

Almirall: 2010 financial results in line with guidance

Barcelona, 28 February 2011

- Sales (-4.7%) and Normalized Net Income (-5.9%) performed as guided in a tough operating environment.
- Strong operational focus maintained with increased manufacturing and commercial efficiencies, which will continue as a priority in 2011.
- Net Debt 0.10xEBITDA 2010.
- Continued healthy Free Cash Flow generation in the period (€ 89.6 MM).
- Three new products launched in 2010: Toctino[®], Silodyx[®] and Conbriza[®]
- Positive phase III outcomes of acridinium bromide and linaclotide; filings planned in 2011.
- Almirall reinforces its respiratory pipeline with MABA¹.
- Dividend of € 0.29* to be proposed to the AGM represents the top end of the pay-out policy.

Financial highlights (€rounded million)

	2010	2009	% Var.
Net Sales	882.4	925.5	(4.7%)
EBIT	154.4	179.1	(13.8%)
EBITDA	216.3	243.9	(11.3%)
Net income	118.6	151.5	(21.7%)
Normalized Net Income	136.7	145.3	(5.9%)

Dr. Jorge Gallardo, Chairman-Chief Executive Officer, commented:

"We have achieved our financial targets for 2010. The performance of the year has matched our forecasts in a very challenging environment of pricing pressures and austerity measures. We are in line with guidance and importantly we maintain a solid balance sheet position with substantial cash flow generation that provides us with full strategic flexibility.

We are very pleased with the positive evolution of our international dermatological franchise and the launch trajectory of Tesavel[®] and Efficib[®]. The recent launch of Silodyx[®], Conbriza[®] and Toctino[®] will also be key contributors to our base business as well as the forthcoming launch of Sativex[®].

We maintain our strategic priorities with continued focus on innovation and long-term sustainable growth. We continue to invest in our potentially transformational pipeline and will file two key assets in 2011 and progress a further three into phase III.

We will propose to the AGM in May a dividend of €0.29."

*Rounded figure.

Barcelona. 28th February 2011.– Almirall, the international pharmaceutical company based in Spain, announced results for the year to December 31, 2010 –a year of results delivered in line with guidance and with a strong positive R&D *momentum*.

Financial Results, Corporate Development, 2011 Outlook and Dividend proposal

Net Sales eroded as anticipated (-4.7%) to € 882.4 MM with steady growth of the international business in Europe and Middle East (+1.6%), America, Africa and Asia Pacific (+1.2%) but lower performance from the domestic business (-7.6%).

International sales accounted for 44% of the total (from 42% in 2009). The challenging macro environment, generic competition as well as healthcare reforms and austerity plans have driven the overall performance as anticipated.

Gross Profit was € 546.2 MM (61.9% of sales) reflecting the unfavourable impact of the mandatory discount of 7.5% on patented products in Spain following the legislative reforms. Generic competition and reference pricing also contributed to margin dilution during the year.

Other Income jumped to € 119.7 MM (+11.0%) driven by the higher co-development revenues from the acridinium franchise (both Mono and Combo) and LAS100977 (OD LABA²) and the amortization of the downpayments received from Forest in both respiratory projects.

As planned, **R&D expenses** were up at € 144.9 MM (16.4% of sales vs. 13.1% in 2009) reflecting Almirall's R&D *momentum* and the intense Phase III newsflow delivered in the period, as well as the need to invest in the pipeline to set the basis for long-term growth.

SG&A (Selling, general and administrative) expense for 2010 was € 363.5 MM reflecting a material reduction of 6.0% vs. last year. These savings were driven by cost discipline and productivity gains as well as by back-office synergies and other operational efficiencies.

The actions already taken in rationalisation of the commercial structure, streamline back-office structure, and centralising services from affiliates are expected to generate savings of € 7 MM in 2011 and € 25 MM in 2012 and beyond, the latter representing c. a 15% of EBIT 2010.

Both **EBIT** and **EBITDA** have decreased 1.9 percentage points of sales following gross margin erosion in a context of cost containment, higher R&D commitment and the savings following commercial realignment in several markets during 2010. This represents -13.8% and -11.3% respectively vs. last year.

Net Income reached € 118.6 MM (-21.7%) due to impairment losses (€ 14.0 MM), restructuring costs (€ 11.6 MM) and the comparative effect vs. 2009 in which the disposal of 13 non-actively promoted products from the Spanish portfolio generated an extraordinary income of € 19.1 MM. The restructuring costs include non recurrent costs related to the rationalisation of the commercial structure whereas the impairment losses are mainly linked to asset optimisation and public austerity measures implemented during 2010 across Europe.

Normalized Net Income totalled € 136.7 MM (-5.9%) which was fully aligned with Almirall's guidance and expectations. Normalized Net Income is calculated as Net Income less non recurrent costs and the adjusted fiscal effect.

Free Cash Flow generation reached € 89.6 MM in 2010 despite payments related to business development projects.

Net Debt at 31st December 2010 was lowered to € 22 MM (x 0.10 EBITDA 2010). This provides Almirall with strong strategic flexibility.

Equity has been reinforced during 2010 and now represents 53.3% of Total Assets (vs. 50.6% at 31 December 2009).

After achieving our goals in 2010, the **financial outlook for 2011** includes high single digit percentual decline in Net Sales and mid-teen percentual decline in Normalized Net Income. Cost focus will continue to be a key priority throughout the year as well as investment in strong late stage pipeline to create sustainable shareholder value. This outlook does not include new Corporate Development agreements or disposals for the company.

Following the two license agreements delivered in 2010 (Toctino[®] and Conbriza[®]), Almirall's 2011 Corporate Development priorities gravitate around three main axes: partnering key pipeline products (acridinium bromide and OD LABA²), pursuing new license-in opportunities around core therapies and continuing to evaluate selected acquisitions.

Almirall has just announced a licensing agreement with Kyorin in **Japan** for acridinium bromide. After the agreement with Forest for the UE, this second licensing agreement further extends the global reach of the product.

The Board has approved a **dividend** of € 0,29 which implies a pay-out policy of 40% and represents the top end of the pay-out policy range (35-40%).

Operations and Market trends

Sales evolution in 2010 showed the anticipated impact of healthcare reforms in Spain and the expected generic erosion in Prevecor[®]. However, current trends in the core business (expected to continue in 2011) are partially offset by the good recovery of ebastine sales (+4.5%), the positive trends of the dermatology franchise (+7.6%) and the excellent ramping-up of new products (Efficib[®] and Tesavel[®]).

Revenues in 2010 are also benefiting from recent launches that came to market as planned: Silodyx[®] and Conbriza[®] (in Spain) and Toctino[®] in Italy and Austria. Also the launch of Sativex[®] in Spain, Germany, Sweden and Denmark is expected during 2011 as well as the international roll out of Toctino.

International sales were driven by the improved performance of our affiliates, especially Mexico, UK, Germany and France. From a product perspective, the growth of international sales was driven by the good results of the dermatological franchise: Decoderm Tri[®] (+15.0%), Balneum[®] (+10.0%) and Solaraze[®] (+5.8%).

Spanish sales pulled back at € 495.3 MM (-7.6%). Strong market performance for key brands like Parapres[®] (+9.8%) and Efficib[®]/Tesavel[®] (+146,7%) helped to offset generic competition in other brands (Prevecor[®], Dobupal[®], Airtal[®]). The underlying performance of Spanish sales (ex-Prevecor[®]) is stable.

Corporate sales retreated 21.9% driven by the gradual reduction of the toll manufacturing business. As anticipated, this is a non-core business with dilutive margin contribution and we have previously indicated our decision to discontinue it over time.

The top 15 products continue to represent c. 73% of Net Sales which reflects a well balanced portfolio with no overexposure to a single product. Importantly, the top 15 product sales excluding atorvastatin improved 3.2% during 2010.

In line with its pipeline, Almirall continues to make progress in the focused therapeutic categories: Gastrointestinal (+11.3%), Dermatology (+7.6%) and Respiratory (+2.3%).

Lower Cardiovascular sales were driven by Prevensor[®] generic competition though we note that Cardiovascular actually grew 6.8% ex-Prevensor[®].

During 2010, the **consolidation process of pharmaceutical plants** has progressed as planned. After the forthcoming closing of the Sant Just Desvern plant during 2011, the manufacturing capabilities of the company will be concentrated in Sant Andreu de la Barca (Spain) and Reinbek (Germany). Additionally, and related to the phasing out of the toll manufacturing business, the Reinbek team has been reorganised and from now on will be concentrated mainly around the manufacturing of our own dermatological specialties.

Almirall's manufacturing capabilities are now fully ready for the manufacturing of acridinium bromide and linaclotide.

Pipeline Progression & 2011 R&D Newsflow

Innovation is a key growth driver for Almirall. The company's pipeline is the result of constant R&D commitment and the addition of in-licensed compounds aiming to develop innovative and distinctive medicines to improve people's quality of life.

Following the positive phase III completion of **acridinium bromide monotherapy**, Almirall expects to file the product in mid 2011 both in Europe and the US.

Also, the fixed dose combination of **acridinium bromide + formoterol** BID³ concluded two positive dose-finding Phase IIb studies. Pending regulatory consultations, we plan to start phase III during 2011. The acridinium franchise targets a sizable and growing COPD⁴ market with needs for user-friendly inhalers as well as medications with better tolerability profiles than current therapeutic options.

Almirall plans to present further acridinium data at two major meetings in 2011: the ATS (American Thoracic Society) in Denver (13th-18th May) and the ERS (European Respiratory Society) in Amsterdam (24th-28th September) congresses in 2011.

The development of **LAS100977 (OD LABA²)**, combined with an inhaled corticosteroid is another strong asset within the Almirall respiratory franchise, covering a range of treatment options for asthma and COPD⁴. LAS100977 is a highly potent novel once daily LABA that in early Phase II testing demonstrated fast onset, long-lasting (24-hour) efficacy with a very good tolerability profile in patients with asthma. Almirall plans to progress with additional phase II studies during 2011.

Almirall's respiratory franchise has been expanded with a **MABA¹** candidate entering in preclinical development.

Linaclotide is a pan-European first-in-class opportunity (licensed from Ironwood) in an indication IBS-C⁵ with high unmet need in which no specific treatments have been approved by the EMA⁶. Two pivotal phase III studies were positively completed during 2010 with positive

results. Based on Scientific Advice from the EMA⁶, Almirall will utilize the IBS-C⁵ Phase III linaclotide clinical studies carried out in the US as a basis for a Market Authorisation Application. No additional EU Phase III clinical studies are contemplated. Almirall plans to file linaclotide in Europe in the second half of 2011.

After the approval of **Sativex**[®] in the indication of MS Spasticity, two new phase III trials (US and Europe) are ongoing in the indication of Oncological Pain.

Within our wide dermatology pipeline, **Actikerall**[®] (**LAS41005**) is a new combination treatment for actinic keratoses (non-melanoma skin cancer) that met all primary and main secondary endpoints in Phase III. The product was filed in late 2009 and the regulatory decentralized procedure is expected to be completed during the first half of 2011.

Our pipeline is complemented with assets in the autoimmune area. Almirall is currently exploring partnership options for two early-stage development projects that include **S1P1** (multiple sclerosis) in preclinical development and a **DHODH** inhibitor program (rheumatoid arthritis) with a candidate in phase I.

Financial Calendar 2011

10 May 2011	Q1'11 results
29 July 2011	H1'11 results
14 November 2011	Q3'11 results

Notes:

- ¹ MABA: Muscarinic Antagonist Beta Agonist
- ² OD LABA: Once Daily Long Acting Beta Agonist
- ³ BID: twice daily
- ⁴ COPD: Chronic Obstructive Pulmonary Disease
- ⁵ IBS-C: Irritable Bowel Syndrome with Constipation
- ⁶ EMA: European Medicines Agency

Disclaimer

This document includes only summary information and does not intend to be comprehensive. Facts, figures and opinions contained herein, other than historical, are "forward-looking statements". These statements are based on currently available information and on best estimates and assumptions believed to be reasonable by the Company. These statements involve risks and uncertainties beyond the Company's control. Therefore, actual results may differ materially from those stated by such forward-looking statements. The Company expressly disclaims any obligation to review or update any forward-looking statements, targets or estimates contained in this document to reflect any change in the assumptions, events or circumstances on which such forward-looking statements are based unless so required by applicable law.

About Almirall

Almirall is an international pharmaceutical company based on innovation and committed to health. Headquartered in Barcelona, Spain, it researches, develops, manufactures and commercialises its own R&D and licensed drugs with the aim of improving people's health and wellbeing. Almirall focuses its research resources on therapeutic areas related to the treatment of asthma, COPD (Chronic Obstructive Pulmonary Disease), rheumatoid arthritis, multiple sclerosis, psoriasis and other dermatological conditions. Almirall's products are currently present in over 70 countries while it has direct presence in Europe and Latin America through 12 affiliates.

For further information please visit the website at: www.almirall.com

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Appendix 1: INCOME STATEMENT 2010

Income Statement 2010 (€Million)	2010	2009	% Var.
Net Sales	882.4	925.5	(4.7%)
Gross Profit	546.2	580.9	(6.0%)
% of sales	61.9%	62.8%	
Other Income	119.7	107.8	11.0%
R&D	(144.9)	-121.0	19.8%
% of sales	(16.4%)	13.1%	
SG&A	(363.5)	-386.8	(6.0%)
% of sales	(41.2%)	41.8%	
Other Op. Exp	(3.1)	-1.8	72.2%
% of sales	(0.4%)	-0.2%	
EBIT	154.4	179.1	(13.8%)
% of sales	17.5%	19.4%	
Depreciation	61.9	64.8	(4.5%)
% of sales	7.0%	7.0%	
EBITDA	216.3	243.9	(11.3%)
% of sales	24.5%	26.4%	
Sale of noncurrent assets / Other	(0.5)	19.0	(102.6%)
Restructuring costs	(11.6)	-8.5	36.5%
Impairment reversals / (losses)	(14.0)	-1.0	n.m.
Net financial income / (expenses)	(9.1)	-17.1	(46.8%)
Tax	(0.6)	-20.0	(97.0%)
Net Income	118.6	151.5	(21.7%)
Normalized Net Income	136.7	145.3	(5.9%)
Earnings per share (€) ⁽¹⁾	0.71€	0.91€	
Normalized Earnings per share (€) ⁽¹⁾	0.82€	0.87€	
Nu. of employees end of period	2.831	3.125	(9.4%)

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

n.m.: no meaningful

Appendix 2: BALANCE SHEET 2010

Balance Sheet 2010 (€Million)	December 2010	% of BS	December 2009
Goodwill	271.9	17.7%	272.7
Intangible assets	382.8	24.9%	352.8
Property, plant and equipment	154.8	10.1%	169.1
Financial assets	10.2	0.7%	10.8
Other non current assets	189.0	12.3%	173.6
Total Non Current Assets	1,008.7	65.6%	979.0
Inventories	87.9	5.7%	97.7
Accounts receivable	103.8	6.8%	120.4
Cash & equivalents	312.9	20.4%	259.7
Other current assets	23.4	1.5%	26.2
Total Current Assets	528.0	34.4%	504.0
Total Assets	1,536.7		1,483.0
Shareholders equity	819.3	53.3%	751.0
Financial debt	297.5	19.4%	265.7
Other non current liabilities	206.8	13.5%	228.4
Other current liabilities	213.1	13.9%	237.9
Total Equity and Liabilities	1,536.7		1,483.0

Appendix 3: CASH FLOW 2010

Cash Flow 2010 (€Million)	2010	2009
Profit Before Tax	119.2	171.5
Depreciation and amortisation	61.9	64.8
Change in working capital	21.8	(18.8)
Other adjustments	(28.3)	44.1
Cash Flow from Operating Activities	174.6	261.6
Financial Income	4.3	2.9
Investments	(93.0)	(77.6)
Divestments	0.9	19.4
Other cash flows	2.8	0.1
Cash Flow from Investing Activities	(85.0)	(55.2)
Finance Expense	(16.9)	(19.8)
Dividends distribution	(55.1)	(52.5)
Debt increase/ (decrease)	36.5	(55.3)
Other cash flows	(0.8)	(5.2)
Cash Flow from Financing Activities	(36.3)	(132.8)
Cash Flow generated during the period	53.3	73.6
Free Cash Flow	89.6	206.4

Appendix 4: GEOGRAFIC SALES SEGMENTATION 2010

Net Sales breakdown by Geographic Area (€Million)

	2010	2009	% Var.
Spain	495.3	536.0	(7.6%)
Europe & Middle East	288.7	284.1	1.6%
America. Africa & Asia Pacific	70.5	69.6	1.2%
Corporate	27.9	35.7	(21.9%)
Total	882.4	925.5	(4.7%)

Appendix 5: CORE PRODUCT SALES 2010

Net Sales by Product (€Million)

	2010	2009	% Var.	% of Sales
Ebastel [®] and others (<i>ebastine</i>)	119.5	114.4	4.5%	13.5%
Prevencor [®] (<i>atorvastatin</i>)	73.8	112.8	(34.6%)	8.4%
Esertia [®] (<i>escitalopram</i>)	64.4	65.4	(1.5%)	7.3%
Plusvent [®] (<i>salmeterol & fluticasone</i>)	60.3	60.1	0.3%	6.8%
Almogran [®] and others (<i>almotriptan</i>)	49.0	51.8	(5.4%)	5.5%
Parapres [®] (<i>candesartan cilexetile</i>)	48.3	44.0	9.8%	5.5%
Airtal [®] and others (<i>aceclofenac</i>)	39.6	43.1	(8.1%)	4.5%
Opiren [®] (<i>lansoprazole</i>)	34.4	34.9	(1.4%)	3.9%
Dobupal [®] (<i>venlafaxine</i>)	30.6	34.5	(11.3%)	3.5%
Tesavel [®] (<i>sitagliptin</i>) + Efficib [®] (<i>sitagliptin + metformin</i>)	25.9	10.5	146.7%	2.9%
Solaraze [®] (<i>diclofenac sodium</i>)	25.7	24.3	5.8%	2.9%
Almax [®] (<i>almagate</i>)	23.5	22.6	4.0%	2.7%
Balneum [®] (<i>soya oil</i>)	18.7	17.0	10.0%	2.1%
Pantopan [®] (<i>pantoprazole</i>)	18.6	20.1	(7.5%)	2.1%
Decoderm Tri [®] (<i>flupredniden</i>)	15.3	13.3	15.0%	1.7%
Other	234.9	256.7	(8.5%)	26.6%
Total	882.4	925.5	(4.7%)	100%

Appendix 6: NET SALES BY THERAPEUTIC AREA 2010

Net Sales by Therapeutic Area (€Million)

	2010	2009	% Var.	% of Sales
Respiratory	189.8	185.6	2.3%	21.5%
CNS	163.3	169.2	(3.5%)	18.5%
Gastrointestinal	161.5	145.1	11.3%	18.3%
Cardiovascular	154.4	188.3	(18.0%)	17.5%
Dermatology	123.8	115.1	7.6%	14.0%
Osteomuscular	64.4	71.9	(10.4%)	7.3%
Urological	17.9	19.6	(8.7%)	2.0%
Other	7.2	30.7	(76.5%)	0.8%
Total	882.4	925.5	(4.7%)	100.0%