

Solutions with you in mind

# Q1 2016 Financial Results and Business Update

*May 9<sup>th</sup> 2016*

# Agenda

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|                  |   |
|------------------|---|
| Group review     | Eduardo Sanchiz, Chief Executive Officer                                |
| Financial review | Daniel Martínez, Executive Vice-president, Finance, CFO                 |
| Derma review     | Alfonso Ugarte, Executive Vice-president, Global Commercial Strategy    |
| R&D review       | Thomas Eichholtz, Executive Vice-president, Research & Development, CSO |
| Closing remarks  | Eduardo Sanchiz, Chief Executive Officer                                |
| Q&A session      | Executive team  |

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# Q1 2016 Highlights

*Eduardo Sanchiz*  
CEO

# Q1 2016 Solid start to 2016

- Operational performance on track to meet FY guidance
- Strong Derma performance in EU, solid progress in US despite challenging environment
- Continued refocusing of business to dermatology and further divestments of lower performing assets
- New businesses are performing in line with expectations: ThermiGen and Poli Group integration in progress
- Continued good pipeline progress
- Business Development in Dermatology remains a key priority in 2016
- Dividend payment approved €0.19 / share

# 2016 phasing guidance: key factors by quarter vs 2015

## 2016 Phasing impact by quarter

### T. REVENUES + NET SALES

- Plusvent (Spain), Toctino , Constella
- Launch of Veltin™ and Altabax™ \*
- Divestment of Mexico
- Addition of Poli Group & ThermiGen business \*\*

|  | Q1  | Q2 | Q3 | Q4 |
|--|-----|----|----|----|
|  | ↓   | ↓  | ↓  | ↓  |
|  | NA  | NA | ↑  | ↑  |
|  | NA  | ↓  | ↓  | ↓  |
|  | * ↑ | ↑  | ↑  | ↑  |

### EBITDA

- Plusvent (Spain), Toctino , Constella
- Launch of Veltin™ and Altabax™ \*
- Divestment of Mexico
- Addition of Poli Group & ThermiGen business \*\*

|  | Q1  | Q2 | Q3 | Q4 |
|--|-----|----|----|----|
|  | =   | =  | =  | =  |
|  | NA  | ↓  | ↓  | ↑  |
|  | NA  | ↓  | ↓  | ↓  |
|  | * ↑ | ↑  | ↑  | ↑  |

\* Launch of Veltin™ and Altabax™ in July 2016

\*\* Poli Group & ThermiGen consolidated business from February 2016

# Q1 2016 Financial Highlights

*Daniel Martínez*

*Executive Vice-president, Finance, CFO*

# Q1 2016: Growing in the Derma

## STRONG FINANCIAL PERFORMANCE

- Performance in line with expectations
- Growth in Net Sales **+2.7%** helped by new business contributions (consolidated from February)
- Strong improvement in product mix in Q1, gross margin **+40bps**

## EXECUTION ON DERMATOLOGY

- Dermatology Net Sales grew by **+13.3%** . Now accounts for **43%** of Group Net Sales vs **39%** in Q1 15
- Good progress in US Derma Sales despite challenging environment
- Europe increased by **22.6%** driven by the Actinic Keratosis franchise and the contribution of new business

## BALANCING INVESTMENTS AND OPPORTUNITIES

- R&D expenses **10.4%** of sales Q1 16 vs **9.7%** Q1 15
- Stable SG&A despite new business integrated
- Positive net cash position of **101.6** million euros

# Income Statement Q1 2016 vs. Q1 2015

| € Million                        | YTD<br>Mar 2016 | YTD<br>Mar 2015 | % var           |
|----------------------------------|-----------------|-----------------|-----------------|
| <b>Total Revenues</b>            | <b>201.0</b>    | <b>217.2</b>    | <b>(7.5%)</b>   |
| Net Sales                        | 184.9           | 180.0           | 2.7%            |
| Other Income                     | 16.1            | 37.2            | (56.7%)         |
| Cost of Goods                    | (54.6)          | (53.8)          | 0.9%            |
| <b>Gross Profit</b>              | <b>130.3</b>    | <b>126.2</b>    | <b>3.2%</b>     |
| % of sales                       | 70.5%           | 70.1%           |                 |
| <b>R&amp;D</b>                   | <b>(19.2)</b>   | <b>(17.5)</b>   | <b>9.7%</b>     |
| % of sales                       | (10.4%)         | (9.7%)          |                 |
| <b>SG&amp;A</b>                  | <b>(94.7)</b>   | <b>(92.0)</b>   | <b>2.9%</b>     |
| % of sales                       | (51.2%)         | (51.1%)         |                 |
| <b>Other Op. Exp</b>             | <b>(0.1)</b>    | <b>0.5</b>      | <b>(120.0%)</b> |
| % of sales                       | (0.1%)          | 0.3%            |                 |
| <b>EBIT</b>                      | <b>32.4</b>     | <b>54.4</b>     | <b>(40.4%)</b>  |
| % of sales                       | 17.5%           | 30.2%           |                 |
| <b>Depreciation</b>              | <b>22.4</b>     | <b>18.7</b>     | <b>19.8%</b>    |
| % of sales                       | 12.1%           | 10.4%           |                 |
| <b>EBITDA</b>                    | <b>54.8</b>     | <b>73.1</b>     | <b>(25.0%)</b>  |
| % of sales                       | 29.6%           | 40.6%           |                 |
| Other costs                      | (0.3)           | (0.2)           | 50.0%           |
| Net financial income / (expense) | (4.7)           | (2.7)           | 74.1%           |
| <b>Profit before tax</b>         | <b>27.4</b>     | <b>51.5</b>     | <b>(46.8%)</b>  |
| Corporate income tax             | (5.7)           | (8.6)           | (33.7%)         |
| <b>Net income</b>                | <b>21.7</b>     | <b>42.9</b>     | <b>(49.4%)</b>  |
| <b>Normalized Net Income</b>     | <b>21.7</b>     | <b>42.9</b>     | <b>(49.4%)</b>  |
| Earnings per share (€)           | 0.13 €          | 0.25 €          |                 |

A

B

C

D

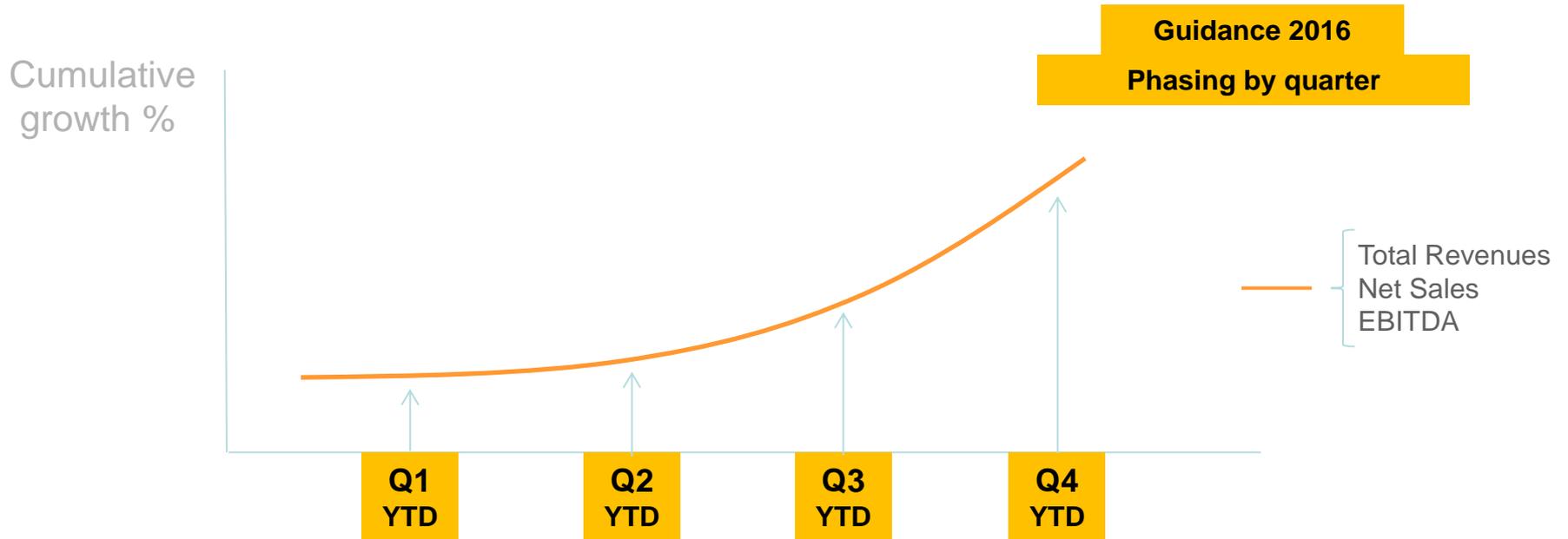
A. Net sales growth of 2.7%, increase benefiting from new businesses

B. Below last year due to AZ milestone linked to AB combo launch in EU in Q1 2015

C. Strong improvement in product mix in Q1

D. Limited increase in operating costs despite new business integration

# Financial guidance 2016 reiterated <sup>(1)</sup>



| P&L Item                            | Guidance 2016 vs. 2015    |
|-------------------------------------|---------------------------|
| <b>Total Revenue</b> <sup>(2)</sup> | Grow at high single digit |
| <b>Net Sales</b>                    | Grow at high single digit |
| <b>EBITDA</b>                       | Grow at high single digit |

(1) In constant exchange rates

(2) Net sales + Other Income

# Balance Sheet Q1 2016

| € Million                           | March<br>2016  | %<br>of BS   | Dec.<br>2015   |
|-------------------------------------|----------------|--------------|----------------|
| Goodwill                            | 454.0          | 17.0%        | 347.3          |
| Intangible assets                   | 836.1          | 31.2%        | 412.7          |
| Property, plant and equipment       | 130.2          | 4.9%         | 127.8          |
| Financial assets                    | 171.8          | 6.4%         | 180.6          |
| Other non current assets            | 320.0          | 12.5%        | 316.8          |
| <b>Total Non Current Assets</b>     | <b>1,912.1</b> | <b>71.4%</b> | <b>1,385.2</b> |
| Inventories                         | 88.8           | 3.3%         | 87.1           |
| Accounts receivable                 | 144.4          | 5.4%         | 121.0          |
| Cash & cash equivalents             | 488.5          | 18.3%        | 868.0          |
| Other current assets                | 42.7           | 1.6%         | 71.0           |
| <b>Total Current Assets</b>         | <b>764.4</b>   | <b>28.6%</b> | <b>1,147.1</b> |
| <b>Total Assets</b>                 | <b>2,676.5</b> |              | <b>2,532.3</b> |
| Shareholders Equity                 | 1,471.0        | 55.0%        | 1,462.6        |
| Financial debt                      | 316.1          | 11.8%        | 319.7          |
| Non current liabilities             | 572.4          | 21.4%        | 452.3          |
| Current liabilities                 | 317.0          | 11.8%        | 297.7          |
| <b>Total Equity and Liabilities</b> | <b>2,676.5</b> |              | <b>2,532.3</b> |

A

A. Increase due to identified assets of Poli Group and ThermiGen

B

B. Increase due to new acquisitions

C

C. Cash decrease due to investment in new acquisitions: ThermiGen and Poli Group

Net cash position:

- + Cash and cash equivalents 488.5 Million
- Financial Debt 316.1 Million
- Pension Plans 70.8 Million

# Cash Flow Q1 2016

| € Million                                       | Mar 2016       | Mar 2015      |
|---|----------------|---------------|
|   | YTD            | YTD           |
| <b>Profit Before Tax</b>                        | 27.4           | 51.5          |
| Depreciation and amortisation                   | 22.4           | 18.7          |
| Change in working capital                       | (25.9)         | (36.1)        |
| Restructuring payments                          | (2.7)          | (4.4)         |
| Other adjustments                               | (7.5)          | 89.4          |
| Tax Cash Flow                                   | 36.8           | (11.4)        |
| <b>Cash Flow from Operating Activities (I)</b>  | <b>50.5</b>    | <b>107.7</b>  |
| Financial Income                                | 0.5            | 0.8           |
| Investments                                     | (2.4)          | (2.5)         |
| Divestments                                     | 0.2            | 0.1           |
| Payments of capex suppliers                     | (5.5)          | (4.6)         |
| Changes in scope of consolidation               | (415.2)        | (15.9)        |
| <b>Cash Flow from Investing Activities (II)</b> | <b>(422.4)</b> | <b>(22.1)</b> |
| Finance Expense                                 | (7.6)          | (7.6)         |
| <b>Cash Flow from Financing Activities</b>      | <b>(7.6)</b>   | <b>(7.6)</b>  |
| <b>Cash Flow generated during the period</b>    | <b>(379.5)</b> | <b>78.0</b>   |
| <b>Free Cash Flow (III) = (I) + (II)</b>        | <b>(371.9)</b> | <b>85.6</b>   |

**A.** Includes amount linked to AB Combo EU milestone (cash in 2015, but income in 2014)

**B.** Net cash investments in Poli Group and ThermiGen (Cash paid in 2016 less Cash available in the new entities)

**C.** Senior notes coupon payment on March 31<sup>st</sup>

# Dermatology & Market Overview

*Alfonso Ugarte*  
*Executive Vice-president, Global Commercial Strategy*

# Strong Derma sales in Q1 2016

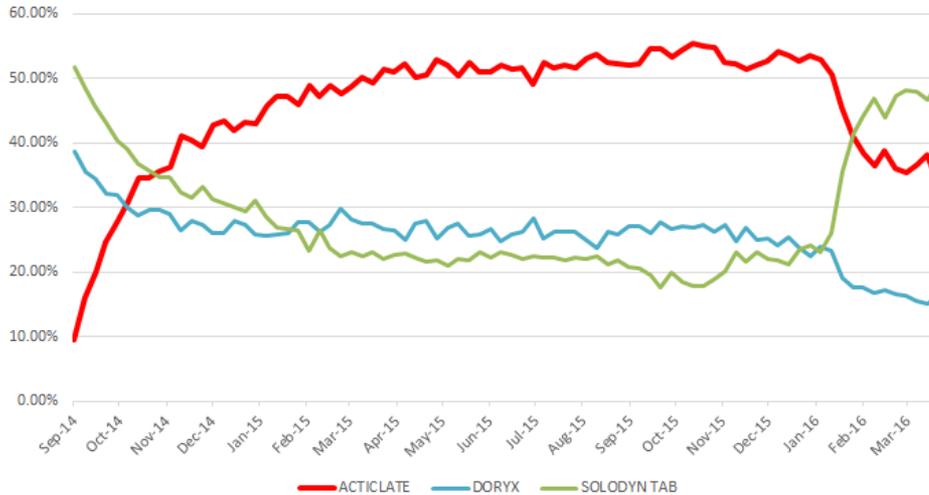
Dermatology Net Sales grew by 13.3%

- ✓ US Business growth sales **+1%** (YOY), benefiting from a good performance in TRx for **Acticlate®** and the strong growth of the rest of the portfolio, despite a challenging environment
- ✓ **Veltin®/Altabax®** will be launched in the US as planned in July
- ✓ Strong growth in Europe Derma sales **+23%** driven by the Actinic Keratosis franchise (**Solaraze® & Actikerall®**) and the contribution of Poli business
- ✓ Dermatology now accounts for **43%** of total Net Sales vs. **39%** in Q1 2015

# Acticlate™ market share

## The environment is changing

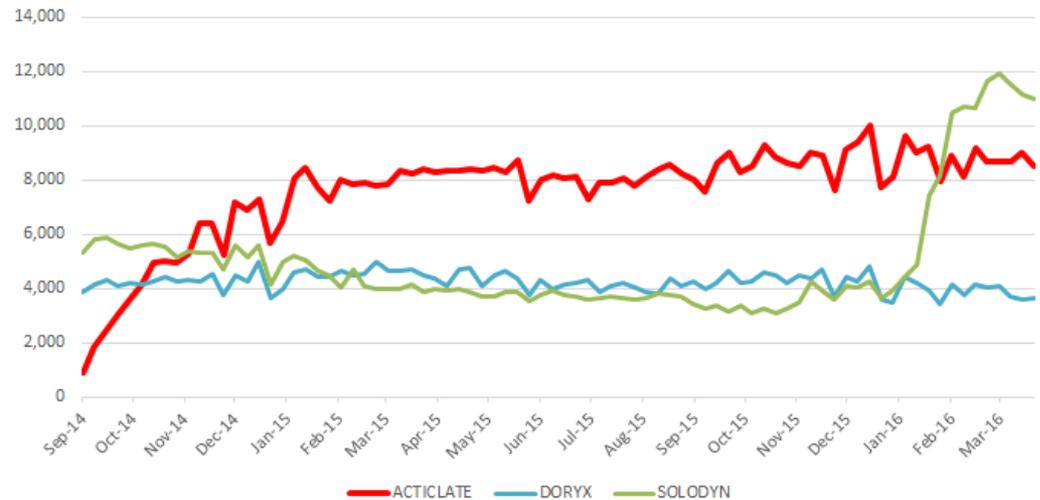
TRx Branded OAB Share: Promoted Areas/Specialties



- Some Solodyn volume was not captured during 2015. There is no cliff in market share
- Total Acticlate prescriptions remain stable to slightly growing over past 12 months



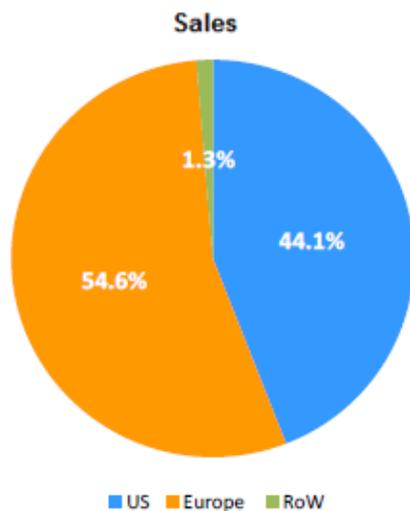
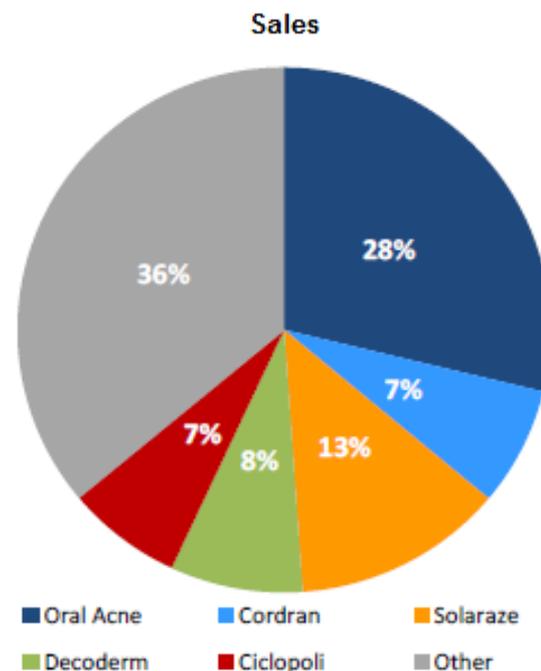
TRx Branded OAB: Promoted Geographies



Source: Based on IMS Data

# Q1 2016 Derma Net sales performance

| € thousand            | YTD<br>Mar 2016 | YTD<br>Mar 2015 | % var vs<br>LY |
|-----------------------|-----------------|-----------------|----------------|
| <b>US</b>             | 34,994          | 34,693          | 0.9%           |
| Oral Acne franchise   | 22,556          | 24,248          | (7.0%)         |
| Cordran               | 5,736           | 4,916           | 16.7%          |
| Other US              | 6,701           | 5,530           | 21.2%          |
| <b>Europe</b>         | 43,373          | 35,385          | 22.6%          |
| Solaraze and other    | 10,021          | 8,798           | 13.9%          |
| Decoderm and others   | 6,305           | 6,099           | 3.4%           |
| Ciclopoli             | 5,515           | -               | <i>n.m.</i>    |
| Other                 | 21,532          | 20,489          | 5.1%           |
| <b>RoW</b>            | 1,026           | -               | <i>n.m.</i>    |
| <b>Total Almirall</b> | 79,393          | 70,078          | 13.3%          |



R&D

*Thomas Eichholtz*

*Executive Vice-president, Research & Development, CSO*

# R&D strategic realignment progressing well

- Initiating 3 phase III programs from Poli Group's Pipeline in EU & US
- These 3 phase III programs have potential peak sales between €60 - €100 million depending on the project
- 1 NCE entering into clinical development
- LAS41008 for psoriasis progressing in the registration process
- LAS 41010, ADP18998 in registration process

# Using 5 entry points to the portfolio

## Entries to Portfolio

New  
Chemical  
Entities

Drug  
Repositioning

Drug  
Reformulation

Licensing  
&  
Acquisitions

Life Cycle  
Management

Design of  
innovative drugs  
for dermatology  
oral & topical

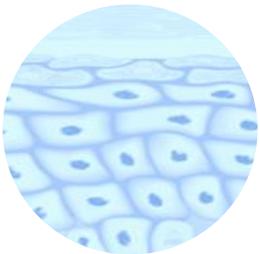
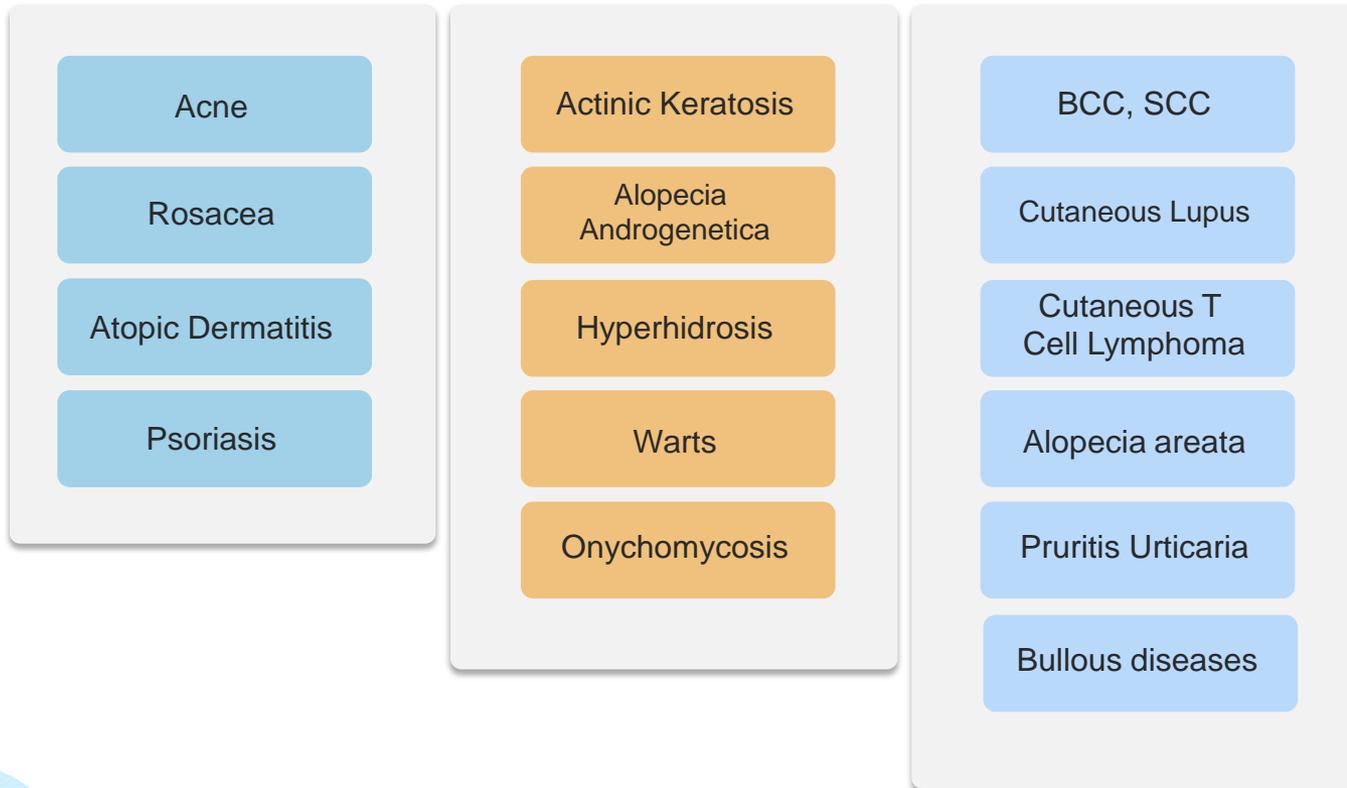
Dermatological  
use of an existing  
drug from non-  
dermatology  
indications

Added value  
through more  
patient-friendly,  
efficacious or  
safer new  
formulations

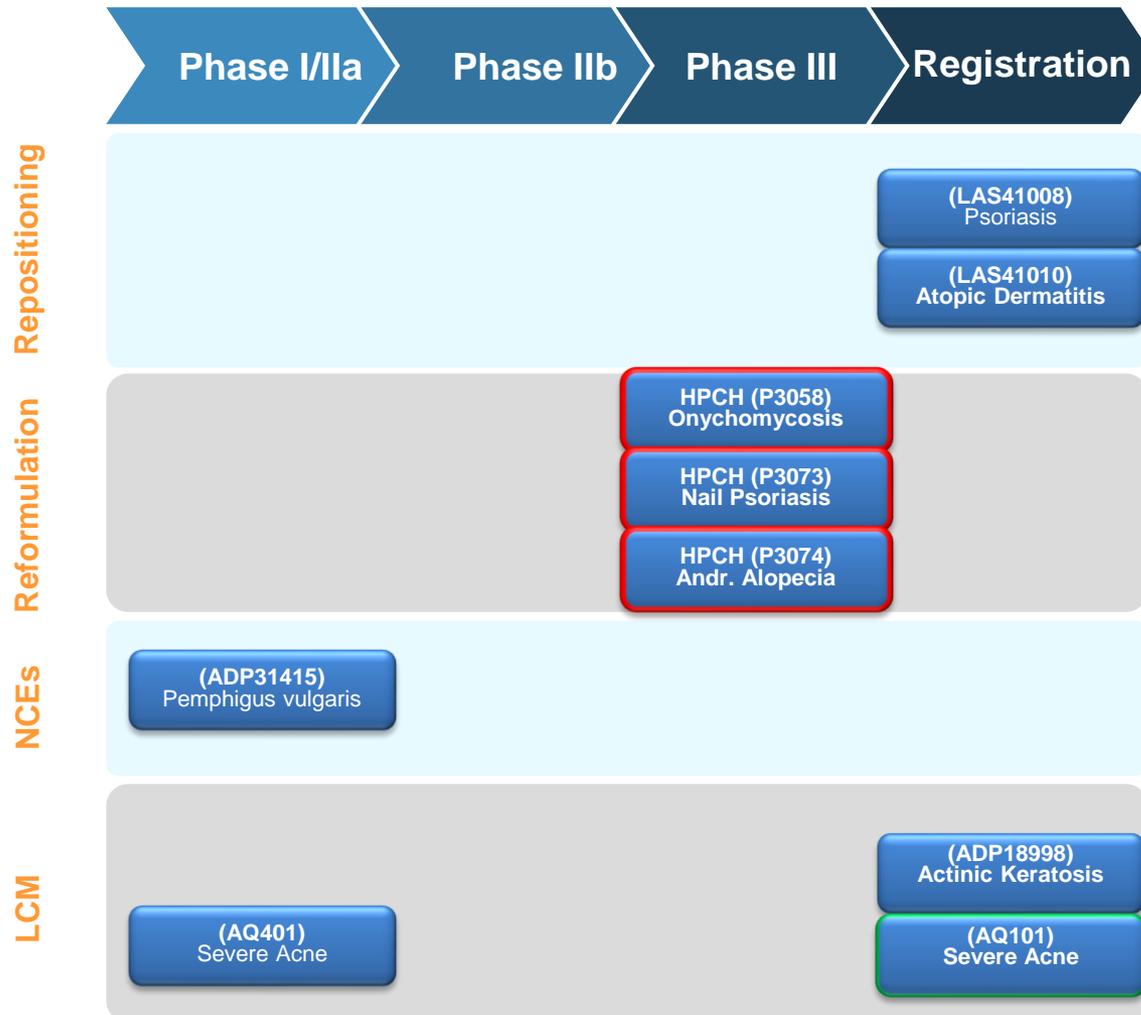
Acquisition &  
integration  
external portfolios

Enhancing current  
dermatology  
products

# Working focused on the 3 tiers of priority diseases



# Good progress with Pipeline



- Polichem pipeline
- Approved

# Wrap-up

*Eduardo Sanchiz*  
CEO

# Wrap-up

- ✓ Q1 2016 results aligned to deliver the guidance
- ✓ US Derma business as expected despite a challenging environment
- ✓ ThermiGen and Poli Group performing in line with expectations
- ✓ Pipeline moving ahead
- ✓ Healthy financial position to support potential new transactions
- ✓ Dividend proposal approved: gross dividend of 33 million euros or 0.19 euros per share
- ✓ Good momentum to continue supporting our strategic direction

# Financial Appendixes

# Sales breakdown by Region

By Region

| € thousand        | YTD<br>Mar 2016 | YTD<br>Mar 2015 | % var vs<br>LY |
|-------------------|-----------------|-----------------|----------------|
| Spain             | 53,614          | 60,512          | (11.4%)        |
| Europe (ex Spain) | 69,860          | 64,742          | 7.9%           |
| North America (*) | 44,747          | 40,150          | 11.4%          |
| Others            | 16,657          | 14,603          | 14.1%          |
| <b>Total</b>      | <b>184,878</b>  | <b>180,009</b>  | <b>2.7%</b>    |

(\*) Canada, US, Mexico

# Breakdown of the core business

- Proprietary products
- In-licensing products

| € thousand                         |     | YTD<br>Mar 2016 | YTD<br>Mar 2015 | % var vs<br>LY |
|------------------------------------|-----|-----------------|-----------------|----------------|
| Oral Acne franchise (doxycycline)  | ●   | 22,561          | 24,247          | (7.0%)         |
| Ebastel and other (ebastine)       | ●   | 18,930          | 22,097          | (14.3%)        |
| Tesavel & Efficib (sitagliptine)   | ●   | 11,621          | 11,252          | 3.3%           |
| Solaraze (diclofenac sodium)       | ●   | 10,021          | 8,798           | 13.9%          |
| Almax (almagate)                   | ●   | 6,558           | 5,577           | 17.6%          |
| Ciclopoli (ciclopirox)             | ●   | 6,391           | -               | <i>n.m.</i>    |
| Decoderm and others (flupredniden) | ●   | 6,305           | 6,099           | 3.4%           |
| Airtal and other (aceclofenac)     | ●   | 6,115           | 6,951           | (12.0%)        |
| ThermiGen                          | ●   | 5,982           | -               | <i>n.m.</i>    |
| Cordran (flurandrenolide)          | ●   | 5,736           | 4,916           | 16.7%          |
| Other                              | ● ● | 84,659          | 90,074          | (6.0%)         |
| <b>Total Net Sales</b>             |     | <b>184,878</b>  | <b>180,009</b>  | <b>2.7%</b>    |

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