Almirall, S.A.

Management Report

(Year ended 31 December 2024)

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

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1. *Summary of the year. Key milestones*

The financial year ended 31 December 2024 was characterised by an increase in net turnover, mainly due to the performance of the Company's dermatology portfolio in Europe. Growth is mainly being led by products marketed under the brand names Ilumetri (for treating moderate to severe plaque psoriasis), Wynzora (for treating mild to moderate psoriasis) and Ebglyss (launched in December 2023 in Germany and for treating moderate to severe atopic dermatitis). Additional launches of Ebglyss in new territories are expected throughout 2025. The Spanish market is also growing thanks to the dermatology portfolio, Almax and the products acquired throughout 2023 (Physiorelax in February and Prometax in August), which offset the erosion in sales of products marketed under the Efficib and Tesavel brands, affected by the competition from generics since August 2022.

From the macroeconomic and geopolitical point of view, inflation in the various territories where the Company operates remained at low levels as a result of the central banks' more restrictive monetary policies, which resulted in lower interest rates faced with the prospect of the central banks easing their monetary policy. The conflicts between Ukraine and Russia, and in the area of the Middle East remain active (both events mainly affect the licensee marketing segment), but did not have a significant impact on the Company's operations in 2024.

In the current financial year, the Pharmaceutical Industry's Strategy for the 2024-2028 period has been approved, which seeks to integrate innovation, production and access to medicines, taking into account sustainability and control of health spending. This strategy recognises that the pharmaceutical sector is crucial to people's health and quality of life, as well as to the global economy. Drawn up by an inter-ministerial group and the main employers' organisations of the sector in Spain, it focuses on three key aspects: equitable access to medicines, sustainability of the National Health System (NHS) and the promotion of innovation and competitiveness of the industry. It is part of Spain's Recovery, Transformation and Resilience Plan and contributes to the European Pharmaceutical Strategy. At the end of 2024, the concrete impacts that may result in the future from this strategy are unknown.

From the point of view of R&D activities, there has been no relevant regulatory event, although two development agreements have been signed (with Novo Nordisk and Eloxx Pharmaceuticals).

The dividend proposed by the Board of Directors on 16 February 2024 was approved at the General Meeting of Shareholders held on 10 May 2024. The payment of the dividend has been implemented as a flexible dividend in which shareholders have been offered the choice between receiving newly issued Company shares or the cash amount equivalent to the dividend. The cash payment was chosen by 6.2% of the rights holders (which entailed a disbursement of €3.3 million), while the remaining 93.8% opted to receive new shares, each at par value, which were issued as a capital increase. On 12 June 2024, a total of 4,074,994 new shares of the Company from this flexible dividend were admitted to trading on the Barcelona, Madrid, Bilbao and Valencia stock exchanges.

From a liquidity standpoint, the Company ended FY 2024 with a cash position that amounted to €327.6 million (€360.9 million at 31 December 2023). This evolution is explained by:

- Solid cash flow from operating activities (+196.1 million euros), mainly as a result of the good business performance, partially offset by the negative evolution of working capital (linked to the increase in inventories due to new launches).
- Net cash flows from investment activities (-148 million euros) as a result of the payments relating to the licences awarded in 2023 and 2024 and to the investment made in the investee Almirall, Inc.
- Net cash flows from financing activities (-81.4 million euros) as a result of the decrease in debt with group companies and the repayment of bank borrowings.

2. *Corporate Development*

During FY 2024, the corporate development agreements concluded and the significant events that occurred were as follows:

- On 16 February 2024, an agreement was signed with Novo Nordisk for the acquisition of the rights to NN-8828 for the use thereof in various fields, including immune-mediated inflammatory skin diseases. NN-8828 is an IL-21 blocker that inhibits IL-21-induced pathophysiological functions in several immunomodulatory diseases.
- On 11 March 2024, an agreement was signed with Eloxx Pharmaceuticals Inc. for the acquisition of the rights to ZKN-013, including its use in orphan dermatological diseases. ZKN-013 is a potentially promising oral drug for reading nonsense mutations, which allows host cells to produce functional proteins that counteract the root cause of these rare dermatological diseases and potentially others.
- On 10 June 2024, it was announced that the US Food and Drug Administration (FDA) had approved the Supplemental New Drug Application (sNDA), which involves extension of the treatment area to 100 cm2 of Klisyri (tirbanibulin), a topical treatment for actinic keratosis (AK) of the face or scalp, which is applied once daily for five days. This new approval will modify the previous dosing of Klisyri for treatment, from a surface area of up to 25 cm2 to a surface area

of up to 100 cm2, thereby allowing physicians to treat a larger surface area on the face or scalp. This approval has been backed by an open-label Phase III safety study with over 100 patients in the United States.

- At the Congress of the European Academy of Dermatology and Venereology (EADV), held from 25 to 28 September in Amsterdam, in the Netherlands, Almirall presented new long-term results from the ADjoin extension trial. More than 80% of adults and adolescents with moderate to severe atopic dermatitis who responded to treatment with lebrikizumab at week 16 of the ADvocate 1 and 2 trials, and continued the treatment for up to three years, experienced sustained skin clearance with monthly maintenance dosing. Nearly 87% of patients treated with this biological agent have not required high potency topical corticosteroids or systemic treatments during the three-year period

3. *Evolution of the main figures of the profit and loss statement*

- Net revenues amounted to 880 million euros (+25%) thanks to the growth of dermatological products in Europe, led by Ilumeti, Ebglyss and Wynzora, as well as income from dividends from group companies amounting to 155.3 million euros.
- The work carried out by the company on its assets amounted to 20.3 million, which corresponds to capitalised development costs for projects in progress.
- Other operating income amounted to 16.5 million euro (-17%) mainly as a result of the decrease in the financial restatement of the collection rights relating to the agreement with Covis Pharma.
- Staff costs increased by 16%, mainly resulting in the salary increase as a result of the application of the salary review clause for the period from 2021 to 2023, as established by the chemical collective bargaining agreement in force for those years. In addition, a new agreement was signed in 2024 for the 2024 to 2026 period, which provides for annual increases of 3%.
- Operating expenses increased by 16% due to higher R&D expenses, mainly due to the developments related to the agreements concluded at the end of 2023 and early in 2024 and the progress in early stage assets (especially IL-1RAP and IL-2muFc), on the one hand, and due to the market launch of Ebglyss, Ilumetri and Wynzora and higher royalties linked to licensed products, on the other.
- Depreciation amounted to 67.3 million euros (+68%), increased by the start of the amortisation of the rights acquired for Ebglyss.
- The heading "Impairment and gains or losses on disposals of fixed assets and investments in Group companies" in the accompanying profit and loss statement includes the impairment of the investment in Almirall, Inc.
- The financial result decreased to registering a net financial expense of 26.5 million euros, mainly due to interest accrued during the year on debts to group companies.
- Mainly as a result of that, the operating result and the net result for FY 2024 amounted to 131 and 121.7 million euros, respectively.

4. *Balance sheet evolution. Financial position*

The main changes in the balance sheet as at 31 December 2024 compared to the end of FY 2023 are described below:

- Intangible assets increased by additions related to the agreements with Sun Pharma, Novo Nordisk and Athenex, partially offset by amortisation for the year.
- Inventories have increased as a result of the initial procurement of several products launched recently (Ebglyss and Physiorelax), as well as increased demand for some licensed products (Illumetri, Crestor and Winzora).
- Trade receivables have increased mainly due to the increase in turnover and the recognition of the right to collect various loans granted by the Spanish Ministry of Science and Technology to finance R&D activities.
- Equity has increased significantly due to the positive impact of this year's result.
- Financial debt has decreased mainly as a result of quarterly repayments of the loan that the Company had taken out with the European Investment Bank.
- Current liabilities have decreased as a result of the payment for intangible assets to be settled at year-end 2023 with Eli Lilly, Sun Pharma, Simcere and Etherna, which were settled in January 2024, partially offset by new milestones due that were still outstanding at year-end 2024 (mainly Sun Pharma).

- Short-term debts with Group companies have been significantly reduced by the distribution of dividends from subsidiaries, which has been utilised as a reduction of intra-group debt.

5. ***Financial risk management and use of hedging instruments***

The Company's activities are exposed to various financial risks: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's global risk management programme focuses on the uncertainty of financial markets, and seeks to minimise the potential adverse effects on its financial profitability.

Risk management is controlled by the Company's Treasury Department, which identifies, assesses and hedges for financial risks in accordance with the policies approved by the Board of Directors. The Board of Directors provides written policies for overall risk management, as well as for specific areas such as foreign exchange risk, interest rate risk, liquidity risk, use of derivatives and non-derivatives, and investment of surplus liquidity.

Interest rate risk

As of 31 December 2024 and 2023, most of the Company's debt is at a fixed rate, which minimises the risk of a possible increase in interest rates. The main debt instruments are as follows:

- - On 27 March 2019, the Company arranged a loan facility with the European Investment Bank (EIB) for up to 120 million euros to fund its research and development efforts, with the objective of providing cutting-edge innovation and differentiated therapies in the area of medical dermatology. The first tranche of €80 million was granted on 17 April 2019, at a fixed interest rate of 1.351%, with 32 equal repayments of principal between 17 April 2021 and 17 April 2029, with the latter date being the final maturity. Due to the issue of new debt, the interest rate is temporarily increasing by 0.30%, and therefore the interest rate is 1.651%.
- On 22 September 2021, the Company proceeded to conclude and disburse an issuance of senior unsecured bonds for an aggregate nominal amount of 300 million euros, at a fixed annual interest rate of 2.125%, maturing on 22 September 2026.
- Lastly, since July 2020, the Company has taken out a revolving credit facility for general corporate purposes for an amount of 275 million euros, currently maturing in February 2028 following a renewal in February 2024, which bears interest at a variable rate tied to Euribor, but which, at 31 December 2024 and 2023, had not been drawn down in any amount.

Exchange rate risk

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

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

Liquidity risk

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

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

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

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

Financing instruments include a series of covenants that, in the event of default, would result in a demand for immediate payment of these financial liabilities. The Company periodically assesses their fulfilment (as well as expected future fulfilment, so that it may take corrective measures, if necessary). As of 31 December 2024 and 2023, all covenants have been fulfilled.

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

Credit risk

The Company manages credit risk through an individual analysis of the items included in accounts receivable. As a preventive measure, credit limits are established for sales to wholesalers, pharmacies and local licensees. In the case of hospital sales, given their minor significance, payment is collected afterwards, once the debt is due.

Amounts considered to be bad debts, once all the pertinent collection procedures have been carried out, are impaired at 100%.

The Company does not have a significant credit risk, since it invests cash and, where applicable, arranges derivatives with highly solvent entities.

6. ***Risk factors***

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

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

In addition, the Sustainability Report and Statement of Non-Financial Information attached as Appendix I to the Management Report of the Almirall Group and subsidiaries, of which the Company is the parent company, explains the Group's risk management system (Section 2.1.4).

7. ***Treasury shares***

The Company has a liquidity contract with a financial intermediary, effective as from 4 March 2019, with the aim of favouring liquidity and stability of prices of the Company's shares, within the limits established by the General Shareholders' Meeting and by current regulations, in particular, Circular 1/2017, of 26 April, of the National Securities Market Commission (CNMV), on liquidity contracts. This contract means that as at 31 December 2024 the Company holds treasury shares representing 0.10% of the share capital (0.09% on 31 December 2023) and an overall nominal value of 24.6 thousand euros (23 thousand euros at 31 December 2023), which have been recognised in accordance with EU-IFRS. The average acquisition price of these shares in the financial year 2024 was 8.4 euros per share (8.6 euros per share in the financial year 2023). The Company's own shares are intended to be traded on the market.

8. ***Staff***

The average number of employees of the Company during the financial year 2023 was 663.

9. Average payment period

The Company's average payment period to creditors and suppliers for the financial year 2024 is approximately 38 days.

10. Trends for 2025

FY 2025 will be a significant year for Ebglyss, consolidating growth in the territories where it has already launched and paying special attention on the new territories where it will launch. As for the rest of the dermatology portfolio, growth is expected to continue with the leadership of Ilumetri, Wynzora and Klisyri.

In terms of R&D activities, the focus will be on products that are in the early development stages, linked to agreements with Evotec, Ichnos, Simcere, Etherna, Novo Nordisk and Eloxx.

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

11. Annual Corporate Governance Report / Annual Directors' Remuneration Report

The Annual Corporate Governance Report and the Annual Directors' Remuneration Report is included in the Management Report of the Almirall Group and subsidiaries, of which the Company is the parent.

12. Capital structure. Significant shareholdings

At 31 December 2024, the Company's share capital is represented by 213,468,718 fully subscribed and paid-up shares with a par value of 0.12 euros each.

The shareholders with significant holdings in the share capital of Almirall, S.A., both direct and indirect, in excess of 3% of the share capital, of which the Company is aware, according to the information contained in the official records of the National Securities Market Commission (CNMV) at 31 December 2024 and 2023, are as follows:

Name or company name of the direct shareholder	**% Interest 31/12/2024**	**% Interest 31/12/2023**
Grupo Plafin, S.A.	44.5%	44.5%
Grupo Corporativo Landon, S.L.	15.6%	15.6%
Norbel Inversiones	5.1%	5.1%
Wellington Management	-	5.0%
Total	**65.2%**	**70.2%**

As of 31 December 2024 and 2023, the Company was not aware of any other holdings equal to or greater than 3% of the share capital or voting rights of the Company, which, although less than the established percentage, would enable the exercise of significant influence over the Company.

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

There is a private agreement among shareholders, which has been duly notified to the CNMV, and the full text thereof can be consulted on the website www.almirall.com. It was signed by Antonio Gallardo Ballart and Jorge Gallardo Ballart, and it regulates the concerted action of its signatories in Almirall, S.A. and the exercise of the voting rights that they possess indirectly in the Company through the company Grupo Plafin, S.A.U., on one hand, and Grupo Corporativo Landon, S.L. (previously known as Todasa, S.A.U.), on the other hand.

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

14. Governing bodies

Appointment of directors

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

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

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

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

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

Replacement of Directors

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

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

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

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

a) When they leave the executive positions associated with their appointment as director.

b) When they find themselves in any of the situations resulting in incompatibility or prohibition as stipulated by law.

c) When they are seriously reprimanded by the Board of Directors for having breached their obligations as directors.

d)When their continued presence on the Board may jeopardise or damage the interests, credit or reputation of the Company or when the reasons for which they were appointed cease to exist (for example, when a proprietary director sells their stake in the Company).

e) In the case of independent directors, they may not remain in their posts for a continuous period of more than 12 years, and once this period has elapsed, they must submit their resignation to the Board of Directors and officially resign.

f) In the case of proprietary directors (i) when the shareholder they represent sells its entire stake and; , likewise (ii) in the corresponding number, when this shareholder reduces its stake to a level that requires a reduction in the number of proprietary directors.

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

Amendment of Articles of Association

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

Powers of Members of the Board of Directors

All the powers corresponding to the Board of Directors are permanently delegated in favour of the Company's Chief Executive Officer, according to a deed authorised on 11 May 2023 by the Notary Public of Barcelona, Mr. Enrique Viola Tarragona, acting in replacement of and for the notarial records of his colleague of the same city, Ms. Blanca Pardo García.

15. *Significant agreements*

There are no significant agreements, either in relation to changes of control of the Company or between the Company and its Directors and Management or Employees, regarding compensation for resignation (except those described in the Annual Remuneration Report), dismissal or takeover bids (except those described in the Annual Report on Directors' Remuneration and Corporate Governance Report included in the annual accounts of the Almirall Group and subsidiaries, of which the Company is the parent company).

16. *Subsequent events*

On 31 January 2025, a sale agreement has been signed for the divestment of Algidol® and the Sekisan® licence in Spain for which the Company has received 12 million euros, with certain unconditional future receivables still pending. As at 31 December 2024 there are no significant assets associated with this transaction.

At the date of preparation of these annual accounts, the Board of Directors of the Company resolved to propose to the General Meeting of Shareholders the distribution of a dividend charged to unrestricted reserves in the amount of 40.6 million euros (equivalent to 0.19 euros per share). For the purposes of this dividend distribution, it is proposed to again utilise the "Flexible Dividend" shareholder remuneration system, already applied in 2024, or alternatively, to pay it fully in cash.

17. *Statement of Non-Financial Information and Sustainability Information*

The Statement of Non-Financial Information and the Sustainability Information is included in the Management Report of the Almirall Group and subsidiaries, of which the Company is the parent.