



Solutions with you in mind

H1 2017
Financial Results
and Business Update

July 24th 2017

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H1 2017 Highlights



Eduardo Sanchiz
CEO

H1 2017 Introduction



- We reiterate the recent Guidance provided on 10th July 2017
- Implemented decisive actions regarding the situation in the US
- We retain strong confidence in Thermi despite a slow start to the year
- Business remains on track in Europe and RoW
- Approval of Skilarence[®] in all EU member states
- Our long-term strategy is unchanged and we continue to be strongly focused on BD in Dermatology and Aesthetics opportunities as well as progressing our R&D pipeline

US Market situation update

Inventory rebalancing

- No further change to our expectation of inventory reduction impact of c. €25 Million

Savings Cards/Coupons

- New processes related to use of Patient Assistance Programs (PAP) having the expected effect

Acticlate™ generic

- Market actions implemented
- Teva Pharmaceuticals has launched in parallel its authorised generic

H1 2017 - Financial Highlights



David Nieto
CFO

H1/2017 - Financial highlights



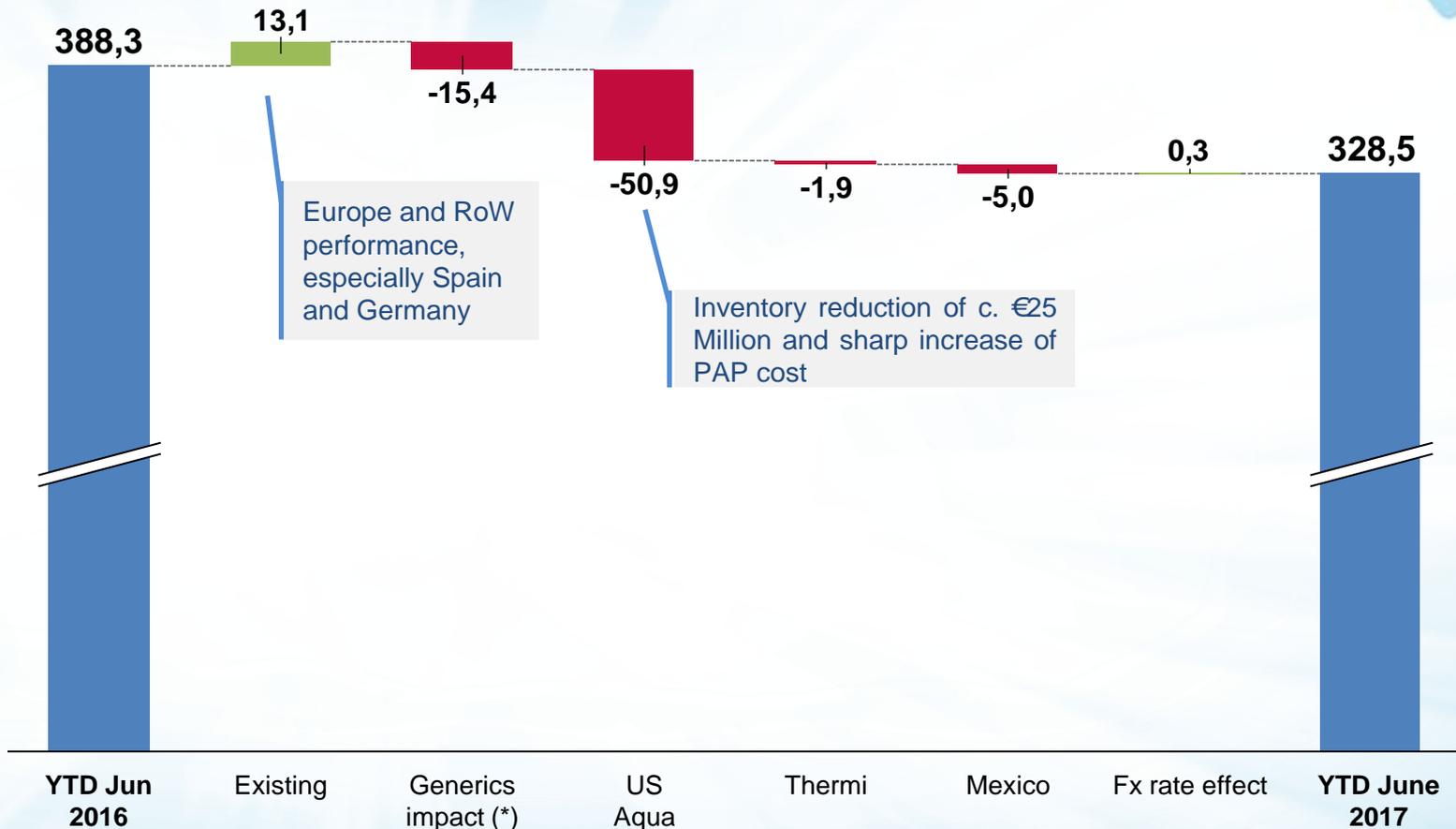
Highlights

- EU Dermatology performance +2%
- Polichem acquisition performing well (i.e. Ciclopoli up +35%)
- Strong cost control while investing in key R&D programs and Skilarence® launch
- Reduction of financial expenses

Challenges

- Net Sales (-15%) negatively impacted by a combination of factors in our US Dermatology business
- Slow start to the year at Thermi

H1/2017 - Net Sales drivers (€mn)



(*) Ex-US generics impact

H1/2017 – Summarized P&L

€ Million	YTD Jun 2017	YTD Jun 2016	% var
Total Revenues	378.9	428.1	(11.5%)
Net Sales	328.5	388.3	(15.4%)
Other Income	50.4	39.8	26.6%
Cost of Goods	(116.3)	(115.1)	1.0%
Gross Profit	212.2	273.2	(22.3%)
% of sales	64.6%	70.4%	
R&D	(48.2)	(44.0)	9.5%
% of sales	(14.7%)	(11.3%)	
SG&A	(206.8)	(196.3)	5.3%
% of sales	(63.0%)	(50.6%)	
SG&A w/o Depreciation	(162.1)	(155.8)	4.0%
% of sales	(49.3%)	(40.1%)	
Depreciation	(44.7)	(40.5)	10.4%
Other Op. Exp	(2.6)	2.4	n.m.
EBIT	5.0	75.1	(93.3%)
% of sales	1.5%	19.3%	
Total Depreciation	53.6	48.4	10.7%
% of sales	16.3%	12.5%	
EBITDA	58.6	123.5	(52.6%)

Other Income higher than the same period last year due to AZ performance

Gross margin impacted by reduction in sales in higher margin geographies

Low comparable in H1/2016

Low comparable in H1/2016 and investment in Skilarence® launches

H1/2017 – EBITDA to Normalized Net Income

€ Million	YTD Jun 2017	YTD Jun 2016	Var
EBITDA	58,6	123,5	(64,9)
% of sales	17,8%	31,8%	
Gains on sale of assets	-	31,2	(31,2)
Other costs	(6,2)	(0,2)	(6,0)
Impairment reversals / (losses)	(79,6)	-	(79,6)
Net financial income / (expense)	(8,9)	(9,2)	0,3
Profit before tax	(89,7)	96,9	(186,6)
Corporate income tax	16,6	(16,4)	33,0
Net income	(73,1)	80,5	(153,6)
Normalized Net Income	9,2	55,4	(46,1)
Earnings per share (€)	(0,42)	0,47	
Normalized Earnings per share (€)	0,05	0,32	

Divestments of Mexican operations in 2016

Mainly related to one time cost linked to the integration of Poli

Driven by Aqua goodwill write-off (non cash impact)

H1/2017 – Balance Sheet

€ Million	June 2017	% of BS	December 2016
Goodwill	353.7	15.0%	432.8
Intangible assets	929.9	39.4%	993.0
Property, plant and equipment	126.7	5.4%	132.3
Financial assets	166.9	7.1%	194.4
Other non current assets	351.4	14.9%	327.5
Total Non Current Assets	1,928.6	81.7%	2,080.0
Inventories	88.7	3.8%	91.0
Accounts receivable	166.0	7.0%	130.6
Cash & cash equivalents	136.6	5.8%	466.7
Other current assets	41.4	1.8%	50.2
Total Current Assets	432.7	18.3%	738.5
Total Assets	2,361.3		2,818.5
Shareholders Equity	1,375.4	58.2%	1,520.3
Financial debt	152.1	6.4%	321.0
Non current liabilities	570.2	24.1%	609.5
Current liabilities	263.6	11.2%	367.7
Total Equity and Liabilities	2,361.3		2,818.5

Decrease of Goodwill is mainly due to the impairment of Aqua

Includes the fair value of milestones and royalties from AZ deal

Increase (vs. 2016) due to AZ milestone reclassification to current assets

Revolving credit facility replaced Senior Notes in April

Net cash position:

- + Cash and cash equivalents: 136,6 Million
- Financial Debt : 152.1 Million
- Pension Plans: 71,9 Million

H1/2017 Cash Flow

€ Million	June 2017 YTD	June 2016 YTD
Profit Before Tax	(89.7)	96.9
Depreciation and amortisation	53.6	48.4
Change in working capital	(49.9)	(39.6)
Restructuring payments	(5.4)	(4.3)
Other adjustments	43.6	(72.0)
Tax Cash Flow	(9.0)	30.7
Cash Flow from Operating Activities (I)	(56.8)	60.1
Financial Income	0.2	0.9
Investments	(44.8)	(16.1)
Divestments	(0.2)	0.2
Payments of capex suppliers	(1.0)	(5.3)
Changes in scope of consolidation	(7.5)	(400.7)
Cash Flow from Investing Activities (II)	(53.3)	(421.0)
Interest Payment	(15.5)	(7.7)
Dividend distribution	(33.0)	(33.0)
Debt increase/ (decrease)	(171.5)	(0.2)
Cash Flow from Financing Activities	(220.0)	(40.9)
Cash Flow generated during the period	(330.1)	(401.8)
Free Cash Flow (III) = (I) + (II)	(110.1)	(360.9)

Includes adjustment of impairments and financial expenses partially offset by AZ financial update, deferred up front payments and exchange differences

Mainly due to milestone payment to Sun Pharma and upfront payment to Symatase

Includes senior notes coupon payment on March 31st and redemption fee on April 4th

Dividend payment on June 1st



Dermatology



Eduardo Sanchiz
CEO

Alfonso Ugarte
Executive Vice President
Global Commercial Strategy

Aqua

- Diverse portfolio of Dermatology products
- Important platform from where to access the largest and most profitable Dermatology market worldwide
- A specialist salesforce with nationwide coverage of key prescribers
- Strong reputation and well-developed network of influencers
- 3-year cumulative EBITDA close to the acquisition price

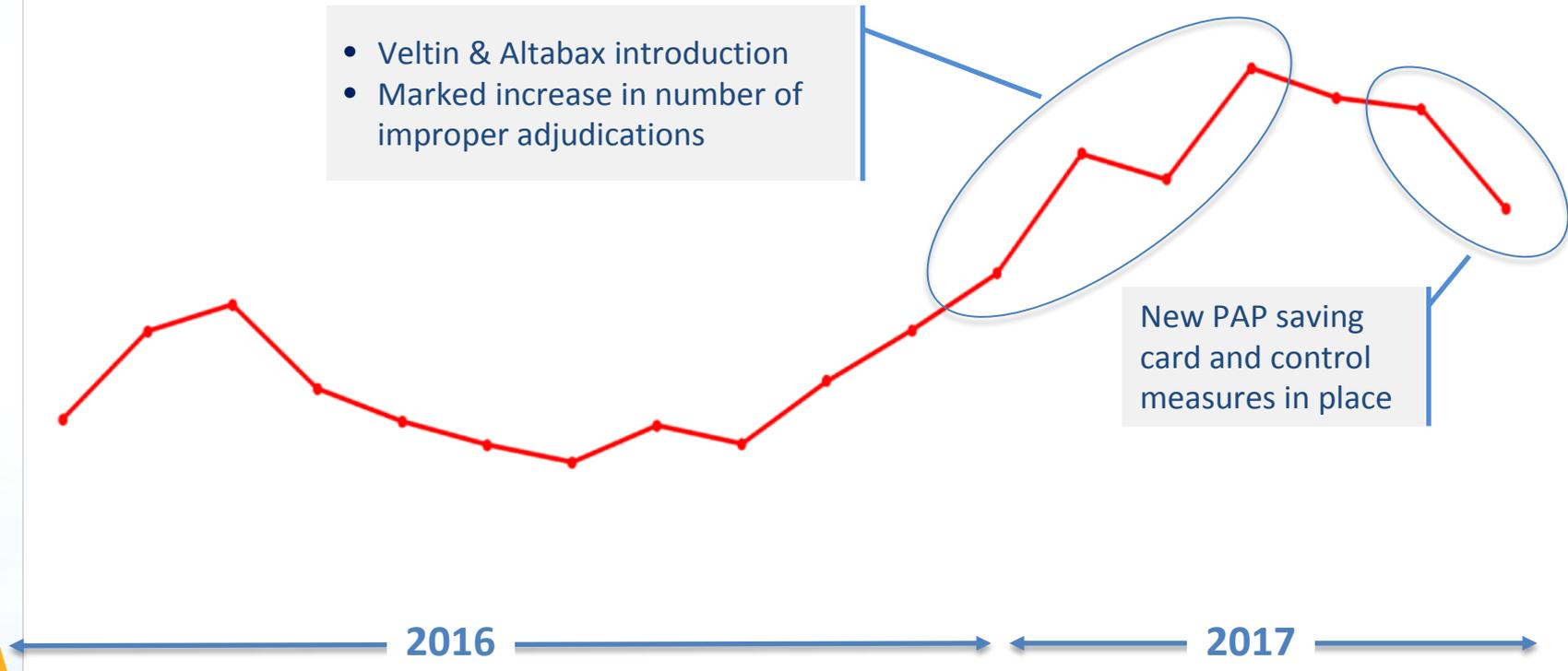
Evolution of US PAP* Cost – Key Events



In \$ millions

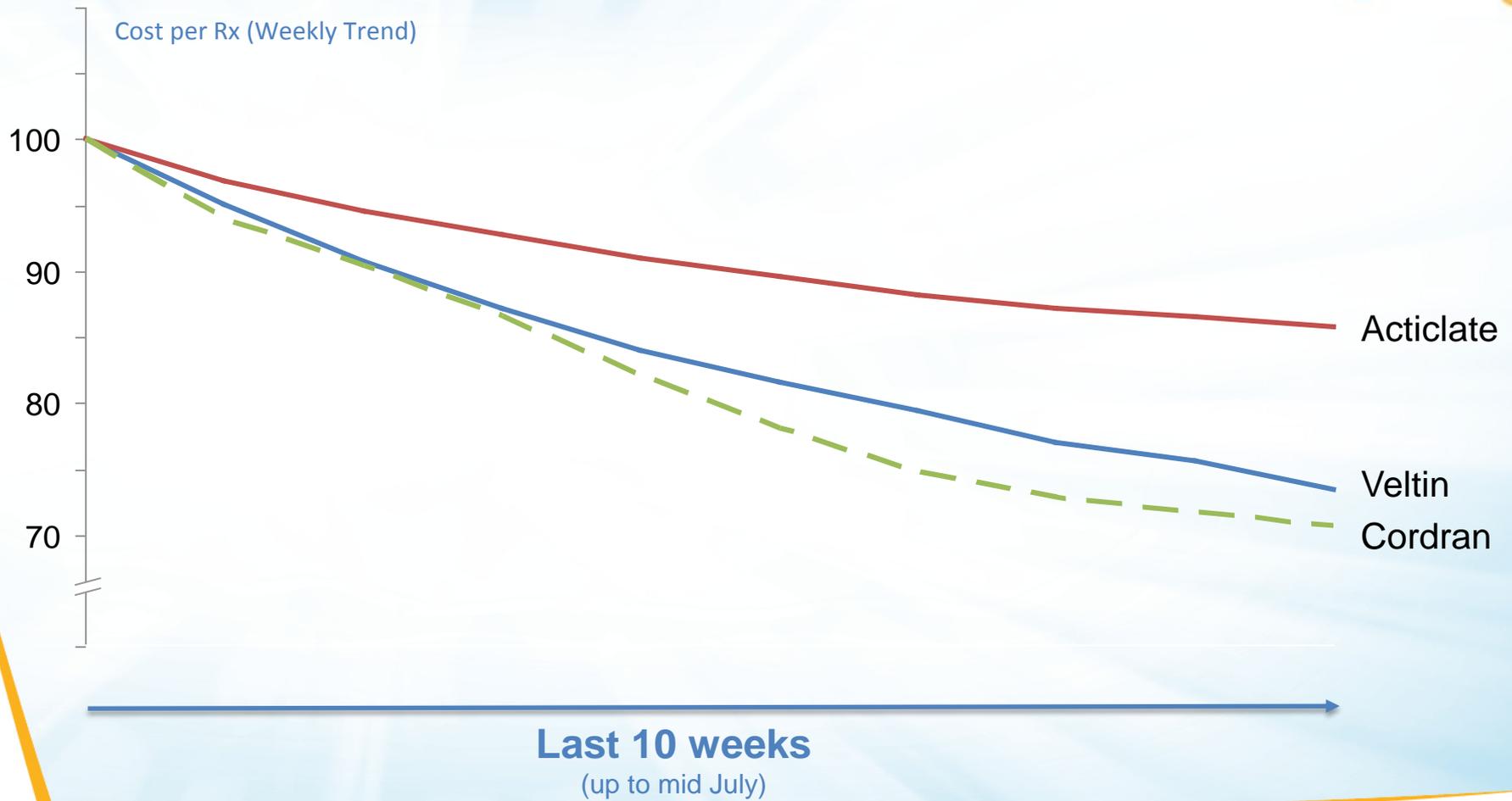
- Veltin & Altabax introduction
- Marked increase in number of improper adjudications

New PAP saving card and control measures in place



(*) Patient Assistance Program

Savings Card – Costs per prescription



Total number of US Rx prescriptions (by quarter)



Aqua - Action Plan implemented

- ✓ We have reinforced our **supply chain management**
- ✓ We have implemented a **new Savings Card program** and improved processes
- ✓ We built visibility with a new system, **key controls** and team in place. We initiated legal action against certain pharmacies
- ✓ **Total prescriptions for the portfolio** growing vs. previous year

- ✓ **Adapting our go-to-market model**
 - New approach to management of pharmacy network
 - Further actions implemented with offending pharmacies
 - Launch of an authorised generic by Teva Pharmaceuticals

- ✓ **Internal alignment:** adjustment of incentives and focus on profitability

Thermi

THERMI STRATEGY

- Recognized technology and commercial platform in the energy-based medical device segment with significant growth potential in multiple indications
- Body Shaping & Skin Tightening market is forecasted to achieve €1b in 2018 WW
- In excess of 2,000 users in US and more than 150,000 procedures performed; excellent user response and strong KOL support
- We maintain our expectations of future peak sales of €100 million

THERMI PERFORMANCE

- New leadership already in place with more than 10 years experience in energy devices
- We expect an acceleration in the performance of Thermi in the second half of the year

Skilarence[®] update

- Recent approval of Skilarence[®] in all EU Member states
- It is indicated as a first-line induction and long-term treatment for adults with moderate-to-severe chronic plaque Psoriasis
- Strong support of Skilarence[®], cost effective, oral treatment welcomed by KOL and payers
- Skilarence[®] is due to be marketed in all EU member states, as well as in Iceland, Norway and Switzerland
- First launches: UK, Nordics and Austria in September 2017 and in Germany in October 2017
- Expected peak sales of over 50 million euros

Closing remarks



Eduardo Sanchiz
CEO

Wrap-up H1 2017

- Strong set of actions to deal with the challenges in the US
- Expected growth in Thermi for full year, despite a slow start
- Solid performance in Europe and rest of the world
- Skilarence[®] approved and to be launched in Europe in Q3
- Tildrakizumab registration process moving ahead
- Long-term strategy is unchanged, strong focus on BD in dermatology and Aesthetics opportunities, progressing our R&D pipeline
- We reiterate our recent Guidance

Financial Appendixes

2017 New Guidance and Update

Total Revenues

Low double digit decline vs. 2016

Net Sales

Low double digit decline vs. 2016

EBITDA

Between EUR140-170 mn

Revenues \rightarrow Grow at low to mid single digit

Net Sales \rightarrow Grow at low to mid single digit

EBITDA \rightarrow Grow at mid single digit

Previous Guidance

H1 2017 Dermatology sales performance



€thousand		YTD Jun 2017	YTD Jun 2016	% var vs LY
Europe	→	91,828	90,308	+1.7%
US	→	23,149	72,722	(68.2%)
RoW	→	5,262	3,632	+44.9%
Dermatology Rx	→	120,240	166,663	(27.9%)
Thermi	→	14,976	16,468	(9.1%)
Total Dermatology and Aesthetics	→	135,216	183,131	(26.2%)

Geographical breakdown of Dermatology sales

Europe

€thousand	YTD June 2017	YTD June 2016	% var vs LY
Ciclopoli®	21,432	15,908	+34.7%
Solaraze®	17,410	18,468	(5.7%)
Decoderm®	12,427	12,400	+0.2%
Other EU	40,560	43,533	(6.8%)
Total	91,828	90,308	+1.7%

US

€thousand	YTD June 2017	YTD June 2016	% var vs LY
Acne franchise ⁽¹⁾	9,838	48,737	(79.8%)
Steroids franchise ⁽²⁾	7,865	16,012	(50.9%)
Other US	5,444	7,972	(31.7%)
Total	23,149	72,722	(68.2%)

(1) Acticlate™ + Veltin™ (2) Verdeso™ + Cordran™

Sales breakdown by Region

€ thousand	YTD Jun 2017	YTD Jun 2016	% var vs LY
Europe * & Middle East	150,488	134,075	12.2%
Spain	104,249	101,442	2.8%
America, Africa & Asia Pacific	62,403	140,242	(55.5%)
Others	11,339	12,534	(9.5%)
Total	328,479	388,293	(15.4%)

(*) Excluding Spain

Top 10 ranking

€ thousand	YTD Jun 2017	YTD Jun 2016	% var vs LY
Ebastel and other (ebastine)	35,504	38,813	(8.5%)
Ciclopoli (ciclopirox)	23,782	17,413	36.6%
Tesavel & Efficib (sitagliptine)	23,431	23,254	0.8%
Solaraze (diclofenac sodium)	17,549	18,640	(5.9%)
Decoderm and other (flupredniden)	12,512	12,467	0.4%
Almax (almagate)	12,234	12,531	(2.4%)
Sativex (tetrahydrocannabinol)	11,650	9,643	20.8%
Airtal and other (aceclofenac)	10,706	12,265	(12.7%)
Imunorix (pidotimod)	9,174	5,697	61.0%
Almogran and other (almotriptan)	8,954	14,915	(40.0%)
Others	162,984	222,654	(26.8%)
Total Net Sales	328,479	388,293	(15.4%)



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