



Solutions with you in mind

# Q1 2015 Financial Results and Business Update

*May 11<sup>th</sup> 2015*

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# Q1 2015 Opening Remarks

*Eduardo Sanchiz*  
CEO

# CEO Perspectives

- ✓ Achieved solid revenue in first-quarter 2015 boosted by Derma sales
- ✓ Performance on track to achieve yearly guidance
- ✓ Dividend payment approved 0.20 / share
- ✓ R&D reorganized
- ✓ First AZ transaction milestone of \$ 150 million received in February

**The number one priority internally is M&A, R&D and in-licensing derma projects. Looking for attractive business development opportunities and to generate Shareholder Value**

# Q1 2015 Financial Highlights

*Daniel Martinez*  
CFO

# Strong start to 2015

## STRONG FINANCIAL PERFORMANCE

- Sustained acceleration of Net Sales **+5.6%** and strong EBITDA growth **+44.6%** yoy (like for like ex-Eklira)
- Strong improvement in Gross margin **70.1%** vs **68.2%** yoy (like for like ex-Eklira)
- Improved ratios: Reducing cost base and improved profit margins

## EXECUTION ON DERMATOLOGY

- US affiliate sales growth **+100.8%**
- Market-leading TRx share for **Acticlate®**
- Dermatology Net Sales grew by **37%** and accounted for **39%** of Group sales in Q1 '15 versus **30%** in Q1 '14 (like for like)

## BALANCING INVESTMENTS AND OPPORTUNITIES

- First AZ transaction milestone of \$ **150** million received in February
- Positive net cash position of **430.8** million euros

# Income Statement Q1 15 vs. Q1 14

€ Million	YTD Mar 2015	YTD Mar 2014	% var
<b>Total Revenues</b>	<b>217.2</b>	<b>217.6</b>	<b>(0.2%)</b>
Net Sales	180.0	201.6	(10.7%)
Other Income	37.2	16.0	132.5%
Cost of Goods	(53.8)	(64.0)	(15.9%)
<b>Gross Profit</b>	<b>126.2</b>	<b>137.6</b>	<b>(8.3%)</b>
% of sales	70.1%	68.3%	
<b>R&amp;D</b>	<b>(17.5)</b>	<b>(28.2)</b>	<b>(37.9%)</b>
% of sales	(9.7%)	(14.0%)	
<b>SG&amp;A</b>	<b>(92.0)</b>	<b>(115.4)</b>	<b>(20.3%)</b>
% of sales	(51.1%)	(57.2%)	
<b>Other Op. Exp</b>	<b>0.5</b>	<b>0.3</b>	<b>66.7%</b>
% of sales	0.3%	0.1%	
<b>EBIT</b>	<b>54.4</b>	<b>10.3</b>	<b>n.m.</b>
% of sales	30.2%	5.1%	
<b>Depreciation</b>	<b>18.7</b>	<b>21.6</b>	<b>(13.4%)</b>
% of sales	10.4%	10.7%	
<b>EBITDA</b>	<b>73.1</b>	<b>31.9</b>	<b>129.2%</b>
% of sales	40.6%	15.8%	
Other costs	(0.2)	0.2	(200.0%)
Net financial income / (expense)	(2.7)	(3.8)	(28.9%)
<b>Profit before tax</b>	<b>51.5</b>	<b>6.7</b>	<b>n.m.</b>
Corporate income tax	(8.6)	3.9	n.m.
<b>Net income</b>	<b>42.9</b>	<b>10.6</b>	<b>n.m.</b>
<b>Normalized Net Income</b>	<b>42.9</b>	<b>10.6</b>	<b>n.m.</b>
Earnings per share (€)	0.25 €	0.06 €	

A

A. Reported revenues flat yoy, but like for like growth of 8%

B

B. Phasing effect in our Other Income. 50% for the full year has been booked

C

C. Higher than last year due to higher share of proprietary products

D

D. R&D and SG&A: Significantly reduced spend as % of sales

D

E

E. Significant increase versus last year due to higher margins and milestone payment

# Comparative P&L w/o Eklira (like for like)

€ Million	YTD Mar 2015 w/o AZ	YTD Mar 2014 w/o Eklira	% var
<b>Total Revenues</b>	<b>187.9</b>	<b>174.0</b>	<b>8.0%</b>
Net Sales	180.0	170.4	5.6%
Other Income	7.9	3.5	123.9%
Cost of Goods	(53.8)	(54.3)	(0.9%)
<b>Gross Profit</b>	<b>126.2</b>	<b>116.2</b>	<b>8.6%</b>
% of sales	70.1%	68.2%	
<b>R&amp;D</b>	<b>(17.5)</b>	<b>(19.2)</b>	<b>(9.1%)</b>
% of sales	(9.7%)	(11.3%)	
<b>SG&amp;A</b>	<b>(92.0)</b>	<b>(89.8)</b>	<b>2.5%</b>
% of sales	(51.1%)	(52.7%)	
<b>Other Op. Exp</b>	<b>0.5</b>	<b>0.3</b>	<b>66.7%</b>
<b>EBIT</b>	<b>25.1</b>	<b>11.0</b>	<b>128.6%</b>
% of sales	13.9%	6.4%	
<b>Depreciation</b>	<b>18.7</b>	<b>19.3</b>	<b>(3.2%)</b>
% of sales	10.4%	11.3%	
<b>EBITDA</b>	<b>43.8</b>	<b>30.3</b>	<b>44.6%</b>
% of sales	24.3%	17.8%	

- ✓ *P&L without Eklira excludes revenues, Other Income and all costs related to acridinium bromide*

# Balance Sheet Q1 2015

€ Million	March 2015	% of BS	Dec. 2014
Goodwill	347.9	13.6%	338.8
Intangible assets	464.8	18.1%	444.4
Property, plant and equipment	129.1	5.0%	132.1
Financial assets	180.6	7.1%	179.2
Other non current assets	340.8	13.3%	338.7
<b>Total Non Current Assets</b>	<b>1,463.2</b>	<b>57.1%</b>	<b>1,433.2</b>
Inventories	83.1	3.2%	81.0
Accounts receivable	114.6	4.5%	207.2
Cash & cash equivalents	832.4	32.5%	754.4
Other current assets	68.2	2.7%	64.6
<b>Total Current Assets</b>	<b>1,098.3</b>	<b>42.9%</b>	<b>1,107.2</b>
<b>Total Assets</b>	<b>2,561.5</b>		<b>2,540.4</b>
Shareholders Equity	1,416.0	55.3%	1,339.6
Financial debt	316.3	12.3%	319.9
Non current liabilities	519.2	20.3%	523.5
Current liabilities	310.0	12.1%	357.4
<b>Total Equity and Liabilities</b>	<b>2,561.5</b>		<b>2,540.4</b>

A

A. Increase is mainly due to Aqua assets revaluation due to positive FX rate effect

B

B. Decrease mainly due to AB Combo EU milestone collected in 2015

Net cash position:

- + Cash and cash equivalents 814.1 Million
- Financial Debt 316.3 Million
- Pension Plans 66.9 Million

# Cash Flow Q1 2015

€ Million	Mar 2015	Mar 2014
	YTD	YTD
<b>Profit Before Tax</b>	51.5	6.7
Depreciation and amortisation	18.7	21.6
Change in working capital	(36.1)	(29.3)
Restructuring payments	(4.4)	(20.0)
Other adjustments	89.4	(2.5)
Tax Cash Flow	(11.4)	10.5
<b>Cash Flow from Operating Activities (I)</b>	<b>107.7</b>	<b>(13.0)</b>
Financial Income	0.8	0.1
Investments	(2.5)	(12.9)
Divestments	0.1	1.4
Payments of capex suppliers	(4.6)	(13.2)
Changes in scope of consolidation	(15.9)	-
<b>Cash Flow from Investing Activities (II)</b>	<b>(22.1)</b>	<b>(24.6)</b>
Finance Expense	(7.6)	(4.2)
Debt increase/ (decrease)	-	38.0
<b>Cash Flow from Financing Activities</b>	<b>(7.6)</b>	<b>33.8</b>
<b>Cash Flow generated during the period</b>	<b>78.0</b>	<b>(3.8)</b>
<b>Free Cash Flow (III) = (I) + (II)</b>	<b>85.6</b>	<b>(37.6)</b>

A

A. AB Combo EU milestone (income in 2014 but cash in 2015)

B

B. Mainly due to Aqua commercial earnout

C

C. Cash excess related to bridge loan

# Dermatology & Market Overview

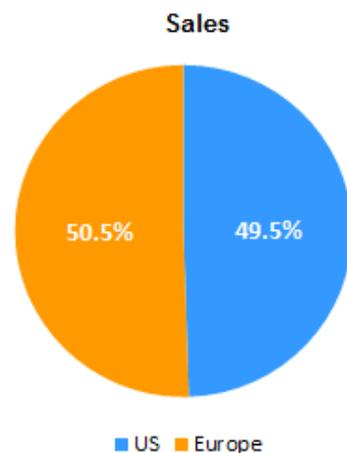
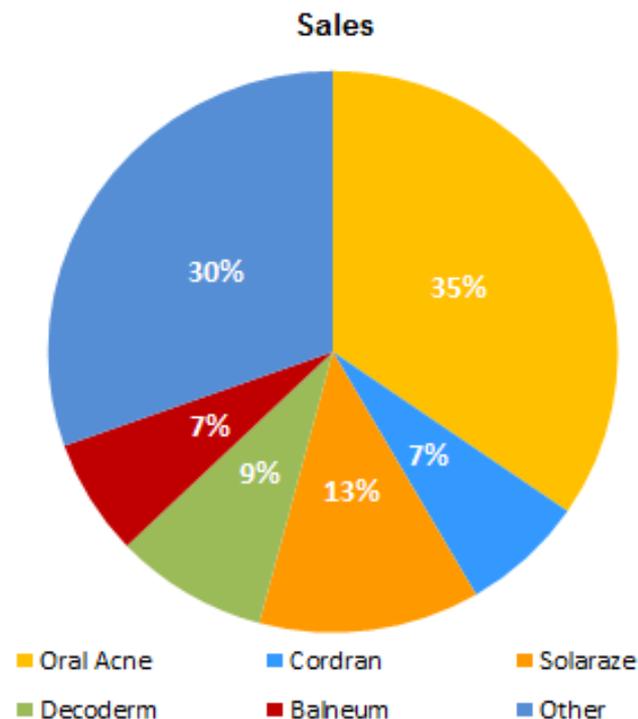
*Alfonso Ugarte*  
*Senior Director Global Business Units*

# Impressive 37% Derma sales growth in Q1 2015

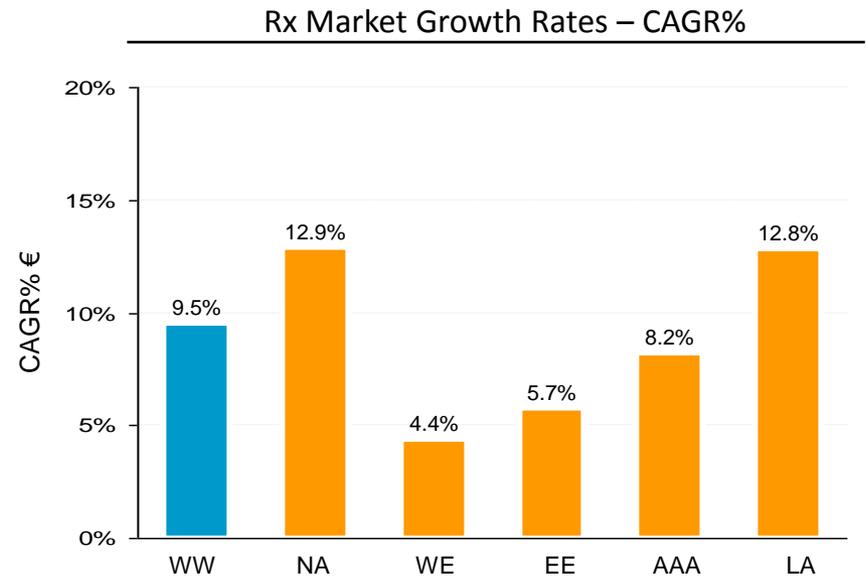
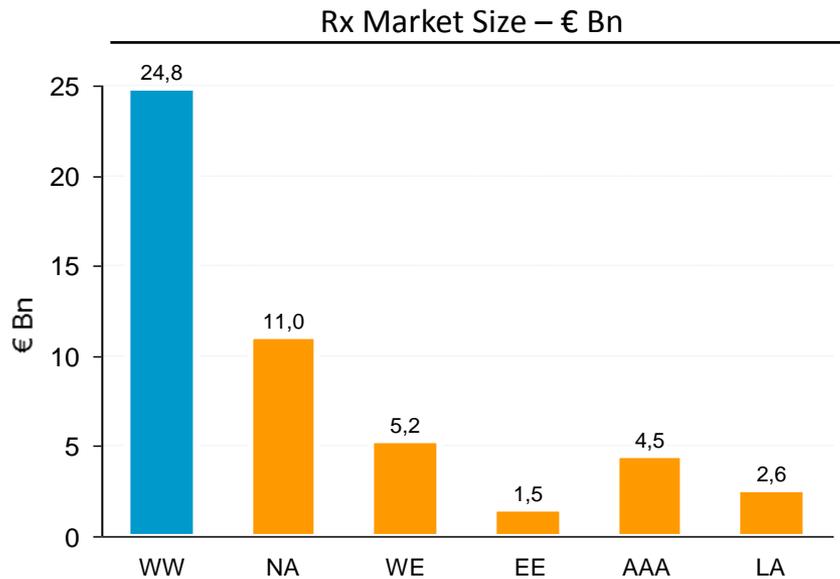
- ✓ US the key growth driver sales **+100.8%** yoy benefiting from maintained market-leading TRx share for **Acticlate®**
- ✓ Good performance in Europe sales increase by **+4.5%** yoy driven by the Actinic Keratosis franchise (**Solaraze® & Actikerall®**)
- ✓ Dermatology now accounts for **39%** of total Net Sales (versus **30%** on a like-for-like basis in Q1 2014)

# Q1 2015 Derma sales performance

€ thousand	YTD Mar 2015	YTD Mar 2014	% var vs LY
<b>US</b>	<b>34,693</b>	<b>17,279</b>	<b>100.8%</b>
Oral Acne franchise	24,248	10,305	135.3%
Cordran	4,916	4,150	18.4%
Other US	5,530	2,824	95.8%
<b>Europe</b>	<b>35,385</b>	<b>33,868</b>	<b>4.5%</b>
Solaraze and other	8,798	8,087	8.8%
Decoderm and others	6,095	6,084	0.2%
Balneum	4,697	4,415	6.4%
Other Europe	15,795	15,282	3.4%
<b>Total Net Sales</b>	<b>70,078</b>	<b>51,147</b>	<b>37.0%</b>



# What is the size of our opportunity in Rx?



Source: Midas-Padds sales (Retail+Hospital, MAT 06/14), IMS Health analysis. Dermatological market defined as ATC1 D and ATC3 J2A (Estimated % for dermatology use).

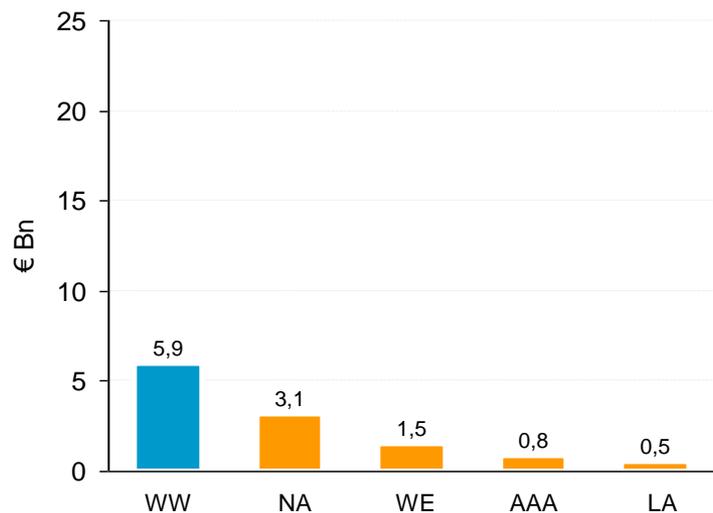
Note 1: in MAT06/10, MAT06/11 and MAT 06/12, 5.0%, 0.3%, 0.2% of the market has been extrapolated, corresponding to Brazil retail, Tunisia hospital, China Retail, Portugal hospital, Serbia which are available from Q1-10 (Brazil and Portugal), Q1-11 (Tunisia and Serbia) and Q4-11 (China Retail).

Source 2: Biologics sales come from IMS 7 Indication project (Retail and Hospital, MAT 09/14)

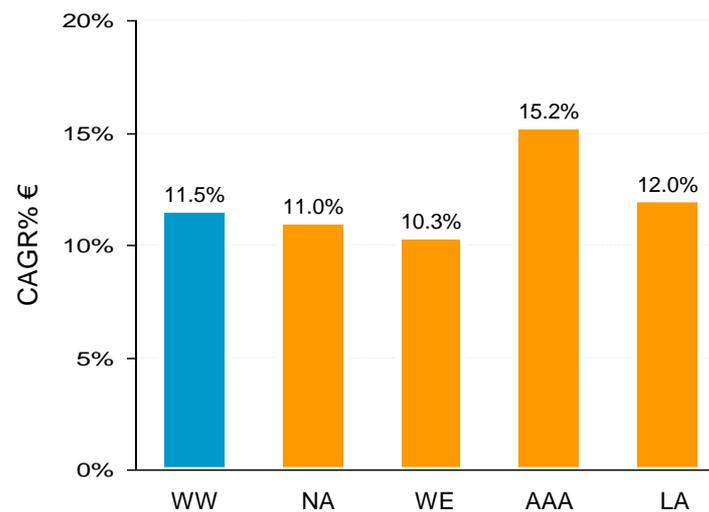
CAGR% 2010-2014

# What is the size of our opportunity in Aesthetics?

Total Aesthetics Market Size – € Bn



Total Aesthetics Market Growth Rates – CAGR%



Source: Medical Insights, "Global Aesthetic Market XII, April 2014";

Note: 2013 sales, CAGR% 2013-2018

Note2: includes device disposables but does not include device service revenues

# Q1 2015 Key takeaways

*Daniel Martinez*  
CFO

# Key takeaways Q1 2015

- ✓ Sustained acceleration of sales and EBITDA driven by Dermatology
- ✓ Strong Gross Margin due to US affiliate contribution and higher share of sales from proprietary products
- ✓ SG&A expenses reflects the move towards a leaner business model
- ✓ R&D – organized to leverage strong formulation capabilities and high-quality NCEs. Developed pipeline that balance NCEs with repositioning and reformulation ideas
- ✓ We are on track to achieve our yearly guidance
- ✓ Dividend payment approved by AGM
- ✓ **The number one priority internally is M&A, R&D and in-licensing derma projects**

# Financial Appendixes

# Sales breakdown by Region and Therapeutic Area

## By Region

€ thousand	YTD Mar'15	YTD Mar'14	% var LY
Spain	60,394	61,558	(1.9%)
Europe (ex Spain)	65,222	72,367	(9.9%)
North America (*)	40,150	26,142	53.6%
Other	14,241	10,398	40.4%
AB franchise	-	31,184	(101.2%)
<b>Total</b>	<b>180,009</b>	<b>201,649</b>	<b>(10.7%)</b>

## By Main Therapeutic Area

€ thousand	YTD Mar 2015	YTD Mar 2014	% var vs LY
Dermatology	70,078	51,146	37.0%
Respiratory	33,862	64,741	(47.7%)
Gastrointestinal and Metabolism	30,426	30,886	(1.5%)
CNS	16,032	25,048	(36.0%)
Other therapeutic specialties	29,610	29,828	(0.7%)
<b>Total Net Sales</b>	<b>180,009</b>	<b>201,649</b>	<b>(10.7%)</b>

\* US, Canada, Mexico

# Breakdown of the core business

- Proprietary products
- In-licensing products

€ thousand		YTD Mar 2015	YTD Mar 2014	% var vs LY
Oral Acne franchise (doxycycline)	●	24,248	10,305	135.3%
Ebastel and other (ebastine)	●	22,097	20,602	7.3%
Tesavel & Efficib (sitagliptine)	●	11,252	10,941	2.8%
Plusvent (salmeterol & fluticasone)	●	9,233	10,525	(12.3%)
Solaraze (diclofenac sodium)	●	8,798	8,087	8.8%
Airtal and other (aceclofenac)	●	6,951	8,842	(21.4%)
Almogran and other (almotriptan)	●	6,191	16,161	(61.7%)
Decoderm and others (flupredniden)	●	6,095	6,084	0.2%
Almax (almagate)	●	5,577	4,581	21.7%
Cordran (flurandrenolide)	●	4,916	4,150	18.4%
Eklira and other (acridinium bromide)		-	31,168	(100.0%)
Other	● ●	74,654	70,202	6.3%
<b>Total Net Sales</b>		<b>180,009</b>	<b>201,649</b>	<b>(10.7%)</b>

# 2015 Guidance <sup>(1)</sup>

P&L Item	Guidance
<b>Total Revenue</b> <sup>(2)</sup>	720 - 750 Million Euros
<b>Net Sales</b>	650 - 680 Million Euros
<b>EBIT</b>	≈ 100 Million Euros

*(1) In constant exchange rates*

*(2) Net sales + Other Income*

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