

Barcelona (Spain), November 14, 2017

## **RESULTS NOTE: THIRD QUARTER 2017**

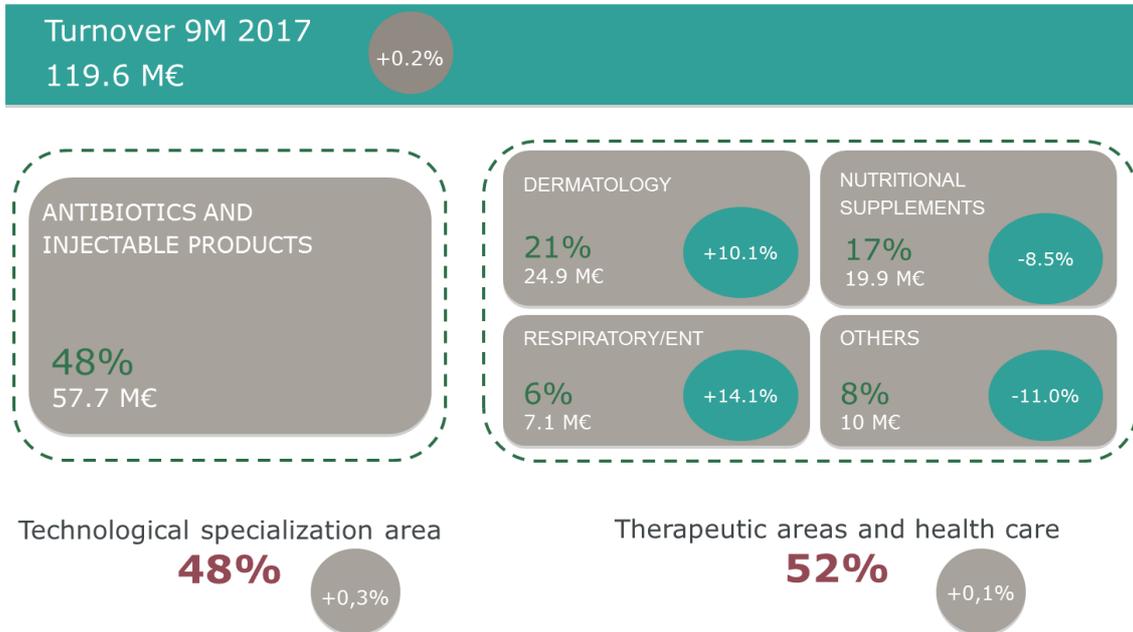
Despite the slow recovery of raw material supply in the antibiotics line

### **REIG JOFRE KEEPS SALES STABLE, REDUCES NET DEBT AND CONTINUES TO INVEST IN MANUFACTURING CAPACITY TO ATTEND EXPECTED INCREASE OF DEMAND**

- Reig Jofre closed the first nine month of the year with turnover of 119,6 M€ (+0.2%)
- The good performance of the lines of injectables (+ 21%), dermatology (+ 10%) and respiratory (+ 14%) counteracted the still slow recovery of the lines of antibiotics (-9%) and nutritional supplements (-9%)
- Reig Jofre closed the third quarter of 2017 with EBITDA of 9.2 M € compared to 11.5 M € in the same period of the previous year, directly motivated by the increase in personnel costs due to investments in manufacturing capacity in three of its four plants, as a result of the growth in demand in the dermatology and injectable lines; the investment in expansion projects in new markets in the line of antibiotics, and the non-reduction of the workforce linked to this line despite the fall in sales and in anticipation to the beginning of the recovery
- Despite the above, a better financial result and a lower tax item slightly corrected the impact on the net result, which stood at 3.2 M € versus 5.0 M € in the same period of 2016
- At the end of September, net financial debt was reduced by 37% to € 13.8 million, below 1 time EBITDA, compared to 1.9 times at the end of 2016.
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## OPERATING PERFORMANCE



Reig Jofre closed the first nine months of the year with **turnover** of 119.6 million euros, an increase of 0.2% compared to the third quarter of 2016. This period registered flat sales due to the slow recovery of raw material supply in the line of antibiotics, despite the positive evolution of the rest of the business areas and a correction in the evolution of the nutritional supplements line that, after recording an improvement in the third quarter, it corrected the decrease experienced in the first semester (-17.6%) with an accumulated fall of 8.5% in the first nine months of 2017 regarding the same period of the previous year.

Specifically:

- Despite the facts that are slowing down the sales of the antibiotic line, mainly due to difficulties with the supply of some raw materials, and which are already in the process of being resolved by the current suppliers, the area of technological specialization closed the third quarter of the year with a slight increase in turnover of 0.3% to 57.7 million euros, which represented a contribution of 48% to the company's total turnover. The line of antibiotics accounted for 63% of the area of technological specialization and placed its sales at 36.4 million euros, a decrease of 9% compared to the same period of previous year. One of the measures to recover lost ground has been the identification of additional suppliers to reduce the risk of having supply problems again, and which are currently in the process of official approval.



- Also, as happened in previous quarters, the excellent evolution of the injectable unit, with double-digit growth, which additionally counts from the month of May with the new sterile area approved by the Spanish Medicines Agency, allowed to compensate the regression of the antibiotic unit in the aggregate of the first nine months of the year. The line of injectables represented 37% of the area of antibiotics and injectables and placed its sales at 21.3 million euros, a growth of 21% compared to the first nine months of 2016. In addition, last quarter was marked by the sales consolidation in Japan and the beginning of commercialization of injectable antibiotics in the Philippines.
- The dermatology area accounted for 21% of the company's turnover and reached sales of 24.9 million euros, an increase of 10.1% over the same period last year, with increases in the Swedish, Spanish and international markets.
- The respiratory/ENT unit (ear, nose and throat) contributed 6% of Reig Jofre's turnover and increased sales by 14.1%, to 7.1 million euros, registering a growth in sales of inhaled corticosteroids, as well as the launch of the Otospray product and the PulmiAsma web platform.
- The nutritional supplements area (Forté Pharma), which represented 17% of the company's turnover, contributed sales of 19.9 million euros, a decrease of 8.5% over the same period last year. This was, however, an improvement over the first half of the year, which experienced a decline of 17.6%, and marks the beginning of a trend change based on the change of strategy in the French market, in which eight products have recently been launched in the energy and health segments.

Also, Reig Jofre communicated yesterday the appointment of Alain Boutboul as General Manager of Forté Pharma with the aim of leading the brand's new strategic plan, whose main lines of action are the development of new products based on chronobiology and in synergistic combinations of ingredients with technically and scientifically proven results, the launch of a new promotional advertising model both in the point of sale as in press and television and the acceleration of the brand internationalization.



Alain Boutboul was one of Forté Pharma's reference shareholders, its first CEO and the author of the growth and subsequent consolidation of the brand in France after its foundation in 1999.

This agreement will allow Reig Jofre to expand its product portfolio in the pharmacy and para-pharmacy channel with a bio-phytotherapy range. For more information (<http://www.reigjofre.com/en/news>).

- Sales from other products decreased by 11%, to 10 million euros.

The increase of the demand in the lines of injectables and dermatology, as well as the project for the FDA-approval of the new line of antibiotics (foreseen for 2018) for the beginning of commercialization in the United States motivated an increase of **personnel expenses**, mainly associated to investments in manufacturing capacity, for an amount of 2.4 M €, due to:

- Completion of the works for an additional line of penicillin antibiotics at the Toledo plant to meet the expected increases in demand and the most stringent quality standards of the main regulatory agencies worldwide, together with the needs of the FDA in view of the start of the marketing in the United States scheduled for 2019/20, which will increase the productive capacity in sterile vials of penicillin by more than 25%.
- Creation of an additional shift at the Swedish plant to meet the sales increase of topical dermatological products.
- Reinforcement of the production team at the Barcelona plant to meet the significant increase in sales of injectables and freeze-dried products in Japan and the Philippines, as well as the preparation for the start of commercialization in Indonesia in the first half of 2018.
- Increase of the R&D team to attend new projects in the areas of dermatology and gynecology.
- Non-recurring costs associated with the restructuring of the management team in France in the nutritional supplements line (Forté Pharma).



## INVENTORIES AND FINANCIAL DEBT

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At the end of 2016, the lack of raw material in the area of sterile penicillin, together with the anticipation of production in the company's injectable area in view of production interruptions in the first quarter of 2017 due to works to expand the plant, led to an increase of 8.3 million euros in the stocks of the company at the end of that year and the consequent increase in debt to 37.9 million euros. The beginning of the regularization of both situations allowed the company to correct its inventories and consequently reduce its gross financial debt to 27.6 M€ at the end of September of 2017.

With the cash position of 13.7 million euros at the end of September of 2017, the company's net financial debt was placed in 13.8 million euros (-37%), compared to 21.8 million euros in the same period of the previous year and below 1 time EBITDA, compared to 1.9 times at the end of 2016.

In this context, the company maintains its commitment to increase the productive capacity in the areas of technological specialization to meet new expected demand, while complying to the most demanding quality standards worldwide to access to the production of innovative biotechnological injectables and generic products for the five continents.

The company continues to evaluate possible non-organic growth operations (mergers or acquisitions) of businesses opportunities in the therapeutic areas of dermatology, respiratory/ENT, gynecology and health care, whose synergies shall contribute to the consolidation of Reig Jofre in any of the seven markets where the company has presence or to the expansion into new European markets.



## PROFIT AND LOSS ACCOUNT OF THE THRID QUARTER OF 2017

<i>(in euro)</i>	30/09/2017	30/09/2016
<b>Turnover</b>	<b>119,558,222</b>	<b>119,289,459</b>
Changes in inventories	-932,064	3,355,556
Work carried out for fixed assets	1,803,586	0
Procurements	-45,842,969	-47,907,394
<b>Gross margin</b>	<b>74,586,776</b>	<b>74,737,621</b>
% sales	62.4%	62.7%
Other operating income	2,348,237	2,324,408
Personnel expenses	-36,206,473	-33,781,380
Other operating expenses	-31,573,999	-31,810,819
<b>EBITDA</b>	<b>9,154,541</b>	<b>11,469,830</b>
Depreciation and amortization	-4,816,226	-4,360,615
Government grants for non-financial assets and others	21,181	31,772
Impairment and results on disposals	-12,940	0
<b>Operating income</b>	<b>4,346,557</b>	<b>7,140,987</b>
Financial income	83,485	159,360
Financial expenses	-696,430	-824,730
Variation in fair value of financial instruments	101,110	0
Impairment and results from disposal of financial instruments	5,552	0
Exchange differencies	-32,268	-326,313
<b>Financial result</b>	<b>-538,551</b>	<b>-991,684</b>
Impairment losses from entities accounted by the equity method	0	0
Results from entities accounted by the equity method	0	-45,228
<b>Profit before taxes</b>	<b>3,808,005</b>	<b>6,104,076</b>
Income tax	-571,201	-1,098,733
<b>Net result</b>	<b>3,236,805</b>	<b>5,005,342</b>
Profit attributable to parent company	2,386,804	4,995,523
Profit attributable to non-controlling interests	0	9,818



## BALANCE SHEET ON SEPTEMBER 30, 2017

<i>(in euro)</i>	<b>30/09/2017</b>	<b>30/09/2016</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	27,911,921	25,625,530
Other intangible assets	31,833,214	32,130,903
Property, plant and equipment	41,840,340	32,787,153
Available-for-sale assets	1,381,809	
Non-current financial assets	646,124	10,311,333
Deferred tax assets	11,773,099	15,215,209
<b>TOTAL NON-CURRENT ASSETS</b>	<b>115,386,507</b>	<b>116,070,129</b>
<b>Current assets</b>		
Inventories	29,585,347	32,883,621
Trade and other receivables	30,675,108	30,782,805
Current tax assets	2,968	0
Other current financial assets	1,044,224	769,692
Other current assets	2,837,875	7,038,583
Cash and cash equivalents	13,553,058	5,283,777
<b>TOTAL CURRENT ASSETS</b>	<b>77,698,580</b>	<b>76,758,479</b>
<b>TOTAL ASSETS</b>	<b>193,085,087</b>	<b>192,828,608</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	31,607,110	126,428,441
Reserves	103,225,592	4,419,697
Treasury shares	-590,623	-5,107,336
Interim dividend paid during the year	0	0
Profit attributable to the parent company	2,386,804	4,995,523
Exchange differences	-744,695	-673,223
Other comprehensive income for assets available for sale	-19,039	8,978
Other items of equity		0
<b>Equity attributable to parent company</b>	<b>135,865,148</b>	<b>130,072,080</b>
Non-controlling interests	-28,398	11,706
<b>TOTAL EQUITY</b>	<b>135,836,750</b>	<b>130,083,786</b>
<b>Non-current liabilities</b>		
Capital grants	189,074	220,846
Provisions	613,531	709,898
Financial liabilities with credit institutions	11,304,885	3,645,811
Financial lease liabilities	4,791,214	5,394,484
Derivative financial instruments	0	273,998
Other financial liabilities	6,244,253	5,991,505
Deferred tax liabilities	2,948,104	3,252,477
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>26,091,060</b>	<b>19,489,019</b>
<b>Current liabilities</b>		
Provisions	131,803	280,748
Financial liabilities with credit institutions	4,223,777	11,459,122
Financial lease liabilities	603,270	587,591
Short-term derivative financial instruments	-	
Other financial liabilities	339,553	558,721
Trade and other payables	23,001,046	25,028,020
Current tax liabilities	620,623	1,082,034
Other current liabilities	2,237,204	4,259,567
<b>TOTAL CURRENT LIABILITIES</b>	<b>31,157,277</b>	<b>43,255,803</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>193,085,087</b>	<b>192,828,608</b>



### **About Reig Jofre**

Founded in 1929 in Barcelona, Reig Jofre is a pharmaceutical company focused on the research, development, manufacture and marketing of pharmaceutical products and nutritional supplements.

The company directs its R&D to develop new indications and/or dosage forms of known active principles, generic medicines with a special focus on beta-lactam and lyophilized injectable antibiotics, topical dermatological products, OTCs and nutritional supplements as well as the development of new innovative molecules in partnership with start-ups and research centers.

Reig Jofre has over 900 employees, 4 development and manufacturing centers in Europe (2 in Toledo, 1 in Barcelona and 1 in Sweden), direct sales in 7 countries and over 130 commercial partners in 64 countries worldwide. The company reached sales of €161 M in 2016.

Reig Jofre trades on the Spanish stock exchange under the ticker RJF. Total outstanding shares: 64,153,178 shares.

### **For further information**

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