

Annual Report | 2017

**Applying Science to provide
medical solutions in skin health.**



Who we are.

We are scientists at heart. We are a skin-health-focused global pharmaceutical company that partners with healthcare and aesthetics professionals to provide medical solutions that lead to a better future. We believe that Science provides the required tools to fight against skin health diseases and cover the unmet needs of our patients.

Because your challenge is our commitment.

Our Mission.

“We apply Science to provide medical solutions to you & future generations.”

Our Vision.

“To be a leading specialty company with a strong focus on skin health by addressing the needs of healthcare professionals and those they help.”

Our corporate values.

Caring

Dedicated

Dynamic

Expert

Strategic Direction

Accelerating growth in **dermatology and medical aesthetics** while optimising the value of our current portfolio.

Expanding our portfolio and pipeline in our priority areas through an **effective combination of R&D and Business Development.**

Growing our **presence in key countries.**

Building a **competitive advantage** through customer affinity.

Fostering an organisation with a **strong set of values.**

Key indicators.

Financial figures (€ Million).

2017



Total Revenues

€ 755.8 MM

Net Sales

€ 639.4 MM

R&D

€ 87.9 MM

EBITDA

€ 142.2 MM

Normalised Net Income

€ 27.1 MM

2016



Total Revenues

€ 859.3 MM

Net Sales

€ 764.4 MM

R&D

€ 98.3 MM

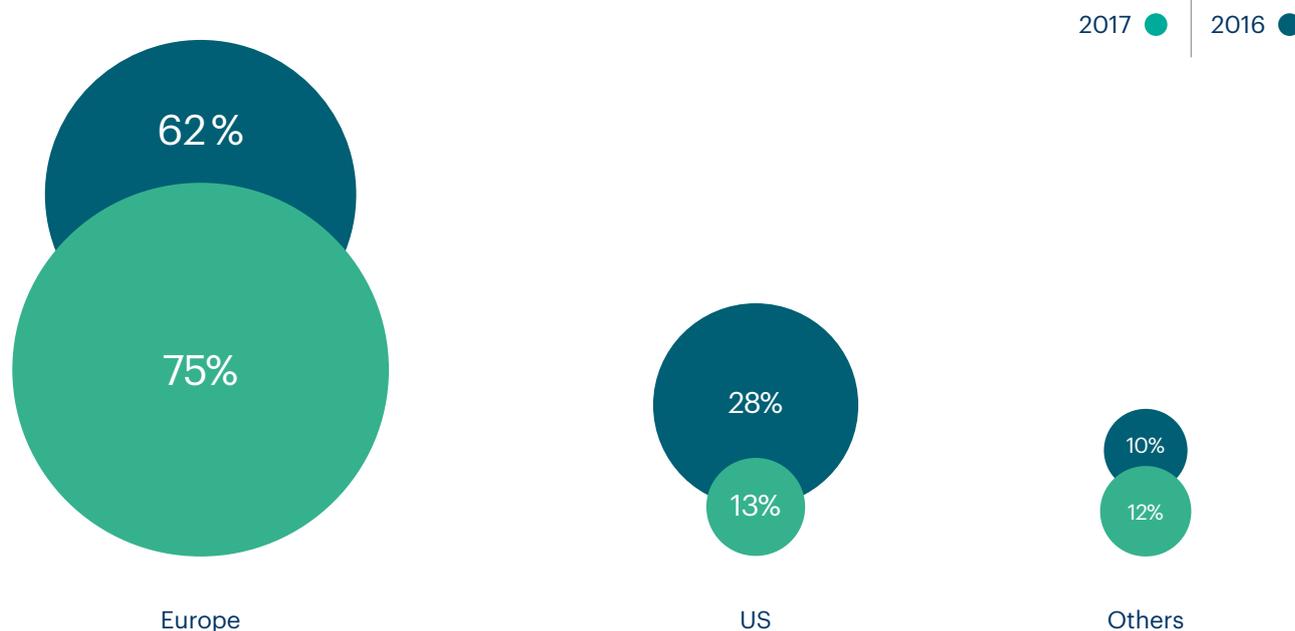
EBITDA

€ 227.6 MM

Normalised Net Income

€ 83 MM

Net Sales by geographic area.



Top leading products by sales.

€ Million	Full Year 2017	Full Year 2016	% var vs LY
Ebastel® and other (ebastine)	53.2	56.3	(5.6%)
Tesavel® & Efficib® (sitagliptine)	48.5	47.3	2.6%
Ciclopoli® (ciclopirox)	44.2	38.3	15.3%
Solaraze® (diclofenac sodium)	35.1	37	(5.0%)
Almax® (almagate)	25.8	25.6	0.7%
Decoderm® and other (flupredniden)	25	24.4	2.4%
Sativex® (tetrahydrocannabinol)	23.9	18.8	26.8%
Airtal® and other (aceclofenac)	20.6	22.1	(6.8%)
Imunorix® (pidotimod)	18.1	13.4	35.2%
Veltin® (clindamycin & tretinoin)	18.1	15.1	19.8%
Oral acne franchise (doxycycline)	6.6	94.1	(93.0%)
Others	320.4	372	(13.9%)
Total Net Sales	639.4	764.4	(16.4%)

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Corporate Social Responsibility

Our team
Health sector, scientific and academic community and patients
Shareholders, investors, financial institutions and auditors
Suppliers
Society
Environment

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Corporate Governance

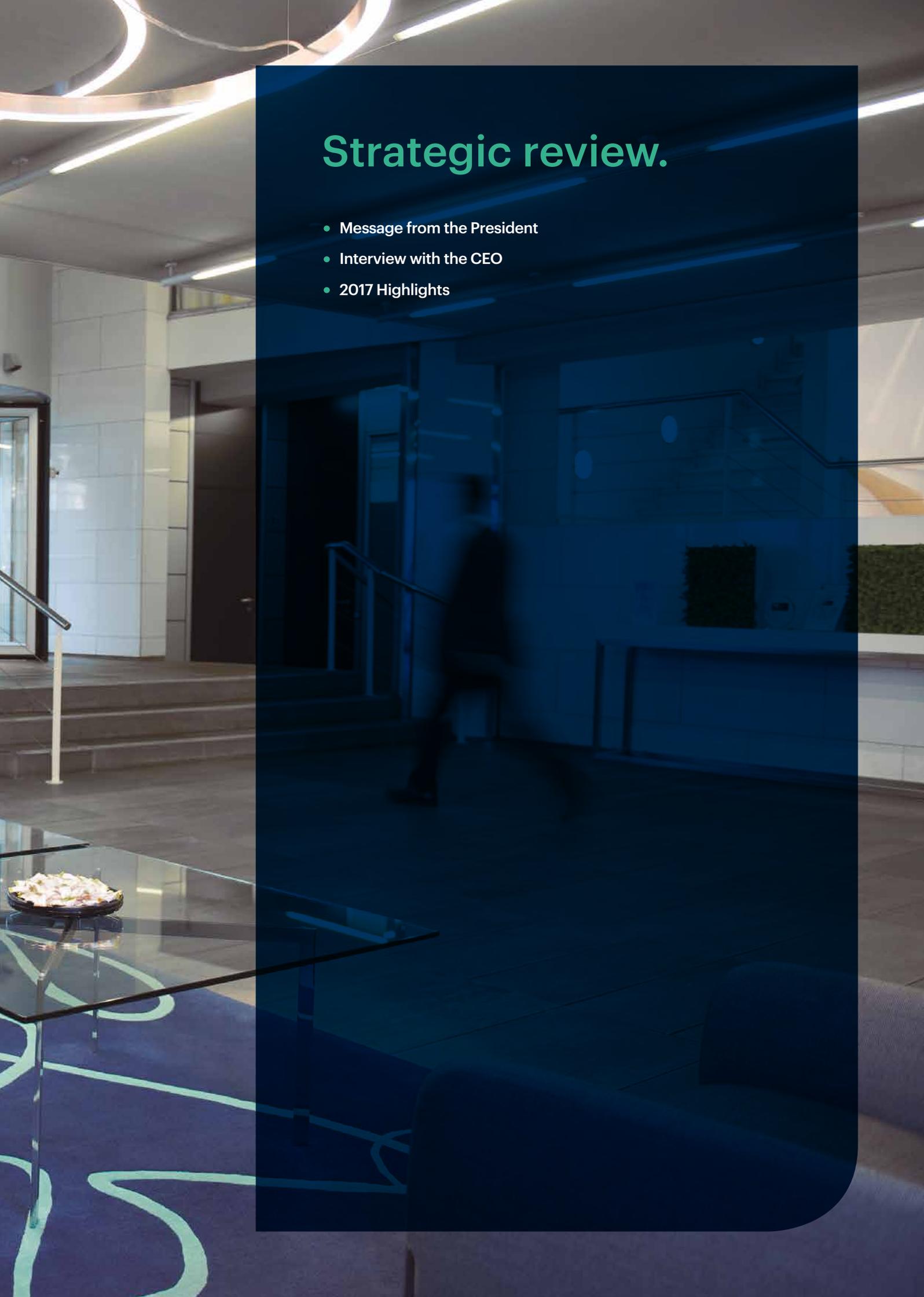
Board of Directors
Audit Commission
Nominations and Remuneration Commission
Dermatology Commission
Corporate Compliance Committee
Management Board

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Strategic review.

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Message from the President.



"Our strong commitment to our stakeholders along with our capacity to understand their goals and the solutions they need, is what inspires our work."

Jorge Gallardo, Chairman and President of Almirall.

Dear Shareholders,

Throughout 2017, we have continued to meet the needs of our clients, launch new treatments, form collaborations, and advance our R&D pipeline focused on skin health. However, it has been a challenging year for Almirall. Despite the adverse impact and difficulties experienced, we have made good progress in our business and reacted firmly and quickly to adapt and mitigate the effect.

We reinforced our Board of Directors and management team. I am especially pleased that we were able to bring Peter Guenter on board as our new CEO. His expertise is a perfect fit with our strategic vision. I remain confident in our long-term strategy and in our team, which is steadfastly focused on delivering our strategic goals and creating value for our stakeholders.

The first half of the year was especially challenging due to a combination of unexpected issues in the US that affected the whole generic market. As a result, in July we lowered our financial expectations for the year, providing an updated guidance of a low double-digit decline versus 2016. The measures taken were successful, as profit improved in H2 2017 versus H1 2017, and proved effective, delivering full-year EBITDA aligned with the updated guidance given.

The US Aqua business was resized to the new environment and a strict cost control was implemented. In addition, we have a strong management team in place for Aqua, with the appointment of a new General Manager. As for Thermi, we now have a leadership team with significant credentials in the US aesthetics space.

Our business is performing in line with expectations in Europe and the rest of the world. We have maintained a sharp focus on inorganic growth supported by a strong balance sheet. We see real progress in the R&D pipeline with the potential to reach the market more quickly.

We launched Skilarence® in Europe in H2 for moderate-to-severe chronic plaque psoriasis, as a first-line induction and long-term maintenance treatment. Currently commercialised in Germany, the UK, Norway, Sweden and Denmark, it has received positive feedback from both healthcare professionals and authorities. We plan to launch it in the rest of Europe by 2018 and 2019. Also in psoriasis, our first biologic, tildrakizumab-an IL-23p19 inhibitor, is on track to hit the market in late 2018 or early 2019 for the treatment of moderate-to-severe psoriasis.

We are leveraging on our strengths to drive growth in our dermatology and medical aesthetics areas with an approach that is adaptable, versatile, and results-oriented. In March, we closed a strategic agreement with Symatase for the development and commercialisation of medical devices in the aesthetics field. In December, we signed an agreement with Athenex to develop and commercialise KX2-391, a first-in-class topical treatment for actinic keratosis and other skin conditions. While we remain centred on skin health, we continue to pursue attractive business opportunities in other areas. On 21st December, we closed a licence and supply agreement with AstraZeneca to grant Almirall exclusive rights to commercialise Crestor® and Provisacor® in Spain as cholesterol-lowering treatments.

We have the right leadership with substantial expertise in place and our investment in R&D has been fine tuned to consolidate our vision to be a leading specialty company, with a strong focus on skin health, by addressing the needs of healthcare professionals and those they help.

2017 presented certain challenges, but we faced them head on, together, with honesty and resilience. We redefined our corporate identity to better reflect our values and unique culture, placing a greater emphasis on our strengths as a well-positioned pharmaceutical company in the scientific community. Our strong commitment to our customers along with our capacity to understand their goals and the solutions they need is what makes Almirall unique. Our organisational culture based on our corporate values—caring, dedicated, dynamic, and expert—sustains our work. Our talented and diligent team is working in the best possible environment with a sharp, well-defined focus on our mission to apply Science to provide medical solutions to you and future generations. I am confident that Almirall's future is full of promise.

We thank you for your continued support and investment in Almirall.



Jorge Gallardo
Chairman and President

Interview with the CEO.



"Your skin, our Science. We put our knowledge at the heart of everything we do, so that our customers can meet their goals and succeed by offering scientific solutions to their patients."

Peter Guenter, Chief Executive Officer.

What is your assessment of Almirall's progress in 2017? Do you think the company is on the right track to consolidate its strategic direction?

Almirall's operations this year were entirely aligned with what I firmly believe is a sound strategy, and we have the expertise and determination to execute it successfully.

In 2017, the company made consistent progress and continued to strengthen its commitment to dermatology with the launch of Skilarence® in Europe as a first-line systemic treatment, offering a new option to people suffering from moderate-to-severe chronic plaque psoriasis. Also tildrakizumab, filed in the US and EU, adds a novel biologic to our extensive and innovative portfolio, while strengthening our position as a leading dermatology player.

Almirall is dedicated to skin health and we are in this for the long run with a full portfolio. This, combined with focusing our talent and efforts on R&D to provide new innovative solutions to our clients, is what makes Almirall unique.

I am firmly convinced that we will generate value for our key stakeholders with our current strategic direction.

What are Almirall's goals and challenges for the short and medium term?

We want to accelerate our growth in skin health, expanding and consolidating our current portfolio. Our priority is to maintain a solid performance in keeping with the expectations of our shareholders and to continue developing projects that offer sustained value.

In the short term, we are focusing on securing our new strategy. Our success will depend on our ability to carry out research that responds directly to the needs of our customers, and to demonstrate the added value of our new treatments. In dermatology, we must secure launches in all key markets so we can accomplish our goal of introducing innovative products wherever they are needed.

In medical aesthetics, we aim to position ourselves as a leading company in the medium term by helping people to look and feel their best. The valuable scientific expertise and commitment of Almirall to medical dermatology will set us apart as a strong Science partner.

Why has Almirall redefined its corporate identity and what is its essence?

As Almirall's new mission, vision, and values were consolidated in 2017, it was the right time to take this step and project consistency between our business model, corporate strategy, and visual identity. The change reflects the way we get things done, how we compete in the market, and the unique way our team lives and feels our culture. The new identity will contribute to establishing Almirall's strong global brand across all markets.

How does the new tagline "Feel the Science" reflect Almirall's commitment to R&D and focus on skin health?

Research has been hardwired into Almirall's DNA for over 40 years. Our entire team knows that making Science useful is the essence of our work.

Our position as the company in the pharmaceutical industry with the highest investment in R&D in Spain in 2017 and the highest increase is tangible proof of this commitment. In addition, we are currently developing seven discovery programs in dermatology that are aligned with our strategy.

Clinical trials for onychomycosis and androgenic alopecia are currently in phase III. Moreover, KX2-391 is a very promising recent phase III addition to our pipeline. This highly innovative topical treatment was acquired through a strategic collaboration with Athenex and strengthens our actinic keratosis franchise and dermatology market leadership.

Our R&D strategy is based on three important aspects: Science, innovation, and partnerships. We are convinced that innovation and breakthrough ideas exist outside our walls. With this in mind, we are proud to have deepened our commitment to the scientific community in 2017 with the launch of AlmirallShare, an open innovation platform where science and creativity converge to find innovative solutions in skin health and share knowledge, efforts, motivation, and resources.

2017 Highlights.

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March

Almirall presented pivotal phase-III clinical trials of tildrakizumab for the treatment of moderate-to-severe plaque psoriasis at the 2017 Annual American Academy of Dermatology.

16

March

Almirall and Symatase entered into a global strategic collaboration for the development and commercialisation of products in aesthetics.

17

March

Bhushan Hardas was appointed Chief Scientific Officer and Vice President of R&D.

24

March

Almirall and Sun Pharma announced the regulatory filing of tildrakizumab in Europe for the treatment of moderate-to-severe plaque psoriasis.

19

April

Vladimir Paul-Blanc was appointed President and General Manager of ThermiGen.

2

May

ThermiGen announced European market approval of the ThermiVa® procedure for the treatment of soft tissue for vulvovaginal laxity.

27

June

The European Commission approved Skilarence® for moderate-to-severe chronic plaque psoriasis.

18

July

Nano4Derm, a research project applying nanomedicine to dermatology, was announced in collaboration with ICMAB-CSIC and the Leitat Technological Centre.

22

August

Ron Menezes was appointed President and General Manager of Aqua Pharmaceuticals.

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August

Peter Guenter was appointed CEO of Almirall.

7

September

Almirall announced positive top-line phase III results for Duaklir® in moderate-to-very-severe stable chronic obstructive pulmonary disease patients, valuable support for an NDA submission to the US FDA.

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September

Almirall updated its corporate identity in alignment with its focus on skin health.

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September

During the 26th EADV Congress, Almirall announced the launch of Skilarence® in Europe for moderate-to-severe chronic plaque psoriasis.

18

September

Almirall launched AlmirallShare, an open innovation platform fostering innovative solutions in skin health.

27

October

At the 7th Joint ECTRIMS-ECTRIMS meeting, Almirall presented top-line efficacy results for Sativex® in the treatment of multiple sclerosis resistant spasticity.

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December

Almirall announced a strategic partnership with Athenex for the development and commercialisation in the United States and Europe of KX2-391, a novel treatment for actinic keratosis that is in phase III.

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December

Execution of a licence and supply agreement with AstraZeneca for the exclusive rights to commercialise Crestor® and Provisacor® (rosuvastatin) in Spain. Both indicated as cholesterol-lowering treatments.



Finance and stock performance.

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2017 Financial Highlights.

2017 was a challenging year for Almirall, mainly due to circumstances affecting the US Aqua business that did not evolve as initially expected. The management team swiftly put a comprehensive set of actions into place to address adverse US business pressures. These measures were largely effective and other significant changes within the organisation helped Almirall to deliver the revised EBITDA guidance.

The changes implemented allow us to view 2018 with confidence. Almirall continues to be ready to leverage on opportunities to increase critical mass in key markets. As a result, we are confident that Almirall remains on the right growth trajectory and will deliver long-term, sustainable shareholder value.

€ 755.8 MM

Total Revenues

€ 639.4 MM

Net Sales

€ 142.2 MM

EBITDA

€ 38.5 MM

EBIT

€ 27.1 MM

Normalised Net
Income

€ 6.1 MM

Cash Flow from
Operating Activities

€ 87.9 MM

R&D Expenses

€ 280.2 MM

Cash and Cash
Equivalents

€ 30.2 MM

Net Cash Position*

External auditors' report.

The external auditor's report contains an unqualified positive opinion on the Consolidated Financial Statements for 2017. This report was issued by PriceWaterhouseCoopers on 23rd February 2018. The following documents are included:

- > **Consolidated Balance Sheet at 31st December 2017.**
- > **Consolidated Income Statement.**
- > **Consolidated Statement of Comprehensive Income.**
- > **Consolidated Statement of Changes in Equity.**
- > **Consolidated Cash Flow Statement.**
- > **Notes to the Consolidated Financial Statement.**

Visit cnmv.es and almirall.com for more information.

The full content of the 2017 Consolidated Financial Statement, the notes to the accounts, and the auditor's report are available.

In July, provided an update to the yearly Guidance for 2017, reducing the company's initial estimations for Total Revenues, Net Sales, and EBITDA growth. While Almirall's business was performing well in Europe and the rest of the world, the US business, operated by Aqua, was adversely impacted by several external issues. The company provided a Guidance of a low double-digit decline in Total Revenues and Net Sales versus last year and an EBITDA figure within the range of 140 to 170 million euros.

The measures taken to address the adverse US Aqua business events were successful, as profit improved in H2 2017 versus H1 2017, and proved effective, delivering an EBITDA aligned with the new Guidance given. Business continues on track elsewhere, and Almirall remains committed to its long-term strategy.

We are confident about our growth prospects with two encouraging launches in psoriasis. Skilarence[®] was launched in 2017 in the UK, Germany, Sweden, Denmark, and Norway. We are looking forward to launching in most other European countries in 2018 and 2019. At the beginning of 2017, tildrakizumab, our first biologic for psoriasis, was submitted for regulatory filing in Europe and is expected to hit the market in late 2018 or early 2019.

Two important M&A transactions closed in 2017 strengthen Almirall's position as a leading skin health player. The first is a global strategic collaboration with Symatase for the development and commercialisation of customised products in the aesthetics field. The second, announced at the end of the year, represents a strategic partnership with Athenex to develop and commercialise KX2-391, currently in phase III, for the treatment of actinic keratosis and other skin conditions.

Additionally, on 21st December, we closed a licence and supply agreement with AstraZeneca to grant Almirall exclusive rights to commercialise Crestor[®] and Provisacor[®] in Spain as cholesterol-lowering treatments.

We also have a healthy balance sheet that enables us to target acquisitions oriented towards building critical mass in key markets and in-licensing of late-stage assets. M&A remains a top priority for the company.

2017 Net Sales reached €639.4 MM. Europe has been a key growth driver in dermatology during 2017, accounting for sales of €176.8 MM (73.5% of total Rx dermatology), boosted by Skilarence® and also Poli Group products, which continue to perform well with double-digit growth.

Our strategy in respiratory has evolved, thanks to the transfer of our business to AstraZeneca. This move maximised the return and value of our assets and capabilities, while continuing to improve our financial position and contributing to long-term growth. Duaklir® achieved the primary endpoints according to the AMPLIFY data, which will serve as valuable support for an NDA submission to the US FDA. The phase IV ASCENT trial demonstrated the cardiovascular safety and efficacy of Tudorza® in reducing COPD exacerbations. Almirall receives sales-related milestones from AstraZeneca for sales in the US and other markets, according to the global collaboration between both companies.

The launch of Skilarence®, the first and only fumaric acid ester (FAE) approved by the European Commission for the treatment of adult patients with moderate-to-severe chronic plaque psoriasis, received encouraging initial feedback with positive reviews from both healthcare providers and payers.

This success reinforces our positioning in this key therapeutic area. In just 3 months, Skilarence captured 40% of Fumaderm®'s volume and about 20% of the conventional market share in Germany. It is also performing well in the UK.

Regarding Almirall's dermatology business operated by Aqua in the US, the measures implemented to mitigate the adverse impact have begun to take effect and profit has improved. The US business was restructured and resized to the new environment and a strong cost control was put into place.

Thermi's turnaround in aesthetics has been a bit slower than expected. However, we remain confident that the newly installed and expanded leadership team is on the right track and has taken the appropriate measures to ensure the future success of this exciting area. We anticipate new indications and product launches, as well as international business expansion with ThermiVa®, whose sales continue to grow and propel positive EBITDA.

SG&A expenses came in at €307.3 MM, representing 48.1% of Net Sales excluding depreciation. At the close of 2017, EBITDA was €142.2 MM, aligned with the guidance given in July 2017.

Normalised Net Income reached €27.1 MM.

Cash Flow from operating activities totalled €6.1 MM. The company's Cash Position at the close of 2017 was €280.2 MM.

Almirall is dedicated to transforming our business strategy with the goal of becoming a global pharmaceutical leader focused on skin health. We continue to focus our efforts on moving forward with our mission. The company will use its strong financial position to fund growth opportunities in this direction, looking for companies and/or assets in Europe and the US that generate shareholder value from the outset.

Business performance
in Europe on track and US
Aqua business resized
to the new environment.



Functional Income Statement.

In 2017, Amirall Total Revenues reached €755.8 MM compared to €859.3 MM the previous year. This figure includes Net Sales and Other Income.

In Europe and the rest of the world, we performed well, particularly in key countries like Spain and Germany and with strategic products like Ciclopoli®, the flagship Poli Group product, which accounts for sales of €44.2 MM, and Sativex®, both posting double-digit growth.

Net Sales amounted to €639.4 MM versus €764.4 MM in 2016. Other Income of €116.4 MM represented an increase of +22.7% versus 2016 due to positive phase III results for the acridinium combo licensed to AstraZeneca and sales-related milestone.

R&D expenses accounted for €87.9 MM, 13.7% of Net Sales. This represents a significant increase in comparison to last year (12.9% in 2016), due to the launch of Skilarence® and other projects in phase III.

SG&A expenses, excluding depreciation, amounted to €307.3 MM, and declined by 4.1% in 2017 (48.1% of Net Sales), despite investments in the rollout of Skilarence® and in the anticipated launch of tildrakizumab.

Corporate Income Tax in 2017 was positive at €17.1 MM due to the reversal of Deferred Tax Liabilities linked to impairments.

Amirall's Total Revenues reached €755.8 MM, boosted by business performance in Europe.

2017 Functional Income Statement (€ Million)

	2017	2016	% Var
Total Revenues	755.8	859.3	(12%)
Net Sales	639.4	764.4	(16.4%)
Other Income	116.4	94.9	22.7%
Cost of Goods	(228.1)	(227.5)	0.3%
Gross Profit	411.3	536.9	(23.4%)
% of sales	64.3%	70.2%	
R&D	(87.9)	(98.3)	(10.6%)
% of sales	(13.7%)	(12.9%)	
SG&A	(393.1)	(404.8)	(2.9%)
% of sales	(61.5%)	(53.0%)	
SGA w/o Depreciation	(307.3)	(320.5)	(4.1%)
% of sales	(48.1%)	(41.9%)	
Depreciation	(85.8)	(84.3)	1.8%
Other Operating Expenses	(8.2)	(1.4)	n.m.
EBITDA	142.2	227.6	(37.5%)
% of sales	22.2%	29.8%	
Depreciation	(103.7)	(100.3)	3.4%
% of sales	(16.2%)	(13.1%)	
EBIT	38.5	127.3	(69.8%)
% of sales	6.0%	16.7%	
Gains on sale of assets	(2.2)	30.1	(107.3%)
Other costs	(10.5)	(4.2)	150.0%
Restructuring costs	(12.2)	(26.6)	(54.1%)
Impairment reversals / (losses)	(323.6)	(15.0)	n.m.
Net financial income / (expenses)	(25.3)	(20.0)	26.5%
Exchange rate differences	14.2	1.0	n.m.
Profit before tax	(321.1)	92.6	n.m.
Corporate income tax	17.1	(17.1)	(200.0%)
Net Income	(304.0)	75.5	n.m.
Normalised Net Income	27.1	83.0	(67.4%)

Balance Sheet.

The following paragraphs highlight the most noteworthy aspects of the group's Balance Sheet at 31st December 2017.

The decrease in Intangible Assets (from €993 million to €730.3 million) was mainly due to our US affiliate.

Financial Assets include the fair value of milestones and royalties from the AstraZeneca deal.

The decrease in Non-Current liabilities—from €609.5 million to €444.4 million—was related to deferred tax liabilities.

Financial Debt with credit institutions amounted to €250.1 million, arising from a revolving credit facility agreement and the redemption of Senior Notes in April, representing 11.5% of Total Assets.



2017 Balance Sheet (€ Million)

	2017	% of BS	2016
Goodwill	341.8	15.7%	432.8
Intangible Assets	730.3	33.6%	993.0
Property, Plant and Equipment	128.3	5.9%	132.3
Financial Assets	192.0	8.8%	194.4
Other Non-Current Assets	268.7	12.3%	327.5
Total Non Current Assets	1,661.1	76.3%	2,080.8
Inventories	83.7	3.8%	91.0
Accounts Receivables	90.5	4.2%	130.6
Cash & Cash Equivalents	280.2	12.9%	466.7
Other Current Assets	61.0	2.8%	50.2
Total Current Assets	515.4	23.7%	738.5
Total Assets	2,176.5		2,818.5
Shareholder's Equity	1,133.7	52.1%	1,520.3
Financial Debt	250.1	11.5%	321.0
Non-Current Liabilities	444.4	20.4%	609.5
Current Liabilities	348.3	16.0%	367.7
Total Equity and Liabilities	2,176.5		2,818.5

Cash Flow.

As regards Cash Flow, there was an improvement in Free Cash Flow generation. Cash Flow increased in comparison to the previous year due to the transactions executed in 2016 (acquisition of Poli Group and ThermiGen for a total amount of €388 million). In 2017, despite the losses registered in the income statement, most were related to impairment losses amounting to €332 million, which did not have any impact on cash. Finally, there was the cancellation of the Senior Notes debt in early Q2 2017, which was replaced by a credit facility. The net effect of these two operations amounted to €73 million of debt repayment.

It is also important to highlight the cash outflow impact on Working Capital that resulted from Aqua's situation and the inappropriate adjudication of the Patient Assistance Program (PAP).

Financial outlook for 2018.

The outlook for 2018 is positive. We are confident in the growth of our EU business, which will benefit from the recent launch of Skilarence®. We expect the measures taken at Thermi to deliver a turnaround and growth. The continued success of the agreement with AstraZeneca will provide a good level of Other Income and we will continue to focus on cost controls across the business while also investing in key pipeline projects such as tildrakizumab.

For 2018, Almirall expects mid-single-digit growth vs. 2017 in terms of Total Revenues and around 20% growth vs. 2017 in terms of EBITDA. EBITDA leverage is mainly driven by the core business.

Net Sales are expected to grow at a mid-to-high single digit and Other Income is also expected to experience a double-digit decline.

2018 Full Year Guidance.

Total Revenues

Mid-single-digit growth (vs. 2017)

EBITDA

c. 20% growth (vs. 2017)

Cash Flow (€ Million)	2017	2016
Profit Before Tax	(321.1)	92.6
Depreciation and Amortisation	103.7	100.3
Impairment Losses	331.8	16.4
Change in Working Capital	0.4	36.9
Restructuring Payments	(12.7)	(23.7)
Other Adjustments	(87.2)	(98.7)
CIT Cash Flow	(8.8)	(18.7)
Cash Flow from Operating Activities (I)	6.1	105.1
Interest Collections	1.6	1.2
Ordinary Capex	(25.8)	(33.6)
Investments	(35.8)	(50.0)
Divestments	0.3	13.4
Business Combination payments	(7.5)	(388.3)
Cash Flow from Investing Activities (II)	(67.2)	(457.3)
Interest Payment	(18.9)	(15.2)
Dividend Payment	(33.0)	(33.0)
Debt Increase (decrease)	(73.5)	(0.9)
Cash Flow from Financing Activities	(125.4)	(49.1)
Cash Flow generated during the period	(186.5)	(401.3)
Free Cash Flow (III) = (I) + (II)	(61.1)	(352.2)

Almirall on the Stock Exchange.

At the end of 2017, Almirall's share price was quoted as €8.35 representing a -42.88% decline over the period.

Almirall's share price was negatively affected by the revised guidance announced on 10th July due to the challenging environment in the US and the adverse events registered in this market.

The healthcare sector was impacted in 2017 by strict regulatory requirements, strongly affecting stock prices and introducing volatility in cases where there were decisions affecting the regulation of medicines.

The main indexes increased in 2017, such as the UK's FTSE 100 by 7.63%; the US's S&P 500 by 19.93% and the Dow Jones by 5.53%; Germany's DAX Xetra by 12.51% and the IBEX 35 in Spain by 7.40%. This stronger-than-expected growth can be attributed to the continued recovery in investment, manufacturing, and world trade.

Comparison of Almirall share prices vs the IBEX-35 since IPO (Base 100)



Capitalisation, volume, and prices.

At the close of 2017, there were a total of 173 million shares. As a result, Almirall's market capitalisation in 2017 totalled €1,444.13 MM.

In 2017, the highest share price was €16.88 on 4th May, while the lowest recorded price was €7.28 on 15th November.

As far as trading volumes are concerned, the total volume in 2017 amounted to €1,169,989,600.

Almirall share price in 2017. Main indicators.

Year closing (euros)	8.35
Highest intraday level (euros)	16.88
Lowest intraday level (euros)	7.28
Annual volume (number of shares)	113,075,397
Average daily volume (number of shares)	443,432
Actual annual volume (euros)	1,169,989,600
Daily average volume (euros)	4,587,792
Trading days	255
Number of shares	172,951,120

Consensus rating as of 31st December.



Target Price Average: €10.22

Performance of Almirall Share prices on the stock exchange.

Month	Trading days	Closing price	Highest	Date	Lowest	Date	Daily average
January	22	14.9	15.87	9-01	14.67	2-01	15.21
February	20	15.06	15.91	23-02	14.60	27-02	15.29
March	23	15.22	15.45	31-03	14.40	15-03	14.91
April	18	16.58	16.66	27-04	15.20	3-04	16.00
May	22	15.47	16.88	4-05	14.95	30-05	15.91
June	22	14.26	15.72	5-06	14.22	30-06	14.96
July	21	8.18	14.59	3-07	7.86	31-07	9.49
August	23	8.62	8.68	30-08	7.85	15-08	8.10
September	21	8.61	9.93	13-09	8.44	29-09	9.21
October	22	8.31	8.84	9-10	8	26-10	8.32
November	22	8.43	8.84	6-11	7.28	15-11	8.17
December	19	8.35	8.95	27-12	8.12	4-12	8.46

Share capital and dividends.

On 20th June 2007, Almirall began trading on the Spanish Stock Exchange and the Board of Directors proposed at the 2017 Annual General Meeting (AGM) to continue its policy of paying out dividends, aligned with our Business Development strategy.

The Ordinary General Shareholders' Meeting, celebrated on 3rd May 2017, approved a gross dividend of €0.19 per share, or €33 million. The dividend was paid on 1st June 2017.

According to Standard & Poor's and Moody's, the current credit rating for Almirall is: Standard & Poor's BB-, outlook negative; Moody's Ba3, outlook stable.

Agency	Rating	Outlook
Standard & Poor's	BB	Negative
Moody's	Ba3	Stable

Shareholders.

The following table details the information in the official registries of the Spanish Securities Commission, at 31st December 2017, regarding the majority Almirall S.A. shareholders, both direct or indirect, with a shareholding of over 5%.

Name or company name of direct shareholders	Number of shares 31/12	Shareholding in Almirall (%)
Grupo Plafin S.A.	71.43	41.3%
Todasa S.A.	43.83	25.3%



Our Business.

- Our strategy. Innovative solutions for skin health
- Other strategic areas
- Corporate Development
- Business year sales 2017



Our strategy. Innovative solutions for skin health.

Almirall's comprehensive understanding of skin health means we partner with healthcare professionals to apply Science exactly where it is needed.

Healthcare professionals and those they help are at the centre of all that we do. To best serve their needs, we have broadened our view of dermatology to look at overall skin health and wellbeing. In addition to our trusted medical therapies, Almirall now also provides solutions to customers who may not require the treatment of a disease, but instead seek to improve how their skin looks and feels.

We create innovative therapeutic solutions through our strong commitment to R&D. Our focus is on bringing innovation to every point in the pharmaceutical value chain, from idea generation to registration and launch. Our holistic approach along with our scientific expertise and experience set Almirall apart, enabling us to offer a remarkably balanced portfolio of solutions—from Rx to OTC to medical devices in aesthetics—under a unified, established, and trusted brand.

Skin diseases present a particularly complex constellation of symptoms that require a flexible approach. As we develop treatments, we must also weigh the extreme psychosocial burden and physical discomfort experienced by patients. The personal and difficult nature of these conditions inspires our entire company to listen carefully, learn, and work diligently to provide the widest possible array of treatment options and medical devices.

Our decision-making process is streamlined and adept, enabling us to identify and seize opportunities that appear in the ever-changing marketplace. Our acquisitions in recent years exemplify our agile approach to building a company that offers worldwide solutions that can be implemented at a faster pace.

Almirall is investing in key areas of skin health, including new medical therapies in the dermatological industry and a diverse and complementary set of aesthetic treatments and medical devices. The current level of investment means there is a deep pipeline consisting of exciting technologies and products with the potential to generate launches over the next five years.

Throughout 2017, we worked on the consolidation of our strategy and business model to be a leading specialty company with a strong focus on skin health. To accomplish this, we oriented our R&D structure towards skin health, increased investment in innovation, made a series of strategic acquisitions and alliances, and integrated the tools and expertise required to succeed.

Dermatology.

Our therapeutic focus.

During 2017 we made good progress in consolidating our dermatology business and growing our psoriasis franchise. In September, we launched and began marketing Skilarence®, dimethyl fumarate (DMF), in Europe. We are also developing and leading the European introduction of tildrakizumab, a promising biologic agent (IL-23-specific antibody). In addition, we continue to add to our strong actinic keratosis franchise, through a strategic collaboration agreement signed with Athenex, to treat this and other skin conditions.

We put a strong focus on the following five key pathologies: **psoriasis, actinic keratosis, atopic dermatitis, acne, and rosacea.**

Actinic keratosis

Actinic keratosis (AK) manifests as scaly patches that appear on sun-damaged areas of the skin¹. AK is considered an early form of squamous cell carcinoma, which is a variant of non-melanoma skin cancer. Early treatment of all AK lesions and the surrounding skin is necessary to avoid the progression to invasive squamous cell carcinoma.²

To consolidate Almirall's position in the field of AK achieved with Solaraze® and Actikerall®, we recently signed an agreement with Athenex for the research, development, and commercialisation of KX2-391, a new chemical entity to treat AK. KX2-391 is a first-in-class topical treatment currently in phase III and has the potential to change the standard of care for this disease.

Atopic dermatitis

This chronic skin disease, also known as atopic eczema, affects both children and adults and exerts a heavy toll on patients due to the intense itching it can produce.^{3,4} As a high-burden disease with few treatment options, there is an elevated risk for psychological comorbidities such as anxiety and depression.⁵

Acne

Acne is a skin condition affecting the sebaceous glands and hair follicles, characterised by the presence of non-inflammatory lesions (comedones) and inflammatory lesions (papules and pustules), and, in severe cases, nodules and cysts. It is a disease with a particularly high burden for patients, given that it manifests on the visible, sensitive skin on the face, upper back, chest, and shoulders.^{6,7,8}

Rosacea

Rosacea is a chronic inflammatory skin disease that can cause flushing and redness, typically on the face, bumps, and spider veins. Over time, flare-ups can progress and the skin may take on a roughened, orange peel texture.⁹ Due to its highly visible nature, Rosacea takes a particularly heavy toll on patients. As yet, there is no cure.¹⁰

Our psoriasis franchise.

2017 was a key year for developing our psoriasis franchise from pipeline to market. We aim to help patients and dermatologists fight psoriasis with comprehensive medical solutions—topical, systemic oral, and biological therapies that treat the whole spectrum of the disease.

Psoriasis is a chronic systemic inflammatory disease affecting nearly 3% of the population—approximately 125 million worldwide—with the majority remaining undiagnosed or untreated.¹¹ We are aware that there are still many psoriasis patients with unaddressed needs who may also suffer from comorbidities or side effects.¹² The impact on their quality of life is high: 77% of psoriasis patients have experienced some form of stigmatisation and 60% report that it has affected their day-to-day lives adversely.¹³ Given the high burden of this disease, patients must be managed in a holistic manner—taking into account their physical, psychological, and social needs.¹⁴

We work to develop new treatment options and bring them to market as quickly as possible. Our goal is to become a leader that professionals who treat psoriasis can turn to as a trusted source for treatments and information.

In this role, Almirall provides ongoing support to healthcare providers and their psoriasis patients by developing and disseminating educational materials to support the use of the products and the management of the disease.



What Almirall offers

Near-to mid-term opportunities



Skilarence® (dimethyl fumarate)

Skilarence® is the first and only European Commission approved fumaric acid ester (FAE) for the treatment of adult patients with moderate-to-severe chronic plaque psoriasis. We launched in the UK, Germany, Sweden, Denmark, and Norway in H2.

Skilarence® has received positive reviews from both healthcare providers and payers in the markets where it has already been launched. Drug uptake has also been positive, both in naive patients and patients switching over from other therapies. We are planning to launch it in most other European countries in 2018 and 2019.

The launch and marketing of Skilarence® is the positive result of Almirall's commitment to innovation and represents a very important step that reinforces our position as a company to watch in the field of dermatology.

Tildrakizumab

We are also leading the introduction of tildrakizumab in Europe through a licensing agreement with Sun Pharma. Tildrakizumab adds a novel biologic treatment option to our growing psoriasis portfolio, strengthening our position as a leading dermatology player.

It is currently in the registration process as an investigational humanised, IL-23p19 monoclonal antibody, designed to selectively block the cytokine IL-23 for the treatment of plaque psoriasis. Almirall submitted its regulatory filing in March 2017 with the European Medicines Agency (EMA). It is expected to launch in European markets in late 2018 or early 2019.

Patients and professionals, our key partners.

Working in close collaboration with healthcare professionals, medical societies, and patient organisations is an important part of our commitment to skin health and provides an invaluable opportunity to listen, learn, and share.

Over the last year, Almirall has greatly increased its presence at leading congresses, conferences, and advisory boards, attending many key events. For example, we are currently working in partnership, among others, with:

- > **The International Psoriasis Council (IPC).**
- > **The European Academy of Dermatology and Venereology (EADV).**
- > **The American Academy of Dermatology (AAD).**
- > **The International League of Dermatological Societies (ILDS).**
- > **The Psoriasis from Gene to Clinic (Psoriasis G2C).**

We have also undertaken initiatives to ensure that we are listening to the patient's voice, raising awareness, and providing added value to healthcare providers:

- > **Supporting healthcare providers** as they help their patients reengage in society and improve their quality of life. Our goal is to provide real solutions for challenging diseases and go beyond merely treating the symptoms.
- > **Taking the lead as a trusted source**, keeping HCPs up-to-date with information and the latest trends in every therapy.
- > **Listening to patients** and providing assistance to patient advocacy groups (PAGs) in order to discover what is missing in the treatment of psoriasis.
- > **Exploring technological channels and tools** as a new way to manage diseases, communicate, and interact with patients, and establish the Almirall brand as an innovative partner in skin health.

Supporting Patient Advocacy Groups (PAGs) such as the **International Federation of Psoriasis Associations (IFPA)** and participating in **World Psoriasis Day 2017**.



Our valuable scientific expertise and commitment to medical dermatology position us as a serious player in the medical aesthetics market. Our R&D dedicated to dermatology, in combination with an active and professional business development strategy, will help us achieve true innovation. As we build a broad medical aesthetic portfolio, we support physicians in fulfilling their patients' desire to look and feel their best.

The acquisition of 100% of Thermi in January 2016 marked Almirall's definitive entry into the aesthetics field, securing access to one of the fastest-growing areas. In 2017, we continued to grow with product launches and expansion into new markets. The global medical aesthetics market, including different segments, is expected to continue to grow in double digits in the near future, with 11% growth projected through 2021.¹⁵

On 22nd February 2018 Thermi and Sinclair Pharma plc (SPH.L) announced the termination of their collaboration for the marketing of Silhouette Instalift™ in the US. This decision was reached by both companies with the aim of focusing on their own core business. Both companies had been working through a joint marketing agreement for two years which involved a material investment in the launch and marketing of Silhouette Instalift™ by Sinclair. Almirall received an undisclosed consideration from Sinclair in March 2018.

The world population is getting older, but staying fit longer; as a result, people want to look as good as they feel. This demographic trend will not only continue, but accelerate across the globe. At the same time, younger people are turning to medical aesthetics in greater numbers, as they learn more, mainly from social media, about early intervention options and the value of prevention. The market is projected to expand in every geographic region and diversify to other as-yet largely untapped market segments, such as aesthetics for men.¹⁴

Based on our market insight, we have a strong belief that there is room for new players in the aesthetic industry. Almirall is in a good position to move in and establish ourselves as a powerful medical aesthetics company.

Our principal areas.

We are currently focusing our efforts on two important areas of the aesthetic market: dermal fillers and radiofrequency.

Hyaluronic acid fillers: Facial fillers are a popular and sought-after option at any aesthetics clinic. 90% of the dermal filler market consists of hyaluronic-acid-based fillers, making this a key product for any aesthetics player to have in its portfolio and a strategic "door-opener" for introducing a larger suite of products in the future¹⁴. The global dermal filler market is expected to reach more than USD 3 billion in 2021, with the US and EU as the key regions and APAC growing the fastest.¹⁵

Radiofrequency: With Thermi we are able to offer procedures to improve lives by helping people look and feel their best. Thermi's temperature-controlled radiofrequency technology provides solutions for medical aesthetics, dermatology, women's health, and represents a truly innovative offering with a range of different minimally and non-invasive applications. Thermi devices are available both in US and Europe, as well as other parts of the world, giving Almirall access to the global aesthetics market.





Our products and licences.

ThermiRF®

This Thermi, an Almirall company, flagship product, is a platform technology using temperature as an endpoint for various minimally and non-invasive applications. This unique temperature-controlled RF technology has been designed to safely produce excellent aesthetic outcomes through the application of “the science of heat”.

With its many applications, ThermiRF is available in 25 countries around the world. In 2017, we were able to gain approval for its use in Europe with a strong indication for women's health. In addition, we have now expanded into China, Brazil, and Argentina, and will continue to increase our presence in Latin America and other key markets.

Thermi250™

The Thermi portfolio also includes the Thermi250™ device, a temperature-controlled system for face and body rejuvenation. Emitting at 470 kHz—the most studied RF (radiofrequency) in aesthetic medicine—this device targets cellulite and has a rejuvenating effect on the face and body.

ThermiVa™

Representing a significant achievement in our ongoing global expansion, in 2017, Almirall received approval in Europe for the registration of ThermiVa®, a best-in-class, non-invasive treatment for vulvovaginal laxity. This product is now commercialised in several major European markets.

We believe we are extremely well-positioned with ThermiVa®, as a women's health product, to leverage both the market growth in aesthetics and this rapidly emerging segment.

Symatase hyaluronic acid fillers

Our long-term development, technology licence and supply agreement with Symatase will allow us to enter the injectable facial filler market. Symatase is an R&D and manufacturing company with over 30 years of experience in biopolymers for implantable medical devices and has been developing high-quality compound fillers over the past ten years. Together, we are poised to develop the next generation of hyaluronic acid fillers.

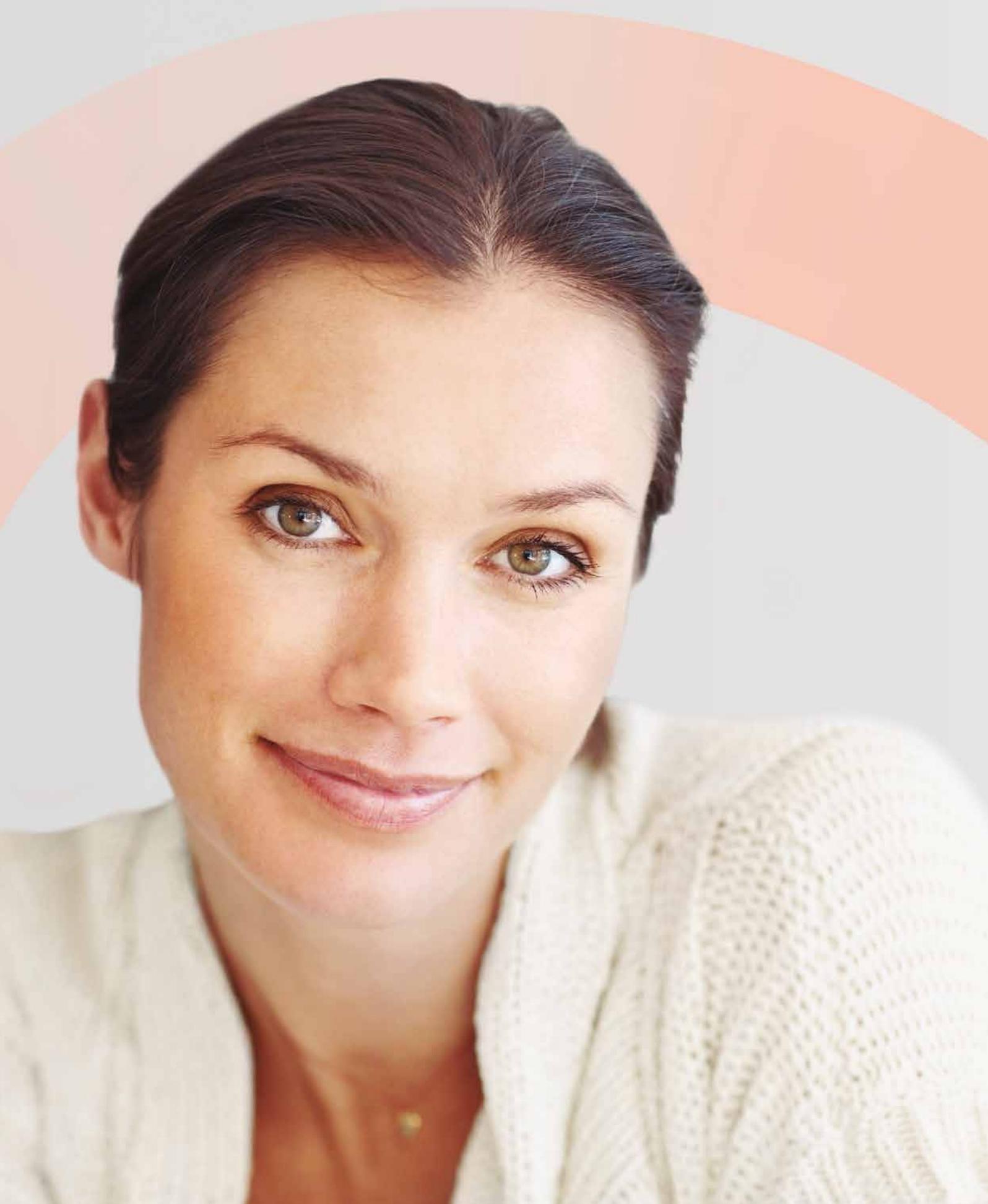
Brand awareness in aesthetics.

With the launch of our new Corporate Identity in 2017, Almirall has a unique corporate brand that represents our strategic vision. Due to the particularities of the Aesthetics business, Almirall Aesthetics has launched its own identity, aligned with the corporate brand, representing a fusion of the strategy of the company and the Aesthetics field.

Almirall Aesthetics aims to improve lives by helping people look and feel their best. We believe there is an opportunity to collaborate within dermatology and medical aesthetics and foster an environment in which we can learn from one another and work in tandem to meet the needs of customers and treatment seekers.

We have increased our presence at key events to establish Almirall as a serious player in medical aesthetics. Our collaborations with seasoned companies such as Symatase have put Almirall on the map with key opinion leaders and stakeholders.

We are now attending and presenting at the most relevant and important events and meetings worldwide. We launched our new aesthetics branding and division at the 5CC congress in Barcelona in 2017, demonstrating our long-term commitment to skin health and medical aesthetics. In 2017, Almirall participated in all of the major congresses in both Europe and the United States.



Other strategic areas.

While we maintain our focus on fighting against skin health diseases, our dedication to Science inspires us to include other innovative, promising products in our portfolio. This allows us to complement dermatology and medical aesthetics with other therapeutic divisions, such as CNS (central nervous system), cardiovascular and gastrointestinal amongst others. This includes important products such as Sativex® for in multiple sclerosis, and OTC products such as Ebastel® and Almax®, which are among our top-10 selling brands.

In 2017, at the ECTRIMS-ACTRIMS Meeting in Paris, we presented the top-line results of a new randomised placebo-controlled clinical study, SAVANT, which reaffirms the efficacy and tolerability profile of Sativex® in the treatment of multiple sclerosis (MS) resistant spasticity (muscle rigidity). These positive results mark an important milestone for Almirall as they demonstrate our ability to apply Science to offer innovative solutions to healthcare professionals so that they can treat their patients better.

Our aim is to support healthcare professionals in their continuous improvement, bringing our innovative solutions where they are needed. That's why we are always seeking to identify unmet medical needs in our therapeutic areas of interest.

In December 2017, we signed a distribution agreement with AstraZeneca for Crestor® and Provisacor® (rosuvastatin) in Spain. Rosuvastatin is remarkably synergistic with our current portfolio and sales structure in this market, as well as with our long-term experience in cardiovascular diseases. This in-licensing agreement represents an opportunity to create value for our shareholders by increasing critical mass in key markets and pursuing strategic in-licensing of late-stage assets.

Strategic products*

Actithiol® (carbocisteine + promethazine)

Airtal® (aceclofenac)

Almax® (almagate)

Almogran® (almotriptan)

Cleboril® (clebopride)

Crestor®/Provisacor® (rosuvastatin)

Dobupal® (venlafaxine)

Ebastel® (ebastine)

Elecor® (eplerenone)

Efficib® (sitagliptin + metformin)

Tesavel® (sitagliptin)

Hidroxil® (vitamins B1 + B6 + B12)

Imunorix® (pidotimod)

Macmior® (nifuratel + nystatin)

Parapres® (candesartan)

Sativex® (dronabinol + cannabidiol)

Silodyx® (silodosin)

Spagulax® (ispaghula)

Synflex® (naproxen)

* Some of these products may not be available in the EU.



Corporate Development.

In 2017, we strengthened our commitment to skin health and continued to execute our strategy by maintaining a strong focus on corporate development in order to secure external growth opportunities. We embrace our role as a global Science partner by collaborating with healthcare professionals and pursuing acquisitions and collaborations with other pharmaceutical companies.

Over the past few years, our corporate development strategy has been focused on tuck-in acquisitions in medical dermatology, as well as platform acquisitions in medical aesthetics. M&A continues to be a priority for Almirall, and the company uses its strong cash position to fund growth in skin health by looking for value creation opportunities—both companies and products, in Europe and the US—that may strengthen our portfolio while allowing us to consolidate as a leading skin health company. In conjunction with a finely tuned approach to R&D and, based on the geographic and therapeutic priorities of the company, strategic acquisitions, licensing agreements and collaborations will enable us to provide a wide range of medical solutions to healthcare professionals and those they help, leading to a better future.

Corporate development in Rx dermatology.

In December 2017, Almirall and Athenex entered into a strategic partnership agreement to research, develop, and commercialise KX2-391 in the United States and Europe for the treatment of actinic keratosis and other skin conditions. This agreement represents a major step in the transformation of Almirall by adding an innovative, first-in-class topical treatment currently in phase III to our pipeline.

KX2-391 is an innovative drug with a completely new mode of action for actinic keratosis, representing a significant game changer in the market of field treatment. This new chemical entity represents an opportunity to fill unmet needs in this disease. KX2-391 will be able to capture a significant market share, increase patient compliance and significantly expand the class because of its product profile (effective, well tolerated and with a shorter duration of treatment).

Corporate development in aesthetics.

In March 2017, Almirall entered the injectable dermal filler market through a global strategic collaboration with Symatase, a leading developer and manufacturer of innovative medical devices for aesthetic applications with over 30 years of industry experience.

The development of a new range of hyaluronic acid dermal fillers is the first step in this collaboration. This differentiated technology will enable Almirall to further strengthen our reputation in aesthetics, by providing patients with a new, safe, effective, and versatile range of dermal fillers that will replace lost facial volume with predictable, natural looking, and satisfying results. In accordance with the terms of the collaboration, Symatase granted Almirall an exclusive licence for the commercialisation of hyaluronic acid fillers worldwide in exchange for an upfront payment and subsequent development and commercial milestones.



Corporate Development. Recent transactions and collaborations.

2017

Licensing agreement with Athenex to develop and commercialise KX2-391

Acquisition of rights for Crestor®/Provisacor® in Spain

Symatase Agreement in aesthetics

2016

Acquisition of Poli Group

Acquisition of ThermiGen

Licensing agreement Sun Pharma to develop and commercialise tildrakizumab in Europe

Discovery collaborations with Nuevolution and Mercachem

2015

Acquisition of rights for Veltin® and Altabax®

Investment in Suneva Medical

2014

Transfer of rights to AstraZeneca of the respiratory franchise

2013

Acquisition of Aqua Pharmaceuticals in US

Other corporate development agreements signed in 2017, such as the execution of a licence and supply agreement with AstraZeneca for Crestor® and Provisacor® (rosuvastatin) in Spain, allowed us to leverage currently available commercial infrastructure and consolidate our base business in this country. This licence agreement grants Almirall exclusive rights to commercialise both brands in Spain as cholesterol-lowering treatments.

2017 has primarily been an active year for M&A and corporate development. This focus enabled us to target acquisitions oriented towards increasing critical mass in key markets and the in-licensing of late-stage assets, such as the strategic partnership with Athenex to research, develop, and commercialise KX2-391 (actinic keratosis), which is currently expecting phase III topline data. This year has also been a time of consolidation and integration of the transactions signed in 2016. Our efforts are already starting to pay off, resulting in Almirall gaining recognition as a leading skin health company.

In July 2016, we acquired the European rights for tildrakizumab from Sun Pharma for psoriasis. In March 2017, we announced the regulatory filing of this innovative therapy with the European Medicines Agency (EMA). This IL- 23p19 inhibitor is currently being evaluated for the treatment of moderate-to-severe chronic plaque psoriasis and approval is expected by Q4 2018.

By 2017, the Poli Group integration process was successfully completed, capturing most of the expected synergies. All things considered, the portfolio acquired from this deal posted a very good performance in 2017. Ciclopoli®, the flagship Poli Group product, continues to perform well, and accounted for sales of 44.09MM (+15%) in FY 2017. Other main dermatology products include Sililevo® and Zeloglin®, used to treat nail psoriasis and rosacea, respectively. With this agreement, Almirall has secured a sophisticated dermatology-focused R&D structure with proprietary formulation technology, clinical-stage pipeline projects, and a promising product portfolio that extends our global reach.

We also made good progress as a result of our agreement signed in early 2016 to acquire 100% of ThermiGen. This acquisition extended our footprint to the aesthetics market. In May 2017, ThermiGen announced their newest indication for the ThermiRF® Temperature Controlled Radiofrequency System. The ThermiVa® procedure for treatment of soft tissue for vulvovaginal laxity is now available in the European market and marks a significant step forward in the ongoing global expansion of this technology.



2017 Business year sales.

In 2017, Total Dermatology Sales amounted to €269.46 MM. The European dermatology market represented a key growth driver with sales of €176.75 MM (73.5% of total Rx Dermatology), boosted by Skilarence® and Poli Group products, which continued to perform well with double-digit growth.

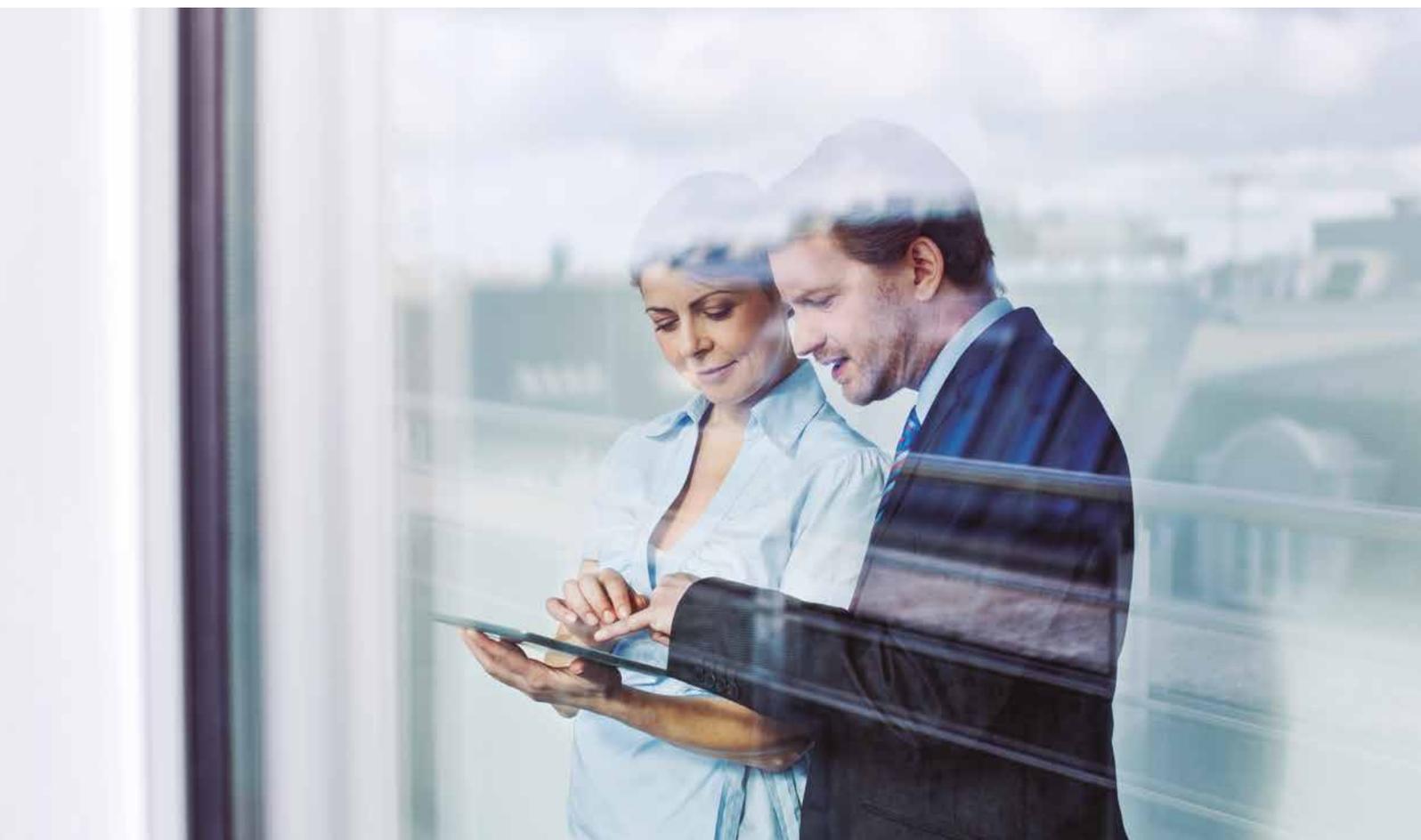
In the US, Net Sales of €54.12 MM reflected the difficult operating environment during 2017 in this market. With profit improving in H2 2017, Almirall's dermatology business in the US, operated by Aqua, reflected the effectiveness of the measures implemented to address the adverse impact registered during Q2. This business has been restructured and resized to the new environment.

Our dermatology portfolio was bolstered by the promising response to the launch of Skilarence®, the first and only European-Commission-approved fumaric acid ester (FAE) for the treatment of adults with moderate-to-severe chronic plaque psoriasis. In just three months, from October to December, Skilarence® captured 40% of Fumaderm® volume

and about 20% of the conventional market share in Germany. It is also performing well in the UK. It has already received positive and encouraging feedback from both healthcare providers and payers in several markets. We plan to launch it in most other European countries during 2018 and 2019.

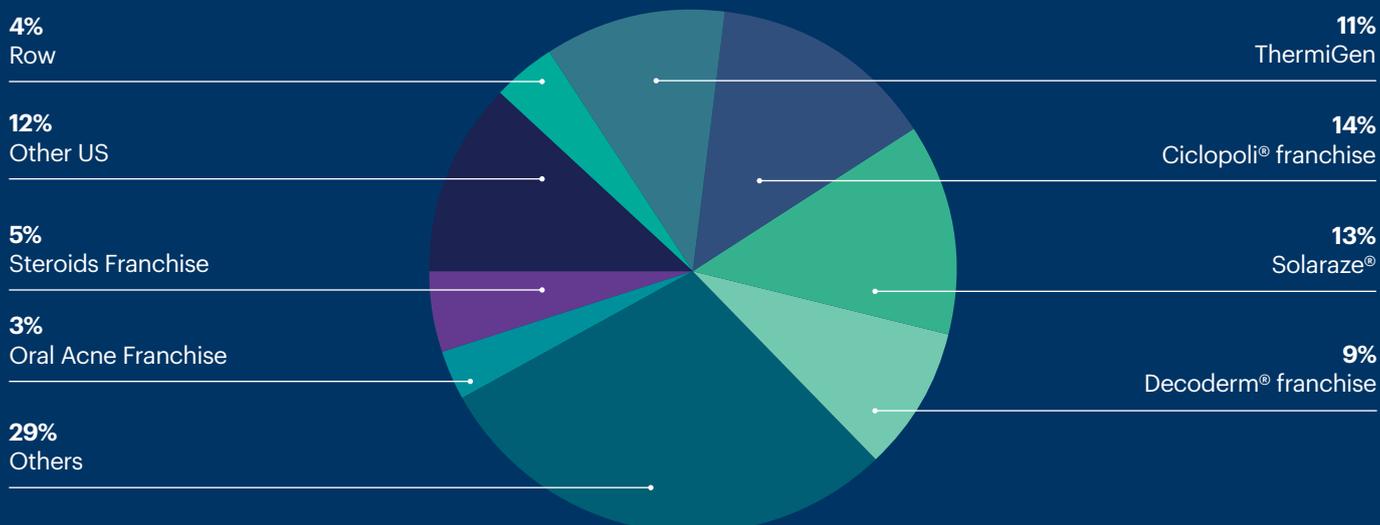
We also continued to focus on our strategic skin health brands such as Ciclopoli® for onychomycosis; Solaraze® for actinic keratosis; Decoderm® for the treatment of inflammatory or allergy-related skin diseases and Veltin® for the topical treatment of acne.

Regarding aesthetics, the turnaround has been slower than expected, however the expanded leadership team of Thermi is on the right track and has taken the appropriate measures to ensure the future success of this exciting area. We are operating within a segment with significant year-on-year growth and expect that with the new indications and product launches planned, as well as international business expanding with ThermiVa®, sales will continue to grow and propel positive EBITDA.



2017 Skin Health Net Sales Performance. Dermatology Rx + Medical Aesthetics (€ Million).

Europe		Net Sales (€176.8 MM)
Ciclopoli®		38.8
Solaraze®		34.8
Decoderm®		24.8
Others		78.3
US		Net Sales (€54.1 MM)
Oral Acne Franchise		6.6
Steroids Franchise		14.5
Other US		33
ROW		9.6
Total Dermatology Rx		240.5
ThermiGen		29
Total Almirall Dermatology		269.5



A Balanced Product Portfolio.

The growth of Ciclopoli®, the flagship Poli Group product for the treatment of onychomycosis, is doing very well mainly in Germany with a growth of 10%. This product is also showing double-digit growth in terms of sales in other European markets.

Sativex® for the treatment of multiple sclerosis-related spasticity is growing in the double digits and performing very well with almost €24 MM in sales. Its use is prevalent in Germany, but the treatment is also available in Italy, Spain, Norway, and Belgium, where it is also overperforming.

On the other hand, Imunorix®, for the treatment of respiratory conditions, with sales totalling €18.1 MM and Veltin®, indicated for the topical treatment of acne, with up to €18.07 MM, were new additions to the top ten selling brands list of the company.

Top ten leading products by sales.

Products	Proprietary / In-licensing	€ MM
Ebastel® and others (ebastine)	Proprietary	53.2
Tesavel® & Efficib® (sitagliptin)	In-licensing	48.5
Ciclopoli® (ciclopirox)	Proprietary	44.2
Solaraze® (diclofenac sodium)	In-licensing	35.1
Almax® (almagate)	Proprietary	25.8
Decoderm® and others (fluprednidene)	Proprietary	25
Sativex® (tetrahydrocannabinol)	In-licensing	23.9
Airtal® and others (aceclofenac)	Proprietary	20.6
Imunorix® (pidotimod)	Proprietary	18.1
Veltin® (clindamycin & tretinoin)	In-licensing	18.1
Oral Acne franchise (doxycycline)	Proprietary	6.6
Others	Proprietary / In-licensing	320.4
Total Net Sales		639.4



Net Sales by geographical area.

In 2017, Europe remained particularly important, representing 75% of sales, especially in key countries like Spain and Germany. The US accounted for 13% of sales.

Sales outlook for 2018.

We will continue to move forward with our business strategy as we actively pursue our goal to become a global pharmaceutical leader focused on skin health. Our strong cash position will enable us to fund growth opportunities in this direction, by pursuing strategic in-licensing of late-stage assets and targeting acquisitions with the potential to increase critical mass in key markets.

The outlook for 2018 is positive. We remain convinced that Almirall is on the right growth trajectory and will deliver long-term, sustainable shareholder value with our current strategic direction. Almirall expects to generate mid-single-digit growth vs. 2017 in terms of Total Revenues and around 20% growth compared to 2017 in terms of EBITDA.

Net Sales are expected to grow at a mid-to-high single digit and Other Income are also expected to experience a double-digit decline.

In 2018 we will continue focusing our investment in the launch of new products and in the development of our psoriasis franchise in Europe, with projects such as tildrakizumab.



Research and Development.

- Skin health. Our focus on R&D
- AlmirallShare
- Our pipeline
- Innovation centres

Skin health. Our focus on R&D.

Almirall's R&D is driven by three important principles: Science, Innovation, and Partnership. In 2017, we continued to execute our strategy decisively and our focus on skin health.

Almirall is a Science-based company. Our investment in R&D in dermatology and medical aesthetics is fundamental to furthering our growth and pursuing our goal to cover the unmet needs of specialists and their patients, in particular for our core pathologies: psoriasis, actinic keratosis, acne, rosacea, and atopic dermatitis. Our strong commitment to our professionals and our capacity to understand what they need, set us apart.

Creating value and pursuing innovation are critical factors in identifying, developing, and designing innovative treatments for skin health. Our strategy is to build a portfolio that fully takes advantage of our unique combination of discovery capabilities, our long standing expertise in topical formulations, and our proactive approach to finding new in-licensing and acquisition opportunities.



Building our portfolio. Maximising our potential.

New Chemical Entities (NCEs): Our legacy and proven track record discovering and developing NCEs and bringing them to market in the EU and US is valuable. This corporate know-how and experience enables our team to successfully build a pipeline made up of remarkably diverse NCEs. New chemical entities have the potential to create long-term value for Almirall.

Repositioning: The use of current treatments in other therapeutic areas to cover different unmet needs in skin health has been another approach that we pursued in 2017 to identify new molecules in dermatology. These can provide high value with shorter timelines.

Reformulation: Our strong connection with our customers allows us to find solutions and create opportunities to offer new patient-friendly, efficacious, and safe formulations that fulfil unmet needs.

Licensing and Acquisitions: A strategic approach to acquisitions and the integration of external portfolios complements our in-house R&D.

Life-Cycle Management: We work to ensure the best return on investment with careful planning and a consistent approach to managing each product's life cycle.

In 2017, Almirall dedicated 13.7% of Net Sales to R&D.

259 employees in R&D, 14% of our total workforce.

Almirall was the company from the pharmaceutical industry with the highest investment in R&D in Spain in 2017. Almirall also showed the largest increase in its investment in R&D in this country, with up to €87.9 million in 2017*.

Almirall is the top dermatology prescription drug company in Germany, the 3rd in Europe** and the 6th US.

* Source: Global Innovation 1000 ranking of Strategy&2017. Almirall's R&D expenses accounted for 13.7% of Net Sales (versus 12.9% in 2016).

**Source: IMS Retail Sales € MAT Q3 17, EU5 markets, ATC "D Class" includes only revenues from branded products. Excludes biologics, generics and OTC.

Strategic therapeutic areas.

Dermatology is a vast area encompassing a wide array of diseases and specialties. Through a careful analysis—along with our deepening understanding of Science, skin, and the market—we have identified **9 strategic therapeutic areas** with the most potential to add value and make a significant impact on the lives of patients. This selection represents a diverse set of conditions that range from common illnesses to extremely rare diseases with high unmet needs; and from mild manifestations treatable with topical therapies to moderate-to-severe conditions that require systemic treatments.

9 Strategic Therapeutic Areas

Acne

Androgenic alopecia

Rosacea

Hyperhidrosis

Atopic dermatitis

Warts

Psoriasis

Onychomycosis

Actinic keratosis



Collaborations.

Collaborations and strategic partnerships with highly qualified professionals and institutions help us to achieve our goals. We have established connections with state-of-the-art academic centres, biotechnology firms, and other pharmaceutical companies to build up relationships, accelerate our R&D processes, share knowledge, and enhance our expertise and know-how.

Key collaborations in 2017.

Partnerships. From the earliest stages of our pipeline, we work with a wide range of professionals—including patient advocacy groups, advisory panels, healthcare providers in different countries, and academic researchers. This diversity of input informs and enhances our ability to make smart decisions and select investment opportunities that best leverage our ability to fulfil unmet needs.

Athenex. In December, Almirall announced a collaboration with Athenex for the development and commercialisation of KX2-391, a novel treatment for actinic keratosis that is in phase III.

AstraZeneca. The agreement signed in 2014 has allowed us to evolve our respiratory strategy. In September, we announced positive top-line results for Duaklir® (aclidinium bromide/formoterol) demonstrating a statistically significant improvement in lung function in moderate-to-very-severe stable chronic obstructive pulmonary disease (COPD) patients.

NANO4DERM project. This public-private partnership project focuses on the development of innovative formulations containing nanoencapsulated active ingredients. Almirall collaborates with ICMAB-CSIC and the Leitat Technological Centre in Nanomedicine to apply this technology to dermatology, addressing unmet challenges such as antimicrobial resistance and the need to improve side effect stability of active ingredients, and skin penetration of topical treatments for inflammatory skin diseases such as acne and psoriasis.

Leo Pharma. In May 2017, we joined forces with Leo Pharma to explore new approaches to facilitating precompetitive Research and Development in dermatology. This is the first time two leading dermatology players have come together to advance our understanding of skin diseases. At present, we are developing a painless, minimally invasive skin sampling method to enable more accurate and comprehensive biomarker analysis in clinical trials and exploratory research. Our aim is to advance our understanding of skin diseases by setting a new standard for sampling.

Symatase. After signing a long-term licence agreement in January 2017, as a first step in our global strategic collaboration, we are working together on the development of a new range of hyaluronic acid fillers.

Mercachem. With this exclusive discovery collaboration agreement signed in 2016, we are working on the development of new oral cytokine blockers for the treatment of inflammatory skin diseases.

Nuevolution. Together, we are optimising and developing a novel ROR γ t inhibitor program for the systemic treatment of inflammatory skin conditions and psoriatic arthritis.

Patagonia. With the progression of the phase-II study, we continue our development partnership with this US company to develop PAT001 as a topical treatment for congenital ichthyosis.

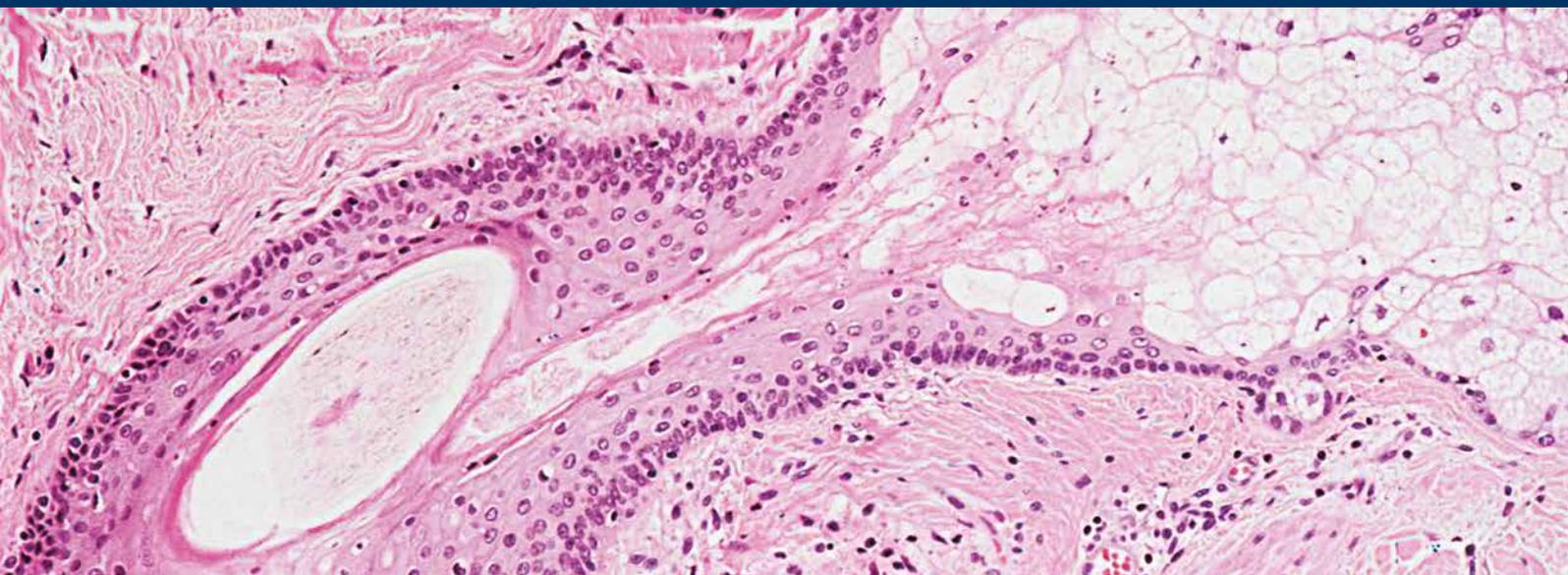
almirallshare

In 2017, we launched AlmirallShare, our open innovation platform, with the aim of establishing collaborations, attracting talent, increasing the potential for in-licensing, and gaining access to the marketplace of ideas outside the company.

AlmirallShare is a new concept that goes beyond open innovation. Our objective with this platform is to create a space where we can share our passion for Science with experts around the world and embark on a journey together to move Science forward. Cooperation, creativity, and shared innovation will accelerate the generation of new and better solutions for skin health.

Scientists at universities, public or private research institutions, hospitals, and biotechnology companies may engage with us at sharedinnovation.almirall.com.

Sharing innovation,
our purpose



Our pipeline.

Almirall's capabilities and solid track record in managing clinical trials and regulatory procedures in the EU and US provide support throughout the entire R&D process. We pride ourselves on our experience, moving compounds from bench to market. With an approach that is adaptable, versatile, and results-oriented, we understand that the market is not static. As we build our pipeline, the marketing team provides support every step of the way and we are consistently aligned with the needs of healthcare providers, keeping an eye on changes and new developments. New drugs in dermatology—both NCEs and through repositioning—make up over half of our pipeline (65%-70%). Another 25-50% is made up of reformulations in dermatology.

In what was a key delivery for 2017, representing a culmination of our R&D efforts, the European Commission approved Skilarence® for moderate-to-severe chronic plaque psoriasis in June 2017. Moreover, during the 26th EADV Congress in September, Almirall announced its launch in several EU countries, such as the UK and Germany.

Science +
Experience =
Real Solutions

Registration. In the immediate term, the novel biologic tildrakizumab, for moderate-to-severe plaque psoriasis, has already been filed with the EMA and is awaiting regulatory approval. The pivotal phase-III reSURFACE trials were presented at the American Academy of Dermatology Meeting in March 2017, offering evidence for the potential of this inhibitor and demonstrating its long-term efficacy. We estimate the European launch at the end of 2018 or early 2019.

Phase III. Several clinical trials for onychomycosis (P3058) and androgenic alopecia (P3074) treatments are currently in phase III in Europe, with results expected by the end of 2018 for onychomycosis. The most recent addition to our pipeline, KX2-391, is also currently in phase III for actinic keratosis.

As part of an R&D pipeline review in September 2017, we decided to terminate phase-III research activities for P3058 (onychomycosis) in the US and P3073 (nail psoriasis) in the US and Europe.

Phase I/II. We are proud of our team's forward-looking approach and hard work on important, promising early-stage research. We have a phase-I trial in progress for a new molecular entity for the treatment of rosacea (ADP13612) and a treatment in the preclinical stage for psoriasis (ADP12734). A collaboration project for ichthyosis (PAT001) is in early clinical development (phase II) and a new project for atopic dermatitis (ADP12778) is also in early clinical development.

Program

Indication

Tildrakizumab

Psoriasis

Registration

P3058

Onychomycosis

P3074

Androgenic alopecia

Phase III

KX2-391

Actinic keratosis

PAT001

Ichthyosis

Phase II

ADP13612

Rosacea

ADP12734

Psoriasis

Early development

ADP12778

Atopic dermatitis

Innovation centres.

Almirall's commitment to Science and innovation is brought to life at three full R&D centres in Europe and two in the US dedicated to clinical and regulatory activities.

Almirall's two chemical plants and two pharmaceutical plants are ready to manufacture new launches. They supply the active ingredients needed for toxicological, preclinical, and clinical studies. In total, they produce 56 million units of finished products per year.

R&D Centre in Sant Feliu de Llogregat (Barcelona, Spain).

Over 27,000 square meters dedicated to drug discovery, preclinical, pharmaceutical, and clinical development.



Exton, Pennsylvania (US).

This R&D group is focused on clinical and regulatory activities and is primarily responsible for maintaining the Aqua product portfolio and developing lifecycle management opportunities.

Pharmaceutical Plant + R&D Centre in Reinbek (Germany).

Vast R&D expertise in formulations for dermatology.
Dedicated to the development of new topical treatments.

Boston (US).

A group of experts dedicated to research and development for Thermi, which also conducts relations with local manufacturers.

R&D Centre in Lugano (Switzerland).

Dermatology-focused R&D structure with a proprietary technology formulation (HPCH).





A photograph of two young children climbing a large tree. The child on the left is a girl with blonde hair, wearing a green and white striped shirt and green shorts, laughing joyfully. The child on the right is a boy with dark hair, wearing a purple t-shirt and green shorts, also laughing. The background is a dense forest with sunlight filtering through the leaves. A dark blue semi-transparent overlay covers the right side of the image, containing the text.

Corporate Social Responsibility.

- Our team
- Health sector, scientific and academic community and patients
- Shareholders, investors, financial institutions and auditors
- Suppliers
- Society
- Environment

Corporate Social Responsibility.

Reaching our goals is as important to Almirall as the way we do it. Almirall defines Corporate Social Responsibility (CSR) as our institutional accountability for the impact of our business activities on society and the environment. To fulfil this responsibility, Almirall is committed to working in close collaboration with our stakeholders to integrate ethical, social, and environmental concerns into our core business strategy with the following goals:

> **Maximising the creation of shared value** for our shareholders, other stakeholders, and society at large.

> **Encouraging a culture of ethical behaviour** that increases business transparency.

> **Enhancing our reputation** and the external perception and recognition of our way of doing business.

> **Identifying, preventing, and mitigating** any potential adverse impacts caused by our activity.

Our CSR activities are closely linked to Corporate Governance and, as such, represent a carefully delineated component of our Global Compliance System. To formalise our commitment to good corporate governance, in Q1 2017, our Board of Directors developed and approved our updated Policy on CSR, introduced as a new component of the Global Corporate Policy on Compliance.

The **Corporate Compliance Committee** is responsible for supervising the coordination of all CSR related activities and, specifically, proposing strategic lines and corporate plans, establishing management and control measures and reviewing CSR programs and initiatives. Additionally, a **CSR Committee** has been created, reporting to the Corporate Compliance Committee, to facilitate the tasks of control and supervision, along with the monitoring of all activities related to CSR.

To achieve the aforementioned objectives, we adopted the following general CSR principles:

> Align our conduct with the principles contained in the **Code of Ethics** and in our Global Corporate Policy on Compliance, which guide the behaviour of all Almirall employees in the execution of their duties.

> Encourage **communication and dialogue** with our main stakeholders through diverse communication channels and promoting relationships based on mutual trust.

> Encourage **transparency** in disclosing information regarding Almirall's performance and activities. Adopt responsible communication practices to prevent the manipulation of information and to protect our integrity and reputation.

> Proactively manage **non-financial risks and opportunities** resulting from the markets and the business operating context.

> Ensure the long-term **creation of shared value** for shareholders and other stakeholders.

> Reduce the **environmental impact** of our activities where we operate.

> Comply with all applicable **laws and regulations** in the countries where we operate.

In 2015, we carried out an internal diagnostic process to shine a light on Corporate Responsibility practices and measure the internal perception of the company's maturity in integrating these practices into governance, strategy, operations, value chain, and daily decision-making.

In 2016, we took additional steps to strengthen our commitment and set the course for the future Corporate Responsibility strategy by participating in a rating process to assess the quality of our company's CSR management system. We obtained a score considered "advanced" and demonstrated our proactive CSR approach by implementing policies and concrete actions on the most important CSR issues.

At the beginning of 2017, as mentioned, we completed this process by finalising, approving, and starting the implementation of our updated CSR strategy and scope.

Almirall's commitment to these concerns goes beyond regulatory compliance. We strive to stay ahead of the curve by improving our performance indicators in the areas of occupational health and safety, environmental protection, and energy efficiency.

Our new CSR strategy prioritises working together to defend the interests of our stakeholders: employees, healthcare professionals, suppliers, investors and financial institutions, and society in general. This global perspective is particularly important as we work to protect the environment.



Our team.

We work continually to attract, promote, and retain the best talent. We empower our employees to grow and develop their potential and reaffirm our commitment to our team on a daily basis. Our goal is to foster the career advancement of our employees, while safeguarding their health and safety in day-to-day work.

As a company, we promote our culture and values through a variety of employee-centred initiatives and practices to ensure that we are always providing our workforce with the best possible working environment.

In recognition of our continuing success in demonstrating exceptional employee conditions, Almirall has achieved the **Top Employers certification in Spain consecutively each year since 2008.**

1,832
Total number
of employees

22

Nationalities
represented

831

Men
45%

1,001

Women
55%

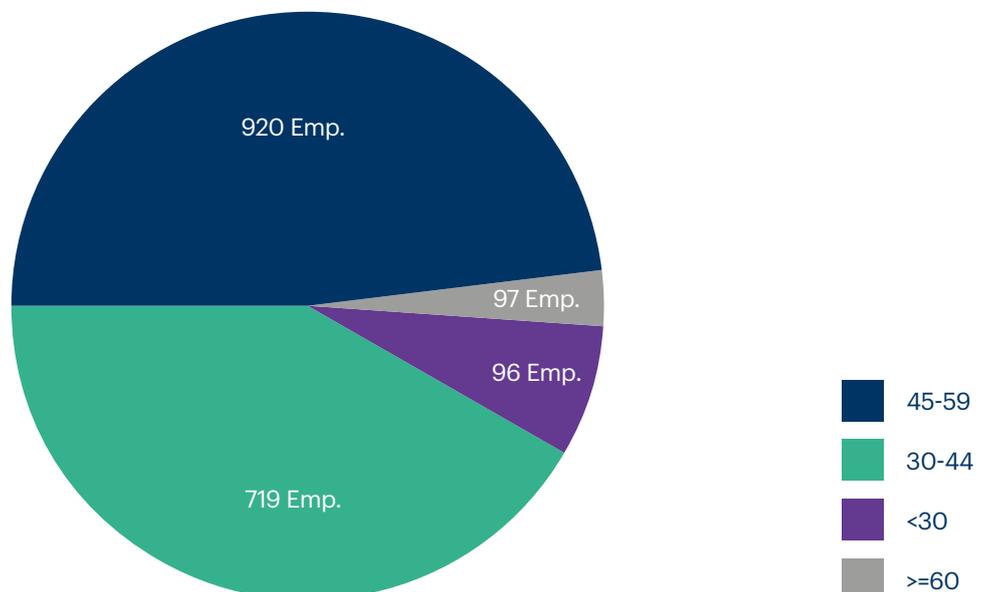
14

Average
seniority

70%

Pharmaceutical
industry experts

Age distribution



Our Values.

Our values are the bedrock upon which we are building a unique organisation where we feel empowered as key players in the evolution of the company. In 2017, we redefined our values and this will help us strengthen into a more agile, dynamic, and collaborative culture to better achieve our business goals.

Our four values drive the Almirall team and inspire us to work diligently day after day to harness our knowledge and skills to find effective solutions and improve patients' quality of life.

Caring.

We strive to feel what our clients feel. We listen.
We put ourselves in the shoes of others.
We empathise.

Dedicated.

We are committed and passionate about our work. Collaboration is the energy that moves us forward.

Dynamic.

We stay a step ahead, anticipating needs in order to find better answers. We are proactive, curious, and eager.

Expert.

We are driven by Science, diligent by nature.
We are rigorous in everything we do. We put all our knowledge and experience into producing solutions that work.

Our team's health, work-life balance, and economic welfare.

Our values also apply to the way we take care of our team. Improving lives is our business. Our commitment to respect, health, and wellbeing must begin with our employees.

As a company, we look for ways to create a workplace that not only prizes occupational safety, but also explores opportunities to contribute to the healthy habits, nutrition, work-life balance, and economic welfare of our employees.

In order to deliver valuable medical solutions in skin health, we must first provide a safe and productive environment for our employees and invest in the occupational health and safety of our workforce through continuous training and monitoring. 2017 was a year of consolidation in this area as we maintained a very good safety record, implemented corrective and preventative measures, evaluated proposals for improvements, and worked on planning and defining projects to address future needs.

Recognitions & honours. Excellence in 2017.

> **Ranke Química, S.A. (Chemical Operations):** Awarded for the second year running for excellent results in occupational health and safety.

>> **COASHIQ Annual Awards for Safety and Accident Reduction:** Recognition received by the Almirall group company for achieving zero accidents in 2016.

> TÜV Rheinland Certification and annual audit:

The health and safety management system implemented to reduce occupational risks across all of our centres and activities in Spain and Germany was first certified by TÜV Rheinland in 2007 in accordance with the international OHSAS standard 18001:2007. After completing the three-yearly recertification process in 2016, we successfully passed the first annual follow-up audit in 2017.

Promotion of health and balanced nutrition

- > On-site fitness centres
- > On-site restaurants and cafeterias; special menus
- > On-site medical services
- > Health promotion campaigns

Work-life balance

- > Flexible working hours
- > Special education allowance
- > Kindergarten allowance
- > School allowance

Economic welfare

- > Personal loans
- > Health, life and work insurance
- > Years of service bonuses
- > Flexible compensation
- > Parking and mobility plans
- > Electric cars allowance

Check-ups

- > Medical check-ups
- > Occupational risk prevention assessments
- > Checks to ensure compliance with the highest standards at our worksites in terms of safety and environmental protection

Accident rates

- > Very low accident rate at Almirall Spain, **64%** below the official rate for the pharmaceutical sector.
- > Subsidiaries maintained of the lowest accident rate yet. No significant accidents at any of the subsidiaries only one minor one.

Improvement measures

- > **251** corrective and/or preventive measures on health and safety and environmental management.
- > **63** proposals for improvements to health and safety, and/or environmental management submitted by employees.

Talent Development.

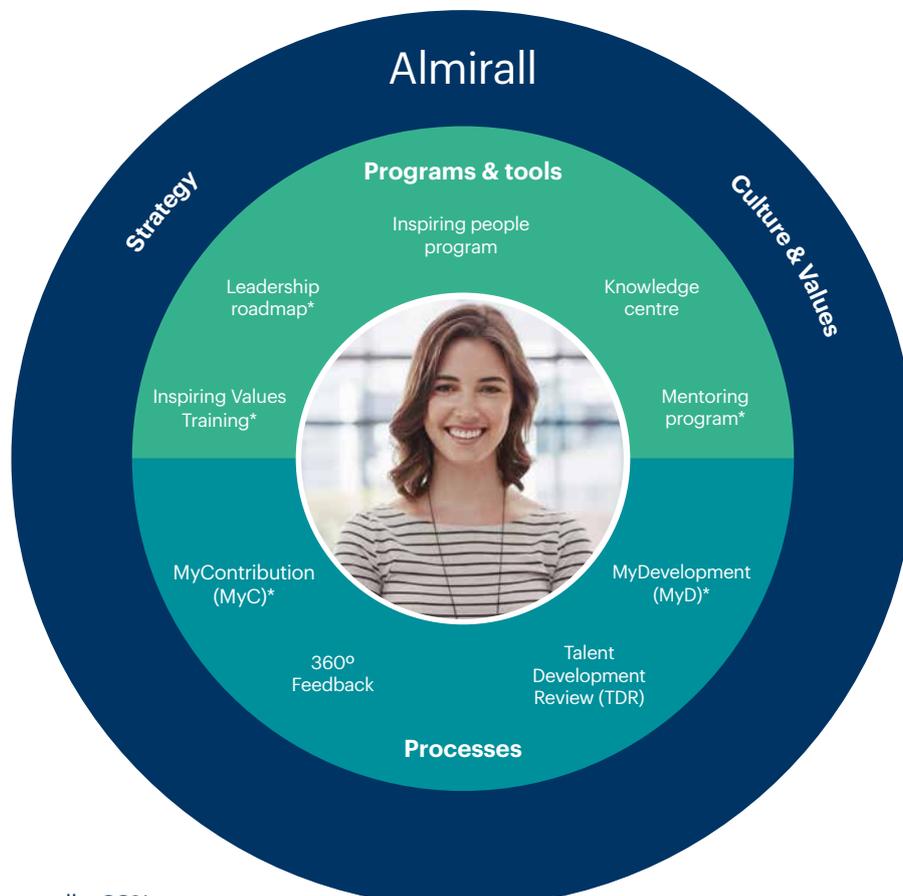
Almirall provides the right environment and necessary resources to enable our team members to manage and collaborate in their own professional progress.

As a learning organisation with an entrepreneurial spirit, Almirall follows the 70/20/10 model for learning and career development. 70% of the required knowledge is gained from on-the-job experience and the gradual introduction of new responsibilities and challenges that allow for growth and learning as part of an employee's day-to-day work. 20% stems from interactions and collaborations with coworkers, mentors, or others who enrich the work environment and pass along knowledge and skills. 10% consists of more formal educational sessions or training, on-site or digital.

Talent Acquisition.

Our Global Talent Acquisition team works to identify, attract, and retain the best talent to support our business strategy. With this goal in mind, in 2017, we implemented a new onboarding program to ensure the best possible experience for newcomers to our company.

We also launched an Employee Referral Program with the aim of ensuring that our employees actively engage in building the Almirall identity and play a key role in the evolution and future direction of the company.



Vacancies covered internally: **33%**

Regrettable turnover: **4%**

*New projects implemented this year.



Alignment with Corporate Culture & Strategic Direction.

Our evolution as a company has resulted in a new strategic direction focused on skin health, sparking a series of positive changes for our brand. Our corporate culture has risen to these new challenges, supporting our goals by embracing a new set of values and a greater emphasis on customer affinity.

In 2017, we undertook the important project of developing an updated corporate identity that projects our new focus. With the involvement of senior management, we created the following initiatives:

> **Change management program:** to support the launch and outreach of our new corporate identity.

> **Culture & engagement surveys:** to measure and strengthen our employees' commitment to our corporate culture.

> **Values Awards:** to recognise the colleagues who best embody Almirall's four values.

> **Internal initiatives to share knowledge about dermatology:** Like our "Let's Talk" sessions and online training modules.

Total number of training hours

30,438

Hours by type of training:

Technical training	21,899
Health, Safety and Environment	4,309
Value & Competences training	4,754
Languages training	3,286
Office technology training	500

The health sector, scientific and academic community, and patients.

Almirall's relationship with professionals in the health sector and the scientific community in general is governed by the principles of transparency, proximity, and cooperation. Understanding the needs of these groups empowers us to work together to execute programs and projects that improve people's health and wellbeing.

Our Code of Ethics is at the core of our commitment to Corporate Social Responsibility as it contains all the rules and procedures that guide the conduct of our employees. It clearly sets the ethical standards applicable to our business activity and our relationships with all our stakeholders, including healthcare professionals, hospitals, academic institutions, scientific companies, patient organisations, authorities, shareholders, investors, partners, competitors, suppliers, and the media.

Transparency and openness are our commitment. Almirall is an active member of the European Federation of Pharmaceutical Industries and Associations (EFPIA). The EFPIA drives greater transparency by supporting mandatory registration of collaborations and relationships in accordance with three codes: the Patient Organisation code, Healthcare Professional (HCP) code and Disclosure code.

The EFPIA and its members have made a commitment to maintaining open, transparent relationships with stakeholders across healthcare. As a company, we respond by publicly disclosing our collaborations with healthcare professionals and their institutions, as well as our relationships with patient organisations.

In June 2017, disclosures for every country where we operate were made available for public consultation on our corporate website. Our commitment to transparency on transfers of value applies not only to Europe but also to the US.



All standards. We comply.

Applied to R&D.

- > Good Laboratory Practices (GLP)
- > Good Clinical Practices (GCP)
- > Good Pharmacovigilance Practices (GVP)
- > Declaration of Helsinki (rights of participants in clinical trials)
- > Publication of the results of our clinical trials at clinicaltrials.gov and EudraCT

Applied to advertising and promotion.

- > EFPIA Codes: Patient Organisation code, Healthcare Professional (HCP) code and Disclosure code
- > Ethical Codes in all countries in which we are present
- > Promotional Compliance Code

Applied to manufacturing.

- > Good Manufacturing Practices (GMP)
- > Audits by health authorities in the countries where we market

It is clear that our path forward and commitment to innovation depend on fostering synergies and alliances with the medical community, academia, patient associations, and other companies.

Our aim is to provide healthcare professionals with valuable solutions that meet all of their needs, with a particular focus on the long term. Dermatologists are in close touch with the patient's point of view on a daily basis and help us to understand how we can do more to address their issues and ensure that we bring the best possible therapies to market in the most supportive way.

In this regard, it is critical that we work closely with scientific groups and attend—both as a partner and presenter—meetings, conferences, and congresses.

In addition, we are committed to supporting patients and contributing to the important work of patient associations. Throughout 2017, we engaged with and approached all of the key organisations and laid a solid foundation for future collaboration.

This ties in perfectly with another important initiative, the Patient Advisory Group (PAG), whose aim is to listen to patient help organisations throughout Europe in order to discover what is missing in the treatment of psoriasis. As a concrete collaboration deliverable, Ammirall is working to co-create a program for psoriasis, providing assistance to the PAGs.

Shareholders, investors, financial institutions and auditors.

Almirall is committed to adhering to the most demanding standards with regards to our relationship with shareholders, investors, financial institutions, and auditors.

We believe that effective financial management and transparent reporting of results are fundamental to achieving our objectives. Our economic performance is vitally important and demands that as a publicly listed company we not only carefully meet current legislation, but commit to the most demanding ethical standards in our relationship with our key financial stakeholders.

We are actively identifying and analysing the main risks inherent to our business and which could threaten the achievement of company goals. Responding to potential risks appropriately and keeping the relevant financial agents correctly informed is crucial to our success.

> **Shareholders/Investors.** Almirall's Investor Relations area serves as an intermediary between the company and its shareholders (principally minority and representing 5% of the total 26.000 shareholders). Its primary role is to keep investors informed about company developments and to provide information about day-to-day corporate operations and stock performance.

> **Financial Institutions.** We submit all of the pertinent information and documentation to the National Securities Market Commission (CNMV, Comisión Nacional del Mercado de Valores), the governmental agency responsible for the financial regulation of the Spanish securities markets. We ensure that our organisation is in compliance with all of the applicable regulatory standards and deadlines.

> **Auditors.** We adhere to all applicable auditing standards and regulations on matters such as renewals, duration, selection procedures, composition of selection committees and so on. Our Audit Commission is responsible for overseeing these matters.

Given Almirall's classification as a Public Interest Entity (PIE), Almirall is held to a stricter auditing standard. To ensure that auditors remain independent, we follow the applicable EU laws, which delineate a series of relationships and conflicts of interests that auditors must avoid, along with requirements that safeguard the integrity, independence, relevancy, and quality of their findings. By law, the maximum duration allowed for auditors, including renewals and extensions, cannot exceed ten years.



Suppliers.

Our Corporate Social Responsibility does not end with us. We are committed to closing the loop with our collaborators and suppliers, and ask our partners to meet criteria that align with our Corporate Responsibility commitment.

Our relationship with our providers and suppliers is governed by our respect for the law, adherence to legal requirements, our contractual obligations, and oversight of service quality.

We work hard to make certain that all participants in our value chain are treated with fairness, integrity, and respect and that both our company and our suppliers comply with all applicable laws and regulations. We now have a monitoring program in place to evaluate the social, ethical, and environmental responsibility of our suppliers to avoid unfair, deceptive, or abusive acts or business practices.

Our proposed model, which defines our relationship with these stakeholders, is based on fostering collaboration with first-level partners that we have identified as having a relevant position in the pharma sector. This model is focused on the assessment of suppliers based on the following criteria:

> **Environment:** energy consumption and GHG (CO₂), water, biodiversity, local pollution, materials, chemicals, waste, product use, etc.

> **Social:** employee health and safety, working conditions, social dialogue, child and forced labor, discrimination, fundamental human rights, etc.

> **Ethics:** corruption and bribery, anticompetitive practices, responsible marketing, etc.

> **Supply chain:** the suppliers of the suppliers.

We work closely with one partner to assess and certify more suppliers every year according to the above-mentioned model and the strictest Corporate Social Responsibility criteria.

Different types of action plans are then identified in accordance with the scorecard and associated risk from the assessment.

The goal is to ensure that all of our most important suppliers respond to ethical, environmental, and good governance standards.

Society.

As a global company, Almirall must take seriously social needs and expectations across the different countries where we work and operate. On a larger scale, our commitment to health and wellbeing takes our concern for people and extends it to society as a whole.

Improving the lives of patients is fundamental to our mission. The social value of the work we do can be measured by the degree to which we are able to develop and deliver medicines that fulfil the patients' unmet skin health needs.

We are working to raise awareness across all segments of society. Our educational campaigns focus on the importance of destigmatising skin health conditions and bringing attention to the social and emotional impact they have on the lives of patients and their families.

Our media outreach work is also important in bringing public attention to these diseases, many of which are under-diagnosed and under-treated. We distribute educational materials to media outlets and have opened channels to keep them informed about our latest initiatives.

In addition, we actively seek out opportunities to work with third-sector organisations and NGOs to help them achieve their goals when they promote our values, aligned with our strategy and focus on skin health, and enhance the collaboration and direct involvement of our employees.



Environment.

Almirall has a strong commitment to promoting sustainable development, efficient management of natural resources, and pollution prevention.

Our responsibility is to reduce the environmental footprint of our activities in the areas where we operate. Our efforts to protect the environment extend through the entire product lifecycle—from R&D design to acquiring raw materials to the use and disposal of our products. In addition to strict compliance with legal regulations in the places where we operate, we have developed and implemented an environmental policy, which ensures commitment to the protection of the environment through efficient and sustainable management of resources, use of renewable energies, and commitment to mitigation of and adaptation to climate change.

Meeting our responsibilities and achieving our goals represents an additional challenge to innovate, often requiring investment in the reformulation of our products.

In 2017, we adapted our environmental management system to the new ISO 14001:2015 standard, implementing the most important changes and modifications required to meet our compliance obligations and transition to the new set of standards.

Respect for the environment.

22% waste generation reduction in 2017 compared with 2014-16 at our Spanish R&D site and 8% reduction at our German pharmaceutical plant.

22%



53% reduction in the use of methylene chloride compared with 2013.

53%



All controlled wastewater parameters below legal limits by 70%, on average.



Almirall is one of the first laboratories to have obtained the ISO 50001:2011 certification for energy management.



27% reduction of our greenhouse gas emissions in the period from 2014-2017.

27%



Climate change.

Almirall is committed to the fight against climate change, one of the most serious challenges faced by our planet and humanity as a whole. Reducing our greenhouse gas emissions is an important part of our environmental strategy.

In 2016-2017, we carried out a climate change risk and opportunity analysis to identify the main inherent climate change risks and opportunities with the potential to generate a substantial impact on our business. The results served as a basis for the implementation of a climate change action plan that will cover the period from 2018 to 2020.

A first step towards understanding and measuring our climate change impact is integrating carbon-footprint calculations and metrics into our planning and processes. We also established ongoing goals to reduce our energy intensity at each of our sites.

In 2017, we completed an ambitious project to install and commission a new photovoltaic solar panel system at our Sant Celoni chemical plant. The inauguration of the solar facility represents one of the largest of its kind to date in Catalonia, with a nominal power of 300 kW. Few companies are implementing projects of this scope and we are proud to have set an important precedent with more installations of this type planned for the future. This represents another important step in our ongoing commitment to innovation and environmental sustainability and presents an opportunity to demonstrate the viability of our strategy, which values a responsible use of resources and energy efficiency.



Photovoltaic solar panel system at our Sant Celoni pharmaceutical and chemical plant.

Our strict compliance has achieved positive results, generating significant reductions.

4.6% reduction in electricity consumption	
2.2% reduction in gas use	
7,700 metric tons of equivalent CO2 eliminated through the green-energy purchasing program in 2017	

Ecodesign.

Our corporate strategy explicitly identifies the need to integrate criteria related to sustainability into our R&D stages, production processes, and product lifecycles. The concept of ecodesign applies more stringent environmental requirements to the current product design and R&D processes.

Specifically, our ecopackaging projects seek to reduce the environmental impact of our product packaging. The Innovation Roundtables arose as a collaborative initiative, driven by the Almirall team's innate desire to be at the forefront and look for better solutions. Our manufacturing employees are encouraged to propose ecopackaging initiatives that are evaluated and analysed to determine their potential impact and ease of implementation.

The Innobus-Almax project is an interesting initiative we implemented in 2017 in cooperation with Innobaix, the Baix Llobregat Agency of Industrial Innovation and Knowledge. The project goal is to attract young entrepreneurs to the region's unique business ecosystem to reduce youth unemployment by helping young talent launch their entrepreneurial projects, while also driving new ideas and talent to companies in the region. In 2017, Almirall received two proposals for an ecofriendly redesign of the Almax packaging.



Corporate Governance.

- Board of Directors
- Audit Commission
- Nominations and Remuneration Commission
- Dermatology Commission
- Corporate Compliance Committee
- Management Board





Transparency and accuracy are the guiding principles of our Corporate Governance policy, ensuring that all of our more than 25,000 stakeholders worldwide have equal access to information about our company. We protect the interests of our shareholders by maintaining an open and proactive approach to disseminating precise and timely information.

Six bodies are responsible for the oversight of Almirall's Corporate Governance. Each has clearly defined functions and goals subject to regular review and monitoring.

Board of Directors.

The primary role of the Board of Directors is to defend the interests of shareholders, guarantee transparency in the company, and ensure the integrity of all information supplied to shareholders.

In 2017, the Board of Directors comprised eleven directors plus the non-member secretary and vice-secretary. This year, we welcomed the addition of Peter Guenter, a global leader and industry veteran, as a new member and our Executive Director.

There are three Board Commissions with clearly delineated functions: the Audit Commission, the Nominations and Remuneration Commission, and the Dermatology Commission. Each commission is regularly reviewed to ensure that it meets its stated goals.

More information about the Board of Directors and the Board Commissions is available on Almirall's website.

President	Jorge Gallardo Director
2nd Deputy President	Daniel Bravo Andreu External director
Member	Antonio Gallardo Torrededía External director
Member	Carlos Gallardo Piqué External director
Member	Peter Guenter Executive director
Member	Tom McKillop Independent external director
Member	Juan Arena de la Mora Independent external director
Member	Gerhard Mayr Independent external director
Member	Karin Louise Dorrepaal Independent external director
Member	Seth J. Orlow Independent external director
Member	Georgia Garinois-Melenikiotou Independent external director
Secretary (non-member)	José Juan Pintó Sala Non-director
Vice Secretary (non-member)	Joan Figueras Carreras Non-director

Members of the Board in 2017.

Jorge Gallardo Chairman and President

- > PhD in Industrial Engineering.
- > Institutional positions at the EFPIA and Farmindustria over several periods.
- > Member of Spain's Royal Academy of Pharmacy and awarded the President Macià Medal for services rendered.

Gerhard Mayr Member and external independent director

- > Degree in Chemistry Engineering and MBA.
- > Has held positions in several companies in the pharmaceutical sector.
- > President and member of the board of directors of several companies.

Karin Louise Dorrepaal Member and external independent director

- > PhD in Medicine and MBA.
- > Has held positions in several companies in the pharmaceutical sector.

Peter Guenter Member and executive director

- > Master's Degree in Physical Education. Faculty of Medicine and Health Sciences.
- > Has held positions in several companies in the pharmaceutical sector.
- > Chief Executive Officer of Almirall.

Tom McKillop Member and external independent director

- > PhD in Chemistry.
- > Institutional positions in the EFPIA and other organisations.
- > Several civil awards as a member of the Academy of Medical Sciences and honorary member of the Royal Society of Chemistry.
- > Knighted in 2002.

Antonio Gallardo Torrededía Member and external director

- > Degree in Business Administration and Management.
- > Has held positions in several companies in the pharmaceutical sector.



Gerhard Mayr > Karin Louise Dorrepaal > Peter Guenter > Tom McKillop > Antonio Gallardo > Jorge Gallardo

Georgia Garinois-Melenikiotou
Member and external independent director

- > Degree in Mechanical Engineering and MBA.
- > Has held positions in several companies in the pharmaceutical and dermatological sectors.

José Juan Pintó Sala
Secretary (Non-member)

- > Degree in Law.
- > Practises in various law firms and member of the Bar Associations of Barcelona and Madrid.

Daniel Bravo Andreu
2nd Deputy President and external director

- > Degree in Pharmacy.
- > Partner and member of the board of directors in other companies.

Juan Arena de la Mora
Member and external independent director

- > PhD in Electronic Engineering and MBA.
- > Member of the board of directors in various companies and holder of the Great Cross of Civil Merit.

Carlos Gallardo Piqué
Member and external director

- > Degree in Industrial Engineering and MBA.
- > Has held positions in several companies in the pharmaceutical sector.

Seth J. Orlow
Member and external independent director

- > PhD in Molecular Pharmacology.
- > Chairman of and professor at the New York University Department of Dermatology.



Georgia Garinois-Melenikiotou > Daniel Bravo > Carlos Gallardo > José Juan Pintó > Juan Arena > Seth J. Orlow

Audit Commission.

Almirall has an internal audit function and an annual external audit process guaranteeing the integrity of the reported financial information.

Risk Management is one of the Audit Commission's key functions. The Commission members supervise a risk-management project that launched in 2016 and which has exhaustively assessed all operational risks as well as others such as information security risk, reputational risk, and sustainability risk. The Commission is working on strengthening the company's Business Continuity Plan, developing crisis management protocols, and specific training, among other actions.

The Audit Commission meets quarterly to review the periodic financial information to be submitted to the stock exchange authorities, as well as the information that will be approved by the Board of Directors and included in the annual filings.

The Board's Regulations also stipulate that the Commission must meet at the request of any of its members or any time a meeting is called by its Chair, who is required to call a meeting whenever the Board or its President requests that a report must be issued or a proposal adopted and, in any event, whenever deemed necessary for the proper discharge of its functions.

The table below shows the members of the Commission at 31st December 2017.

Chair	Karin Louise Dorrepal
Member	Juan Arena de la Mora
Secretary	Daniel Bravo Andreu



Nominations and Remuneration Commission.

The Nominations and Remuneration Commission meets on a quarterly basis every time a meeting is called by its Chairman. It is also convened when the Board or its Chairman request a report, need to have a proposal adopted, or whenever deemed necessary for the proper discharge of its functions. A report on its activities is presented at the first plenary meeting of the Board of Directors following the Commission's meetings.

The Commission also takes minutes of its meetings, a copy of which is sent to every member of the Board. To perform its functions adequately, the Commission may also seek advice from external experts, on an as-needed basis.

The table below shows the members of the Commission at 31st December 2017.

Chairman	Tom McKillop
Member	Jorge Gallardo
Secretary	Gerhard Mayr



Dermatology Commission.

The Dermatology Commission holds quarterly meetings to check, debate, and promote the implementation of Almirall's dermatology strategy. It also evaluates key projects in R&D and business development. The Chairman can convene a meeting at any time and the Board or Chairman of the Board may also request that a report be issued or proposal adopted, whenever deemed necessary for the proper performance of its duties. Minutes of all meetings are kept by the Commission, and a copy is sent to all Board Members to facilitate discussion and debate of the Commission's proposals and reports. The Dermatology Commission may seek the advice of external experts whenever deemed necessary.

The table below shows the members of the Commission at 31st 2017.

Chairman	Seth J. Orlow
Member	Georgia Garinois-Melenikiotou
Secretary	Peter Guenter

Corporate Compliance Committee.



Almirall adheres to a compliance policy applied across the company that provides the organisation with a system for monitoring legal risks. Its fundamental goal is to check compliance with the regulations (legal, contractual, and internal) to which Almirall is subject and to assess and control any potential liabilities of the company and/or its directors, board members, or legal representatives as a consequence of breach.

The Committee is tasked with supporting and monitoring the implementation and compliance with legal regulations. It comprises the President of Almirall (who also acts as the President of the Committee), the Chief Executive Officer, the Executive Vice President Global Commercial Operations, the Executive Vice President Research & Development and CSO, the Executive Vice President Finance and CFO, the Senior Vice President Human Resources, the Vice President Legal, the Internal Audit Director, and the General Counsel (who also acts as the Committee Secretary).

The Corporate Compliance Committee is responsible for reviewing reports on legal risks and, if necessary, approving the implementation of the measures to be taken to remedy them.

Management Board.

Almirall's Management Board is the company's leading governing body in which its main organisational areas are represented. The mission of the Management Board includes the following responsibilities:

> To manage the company's and the strategic decisions of the company, which are not expressly reserved for the Board of Directors, according to the responsibilities and general guidelines established by the Board of Directors and/or delegated by the Board to the CEO.

> To take organisational extraordinary decisions which are not expressly reserved for the Board of Directors or delegated to another committee, body or person.

> To manage the organisation according to the responsibilities and general guidelines established by the Board of Directors and/or delegated by the Board to the CEO.

> To take organisational ordinary decisions which are not expressly reserved for the Board of Directors or delegated to another committee, body or person.

> To maximize the strategic value of management policies for Almirall employees and work climate.

The Management Board is composed of nine members and is chaired by the CEO, a position now held by Peter Guenter, who joined us in September 2017.

Peter Guenter	Chief Executive Officer
Alfredo Barón de Juan	Executive Vice President, Global Commercial Operations
David Nieto	Executive Vice President, Finance, CFO
Bhushan Hardas	Executive Vice President Research & Development, CSO
Jordi Sabé Richer	Senior Vice President, Corporate Development
Amita Kent	Senior Vice President, Legal
Eloi Crespo Cervera	Vice President, Manufacturing & Technical Services
Joan Figueras Carreras	Corporate Director, General Counsel
Esteve Conesa	Vice President, Human Resources

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