



Solutions with you in mind

# FY 2015 Financial Results and Business Update

*February 22<sup>nd</sup> 2016*

# Agenda

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Group review	Eduardo Sanchiz, Chief Executive Officer
Financial review	Daniel Martinez, Chief Financial Officer
Derma review	Alfonso Ugarte, Senior Director Global Business Units
Closing remarks	Eduardo Sanchiz, Chief Executive Officer
Q&A session	Executive team

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# FY 2015 Highlights

*Eduardo Sanchiz*  
CEO

# FY 2015 achievements (1/2)

- Operational outperformance led to raised FY guidance
- Improved financial ratios
- Refocusing of business to dermatology:
  - Organization realigned
  - R&D restructured and pipeline refilled
  - Sole focus of current BD efforts
  - Constella divestment
- Maintained healthy Balance Sheet

# FY 2015 achievements (2/2)

- Reoriented and refilled pipeline:
  - Filed: oral treatment for psoriasis (non-biologic)
  - Life cycle management: 3 late stage projects
  - Clinical stage: 3 active projects (Poli Group)
  - 4 Preclinical projects, 12 Discovery projects
- Business development accomplishments:
  - Product swap Tocrino for Veltin™/ Altabax™
  - Equity investment in Suneva
  - Acquisition of Poli Group
  - Acquisition of ThermiGen LLC

# FY 2015 Financial Highlights

*Daniel Martinez*  
CFO

# Highlights FY 2015: growing in Dermatology

## STRONG FINANCIAL PERFORMANCE

- Like-for-like performance at the top end of the new guidance upgraded in October 2015
- Growth in Total Revenue **+0.9%** and stable net sales FY15 vs FY14 (like-for-like ex-Eklira)
- Solid improvements in EBITDA **+26.0%** and EBIT **+91.8%** FY15 vs FY14 (like-for-like ex-Eklira)

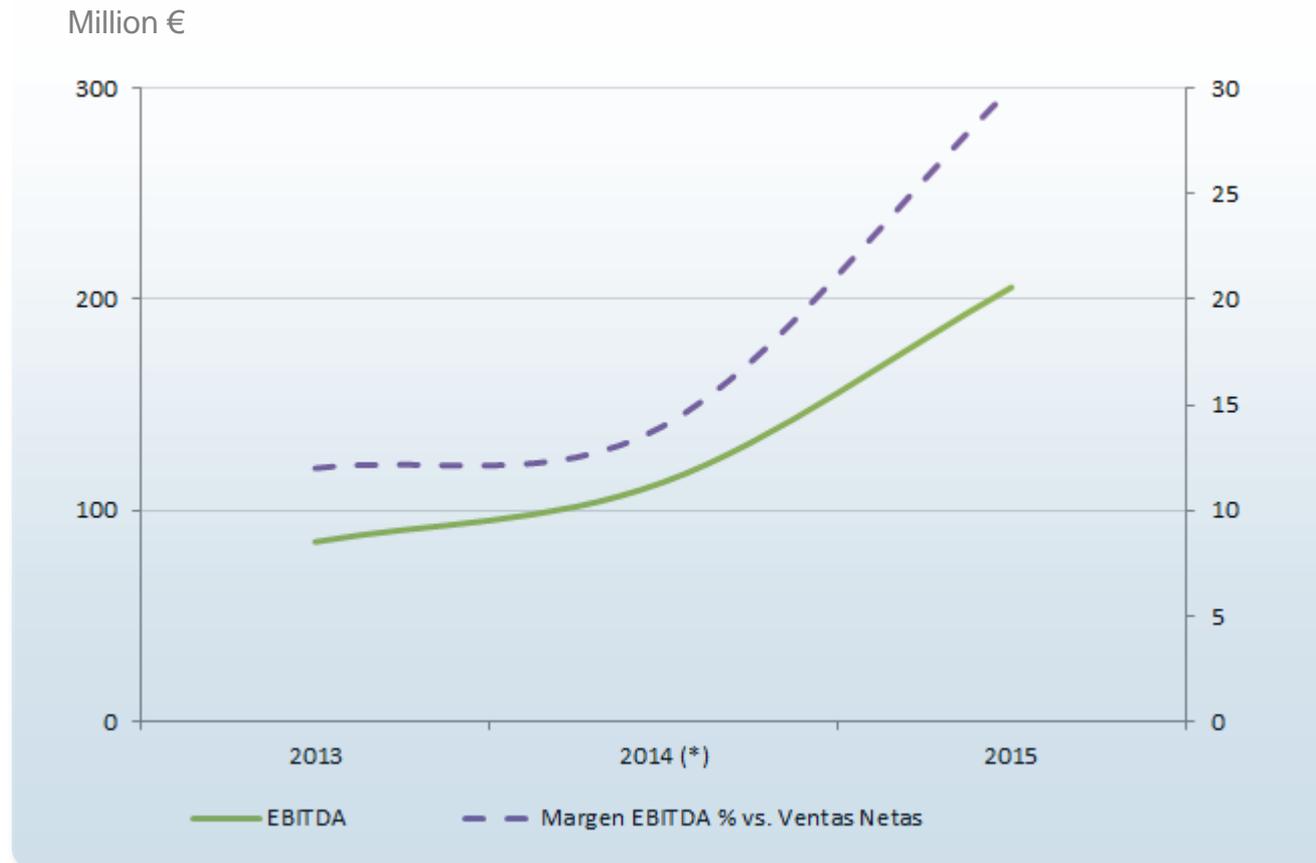
## EXECUTION ON DERMATOLOGY

- Dermatology Net Sales grew by **+15.9%**.
- Dermatology now accounts for **43.1%** of Net Sales
- US Derma business sales growth **+35.4%**

## BALANCING INVESTMENTS AND OPPORTUNITIES

- R&D expenses **9.7%** of sales FY15 vs **12.8%** FY14
- Reduction in SG&A from **58.5%** of sales FY14 to **51.7%** FY15
- Positive net cash position of **484.5** million euros

# Recent evolution after transfer of respiratory business



(\*) 2014 data has been normalized (w/o AZ Deal effect)

# Income Statement 2015 vs. 2014

## Normalized Net income growth of 90%

€ Million	YTD Dec 2015	YTD Dec 2014	% var
<b>Total Revenues</b>	<b>769.0</b>	<b>1407.4</b>	<b>(45.4%)</b>
Net Sales	685.0	786.4	(12.9%)
Other Income	84.0	621.0	(86.5%)
Cost of Goods	(214.5)	(235.4)	(8.9%)
<b>Gross Profit</b>	<b>470.5</b>	<b>551.0</b>	<b>(14.6%)</b>
% of sales	68.7%	70.1%	
<b>R&amp;D</b>	<b>(66.3)</b>	<b>(100.6)</b>	<b>(34.1%)</b>
% of sales	(9.7%)	(12.8%)	
<b>SG&amp;A</b>	<b>(354.3)</b>	<b>(459.9)</b>	<b>(23.0%)</b>
% of sales	(51.7%)	(58.5%)	
<b>Other Op. Exp</b>	<b>(2.5)</b>	<b>(9.9)</b>	<b>(74.7%)</b>
<b>EBIT</b>	<b>131.4</b>	<b>601.6</b>	<b>(78.2%)</b>
% of sales	19.2%	76.5%	
<b>Depreciation</b>	<b>74.3</b>	<b>84.7</b>	<b>(12.3%)</b>
% of sales	10.8%	10.8%	
<b>EBITDA</b>	<b>205.7</b>	<b>686.3</b>	<b>(70.0%)</b>
% of sales	30.0%	87.3%	
Gains on sale of assets	44.2	14.1	n.m.
Other costs	0.6	(36.8)	(101.6%)
Restructuring costs	(7.8)	-	n.m.
Impairment reversals / (losses)	(0.2)	(69.2)	(99.7%)
Net financial income / (expense)	4.4	(27.8)	(115.8%)
<b>Profit before tax</b>	<b>172.6</b>	<b>481.9</b>	<b>(64.2%)</b>
Corporate income tax	(40.8)	(33.5)	21.8%
<b>Net income</b>	<b>131.8</b>	<b>448.4</b>	<b>(70.6%)</b>
<b>Normalized Net Income</b>	<b>82.5</b>	<b>43.5</b>	<b>89.7%</b>
Earnings per share (€)	0.76 €	2.59 €	
Normalized Earnings per share (€)(1)	0.48 €	0.25 €	

(1) Number of shares at the end of the period

A

B

C

C

D

- A. Like-for-like Total Revenue growth of 0.9%
- B. South Korean milestone expected in 2016 but received 2015
- C. Significantly reduced R&D and SG&A
- D. Strong increase versus last year

# Balance Sheet 2015

€ Million	December 2015	% of BS	December 2014
Goodwill	347,3	13,7%	338,8
Intangible assets	412,7	16,3%	444,4
Property, plant and equipment	127,8	5,0%	132,1
Financial assets	180,6	7,1%	179,2
Other non current assets	316,9	12,7%	338,7
<b>Total Non Current Assets</b>	<b>1.385,3</b>	<b>54,7%</b>	<b>1.433,2</b>
Inventories	87,1	3,4%	81,0
Accounts receivable	121,0	4,8%	207,2
Cash & cash equivalents	868,0	34,3%	754,4
Other current assets	71,0	2,8%	64,6
<b>Total Current Assets</b>	<b>1.147,1</b>	<b>45,3%</b>	<b>1.107,2</b>
<b>Total Assets</b>	<b>2.532,4</b>		<b>2.540,4</b>
Shareholders Equity	1.462,6	57,8%	1.339,6
Financial debt	319,7	12,6%	319,9
Non current liabilities	452,3	17,9%	523,5
Current liabilities	297,8	11,8%	357,4
<b>Total Equity and Liabilities</b>	<b>2.532,4</b>		<b>2.540,4</b>

Net cash position:

- + Cash and cash equivalents 868 Million
- Financial Debt 319.7 Million
- Pension Plans 63.8 Million

- A.** Increase is mainly due to US affiliate assets revaluation
- B.** Includes Equity investment in Suneva Medical and ThermiGen LLC
- C.** Decrease mainly due to AB Combo EU milestone collected in 2015
- D.** Decreased due to Aqua commercial earnouts reclassified as current liability

# Cash Flow 2015

€ Million	Dec 2015	Dec 2014
	YTD	YTD
<b>Profit Before Tax</b>	<b>172.6</b>	<b>481.9</b>
Depreciation and amortisation	74.3	84.7
Change in working capital	(23.3)	56.0
Restructuring payments	(23.3)	(29.3)
Other adjustments	25.7	131.7
Tax Cash Flow	(55.1)	(78.1)
<b>Cash Flow from Operating Activities (I)</b>	<b>170.9</b>	<b>646.9</b>
Financial Income	2.8	0.8
Investments	(56.6)	(64.2)
Divestments	64.0	64.3
Payments of capex suppliers	0.2	(4.6)
Changes in scope of consolidation	(15.9)	1.7
<b>Cash Flow from Investing Activities (II)</b>	<b>(5.5)</b>	<b>(2.0)</b>
Finance Expense	(15.4)	(14.7)
Dividend distribution	(35.0)	-
Debt increase/ (decrease)	(1.4)	37.6
Other cash flows	0.0	(2.6)
<b>Cash Flow from Financing Activities</b>	<b>(51.8)</b>	<b>20.3</b>
<b>Cash Flow generated during the period</b>	<b>113.6</b>	<b>665.2</b>
<b>Free Cash Flow (III) = (I) + (II)</b>	<b>165.4</b>	<b>644.9</b>

A

A. \$150 Million AB Combo EU milestone (income in 2014 but cash in 2015)

B

B. Mainly due to our US affiliate commercial earnout

C

C. €35 Million Gross Dividend payment, June 1<sup>st</sup>

# **Dermatology & Market Overview**

*Alfonso Ugarte*  
*Senior Director Global Business Units*

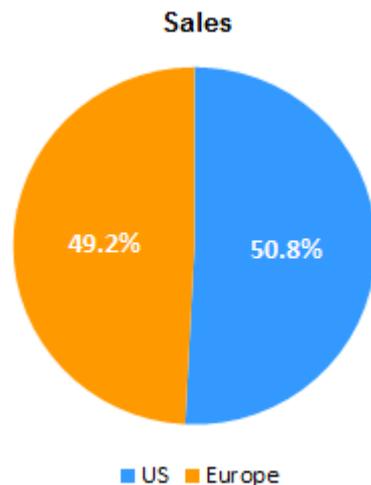
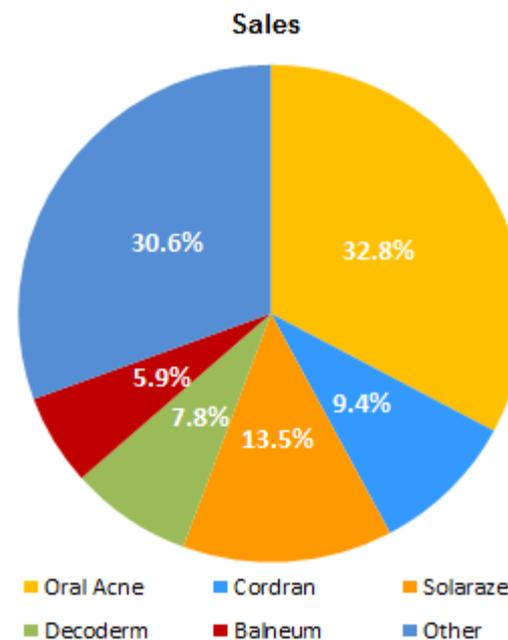
# Strong Derma sales growth in 2015

Dermatology Net Sales grew by 16%

- ✓ US Business the key growth driver sales **+35.4%** (YOY), benefiting from maintained market-leading TRx share for **Acticlate®**
- ✓ Europe Derma sales increases driven by the Actinic Keratosis franchise (**Solaraze® & Actikerall®**)
- ✓ Dermatology now accounts for **43%** of total Net Sales
- ✓ US Derma now accounts for over **50%** of total Derma sales

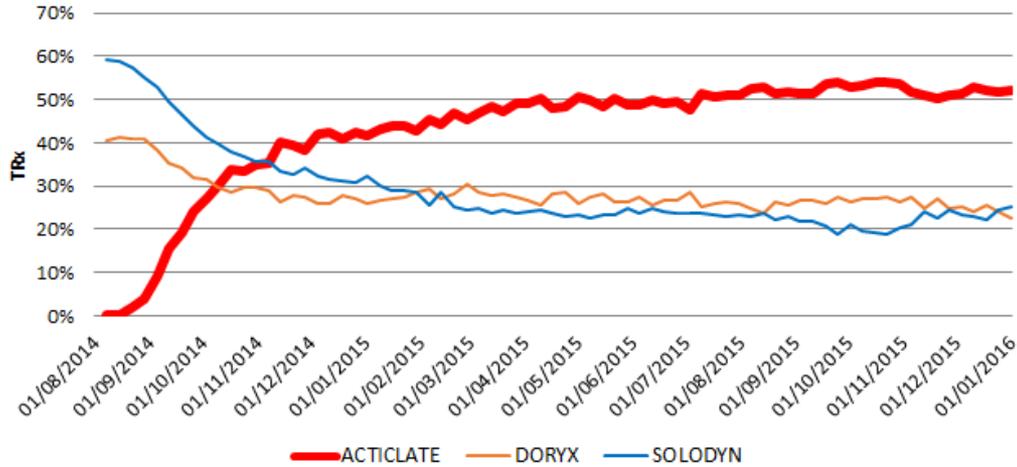
# 2015 Derma Net sales performance

€ thousand	YTD Dec 2015	YTD Dec 2014	% var vs LY
<b>US</b>	<b>150,010</b>	<b>110,760</b>	<b>35.4%</b>
Oral Acne franchise	96,826	67,724	43.0%
Cordran	27,697	23,671	17.0%
Other US	25,487	19,365	31.6%
<b>Europe</b>	<b>145,103</b>	<b>143,784</b>	<b>0.9%</b>
Solaraze and other	39,739	38,513	3.2%
Decoderm and others	23,121	24,007	(3.7%)
Balneum	17,472	16,538	5.6%
Other	64,772	64,726	0.1%
<b>Total Net Sales</b>	<b>295,113</b>	<b>254,544</b>	<b>15.9%</b>

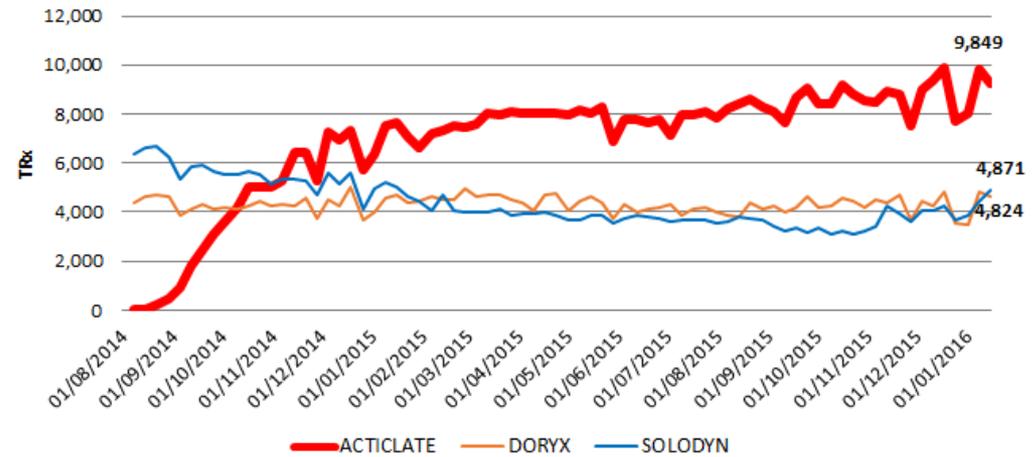


# Acticlate™ Market share

TRx Share Within Targets - Branded OABs



TRxs Within Targets - Branded OABs



Source: Based on IMS Data

# Veltin™ / Altabax™ (1/2)

Recently we announced a product exchange with GlaxoSmithKline (GSK). GSK Stiefel acquired full **Toctino®** rights in Almirall territories, in exchange for GSK products **Veltin™** and **Altabax™**

- ✓ Both products will be launched in July 2016, only in the US
- ✓ Strategic fit with the current portfolio
- ✓ Increasing our number of reps in the US affiliate by 50%
- ✓ Combined **Veltin™ / Altabax™** Sales in 3 years could exceed €30 million
- ✓ Additional 3<sup>rd</sup> sales force to promote **Veltin™ / Altabax™** as well as the rest of the portfolio

# Veltin™ / Altabax™ (2/2)

## Veltin™

### **VELTIN™**

(clindamycin phosphate and tretinoin) Gel  
1.2%/0.025%



- Topical Rx combination antibiotic and retinoid gel (clindamycin phosphate 1.2% / tretinoin 0.025%)
- Acne vulgaris in patients  $\geq 12$  years of age
- FDA approved 2010

## Altabax™

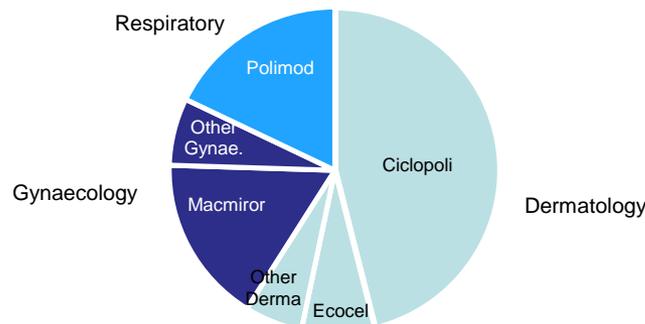
- Topical Rx antibiotic ointment (retapamulin 1% )
- Skin infection impetigo in adult and pediatric patients (> 9 months)
- OB listed patents 2021 – 2027
- FDA approved 2007



# Poli Group

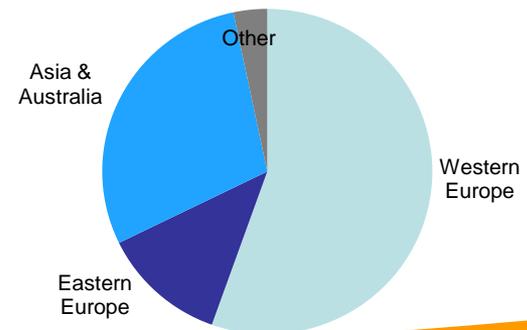
- ✓ Diversified portfolio of proprietary products with a clear focus on dermatology. Recognized international brands with products sold in more than 70 countries
- ✓ Promising pipeline with significant growth opportunities. In-house R&D competences fully devoted to dermatology
- ✓ Asset light business model with a high cash conversion rate. Upside opportunities within Almirall organization
- ✓ Sales could exceed €100 million by 2018 without new products (current business)
- ✓ Some R&D increase to develop Poli pipeline
- ✓ ROIC will exceed cost of capital in less than 2 year

Product sales by Therapeutic Area <sup>(1)</sup>



(1) Excluding sales of raw materials.

Net sales by Geography



# ThermiGen

- ✓ Transaction closed February 9<sup>th</sup>, first step towards building a presence in the aesthetics market
- ✓ A solid technology and commercial platform in the energy-based medical device segment with significant growth potential in multiple indications
- ✓ Temperature controlled radio frequency allows physicians to treat a variety of nerve and soft tissue conditions by applying the "Science of Heat".
- ✓ Body Shaping & Skin Tightening market is forecasted to achieve €1b in 2018 WW
- ✓ Targeting sales of around €100 million in 3-4 years
- ✓ Additional SG&A to accelerate growth
- ✓ ROIC will exceed cost of capital in less than 2 years

		Procedures	Location
THERMI <sup>RF</sup>	Minimally-Invasive	THERMI <sup>rase</sup>	Face & neck
		THERMI <sup>tight</sup>	Chin, neck & jowls Buttocks, thighs, abdomen & arms
		THERMI <sup>dry</sup>	Axillary sweat glands
	Non-Invasive	THERMI <sup>smooth</sup>	Face & neck
		THERMI <sup>va</sup>	Vagina
		THERMI <sup>Eye</sup>	Periorbital Meibomian gland
THERMI <sup>Smooth</sup> <sup>250°</sup>		THERMI <sup>Smooth</sup> <sup>250°</sup>	Full body Full body

# Wrap-up

*Eduardo Sanchiz*  
CEO

# 2016 key impacting factors

## Potential impact vs 2015

Total Revenues

EBITDA

- Portfolio optimization and selective divestment:
  - Plusvent (Spain), & Toctino
  - Constella
- Other income of aclidinium combo in S Korea received in 2015, but expected in 2016
- Tougher market environment in US
- Launch of Veltin™ and Altabax™ by mid year
- Addition of Polichem business
- Addition of ThermiGen business



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# Financial guidance 2016 <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*

# Wrap-up

- ✓ 2015 results aligned with guidance, showing significant improvement in key ratios, in normalized results and in cash flow generation
- ✓ Delivered on stated strategy: realigned the organization, performed meaningful transactions like Poli, Thermi and Constella divestment
- ✓ Maintained a healthy financial position to support potential new transactions
- ✓ Healthy growth outlook for 2016
- ✓ Dividend proposal: gross dividend of 33 million euros or 0.19 euros per share
- ✓ We have a good momentum and an improved base to continue supporting our new strategic direction

# Financial Appendixes

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

€ Million	YTD	YTD	% var
	Dec 2015 w/o AZ	Dec 2014 w/o Eklira	
<b>Total Revenues</b>	<b>704.0</b>	<b>698.0</b>	<b>0.9%</b>
Net Sales	685.0	686.1	(0.2%)
Other Income	19.0	11.9	59.0%
Cost of Goods	(214.5)	(205.9)	4.2%
<b>Gross Profit</b>	<b>470.5</b>	<b>480.1</b>	<b>(2.0%)</b>
% of sales	68.7%	70.0%	
<b>R&amp;D</b>	<b>(66.3)</b>	<b>(76.2)</b>	<b>(13.0%)</b>
% of sales	(9.7%)	(11.1%)	
<b>SG&amp;A</b>	<b>(354.3)</b>	<b>(371.4)</b>	<b>(4.6%)</b>
% of sales	(51.7%)	(54.1%)	
<b>Other Op. Exp</b>	<b>(2.5)</b>	<b>(9.9)</b>	<b>(74.7%)</b>
% of sales	(0.4%)	(1.4%)	
<b>EBIT</b>	<b>66.4</b>	<b>34.6</b>	<b>91.8%</b>
% of sales	9.7%	5.0%	
<b>Depreciation</b>	<b>74.3</b>	<b>77.1</b>	<b>(3.6%)</b>
% of sales	10.8%	11.2%	
<b>EBITDA</b>	<b>140.7</b>	<b>111.7</b>	<b>26.0%</b>
% of sales	20.5%	16.3%	

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

# Sales breakdown by Region and Therapeutic Area

## By Region

€ thousand	YTD Dec'15	YTD Dec'14	% var LY
Spain	220,916	236,139	(6.4%)
Europe (ex Spain)	242,471	271,922	(10.8%)
North America (*)	168,705	134,706	25.2%
Other	52,894	45,970	15.1%
AB franchise		97,658	n.m.
<b>Total</b>	<b>684,985</b>	<b>786,396</b>	<b>(12.9%)</b>

(\*) Canada, US, Mexico

## By Main Therapeutic Area

€ thousand	YTD Dec 2015	YTD Dec 2014	% var vs LY
Dermatology	295,113	254,544	15.9%
Gastrointestinal and Metabolism	122,830	130,066	(5.6%)
Respiratory	104,964	212,064	(50.5%)
CNS	54,273	77,924	(30.4%)
Other therapeutic specialties	107,807	111,797	(3.6%)
<b>Total Net Sales</b>	<b>684,985</b>	<b>786,396</b>	<b>(12.9%)</b>

# Breakdown of the core business

- Proprietary products
- In-licensing products

€ thousand		YTD Dec 2015	YTD Dec 2014	% var vs LY
Oral Acne franchise (doxycycline)	●	96.826	67.724	43,0%
Ebastel and other (ebastine)	●	62.139	67.805	(8,4%)
Tesavel & Efficib (sitagliptine)	●	44.134	46.270	(4,6%)
Solaraze (diclofenac sodium)	●	39.739	38.513	3,2%
Plusvent (salmeterol & fluticasone)	●	31.842	38.350	(17,0%)
Airtal and other (aceclofenac)	●	28.017	23.671	18,4%
Cordran (flurandrenolide)	●	27.697	30.597	(9,5%)
Almax (almagate)	●	23.870	21.716	9,9%
Decoderm and others (flupredniden)	●	23.121	24.007	(3,7%)
Almogran and other (almotriptan)	●	17.701	43.162	(59,0%)
Eklira and other (Acidinium bromide)			97.658	n.m.
Other	● ●	289.900	286.925	1,0%
<b>Total Net Sales</b>		<b>684.985</b>	<b>786.396</b>	<b>(12,9%)</b>

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