



Rovi

Full Year 2017 Financial Results

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Operating results

Juan López-Belmonte
Chief Executive Officer



FY 2017 financial results - Highlights

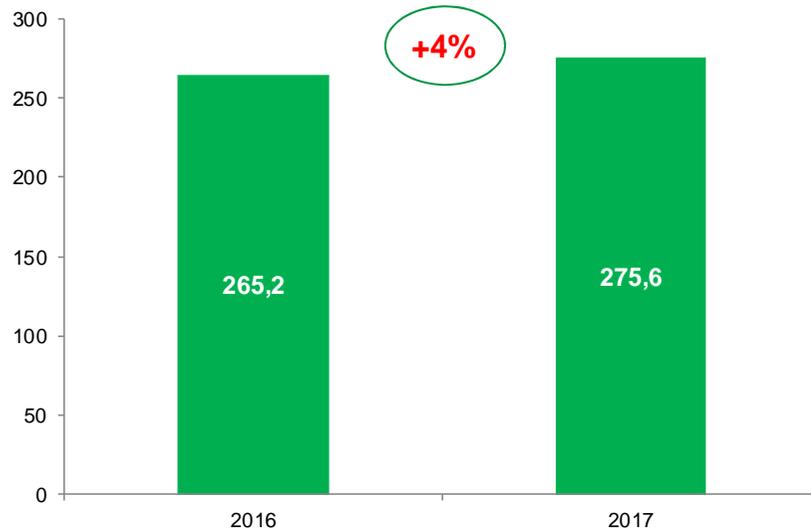
- **Operating revenue** increased by 4% to 275.6Mn in 2017, driven by the strength of the toll manufacturing business, where sales rose 8%, and by the specialty pharmaceutical business, which grew by 3%, slightly outperforming the market. Total revenue increased by 4% to €277.4Mn in 2017.
- ROVI announced in September 2017, **the commencement of marketing of enoxaparin biosimilar in Germany**, one of the top enoxaparin countries in Europe (in terms of volume and value). Sales of the biosimilar of enoxaparin amounted to €1.5Mn in 2017, of which €1.0Mn were registered in December.
- By 31st December 2017, the countries with the national registration approved of the low molecular weight heparin (biosimilar of enoxaparin) are **Germany, France, UK, Italy, Norway, Sweden, Austria, Hungary, Slovenia, Estonia, Latvia, Slovakia and Bulgaria.**
- **ROVI started a Phase III-“PRISMA-3” of DORIA® (Risperidona ISM®)** with the recruitment of the first patient, in Q2 2017. In October 2017, **an update of the project has been released with a presentation to analysts with details of the design and cost of Phase III.**
- In November 2017, **ROVI started a Phase I-“LISA-1” of Letrozole ISM®.**
- **For 2018, ROVI expects a mid-single digit growth rate for operating revenue, with a range of €20m to €30m sales of biosimilar of enoxaparin.**
- **Good performance of Bemiparin:** 5% growth to €83.9Mn; this growth came from national (7%) and international (1%) sales.
- **Very good performance of Absorcol & Vytorin & Orvatez:** sales increased of 18% to €39.4Mn; **Hirobriz and Ulunar** increased by 17% to €14.3Mn; **Volutsa** increased sales by 30% to €9.0Mn; and **Neparvis**, launched in December 2016, reached sales of €4.7Mn in 2017.
- **EBITDA of the “on-going business”** increased by 11%, from €52.8Mn in 2016 to €58.7Mn in 2017, reflecting a 1.4 pp rise in the EBITDA margin to 21.3% in 2017. Likewise, recognising the same amount of R&D expenses in 2017 as in 2016 and excluding the impact of the non-recurring revenue in 2016, EBITDA would have increased by 17% to €41.2Mn, reflecting a 1.6 pp rise in the EBITDA margin to 15.0% in 2017.
- **Net profit of the “on-going business”** increased by 16%, from €38.7Mn in 2016 to €45.0Mn in 2017.
- ROVI will propose to the AGM a **dividend of €0.1207/share** on 2017 earnings. This dividend represents a 35% pay out.

Note: “On-going business” EBITDA and Net Profit calculated excluding R&D expenses in 2017 and 2016 and the impact of the non-recurring revenue in 2016

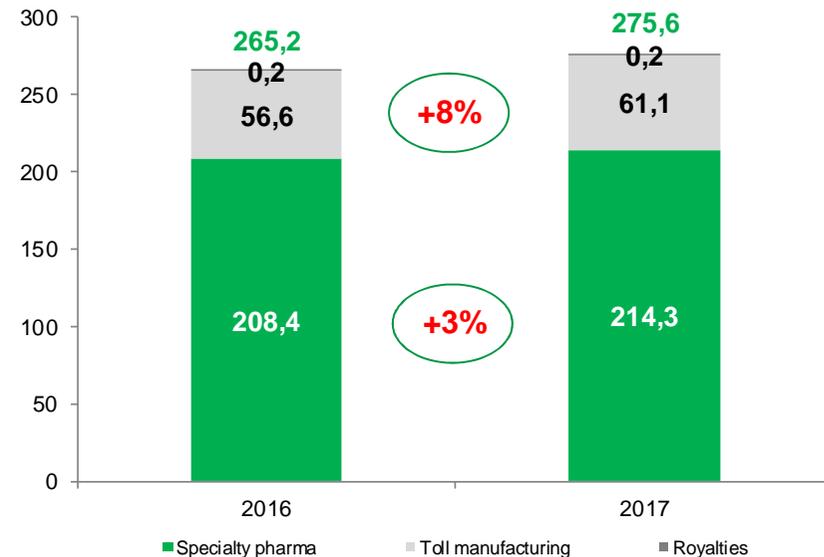
Growth driven by injectable toll manufacturing business, recent launches and Bemiparin...



Total operating revenue (€Mn)



Operating revenue growth by category (€Mn)



- Operating revenue increased by 4% to €275.6Mn in 2017 driven by the strength of:
 - ✓ the **specialty pharmaceutical business**, where sales rose 3%, and
 - ✓ the **toll manufacturing business**, where sales increased 8%.
- ROVI forecasts to continue to grow despite:
 - ✓ a new reduction in sanitary expenditure from 6.0% to 5.8% of GDP expected for 2018, according to the 2018 Draft Budget Plan¹; and
 - ✓ 1-4% growth rate in spending on medicine in Spain to 2021 forecast by QuintilesIMS².

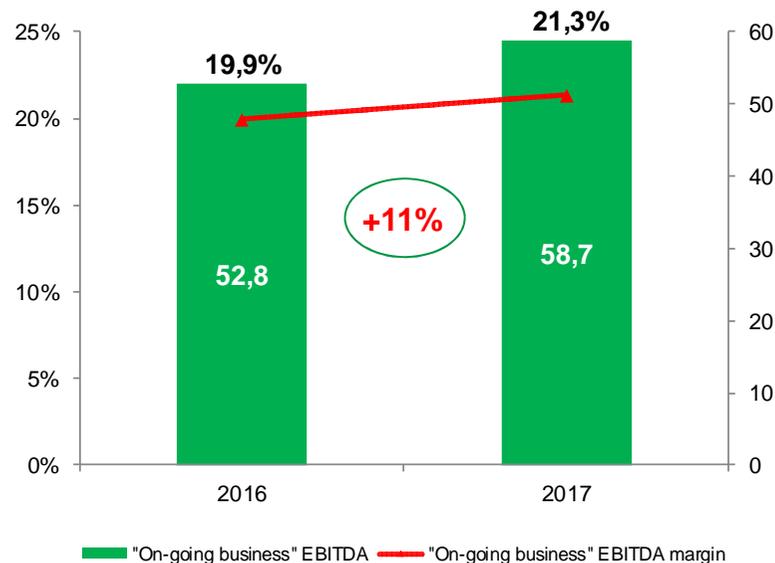
¹ http://www.minhfp.gob.es/Documentacion/Publico/CDI/EstrategiaPoliticaFiscal/2018/PLAN_PRESUPUESTARIO_2018.pdf

² Outlook for Global Medicines through 2021. Report by the QuintilesIMS Institute.

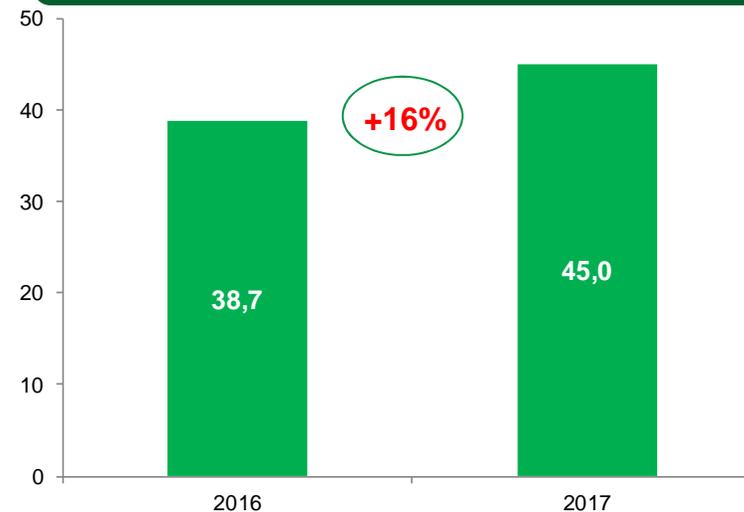


...with high profitability

“On-going business” EBITDA (€Mn) and EBITDA margin (%)



“On-going business” net profit (€Mn)



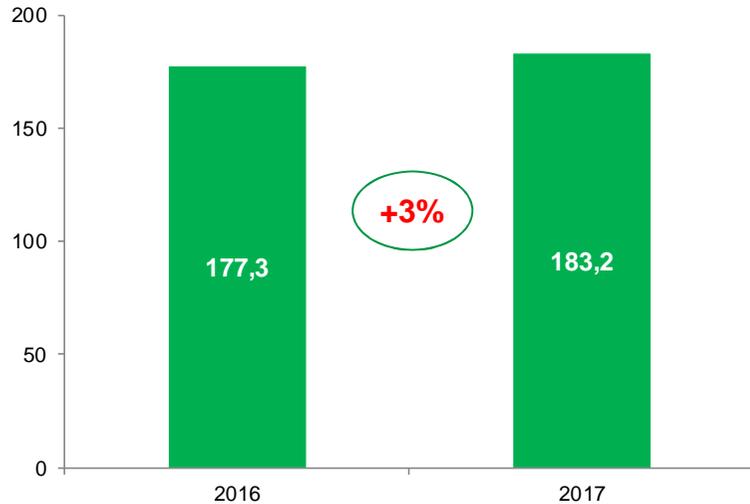
- In 2016, **EBITDA** was impacted by non recurrent revenue of €4.0Mn as a result of the creation of a joint venture between ROVI and Enervit for the distribution of nutritional products in Spain and Portugal.
- **EBITDA of the “on-going business” increased by 11%**, from €52.8Mn in 2016 to €58.7Mn in 2017, reflecting a 1.4 percentage point rise in the EBITDA margin to 21.3% in 2017.
- **Net profit of the “on-going business” increased by 16%**, from €38.7Mn in 2016 to €45.0Mn in 2017.

Note: “On-going business” EBITDA and Net Profit calculated excluding R&D expenses in 2017 and 2016 and the impact of the non-recurring revenue in 2016

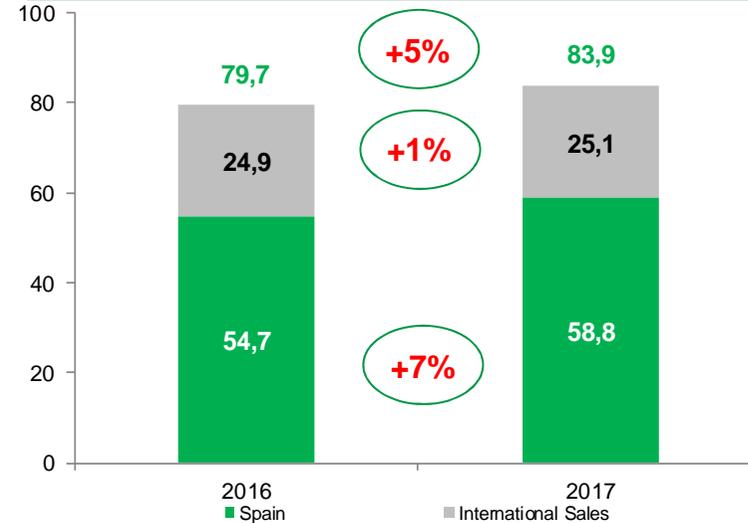
Bemiparin, leading the specialty pharmaceutical business growth and first sales of Enoxaparin



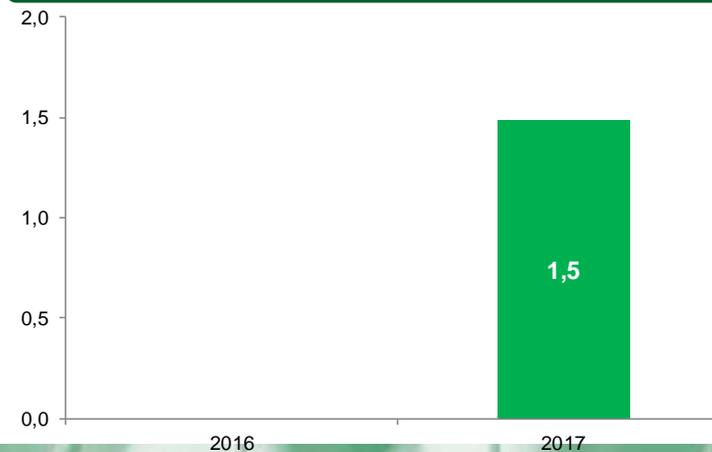
Prescription-based pharma products sales (€Mn)



Bemiparin sales (€Mn)



Biosimilar of Enoxaparin sales (€Mn)

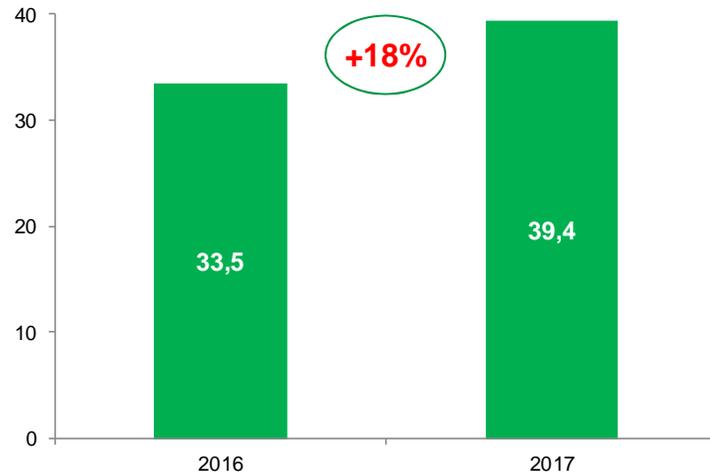


- Sales of **prescription-based pharmaceutical products** increased by 3% to €183.2Mn in 2017.
- **Bemiparin total sales** increased by 5% to €83.9Mn in 2017:
 - ✓ Sales in Spain increased 7% to €58.8Mn.
 - ✓ International sales increased by 1% to €25.1Mn.
- ✓ Sales of the **biosimilar of Enoxaparin** amounted to €1.5Mn in 2017, of which €1.0Mn were registered in December.

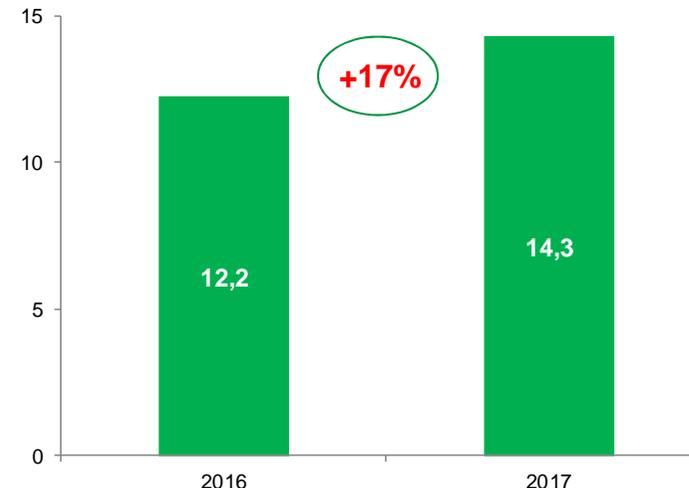


Good performance of the product portfolio (1/2)

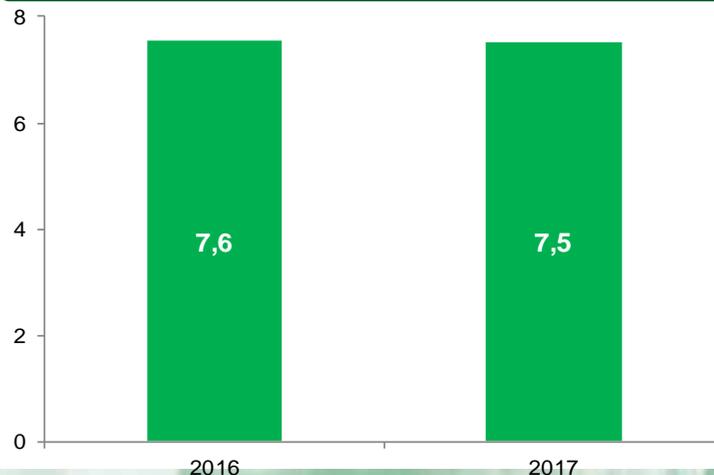
Absorcol, Vytorin and Orvatez sales (€Mn)



Hirobriz and Ulunar sales (€Mn)



Medicebran and Medikinet sales (€Mn)



- Sales of **Absorcol, Vytorin and Orvatez** increased by 18% to €39.4Mn in 2017. In 2018, the active principle ezetimibe goes out of patent and a price reduction is expected in Absorcol®.
- Sales of **Hirobriz and Ulunar**, both products for patients with COPD, launched in Spain in Q4 2014 increased by 17% to €14.3Mn in 2017.
- Sales of **Medicebran and Medikinet**, products launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, remained flat to €7.5Mn in 2017.
- Sales of **Thymanax**, product launched in March 2010, decreased by 27% to €3.9Mn in 2017. This co-marketing agreement has not been renewed and the product was no longer marketed by ROVI after Nov. 2017.

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.

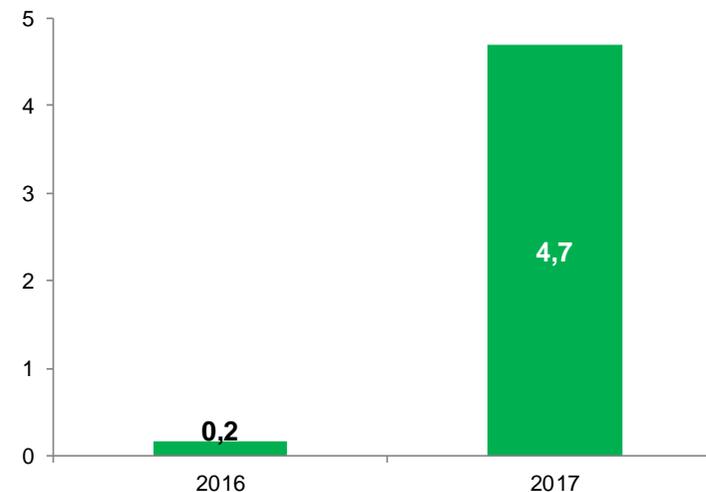


Good performance of the product portfolio (2/2)

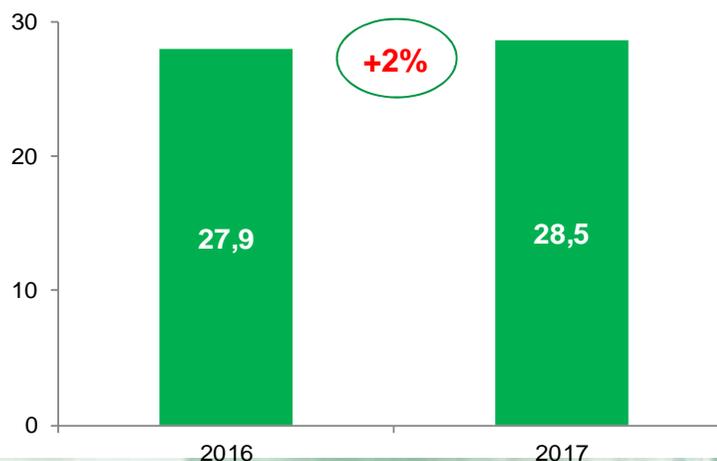
Volutsa sales (€Mn)



Neparvis sales (€Mn)



Contrast imaging agents (€Mn)

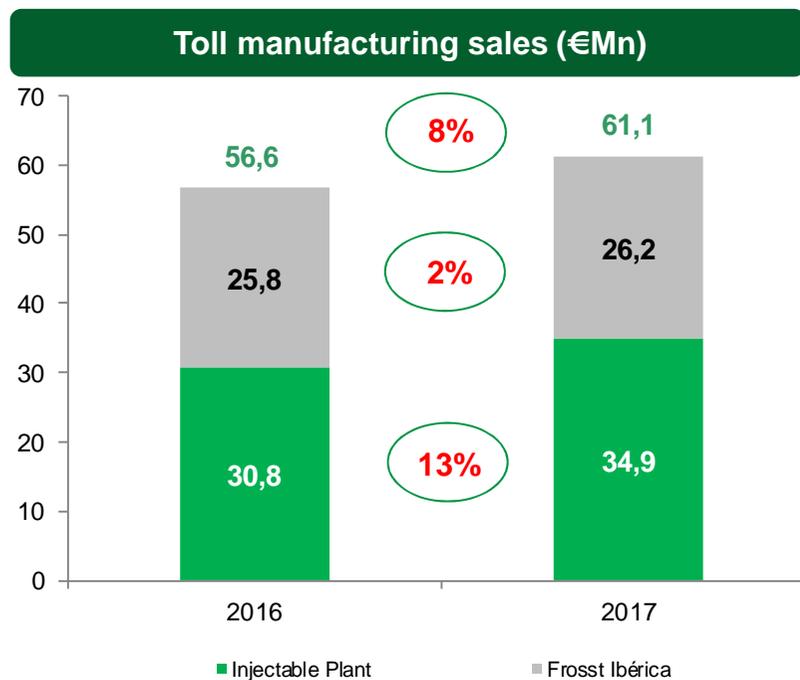


- Sales of **Volutsa**, launched in Spain in February 2015, **increased by 30%** to €9.0Mn in 2017.
- Sales of **Neparvis**, a specialty product from Novartis launched in December 2016, reached €4.7Mn in 2017.
- Sales of **Corlentor** **decreased by 82%** to €2.5Mn in 2017, and it was no longer marketed after first half 2017.
- **Exxiv** sales decreased by 34% to €3.6Mn, mainly due to a deceleration of the COX-2 market.
- **Contrast imaging agents** and other hospital products **increased by 2%** to €28.5Mn in 2017.

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. Neparvis is a specialty product from Novartis indicated for the treatment of adult patients with symptomatic chronic heart failure and reduced ejection fraction. 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 8% to €61.1Mn in 2017, compared to the previous year, mainly because of the good performance of the injectable business, where revenue increased 13% as a result of higher volumes manufactured for some customers, and the good evolution of Frosst Ibérica business with an increase of 2% .



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: ~80%]				<ul style="list-style-type: none"> Phase III started in 1H 2017
	Long acting Letrozole	Breast Cancer	[Progress bar: ~20%]				<ul style="list-style-type: none"> Phase I started in November 2017
Glycomics	Enoxaparin biosimilar	VTD	[Progress bar: ~100%]				<ul style="list-style-type: none"> National Registration process Commencement marketing in Germany

ISM: in-situ microparticles



Guidance 2018

**2018 operating
revenue growth rate**

Mid-single digit

Our main strategic pillars to lead growth

Specialty pharma

- Bemiparin
- Latest launches such as Neparvis, Orvatez, Volutsa and Ulunar
- Existing portfolio of specialty pharmaceuticals
- New in-licensed products to be launched
- Biosimilar of Enoxaparin (estimated range of €20Mn to €30Mn sales in 2018)

Toll manufacturing

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



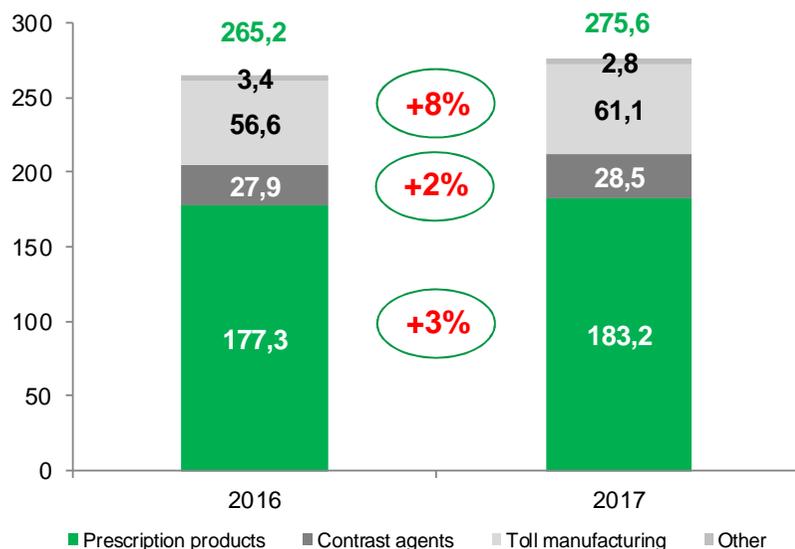
Financial results

Javier López-Belmonte
Chief Financial Officer

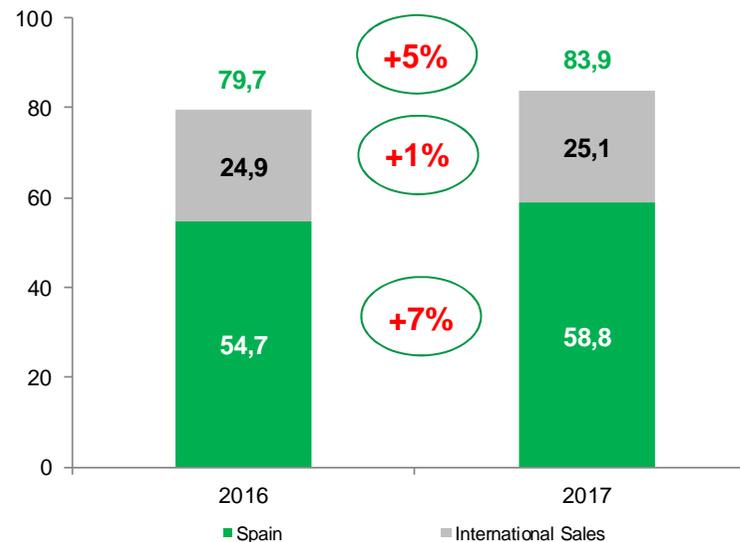
Good revenue level with outstanding Bemiparin growth in Spain



Total operating revenue (€Mn)



Bemiparin sales (€Mn)

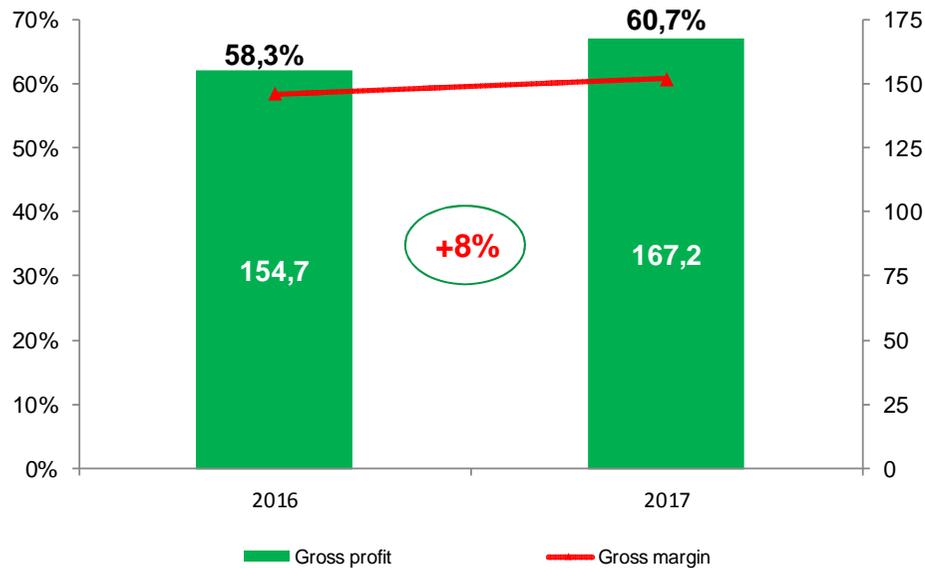


- **Operating revenue** increased by 4% to €275.6Mn, achieved on:
 - ✓ 3% growth in prescription-based products;
 - ✓ 2% growth in contrast agents and other hospital products;
 - ✓ 8% growth in toll manufacturing; and
 - ✓ OTC and other revenues decreased by 16% (including revenue from distribution licenses).
- **Bemiparin**, ROVI's flagship product internally developed, reached sales of €83.9Mn (5% growth vs 2016). Sales grew by 7% in the domestic market and by 1% in the international market.

Gross margin positively impacted by the injectable toll manufacturing business



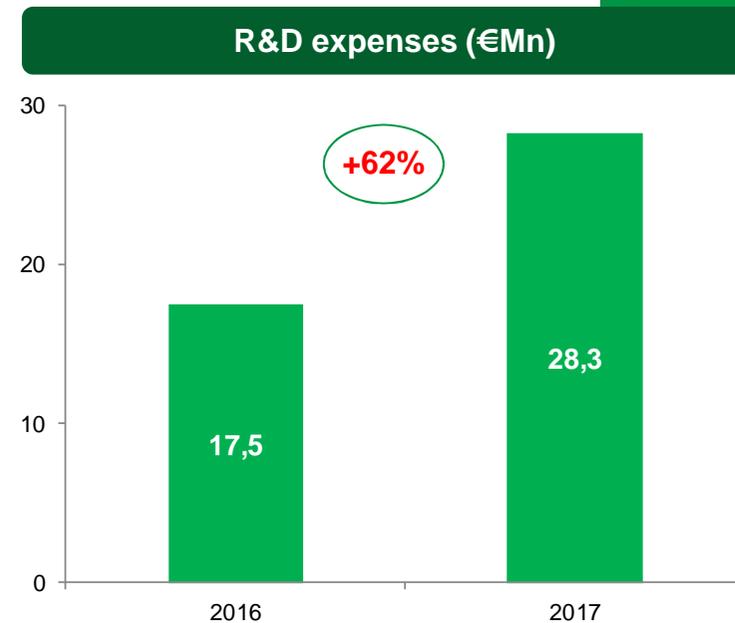
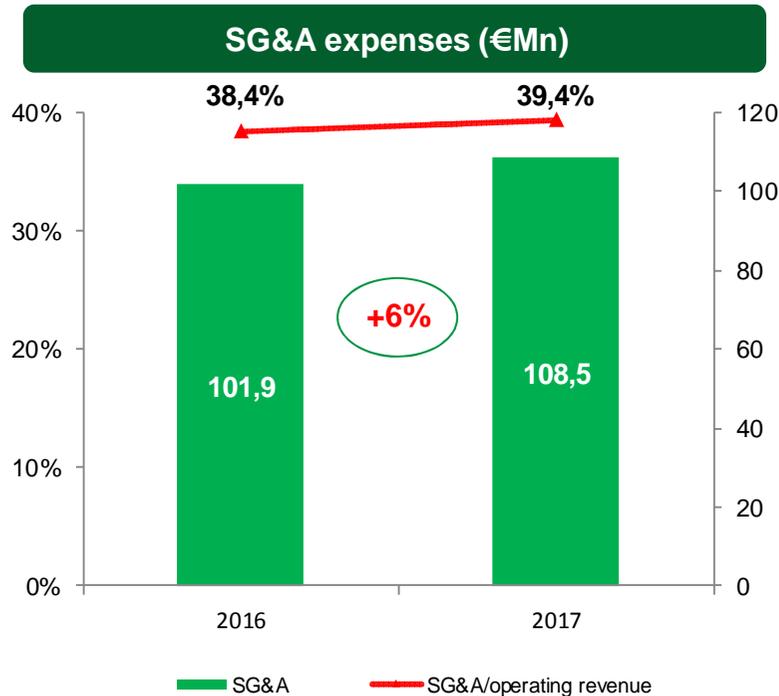
Gross profit (€Mn) & Gross margin (%)



- **Gross profit** increased by 8% to €167.2Mn in 2017, reflecting an increase of 2.3 pp in the gross margin to 60.7% in 2017 from 58.3% in 2016, mainly due to:
 - ✓ the increase of toll manufacturing sales, specially of the injectable business which added higher margins; and
 - ✓ the rise of Bemiparin sales.



Cost control along with commitment to R&D

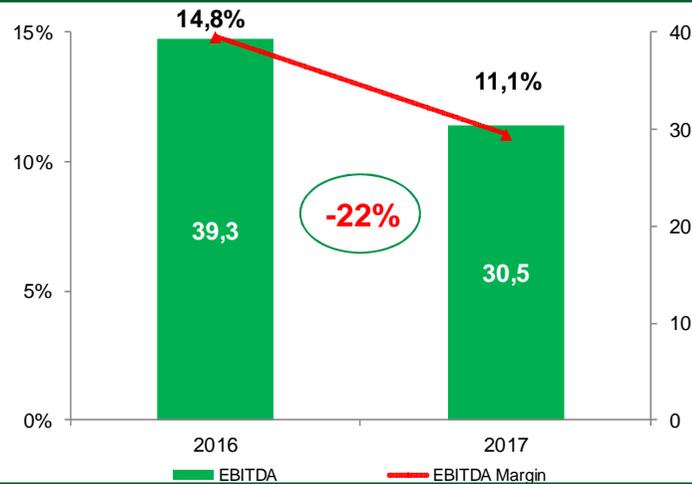


- **SG&A expenses** rose 6% to €108.5Mn in 2017 mainly due to:
 - ✓ Neparvis® and Mysimba® product launches, which added expenses of €4.5 million euros;
 - ✓ international subsidiaries expenses, which amounted to €1.6Mn; and
 - ✓ the start of the activity in the San Sebastián de los Reyes plant.
- **R&D expenses** increased 62% to €28.3Mn in 2017 mainly due to the preparation and beginning of the Risperidone-ISM® Phase III trial and the Letrozole-ISM® Phase I trial.

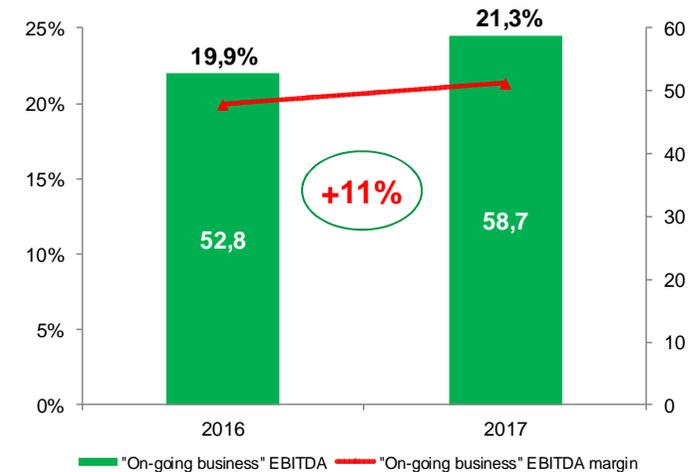


EBITDA

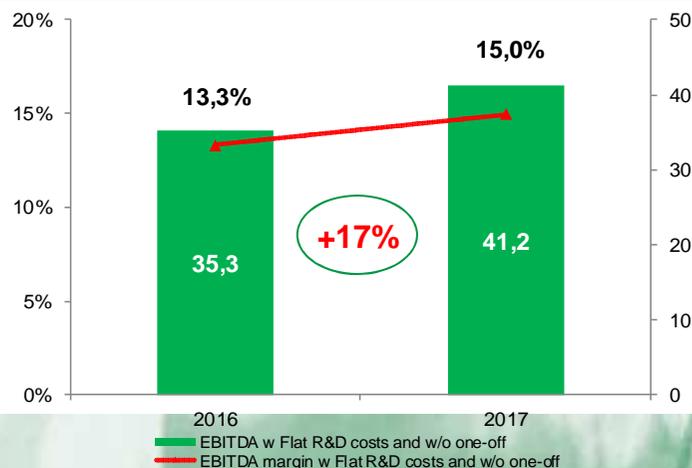
EBITDA (€Mn) and EBITDA margin (%)



“On-going business” EBITDA (€Mn) and EBITDA margin (%)



EBITDA (€Mn) and EBITDA margin (%) w flat R&D costs and w/o one-off



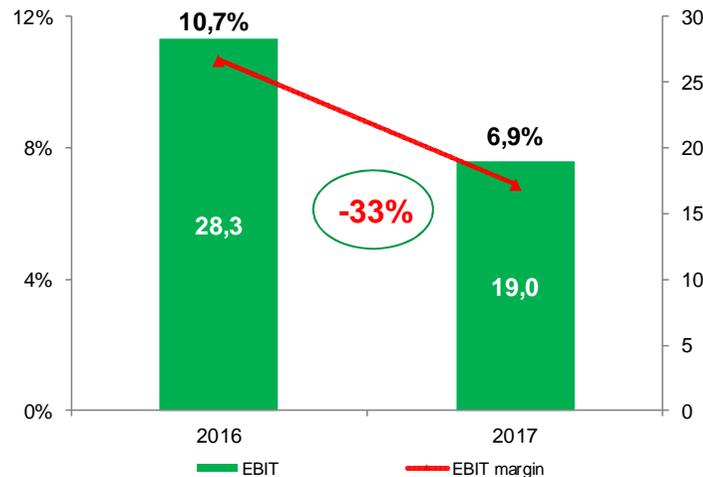
- EBITDA decreased to €30.5Mn in 2017, reflecting a 3.8 pp fall in the EBITDA margin, which was down to 11.1% in 2017 from 14.8% in 2016.
- EBITDA of the “on-going business” increased by 11%, from €52.8Mn in 2016 to €58.7Mn in 2017, reflecting a 1.4 pp rise in the EBITDA margin to 21.3% in 2017. Likewise,
 - ✓ recognising the same amount of R&D expenses in 2017 as in 2016 and excluding the impact of the non-recurring revenue in 2016, EBITDA would have increased by 17% to €41.2Mn, reflecting a 1.6 pp rise in the EBITDA margin to 15.0% in 2017.

Note: “On-going business” EBITDA calculated excluding R&D expenses in 2017 and 2016 and the impact of the non-recurring revenue in 2016

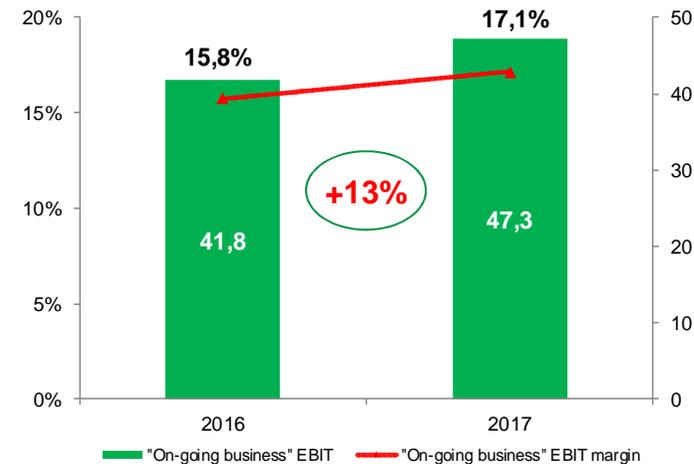


EBIT

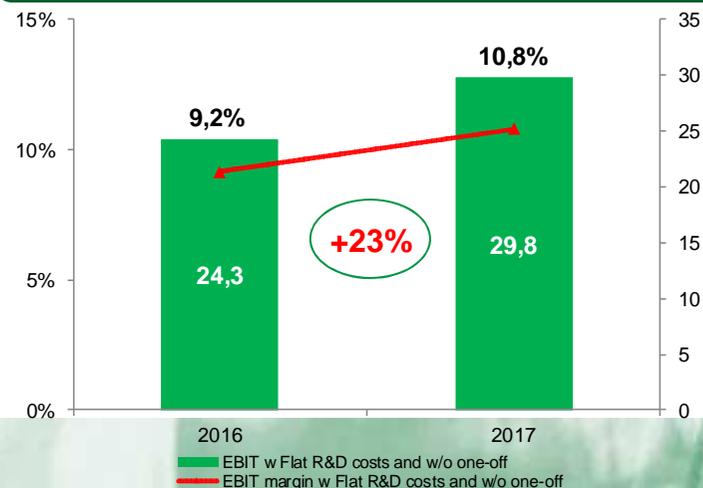
EBIT (€Mn) and EBIT margin (%)



“On-going business” EBIT (€Mn) and EBIT margin (%)



EBIT (€Mn) and EBIT margin (%) w flat R&D costs and w/o one-off



- Depreciation and amortisation expenses increased by 4% to €11.5Mn in 2017.
- EBIT decreased to €19.0Mn in 2017, a drop of 33% compared to 2016, reflecting a 3.8 pp fall in the EBIT margin, which was down to 6.9% in 2017.
- EBIT of the “on-going business” increased by 13%, from €41.8Mn in 2016 to €47.3Mn in 2017, reflecting a 1.4pp rise in the EBIT margin to 17.1% in 2017. Likewise,
 - ✓ recognising the same amount of R&D expenses in 2017 as in 2016 and excluding the impact of the non-recurring revenue in 2016, EBIT would have increased by 23% to €29.8Mn, reflecting a 1.6 pp rise in the EBIT margin.

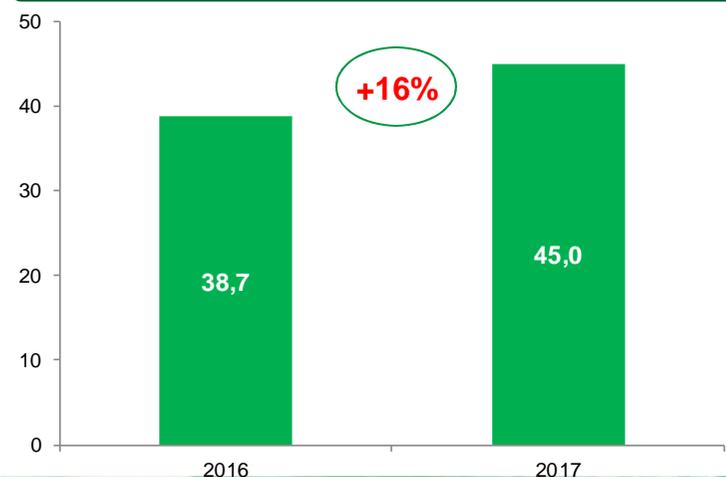


Net profit

Net profit (€Mn)



“On-going business” net profit (€Mn)



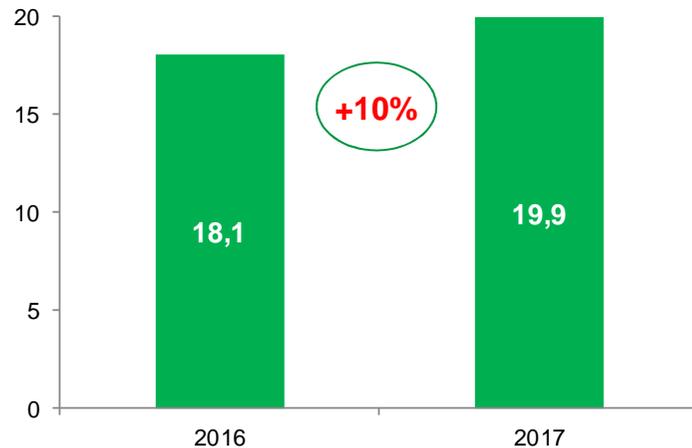
- **Net profit** decreased to €17.2Mn in 2017, a 34% fall compared to 2016.
- **Net profit** of the “on-going business” increased by 16%, from €38.7Mn in 2016 to €45.0Mn in 2017. Likewise,
 - ✓ recognising the same amount of R&D expenses in 2017 as in 2016 and excluding the impact of the non-recurring revenue in 2016, net profit would have increased by 25% to €27.8Mn.
- **Effective tax rate of 1.6%** in 2017 vs 6.4% in 2016. This favorable effective tax rate is due to:
 - ✓ deduction of existing R&D expenses; and
 - ✓ capitalization of existing negative tax bases from Frosst Ibérica.
- ROVI expects to maintain a mid-single-digit effective tax rate for the foreseeable future.
- As of 31 December 2017, Frosst Ibérica **negative tax bases amounted to €35.1Mn**, of which €1.5Mn will be used in the 2017 income tax.

Note: “On-going business” net profit calculated excluding R&D expenses in 2017 and 2016 and the impact of the non-recurring revenue in 2016

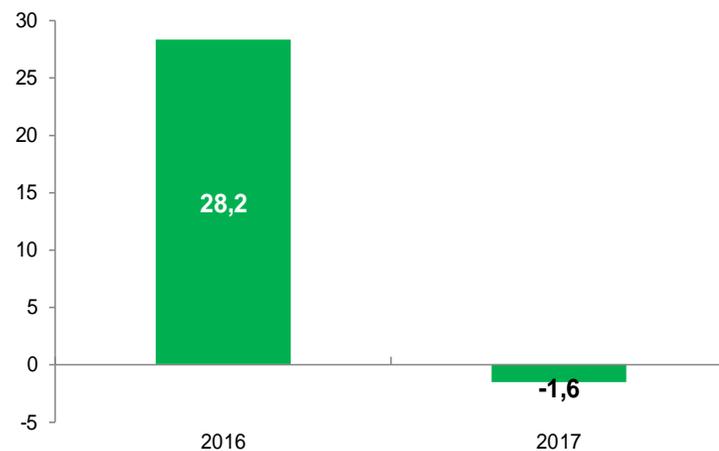


Capital expenditure & Free Cash Flow

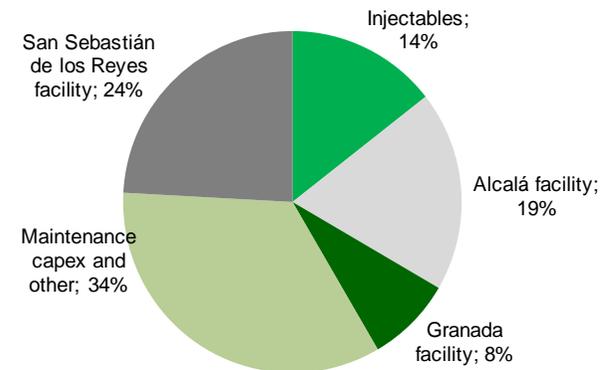
Capex evolution (€Mn)



FCF (€Mn)



Capex breakdown (%)

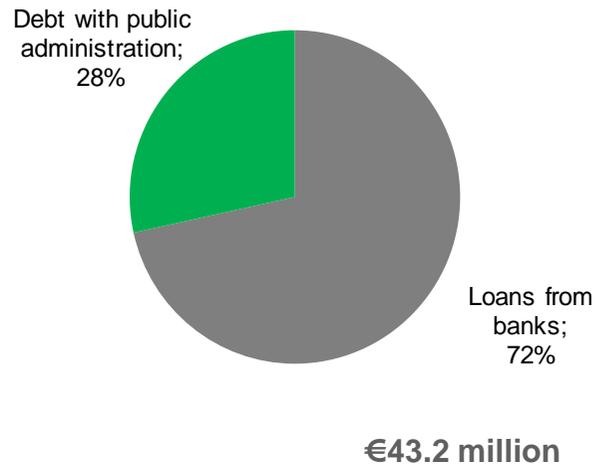


- €19.9Mn of **capex** invested in 2017.
 - ✓ €2.9Mn of investment capex related to the injectable plant;
 - ✓ €1.6Mn and €3.8Mn of investment capex related to the Granada and the Alcalá de Henares facilities respectively;
 - ✓ €4.8Mn of investment capex related to the San Sebastián de los Reyes facility; and
 - ✓ €6.8Mn of maintenance capex and other capex (including capitalized expenses related to the Enoxaparin biosimilar).
- **FCF** decreased to -€1.6Mn mainly due to:
 - ✓ €8.1Mn increase in “inventories” in 2017 vs €3.5Mn increase in 2016;
 - ✓ €6.9Mn decrease in “trade and other payables” in 2017 vs €14.1Mn increase in 2016;
 - ✓ €1.9Mn increase in capex.

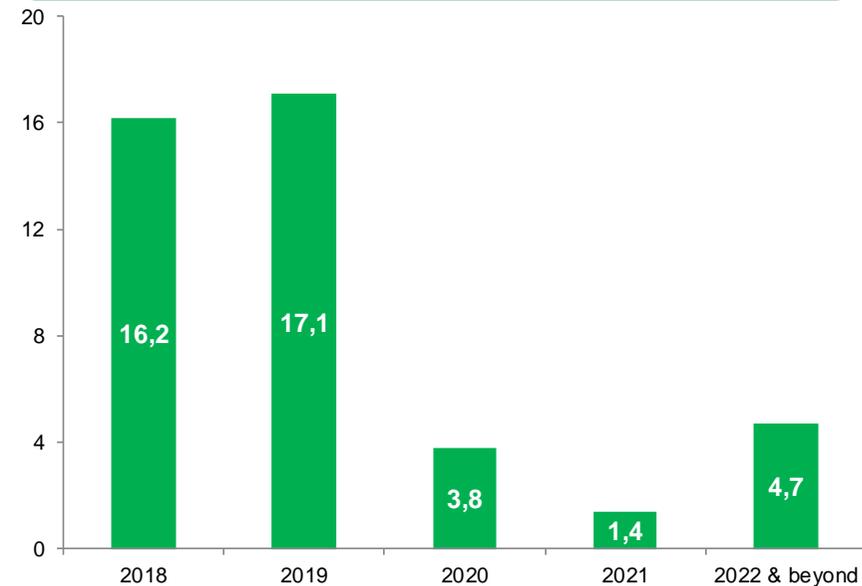


Financial debt

Debt breakdown by source (%)



Debt maturities by year (€Mn)



- **Debt with public administration** represented **28%** of total debt, with 0% interest rate.
- **Gross cash position of €42.1Mn** as of 31 December 2017 vs €42.8Mn as of 31 December 2016.
- **Net debt of €1.1Mn** as of 31 December 2017 vs net cash of €9.0Mn as of 31 December 2016.
- ROVI will propose to the Shareholders General Meeting a **dividend of 0.1207** euros per share with dividend rights on 2017 earnings. This proposed dividend represents a 35% pay out.



News-flow 2018

Specialty pharma

- Sales of biosimilar of enoxaparin (sales range of 20 to 30 million euros) in 2018
- Additional new in-licensing products to be launched

Toll manufacturing

- New contracts to be announced

R&D

- Continue the recruiting of DORIA® Phase III
- Start of ISM-Letrozole® Phase I in November 2017
- Granting by the competent local authorities of the marketing authorisation of a biosimilar of enoxaparin in 13 countries of the EU (13 already granted)



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