LABORATORIOS ALMIRALL. S.A. and Subsidiaries (Grupo ALMIRALL)

CONSOLIDATED MANAGEMENT REPORT

(Year ended 31 December 2007)

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1, Summary of the year. Main milestones

2007 was an important year for ALMIRALL in many respects, both for the successful floating on the Exchange and the achievement of its financial objectives and continued development of major R&D projects.

Group sales rose by 4.5% despite price erosion in several markets and the "Other income" item has increased significantly as a result of the company's licensing strategy.

R&D expenditure rose by 40.7%, reflecting the progress of current projects. In addition, measures to contain spending and to improve the management of the income statement increased EBIT by 16.6%, EBITDA by 18.3% and the net normalised result –, adjusted for extraordinary income in 2006 and extraordinary expenditure in 2007 -, by 14.6%. Taking the above effect into account, the net result fell by 11%.

Income from operations performed particularly well if we take into account the price situation in several markets. The growth in sales is largely due to the development of market companies, with strong growth in volume and to the contribution of sales by Hermal over the last 4 months of the year.

As regards R&D, 2007 recorded a significant increase in resources. June saw the completion of recruitment for the Phase III Trials of Aclidinium Bromide. In September, the results of Phase I and Phase IIa were presented at the ERS Congress in Stockholm. Another two molecules have gone into preclinical development during the year (DHODH inhibitors).

In short, in 2007 the company has been consistent in its strategic messages and objectives: defending its leading position in the Spanish market, developing its expansion in the international markets, especially Europe, via the acquisition of Hermal and certain Shire products and promoting R&D via major projects.

2. Evolution of the main figures of the functional income statement

Functional Income Statement

Euros Million	**2007**	**2006**	***% variation***
Net sales	**792.5**	**757.9**	*4.5%*
Gross margin	**484.6**	**474.7**	*2.1%*
% of sales	61.2%	62.6%	
Other income	**124.9**	**96.1**	*29.9%*
R&D	**-122.0**	**-86.7**	*40.8%*
% of sales	-15.4%	-11.4%	
Overheads and Administration	**-351.2**	**-366.6**	*-4.2%*
% of sales	**-44.3%**	**-48.4%**	
Other expenditure	**-2.0**	**-2.3**	*-11.0%*
% of sales	-0.3%	-0.3%	
EBIT	**134.3**	**115.3**	*16.5%*
% of sales	16.9%	15.2%	
Depreciations	**36.0**	**28.7**	*25.4%*

Euros Million	2007	2006	% variation
% of sales	4.5%	3.8%	
EBITDA	**170,3**	**144,0**	*18.3%*
% of sales	21,5%	19,0%	
Other income/expense	0,0	24,4	
Impairment losses	-10,2	-6,0	
Net Financial income / (expenditure)	5,0	12,1	
Taxes	2,1	-4,4	
Discontinued operations	0,0	5,9	
Net income	**131,2**	**147,3**	*-10.9%*
Normalised net income	**134,6**	**117,5**	*14.6%*
Earnings per share (Euros)(1)	0,79	0,89	
Adjusted earnings per share (Euros) (1)	0,81	0,71	
Staff at end of period (2)	3,357	2,917	*15.1%*

(1) Number of shares at 31 December 2007
(2) Includes Hermal

- Sales totalled 792.5 million Euros, an increase of 4.5% over the previous year. This trend was mainly due to the positive evolution of the sales of Prisdal, Prevencor and Plusvent in Spain, together with the growth of sales to the Mexican Government of Pemix, and sales of Hermal products. Globally, Ebastine continues to be the best-selling product of Almirall with an increase of 2.2% over the previous year.

- 2007 saw a negative impact on sales due to the introduction of the Law on Medicines in Spain. Hermal's contribution to sales over the last 4 months of the year was 24.9 million Euros.

- The Gross Margin was up 2.1% over the previous year. The impact of price reductions, chiefly in Spain, the composition of sales and the incorporation of the Hermal business explain this evolution and, accordingly, the reduction in the percentage of sales from 62.6% to 61.2%.

- Hermal integration, whose financial results are consolidated from September 1st, penalised Almirall's gross margin due to the transaction model existing with the former owner, which causes a lower direct sales margin at the expense of receiving "Other Income" by sales generated by this previous owner. This influence would be transitory until completion of business integration.

- The increase in "Other income", triggered by the agreement with Forest, together with the positive evolution of Overheads and Administration expenditure relating to the policies to contain spending and also to the reduction in expenses relating to the marketing agreement on the inhaler device of Almirall Sofotec have greatly improved the EBIT (+16.5%) and EBITDA (+18.3%) despite the increase in R&D expenditure.

- A 10.2 million-Euro loss was generated by the impairment of intangibles, which affects the Pantopan product (8.2 million Euros) (due to the price reduction) and Sativex (2 million Euros) (due to regulatory delays).

- A drop in the effective tax rate was recorded due to the increase in R&D expenditure and its incremental effect on the allowance.

- The normalised net income increased by 14.6% (the net result in 2006 included the sale of the former R&D premises and the sale of assets relating to the manufacture and marketing of oncological products for the sum of 29.7 million Euros) and non-recurring expenses of some 3.4 million Euros in 2007.

- The total net result is 131.2 million Euros, with a reduction of 10.9% compared to the previous year, due not only to the non-recurring result of 2006 mentioned above but also to the financial cost and additional amortisation of the new acquisitions in 2007.

3. *Corporate Development*

- The contract was signed with Hermal on 14 July for the sum of 255 million GBP which was completed during the last week of August.

- On 18 December, the acquisition of the marketing rights of 8 Shire products was completed for the sum of 151 million Euros (215 MM$). The final licence agreement for 4 products is pending confirmation by the original licensor.

4. Balance sheet. Financial situation

Solid balance sheet with borrowing potential

Euros Million	**2007**	%	**2006**
Goodwill	274.3	19.1%	47.3
Intangible fixed assets	383.4	26.6%	85.2
Property, plant and equipment	179.3	12.5%	151.5
Financial assets Noncurrent	6.3	0.4%	54.3
Other assets – Noncurrent	144.2	10.0%	112.4
Total Noncurrent assets	**987.5**	**68.6%**	**450.7**
Inventory	112.9	7.8%	94.6
Trade accounts receivable	107.0	7.4%	100.1
Cash and Equivalents	190.0	13.2%	421.4
Other noncurrent assets	41.8	2.9%	47.3
Total Current assets	**451.6**	**31.4%**	**663.5**
Total Assets	**1,439.1**		**1,114.2**
Equity	573.7	39.9%	763.2
Bank borrowings	466.1	32.4%	5.8
Other noncurrent debts	187.4	13.1%	139.0
Other liabilities	211.9	14.7%	206.2
Total EQUITY AND LIABILITIES	**1,439.1**		**1,114.2**

The company balance sheet at 31 December 2007 reflects the impact of the chief events during the period:

The section on goodwill and intangibles shows the value of the purchase of Hermal and the Shire products assigned to these acquisitions.

The position "Assets for deferred taxes" of 144.2 million Euros includes the tax credits attributable mostly to the R&D expenditure, whose effective realisation will occur in later years.

The operating items of accounts receivable and inventory include the amounts from Hermal following its acquisition and the financial assets (both current and noncurrent) record a fall due to the recent acquisitions and dividend payout at the beginning of the year.

In the liabilities, the shareholders' equity underwent a major variation caused by:

a). Payout of a dividend of 420 million Euros
b). Capital increase due to the Stock Exchange float of 107 million Euros
c). Net profit for the year of 131 million Euros

Bank borrowings total 466.1 million Euros (of which 403.3 million Euros are noncurrent) as a result of borrowing to finance the acquisitions.

On 13 December 2007, Laboratorios Almirall S.A signed a syndicated loan for the sum of 275 million Euros over a five year period which was used to finance the acquisition of the German company Hermal and the purchase of a product portfolio from the British pharmaceutical company Shire. The syndication was led by BBVA with the participation of six banks.

This finance is divided into two tranches: A loan of 200 million Euros with annual repayments and a revolving loan for a maximum amount of 75 million Euros falling due on 13 December 2012.

Net borrowing, after discounting liquidity and provisions for pensions, totals 310 million Euros, equivalent to 1.8 times the EBITDA for the year.

5. ***Management of financial risk and use of hedge instruments***

Almirall uses financial instruments which enable it to partially hedge against financial risk exposure relating both to interest rates and exchange rates.

Interest rate risk

In order to eliminate the uncertainties caused by interest rate fluctuations in the Group's bank financing, the Company has performed certain hedge operations. The policy applied seeks to minimize the risk by exchanging the variable interest rate (pegged to Euribor) of this finance for a fixed rate (Interest Rate Swap) or a variable rate within a range (Collars).

The hedge was made on the part of the financial debt in the form of a loan, with 80% via an Interest Rate Swap and 20% via collars.

The maximum hedge period is 5 years and the percentage covered at the end of 2007 of total bank borrowings is 60.4%.

Exchange rate risk

The Group is exposed to exchange rate risk in certain operations during the course of its ordinary business. These are basically collections in Dollars for revenue from the co-promotion contract with Actonel and sales of finished product, payments in Dollars for clinical trials and purchases of raw materials and payment of royalties in Yen.

The risks in the case of collections account for approximately 4%, of the net revenue and other income; in the case of payments, it accounts for approximately 3.5% of procurements and other operation expenditure.

The Group policy is based on hedging approximately 50% of these operations via exchange rate derivatives.

The nominal amounts are shown in detail in Note 15 of the Report.

The Group is exposed to price risk, as the retail price of its medicines is regulated and subject to measures adopted by the Ministry of Health.

In addition, credit, liquidity and cash flow risks are highly mitigated by the quality of their financial assets, capacity to generate cash flow and the solvency of the financial institutions with which it operates.

6. Personnel: Distribution by Centres and Subsidiaries

Employees	31/12/2007	31/12/2006	% variation
Commercial			
Spain	783	792	-1.1%
France	275	257	7.0%
Italy	227	219	3.7%
Mexico	197	201	-2.0%
Germany	206	67	207.5%
Portugal	47	49	-4.1%
Austria	11	0	
Belgium	34	33	3.0%
Others (Netherlands and Switzerland)	4	4	0.0%
United Kingdom	31	0	
Total Operating Area	**1,815**	**1,622**	**11.9%**
Industrial Spain	545	562	-3.0%
Industrial Germany	174	0	
Industrial France	28	25	12.0%
R&D	513	419	22.4%
Corporate development and Finance	128	130	-1.5%
International	95	96	-1.0%
General (HR, Legal, Information Systems...)	59	63	-6.4%
Total	**3,357**	**2,917**	**15.1%**

Average no. of employees	2007	2006	% variation
Total average no. employees	**3,074**	**2,975**	**3.3%**

7. Trends for the year 2008

For the year 2008, moderate double-digit growth is expected in sales, of which international turnover would reach 40-45% of the total. The positive expectations of the Aclinidium Bromide project are expected to be confirmed during the 2nd half of the year, based on the clinical results of Phase III.

On an organizational level, 2008 will consolidate the integration of the businesses acquired during 2007 which will contribute to an increase in EBITDA and “Other income” of over 25%, the impact of which will be partially offset at Net Profit level by the increase in depreciation and financial interest.

This will take place in markets which will continue to be affected by government measures to contain health spending and the possible appearance of generic products.

8. Risk factors

1) Appearance of generic products marketed in major markets, due to additional regulation or expiry of patents.

2) Price reductions or other measures which affect the sales margins due to new measures in a context of controlled health spending.

3) Reform of the tax system which limits allowances for research and development.

4) Low productivity in R&D or delays/cancellations of major projects for Almirall.

9. Corporate Management Report

The Corporate Management Report is attached in Appendix I hereto.

10. Capital structure. Significant holdings

Shareholders with a significant direct and indirect ownership of the share capital of Laboratorios Almirall S.A of more than 3% the share capital who are known to the Parent Company in accordance with the information contained in the official records of the Comisión Nacional del Mercado de Valores at 31 December 2007 are as follows:

The breakdown of the indirect holdings of these shareholders is shown below:

Name or trade name of direct owner of holding	N° shares	% Holding in Grupo Almirall
Grupo Plafin, S.A.	74,892,985	45.09%
Todasa, S.A.	40,966,504	24.66%
Fidelity International Limited		
Fidelity European Fund	3,820,268	2.30%
FID FDS - Iberia pool	1,445,058	0.87%
FID FDS - Euro smaller Co pool	1,179,300	0.71%
Norges Bank EUR EX UK EX NORWY	963,372	0.58%
Fidelity European OPP FND 1992	863,713	0.52%
Other holdings	1,698,674	1.02%
Total Fidelity	9,970,385	6.00%

The Parent Company has no knowledge of other holdings equal to or greater than 5% of the share capital or voting rights of the Parent Company or, being lower than this percentage, provide a notable influence in the Parent Company.

11. Para-social agreements and restrictions on transmissions and votes

There are 3 parasocial agreements in the company, all duly reported to the CNMV the full text of which can be referred to at the following website: www.almirall.es:

Agreement among the shareholders of Laboratorios Almirall. S.A.

This is an agreement signed by Antonio Gallardo Ballart, Jorge Gallardo Ballart, Daniel Bravo Andreu and the companies Todasa S.A.U and Grupo Plafin, S.A.U. in which, among other aspects, certain preferential purchase rights and share options of Laboratorios Almirall S.A. are regulated.

Agreement among shareholders of Inmobiliaria Braviol, S.A.

This is an agreement signed by Antonio Gallardo Ballart, Jorge Gallardo Ballart, Daniel Bravo Andreu, Margaret Littleton and the companies Inmobiliaria Braviol, S.A, Danimar 1990, S.L. and Todasa, S.A.U. in which, amongst other aspects, certain preferential purchase rights and share options of the said companies are regulated.

Agreement between Jorge and Antonio Gallardo Ballart

This governs the arranged action of its signatories in Laboratorios Almirall, S.A. and the exercising of the voting rights inherent to their indirect holding in the Company via the company Grupo Plafin, S.A.U., and Todasa, S.A.U.

There are no restrictions in the articles of association as to the transmission of the company's shares or any restrictions in the articles or regulations as to the voting rights.

12. Governing Bodies. Board of Directors

Appointment of Directors

Directors are designated (i) at the proposal of the Appointments and Remuneration Committee in the case of independent Directors, and (ii) following a report by the Appointments and Remuneration Committee in the case of the other Directors, by the General Meeting or the Board of Directors in accordance with the provisions of the Law on Corporations.

When appointing a new Director, the latter must follow an orientation program for new Directors as established by the Company, so as to acquire a swift and sufficient knowledge of the Company and its corporate governance rules.

As regards the designation of external Directors, the Board of Directors seeks candidates among persons of recognised solvency, competence and experience, and must apply great rigour with regard to calls to cover the posts of independent director as provided in Article 6 of the Board Regulations.

The directors involved in proposals for appointment shall refrain from intervening in the deliberations and votes which address the same.

Directors shall hold their posts for the period established by the General Meeting, which must be the same for all directors and may not exceed six years, at the end of which they may be re-elected one or more times for periods of like maximum duration.

Replacement of Directors

Directors shall stand down when the period for which they were appointed finalises or when so decided by the General Meeting by using the powers it possesses legally or via the articles. The appointment of directors shall expire when, at the end of the period, the following General Meeting is held or the legal period for holding the Meeting to decide on approval of the accounts of the previous year has elapsed.

The Board of Directors may only propose the withdrawal of an independent director prior to the end of the period established in the articles by just cause, as considered by the Board following a report by the Appointments and Remuneration Committee.

In particular, it shall be considered that just cause exists when the director has failed to comply with the duties inherent to the post or may be subject to any of the circumstances which prevent his continuation as described in the definition of independent director, as established in the recommendations on good corporate management applicable at all times.

The Directors involved in proposals for withdrawal shall refrain from intervening in the deliberations and votes which address the same.

Directors must place their post at the disposal of the Board of Directors and sign, if considered convenient, the relevant resignation in the following cases:

a) When they cease to hold the executive posts to which their appointment as director was associated.

b) When they are subject to any of the cases of incompatibility or legally-provided prohibition.

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

d) When their presence on the Board may jeopardize or harm 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 disposes of his holding in the Company).

e) In the case of independent directors, they may not remain as such during a continuous period of more than 12 years; therefore, after this period, they must place their posts at the disposal of the Board of Directors and sign their resignation.

f) In the case of proprietary directors (i), when the shareholder they represent sells the entirety of its shareholding and, (ii) when the said shareholder reduces his shareholding to a level which requires a reduction in the number of proprietary directors.

Should a Director stand down prior to finalisation of the period, due to resignation or any other cause, he must explain the reasons in a letter sent to all the members of the Board.
The Board of Directors may only propose the withdrawal of an independent director prior to the end of the period established in the articles by just cause, as considered by the Board following a report by the Appointments and Remuneration Committee. In particular, it shall be considered that just cause exists when the director has failed to comply with the duties inherent to the post or should be subject to any of the circumstances which prevent his continuation as described in the definition of independent director as established in the recommendations on good corporate management applicable at all times.

Modification of the Articles of Association

The modification of the Articles of Association falls to the General Meeting and is governed by the provisions of Article 144 of the Corporations Law and other relevant provisions, there being no relevant speciality in the Articles of Association or the Regulations of the General Meeting.

Powers of the members of the Board of Directors

The President and Chief Executive Officer of the company have all the powers of the Board delegated in them, except those which cannot be delegated.

In addition, the director Eduardo Javier Sanchiz Yrazu has powers by virtue of (i) the powers of attorney authorised by the Notary Public of Barcelona Salvador Carballo Casado on 11.05.04, ratified and expanded by virtue of the public instrument authorised by the same Notary Public on 30.06.04 and (ii) power of attorney authorised by the same Notary Public on 30.06.04.

In addition, the director Luciano Conde Conde has powers by virtue of the powers of attorney authorised by the Notary Public of Barcelona Salvador Carballo Casado on 10.03.99, ratified and expanded by virtue of the public instrument authorised by the same Notary Public on 30.06.04.

In addition, the director Per Olof Andersson has powers by virtue of the powers of attorney authorised by the Notary Public of Barcelona Salvador Carballo Casado on 12.01.06.

At the General Meeting held on 13 April 2007, the shareholders reached an unanimous agreement, under the terms contained in said resolutions and as briefly summarised below:

1. To empower the Board of Directors of the company in accordance with the provisions of Article 153.1.D of the Corporations Law, without prior consultation with the General Meeting to increase the share capital up to half the capital of the Company on that date, taking into account the capital increases which may have been performed by virtue of resolutions Five and Thirteen of the same Meeting. They may exercise this power within five years as from the date of the resolution, in one or more times and in the opportunity, amount and conditions they may freely decide.

2. To delegate in the Board of Directors the power to issue debentures, bonds and other fixed income securities of a similar nature, both simple and swappable for shares in the Company, in any other company whether or not it belongs to the Group and/or convertible in the Company shares. This delegation may also be used to issue promissory notes, preference holdings (if legally admissible) and warrants (options to subscribe new shares or old shares in the Company). The issue of these securities under delegation may be made in one or more times, within a period of 5 years as from the date the resolution, and for a maximum amount of one hundred million Euros.

3. To authorise the Board of Directors to proceed with the derivative acquisition of own shares under the terms listed below:

a). The acquisition may be carried out as a purchase/sale, swap or accord and satisfaction, in one or more times, provided that the shares acquired, added to those already held by the Company do not exceed 5% of the share capital.

b). The price or equivalent value between the minimum equivalent to their face value and a maximum equivalent to the closing price of the Company's shares on the Continuous Market at the time of acquisition. Notwithstanding the above, in the case of share acquisitions which may be agreed prior to the listing of the shares, and in particular for the acquisition of own shares as part of the implementation of a possible tranche of employees, the maximum amount shall be that determined for the retail tranche of the Offering.

c). The term of validity of the authorisation shall be 18 months as from the day following the resolution.

Express authorisation was also given for the acquisition of the Company's shares by any of the subsidiaries under the same terms of this resolution.

The shares acquired as a result of this authorisation may be allocated for disposal or amortisation as a result of applying the remunerative systems described in paragraph three of section 1 of Article 75 of the Corporations Law.

4. To delegate in the Board of Directors with the powers to substitute any of its members, all and any powers which are necessary to interpret, execute and carry out the resolutions adopted in the General Meeting, the power to substitute which was used by the Board in favour of the President and Chief Executive Officer Jorge Gallardo Ballart and in favour of the Vice President Antonio Gallardo Ballart via resolutions adopted at the meetings held on 13 April and 11 May 2007, respectively.

13. Significant resolutions

No significant resolutions are recorded as regards changes in the control of the Company or between the Company and its Administrative and Management personnel or Employees in relation to compensation for resignation, dismissal or takeover bids.

Laboratorios
Almirall, SA
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Spain
Tel. 93 291 30 00
Fax 93 291 31 80

Barcelona, 2 April 2008

I, EDUARDO SANCHIZ YRAZU, IN MY CAPACITY AS MEMBER OF THE BOARD OF DIRECTORS OF LABORATORIOS ALMIRALL, S.A. DECLARE THAT:

C) THE CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS ALMIRALL AND SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2007 WERE FORMULATED BY THE BOARD OF DIRECTORS OF LABORATORIOS ALMIRALL ON 28 MARCH 2008, AT WHICH MEETING I WAS PRESENT.

D) A COPY OF THE AFOREMENTIONED ANNUAL ACCOUNTS IS ATTACHED HERETO, WHICH IS WRITTEN ON 98 PAGES INCLUDING THE PRESENT PAGE. EACH OF THE PAGES OF THE SAID ANNUAL ACCOUNTS IS SIGNED BY ME TO CERTIFY ITS VERACITY AND ACCURACY WITH THAT FORMULATED BY THE BOARD OF DIRECTORS OF LABORATORIOS ALMIRALL ON THE SAID DATE.

SIGNED:

EDUARDO SANCHIZ YRAZU

(MEMBER OF THE BOARD OF DIRECTORS OF LABORATORIOS ALMIRALL, S.A.)