



Rovi

Full Year 2015 Financial Results

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Operating results

Juan López-Belmonte
Chief Executive Officer



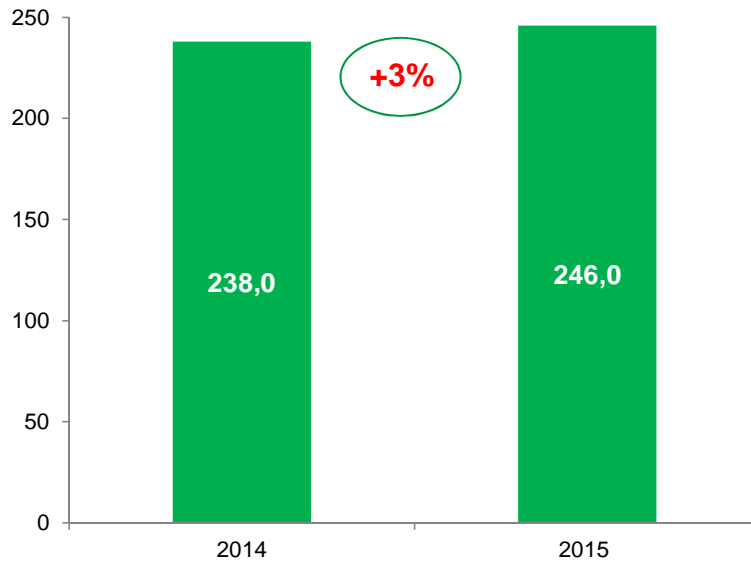
2015 financial results - Highlights

- **Operating revenue** increased by 3% to €246.0Mn, mainly driven by the strength of the specialty pharmaceutical business, where sales rose 7%. Total revenue increased by 3% to €247.0Mn in 2015, more than doubling total revenue for 2007 when ROVI held its IPO.
- **The clinical trial of Risperidone ISM® “PRISMA-2” was successfully finished; final positive results will be presented on March 2016 at the 24th European Congress of Psychiatry.**
- **For 2016**, ROVI expects operating revenue to grow from high single digit to low double digit.
- **Outstanding performance of Bemiparin in Spain:** +5% growth to €50.4Mn.
- **Good performance of Absorcol & Vytorin & Orvatez:** sales increase of 14%.
- **Sales of Hirobriz and Ulunar**, both products for patients with COPD launched in Spain in Q4 2014, increased by 3.6 times to €7.5Mn.
- Sales of **Volutsa**, a product launched in February 2015, reached €3.2Mn in 2015.
- **EBITDA** decreased by 13% to €31.8Mn in 2015, reflecting a 2.4 pp fall in the EBITDA margin to 12.9% in 2015 down from 15.4% in 2014. However, maintaining, in 2015, the same amount of R&D expenses that was registered in 2014 and excluding, in 2015 and 2014, the impact of (i) Other income and (ii) recent product launches, EBITDA would increase by 11% to €38.6Mn, reflecting a 1.0 pp rise in the EBITDA margin to 15.7% in 2015 up from 14.6% in 2014.
- **Net profit** declined by 18% to €19.8Mn in 2015. However, maintaining, in 2015, the same amount of R&D expenses that was registered in 2014 and excluding, in 2015 and 2014 the impact of (i) Other income and (ii) recent product launches, net profit would increase by 17% to €26.2Mn in 2015.
- ROVI will propose to the AGM a **dividend of €0.1390/share** on 2015 earnings (35% pay out).

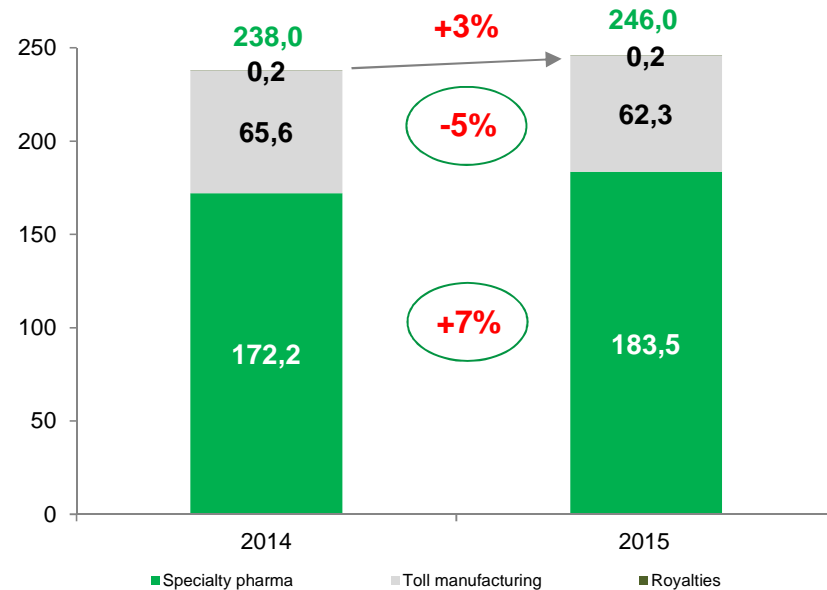
Growth driven by the specialty pharmaceutical business strength...



Total operating revenue (€Mn)



Operating revenue growth by category (€Mn)



- Operating revenue increased by 3% in 2015, up to €246.0Mn, driven by the strength of:
 - ✓ the **specialty pharmaceutical business**, where **sales rose 7%** in 2015.
 - ✓ Toll manufacturing sales decreased by 5%.
- Despite the difficult situation the Spanish pharmaceutical industry continues to go through, ROVI forecasts to grow above the growth estimates of the pharmaceutical expenditure:
 - ✓ slight 0.6% increase expected for 2016, according to Farmaindustria¹; and
 - ✓ stable annual growth between 1.3% and 1.6% for the period 2016-2019 forecast by IMS Health².

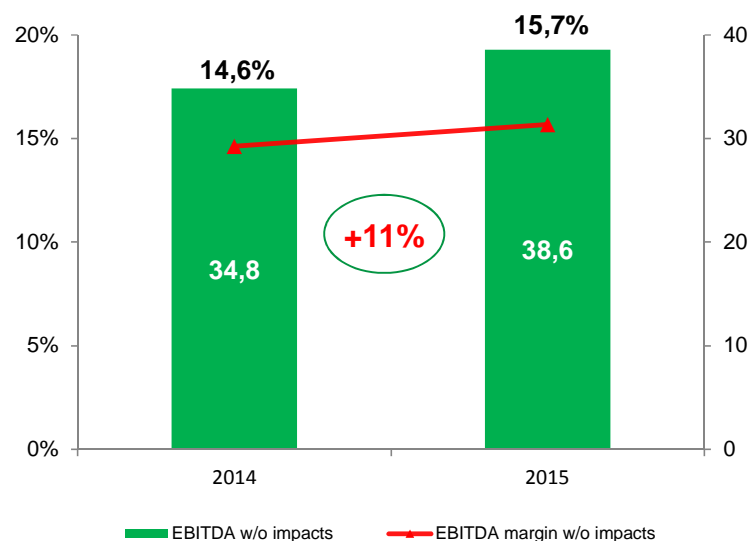
¹<http://www.farmaindustria.es/web/documento/indicadores-basicos-del-sector-la-industria-farmaceutica-espanola-y-su-mercado-en-cifras/>

²IMS Health, Market Prognosis September 2015

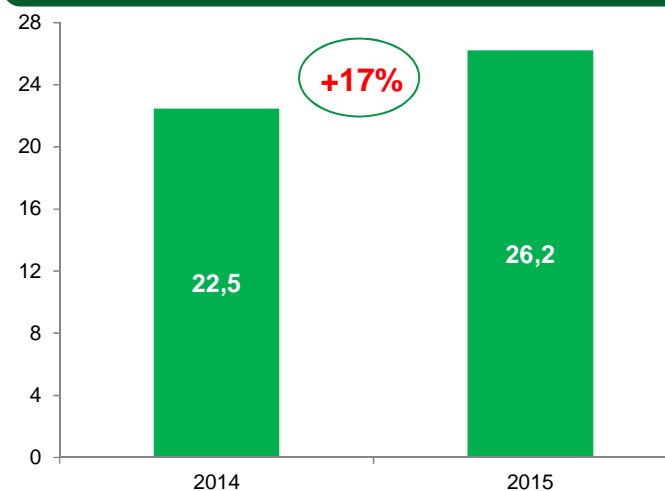


...with high profitability

EBITDA (€Mn) and EBITDA margin (%) w/o impacts



Net profit w/o impacts (€Mn)

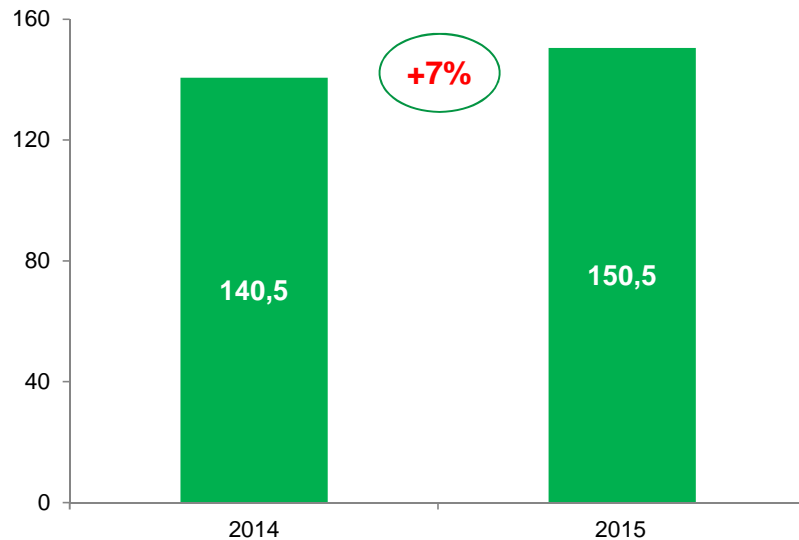


- In 2015, EBITDA was impacted by (i) a 65% reduction in Other income (subsidies), (ii) a 37% increase in R&D expenses, mainly as a result of the development of the ISM-Risperidone Phase II study and (iii) recent product launches such as Hirobriz, Ulunar, Volutsa and Orvatez which added SG&A of €3.3Mn in 2015 compared to €1.1Mn added by Hirobriz and Ulunar launches in Q4 2014.
- Maintaining, in 2015, the same amount of R&D expenses that was registered in 2014 and excluding, in 2015 and 2014, the impact of (i) Other income and (ii) recent product launches:
 - ✓ **EBITDA would increase by 11%** to €38.6Mn, reflecting a **1.0 pp rise in the EBITDA margin** to 15.7% in 2015 up from 14.6% in 2014; and
 - ✓ **Net profit would increase by 17%** to €26.2Mn.

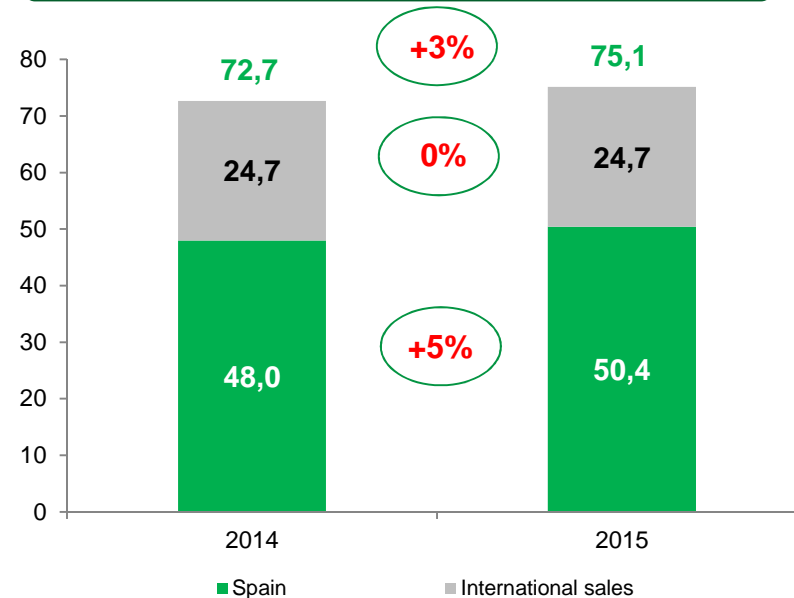


Bemiparin in Spain, leading the growth

Prescription-based pharma products sales (€Mn)



Bemiparin sales (€Mn)

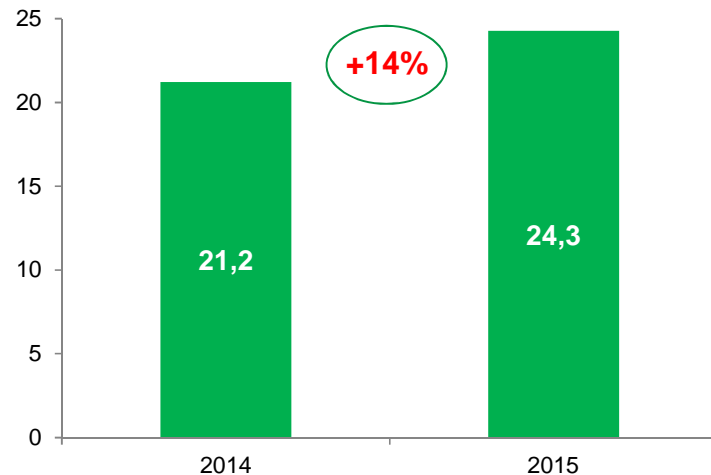


- Sales of **prescription-based pharmaceutical products** increased by **7%** to €150.5Mn in 2015.
- **Bemiparin total sales** increased by **3%** to 75.1 million euros in 2015.
 - ✓ **Bemiparin** performed well in **Spain** in 2015, with sales up **5%** to €50.4Mn.
 - ✓ International sales remained stable at €24.7Mn supported by the launch of the product in China and Brasil in the fourth quarter, where sales reached €0.9Mn, thus making up for the sales deceleration in 9M 2015.

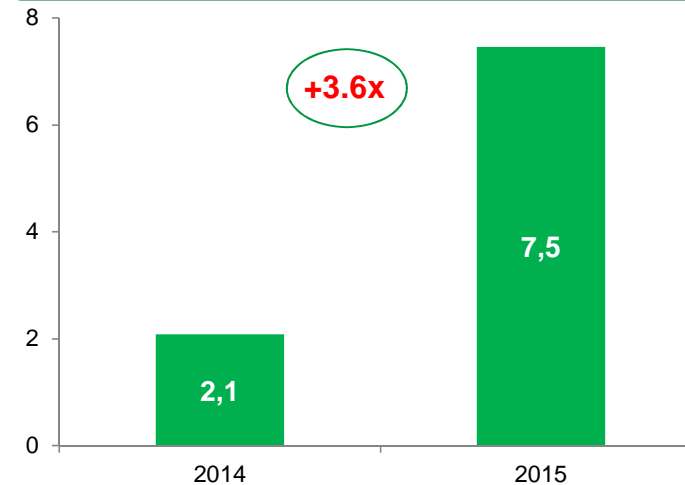


Good performance of the product portfolio (1/2)

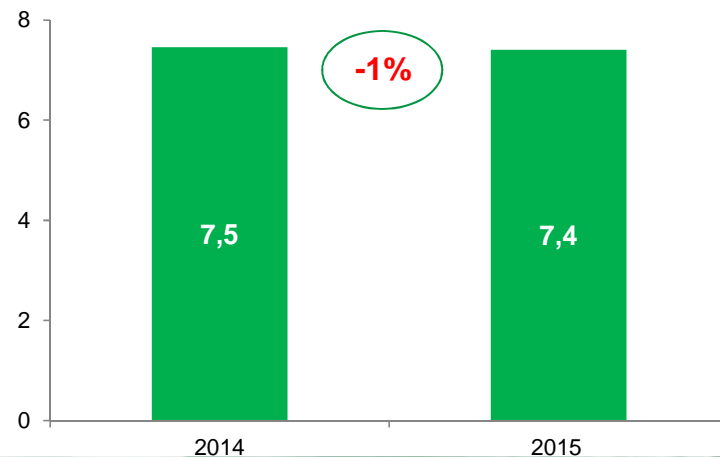
Absorcol, Vytorin and Orvatez sales (€Mn)



Hirobriz and Ulunar sales (€Mn)



Medicebran and Medikinet sales (€Mn)



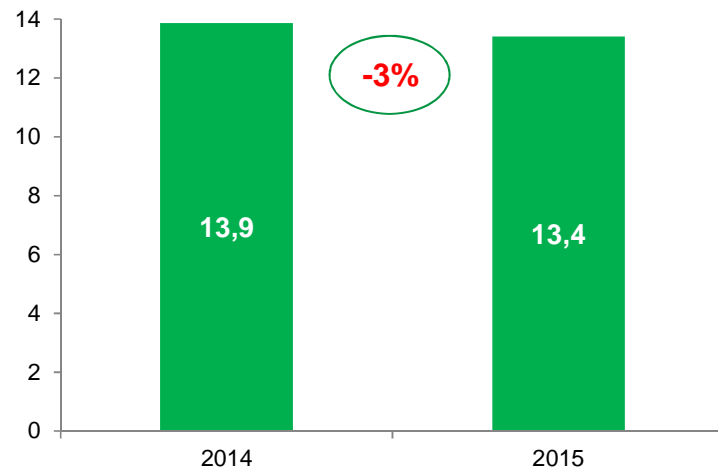
- Sales of **Absorcol, Vytorin and Orvatez** (the last one launched in June 2015), **increased by 14%** to €24.3Mn in 2015.
- Sales of **Hirobriz and Ulunar**, both products for patients with COPD, launched in Spain in Q4 2014 **increased by 3.6x** to €7.5Mn in 2015.
- Sales of **Medicebran and Medikinet**, products launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, **decreased by 1%** to €7.4Mn in 2015.
- Sales of **Thymanax**, product launched in March 2010, decreased by 28% to €7.4Mn in 2015.

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.

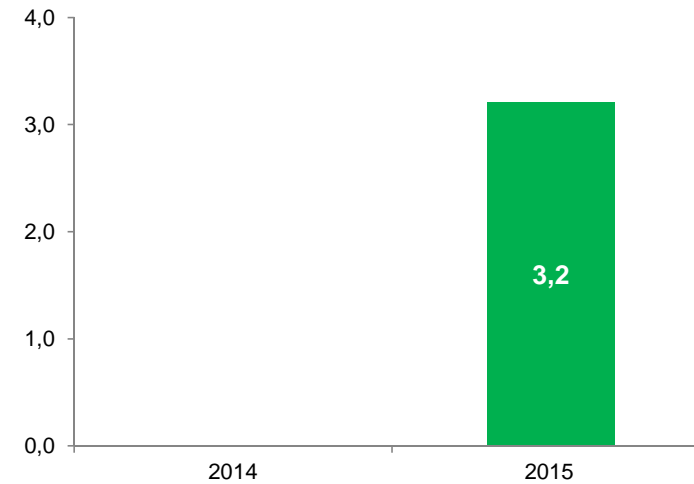


Good performance of the product portfolio (2/2)

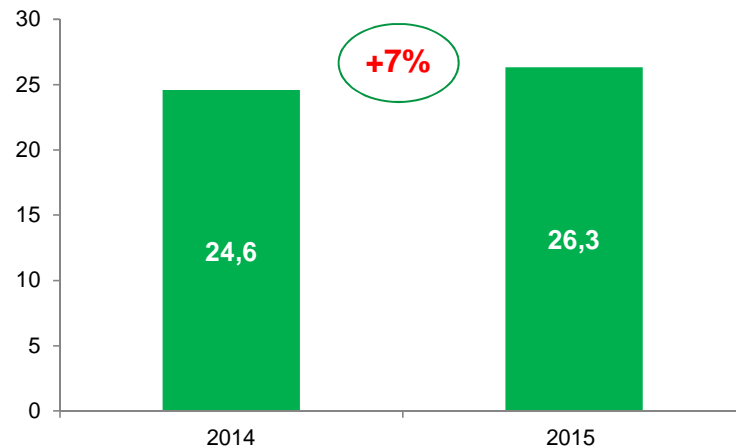
Corlantor sales (€Mn)



Volutsa sales (€Mn)



Contrast imaging agents (€Mn)



- Sales of **Corlantor** decreased by 3% to €13.4Mn in 2015.
- Sales of **Volutsa**, launched in Spain in February 2015, reached €3.2Mn in 2015.
- **Exxiv** sales decreased by 14% to €5.9Mn, mainly due to a deceleration of the COX-2 market.
- **Contrast imaging agents** and other hospital products **increased by 7%** to €26.3Mn in 2015.

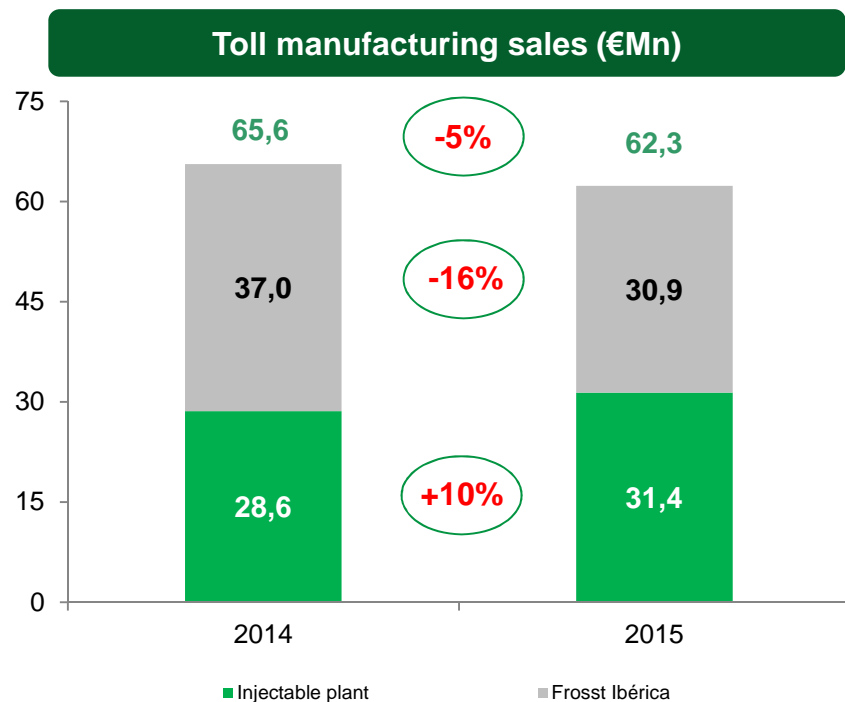
Corlantor is a specialty product for stable angina and chronic heart failure from Laboratoires Servier.

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 decreased by 5% to €62.3Mn in 2015.
- Very positive evolution of the **injectables plant**, whose revenue **increased by 10%** to €31.4Mn in 2015. In line with the increase in sales, spare capacity has been reduced.
- **Frosst Ibérica** plant revenue amounted to €30.9Mn in 2015 compared to €37.0Mn in 2014 because of a lower production for MSD.
- In 2015, ROVI has strengthened its toll manufacturing area through:
 - ✓ The acquisition of assets of a manufacturing plant in San Sebastián de los Reyes; and
 - ✓ The signature of an agreement with Merus Labs to manufacture Sintrom.



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 successfully finished. Final positive results 1Q 2016 Phase III starts 2H 2016
	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 2016

**2016 operating
revenues growth rate**

high single digit –
low double digit

Our main strategic pillars to lead growth

Specialty pharma

- Bemiparin
- Recent launches such as Orvatez, Volutsa, Ulunar and Hirobriz
- Existing portfolio (Vytorin, Absorcol, Medikinet, Corlontor, contrast imaging agents...)
- 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



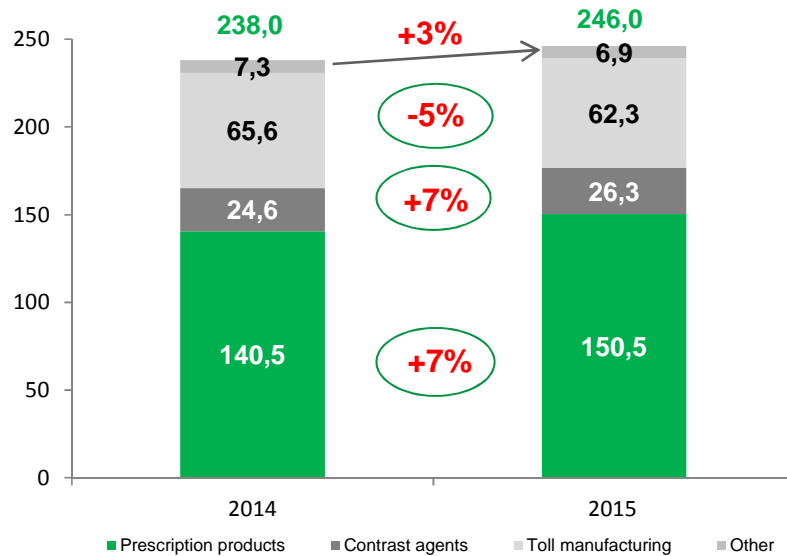
Financial results

Javier López-Belmonte
Chief Financial Officer

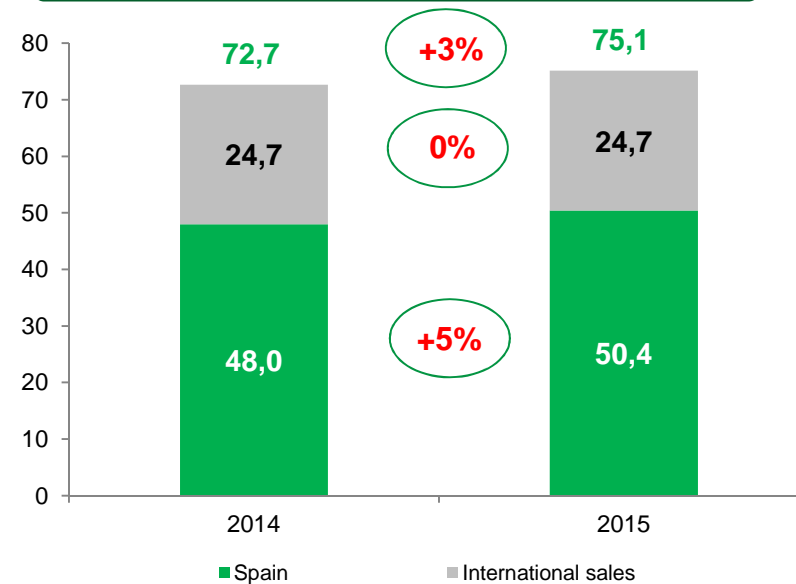
Good revenue level with outstanding Bemiparin growth in Spain



Total operating revenue (€Mn)



Bemiparin sales (€Mn)



➤ **Operating revenue** at €246.0Mn, reaching a **3% growth** achieved on:

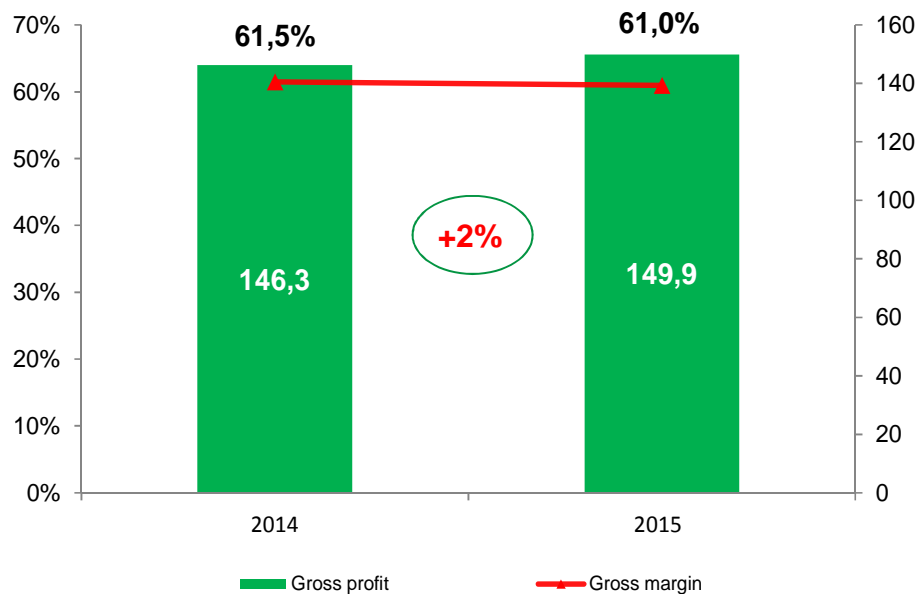
- ✓ 7% growth in prescription-based products;
- ✓ 7% growth in contrast agents and other hospital products;
- ✓ -5% growth in toll manufacturing; and
- ✓ OTC and other revenues decreased by 6% (including revenue from distribution licenses).

➤ **Bemiparin**, ROVI'S flagship product internally developed, reached sales of €75.1Mn (**3% rise** vs 2014). **Sales grew by 5% in the domestic market.**

Gross margin impacted by a reduction in Other income (subsidies)



Gross profit (€Mn) & Gross margin (%)

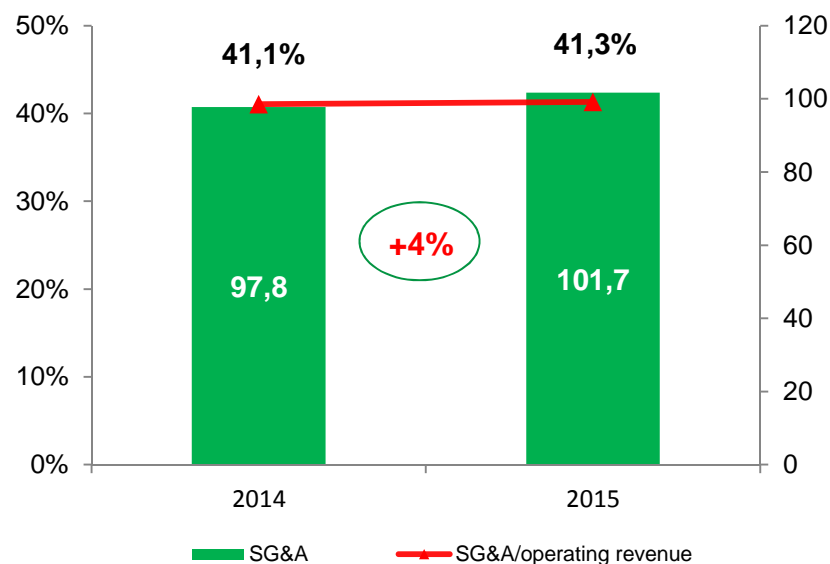


- **Gross profit increased by 2%** to €149.9Mn in 2015.
- **Gross margin** decreased by 0.5 pp in 2015 to 61.0% vs 2014.
- Excluding the impact of Other income (subsidies), which decreased by 65% in 2015, **gross margin would increase by 0.3 pp to 60.5%** in 2015 from 60.3% in 2014.
- The decrease of the Bemiparin raw material cost impacted positively in 2015 gross margin.

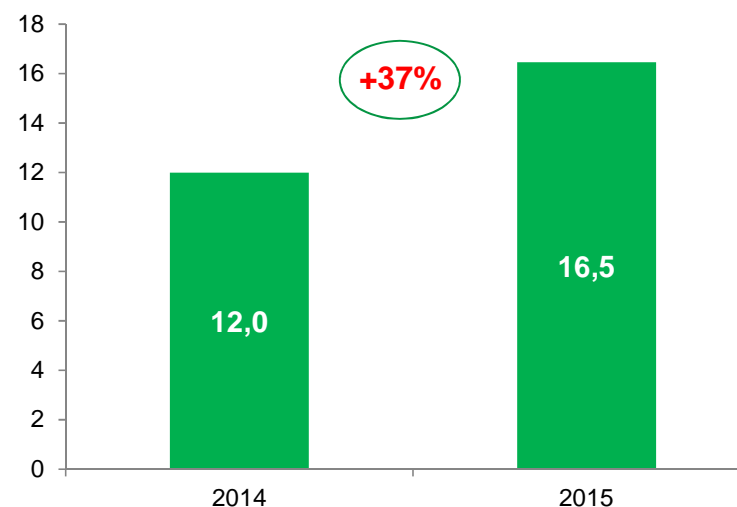
Significant investment effort in new product launches and R&D



SG&A expenses (€Mn)



R&D expenses (€Mn)

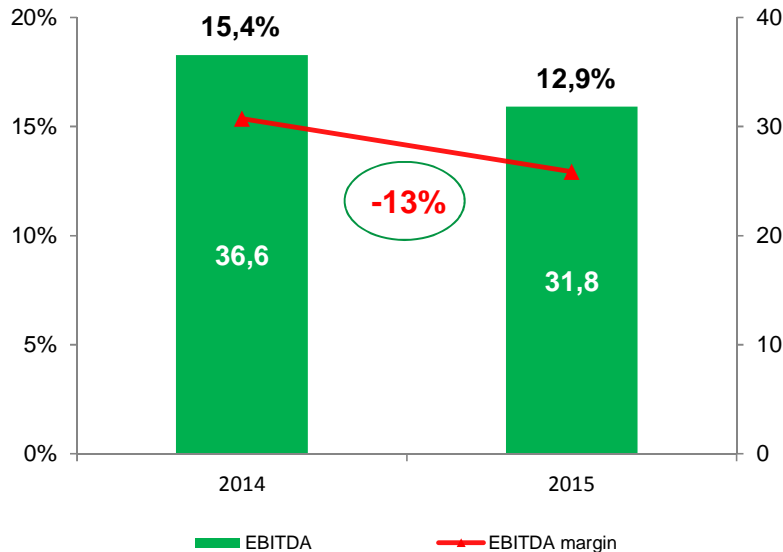


- **SG&A expenses** increased by 4% to €101.7Mn in 2015 mainly due to recent product launches such as Hirobriz, Ulunar, Volutsa and Orvatez. However, excluding the impact (i), in 2015, of the launches mentioned above, which added expenses of €3.3Mn, and (ii), in 2014, of Hirobriz and Ulunar launches, which added expenses of €1.1Mn in Q4, SG&A would increase by 2% to 98.4 million euros in 2015.
- **R&D expenses** increased by 37% to €16.5Mn mainly due to:
 - ✓ the development of the Risperidone-ISM[®] Phase II trial; and
 - ✓ the performing of development activities of the formulation for the Risperidone-ISM phase III trial and the Letrozole-ISM phase I trial.

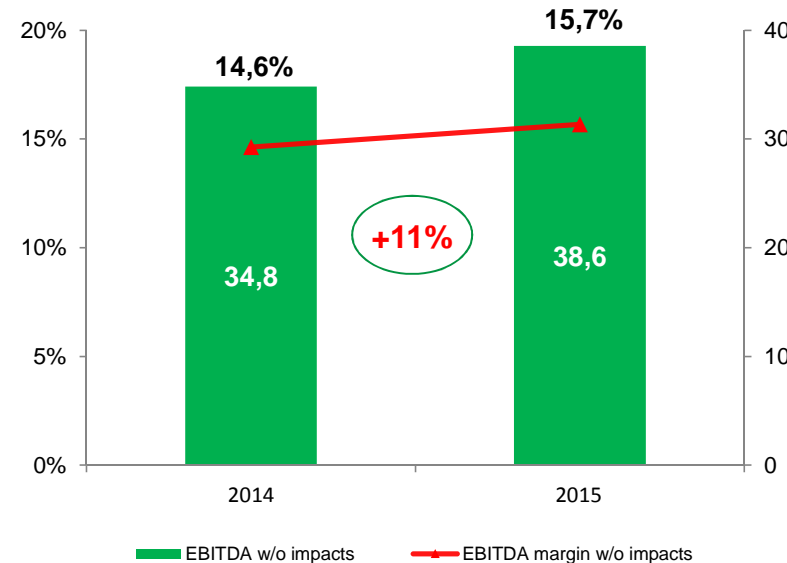


EBITDA

EBITDA (€Mn) and EBITDA margin (%)



EBITDA (€Mn) and EBITDA margin (%) w/o impacts

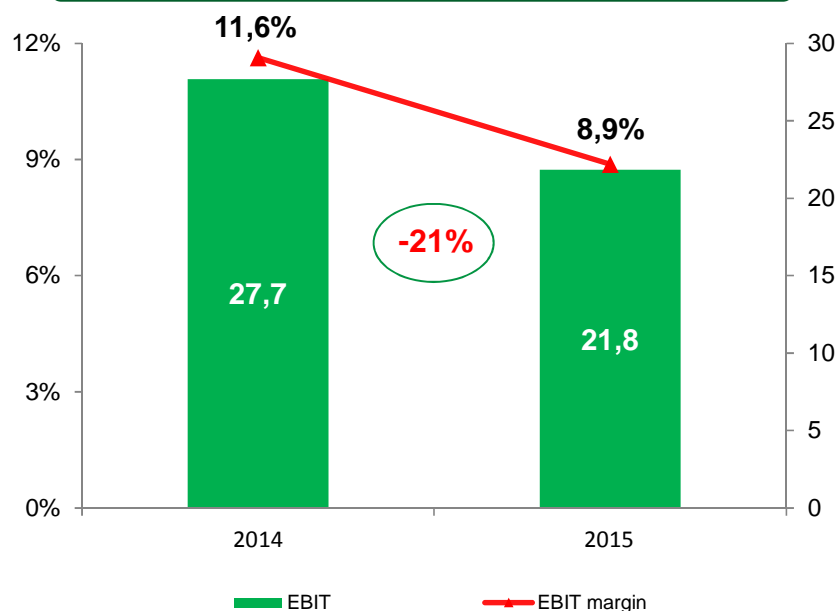


- **EBITDA decreased by 13%** to €31.8Mn in 2015, reflecting a **2.4 pp fall in the EBITDA margin** to 12.9% in 2015 down from 15.4% in 2014.
- In 2015, EBITDA was impacted by (i) a 65% reduction in Other income (subsidies), (ii) a 37% increase in R&D expenses, mainly as a result of the development of the ISM-Risperidone Phase II study and (iii) recent product launches such as Hirobriz, Ulunar, Volutsa and Orvatez which added SG&A of €3.3Mn in 2015 compared to €1.1Mn added by Hirobriz and Ulunar launches in Q4 2014.
- However, maintaining, in 2015, the same amount of R&D expenses that was registered in 2014 and excluding, in 2015 and 2014, the impact of (i) Other income and (ii) recent product launches, **EBITDA would increase by 11%** to €38.6Mn, **reflecting a 1.0 pp rise in the EBITDA margin** to 15.7% in 2015 up from 14.6% in 2014.

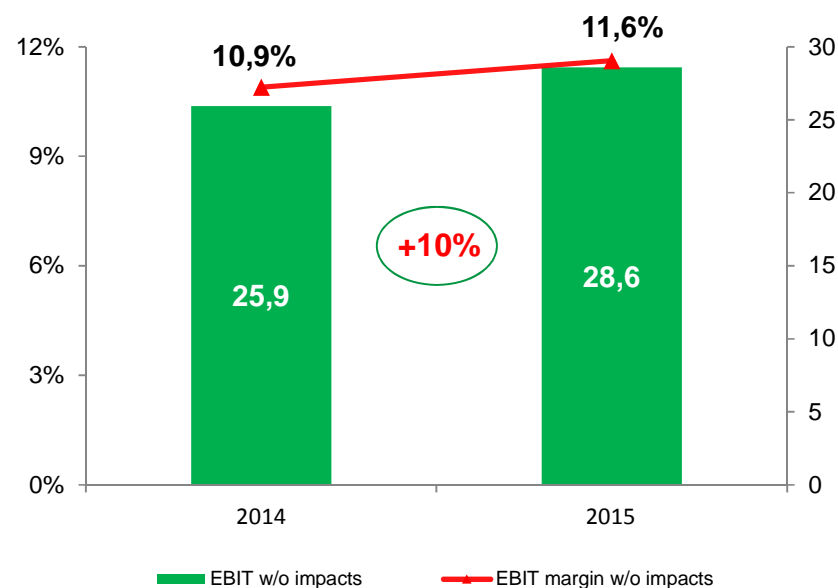


EBIT

EBIT (€Mn) and EBIT margin (%)



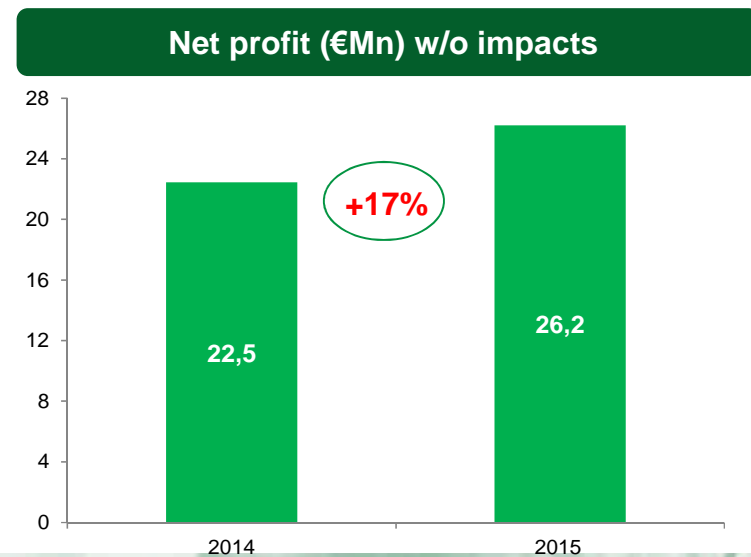
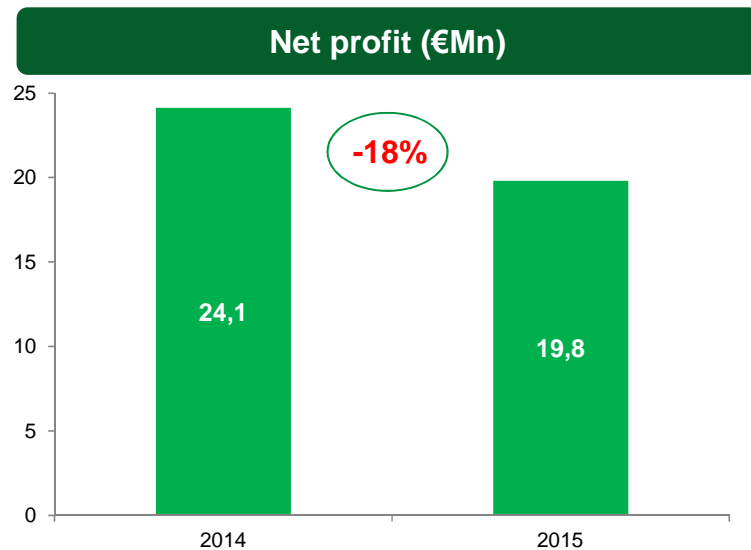
EBIT (€Mn) and EBIT margin (%) w/o impacts



- **Depreciation and amortization expenses** increased by 12% in 2015, up to €10.0Mn, as a result of the new PP&E and intangible assets purchases made during the last twelve months.
- **EBIT decreased by 21%** to €21.8Mn in 2015, compared to 2014, **reflecting a 2.8 pp decline in the EBIT margin** to 8.9% down from 11.6% in 2014.
- However, maintaining, in 2015, the same amount of R&D expenses that was registered in 2014 and excluding, in 2015 and 2014, the impact of (i) Other income and (ii) recent product launches, **EBIT would increase by 10%** to €28.6Mn, **reflecting a 0.7 pp rise in the EBIT margin** to 11.6% in 2015 up from 10.9% in 2014.



Net profit

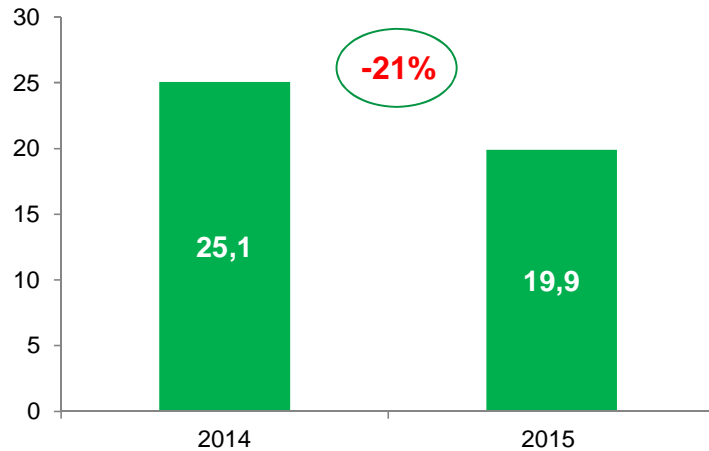


- **Net profit declined by 18%** to €19.8Mn in 2015. However, maintaining, in 2015, the same amount of R&D expenses that was registered in 2014 and excluding, in 2015 and 2014, the impact of (i) Other income and (ii) recent product launches, **net profit would increase by 17%** to €26.2Mn.
- **Effective tax rate of 5.2%** in 2015 vs 5.9% in 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 Dec 2015, Frosst Ibérica **negative tax bases amounted to €42.5Mn**, of which €5.7Mn will be used in the 2015 income tax.
- On 27 Nov 2014, a deep tax reform was approved by law. These tax measures, that have been in force since Jan 2015, have positively affected (and 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.

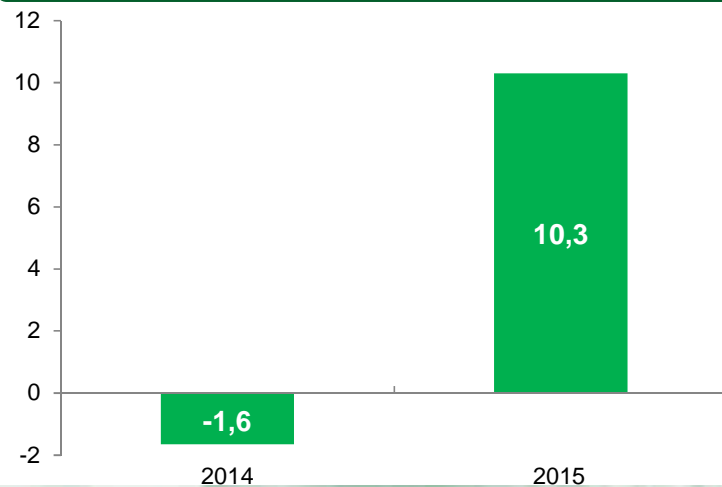


Capital expenditure & Free Cash Flow

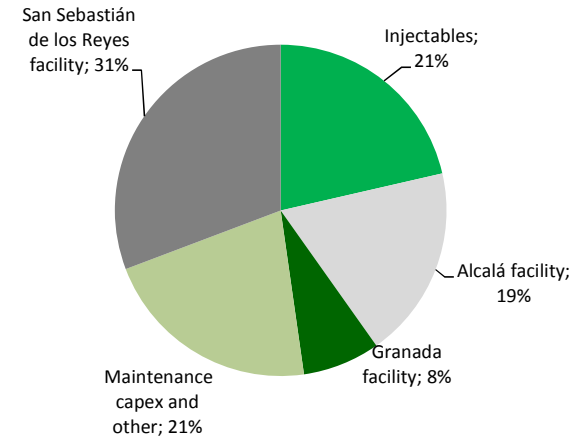
Capex evolution (€Mn)



FCF (€Mn)



Capex breakdown (%)

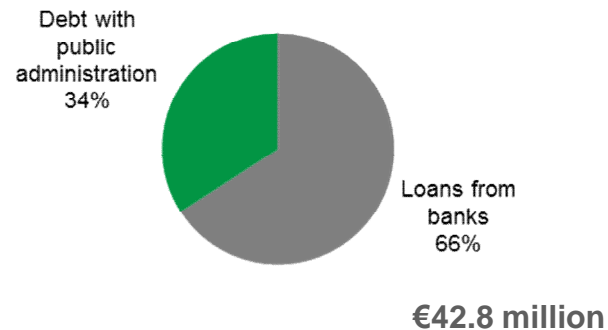


- €19.9Mn of **capex** invested in 2015.
 - ✓ €4.3Mn of investment capex related to the injectables plant;
 - ✓ €1.5Mn of investment capex related to the Granada facility;
 - ✓ €3.7Mn of investment capex related to the Alcalá facility;
 - ✓ €4.3Mn of maintenance capex and other; and
 - ✓ The rest is mainly related to the acquisition of assets of a manufacturing plant in San Sebastián de los Reyes.
- **FCF** increased to €10.3Mn mainly due to:
 - ✓ €5.2Mn decrease in Capex;
 - ✓ €6.7Mn reduction in “trade and other receivables” in 2015 vs €7.8Mn increase in 2014; and
 - ✓ €3.7Mn decrease in “inventories” in ‘15 vs €8.8Mn increase in ‘14.

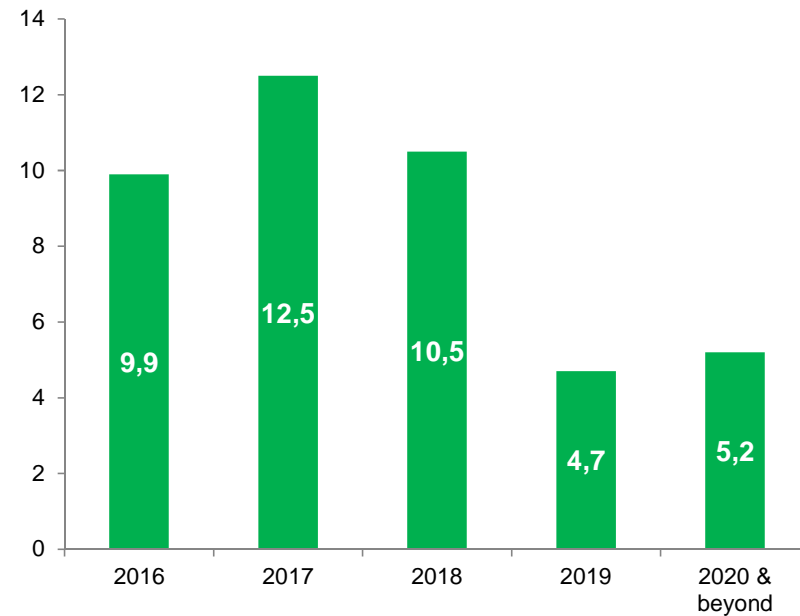


Financial debt

Debt breakdown by source (%)



Debt maturities by year (€Mn)



- **Debt with public administration** represented **34%** of total debt, with 0% interest rate.
- **Gross cash position of €30.7Mn** as of 31 December 2015 vs €27.0Mn as of 30 September 2015 and €28.0Mn as of 31 December 2014.
- **Net debt of €12.1Mn** as of 31 December 2015 vs €17.1Mn as of 30 September 2015 and €8.3Mn as of 31 December 2014.
- ROVI will propose to the Shareholders General Meeting a **dividend of 0.1390** euros per share on 2015 earnings. This dividend represents a 35% pay out.



News-flow 2016

Specialty pharma

- Additional new in-licensing products to be launched

Toll manufacturing

- New contracts to be announced

R&D

- Final positive results from ISM-Risperidone[®] Phase II to be released in Q1 2016
- Start of ISM-Risperidone[®] Phase III in H2 2016
- Start of ISM-Letrozole[®] Phase I in H1 2016
- Potential authorisation for the marketing of a biosimilar of enoxaparin



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