

Barcelona (Spain), July 25, 2019

**RESULTS NOTE: FIRST HALF 2019**

## Reig Jofre closes the first half of 2019 with a sales growth of 3% and EBITDA of 6%

- The sales growth allowed the turnover to reach € 92.8M (+3%) driven by the evolution of the areas of Consumer Healthcare (+ 17%). In terms of geographical areas, the good performance of the market in Europe stands out, with growth above 5% in the first half
- The Consumer Healthcare area, mainly comprised by the subsidiary of nutritional supplements Forté Pharma, achieved a solid growth thanks to the good evolution of the energy, health and weight control ranges. The line of other OTC products also showed a positive trend (+ 10%)
- Reig Jofre acquired the Health and Pain Division of Bioibérica, S.A. on July 1, 2019. This acquisition will contribute annual sales of around € 26 M (€ 24 M in specialty products and € 2 M in Consumer Healthcare). The closing of the first half does not therefore reflect impacts of this operation on the Balance Sheet or the Income Statement. In 2019, the impact on Reig Jofre's sales and results will therefore correspond to the activity of the second half
- Gross margin and comparable adjusted EBITDA have respectively achieved growth of 5% and 6% compared to the same period of previous year, thanks to the greater growth of the consumer healthcare area
- Personnel expenses grew by 7%, a trend already observed in the second half of 2018, mainly due to the reinforcement of commercial structures in France and new hires in Spain related to R&D and the progress of the new facility of injectable manufacturing
- Due to the entry into force of the new International Financial Reporting Standard (IFRS 16), the other operating expenses experienced a 3% drop, since the lease expense was considered as amortization expense. As a result, depreciation of fixed assets increased 39%, compared to 6% that had grown with comparable criteria



- Considering this new criterion, the EBITDA reached € 9.3M, an increase by 20% compared to the first half of 2018. Without considering this impact, the adjusted EBITDA would have been € 8M, (+ 6%) compared to € 7.6M in the same period of 2018
- Investments in the first half of 2019 reached € 13.6M of which € 7.7M corresponded to the progress of the new injectable plant in Barcelona, whose start-up is planned for the third quarter of 2020. This investment includes € 2.8M in R&D projects
- On June 14, 2019, a capital increase amounting to € 24M was carried out through a private placement procedure among qualified investors, issuing 10 million new shares (13% of the new capital of the Company) to a value of € 2.4/share. Of this amount, € 19M corresponded to the Emission Premium. This extension has been entirely destined to the corporate operation mentioned at the beginning of this Note
- Liquidity as of June 30, 2019 reflects the disbursement of this capital increase, not yet applied to the payment of the corporate operation. For this reason, the semiannual closing shows exceptionally a treasury of € 31.5M compared to € 8.3M at the end of 2018. And therefore, the net debt is at an exceptional level of € 7.6M at the first half-year
- The comparable adjusted net debt eliminating the capital increase stands at € 31.6M in June 2019 compared to € 20.2M in June 2018, evolving as planned in the investment plan. The comparable Net Debt/EBITDA ratio stood at 1.96 times in June 2019 compared to 1.28 times in June of the previous year
- The Shareholders' Meeting held on April 25 approved the distribution of a dividend under the format of Scrip Dividend, via a bonus-shares capital increase. 87.3% of the shareholders opted to receive new shares, which represented the issuance of 1,012,390 new shares and 12.3% for the collection of the dividend, which resulted in a payment of 359,412 euros



## TURNOVER EVOLUTION

Reig Jofre closed the first six months of 2019 with a **turnover** of 92.8 million euros, compared to 90.1 million euros in the first half of previous year, a growth of 3%.

## SALES EVOLUTION BY BUSINESS AREA 2019 1H



*Historical commitment to development: 75% of the company's sales come from its own products development*

*CDMO services (Contract Development & Manufacturing Organization / Development and Production to third parties), represents 20% of total billing, driven by value-added products (derma in Sweden, injectables, biotech and antibiotics derived from penicillin)*

The **area of pharmaceutical technologies** in antibiotics and injectable products contributed 53%, 48.7 million euros, with a 2% decrease due to the implementation of EU Directive 62/2011 for the prevention of counterfeit medicines, which caused a temporary drop in productivity due to the start of serialization in the Toledo and Barcelona plants and adjustments in demand. The scheduled technical shutdown at the aseptic manufacturing of injectable products plant of Barcelona, occurred during the first quarter, necessary to connect certain shared facilities with the new plant under construction also had an impact on first-half sales.

The **area of specialty products** in (i) Skin, Hair and Nail Health; and (ii) Women's Health contributed 20% of the turnover to 18.4 million euros with a decrease of 1% compared to the same period of previous year, due to the slowdown in the manufacture to third parties of certain topical products at the Sweden plant.

As of the third quarter of 2019, Reig Jofre's turnover will add in the area of specialty products the sales of the new therapeutic area of **Joint Pain**, the result of the recent acquisition of the portfolio of finished pharmaceutical products for the treatment of osteoarthritis and other arthropathies.



The **area of consumer healthcare** mainly comprised by the subsidiary of nutritional supplements Forté Pharma, with a presence in France, Belgium, Spain, Portugal, Morocco and Austria mainly, as well as other OTC products, contributed 28% of the turnover, reaching 25.7 million euros, showing a positive evolution of the sales with an increase of 17% driven by the good performance of the ranges of energy, health and weight control. Reig Jofre continues working to grow strongly Forté Pharma in Spain and Portugal. OTC products sales in Spain (+ 10%) followed the positive trend registered in the rest of Europe.

As a result of the aforementioned acquisition, in the third quarter of 2019, sales from the new line of nutraceutical products will be integrated into the area of **Joint Health**.

Sample of Reig Jofre historical commitment with the development of own products come from its income, which represented at the first half of 2019, 75% of the company's sales.

**CDMO** sales contributed 20%, amounted to 18.6 million euros and decreased 9% compared to the first half of 2018, due to the impact of serialization and the fall of manufacturing to third parties at the plant in Sweden.

## OPERATIONAL BUSINESS EVOLUTION

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The increase in turnover by 3%, together with an improvement in the gross margin over sales of 5%, allowed the company to place its **adjusted EBITDA** at 8.05 million euros, an increase of 6% compared to the same period of the previous year.

The increase in personnel expenses (+7%) motivated by the consolidation of structures in certain areas carried out in 2018 and linked especially to the growth of the Consumer Healthcare area, industrial capacity expansion and ongoing R&D projects.

On the other hand, other operating expenses have been reduced, due to the impact of IFRS 16, and to a lower marketing expense after a year 2018 in which an important effort was made at Forté Pharma. Overall, operating expenses, including depreciation, grew by 5%.

The financial result reflected the increase in expenses associated with the higher level of indebtedness, result of the ongoing investment plans to increase the company's productive capacity.

The result before taxes stood at 3.6 million euros, a growth of 3% compared to the same period of the previous year. The estimate corporate tax is maintained at 15%,



which placed the company's **net profit** at 3.1 million euros, 3% higher than in the first half of 2018.

In the comparison of balance sheets, net non-current assets increased by 10.5 million euros compared to the year-end 2018 and 20 million euros with respect to the first half of 2018 (without considering the effect of the increase of 7.9 million euros for the application of the new IFRS 16 in the incorporation of the Use Rights for leases). This reflects the company's investment plan, in search of capacity increases, as well as quality, achievement of efficiencies and greater productivity, thanks to process automation.

Concerning current assets, the volume of stocks remained in line at the previous year-end, although above at the first half of 2018. Total non-current assets, without considering cash increases 2.9 million euros showed a growth of 3.5% compared to June 2018 and in line with sales growth.

At the end of the first half, **net financial debt**, adjusted for comparative purposes, stood at 31.6 million euros, which represents 1.96 times EBITDA.

#### **IMPACT OF THE INTERNATIONAL FINANCIAL INFORMATION STANDARD (IFRS 16)**

The application of the new IFRS 16 on the accounting treatment of lease contracts in the year 2019, caused impacts on the company's profit and loss account and balance sheet.

In the case of Reig Jofre, these are mainly leasing of production and logistics facilities necessary for the activity, as well as leasing operations of commercial and industrial vehicles.

In the profit and loss account the main impact is the redefinition of rental expenses as amortization, amounting to 1.2 million euros in the first half. The main impacts in the balance sheet are produced in the non-current asset, when accounting for the rights of future uses, which represent an increase in net assets of 7.9 million euros. Likewise, liabilities also include both long and short-term debts for this concept.

Throughout 2019, the company will present the adjusted EBITDA to allow a better comparison of the evolution of the result.

#### **IMPACT OF THE ACQUISITION OF THE JOINT HEALTH AND PAIN PORTFOLIO AND INDUSTRIAL INVESTMENT PLAN**



The acquisition of the Bioibérica Joint Health and Pain portfolio consisting of finished pharmaceutical and nutraceutical products will contribute a significant turnover to the Specialty Products and Consumer Healthcare areas.

In a full year, Reig Jofre will incorporate estimated sales of 24 million euros to its Specialty Products area (the largest volume will come from Condrosan and Droglican products). This division reached a turnover close to 37 million euros in 2018. This operation will turn this area into the second largest of the Company.

Likewise, the Bioibérica nutraceutical products line will be boosted within the Consumer Healthcare area, providing initial sales in annual terms of 2 million euros. This division reached a turnover of 46 million euros in 2018.

This operation, which will be reflected in the Company's profit and loss account as of the second half of 2019, must be analyzed in the medium term together with the completion in 2020 of the 2017-2020 Industrial Investment Plan, and which will culminate with the start of the new injectable products plant in Barcelona.

Investments in the area of Pharmaceutical Technologies will increase on one hand the capacity to manufacture antibiotics, but, above all, it will allow to triple the capacity of aseptic production of injectable medicines, an area that represents just over a third of the activity of this division.

The increase in capacity, together with more efficient processes and cutting-edge technologies will also allow to growth in products of high added value.

Thus, Reig Jofre faces in the coming years two strategic projects of vital importance: (1) the implementation of the new productive capacity, which will reach full performance between 2022 and 2023; and (2) the development of the Health and Joint Pain portfolio acquired from Bioibérica, through promoting a national portfolio of consolidated pharmaceutical products, to which the development of the nutraceutical range will be added as growth vectors in the coming years, as well as the geographical expansion based on Reig Jofre's capabilities in international markets.

The three divisions of Reig Jofre will therefore reflect in the coming years the growth in turnover and profitability derived from these projects.

In terms of return, the progressive business contribution of these two investments in the expected execution periods will place Reig Jofre sales at least 50% above the current level, reaching an EBITDA in a minimum range around 12% -14% on the sales figure.



Regarding the Investment made by Reig Jofre in these two projects, the investment effort in technology and productive capacity in Pharmaceutical Technologies will reach 40 million euros between 2017 and 2020, while the acquisition of the Joint Health and Pain portfolio will represent a total estimated investment of 52 million euros, considering the fixed price and future payments linked to the business evolution in the coming years.

Concerning the financing strategy, the investment in the new Barcelona plant implies a bank debt that will reach 25 million euros in 2020, with a repayment term between 5 and 7 years. Meanwhile, the acquisition of the Joint Health and Pain portfolio will entail a bank debt of 20 million euros to finance part of the deferred payments derived from the purchase. This amount will be integrated into the financial debt not immediately, but between 2020 and 2021, each provision being subsequently amortized within 5 years.

This will lead to an increase in Reig Jofre's Net Financial Debt, although the increase in EBITDA contributed by these two projects suggests that the Company's Debt/EBITDA ratio will remain in terms of calculation comparable to the current ones in a maximum range temporarily of 2.8-3.0 times.

## CAPITAL INCREASES

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### **INCREASE OF THE COMPANY'S SHARE CAPITAL WITH THE EXCLUSION OF THE PREFERENTIAL SUBSCRIPTION RIGHT**

On June 17, 2019, Reig Jofre announced a capital increase through the procedure of prospecting the demand and private placement for an amount of 24 million euros, among qualified investors from Spain and the rest of Europe, interested in taking a significant participation and accompany the Reig Jofre growth and expansion project, with the purpose of strengthening its current presence in the national and international market.

The capital increase allowed the entry into Reig Jofre shareholding to institutional investors such as the Swiss investment fund Quaero Capital SA and to family offices such as Onchena. The rest of the investors that signed up for the increase have been mainly relevant fund managers in the Spanish market. 23% of the capital increase has been subscribed by international investors, and the remaining 77% by national investors.



On June 21, 2019, 10,000,000 new shares began trading, which implied an increase of 13% of outstanding shares.

As of that date, Reig Jofre's free float stood at 21.3%.

### **REIG JOFRE FLEXIBLE DIVIDEND**

The Shareholders' Meeting of Reig Jofre held on April 25, 2019 approved within "Reig Jofre Flexible Dividend" plan, an increase in the Company's share capital with a charge to reserves for a maximum limit of 3 million euros, with the option to shareholders of receiving the dividend in cash or in shares, through a bonus-shares capital increase.

Following the end of the trading period of the free allotment rights, 12,3% of the share capital requested the sale of rights to the Company, which will imply a distribution of cash dividend by the Company for a total amount of 359,412.53 euros, paid on May 23, 2019.

87.3% of Reig Jofre's share capital opted to receive new shares in payment of the flexible dividend, which will involve the issuance of 1,012,390 new shares, representing 1,5% increase of outstanding shares. The new shares started trading on June 12, 2019.



## PROFIT AND LOSS ACCOUNT OF THE FIRST QUARTER OF 2019

<i>(in euro)</i>	30/06/2019	30/06/2018
<b>Turnover</b>	<b>92,787,959</b>	<b>90,144,690</b>
Procurements	-33,743,381	1,179,947
Changes in inventories	973,290	-34,130,093
<b>Gross margin</b>	<b>60,017,868</b>	<b>57,194,544</b>
Work carried out for fixed assets	2,827,194	2,411,579
Other operating income	0	499,062
Personnel expenses	-27,256,920	-25,463,002
Other operating expenses	-26,330,056	-27,022,955
<b>EBITDA</b>	<b>9,258,086</b>	<b>7,619,228</b>
Depreciation and amortization	-5,190,439	-3,747,448
Government grants for non-financial assets and others	12,829	13,181
Impairment and results on disposals	26,000	0
<b>Operating income</b>	<b>4,106,476</b>	<b>3,884,961</b>
Financial expenses	-474,188	-440,346
	-58,738	38,357
Results from entities accounted by the equity method	17,889	0
<b>Profit before taxes</b>	<b>3,591,439</b>	<b>3,482,972</b>
Income tax	-538,716	-522,446
<i>% tax rate estimate</i>	<i>-15.0%</i>	<i>-15.0%</i>
<b>Net result</b>	<b>3,052,723</b>	<b>2,960,526</b>
<b>Adjusted EBITDA (IFRS 16)</b>	<b>8,048,000</b>	



## BALANCE SHEET ON JUNE 30, 2019

(in euro)	30/06/2019	30/06/2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	27,422,789	27,386,142
Other intangible assets	40,855,624	31,502,837
Property, plant and equipment	62,197,514	52,394,925
Right-of-use assets	7,900,302	-
Investments in equity-accounted investees	725	-
Non-current financial assets measured at fair value	1,166,559	972,82
Other non-current financial assets	682.432,000	381
Deferred tax assets	15,386,008	13,743,204
<b>TOTAL NON-CURRENT ASSETS</b>	<b>156,335,929</b>	<b>126,380,892</b>
<b>Current assets</b>		
Inventories	34,975,117	31,245,676
Trade and other receivables	33,045,368	33,254,444
Current tax assets	5,374,961	27
Other current financial assets	2,503,211	3,534,314
Other current assets	1,029,359	6,150,076
Cash and cash equivalents	31,483,504	11,218,677
<b>TOTAL CURRENT ASSETS</b>	<b>108,411,520</b>	<b>85,403,214</b>
<b>TOTAL ASSETS</b>	<b>264,747,449</b>	<b>211,784,106</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	38,031,229	32,076,589
Share Premium	19,000,000	-
Reserves	118,583,174	111,006,382
Treasury shares	-900.228,000	-702.695,000
Own equity instruments	33,714	19,400
Profit attributable to the parent company	3,057,663	2,966,301
Exchange differences	-1,534,605	-1,409,531
Other comprehensive income	-114,963	-54,331
<b>Equity attributable to parent company</b>	<b>176,155,984</b>	<b>143,902,115</b>
Non-controlling interests	-64,377	-51,580
<b>TOTAL EQUITY</b>	<b>176,091,607</b>	<b>143,850,535</b>
<b>Non-current liabilities</b>		
Capital grants	99,455	99,145
Provisions	803.095	682,236
Financial liabilities with credit institutions	6,337,488	8,237,707
Lease liabilities	24,305,502	9,582,683
Financial leases	18,724,701	9,582,683
Leases – Right of use	5,580,801	-
Other financial liabilities	6,498,594	5,779,066
Deferred tax liabilities	4,013,275	3,134,461
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>42,057,409</b>	<b>27,515,298</b>
<b>Current liabilities</b>		
Provisions	45,501	244,959
Financial liabilities with credit institutions	5,282,288	5,364,217
Lease liabilities	4,074,211	1,456,132
Financial leases	1,697,247	1,456,132
Leases – Right of use	2,376,964	-
Other financial liabilities	544,231	1,014,079
Trade and other payables	30,257,420	28,212,082
Current tax liabilities	1,643,004	1,558,596
Other current liabilities	4,751,778	2,568,209
<b>TOTAL CURRENT LIABILITIES</b>	<b>46,598,433</b>	<b>40,418,274</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>264,747,449</b>	<b>211,784,106</b>



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### **About Reig Jofre**

Founded in 1929 in Barcelona, Reig Jofre is a pharmaceutical company publicly listed on the Spanish stock exchange, devoted to the research, development, manufacture and marketing of pharmaceutical products and nutritional supplements. Reig Jofre structures its product development activity in three business areas: pharmaceutical technologies specialized in the development and manufacture of sterile and lyophilized injectable pharmaceutical products, as well as antibiotics derived from penicillin. Specialty products focused on the research, development, manufacture and commercialization of specialties in the therapeutic areas of (i) Skin, Hair and Nails Health and (ii) Women's Health, mainly. And, Consumer Healthcare in which highlights the line of nutritional supplements marketed under the brand Forté Pharma mostly in France, Belgium, Spain and Portugal, as well as other OTC products. Reig Jofre has more than 1,000 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 70 countries worldwide. The company reached sales of €181 M in 2018. Reig Jofre trades on the Spanish stock exchange under the ticker RJF. Total outstanding shares: 76,062,457 shares

### **For further information**

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