



Rovi

Nine-month period ended 30 September 2014 Financial Results

November 2014

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Operating results



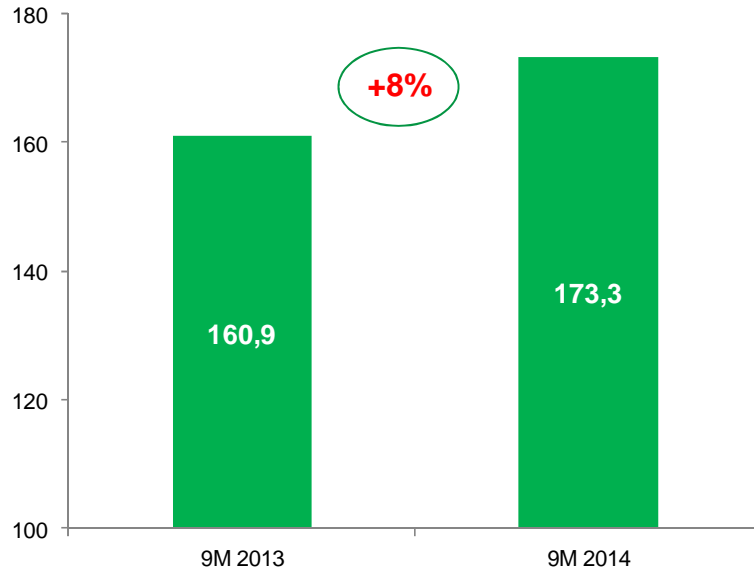
9M 2014 financial results - Highlights

- **Operating revenue** increased by 8% to €173.3Mn, mainly driven by the strength of the prescription-based pharmaceutical business, where sales rose 9%, clearly outperforming the market, and by the toll manufacturing business which grew by 6%. Total revenue increased by 8% to 175.5 million euros in the nine-month period ended 30 September 2014.
- **For 2015**, ROVI expects a **mid-to-high single digit growth rate** for the operating revenue.
- **Outstanding performance of Bemiparin**: +8% growth to €53.0Mn, representing 31% of total operating revenue.
- **Excellent performance of Absorcol & Vytorin**: sales increase of 19%.
- **Excellent performance of Corlentor**: sales increase of 19%.
- **Sales of Medicebran and Medikinet**, both products launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, reached €5.1Mn.
- **EBITDA increased by 14%** to €28.9Mn, reflecting a **0.9pp EBITDA margin rise** vs 9M 2013.
- **Net profit** (€19.9Mn) growth of 6%.
- In July, ROVI paid a gross **dividend of €0.1612/share** on 2013 earnings, **+18%** vs last dividend.

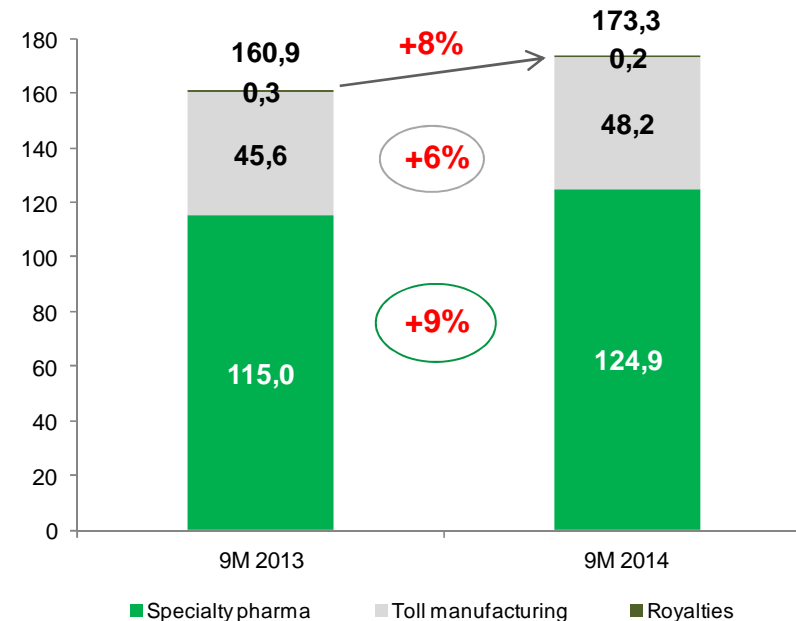
Growth driven by the specialty pharmaceutical business strength...



Total operating revenue (€Mn)



Operating revenue growth by category (€Mn)



- **Operating revenue increased by 8% in 9M 2014, up to €173.3Mn, driven by the strength of:**
 - ✓ the **specialty pharmaceutical business**, where **sales rose 9%**; and
 - ✓ the **toll manufacturing business**, where **sales increased by 6%**.
- **ROVI forecasts to continue growing despite the difficult situation that the Spanish pharmaceutical industry is going through:**
 - ✓ 1% rise expected by Farmaindustria¹ for 2014;
 - ✓ 2% reduction expected by Farmaindustria¹ for 2015; and
 - ✓ continued decreases in the pharmacy retail market at least until 2017 according to IMS Health².

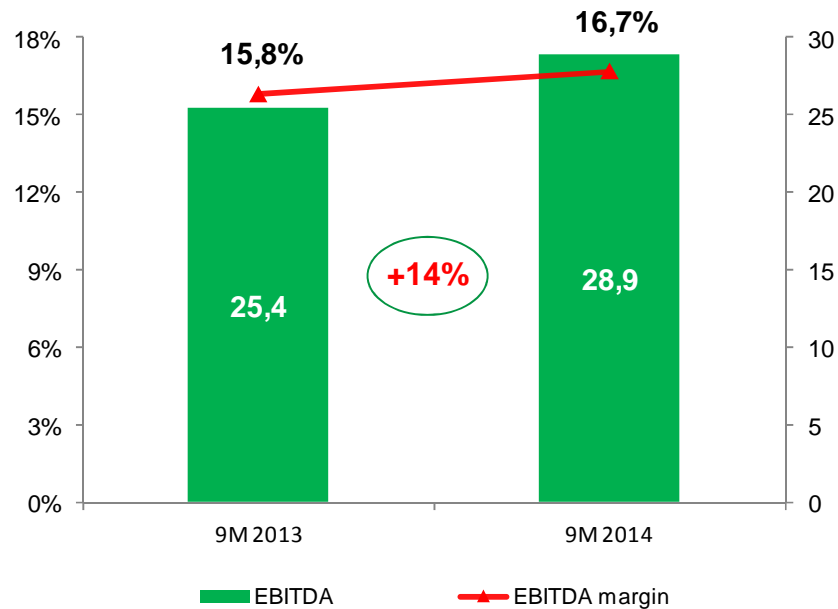
¹ <http://www.farmaindustria.es/web/indicadores/mercado-farmaceutico/>

² [http://www.farmaindustria.es/web/documentos/boletines_\(boletín_nº_108,_Abril_2014\).](http://www.farmaindustria.es/web/documentos/boletines_(boletín_nº_108,_Abril_2014).)

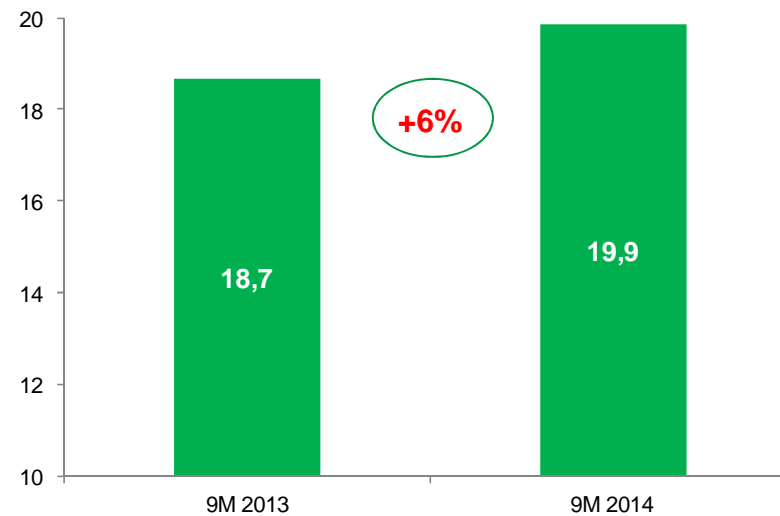


...with high profitability

EBITDA (€Mn) and EBITDA margin (%)



Net profit (€Mn)

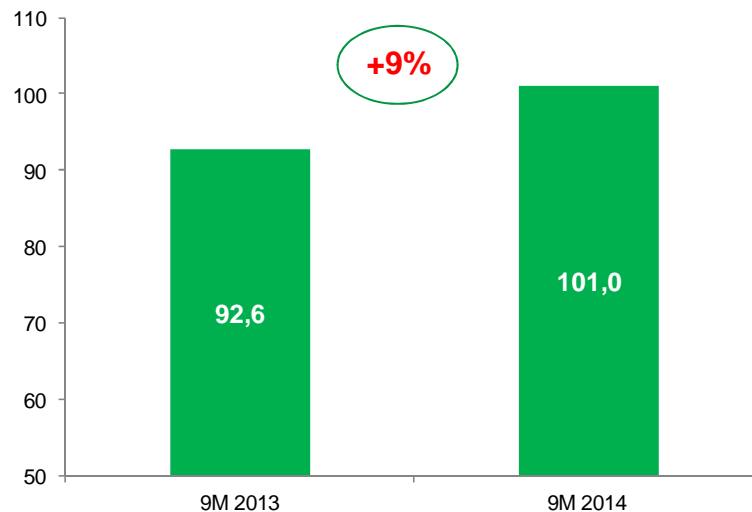


- **EBITDA increased by 14%** to €28.9Mn in 9M 2014, reflecting a **0.9 pp rise in the EBITDA margin** to 16.7% in 9M 2014 up from 15.8% in 9M 2013, thanks to the increase in revenues and to the operating leverage of the business.
- **Net profit increased by 6%** to €19.9Mn in 9M 2014.

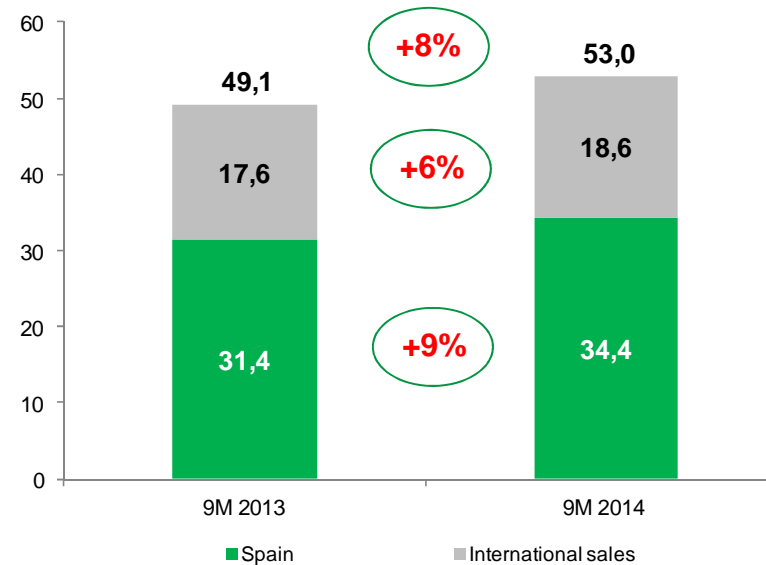


Bemiparin, leading the growth

Prescription-based pharma products sales (€Mn)



Bemiparin sales (€Mn)

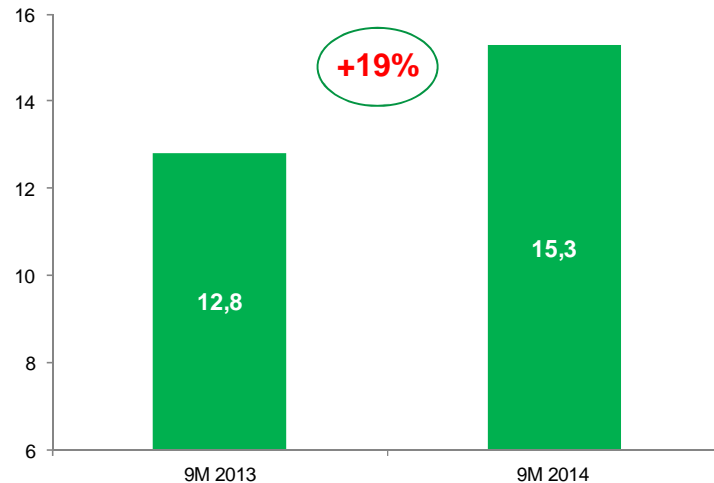


- Sales of **prescription-based pharmaceutical products increased by 9%** to €101.0Mn in 9M 2014.
- **Bemiparin sales increased by 8%** in 9M 2014:
 - ✓ **Sales in Spain grew by 9%** to €34.4Mn, reaching a 26% market share in 9M 2014.
 - ✓ **International sales rose 6%** supported by the increased presence in countries where it was already present.
 - ✓ Registration approval obtained in China and potential launch in the Chinese market in Q1 2015.

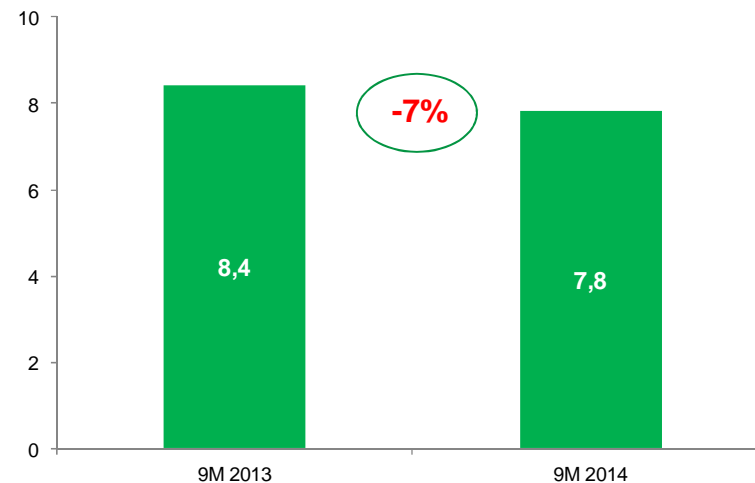


Good performance of the product portfolio (1/2)

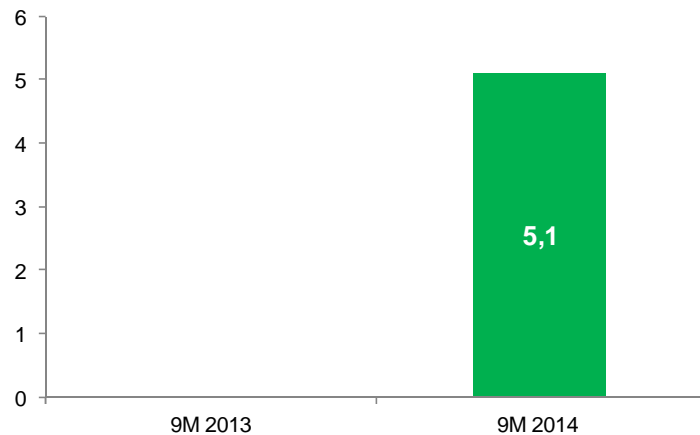
Absorcol and Vytorin sales (€Mn)



Thymanax sales (€Mn)



Medicebran and Medikinet sales (€Mn)



- Sales of **Absorcol and Vytorin**, products launched in January 2011, **increased by 19%** to €15.3Mn in 9M 2014.
- Sales of **Thymanax**, product launched in March 2010, decreased by 7% to €7.8Mn in 9M 2014.
- Sales of **Medicebran and Medikinet**, products launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, **reached €5.1Mn** in 9M 2014.
- **ROVI expects to start Hirobriz and Ulunar commercialization in Q4 2014.**

Notes: Thymanax is an innovative antidepressant from Laboratoires Servier.

Vytorin and Absorcol are the first of the five licenses of MSD.

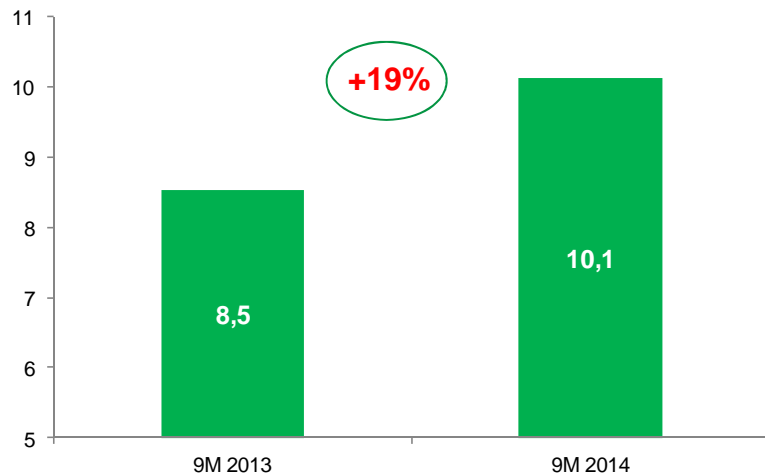
Medicebran and Medikinet are specialty products from Medice indicated for the treatment of ADHD in children and teenagers.

Hirobriz Breezhaler and Ulunar Breezhaler are both products from Novartis indicated for the treatment of COPD (Chronic Obstructive Pulmonary Disease).

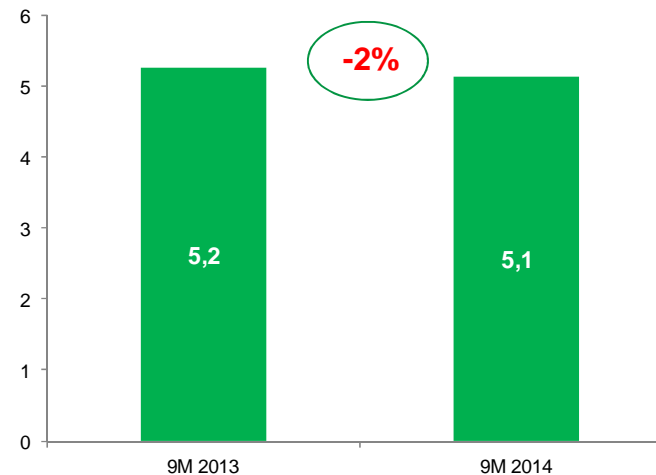


Good performance of the product portfolio (2/2)

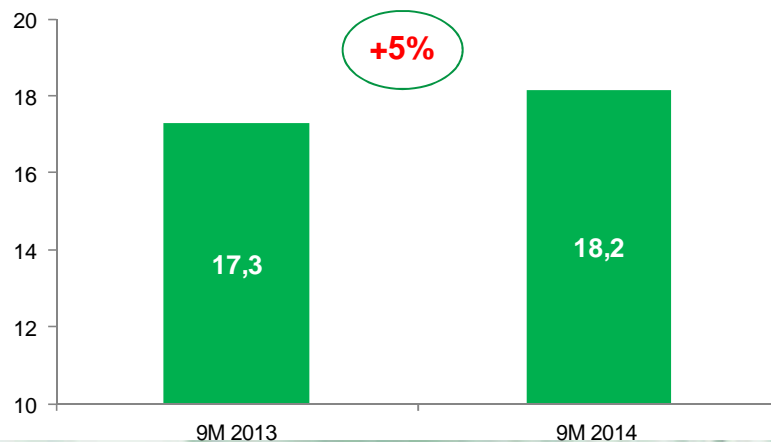
Corlentor sales (€Mn)



Exxiv sales (€Mn)



Contrast imaging agents (€Mn)

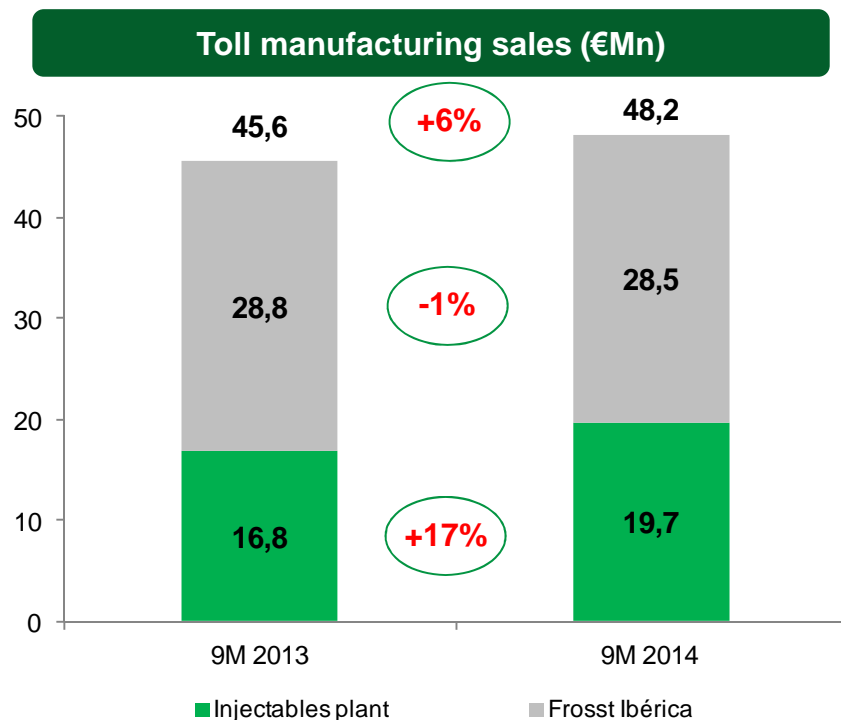


- Sales of **Corlentor** maintained a very positive behaviour, with a **19% increase** in sales to €10.1Mn.
- **Exxiv** sales decreased by 2% to €5.1Mn, mainly due to a deceleration of the COX-2 market.
- **Contrast imaging agents** and other hospital products **increased by 5%** to €18.2Mn in 9M 2014.

*Note: 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 6% to €48.2Mn in 9M 2014.
- Very positive evolution of the **injectables plant**, whose revenue **increased by 17%** to €19.7Mn in 9M 2014. In line with the increase in sales, spare capacity has been reduced.
- **Frosst Ibérica** plant revenue amounted to €28.5Mn in 9M 2014 compared to €28.8Mn in 9M 2013 because of a lower production for MSD.



Guidance 2014 and 2015



Our main strategic pillars to lead growth

Specialty pharma

- Bemiparin
- Recent launches such as Vytorin, Absorcol, Medikinet...
- Existing portfolio (Corlontor, contrast imaging agents...)
- New in-licensed products to be launched (Hirobriz and Ulunar)

Toll manufacturing

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

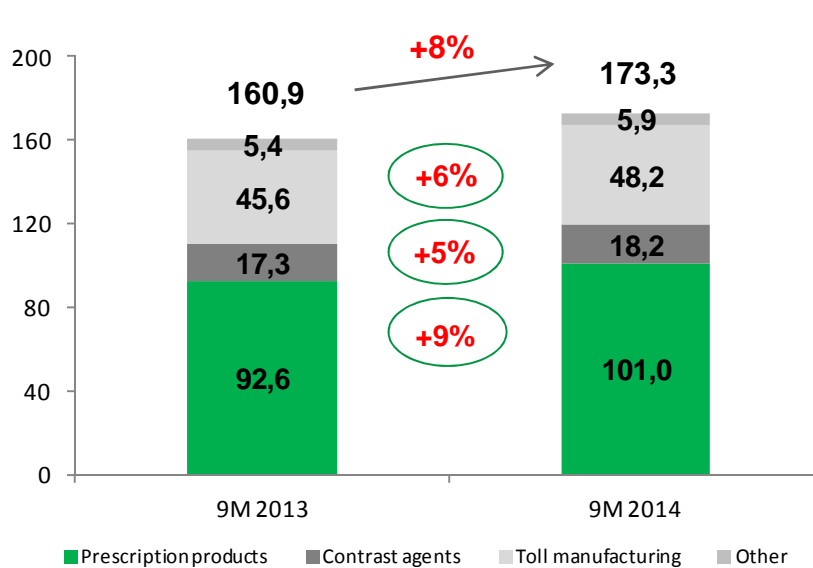


Financial results

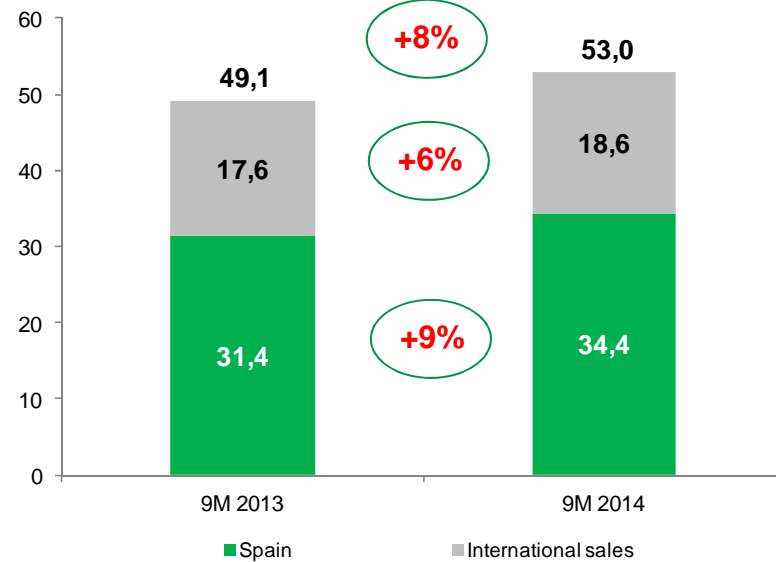
Excellent revenue level with outstanding Bemiparin growth



Total operating revenue (€Mn)



Bemiparin sales (€Mn)



➤ **Operating revenue** at €173.3Mn, reaching an **8% growth** achieved on:

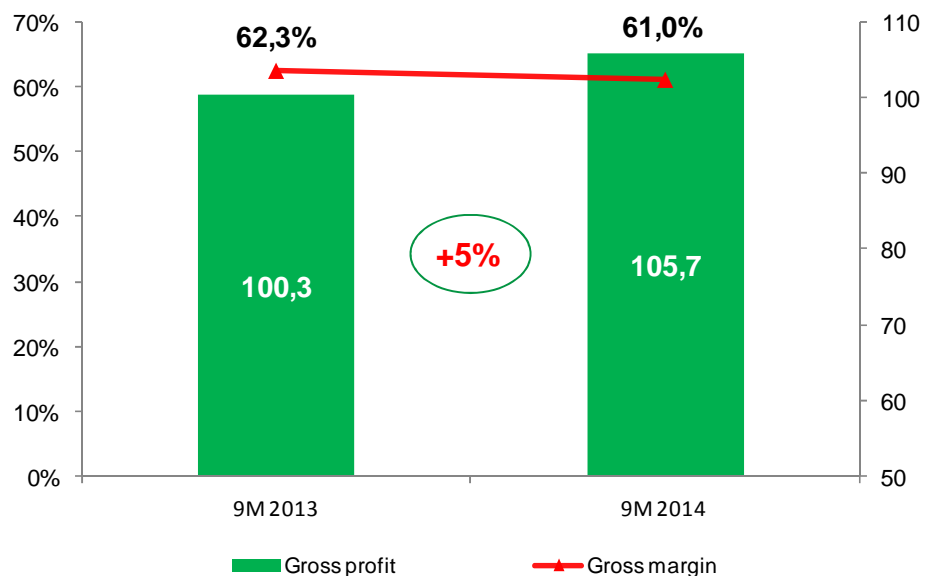
- ✓ 9% growth in prescription-based products;
- ✓ 5% growth in contrast agents and other hospital products;
- ✓ 6% growth in toll manufacturing; and
- ✓ OTC and other revenues grew by 9% (including revenue from distribution licenses).

➤ **Bemiparin**, ROVI'S flagship product internally developed, reached sales of €53.0Mn (**8% growth** vs 9M 2013). Sales grew by 9% and 6% in the domestic and international markets respectively.

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



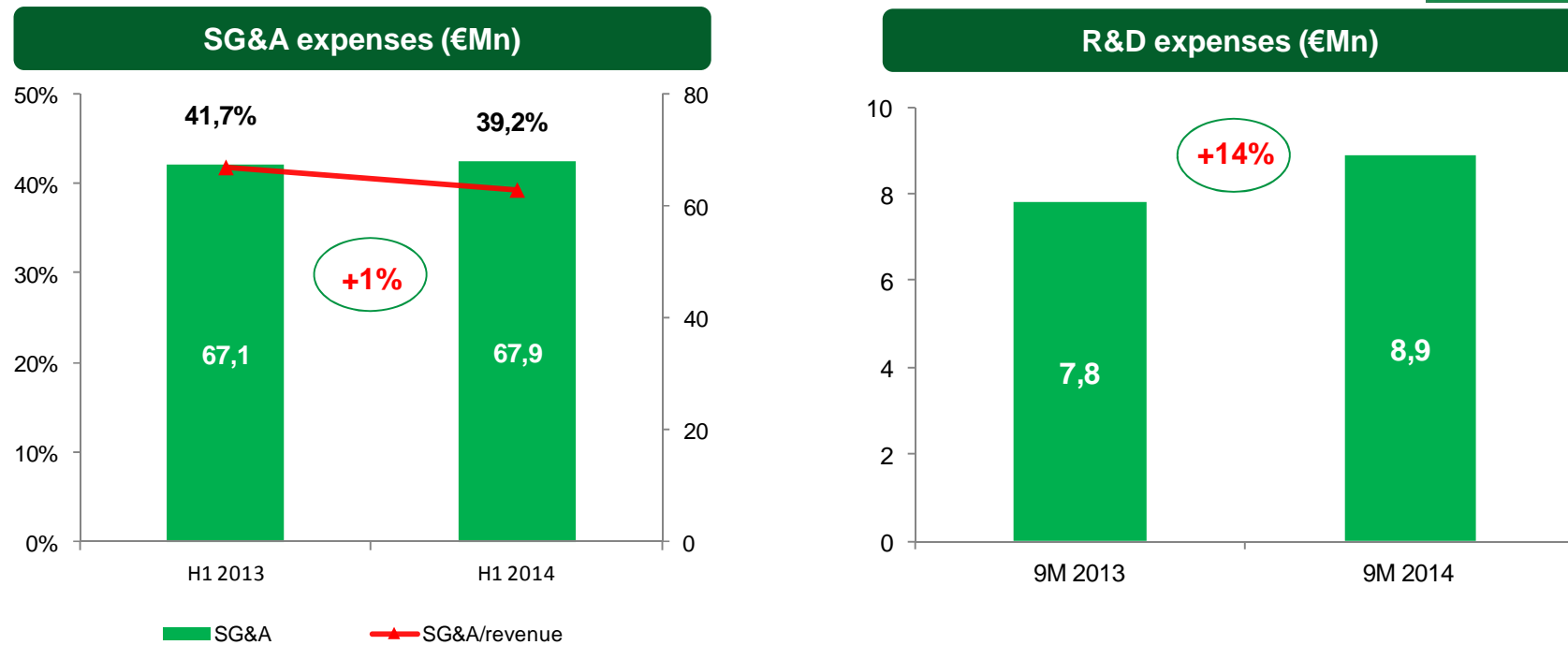
Gross profit (€Mn) & Gross margin (%)



- **Gross margin** decreased by 1.4 pp in 9M 2014 vs 9M 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 9M 2014 gross margin.
- **Gross profit increased by 5%** to €105.7Mn in 9M 2014.



Cost control along with commitment to R&D



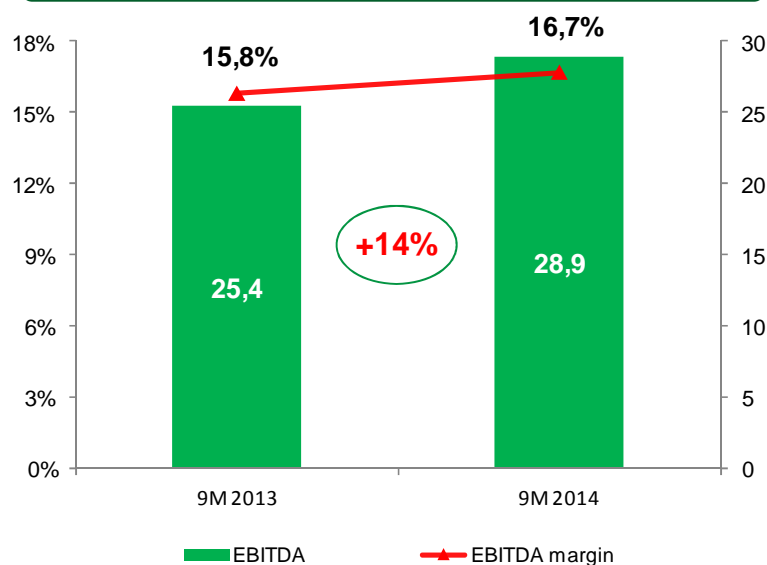
➤ **SG&A expenses** increased by 1% to €67.9Mn in 9M 2014 mainly due to an increase in personnel costs. Nevertheless, the SG&A/revenues ratio decreased by 2.5 pp to 39.2%.

➤ **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.

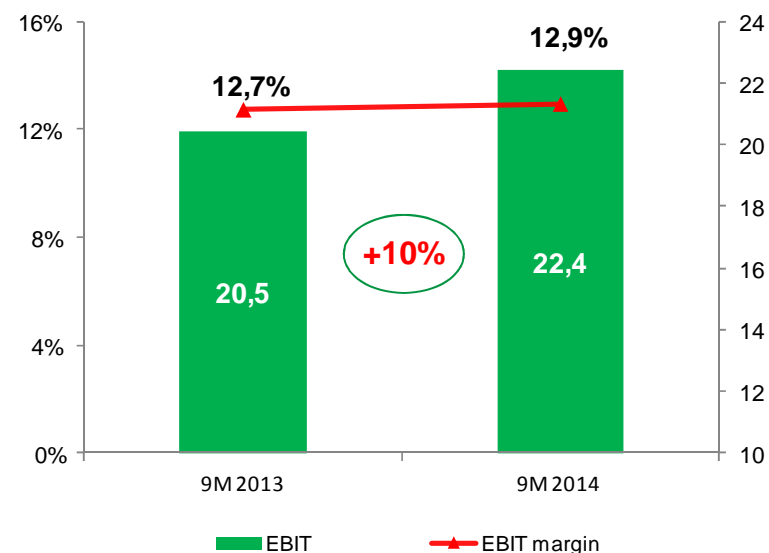


EBITDA & EBIT

EBITDA (€Mn) and EBITDA margin (%)



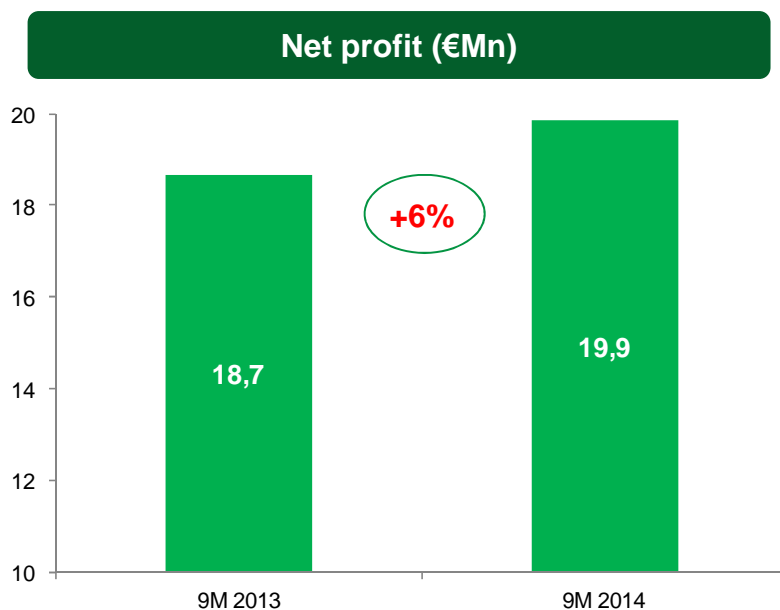
EBIT (€Mn) and EBIT margin (%)



- **EBITDA increased by 14%** to €28.9Mn in 9M 2014, reflecting a **0.9 pp rise in the EBITDA margin** to 16.7% in 9M 2014 up from 15.8% in 9M 2013. This increase has been achieved on higher sales and operating leverage of the business.
- **Depreciation and amortization expenses** increased by 31% in 9M 2014, up to €6.5Mn, as a result of the new PP&E and intangible assets purchases made during the last twelve months.
- **EBIT increased by 10%** to €22.4Mn in 9M 2014, reflecting a **0.2 pp rise in the EBIT margin** to 12.9% up from 12.7% in 9M 2013.



Net profit

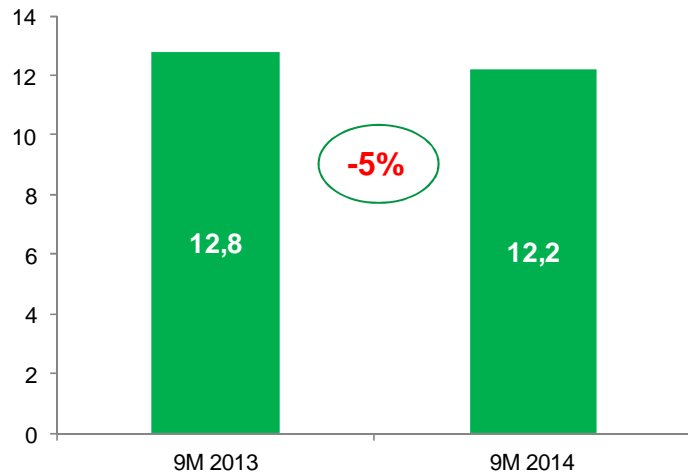


- **Net profit increased by 6%** to €19.9Mn in 9M 2014.
- **Effective tax rate of 5.2%** in 9M 2014 vs 4.1% in 9M 2013. This favourable effective tax rate is due to:
 - ✓ deduction of existing R&D expenses; and
 - ✓ capitalisation of existing negative tax bases from Frosst Ibérica.
- As of December 2013, Frosst Ibérica had **€57.5Mn of negative tax bases**, of which €7.4Mn were used in the 2013 income tax and €6.2Mn to be used in 9M 2014.
- On 20 June 2014, the Spanish Government announced a deep tax reform, to be introduced from January 2015.
- These suggested tax measures would 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.
- The tax reform content is still pending to be approved. Among the suggested tax measures that would 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 from 2016; and
 - ✓ R&D tax credit schedule is maintained.

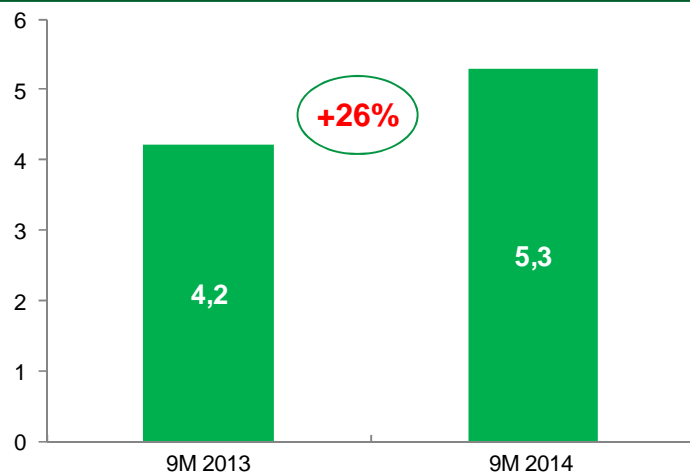


Capital expenditure & Free Cash Flow

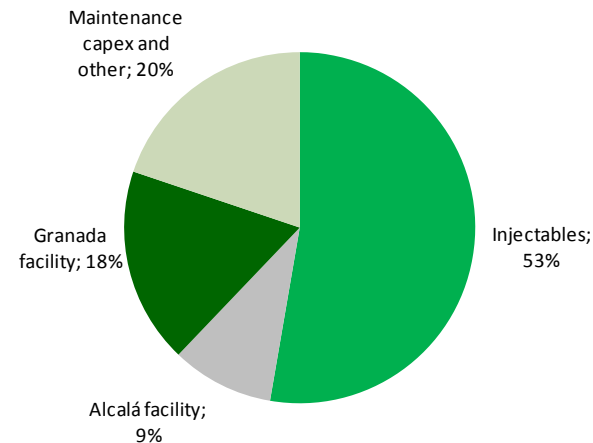
Capex evolution (€Mn)



FCF (€Mn)



Capex breakdown (%)

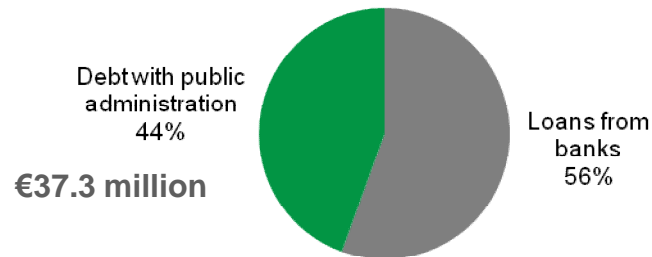


- €12.2Mn of **capex** invested in 9M 2014.
 - ✓ €6.4Mn of investment capex related to the injectables facility;
 - ✓ €2.2Mn of investment capex related to the Granada facility;
 - ✓ €1.2Mn of investment capex related to the Alcalá facility; and
 - ✓ €2.4Mn of maintenance capex and other.
- ROVI expects capex for 2014 to be below the 2013 figure (€24.7Mn), but above the 2012 level (€13.7Mn).
- **FCF** increased by 26% mainly due to:
 - ✓ €3.8Mn decrease in “trade & other payables” in 9M ‘14 vs €7.0Mn increase in 9M ‘13; and
 - ✓ €1.1Mn increase in “trade and other receivables” in 9M ‘14 vs €12.1Mn increase in 9M ‘13.

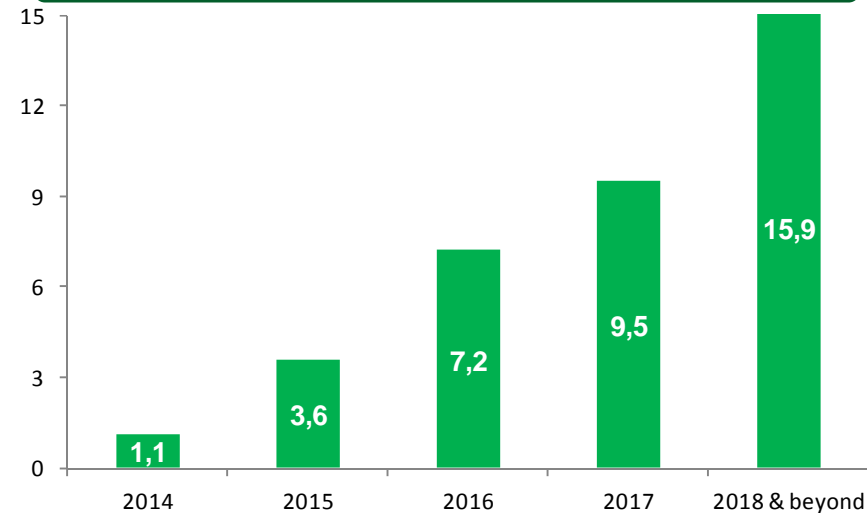


Financial debt

Debt breakdown by source (%)



Debt maturities by year (€Mn)



- **Debt with public administration** represented **44%** 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 9M 2014, **total debt increased only by €6.3Mn** as of 30 September 2014 compared to total debt as of 31 December 2013.
- **Gross cash position of €36.1Mn** as of 30 September 2014 vs €36.7Mn as of 31 December 2013.
- **Net cash position of -€1.2Mn** as of 30 September 2014 vs €5.8Mn as of 31 December 2013 mainly as a result of a 6.3 million euros total debt increase.
- On July 3, ROVI paid a dividend of €0.1612 per share on 2013 earnings. This dividend meant an increase of 18% compared to the dividend on 2012 earnings.



News-flow 2014/2015

Specialty pharma

- Additional new in-licensing products to be launched

Toll manufacturing

- New contracts to be announced

R&D

- Results of ISM-Risperidone[®] Phase I to be released in Q4 2014
- Results of ISM-Risperidone[®] Phase II to be released in Q3 2015
- Start of ISM-Risperidone[®] Phase III



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