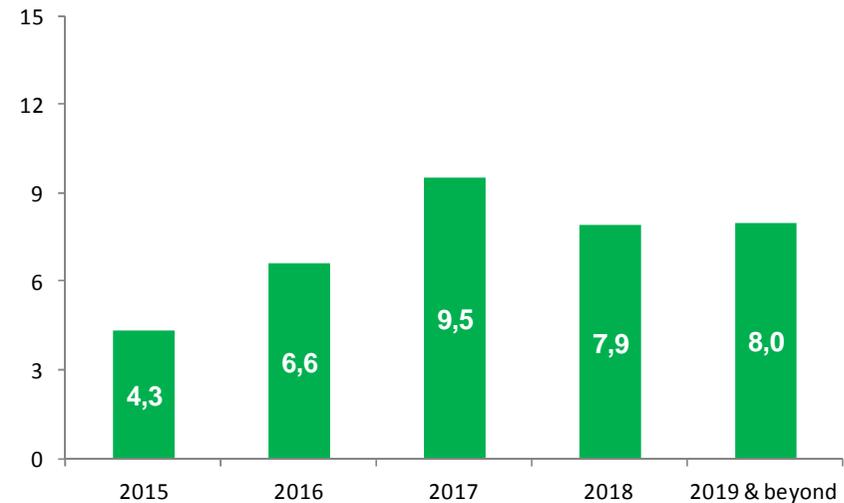


Financial debt

Debt breakdown by source (%)



Debt maturities by year (€Mn)



- **Debt with public administration** represented **43%** of total debt, with 0% interest rate.
- **New banking debt of €20Mn, of which €12Mn came from European Investment bank funds** (through banking institutions) with very good conditions.
 - ✓ despite the new banking debt (€20Mn) obtained in 2014, **total debt increased only by €5.3Mn** as of 31 December 2014 compared to total debt as of 31 December 2013.
- **Gross cash position of €28.0Mn** as of 31 December 2014 vs €36.7Mn as of 31 December 2013.
- **Net cash position of -€8.3Mn** as of 31 December 2014 vs €5.8Mn as of 31 December 2013.
- 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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