

Barcelona (Spain), November 3, 2016

RESULTS NOTE: THIRD QUARTER 2016

After a first quarter affected by a decline in the consumption of antibiotics, the months of July to September confirmed the growth trend of the second quarter.

REIG JOFRE INCREASED SALES BY 3.4%, EBITDA BY 39% AND NET PROFIT BY 11.8% FROM JULY TO SEPTEMBER.

- The excellent performance of the second and third quarters allowed to continue offsetting the weak start of the year, and the company ended the first nine months of 2016 with sales of 119.29 M € (+2.7%).
- By business areas, in the first nine months of 2016 the turnover of RJF Pharma (ca. 80% of the total turnover) grew by 1.8% and RJF CDMO (specialised development and manufacturing for third parties - ca. 20% of total turnover) grew by 6.4% compared to the first nine months of 2015.
- The company is implementing a firm investment plan to address ongoing projects for industrial and commercial growth, including workforce, productive capacity and investments in R&D, partly accounted in higher operating costs in the profit and loss account.
- At the end of September, net financial debt stood at 22.48 M€, still at around one time 2015 EBITDA.
- The company confirms the sales guidance for 2016, with expected growth not below 2% and it improves the EBITDA guidance in one million euro, estimated now not below 16 M€.



OPERATING PERFORMANCE

Between July and September, the positive evolution of Reig Jofre continued to offset part of the decline of the first quarter of the year, mainly driven by a decrease in consumption of antibiotics and a weak pre-marketing campaign of nutritional supplements for weight control in France.

EVOLUTION OF KEY FIGURES BY QUARTERS 9M 2015-2016

	2015				2016				Evolution			
	Q1	Q2	Q3	9M	Q1	Q2	Q3	9M	Q1	Q2	Q3	9M
Turnover	43,00	38,49	34,67	116,16	42,41	41,03	35,85	119,29	-1,4%	6,6%	3,4%	2,7%
Gross margin	27,03	24,46	21,10	72,59	25,42	26,67	22,65	74,74	-6,0%	9,0%	7,3%	3,0%
<i>% sales</i>	62,9%	63,5%	60,9%	62,5%	59,9%	65,0%	63,2%	62,7%				
EBITDA	7,66	2,98	2,93	13,57	4,11	3,31	4,07	11,50	-46,3%	11,1%	38,9%	-15,3%
<i>% sales</i>	17,8%	7,7%	8,5%	11,7%	9,7%	8,1%	11,4%	9,6%				
Operating profit	6,59	1,74	1,73	10,06	2,75	1,96	2,43	7,14	-58,3%	12,6%	40,2%	-29,0%
Profit before taxes	6,19	2,03	1,66	9,88	2,40	1,63	2,07	6,10	-61,2%	-19,7%	24,7%	-38,3%
Net profit	5,26	1,92	1,52	8,7	1,97	1,34	1,69	5,00	-62,5%	-30,3%	11,3%	-42,5%

The 1.4% decline in **sales** in the first quarter was followed by an increase of 6.6% between April and June and of 3.4% in the third quarter, which allowed the company to close the first nine months of the year with turnover of 119.29 million euros, up 2.7% compared to the same period last year.

By business areas, RJF Pharma, the area of own developments, production and marketing (81% of the total turnover at the end of September), set sales at 96.26 million euros, an increase of 1.8% over the same period last year.

Specialized development and manufacturing for third parties (RJF CDMO), representing 19% of total company sales, closed September with a rise of 6.4%.

The contribution to the sales growth of higher-margin products also helped to offset in the third quarter the weaker evolution of the **gross margin** at the beginning of the year, and allowed a recovery from 60% in the first quarter of the year to 63% in the first nine months.

Along with the positive evolution of total revenues (increase of turnover and other operating income), the profit and loss account of the first nine months of the year still showed the effect of the investment plan the company is implementing to address ongoing projects for industrial and commercial growth. In this regard, in the first nine months of the year **operating expenses** were set at 65.59 million euros, 5.66 million euros over the same period last year, mainly as the result of increased staffing and investments in R&D.



OPERATING EXPENSES
9M 2015-2016

	9M 2015	9M 2016	Dif. €
Turnover	116,16	119,29	3,13
Gross margin	72,59	74,74	2,15
Other operating income	0,90	2,36	1,46
Personnel expenses	-31,54	-33,78	-2,24
Other operating expenses	-28,39	-31,81	-3,42
EBITDA	13,57	11,50	-2,05

Despite the increase of 5.66 million euros in operating expenses, the positive evolution of total revenues (both sales and of other operating income) led the **EBITDA** of the first nine months of the year to set at 11.50 million euros, 2.05 million euros lower than the same period last year (-15,3%), following the decline of 46.3% in the first quarter and the growth of 11.1% and 38.9% in the second and third quarters, respectively.

ONGOING INVESTMENTS

As the company reported in detail in the first-half results note, Reig Jofre is implementing a firm investment plan to address ongoing projects of industrial and commercial growth. These investments include increases of workforce, productive capacity and investments in R&D.

- a) The significant growth of Reig Jofre's team increased personnel expenses in the first nine months of the year 2.24 million euros over the same period last year, mainly in:
 - The creation of a fourth shift in the antibiotic development and production site in Toledo, linked to growth projects in Europe and the United States, where the company is progressing with the FDA authorisation.
 - New recruitments in the R & D teams, linked to some extent to the new development-, analysis- and quality control laboratory, recently concluded at the headquarters in Barcelona.

- b) In addition, in the first nine months of the year, other operating expenses increased by 3.42 million over the same period last year, mainly allocated in R&D projects (ca. +0.8 million euros) and strengthening of the marketing strategy (ca. +2 million euros). Regarding the latter, it is worth mentioning the increase in marketing investments and the strengthening of the medical



sales team in Spain for the respiratory/ENT product range, through an external sales team working for Reig Jofre on an exclusivity basis.

- c) As for capex investments, Reig Jofre plans to invest in 2016 around 8.5 million euros in the production sites in Toledo and Barcelona (Spain), as well as in the new development-, analysis- and quality control laboratory and in R&D. This figure is in addition to annual 2-million-euro maintenance capex.

NET PROFIT

The evolution of the financial result of the company in the first nine months, mainly affected by exchange rate differences due to the devaluation of the British pound against the Swedish krona in Reig Jofre's subsidiary in Sweden, had a negative impact of 0.33 million euros compared to profits of 0,46 million euros in the same period last year, a negative difference of 0.85 million euros.

However, the months of July to September improved the profit before tax by 24.7%, which allowed to partially offset the setbacks of previous quarters.

Regarding taxation, the company kept the estimated tax rate at 18%. However, Reig Jofre has tax credits amounting to 14.77 million euros, so effective tax rate at year-end is expected to stand at around 14-15%.

The positive operating performance of the business in the second and third quarters still did not allow to offset the beginning of the year and the company ended September with a net profit of 5.00 million euros, compared to 8.70 million euros in the first nine months of 2015

At the end of September 2016, Reig Jofre's net financial debt stood at 22.48 million euros, keeping levels of one time 2015 EBITDA.

FORECAST FOR 2016 YEAR-END

As reported in the first quarter of the year, despite the weak start of 2016, ongoing industrial and commercial projects are evolving positively, a fact that supports the investment plan of the company.

Following the first quarter results, Reig Jofre informed that the good progress of sales in Japan after obtaining the authorizations by health agencies in the country would couple with the recovery in sales of antibiotics, which would lead to the



reversal of the trend in the coming quarters. And it was already so in the second and third quarter.

If 2015 was the year of integration following the merger between the former Reig Jofre and Natraceutical, in 2016 the company is increasing its investments to strengthen its operational structure and meet ongoing growth projects. These investments are being financed through own resources, as well as through a slight increase of financial debt, though still at levels of one time 2015 EBITDA.

As announced in the first-half results note, Reig Jofre estimates to end 2016 with a sales growth not below 2%.

With regards to EBITDA, Reig Jofre confirms an improvement in the first half year guidance and expects to end 2016 with a gross operating profit (EBITDA) not below 16 million euros (15 million euros in the previous forecast).

EQUITY REORGANISATION

On June 23, 2016 Reig Jofre's GSM approved a reorganization of the equity of the company, transferring capital to reserves, with the main objective of facilitating the implementation of a dividend policy in the future.

The agreement was structured through a capital reduction of the share capital, from 126,428,440.00 euros to 31,607,110.00 euros, and the transfer to reserves of the 94,821,330.00 euros difference.

The company is finalizing the legal procedures for such capital reduction to be effective in the coming weeks.



PROFIT AND LOSS ACCOUNT OF THE FIRST NINE MONTHS OF 2016

<i>(in euros)</i>	9M 2015	9M 2016
Turnover	116,155,749	119,289,459
Cost of sales	-43,567,534	-44,551,838
Gross margin	72,588,215	74,737,621
Other operating income	905,593	2,356,179
Personnel expenses	-31,537,348	-33,781,380
Other operating expenses	-28,389,405	-31,810,819
EBITDA	13,567,055	11,501,601
Depreciation and amortization	-3,503,630	-4,360,615
Impairment and gains on disposals	0	0
Operating income	10,063,425	7,140,986
Financial income	152,807	159,360
Financial expenses	-671,549	-824,420
Results on the sale of financial instruments	0	0
Results from asset impairment	0	0
Changes in fair value of financial assets	-129,642	0
Exchange differences	465,561	-326,313
Equity in the results of subsidiaries	0	-45,538
Profit before taxes	9,880,601	6,104,075
Income tax	-1,182,420	-1,098,733
Net result	8,698,181	5,005,342



BALANCE SHEET ON SEPTEMBER 30, 2016

(in euros)	30/09/2015	30/09/2016
ASSETS		
Non-current assets		
Goodwill	25,012,592	25,625,530
Other intangible assets	32,038,384	32,130,903
Property, plant and equipment	27,265,040	32,787,153
Non-current financial assets	9,923,777	10,311,333
Deferred tax assets	16,666,597	15,215,209
TOTAL NON-CURRENT ASSETS	110,906,389	116,070,129
Current assets		
Inventories	24,284,226	32,883,621
Trade and other receivables	32,883,843	30,782,805
Current tax assets	0	0
Other current financial assets	2,484,268	769,692
Other current assets	5,849,843	7,038,583
Cash and cash equivalents	8,084,755	5,283,777
TOTAL CURRENT ASSETS	73,586,934	76,758,479
TOTAL ASSETS	184,493,323	192,828,608
EQUITY AND LIABILITIES		
Equity		
Share capital	126,428,441	126,428,441
Reserves	(4,452,076)	4,419,697
Treasury shares	(4,942,359)	(5,107,336)
Interim dividend paid during the year	0	0
Profit attributable to the parent company	8,589,091	4,995,523
Exchange differences	617,961	(673,223)
Other income from assets available for sale	43,331	8,978
Equity attributable to parent company	126,284,388	130,072,080
Non-controlling interests	2,720,469	11,706
TOTAL EQUITY	129,004,857	130,083,786
Non-current liabilities		
Grants	103,555	220,846
Provisions	1,424,368	709,898
Financial liabilities with credit institutions	4,931,047	3,645,811
Financial lease liabilities	5,978,790	5,394,484
Derivative financial instruments	419,457	273,998
Other financial liabilities	2,157,185	5,991,505
Deferred tax liabilities	4,822,390	3,252,477
TOTAL NON-CURRENT LIABILITIES	19,836,793	19,489,019
Current liabilities		
Provisions	418,606	280,748
Financial liabilities with credit institutions	5,986,272	11,459,122
Financial lease liabilities	577,785	587,591
Other financial liabilities	794,898	558,721
Trade and other payables	17,818,779	25,028,020
Current tax liabilities	1,281,188	1,082,034
Other current liabilities	8,774,146	4,259,567
TOTAL CURRENT LIABILITIES	35,651,673	43,255,803
TOTAL EQUITY AND LIABILITIES	184,493,323	192,828,608



About Reig Jofre

Reig Jofre is a pharmaceutical company whose business is divided into two major areas: one main for the marketing and manufacture of own developments (RJF Pharma, 80% of total sales) and one of specialized contract development and manufacturing (RJF CDMO, 20% of total sales). At its core activity, the company focuses on the development of technological-specialization products (beta-lactam antibiotics, injectable and freeze-dried products); therapeutic-specialization products in the areas of dermatology, respiratory/ENT and gynaecology; and food supplements and consumer healthcare. The company directs its R&D to develop new indications and/or dosage forms of already-known active ingredients, generic medicines with a special focus on the development of injectable, freeze-dried and generic beta-lactam antibiotics, topical dermatological products, OTCs and food supplements as well as the development of new innovative molecules in partnership with start-ups and biotech research centres.

Reig Jofre trades on the Spanish stock exchange under the ticker RJF. Share capital: 63,214,220 shares.

Receive Reig Jofre's news by registering in the company's **subscription center** on the corporate website: **www.reigjofre.com**

For further information

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