Almirall S.A. and Subsidiary Companies
(Almirall Group)

Consolidated management report
(Year ended 31 December 2023)

(Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails)

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1. Summary of the year: main milestones

FY 2023 has followed the trend of the preceding year, with growth in sales of dermatological products in the different territories of Europe thanks to the commercial deployment of Klisyri (for actinic keratosis) and Wynzora (for psoriasis) in new territories, together with the increase in sales of Ilumetri (also for psoriasis) in the different geographies where it was already being marketed. Conversely, the US market continues to be affected by the erosion of generics (although with less impact than in previous years), while the Spanish market has seen growth offset by the erosion in sales of products marketed under the Efficib and Tesavel brands, due to a reduction in reference prices since August 2022.

From a macroeconomic and geopolitical point of view, 2023 has been relatively quiet given that, even though interest rates have continued to rise, the Group has no particular exposure to these rates in the short to medium term. In addition, energy costs and inflation have relaxed, after a 2022 in which they increased significantly. Finally, neither the conflict between Russia and Ukraine nor the recent conflict in the Middle East have had a direct or significant impact on 2023 and 2022.

In terms of R&D activities, approval from the EMA was obtained in November for the application for registration of Lebrikizumab, with marketing commencing in December under the Ebglyss brand name (product for atopic dermatitis). New research and development agreements were signed in the fourth quarter with Absci (AI-engineered therapies to treat chronic and debilitating dermatological diseases) and with Etherna (which has proprietary messenger RNA (mRNA) and lipid nanoparticle (LPN) technology). In addition, a Phase I study evaluating the safety, pharmacokinetics, immunogenicity and pharmacodynamics of ALM223, an interleukin 2 (IL-2 mu-Fc) mutant fusion protein (mutein) for the potential treatment of a broad spectrum of autoimmune diseases, was initiated in December 2023 (that molecule stems from the agreement with Simcere).

The dividend proposed by the Board of Directors on 17 February 2023 was approved at the General Meeting of Shareholders held on 05 May 2023. Payment of the dividend was set up as a Scrip Dividend in which shareholders were offered the choice between receiving newly issued Parent Company shares or the cash amount equivalent to the dividend. The cash payment was chosen by 7.8% of the holders of rights (which meant a disbursement of €2.6 million), while the remaining 92.2% opted to receive new shares, each at par value, which were issued as a capital increase. On 7 June 2023, a total of 3,488,113 new shares of the Parent Company from this Scrip Dividend were admitted to trading on the Barcelona, Madrid, Bilbao and Valencia stock exchanges

Subsequently, on 12 June 2023, a capital increase was made by issuing 24,390,243 shares belonging to the same class and series as the shares currently outstanding, by means of cash contributions and excluding the preemptive subscription rights of the Company's shareholders, through a private placement aimed exclusively at qualified investors. This placement was finally closed at an issue price of 8.2 euros per share, representing a total disbursement of 197.8 million euros, after deducting the costs of the capital increase.

From a liquidity standpoint, the Group ended the year with a cash position that amounted to €388.0 million (€248.8 million at 31 December 2022). This evolution is explained by:

- A solid cash flow from operating activities (+€93.5 million), although affected by the negative evolution of working capital (mainly due to the increase in inventories) and corporate income tax payments.
- Net payments from investment activities (-€122.6 million), the result of investments in the Group's production facilities, acquisition of the products marketed under the Physiorelax and Prometax brands, extension of the Efficib/Tesavel contract, a payment derived from the addendum to the Ilumetri contract and payment for the approval of Ebglyss by the EMA, partially offset by receivables derived from the agreement with Covis Pharma GmbH.
- Net receivables from financing activities (+€168.2 million) as a consequence of the aforementioned capital increase, partially offset by the cash payment of the Scrip Dividend (€2.6 million), interest payments on debt and quarterly repayments of the loan from the European Investment Bank.

2. ***Corporate Development***

During FY 2023, the corporate development agreements concluded and the significant events that occurred were as follows:

- On 3 February 2023, the acquisition of the Physiorelax® product portfolio from DFT El Globo S.L. in Spain was announced. The acquisition includes worldwide marketing rights. Sales of this portfolio in 2022 amounted to 3.5 million euros.
- In August 2023, exclusive rights were acquired for Prometax® in Spain, a transdermal patch containing rivastigmine for treating Alzheimer's by increasing the level of the neurotransmitter acetylcholine, which helps to reduce the symptoms of the disease.
- On 12 December 2023, a multi-target partnership was announced to research and develop new mRNA-based therapies for serious skin diseases, including non-melanoma skin cancer. Etherna and Almirall will collaborate on research activities, while Almirall will direct the clinical development and marketing.

3. ***Evolution of the main figures of the consolidated income statement***

- Operating income amounted to €898.8 million (+2.3%) due to:
  - The net turnover amounted to €894.5 million, an increase of 3.6% thanks to the growth of dermatological products in Europe (led by Ilumetri, Wynzora and Klisyri), although it was offset by the reduction of sales in the United States and the negative impact of the reference prices of Efficib/Tesavel.
  - Other revenue amounted to €4.3 million, decreasing significantly as a result of the agreement between Covis Pharma and AstraZeneca in 2022.
- R&D expenses in the year amounted to €111.0 million, increasing significantly with respect to 2021 (€103.2 million) due to the Phase 3b studies of Lebrikizumab and the progress on assets in the early stages of development (especially IL-1RAP and IL-2muFc).
- The remaining operating expenses have increased as a result of new launches in Europe.
- Depreciation and amortization amounted to 124.3 million euros (+3.1%), increasing slightly due to additions in 2023, partially offset by the reduction resulting from impairments made in 2022 on certain assets in the United States.
- The financial result improved in 2023 as a result of the interest earned on cash surpluses, given that they once again started earning as from the middle of the fiscal year due to the rise in interest rates.
- The heading "Impairment of property, plant and equipment, intangible assets and goodwill" includes the loss related to a product marketed in the U.S., as described in Note 9 to the accompanying consolidated financial statements.
- As a consequence of the aforementioned, the bottom line amounts to a loss of €38.5 million, compared to a profit of €4.3 million in 2022.

4. Consolidated balance sheet. Financial position

The main changes in the Consolidated Balance Sheet as at 31 December 2023 compared to the end of FY 2022 are described below:

- The Intangible assets heading increased due to additions related to the agreements with Eli Lilly, Sun Pharma, Simcere and Etherna; due to the acquisitions of Physiorelax and Prometax, partially offset by amortisation in the year and due to the impairments recorded on assets related to the US market.
- Inventories increased significantly due to the initial supply of several products launched during the year (mainly Ebglyss and Physiorelax), due to the increase in demand for some of the licensed products (Ilumetri, Crestor and Wynzora) and due to the occasional supply of finished products and raw materials because of internalisation of the production of the product marketed under the Klisyri brand name.
- The cash position at 31 December 2023 amounts to €388.0 million, which is significantly higher than at the close on 31 December 2022, thanks to cash flows from operating activities and to the capital increase.
- Financial debt has decreased as a result of quarterly repayments of the loan from the European Investment Bank.
- Current liabilities have increased mainly due to various milestones that were reached and new contracts that were signed in December 2023 but for which payments have been made in January 2024, as described in the section on Subsequent Events, amounting to €75 million.

5. Risk factors

Noteworthy risk factors that may affect the achievement of business targets are as follows:

- Pressures related to price reductions, reimbursement conditions, contributions to the healthcare system or more restrictive regulations, which could increase with growing government budget deficits on the horizon and with a potential overall worsening of the macroeconomic conditions in European countries.
- Price increases in materials, transport and energy, as well as supply shortages, due to constant geopolitical and socio-economic threats.
- Unexpected climate changes and increasing risks of major natural disasters could accelerate the adoption of new regulations to reduce emissions, energy and water use and changes to increase climate resilience, thereby generating greater transition costs.
- Cyberattacks or security incidents that allow access to confidential information or cause a disruption of business activities.
- Impairment of intangible assets and goodwill due to lower-than-projected revenue streams.
- Inability to have a sufficiently balanced and differentiated R&D *pipeline* in its various phases, either with internal or external innovation, to nurture the portfolio of products.
- Difficulties in attracting and retaining talent.
- Delays in the implementation of new launches.

Likewise, section 1.5 of the Statement of Non-Financial Information (Annex I) explains the Group's Risk Management System.

6. Financial risk management and use of hedging instruments

Interest rate risk

As of 31 December 2023, most of the Group's debt is at a fixed rate, which minimises the risk of a possible increase in interest rates. As described in Note 17, the main debt instruments are as follows:

- On 27 March 2019, the Parent Company arranged a loan facility with the European Investment Bank (EIB) for up to €120 million to fund its research and development efforts, with the objective of providing cutting-edge innovation and differentiated therapies in the area of medical dermatology. The first tranche of €80 million was granted on 17 April 2019, at a fixed interest rate of 1.351%, with 32 equal repayments of principal between 17 July 2021 and 17 April 2029, with the latter date being the final maturity. Due to the issue of new debt, the interest rate increased by 0.30%, and therefore the interest rate is 1.651%.

- On 22 September 2021, the Parent Company proceeded to conclude and disburse an issuance of senior unsecured bonds for an aggregate nominal amount of €300 million, at a fixed annual interest rate of 2.125%, maturing on 22 September 2026.
- Finally, the Group has taken out a revolving credit facility, which accrues interest at a variable rate tied to the Euribor, but at 31 December 2023 and 2022, no amounts had been drawn down.

Exchange rate risk

The Group is exposed to exchange rate risk on certain transactions arising from its business activities. This exchange rate risk is mainly related to cash inflows in dollars for sales of finished product; cash inflows and outflows derived from the transaction with Covis Pharma GmbH; outflows in dollars for the licensing agreements with Athenex, Lily or Sun Pharma; outflows in dollars for clinical trials; purchases of raw materials and royalty payments in yen and dollars. The most relevant foreign currency in which the Group operates is the US dollar.

Monthly, the Group analyses the expected incoming and outgoing payments in foreign currencies, as well as the evolution and trends in these currencies. In recent years, the Group has occasionally reduced its exposure to exchange rate risk in larger commercial transactions by taking out specific insurance policies for exchange rates to cover incoming and outgoing cash flows in dollars.

Liquidity risk

The Group determines its cash requirements using two fundamental forecasting tools that operate according to different time frames.

On the one hand, a monthly cash budget is established for one year, based on the forecast financial statements for the current year, and deviations from the forecast are analysed on a monthly basis.

And on the other hand, medium- and long-term liquidity planning and management is based on the Group's Strategic Plan, which covers a five-year time frame.

Cash surpluses in foreign currencies are invested in deposits when payments are expected to be made in that currency, mainly US dollars.

The financing instruments include a series of covenants that, in the event of default, could result in a demand for immediate payment of these financial liabilities. The Group periodically assesses fulfilment therewith (as well as expected fulfilment, so that it may take corrective measures, if necessary). As of 31 December 2023, all covenants are considered to be fulfilled, as mentioned in Note 17.

The Group manages liquidity risk prudently, maintaining sufficient cash and marketable securities, as well as arranging committed credit facilities for an amount sufficient to support expected needs.

7. Trends for the year 2024

FY 2024 will be a key year from a commercial point of view, given that the launch of Ebglyss in different territories of Europe (although the main market for 2024 is expected to be Germany, where it was launched in December 2023) will be accompanied by the expected growth of the rest of the dermatology portfolio in Europe (Ilumetri, Wynzora and Klisyri, mainly), together with the growth of the recent acquisitions in Spain (Prometax and Physiorelax).

In terms of R&D activities, FDA approval is expected for the Klisyri line extension in the United States by mid-2024, and progress is also expected on the various projects that the group has under way in the early stages of development (linked to the agreements with Ichnos, Simcere, Etherna and Evotec, among others). In addition, approval of Sarecycline by the Chinese regulatory authorities is also expected.

Finally, the Group's Management continues to focus on opportunistic M&A transactions that fit with the Group's business strategy, while always maintaining a prudent financial approach.

8. Annual Corporate Governance Report

The Annual Corporate Governance Report is attached as Annex II to this document.

9. Management Bodies, Board

Appointment of directors

Directors are appointed (i) at the proposal of the Appointments and Remuneration Committee, in the case of independent directors, and (ii) after a report from the Appointments and Remuneration Committee, in the case of other directors, by the General Shareholders' Meeting or by the Board of Directors in accordance with the provisions of the Spanish Capital Companies Act.

When a new director is appointed, they must follow the orientation programme for new directors established by the Parent Company, so that they can quickly acquire sufficient knowledge of the Parent Company and of its rules for corporate governance.

When designating external directors, the Board of Directors endeavours to ensure that candidates are chosen who have recognised solvency, competence and experience, given that great care must be taken when filling the posts of independent director provided for in Art. 6 of the Board Regulations.

Directors affected by proposals for re-election will abstain from taking part in deliberations and from voting on such proposals.

Directors hold office for the term stipulated by the General Shareholders' Meeting, which must be the same for all of them and may not exceed four years. At the end of this term, they may be re-elected one or more times for periods of the same maximum duration.

Replacement of directors

Directors will leave office when the term for which they were appointed has elapsed or when so decided by the General Shareholders' Meeting in the exercise of the powers conferred upon it by law or by the Company's Articles of Association. In any case, the appointment of directors will end when the term has expired and the next General Meeting has been held or when the legal deadline for holding the meeting that must pass a resolution approving the previous year's accounts has elapsed.

The Board of Directors may only propose the dismissal of an independent director before expiry of the term established in the Articles of Association when there is just cause, as determined by the Board following a report from the Appointments and Remuneration Committee. In particular, just cause will be deemed to exist when the director has failed to comply with the duties inherent in their position or has incurred in any of the circumstances that prevent them from holding office as described in the definition of independent director established in the good corporate governance recommendations currently in force.

Directors affected by proposals for dismissal will abstain from taking part in the deliberations and voting on such proposals.

Directors must submit their resignation to the Board of Directors and, if the Board deems it appropriate, officially resign their post in the following cases:

a) When they leave the executive positions associated with their appointment as director.
b) When they find themselves in any of the situations resulting in incompatibility or prohibition as stipulated by law.
c) When they are seriously reprimanded by the Board of Directors for having breached their obligations as directors.
d) When their continued presence on the Board may jeopardise or damage the interests, credit or reputation of the Parent Company or when the reasons for which they were appointed cease to exist (for example, when a proprietary director sells their stake in the Parent Company).
e) In the case of independent directors, they may not remain in their posts for a continuous period of more than 12 years, and once this period has elapsed, they must submit their resignation to the Board of Directors and officially resign.
f) In the case of proprietary directors (i) when the shareholder they represent sells its entire stake and; , likewise (ii) in the corresponding number, when this shareholder reduces its stake to a level that requires a reduction in the number of proprietary directors.

In the event that, due to resignation or for any other reason, a director leaves their post before the end of their term of office, they must explain the reasons in a letter to be sent to all the members of the Board.

Amendment of Articles of Association

The amendment of the Articles of Association is the responsibility of the General Shareholders' Meeting and is governed by Art. 160 of the Spanish Capital Companies Act and other concordant provisions, and there are no relevant specifications in this regard in the Articles of Association or the Regulations of the General Shareholders' Meeting.

Powers of Members of the Board of Directors

The Board has delegated certain powers to the Chief Executive Officer of the Group, according to a deed authorised on 11 May 2023 by the Notary Public of Barcelona, Mr. Enrique Viola Tarragona, acting in replacement of and for the notarial records of his colleague of the same city, Ms. Blanca Pardo García.

The director Mr. Carlos Gallardo Piqué has been granted powers by virtue of a deed of power of attorney authorised on 11 May 2022 by the Notary Public of Barcelona, Mr. Enrique Viola Tarragona.

10. Capital structure. Significant shareholdings

The Parent Company's share capital as at 31 December 2023 is represented by 209,393,724 shares with a par value of €0.12, fully subscribed and paid up (181,515,368 shares as at 31 December 2022).

The shareholders with significant holdings in the share capital of Almirall, S.A., both direct and indirect, in excess of 3% of the share capital, of which the Parent Company is aware, according to the information contained in the official records of the National Securities Market Commission (CNMV) as of 31 December 2023 and 2022, are as follows:

Name or company name of the direct shareholder	**% Interest 31/12/2023**	**% Interest 31/12/2022**
Grupo Plafin, S.A.	44.5%	41.9%
Grupo Corporativo Landon, S.L.	15.6%	17.7%
Norbel Inversiones	5.1%	-
Wellington Management	5.0%	5.1%
Total	**70.2%**	**64.7%**

As of 31 December 2023 and 2022, the Parent Company was not aware of any other holdings equal to or greater than 3% of the share capital or voting rights of the Parent Company, which, although less than the established percentage, would enable the exercise of significant influence over the Parent Company.

11. Treasury shares

The Parent Company has a liquidity contract with a financial intermediary, effective as from 4 March 2019, with the aim of favouring liquidity and stability of prices of the Company's shares, within the limits established by the General Shareholders' Meeting and by current regulations, in particular, Circular 1/2017, of 26 April, of the National Securities Market Commission (CNMV), on liquidity contracts. This contract means that as at 31 December 2023 the Parent Company holds treasury shares representing 0.09% of the share capital (0.10% on 31 December 2022) and an overall nominal value of €23.0 thousand (€21.7 thousand at 31 December 2022), which have been recognised in accordance with EU-IFRS. The average acquisition price of these shares was €8.6 per share. The treasury shares held by the Parent Company are intended to be traded on the market.

12. Private agreements among shareholders and restrictions on transferability and voting

There is a private agreement among shareholders, which has been duly notified to the CNMV, and the full text thereof can be consulted on the website www.almirall.com. It was concluded by Mr. Antonio Gallardo Ballart and Mr. Jorge Gallardo Ballart, and it regulates the concerted action of its signatories in Almirall, S.A. and the exercise of the voting rights inherent in their indirect participation in the Company through the company Grupo Plafin, S.A.U. and Todasa, S.A.U. (now Grupo Corporativo Landon, S.L.).

There are no restrictions set out in the Articles of Association on the free transferability of the Company's shares, nor are there any statutory or regulatory restrictions set out in the Articles of Association or in other regulations on voting rights.

13. Significant agreements

There are no significant agreements, either in relation to changes of control of the Parent Company or between the Parent Company and its Directors and Management or Employees, regarding compensation for resignation (except for those disclosed in the Annual remuneration report), dismissal or takeover bids.

14. Subsequent events

In January 2024, the Group has made payments in the aggregate amount of €75 million linked to the achievement, by the end of 2023, of certain milestones linked to the contracts with Eli Lilly, Sun Pharma and Simcere, together with the amounts derived from the agreement with Etherna, as described in Notes 9 and 18-b).

On 2 February 2024, the Parent Company signed a novation of the revolving credit facility entered into in July 2020 with several financial institutions to extend the maturity until February 2028, with the possibility of extending the term for a further year, until February 2029, maintaining the same financial conditions, which will be used for general corporate purposes.

Finally, at the date of preparation of these consolidated financial statements, the Board of Directors of Almirall, S.A. resolved to propose to the General Shareholders' Meeting the distribution of a dividend charged to unrestricted reserves in the amount of €39.8 million (equivalent to €0.19 per share). For the purposes of this dividend distribution, it is proposed to again utilise the "Scrip Dividend" shareholder remuneration system, already applied in 2023. In this system, the shareholders are offered an alternative option that allows them to receive bonus shares in the Parent Company without limiting their option to receive an amount of cash equivalent to the dividend payment.

15. Statement of non-financial information

The Statement of Non-Financial Information is attached as Annex I to this document.

16. Annual remuneration report

The Annual remuneration report is attached as Annex III to this document.