Almirall S.A.

Directors' report
(Year ended 31 December 2017)

CONTENTS

1. Summary of the year. Main achievements

The year 2017 for Almirall Group (of which the Company is the Parent Company) was marked by the decline of the US business, particularly due to the impact of the entry of generics on the franchise for the oral treatment of acne of our subsidiary Aqua Pharmaceuticals, and also the slowdown of growth of our aesthetics subsidiary ThermiGen. On the other hand, there was the positive performance of the dermatology franchise in Europe and the licensees party business.

The above mentioned generics impact on the oral acne franchise in the subsidiary Aqua Pharmaceuticals LLC together with the derived sales decline, has meant the registration of an impairment loss on the equity investment owend by the Company on Almirall Inc (company which own Aqua Pharmaceuticals' shares), and a portion of theloan that was given by an aggregated amount of Euros 202.6 million.

The main milestones in 2017 in relation to corporate development agreements are described in section 3 of this consolidated directors' report. Specifically, noteworthy was the agreement to market the cholesterol lowering drugs Crestor and Provisacor in Spain and the licensing agreement to develop and market KX2-391 for actinic keratosis in Europe and USA.

Finally, as reported on 14 November, the approval of tildrakizumab and its launch on European markets expected for mid 2018 was postponed until late 2018 or early 2019. The postponement is due to a communication received from EMA that it was extending the scope of the centers where the clinical trials were carried out.

The Board of Directors approved the appointment of Mr Peter Guenter as the Chief Executive Officer of Almirall, effective starting on 1 October 2017, following the succession plan initiated more than one year ago. He succeeds Mr Eduardo Sanchiz, who expressed his wish to resign.

Finally, it should be mentioned that on 1 June, the Group distributed a dividend against 2016 income, amounting to Euro 33 million (Euro 0.19 per share).

2. Financial risk management and use of hedging instruments

The Company's activities are exposed to various types of financial risk: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management program focuses on uncertainty in financial markets and seeks to minimize the potential adverse impact on its financial profitability.

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

Interest rate risk

At the beginning of 2014 the Company issued 7 year High Yield Bonds at a fixed interest rate of 4.625%, and on 3 April 2017 the Company amortized the entire amount of said Bonds together with the relevant interest early.

Moreover, during the first quarter of 2017, the Company signed a new 4-year credit facility for a maximum of €250 million at a fixed interest rate, being 0.81% the average for said rate, and therefore the company is not exposed to interest rate volatility. At 2017 year end, the Company had used the entire amount of said policy. The terms of the revolving credit facility includes some covenants to be fulfilled by the Group, among them we want to emphasize the ratio "Net Financial Debt/ EBITDA". On the formulation date, the Board of Directors considers that no breach was arisen in regard to the aforementioned covenants.

With regard to the other credit facility that the Company held since 2014 for a maximum of €25 million, it was cancelled during the first quarter of 2017.

Foreign exchange risk

The Company is exposed to foreign currency risk on certain transactions arising from its business. These are primarily collections made in US dollars corresponding to sales of finished products, collections and payments deriving from the operation performed with AstraZeneca, payments in US dollars under the agreement with Sun Pharmaceutical Industries Ltd., payments in US dollars for clinical trials, purchases of raw materials and payments of royalties in yens, in addition to collections and payments made by the subsidiaries in the United Kingdom, Poland, Switzerland, Denmark and the US in their local currencies. The most important of the foreign currencies with which the group, of which the Company is the Parent Company, operates is the US dollar.

The Group's treasury management is centralized, and therefore the Company analyses foreseeable collections and payments in foreign currency and the performance and trend thereof on a quarterly basis for the entire group. In 2016 and 2017, the Group has reduced its exchange rate risk exposure in commercial transactions of greater volume by contracting one-off exchange rate insurance policies covering payments in yens for purchases of raw materials, and to cover cash inflows in USD, mainly in respect of collections (at 31 December 2016 and 2017 there were no significant insurance contracts still in force).

The Company was the borrower of a loan with the subsidiary Almirall, Inc. Said loan was not hedged in light of the positive outlook for the development of the dollar and the fact that hedging entailed an outflow of funds for the amount of the revaluation. Likewise, said loan was viewed as an increase in the value of the net investment abroad until 2017. However, during 2017 the estimate for the permanent nature of that loan has been modified considering that the loan must be repaid by the subsidiary in the foreseeable future.

Liquidity risk

The Company calculates its cash requirements using two fundamental forecasting tools that differ in terms of timescale.

On the one hand, a one-year monthly cash budget based on the forecast financial statements for the current year. On the other hand, forecasts at 24 months, which are updated monthly.

Cash surpluses are generally invested in very short-term financial assets in reputable financial entities.

The Company manages its liquidity risk prudently, maintaining sufficient cash and marketable securities and arranging credit facilities to cater for the projected needs.

Lastly, medium- and long-term liquidity planning and management is based on the Company’s and the Group’s five-year Strategic Plan.

Credit risk

The Company manages the credit risk of its accounts receivable on a case-by-case basis. For preventative purposes, there are credit limits on sales to wholesalers, pharmacies and local licensees. In view of the relatively reduced weight of hospital sales, collection management is handled directly after the transaction once the receivable has become due.

Allowances are recognized for the total amounts that cannot be collected once all the relevant collection management efforts have been made. The Company mitigates the credit risk relating to financial asset impairment by investing mainly in very short-term floating-rate instruments at banks with a high credit rating.

The Company does not have any significant credit risk exposure since it places cash and arranges derivatives with highly solvent entities.

3. Staff costs

The Company's average headcount numbered 574 employees during 2017 and 616 during the previous year.

4. Average payment period

The Company's average payment period to suppliers and creditors during 2017 was 50 days.

5. Risk factors

Risk factors worthy of mention that may affect the achievement of the business objectives are the following:

- Reductions in prices, volume restrictions, difficulties in obtaining approval or the reimbursement of new products due to decisions by the Health Authorities which affect the marketing of certain items.
- Delays in the implementation of the new strategy centered on growth in dermatology and other specialist areas.
- Entries of generic medicines which trigger a reduction in the prices of products and result in a loss of market share.
- Impairment of intangible assets, goodwill and deferred tax assets due to the decrease in expected results.
- Increase in the number of inspections or lawsuits that may slow down the sale of products in some geographical areas or require provisions.

6. Treasury stock

At 31 December 2017, the Company holds no treasury stock shares.

7. Subsequent events

At the formulation date of these consolidated annual accounts, the Board of Directors of Almirall, S.A. has agreed to propose in the Shareholders' meeting the distribution of a dividend, charged against reserves for an amount of 33 million euros. For the purpose of carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders called "Flexible dividend", already implemented in 2012. In this way, its shareholders are offered an alternative that allows them to receive shares issued by the parent company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend as explained in Note 3 of the annual accounts.

From the closing date of period 2017 until the formulation of these annual accounts there are no other significant subsequent events.

8. Corporate Governance Report

The Corporate Governance report is attached hereto as Schedule I.

9. Capital structure. Significant ownership interests

At 31 December 2017, the Company's capital is represented by 172,951,120 shares with a par value of €0.12 each, all fully subscribed and paid up.

The shareholders with significant direct or indirect ownership interests in the share capital of Almirall, S.A., of more than 3% of the share capital, of which the Company is aware, in accordance with the information contained in the official records of the Spanish National Securities Market Commission (CNMV) at 31 December 2017, are as follows:

Name or company name of direct holder of the ownership interest	% ownership interest in Almirall Group
Grupo Plafin, S.A.	41.30%
Todasa, S.A.	25.34%
Scopia Capital	4.0%

At 31 December 2017, the Company is unaware of there being other ownership interests of 3% or more in the share capital or voting rights of the Company, or other interests which, despite being less than this percentage, enable the holder to exercise a significant influence over the Company.

.

10. Side agreements and restrictions on transferability and voting rights

The Group has entered into three side agreements, all of which were reported to the CNMV and which may be consulted in full on the following web site www.almirall.com:

Agreement entered into by Almirall, S.A. shareholders

This is an agreement formalized between Mr. Antonio Gallardo Ballart, Mr. Jorge Gallardo Ballart, Mr. Daniel Bravo Andreu and the companies Todasa, S.A.U. and Grupo Plafin, S.A.U., which regulates, among other aspects, certain pre-emptive and purchase and sale option rights in relation to the shares of Almirall, S.A.

Agreement entered into by Inmobiliaria Braviol, SA shareholders

This is an agreement formalized between Mr. Antonio Gallardo Ballart, Mr. Jorge Gallardo Ballart, Mr. Daniel Bravo Andreu, Ms. Margaret Littleton and the companies Inmobiliaria Braviol, S.A., Danimar 1990, S.L., and Todasa, S.A.U., which regulates, among other aspects, certain pre-emptive and purchase and sale option rights in relation to the participation units and shares of the said companies.

Agreement between Mr. Jorge and Mr. Antonio Gallardo Ballart

A side agreement regulating the concerted action of the signatories in Almirall, S.A. and the inherent voting rights of their indirect ownership interest in the Company through Grupo Plafin, S.A.U. and Todasa, S.A.U.

The Articles of Association impose no restrictions on the transferability of the shares of the Company, and neither are there any restrictions on voting rights pursuant to the Articles of Association or regulations.

11. Managing bodies, Board of Directors

Appointment of directors

The directors are appointed (i) upon proposal by the Appointments and Remuneration Committee, in the case of independent directors, and (ii) following a report by said 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 Companies Law.

Newly-appointed directors are required to complete the Company's orientation course for new directors so that they can rapidly build up sufficient knowledge of the Company and of its corporate governance rules.

As for the appointment of external directors, the Board of Directors seeks to ensure that the candidates chosen are persons of recognized solvency, competence and experience. Particular care is taken in relation to those called upon to fill the independent director positions envisaged in Article 6 of the Board Regulations.

Directors proposed for re-appointment must refrain from participating in the deliberations and voting procedures concerning them.

Directors hold office for the term stipulated by the General Meeting, which is equal for all and may not exceed four years, at the end of which they may be re-elected one or more times for periods of the same maximum duration.

Replacement of directors

Directors cease to hold office when the period for which they were appointed has elapsed and when a decision to this effect is adopted by the General Meeting, exercising the powers attributed to it by law or by the Articles of Association. In any event, the appointment of directors expires when, once its term has elapsed, the following General Meeting has been held, or the legal time limit for holding the General Meeting to approve the accounts for the previous year has passed.

The Board of Directors may only propose the removal of an independent director before the expiry of the statutory term when there is due cause, acknowledged by the Board following a report by the Appointments and Remuneration Committee. In particular, due cause is understood to exist when a director has breached the duties inherent to his/her position or has come to be in any of the circumstances which bar him/her from holding this office, as described in the definition of independent director contained in corporate governance recommendations applicable at the time.

Directors who are the subject of removal proposals must refrain from participating in the deliberations and voting procedures concerning them.

The directors are required to tender their resignation to the Board of Directors and formalize such resignation, where the Board considers this appropriate, in the following cases:

a) Where they cease to hold the executive posts with which their appointment as directors was associated.

b) Where they find themselves in any of the situations of incompatibility or barring from office stipulated by law.

c) When seriously reprimanded by the Board of Directors for failing to discharge their obligations as directors.

d) When their remaining on the Board could jeopardize or prove detrimental to the interests, credit or reputation of the Company or when the reasons for which they were appointed cease to apply (for example, when a nominee director sells their shareholding in the Company).

e) In the case of independent directors, they may not remain in such positions continuously for more than 12 years; therefore, once this period has elapsed, they must tender their resignation to the Board of Directors and formally withdraw.

f) In the case of nominee directors, (i) when the shareholder they represent sells its entire shareholding and, similarly, (ii) in the requisite number, when such shareholder reduces its shareholding to a level which requires the number of nominee directors to be reduced.

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

Amendment of the Company's Articles of Association

Amendments to the Articles of Association are a competence of the General Meeting and are regulated by Article 160 of the Spanish Companies Law and other related legislation. There are no special provisions of relevance in this respect in either the Articles of Association or the General Meeting Regulations.

Powers of the members of the Board of Directors

Certain powers pertaining to the Board of Directors are vested in the Chief Executive Officer of Almirall, S.A., pursuant to a public deed executed before the Barcelona Notary Mr. Enrique Viola Tarragona on 26 September 2017.

Similarly, powers have been granted to Mr. Jorge Gallardo Ballart in the public deed executed before the Barcelona Notary Mr. Enrique Viola Tarragona on 2 June 2011.

12. Significant agreements

There are no significant agreements with regard to changes in the control of the Company or between the Company and its Directors and Managers or Employees with respect to indemnities for dismissal, resignation, or public takeover bids.

13. Non-financial information

1- Description of the group's business model

Almirall S.A. is the Parent Company of Almirall Group (from now on referred as “Almirall” or “the Company”), a leading global pharmaceutical group focused on skin health that works with health professionals to apply science to provide medical solutions to patients and future generations. The company's efforts are concentrated on fighting skin disease and ailments and on helping people feel and see themselves better, supporting health professionals for their continued improvement and delivering innovative solutions wherever they are needed.

The company is traded on the Spanish Stock Exchange and has become a key source of value creation for society thanks to the commitment acquired with its main shareholders and its determination to help others, understanding their challenges and using science to offer real-life solutions.

Through its R&D activities and agreements and alliances with other entities, Almirall's activity covers the entire medicine value chain. Almirall is a specialist company, which allows it to achieve its goal of taking innovative products wherever they are needed.

The company's strategic focus is concentrated on (i) promoting the growth of dermatology and medical aesthetics while optimizing the value of our current portfolio; (ii) broadening the portfolio and pipeline in priority therapeutic areas by means of effective combination of R&D and corporate development; (iii) achieving selective expansion in key countries; (iv) boosting Almirall's competitiveness by bringing it closer to its customers; and (v) fostering an organization with a culture based on the company's core corporate values:

A key factor in the Almirall business model is research and development (R&D), backed by more than 40 years’ experience, guided by the essential goal of providing innovative solutions for unattended medical needs. At Almirall R&D focused on those areas where the greatest contribution can be made, with the goal of improving the health and quality of life of patients. Thanks to its three specialised research centres, and its international alliances, the company has products in all phases of development.

Almirall conducts most of its R&D activities at its facilities in Sant Feliu de Llobregat (Barcelona), which were inaugurated in 2006. Covering a floor area of more than 27,500 m2, the site is equipped with the most advanced technology and has highly qualified professionals involved in the entire research and development process for new drugs. In addition to that site, Almirall also has a chemicals plant in Sant Andreu de la Barca (likewise in the Barcelona area) that provides the requisite active ingredients for toxicological, preclinical and clinical studies and trials.

Acquired by Almirall from Hermal in 2007, the facility in Reinbek (Germany) is located on the outskirts of Hamburg and has a total floor area of 21,000 m2. There, Almirall's experts work on development programmes to discover new formulations indicated for the treatment of skin disease. Its more than 60 years of work in this area make it Europe's leading dermatological centre.

Lastly, Polichem, with its primary R&D facility located in Lugano (Switzerland), was acquired in 2016. Its main activity is concentrated in dermatology and dermocosmetics, especially in relation to original formulations and pharmaceutical technologies applicable to a wide range of therapeutic areas. Polichem has patented development projects in diverse medical fields, with special emphasis on skin problems.

In addition to its R&D activity, Almirall is committed to strengthening the skills and expertise of health professionals. Toward this end it organizes and sponsors medical courses, conferences and meetings in each one of the relevant therapeutic areas. In addition, the articles and results of Almirall's clinical trials are published in scientific journals.

The exchange of knowledge with the medical community is also extended to Almirall's joint projects with academic institutions, hospitals and scientific societies to broaden the overall knowledge and understanding of diseases.

In addition to its own R&D programme, Almirall forges agreements with public and private organizations, and with academic research teams and biotechnology firms throughout the world to create a network for exchanging knowledge and promoting innovation that benefits society. This helps spawn new research programmes that respond to the current needs of society and, furthermore, facilitates the take-up of new technologies, to speed up the process of identifying new drugs.

2- Main policies in place in relation to the environment and human resources, respect for human rights and the fight against corruption and bribery

2.1 Environment

Almirall is strongly committed to promoting sustainable development, judicious management of natural resources and the prevention of pollution.

How Almirall achieves its objectives is as important as achieving them. Hence its commitment to society goes beyond offering scientific solutions to patients. It is also based on developing an energy efficiency model pursuant to an environmental policy developed in-house that ensures responsible use of resources, thus working for a more sustainable planet.

The efforts in this area address the entire life cycle of products: from their design and R&D through to manufacture, including the acquisition of the raw material inputs and management of waste materials.

In 2017 the company adapted its environmental management to the new ISO 14001:2015 standard, implementing key substantial changes that were needed to comply with the obligations associated with that standard and to obtain a smooth transition to the new standards. It is expected that certification to that standard will be attained during 2018.

Since 2012, Almirall has achieved improvements of 19% in its total consumption of electricity and gas. This has been made possible by actions carried out in connection to the execution of 134 energy improvement projects aimed at minimizing the effects of climate change, encouraging the use of renewable energies at all sites, with a commitment to seek out energy efficiency solutions that contribute to a more sustainable environment.

Almirall's energy efficiency model is based on an iterative search for projects and new technologies and on applying them progressively, in line with the needs of each site. The company has thus succeeded in implementing innovative technologies such as magnetic levitation and high-pressure water-mist cooling systems that can decrease energy consumption in cooling equipment compressors and in conventional resistance heating and/or electrolysis evaporation systems, respectively.

Almirall is also fully committed to the fight against climate change, and assigns great importance to the reduction of gas emissions in its environmental strategy. Toward this end, in 2016 the company conducted an analysis that identified the most significant changes and existing opportunities to be able to generate a major impact on the business and also be able to prepare action plans for the period 2017-2020.

With the recent opening of the solar energy facility in the Sant Celoni chemical plant, Almirall has reinforced its strategy of putting into operation continuous improvements to make its production processes more sustainable and reduce the environmental impact of all areas of operation, thereby fostering the generation of sustainable energies.

As a result of these initiatives, not only was electricity consumption reduced by 3.1% in 2017, but gas consumption was also cut by 5.7%. With respect to gas emissions, Almirall has successfully avoided emissions of 8,000 equivalent tonnes of CO_2 by applying specific programmes to purchase green energy, with gas emissions having been brought down by 23% in the period 2014-2016.

Lastly, “eco-design” and, in particular, the “eco-packaging” project have been applied in designing products and in R&D processes with the aim of reducing the environmental impact in the packaging of Almirall products.

2.2 Human Resources

Almirall's people are considered a prime asset. The aim is therefore to always provide employees with the best possible work environment. The company has laid down the basic principles that allow this to be achieved.

Almirall strives to ensure that those principles are applied to all employees with no discrimination by age, gender, race or religion.

Almirall is committed to the wellbeing of its employees and thus strives to ensure a proper balance between their work and personal lives, making sure they enjoy their holiday time as planned over the entire year, and guaranteeing that their tasks are distributed fairly within their respective teams, with no discrimination, and maintaining flexible work hours that also contribute to allowing that balance.

Almirall is committed to equality. It has an Equality Plan that was agreed with the Workers' Committee in the central offices in 2009 to ensure real and effective equality of opportunities for men and women in Almirall. The Plan's goals include promoting and improving access by women to senior positions, as well as preventing discrimination in hiring, gender-biased remuneration and sexual harassment in the workplace.

Almirall offers training to all its employees, providing them with opportunities to keep learning and developing their skillbase, as an important tool for achieving business objectives and personal development goals.

These training actions may can cover values and skills, business, languages and technology systems. Any training need (knowledge, skills or competences) must be aligned with the employee's professional responsibilities, both at present and in the future to allow them to realize their future potential.

Almirall has a rigorous and fair process for ensuring career development in step with the requirements of the organizational strategy. Almirall is also aware of the importance of teamwork in its organization.

Its compensation programmes seek to foster a high-performance culture, with salary and benefits plans based on the industry standards, level of contribution of the job done and the performance of each employee.

Almirall is also fully committed to respecting and complying with labour laws and practices in an environment of constructive dialogue and respect with employees and their representatives. All employees must comply with rules of ethical conduct specific to the pharmaceutical industry, in addition to the Almirall Code of Ethics.

The company's rules of ethical conduct are mandatory and are enforced, and Almirall informs and trains its employees properly on these matters, and assigns responsibilities to ensure they are accepted and that compliance is properly monitored.

A testament to Almirall's continued success in fostering good work conditions for its employees is the “Top Employers” certificate it has earned in Spain since 2008.

At year end 2017 Almirall had a total of 1.832 employees, from 28 nationalities, with men accounting for 45% of the total and women for 55%. The average length of service with the company was 13 years and 64% of the employees hold university degrees and 70% are experts in the pharmaceutical industry.

2.3 Ethics, anti-corruption and corporate social responsibility

In the pursuit of its activities, Almirall is guided by a strong sense of corporate responsibility, integrity and transparency, as well as by strict and faithful compliance with the applicable laws and regulations.

To do this the company has a series of principles and ethical values that govern the actions of all its employees and executives. All these principles, values and standards of conduct are reflected in the Almirall “Code of Ethics” developed by the company's global corporate standards office and contained in the Global Corporate Policies and in their implementing SOPs.

The company is also compliant with nearly all of the recommendations that apply to it of the Code of Good Corporate Governance, as is reflected in the annual corporate governance reports that it makes available to the Spanish securities exchange authority (CNMV), its shareholders and the general public.

Almirall has a specific “Global Corporate Policy for Control of Compliance Risks” which has three main purposes: (i) prevent potential risks that could give rise to legal liability for the company or for its directors and legal representatives, (ii) get an early start on managing those risks and (iii) verify that the Company is complying with the relevant external and regulatory frameworks.

Almirall also has a “Risk Management System” based on creating an annual risks map and in drawing up and implementing a series of specific plans of action for the risks that have been identified, defining the roles and responsibilities of the different bodies that take part in managing the risks to which the company is exposed.

Back in July 2015 the Almirall Board of Directors approved a “Model for Preventing and Managing Criminal Risks” that lays down the system for organizing, preventing, managing and controlling risks of criminal liability in Almirall and its subsidiaries.

That model lays out a plan for preventing criminal wrongdoing by or in the company, and complies with the procedures and controls currently existing for effective prevention and mitigation of criminal risks, on the basis of a detailed analysis of the criminal risks which could hypothetically arise in the different areas of Almirall, taking into account, on the one hand, the policies and controls already in place, and, on the other, the susceptibility to criminal risks detected in specific processes in light of the sector and the activities pursued by Almirall.

The company's Board of Directors approved in February 2017 a “Corporate Social Responsibility Policy” (CSR), in which, with the aim of facilitating the control, supervision and monitoring of these matters, the “Corporate Compliance Committee” was assigned responsibility for overseeing the coordination of all CSR-related activities and, especially, of proposing strategic lines and corporate programmes and establishing the measures to manage, control and review the associated programmes and initiatives.

Almirall views its Corporate Social Responsibility policy as embodying the company's answerability for its impact in society and on the environment. To live up to that responsibility, Almirall strives to imbue its corporate strategy and operations with ethical, social and environmental concerns, in collaboration with all interested parties in order to (i) maximize the creation of shared value for its shareholders and other stakeholders and for society in general; (ii) foster a culture of ethical conduct that enhances corporate transparency; (iii) strengthens the reputation and external image of the company, and (iv) spot, prevent and mitigate any possible adverse effects caused by its activity.

In the pursuit of those objectives, the company is guided by the following general principles:

Align its behaviour with the principles laid down in the Code of Ethics and other corporate governance rules that regulate the conduct of Almirall employees in the pursuit of their activities.

Encourage communication and dialogue with the main stakeholders via diverse communication channels, fostering relations of mutual trust.

Encourage transparent disclosure of Almirall's actions and activities and adopt responsible communication practices to keep the information from being manipulated and to protect the integrity of Almirall's reputation.

Proactively manage non-financial risks and opportunities arising from the markets and from the context of the business operations.

Ensure the creation of shared value for shareholders and other stakeholders over the long term.

Reduce the environmental impact of its activities in the areas where it operates.

Comply with the laws and regulations that apply in the countries where it does business.

3- Main risks of the company in said areas

The Almirall Risk Management Systems is based on an annual mapping of risks that places priority on the most significant risks of the company's global risks map.

The Risk Management System is coordinated by the Internal Audit area and is based on consolidating the analysis and assessment of events, risks, controls and mitigation plans performed by the business and support units that comprise the different areas of the company. Tax risks are addressed by a tax committee which works to control, manage and minimize them.

All risks that can significantly impact the achievement of the company's objectives are examined and evaluated. Consideration is thus given to the strategic, operational, financial, technological, regulatory and reporting risks caused by outside and internal factors.

Responsibility for preparing and executing the Risk Management Systems rests with the senior management. Its effectiveness is supervised by the Risk Management Committee, which functionally reports to the Audit Committee and to the Chairman, given that this directly involves one of the essential responsibilities of the Board of Directors.

The company operates in an industry characterized by great uncertainty as regards spending on research and development, in a highly competitive market in the therapeutic areas that it targets, with great sensitivity to decisions by healthcare authorities in relation both to approval of the products and to the conditions for marketing them, and in a sector that is heavily regulated in aspects relating to pharmacovigilance, quality, the environment and codes of good practices in promotional activities.

These factors entail risks which by their nature need to be approached from a conservative positioning, with very selective allocation of resources and establishing highly rigorous and effective controls and processes in the pursuit of the company's operations.

The various risks are identified and assessed by the company's managers based on analysis of the possible events that they can generate. The assessment is performed using risk-specific metrics of the likelihood of occurrence and of their possible impact on the business objectives. Both inherent and residual risk are measured, so an evaluation is made of the existing controls for mitigating them and of the additional action plans needed if those controls are deemed insufficient. For each of those risks, specific responsibility is assigned for its management and for implementing the related measures.

The Annual Corporate Governance Report contains additional details on the Almirall Risk Management System.

SCHEDULE I: Corporate Governance Report