All those documents are available in the Spanish version of the accounts reported to the CNMV.

21st February 2022.

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

Almirall, S.A. and Subsidiaries
(Almirall Group)

Consolidated Financial Statements for the year ending on 31 December 2021, prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

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

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

Almirall, S.A. and Subsidiaries (Almirall Group)

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31

(Thousands of Euros)

ASSETS	Note	31/12/2021	31/12/2020
Goodwill	8	315,966	315,966
Intangible assets	9	916,056	1,009,536
Right-of-use assets	10	20,033	19,320
Property, plant and equipment	11	117,413	113,548
Financial assets	12	80,502	86,518
Deferred tax assets	22	192,500	256,476
NON-CURRENT ASSETS		**1,642,470**	**1,801,364**
Inventories	13	118,632	130,151
Trade and other receivables	14	127,671	111,295
Current tax assets	22	34,054	72,646
Other current assets		11,531	9,991
Current financial investments	12	899	6,025
Cash and cash equivalents	12	206,487	159,642
CURRENT ASSETS		**499,274**	**489,750**
TOTAL ASSETS		**2,141,744**	**2,291,114**

LIABILITIES AND EQUITY	Note	31/12/2021	31/12/2020
Subscribed capital	15	21,573	21,374
Share premium	15	295,785	273,889
Legal reserve	15	4,275	4,189
Other reserves	15	1,023,609	983,126
Valuation adjustments and other adjustments	15	(44,409)	(48,797)
Translation differences	15	26,065	(5,095)
Profit for the year		(40,859)	74,280
EQUITY		**1,286,039**	**1,302,966**
Deferred income	16	-	17,406
Financial debts	17	359,692	224,345
Non-current liabilities from leasing	10	14,162	13,482
Deferred tax liabilities	22	75,852	117,382
Retirement benefit obligations	20	77,883	85,641
Provisions	19	24,505	35,899
Other non-current liabilities	18	22,618	19,434
NON-CURRENT LIABILITIES		**574,712**	**513,589**
Financial debts	17	12,314	248,300
Current liabilities for leasing	10	6,278	6,262
Trade payables	18	177,800	162,143
Current tax liabilities	22	19,471	21,460
Other current liabilities	18	65,130	36,394
CURRENT LIABILITIES		**280,993**	**474,559**
TOTAL LIABILITIES AND EQUITY		**2,141,744**	**2,291,114**

Explanatory Notes 1 to 34, which are attached, as well as the Appendix, are an integral part of the consolidated financial statements as of 31 December 2021.

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

Almirall, S.A. and Subsidiaries (Almirall Group)

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDING ON DECEMBER 31

(Thousands of Euros)

	Note	Fiscal year 2021	Fiscal year 2020
Net turnover	21	827,195	807,427
Other Income	21	9,305	7,062
Operating income		**836,500**	**814,489**
Work carried out on fixed assets	9	8,932	4,941
Supplies	21	(181,752)	(177,442)
Staff costs	21	(188,420)	(177,004)
Depreciation	9, 10 & 11	(119,937)	(123,085)
Net change in valuation adjustments	21	2,728	(3,750)
Other operating expenses	21	(247,584)	(229,005)
Net gains (losses) on disposal of assets	21	(13,871)	(649)
Impairment losses on property, plant and equipment, intangible assets and goodwill	9	(90,844)	(16,197)
Operating profit		**5,752**	**92,298**
Financial income	21	493	1,579
Financial expenses	21	(20,600)	(18,003)
Exchange rate differences	21	2,044	(742)
Valuation gains on financial instruments	17 & 21	3,226	4,106
Earnings before tax		**(9,085)**	**79,238**
Corporate income tax		(31,774)	(4,958)
Net profit for the year attributable to the Parent Company		**(40,859)**	**74,280**
Earnings / (Loss) per Share (Euros):	25		
A) Basic		(0.23)	0.42
B) Diluted		(0.23)	0.42

The Notes 1 to 34 explained in the Notes to the Consolidated Financial Statements and the Appendix are an integral part of the consolidated financial statements for the year ending on 31 December 2021.

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

Almirall, S.A. and Subsidiaries (Almirall Group)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDING ON DECEMBER 31

(Thousands of Euros)

	Note	Fiscal year 2021	Fiscal year 2020
Profit for the year		**(40,859)**	**74,280**
Other comprehensive income:			
Items not to be reclassified to income			
Retirement benefit obligations	20	6,185	(7,232)
Income tax on items that will not be reclassified	22	(1,797)	2,025
Others		-	-
Total items not to be reclassified to income		**4,388**	**(5,207)**
Items that can be reclassified subsequently to income			
Other changes in value		-	(59)
Foreign currency translation differences	15	31,160	(43,617)
Total items that can be reclassified subsequent to income		**31,160**	**(43,676)**
Other comprehensive income for the fiscal year, net of tax		**35,548**	**(48,883)**
Total comprehensive income for the year		**(5,311)**	**25,397**
Attributable to:			
- Owners of the parent company		(5,311)	25,397
- Non-controlling interests		-	-
Total comprehensive income attributable to owners of the parent company derived from:			
- Continuing operations		(5,311)	25,397
- Discontinued operations		-	-

The Notes 1 to 34 explained in the Notes to the Consolidated Financial Statements and the Appendix are an integral part of the consolidated financial statements for the year ending on 31 December 2021.

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

Almirall, S.A. and Subsidiaries (Almirall Group)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDING ON DECEMBER 31

(Thousands of Euros)

					Other reserves			Other comprehensive income			
	Note	**Subscribed capital**	**Share premium**	**Legal reserve**	**Other reserves of the Parent Company**	**Treasury shares of the Parent Company**	**Consolidation reserves**	**Valuation adjustments to equity**	**Translation differences**	**Profit attributable to the Parent Company**	**Equity**
Balance as of 1 January 2020	**15**	**20,947**	**241,011**	**4,172**	**914,155**	**(1,773)**	**774**	**(43,531)**	**38,522**	**105,909**	**1,280,186**
Distribution of profits		-	-	17	191,509	-	(85,617)	-	-	(105,909)	-
Dividends	24	427	32,878	-	(35,434)	-	-	-	-	-	(2,129)
Treasury shares of the Parent Company	15	-	-	-	-	(488)	-	-	-	-	(488)
Total comprehensive income for the year		-	-	-	-	-	-	(5,266)	(43,617)	74,280	25,397
Balance as of 31 December 2020	**15**	**21,374**	**273,889**	**4,189**	**1,070,230**	**(2,261)**	**(84,843)**	**(48,797)**	**(5,095)**	**74,280**	**1,302,966**

					Other reserves			Other comprehensive income			
	Note	**Subscribed capital**	**Share premium**	**Legal reserve**	**Other reserves of the Parent Company**	**Treasury shares of the Parent Company**	**Reserves in consolidated companies**	**Valuation adjustments to equity**	**Translation differences**	**Profit attributable to the Parent Company**	**Equity**
Balance as of 1 January 2021	**15**	**21,374**	**273,889**	**4,189**	**1,070,230**	**(2,261)**	**(84,843)**	**(48,797)**	**(5,095)**	**74,280**	**1,302,966**
Distribution of profits		-	-	86	9,625	-	64,569	-	-	(74,280)	-
Dividends	24	199	21,896	-	(33,841)	-	-	-	-	-	(11,746)
Treasury shares of the Parent Company	15	-	-	-	-	130	-	-	-	-	130
Total comprehensive income for the year		-	-	-	-	-	-	4,388	31,160	(40,859)	(5,311)
Balance as of 31 December 2021	**15**	**21,573**	**295,785**	**4,275**	**1,046,014**	**(2,131)**	**(20,274)**	**(44,409)**	**26,065**	**(40,859)**	**1,286,039**

The Explanatory Notes 1 to 34, which are attached, as well as the Appendix, are an integral part of the consolidated financial statements for the year ending on 31 December 2021.

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

Almirall, S.A. and Subsidiaries (Almirall Group)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDING ON DECEMBER 31

(Thousands of Euros)

	Note	Fiscal year 2021	Fiscal year 2020 (*)
Cash Flow			
Earnings before tax		(9,085)	79,238
Depreciation	9, 10 & 11	119,937	123,085
Valuation adjustments for impairment	9	90,844	16,197
Net gains (losses) on disposal of assets	21	13,871	649
Financial income	21	(493)	(1,579)
Financial expenses	21	20,600	18,003
Exchange rate differences	21	(2,044)	742
Changes in fair value of financial instruments	21	(3,218)	(4,106)
Impacts of the AstraZeneca transaction:			
Incorporation of deferred income AstraZeneca transaction	16 & 21	(17,402)	(52,246)
Change in fair value of financial assets AstraZeneca	12 & 21	(6,934)	(57,020)
		206,076	**122,963**
Adjustments for changes in working capital:			
Change in stocks	13	13,338	(25,329)
Change in trade and other receivables	14	(13,112)	105,976
Change in trade payables	18	11,000	(57,503)
Change in other current assets		3,357	(3,195)
Change in other current liabilities		(8,754)	(1,564)
Adjustments for changes in other non-current items:			
Other non-current assets and liabilities		(1,553)	(2,312)
		4,276	**16,073**
Cash flow from taxes:		**23,500**	**(26,279)**
Net cash flows from operating activities (I)		**233,852**	**112,757**
Cash flow from investment activities			
Interest receivable		28	1,082
Investments:			
Intangible assets	9 & 18	(52,338)	(64,635)
Property, plant and equipment	11	(18,814)	(11,891)
Financial assets	12	(282)	(518)
Divestments:			
Receivables linked to the contract with AstraZeneca (*)	12	13,994	52,007
Financial assets	12	157	438
Net cash flows from investment activities (II)		**(57,255)**	**(23,517)**
Cash flow from financing activities			
Interest payable	17	(6,130)	(6,536)
Equity instruments:			
Dividends paid	24	(11,746)	(2,129)
Acquisition/Disposal of own equity instruments	15	596	(82)
Financial instruments:			
Issuance of bonds and other marketable securities	17	294,411	-
Repayment of bonds and other marketable securities	17	(250,000)	-
Repayment of debts with credit institutions	17	(154,488)	(16,882)
Financial leasing payments	10	(7,772)	(8,289)
Others		251	(6,948)
Net cash flows from financing activities (III)		**(134,878)**	**(40,866)**
Net change in cash and cash equivalents (I+II+III)		**41,719**	**48,374**
Cash and cash equivalents at the start of the reporting period	**12**	**165,667**	**117,293**
Cash and cash equivalents at the end of the reporting period	**12**	**207,386**	**165,667**

(*) Balances for the year 2020 have been reclassified as mentioned in the Note 2-c).

The Explanatory Notes 1 to 34,which are attached, as well as the Appendix, are an integral part of the consolidated financial statements for the year ending on 31 December 2021.

1. Activity of the Group

Almirall, S.A. is the parent company of a Group of companies (hereinafter, the Almirall Group), which is made up of the subsidiaries listed in the Appendix attached to these annual financial statements, the corporate purpose of which consists basically of the purchase, manufacture, storage, marketing and mediation in the sale of pharmaceutical specialities and products, as well as of all types of raw materials used in the preparation of such pharmaceutical specialities and products.

Accordingly, the Parent Company's corporate purpose also includes:

- The purchase, manufacture, storage, marketing and mediation in the sale of cosmetics and of chemical, biotechnological and diagnostic products for human, veterinary, agrochemical and food use, as well as of all kinds of instruments, complements and accessories for the chemical, pharmaceutical and clinical industry.
- Research on active chemical and pharmaceutical ingredients and products.
- The purchase, sale, rental, subdivision and development of plots, land and estates of any nature, with the option of choosing to construct or dispose of these, in full, in part or under the horizontal property regime.
- The provision of prevention services for the undertakings and companies participating in the company pursuant to Art. 15 of Royal Decree 39/1997, of 17 January, which establishes the Prevention Services Regulations, and implementing regulations. This activity may be regulated and carried out jointly for related and participating companies pursuant to Art. 21 of the aforementioned legal text. It is expressly stated that, according to the law, this activity does not require administrative authorisation. This activity may be subcontracted to other specialised entities pursuant to Art. 15 of Royal Decree 39/1997.
- To direct and manage the Company's participation in the share capital of other entities through the appropriate organisation of human and material resources.

Pursuant to the Parent Company's articles of association, the aforementioned corporate purpose may be pursued, in whole or in part, directly by the Parent Company itself or indirectly through shareholding or equity interests, or any other rights or interests in companies or other types of entities, with or without legal personality, with registered office in Spain or abroad, which engage in activities identical or similar to those included in the Parent Company's corporate purpose.

Almirall, S.A. is a public limited company listed on the Spanish Stock Exchanges and included in the Spanish continuous market (*SIBE*). Its registered office is located at Ronda General Mitre,151, Barcelona (Spain). Its headquarters is located at the same address (Ronda General Mitre, 151).

2. Basic principles of presentation of the consolidated financial statements and of consolidation

a) Financial reporting regulatory framework applied to the Group

The consolidated financial statements of the Almirall Group for the year ending on 31 December 2021, which have been obtained from the accounting records kept by the Parent Company and by the other entities comprising the Group, were prepared by the Parent Company's Administrators on 18 February 2022.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, taking into consideration all mandatory accounting principles and rules and valuation criteria, as well as the Spanish Code of Commerce, the Spanish Capital Companies Act and other applicable commercial legislation, so that they give a true and fair view of the equity and financial position of the Almirall Group on 31 December 2021 and of the results of its operations, of the changes in consolidated equity and of the changes in other consolidated comprehensive income and of the consolidated cash flows that have taken place in the Group in the fiscal year ending on that date.

The consolidated financial statements have been prepared using the historical cost method, modified with respect to the recording of financial instruments at fair value, as required by accounting regulations.

However, since the accounting principles and valuation criteria applied in the preparation of the Group's consolidated financial statements for 2021 may differ from those used by some of the Group companies, the necessary adjustments and reclassifications have been made in the consolidation process in order to standardise such principles and criteria and to bring them into line with International Financial Reporting Standards (IFRS).

The Group's consolidated financial statements for 2020 were approved by the Parent Company's General Shareholders' Meeting held on 7 May 2021. These consolidated financial statements for the Group for fiscal year 2021 are pending approval by the Parent Company's General Shareholders' Meeting. Nevertheless, the Parent Company's Board of Directors expects that these consolidated financial statements will be approved without any changes.

b) Adoption of International Financial Reporting Standards

The consolidated financial statements of the Almirall Group for the year ending on 31 December 2005 were the first to be prepared in accordance with International Financial Reporting Standards, as established in Regulation (EU) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002. In Spain, the obligation to present consolidated financial statements under IFRS approved in Europe was also regulated in Final Provision Eleven of Law 62/2003, of 30 December, on fiscal, administrative and social measures.

The main accounting policies and valuation standards adopted by the Almirall Group are presented in Note 5.

With respect to the application of IFRS, the main choices made by the Almirall Group are as follows:

- To present the consolidated balance sheet by classifying its elements as current and non-current.
- To present the consolidated income statement by classifying its elements by type.
- To present the consolidated cash flow statement using the indirect method.
- To present income and expenses in two separate statements: a consolidated income statement and a consolidated comprehensive income statement.

As detailed below, new accounting standards (IAS/IFRS) and interpretations (IFRIC) entered into force in 2021. Furthermore, as of the date of preparation of these consolidated financial statements, new accounting standards (IAS/IFRS) and interpretations (IFRIC) have been published and are expected to come into force for accounting periods beginning on or after 1 January 2022.

Standards, amendments and interpretations are mandatory for all FYs beginning on or after 1 January 2021:

IBOR Phase-2 Reform and Exemption from the temporary application of IFRS 9 with IFRS 4.

Standards, amendments and interpretations that have not yet entered into force but may be adopted in advance:

At the date of preparation of these consolidated financial statements there are no standards, amendments and interpretations by the IASB or the IFRS *Interpretations Committee* that can be applied in advance.

Standards, amendments and interpretations of existing standards that cannot be adopted in advance or have not been adopted by the European Union

At the date of preparation of these consolidated financial statements, the IASB and the *IFRS Interpretations Committee* had published the standards, amendments and interpretations detailed below, which are pending adoption by the European Union:

Amendments to IAS 37 "Provisions, contingent liabilities and contingent assets": Provisions for contracts for pecuniary interest; amendments to IAS 16 "Property, plant and equipment": Consideration prior to intended use; amendments to IFRS 1 "First-time adoption of IFRS" on exceptions to the treatment of translation differences; amendments to IFRS 9 "Financial instruments" to determine the costs of changes to financial liabilities; and other amendments in relation to the classification of liabilities

as current or non-current, definitions of accounting estimates, details of accounting policy and deferred tax arising from assets and liabilities with origin in a one-off transaction.

As indicated above, the Group has not considered the early application of the Standards and interpretations detailed above, and in any case the Group is analysing the impact that these new standards/amendments/interpretations may have on the Group's consolidated financial statements, should they be adopted by the European Union.

c) Comparison of information:

There have been no significant changes in the composition of the Group that would significantly affect the comparability of the balance sheet figures as of 31 December 2021 with those as of 31 December 2020. The same is true of the comparability of those in the consolidated income statement for the fiscal year ending on 31 December 2021 with those for the fiscal year ending on 31 December 2020. In this regard, the Group has changed the classification criteria for the cash flows associated with the proceeds from the sale made in previous years to AstraZeneca (see Note 12), and these proceeds will now be classified as investment cash flows in the comparison year 2020.

Regarding the impact of COVID-19, the main impacts that could affect the comparability of the information in these consolidated financial statements are detailed in Note 33.

d) Functional currency

These consolidated financial statements are presented in euros, since this is the currency of the main economic environment in which the Group operates. Foreign operations are recorded in accordance with the policies described in Note 5-r).

e) Estimates

The consolidated income and the determination of consolidated equity are sensitive to the accounting principles and policies, valuation criteria and estimates used by the Parent Company's Administrators in preparing the consolidated financial statements. In the consolidated financial statements for the year ending on 31 December 2021, estimates made by the Group's management and by the management of the consolidated entities were occasionally used and subsequently ratified by the Parent Company's Administrators in order to quantify certain assets, liabilities, income, expenses and obligations that are reported in the estimates. Basically, these estimates refer to:

- Impairment losses on certain items from property, plant and equipment, intangible assets and goodwill arising from the non-recoverability of the carrying amount recorded for these assets (Notes 5-d), 7-e), 8 and 9).
- The useful life of intangible assets and of the property, plant and equipment (Notes 5-0 and 5-c)).
- Evaluation of the recoverability of deferred tax assets (Note 22).
- The fair value of certain unlisted financial assets (Note 5-j), 7-a) and 12).
- Definition of the precise assumptions for determination of the actuarial liability for the retirement benefit obligations in coordination with an independent expert (Note 5-l)).

Although these estimates were made on the basis of the best information available on 31 December 2021 about the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in subsequent years, which, in accordance with IAS 8, would be done prospectively, recognising the effects of the change in estimate on the corresponding consolidated income.

3. Principles of consolidation and changes in the scope of consolidation

a) Principles of consolidation

The accompanying consolidated financial statements have been prepared from the accounting records of Almirall, S.A. and of the companies controlled by it. The financial statements of the latter are prepared by the administrators of each company.

The subsidiaries of the Almirall Group that are detailed in the Appendix have been included in the consolidation process.

Subsidiaries are all entities over which the Group exercises control. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the investee entity and has the ability to influence those returns through the power to direct the entity’s relevant activities. Subsidiaries are consolidated from the date on which control is transferred to the Group. They cease to be consolidated starting from the date on which control ceases.

The criteria followed to determine the consolidation method applicable to each of the companies comprising the Almirall Group have been of full consolidation, since these are companies in which the direct or indirect shareholding is greater than 50% and over which the Group exercises effective control due to the majority of votes in their representative and decision-making bodies. Consequently, all significant balances and effects of transactions between consolidated companies have been eliminated in the consolidation process.

The consolidation of the results generated by the companies acquired in the course of a fiscal year is handled by including only those results for period between the date of acquisition and the end of that fiscal year. At the same time, the consolidation of the results generated by the companies disposed of in a fiscal year is carried out by including only those results for the period between the beginning of the fiscal year and the date of disposal.

When necessary, the financial statements of subsidiaries are adjusted so that the accounting policies used are consistent with those used by the Group’s Parent Company.

When the Group ceases to have control, any retained interest in the entity is revaluated at fair value on the date that control is lost, with the change in the carrying amount recognised in income. The fair value is the initial carrying amount for purposes of subsequent accounting for the retained interest as an associated company, joint venture or financial asset. In addition, any amount previously recognised in other comprehensive income for that entity is recognised as if the Group had sold the related assets or liabilities directly. This could mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement.

In addition, the accompanying consolidated financial statements do not include the tax effect that might arise as a result of including the income and reserves generated by the subsidiaries in the equity of the Parent Company, since, pursuant to IAS 12, as the Parent Company controls its subsidiaries, it is considered that no transfers of reserves giving rise to additional taxation will be made and, if may happen, it would not be significant.

A list of subsidiaries and information related with them (including their name, country of incorporation and the Parent Company's percentage of shareholding in their capital) are provided in the Appendix to these Notes to the consolidated financial statements.

As of December 31, 2021 and 2020, two of the companies included in the scope of consolidation are considered inactive (Almirall Europa Derma, S.A. -formerly Almirall Aesthetics. -formerly called Almirall Aesthetics. S.A.- and Laboratorios Tecnobío S.A.). There are no other companies outside the consolidation perimeter.

b) Variations in the scope of consolidation

During the years ending on 31 December 2021 and 2020, there has been no change in the companies included within the Group's scope of consolidation.

4. Flexible dividend

When a dividend is approved, which may be settled in cash or through the issuance of bonus shares, at the investor's option, i.e. delivery of shares for a determined value, the Group recognizes the corresponding liability with a charge to reserves for the fair value of the free allocation rights delivered. If the investor chooses to subscribe for bonus shares, the Group recognizes the corresponding capital increase. If the investor chooses to receive the dividend, the Group derecognizes the liability with a credit to cash paid.

At the date of preparation of these consolidated financial statements, the Board of Directors of Almirall, S.A. has agreed to propose to the General Shareholders' Meeting the distribution of a dividend charged to unrestricted reserves for the amount of €34.2 million (equivalent to €0.19 per share). For the purposes of this dividend distribution, it is proposed to use the "Flexible Dividend" shareholder remuneration system, which has already been applied in previous years. In this system, the shareholders are offered an alternative option that allows them to receive bonus shares in the Parent Company without limiting their option to receive an amount of cash equivalent to the dividend payment (see subsequent event indicated in Note 34).

5. Accounting criteria

The consolidated financial statements of the Group for the year ending on 31 December 2021 have been prepared by the Parent Company's Administrators in accordance with International Financial Reporting Standards (IFRS), as approved by the European Union pursuant to Law 62/2003 of December 30.

The main valuation standards used to draw up these consolidated financial statements, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and also with the interpretations in force at the time these consolidated financial statements were prepared, were as follows:

a) Goodwill

The Group applied the exception provided for in IFRS 1 "First-time Adoption of International Financial Reporting Standards" and therefore only business combinations carried out on or after January 1, 2004, the date of transition to IFRS-EU, were recorded using the acquisition method. Acquisitions of entities made prior to that date were recorded in accordance with the previous generally accepted accounting principles, after taking into account the necessary corrections and adjustments at the transition date.

The Group has applied IFRS 3 "Business Combinations" as revised in 2008 for transactions carried out on or after January 1, 2010.

In business combinations, the Group applies the acquisition method.

The excess between the consideration given and the net amount of assets acquired and liabilities assumed, less the value assigned to non-controlling interests, is recorded as goodwill.

The Group recognizes the assets acquired and liabilities assumed at their fair value at the date of acquisition.

Goodwill is not amortized but is tested for impairment on an annual basis or earlier if there are indications of a potential loss in the value of the asset. For these purposes, the goodwill resulting from the business combination is allocated to each of the Group's cash-generating units (CGUs) or groups of CGUs that are expected to benefit from the synergies of the combination and the criteria referred to in section d) (impairment) of this Note are applied. After initial recognition, goodwill is measured at cost less accumulated impairment losses.

Internally generated goodwill is not recognized as an asset.

b) Intangible assets

Intangible assets are initially recognised at acquisition cost (separately or through a business combination) or at production cost and subsequently measured, when appropriate, at their cost minus accumulated amortisation and any impairment losses.

They may have an "indefinite useful life" when, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the period during which they are expected to generate net cash flows for the consolidated entities; in all other case they will have a "finite useful life".

Intangible assets with indefinite useful lives are not amortised, although, at the end of each reporting period, the consolidated entities review their respective remaining useful lives to ensure that they continue to be indefinite or, if not, to proceed accordingly.

Intangible assets with finite useful lives are amortised on the basis of their useful lives, applying criteria similar to those adopted for the amortisation of property, plant and equipment, and these criteria are basically equivalent to the following amortisation rates (determined on the basis of the average years of estimated useful life of the various items):

	Annual percentage
Industrial property	6%-10%
Computer applications	18%-33%

The consolidated entities recognise any impairment loss on the carrying amount of these assets with a charge to "Impairment losses on property, plant and equipment, intangible assets and goodwill" in the consolidated income statement. The criteria for recognising impairment losses of these assets and, when applicable, reversal of impairment losses recorded in previous years are similar to those applied for property plant and equipment (Note 5-d)).

Development costs

- Internal development

The costs of research activities are recognised as an expense in the period in which they are incurred.

Expenses incurred internally as a result of the development of new drugs by the Group are only recognised as assets if all of the following conditions are met or can be demonstrated:

i. It is possible from the technological standpoint to complete the production of the drug so that it can be made available for use or sale.
ii. There is an intention to complete the development of the drug in question for use or sale.
iii. There is capacity to use or sell the drug.
iv. The asset will generate economic benefits in the future. Among other things, the existence of a market for the drug that has been developed or for the development itself can be demonstrated, or, if it is to be used internally, then the usefulness of the development for the Group is proven.
v. The availability of adequate technological, financial or other resources to complete development and to use or sell the drug resulting from ongoing development.
vi. The ability to reliably measure the expenditure attributable to this development until its completion.

The development of new drugs is subject to a high degree of uncertainty due to the long maturation period of the drugs (usually several years) and of the technological results obtained in the different testing phases of the development process. In any of the different stages of the development process, it may be necessary to abandon development, either because the new drugs do not meet medical and regulatory standards or because they do not adhere to profitability thresholds. For these reasons, the Group considers that the uncertainty is only overcome once the developed product is approved by the competent authorities in a relevant market. From this moment on, the Group considers that the conditions for the capitalisation of development expenses have been met.

Development costs with a finite useful life that are eventually recognised as an asset are amortised starting from the product's regulatory approval on a straight-line basis over the period in which it is expected to generate benefits.

During fiscal years 2021 and 2020, development costs of €8.9 million and €4.9 million, respectively, have been capitalised for projects related to products that are currently being commercialised in various markets (Note 9).

- Separate acquisition

The acquisition separately or through a business combination of an ongoing research and development project is always capitalised pursuant to Para. 25 of IAS 38, since the price paid for the acquisition reflects expectations about the probability that the future economic benefits of the asset will be realised by the Group; in other words, the price paid reflects the probability of success of the project. When the Group acquires intangible assets with payments contingent on future events it recognises them using the aggregate cost model.

Development costs acquired with a finite useful life that are capitalised are amortised starting on regulatory approval of the product (which is when it is transferred to industrial property) on a straight-line basis over the period in which they are expected to generate benefits.

Development costs (internal and acquired) previously recognised as an expense will not be recognised as an asset in a subsequent period.

Industrial property

Patents, trademarks and licences for the production, marketing and/or distribution of products are initially recorded at acquisition cost (separately or through a business combination) and are amortised over the estimated useful lives of the products to which they relate (straight-line method), subject to the limit, if applicable, of the term of the licence agreements signed with third parties.

Expenses arising from the development of an item of industrial property that is not economically viable are recognised in full in income for the year in which this fact becomes known.

Computer applications

The Group records the acquisition and development of computer programmes in this account. Maintenance costs for computer applications are charged to the consolidated income statement for the year in which they are incurred.

Computer applications may be contained in a tangible asset or have physical substance, thus incorporating both tangible and intangible elements. These assets are recognised as property, plant and equipment if they form an integral part of the related property, plant and equipment and are indispensable for its operation.

Computer applications are amortised on a straight-line basis over a period of between three and six years from the start-up of each application.

c) Property, plant and equipment

Property, plant and equipment are valued at cost (determined by separate acquisition or acquisition through a business combination).

Replacements or renewals of entire items that increase the useful life of the related asset, or its economic capacity, are recorded as an increase in property, plant and equipment, and the items replaced or renewed are derecognised.

Periodic maintenance, upkeep and repair expenses are charged to income on an accrual basis as a cost for the year in which they are incurred.

Items in progress are transferred to property, plant and equipment in operation at the end of the corresponding development period.

The annual tangible asset depreciation charge is recognised with a balancing entry in the consolidated income statement and is basically equivalent to the depreciation rates determined on the basis of the years of estimated useful life, although, of course, the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated.

The average useful lives of the various items are detailed below:

	Years of useful life
Construction	33-50
Technical installations and machinery	6-12
Other facilities and tools	3-12
Laboratory furnishings and equipment	6-10
Information processing equipment	4-6
Transport elements	5-6.25

The income resulting from the disposal or retirement of an asset is calculated as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

d) Impairment of property, plant and equipment, intangible assets and goodwill

At each consolidated balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, then the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the asset does not generate cash flows on its own that are independent of other assets, then the Group calculates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets for which amortisation has not commenced are tested for impairment at least at the end of each year, and whenever there are indications of impairment prior to the end of each year.

The recoverable amount is defined as whichever is greater: either fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and that also reflects any risks specific to the asset for which the estimated future cash flows have not been adjusted. Value in use has been calculated by applying both cash flows and an after-tax discount rate. As indicated in the details below, the discounted cash flow rate has been evaluated by the Group and is considered reasonable. The fact of using these variables (discount rate and cash flows) before or after taxes does not significantly change the result of the analysis conducted.

The recoverable amount shall be calculated for an individual asset, unless the asset does not generate cash inflows that are largely independent of those corresponding to other assets or groups of assets. If this is the case, the recoverable amount is determined for the Cash Generating Unit (CGU) to which it belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, then the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated income statement.

Losses related to the impairment of the CGU initially reduce, if applicable, the value of the goodwill assigned to the CGU and then to the other assets of the CGU, pro rata based on the book value of each of the assets, with the limit for each of them being the higher of their fair value less costs of disposal, their value in use and zero.

When an impairment loss subsequently reverses (a circumstance not permitted in the case of goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount. This is increase is implemented in such a way, however, that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior fiscal years. A reversal of an impairment loss is recognised immediately as income in the consolidated income statement, up to that limit.

In the case of goodwill, the impairment analysis, which is conducted at the intervals described in Note 5-a), is conducted in three steps: First of all, the recoverable amount of goodwill specifically allocated to cash-generating units is assessed (if possible). Secondly, the loss assignable to the assets included

in the cash-generating unit is assessed, and any relevant impairment is recorded, as described above. Next, the recoverable amount of the unallocated goodwill is calculated by incorporating all associated cash-generating units. In the event that an impairment loss on goodwill must be recognised, this loss is not reversible (Note 5-a)).

In general, the methodology used by the Almirall Group for impairment tests, which employs the value in use of assets assigned to CGUs with goodwill, relies on the estimation of cash flow projections drawn from financial budgets approved by the Management, which cover a 5-year period. Cash flows beyond the 5-year period are extrapolated using the standard growth rates indicated below.

The methodology used by the Almirall Group to carry out the impairment tests for intangible assets (Note 9), which are not subject to amortisation because marketing has not begun for each associated product, draws on detailed financial projections that cover a range from 10 to 18 years (depending on the expected useful life of the asset). To these projections a probability of success of the project is applied, and a residual income is estimated for the following years applying a growth rate that depends on the type and age of the products and is in keeping with experience with the products.

The methodology used by the Almirall Group to perform impairment tests on intangible assets subject to amortization is based on detailed financial projections ranging from 5 to 15 years, depending on the expected useful life of the asset.

The estimated financial projections for each cash-generating unit or asset consist of estimated after-tax net cash flows. The latter are determined, in turn, based on the estimated sales and gross margins and other expected costs for that cash-generating unit. The projections are based on reasonable and well-founded assumptions.

The main assumptions used in the impairment tests for the years ending on 31 December 2021 and 2020 were as follows:

Asset or Cash-Generating Unit	Book assets as of 31 December 2021 *(Thousands of euros)*	Assumption 2021 (*)	Assumption 2020 (*)
Almirall LLC (previously Aqua Pharmaceuticals, LLC)	Goodwill: -	p.t.d.: 7%	p.t.d.: 7%
		a.t.d.: 7%	a.t.d.: 7%
	Intangible assets: 23,929	t.v.: (15)%	t.v.: (15)%
	Goodwill: -	p.t.d.: 7%	p.t.d.: 7.3%
Almirall LLC ("Allergan portfolio")		a.t.d.: 7%	a.t.d.: 7%
	Intangible assets: 275,160	t.v.: (5)% - (15)%	t.v.: (5)% - (15)%
	Goodwill: 227,743	p.t.d.: 10.4%	p.t.d.: 10.5%
Almirall Hermal GmbH (CGU)		a.t.d.: 7%	a.t.d.: 7%
	Intangible assets: 300	t.v.: (2)%	t.v.: (2)%
Terbinafine	Intangible assets:	p.t.d.: 9.9%	p.t.d.: 10.2%
	Third parties: 1,116	a.t.d.: 7%	a.t.d.: 8.5%
	Own network: 4,486	t.v.: (15)%	t.v.: (15)%
Finasteride	Intangible assets:	p.t.d.: 8.8%	p.t.d.: 11.8%
	Third parties: 16,960	a.t.d.: 7%	a.t.d.: 8.5%
	Own network: 3,378	t.v.: (15)%	t.v.: (15)%
Poli Group Marketed (CGU)	Goodwill: 45,416	p.t.d.: 7.6%	p.t.d.: 7.6%
	Intangible assets: 186,331	a.t.d.: 7%	a.t.d.: 7%
Marketing by Third Parties segment		t.v.: (1)%	t.v.: (1)%
Poli Group Marketed (CGU)	Goodwill: 7,400	p.t.d.: 9.7%	p.t.d.: 6.8%
		a.t.d.: 7%	a.t.d.: 7%

Asset or Cash-Generating Unit	Book assets as of 31 December 2021 *(Thousands of euros)*	Assumption 2021 (*)	Assumption 2020 (*)
Own Network segment	Intangible assets: 39,257	t.v.: (2)%	t.v.: (-)%
AstraZeneca license	Intangible assets: 50,316	p.t.d.: 13.4% a.t.d.: 9.0% t.v.: (20)%	p.t.d.: 11.9% a.t.d.: 9.0% t.v .: (20)%
Sun Pharma license	Intangible assets: 81,479	p.t.d.: 13.4% a.t.d.: 9.0% t.v.: (20)%	p.t.d.: 11.3% a.t.d.: 9.0% t.v.: (-)%
Athenex license	Intangible assets: 61,059	p.t.d.: 10.3% a.t.d.: 9.0% t.v.: (15)%	p.t.d.: 11.7% a.t.d.: 9.0% t.v.: (15)%
Dermira license	Intangible assets: 98,043	p.t.d.: 11.2% a.t.d.: 9.0% t.v.: (15)%	p.t.d.: 12.1% a.t.d.: 9.0% t.v.: (15)%
Wynzora	Intangible assets: 12,000	p.t.d.: 11.1% a.t.d.: 9.0% t.v.: (1)%	-

(*) Pre-tax discount rate (p.t.d), after-tax discount rate (a.t.d.), and Terminal Value (t.v.)

The average gross margins for the projected periods of the Cash-Generating Units mentioned range from 53% to 91%.

Management determines the budgeted gross margin based on past performance and on its expectations for market development.

The key variables of the impairment tests performed by the Group largely reflect the sales trend for each of the different drugs, practically all of which are currently in the marketing phase, as well as the discount rates applied.

These variables are drawn from historical experience weighted based on available external information. The change in the assumptions is based on the evidence obtained by the Group from the evolution of the indicators applied.

Below we provide a sensitivity analysis performed on these assets and CGUs, which present changes in their carrying value as of 31 December 2021, restated for reasonably possible variations in key assumptions. For the other undisclosed assets and CGUs, there is no impact due to impairment according to the same variables used.

Cash-Generating Unit	Sensitivity analysis	Impact on value (millions of euros)
Almirall LLC (previously Aqua Pharmaceuticals, LLC)	- Increase / Reduction of estimated net sales by 10%	+ 2 / (4)
	- Increase / Reduction of five points in the growth rate.	+ 2 / (2)
	- Increase / Reduction of 0.5% in the discount rate	(1) / +1
Almirall LLC ("Allergan portfolio")	- Increase / Reduction of estimated net sales by 10%	+ 34 / (36)
	- Increase / Reduction of five points in the growth rate.	+ 30 / (13)
	- Increase / Reduction of 0.5% in the discount rate	(10) / +11

e) Leases

The Group rents different offices, machinery and transportation equipment. Leases are normally for fixed terms of 3 to 5 years, although they may have extension options as described below. Lease terms are negotiated on an individual basis and include a wide range of different terms and conditions. The lease agreements do not impose covenants, but the leased assets cannot be used as collateral for borrowings.

Since 1 January 2019, leases have been recognised as a right-of-use asset and the respective liability on the date on which the leased asset is available for use by the Group. Each lease payment is allocated between liabilities and financial expense. The financial expense is charged to income over the term of the lease so as to produce a constant periodic interest rate on the remaining balance of the liability for each year. The right-of-use asset is amortised on a straight-line basis over whichever is shorter: either the useful life of the asset or the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including payments that are fixed in essence) less any lease incentives receivable
- variable lease payments that depend on an index or rate, and
- lease termination penalties, if the lease term reflects the tenant's exercise of that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, then the incremental borrowing rate is used, which is the rate the tenant would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment under similar terms and conditions.

Given the nature of right-of-use assets, the initial cost recognised is essentially composed of the initial valuation of the lease liability; as a general rule, the initial direct costs or recovery costs are not relevant. Likewise, there are no variable lease payments other than those dependent on a rate or charge.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in income. Short-term leases are leases with a term of 12 months or less. Low-value assets include computer equipment and small items of office furniture.

f) Stocks

Stocks are valued at whichever is lower: either acquisition or production cost, or net realisable value. Production costs include direct material costs and, where applicable, direct labour costs and applicable manufacturing overheads, including also those costs incurred for transport of stocks to their present location and conditions at the point of sale.

Trade discounts, rebates obtained and other similar items are deducted when determining the acquisition price.

The cost price is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in the marketing, selling and distribution processes.

The Group evaluates the net realisable value of stocks at the end of the year and recognises the appropriate loss when they are overvalued. When the circumstances that previously led to the write-down no longer exist or when there is clear evidence of an increase in net realisable value due to a change in economic circumstances, the amount of the valuation adjustment is reversed.

g) Trade receivables for sales and services

Client balances are recorded at amortised cost. The recoverable amount is determined at each balance sheet date and is reduced, where appropriate, by any valuation adjustments to cover balances in which there are circumstances that result in their classification as bad debts.

h) Cash and cash equivalents

Cash and cash equivalents are cash on deposit with the Group, bank deposits payable on demand and financial investments convertible into cash (short-term, highly liquid investments), with a maturity not

exceeding three months from the date of acquisition, which have no significant risk of change in value and which are part of the Group's normal cash management policy.

For the purposes of determining the cash flow statement, the heading "Cash and other equivalent liquid assets" includes the Group's cash and bank deposits maturing in the short term which can be cashed immediately at the Group's discretion without penalty and which are included under the heading "Current financial assets" in the accompanying consolidated balance sheet. The carrying amount of these assets approximates their fair value.

i) Financial instruments (excluding derivative financial instruments)

Financial assets and liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions of the financial instrument.

For the fiscal years ending on 31 December 2021 and 2020, the Group has applied the following valuation standards to its financial instruments:

Financial assets

Classification: pursuant to IFRS 9, the Group classifies its financial assets into the following valuation categories:

- those measured subsequently at fair value (either with changes in other comprehensive income or in income), and
- those that are measured at amortised cost.

The classification depends on the entity's business model for managing financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses must be recorded in income or in other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group had made an irrevocable choice at initial recognition to account for the equity investment at fair value with changes in other comprehensive income.

Recognition and derecognition: Regular-way purchases and sales of financial assets are recognised on the trade date, i.e., the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the Group has substantially transferred all the risks and benefits of ownership.

Valuation: in the case of financial assets that are not at fair value through profit or loss (FVTPL), on initial recognition, the Group measures these at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. In contrast, the transaction costs of financial assets recorded at fair value through profit or loss (FVTPL) are recognised as an expense in the income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely the payment of principal and interest.

Debt instruments

Subsequent valuation of debt instruments depends on the Group's business model for managing the asset and on the asset's cash flow characteristics. There are three valuation categories into which the group classifies its debt instruments:

- Amortised cost: Assets held for collection of contractual cash flows when those cash flows represent only payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the income statement for the fiscal year and is recorded in other gains / (losses) together with gains and losses due to exchange rate differences. Impairment losses are presented as a separate item in the income statement.
- Fair value with changes in other comprehensive income: Assets held to collect contractual cash flows and to sell financial assets are measured at fair value through other comprehensive income when the cash flows from the assets only consist of payments of principal and interest.

Changes in the carrying amount are recognised in other comprehensive income, except for the recognition of impairment gains or losses, ordinary interest income and foreign exchange gains or losses, which are recognised in the income statement. When the financial asset is derecognised, the accumulated gain or loss previously recognised in other comprehensive income is reclassified from equity to income and recognised in other gains/(losses). Interest income from these financial assets is included in interest income using the effective interest rate method. Gains and losses due to exchange rate differences are recorded in other gains and losses, while impairment expense is recorded as a separate item in the income statement.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are recognised at fair value through profit or loss. A gain or loss on a debt investment that is subsequently recognised at fair value through profit or loss is recognised in income and recorded net in the income statement within other gains/(losses) in the fiscal year in which it arises.

Equity instruments

The Group subsequently values all investments in equity at fair value. When the Group's Management has elected to present gains and losses in fair value of equity investments in other comprehensive income, then there is no subsequent reclassification of gains and losses in fair value to income following derecognition of the investment. Dividends from such investments continue to be recognised in profit for the fiscal year as other income when the company's right to receive the payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains / (losses) in the income statement when applicable. Impairment losses (and reversals of impairment losses) on equity investments measured at fair value with changes in other comprehensive income are not presented separately from other changes in fair value.

Impairment

The Group evaluates the expected credit losses associated with its assets prospectively at amortised cost and at fair value with changes in other comprehensive income. The method used for impairment depends on whether there has been a significant increase in the credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires that expected lifetime losses are recognised starting from the initial recognition of the receivables, see Note 14 for further details.

Financial liabilities

Trade accounts payable are payment obligations for goods or services acquired from suppliers in the ordinary course of business. Accounts payable are classified as current liabilities if payments are due within one year or less (or due within the normal operating cycle, if this cycle is longer). Otherwise, they are presented as non-current liabilities.

Trade accounts payable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are initially recognised at fair value less transaction costs incurred. Subsequently, financial debts are valued at amortised cost; any difference between the funds obtained (net of the costs necessary to obtain them) and the redemption value is recognised in the consolidated income statement during the term of the debt in accordance with the effective interest rate method.

Fees paid to obtain credit facilities are recognised as debt transaction costs whenever it is probable that some or all of the facility will be drawn down. In this case, fees are deferred until the amount is drawn down. To the extent that it is not probable that all or part of the credit line will be drawn down, the fee is capitalised as an advance payment for liquidity services and is amortised over the period of availability of the credit facility.

The fair value of the liability component of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until it is extinguished upon conversion or maturity of the bonds. The remaining income earned is allocated to the conversion option which is recognised and included in shareholders' equity, net of the income tax effect.

Financial debt is retired from the balance sheet when the obligation specified in the contract has been paid, cancelled or expired. The difference between the carrying amount of a financial liability that has been settled or transferred to another party and the consideration paid, including any asset transferred other than cash or the liability assumed, is recognised in income for the fiscal year as other financial income or expense.

When the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt-for-equity swap), then a profit or loss is recognised in income for the fiscal year in the amount of the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Loans at subsidised or zero interest rates are forms of government aid. Any loans of this sort granted are recognised based on the fair value of the financing received; differences arising between the fair value and the nominal value of the financing received are treated as a subsidy.

Classification of financial assets and liabilities as current and non-current

In the accompanying consolidated balance sheets, financial assets and liabilities are classified by their dates of maturity, i.e., those maturing in twelve months or less from the consolidated balance sheet date are classified as current, and those maturing in more than twelve months as non-current.

j) Derivative financial instruments

The Group's activities expose it mainly to exchange rate risks, due to the marketing of products through licensees and subsidiaries in countries with currencies other than the euro, but the Group is also exposed to interest rate risks due to the Parent Company's indebtedness (Note 31).

At the beginning of each hedging transaction, the Group documents the relationship between the hedging instruments and the hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at inception and on an ongoing basis, of whether derivatives used in hedging transactions are highly effective in offsetting changes in fair value or cash flows of hedged items.

Derivatives are initially recognised at fair value at the date the derivative contract is signed and subsequently remeasured at fair value at each balance sheet date. The accounting for subsequent changes in fair value depends on whether the derivative has been designated as a hedging instrument and, if it has been, on the nature of the item it is hedging. In the past, the Group has arranged derivatives in the following cases:

- Hedges of changes in estimated cash flows arising from financial assets and liabilities, commitments and highly probable forecast transactions that an entity expects to carry out ("cash flow hedges"), such as forward exchange rates to cover relevant payments in foreign currencies.
- Cash flow hedges that qualify for hedge accounting, such as "collars" to hedge interest rate fluctuations.

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument.

The entire fair value of a derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is greater than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

As of 31 December 2021 and 2020, the Group had no financial instruments that qualified for hedge accounting.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in income and are included in other gains / (losses).

See Note 17 for a description of the derivative financial instruments existing as of 31 December 2021 and 2020.

k) Provisions and contingencies

When preparing the consolidated financial statements, the Parent Company's Administrators distinguish between:

- Provisions: credit balances covering obligations existing at the balance sheet date derived from past events which may give rise to outflows of financial resources that are of a specific nature but of uncertain amount and/or timing, and
- Contingent liabilities: possible obligations derived from past events that will become manifest only if one or more future events beyond the control of the consolidated entities occurs or fails to occur.

The Group's consolidated financial statements include all significant provisions for which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities that do not result from a business combination are not recognised and are detailed in Note 26.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are re-estimated at the end of each reporting period, are used to address the specific, probable risks for which they were originally recognised, and are reversed, in whole or in part, when these risks disappear or decrease.

(i) Ongoing legal proceedings and/or claims

The Group's activities fall within a highly regulated sector (health legislation, intellectual property, etc.), which increases its exposure to potential litigation arising from its activities.

The claims and litigation to which the Group is subject are generally complex, meaning that their evolution can be highly uncertain, both as regards the probability of an outcome detrimental to the Group's interests and as regards the estimate of potential future disbursements to be made. As a consequence, it is necessary to use judgements and estimates, with the support of the relevant legal consultants.

At year-end 2021 and 2020, various legal proceedings and claims were in progress against the Group arising from its normal course of business. Both the Parent Company's legal consultants and its Administrators consider that the provisions recorded are sufficient and that the conclusion of these proceedings and claims will not have a significant impact on the consolidated financial statements for the years in which they are concluded.

(ii) Provision for restructuring

The Group recognises restructuring costs when it has detailed plans to proceed with the restructuring by identifying, at least: the business activities involved, the main locations affected, the job descriptions and approximate number of employees who will receive severance compensation after their services will become unnecessary, the disbursements to be made, the possible dates on which the detailed plans will be implemented and when a valid expectation has been induced among those workers affected, either by having started to implement the plans or by having announced their main features to them.

l) Cost of retirement benefits (or post-employment benefits)

The Group’s companies Almirall Hermal, GmbH, Almirall AG and Polichem, S.A. have obligations for retirement benefits (or post-employment benefits). The obligations of Almirall AG and Polichem, S.A. are negligible in relation to the Group's consolidated financial statements. As for the obligations assumed by Almirall Hermal, GmbH, these benefits are structured into two defined benefit plans that were frozen in 2017 and a defined contribution plan with employer contributions.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to a fund and has no legal or constructive obligation to make additional contributions if the fund does not have sufficient assets to pay benefits to all employees connected with services rendered in the current and prior fiscal years. Defined benefit plans, in contrast, establish the amount of benefits an employee will receive at retirement, usually based on one or more factors such as age, years of employment and salary.

In defined benefit plans, the contingencies covered are retirement, risks to active life, death and disability, for those employees with seniority prior to 30 June 2002, and the benefits consist of a pension

determined, basically, by the pensionable salary. The commitment assumed is in an internal fund, with the corresponding provision, and there are no assets assigned to the plans (Note 20).

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation as of the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the interest rates from high quality corporate bonds expressed in the same currency in which the benefits will be paid, and whose terms to maturity are similar to those of the respective obligations. In countries where no market for this type of bonds has developed, the market rates for government bonds are used.

The amount of the commitments assumed has been determined by applying the following criteria:

- Method of calculation: the calculation method used in the actuarial valuations has been the "proportional crediting year by year" or "projected unit crediting" method. The value of the pension obligations has been calculated based on the present value of the benefits agreed, taking into account the number of years that the staff has been employed and the remaining years until their retirement.
- Actuarial assumptions: the main assumptions used to calculate the actuarial valuation of these commitments were as follows in 2021 and 2020:

2021	Almirall Hermal, GmbH	Almirall, AG	Polichem, S.A.
Mortality tables	Heubeck 2018G	BVG 2020 GT	BVG 2015 GT
Discount rate	0.90%	0.20%	0.20%
Rate of salary increase	2.25%	1.50%	1.00%
Rate of benefit increase	1.75%	0.75%	1.00%
Turnover rate	Variable according to age and gender	8.38%	-
Retirement age	65 - 67	64 - 65	64 - 65

2020	Almirall Hermal, GmbH	Almirall, AG	Polichem, S.A.
Mortality tables	Heubeck 2018G	BVG 2015 GT	BVG 2015 GT
Discount rate	0.50%	0.20%	0.25%
Rate of salary increase	2.25%	1.25%	1.00%
Rate of benefit increase	1.75%	0.50%	0.00%
Turnover rate	Variable according to age and gender	7.71%	-
Retirement age	65	64 - 65	64 - 65

Actuarial gains and losses arising from adjustments made based on experience and on changes in actuarial assumptions are charged or credited to equity in "Other comprehensive income" in the reporting period in which they arise.

Past service cost arises as a result of modifications to the benefits provided under a defined benefit plan. It may involve an improvement or a reduction in the benefits covered by the plan.

IAS 19 requires that past service cost be recorded directly in the consolidated income statement for the year in which the plan is modified. The entity recognises an expense when the change results in an improvement in benefits (positive past service cost), and it recognises income, when benefits are reduced (negative past service cost).

If new benefits are incorporated into a defined benefit plan, then this will have an immediate impact on the income statement, and it will not be possible to defer the expense corresponding to those benefits that have not yet been accrued during the vesting period.

The discount rates used in the calculation are set according to actuarial advice based on published statistics and experience in each territory.

The defined contribution plans, in turn, provide coverage for contingencies similar to the defined benefit plans described above for all employees. The contributions are made to non-related entities, such as insurance companies, and the amount recognised as an expense in 2021 and 2020 amounted to €1.6 and €1.8 million, respectively.

Once the contributions have been paid, the Group has no further payment obligations. Contributions are recognised as employee benefits when accrued.

m) Severance payments

Severance payments are made to employees as a result of the Group's decision to terminate their employment contract before the normal retirement age or when the employee agrees to voluntarily resign in exchange for these benefits. The Group recognises these benefits when it has demonstrably committed to dismiss current employees in accordance with a detailed official plan without the possibility of revocation. When an offer is made to encourage voluntary resignation of employees, severance payments are valued based on the number of employees expected to accept the offer.

n) Government subsidies

Government subsidies to cover current expenses are recognised as income, once all conditions have been met, in the periods in which they offset the related costs, and they are deducted in the relevant presentation of expense.

Government subsidies related to property, plant and equipment are treated as deferred income and are recorded in income over the course of the expected useful lives of the relevant assets.

o) Revenue recognition

Revenue is recognised when control of a good or service is transferred to the customer (thus the concept of control replaces the previous concept of risks and benefits).

The Group recognises revenue when it satisfies a performance obligation by transferring the agreed goods or services to customers, and revenue is recorded at an amount that reflects the consideration that the Group expects to receive.

In this context, the Group recognises revenue from contracts with customers based on a five-step model established in IFRS 15:

- Step 1. Identification of customer contracts: A contract is defined as an agreement between two or more parties, which creates enforceable rights and obligations and establishes criteria that must be met for each contract. Contracts may be written, verbal or implied by virtue of a company's customary business practices.
- Step 2. Identification of separate performance obligations: A performance obligation is a commitment in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determination of the contract transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for the transfer of promised goods or services to a customer, without taking into account amounts collected on behalf of third parties. Such consideration promised in a contract with a customer may consist of fixed amounts, variable amounts, or both.
- Step 4. Allocation of the transaction price to the separate performance obligations of the contract: In a contract that has more than one performance obligation, the Group allocates the transaction price among the performance obligations in amounts that represent the consideration to which the Group expects to be entitled in exchange for fulfilling each performance obligation.
- Step 5. Recognition of ordinary income when (or to the extent that) the Group fulfils a performance obligation. The Group fulfils a performance obligation and recognises income over time if any of the following criteria are met:

i. The Group's performance does not create an asset with an alternative use for the Group, and the Group has an enforceable right to payment of what has been completed to date.
ii. The Group's performance creates or enhances an asset that the customer controls to the extent that the asset is created or enhanced.
iii. The customer both receives and consumes the benefits provided by the Group's performance to the extent that the Group completes performance.

For performance obligations where none of the above conditions are met, income is recognised when the performance obligation is fulfilled.

When the Group fulfils a performance obligation by delivering the promised goods or services, it creates a contractual asset in the amount of the consideration obtained from the performance.

When the amount of consideration received by a customer exceeds the amount of revenue recognised, this generates a contractual liability.

Below are the details of the main activities through which the Group generates operating income from contracts with customers, which are included under the heading of "Net turnover" in the consolidated income statement:

(a) Income from long-term contracts for licences granted to different "partners" (commercial partners)

The Group has long-term contracts for licences granted to the various "partners" (commercial partners) with whom it works in the various countries where the Group markets its products. The following types of income are derived from these contracts:

- Sales, either of raw materials or of any product that has undergone modification in a production process. Given that this component of income is differentiated from the other components of the contracts, as well as the fact that the price at which these transactions are carried out is a market price, such income is recorded under the heading of "Net turnover", in keeping with previous years.
- Royalties to be collected linked to the sales figures of the "partners" (commercial partners). They are recognised based on sales made. This income is recorded under the heading "Net turnover".
- Amounts receivable associated with milestones related to certain sales levels from different "partners" (commercial partners). In general, the milestones to which they are associated have a contingent nature, and as such, the amount is recognised at the date of achievement of the contingent milestone in order to remunerate sales that have already been made. This income is recorded under the heading "Net turnover".
- Collections for assignments or sales of trademarks or intellectual property considered equivalent to products, either for a specific period or perpetually.

(b) Income from sales of licences for development and subsequent commercialisation

In the components of sales contracts where certain rights for development and subsequent marketing are assigned, and where there is significant ongoing involvement by the Group during the development period, the portion of the upfront payment allocated to this component is deferred on a straight-line basis to the consolidated income statement during the expected period of development. This constitutes a sale of the rights to a licence, which the Group also engages in with other companies, which besides implying a continued involvement of the Group during the development period of the molecules will generate income from milestones and future royalties, like any other type of sale or collaboration that Almirall engages in with other companies.

p) Income tax, deferred tax assets and liabilities

The expense for Spanish corporate income tax and similar taxes applicable to foreign consolidated entities is recognised in the consolidated income statement, except when it results from a transaction the results of which are recorded directly in equity, in which case the related tax is also recorded in equity.

Almirall, S.A. is subject to Corporate Income Tax under the Spanish Tax Consolidation regime according to Chap. VI of Title VII of Law 27/2014, of 27 November, on Corporate Income Tax. The

companies that make up the Group for tax purposes for fiscal years 2021 and 2020 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas Almirall, S.A., Laboratorios Tecnobío, S.A., Ranke Química, S.A. and Almirall Europa Derma, S.A.; for all of these, the first company mentioned acts as parent company. Consequently, the consolidated corporate income tax expense includes the benefits derived from the application of tax loss and tax credit carryforwards that would not have been recorded if the companies comprising the tax group had been taxed individually.

Income tax represents the sum of the current income tax expense for the year and the change in recognised deferred tax assets and liabilities.

The income tax expense for the year is calculated based on the taxable income for the year. The taxable income differs from the net income presented in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and also excludes items that are never taxable or deductible. The Group's current tax liabilities (or assets) are calculated using tax rates that have been enacted or substantially enacted as of the consolidated balance sheet date. Management periodically evaluates positions taken in tax returns in situations where the applicable tax regulation is subject to interpretation, and, if necessary, it establishes provisions based on the amounts expected to be paid to the tax authorities.

Deferred tax liabilities are the amounts of income tax payable in the future related to taxable temporary differences, while deferred tax assets are the amounts of income tax recoverable due to the existence of deductible temporary differences, deferred tax assets eligible for compensation or deductions pending application. For these purposes, a temporary difference is defined as the difference between the carrying value of assets and liabilities and their taxable base. These amounts are recorded by applying the tax rate at which they are expected to be recovered or settled to the corresponding temporary difference or credit. However, deferred taxes are not recognised if they arise from the initial recognition of an asset or liability in a transaction, other than a business combination, that, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets identified with temporary differences and other deferred tax assets (tax loss carryforwards and tax credits carryforwards) are only recognised if it is considered probable that the consolidated entities will have sufficient taxable profits in the future against which they can be offset. At the end of each accounting period, the deferred taxes recorded (both assets and liabilities) are reviewed to verify that they are still valid, and the appropriate adjustments are made in accordance with the results of the analyses conducted. In the analysis of the recovery of deferred tax assets, the monetization of deductions generated by research and development is considered.

Finally, in application of IFRIC 23 "Uncertainty over income tax treatment", the Group classifies liabilities arising from this rule under the heading of "Other non-current liabilities" (Note 18).

q) Interest cost

General and specific interest costs that can be attributed directly to the acquisition, construction or production of qualifying assets, which are those assets that necessarily require a substantial period of time before they are ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Interest income earned on the temporary investment in specific loans pending their use for qualifying assets is deducted from interest costs eligible for capitalisation.

Other borrowing costs are recognised in income in the year in which they are incurred.

r) Transactions in foreign currency

The Group's presentation currency is the euro. Consequently, all balances and transactions expressed in currencies other than the euro are considered to be expressed in "foreign currency".

The translation of foreign currency balances into euros is carried out in two consecutive stages:

i. Translation of foreign currency to the functional currency of the subsidiaries:

   Transactions in foreign currencies carried out by consolidated entities are initially recorded in their respective financial statements at the equivalent value in their functional currencies resulting from applying the exchange rates in effect on the dates on which the transactions are carried out. Subsequently, for presentation purposes in their separate financial

statements, consolidated entities translate monetary balances receivable or payable in foreign currencies into their functional currencies using year-end exchange rates. Exchange differences are charged and/or credited to their income statements.

ii. Translation to euros of balances held in the functional currencies of subsidiaries whose functional currency is not the euro.

Balances in the financial statements of consolidated entities whose functional currency is not the euro are translated into euros as follows:

- Assets and liabilities, by applying the year-end exchange rates.
- Income and expenses and cash flows, by applying average exchange rates for the year.
- Equity, at historical exchange rates.

Adjustments in goodwill and in fair value arising on the acquisition of a foreign entity are considered assets and liabilities of the foreign entity and are translated at the year-end exchange rate. Differences arising in the translation process are recognised in Other comprehensive income and are shown under the heading "Translation differences" in Equity. Such translation differences are recognised as income or expense in the consolidated income statement in the year in which the investment is realised or disposed of.

During consolidation, exchange differences arising from the translation of any net investment in foreign business and from debt and other financial instruments designated as hedges for these investments are recognised in other comprehensive income. When a foreign business is sold or any financial debt that forms part of the net investment is repaid, the associated exchange differences are reclassified to income for the fiscal year as part of profit or loss on the sale.

s) Environmental assets

Assets of an environmental nature are defined as assets that are used on a long-term basis in the operations of the Almirall Group companies for the main purpose of minimising environmental impacts and protecting and recovering the environment, including the reduction or elimination of future pollution from the Group's operations. The annual cost, as well as the investments and the carrying value at the end of each year, are detailed in Note 30.

The Group also has photovoltaic panels at some of its production facilities to produce energy for self-consumption. These assets are valued, as any tangible asset, at acquisition or production cost.

The companies depreciate these items on a straight-line basis over the estimated remaining useful lives of the various items.

The Group also incurs expenses related to environmental preservation activities, as also detailed in Note 30.

t) Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period that can be attributed to the Parent Company by the weighted average number of ordinary shares outstanding during the period, excluding the average number of treasury shares held for the entire period.

Diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted by the weighted average number of ordinary shares that would be issued if all potential ordinary shares were converted into ordinary shares of the Parent Company. For these purposes, the conversion is deemed to take place at the beginning of the period or at the time of issue of the potential ordinary shares if these have been issued during the period itself.

u) Consolidated cash flow statement

The following terms are used in the consolidated cash flow statement with the following meanings:

- Cash flows: inflows and outflows of cash and cash equivalents; short-term, highly liquid investments with low risk of changes in value are understood as cash flows.

- Operating activities: activities typical of the company, as well as other activities that cannot be classified as investing or financing activities.
- Investment activities: the acquisition, sale or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the amount and composition of equity and liabilities that are not part of operating activities.

For the purposes of determining the consolidated cash flow statement, the heading "Cash and other equivalent liquid assets" includes the Group's cash and bank deposits that will mature in the short term that can be cashed immediately at the Group's discretion without penalty included under the heading "Current financial investments" in the accompanying consolidated balance sheet. The carrying amount of these assets approximates their fair value.

v) Remuneration systems linked to share value

On 14 February 2008, for the benefit of certain Executives, the Board of Directors of the Parent Company approved a long-term variable compensation plan linked to the value of the Company's shares or "Stock-Equivalent Units Plan" (hereinafter the SEUS Plan), which was ratified by the General Shareholders' Meeting held on May 9, 2008.

Under the Plan, the Parent Company undertakes to grant the Executives a long-term variable remuneration linked to the value of the Parent Company's shares, provided that certain requirements and conditions are met, and this remuneration is paid in cash. The liabilities, calculated as described in IFRS 2, as of 31 December 2021 and 2020, are disclosed in Note 28.

w) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new shares or options are presented in equity as a reduction, net of taxes, to the income obtained.

When any Group entity acquires shares of the Company (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income tax) is deducted from equity attributed to holders of equity instruments in the Company until cancellation, reissue or disposal of the treasury shares acquired. When these shares are subsequently reissued, all amounts received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributed to equity holders in the Company.

6. Changes in accounting policies

In the year ending on 31 December 2021, there have been no significant changes in the Group's accounting policies, nor have new standards come into force that have an impact on the comparability of these consolidated financial statements with respect to those of the year ending on 31 December 2020.

7. Critical accounting judgements and estimates

Estimates and judgements are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations regarding future events that are believed to be reasonable under the circumstances. In addition, due to the uncertainty generated by the COVID-19 pandemic, Note 33 describes additional impacts that this could have on these consolidated financial statements and the accounting judgements and estimates made as of 31 December 2021.

a) Recognition of income and fair value of revenue to be collected

Part of the income generated by the Group comes from the transfer of rights, from the assignment to third parties of the use of licences for products developed by the Almirall Group or from granting access to third parties to products under development. The agreements that serve as the basis for such transfers, assignments or access are usually complex in nature and include elements such as:

- Non-refundable upfront fees.
- Charges for the achievement of certain milestones (development, sales, etc.).

- Royalties.
- Determination of the future supply price of the product in question between the parties.

In this regard, a detailed analysis of each of the components of the agreements and of the agreements in their entirety is required in order to determine an appropriate allocation to income for each of the elements of the agreements.

As a consequence of the transaction with AstraZeneca UK Limited carried out in November 2014, Almirall, S.A. signed an agreement with AstraZeneca UK Limited through which it transferred the rights to part of its respiratory franchise, which included several components that implied receiving various payments in cash and other deferred payments dependent on certain future milestones. As a result of this transaction, the following impacts are reflected in these consolidated financial statements:

- Sale of Eklira (aclidinium) and Duaklir (a combination of aclidinium/formoterol): treated for accounting purposes in 2014 as a sale of business (transfer of assets, rights, etc., together with the employees, forming a business unit, without significant future commitments or obligations for Almirall). This transaction was recorded at the fair value of the agreed consideration (the portion of the upfront payment allocated plus the fair value of potential future payments for milestones, sales and royalties), and the assets in the consolidated balance sheet related to this business were derecognised. The result of this was recorded under "Other income" in the income statement for the fiscal year 2014.

As a result of this transaction, a financial asset was generated, valued at fair value at the end of each year with changes in income, and consisting of the following future collection components established in the sales contract related to the future development of the commercial activity of the Eklira business unit:

- "Milestones events": milestones related to the first launches and achievement of reference prices in certain countries, taking into account the probability of achieving them.
- "Sales-related payments": milestones related to reaching a certain level of sales. At the end of December 2021 and 2020, there are none outstanding.
- "Potential payments": milestones related to the collection of royalties, linked to sales achieved in each future fiscal year. Sales revenue is related to the sales variable derived from sales reported by AstraZeneca at the end of the year of the respective consolidated financial statements.

The fair value of this transaction was determined upon initial recognition by an independent expert. The method used consisted of discounted cash flows adjusted for the probability of success of certain risks associated with the different phases of the products. Using this method, the future cash flows generated by the asset are estimated (converted from USD to euros at the exchange rate according to the range of dates stipulated in the agreement) and for the estimated period of time of commercialisation taking into account the expiration of the patent, and these estimated future cash flows are adjusted for estimated probabilities of success. These probabilistic cash flows are discounted at a rate that reflects the current required rate of return on the market and the specific risks of the asset. The impacts on the fair value of the asset are detailed in Note 12.

The main assumptions and considerations applied in the valuation of financial assets as of 31 December 2021 are as follows:

- Level of sales achieved for each of the fiscal years in a given territory.
- Discount rate: depending on the countries where cash flows will be obtained, resulting in an overall weighted average of approximately 9.9%.
- Assigned probabilities of success: it affects the assessment of milestones events.

For the purposes of the sensitivity analysis, restated for reasonably possible variations, as regards the valuation made on 31 December 2021, the following points must be taken into consideration:

- By reducing/increasing the estimated sales revenue for the fiscal years 2022 to 2035 by 5% a year, the impact would be a decrease/increase of the financial asset by €(2.9)/2.9 million, respectively.

- By reducing/increasing the discount rate used by 1%, the impact would be an increase/decrease of the financial asset by €(2.3)/2.3 million, respectively.
- By reducing/increasing the probabilities assigned to milestone events by 5%, the impact would be a decrease/increase of the financial asset by €2.4/(2.2) million, respectively.

Sales of licences for development and subsequent commercialisation: in the components of the sales contracts by virtue of which certain rights were transferred for development and subsequent commercialisation, when Almirall continues to be significantly involved during the development period, the portion of the upfront payment assigned to this type of components is deferred on a straight-line basis to the consolidated income statement, and their allocation ended in October 2021 (see deferred income in Note 16). Once the product in question has been commercially launched, if applicable, future royalties will be recognised for accounting purposes in accordance with sales achieved for the product.

b) Valuation of intangible assets - Acquisition of developments in progress

These are the Group's acquisitions of marketing rights for certain products that are in the development phase (Note 9), which meet the characteristics for recognition at the initial moment under IFRS (Note 5-0). These assets will be depreciated over the respective useful lives of the corresponding products starting from the moment that these products obtain regulatory approval. At the end of each accounting period, the Group is responsible for assessing the recoverability of these assets through the generation of positive cash flows in the future according to the best estimates of the Group's technical and financial managers. For this purpose, a discounted cash flow model must be applied that involves a degree of uncertainty inherent in the consideration of the various possible scenarios. A change in the assumptions made in the valuation of the expected cash flow (interest rate fluctuations, regulatory changes, final approval of the expected regulated prices, competition from other products, etc.) could reduce the realisable value of these assets (Note 9).

Payments contingent on the purchase of marketing rights for certain products that are in the development stage are capitalised when incurred to the extent that they reflect the achievement of certain milestones (e.g., obtaining regulatory approval or reaching a certain sales threshold), which serves to confirm the increased value of the asset in question. Conversely, when contingent payments are linked to the performance of normal development stage activities that do not meet the condition for capitalisation or linked to royalties on future sales, they are recognised in the consolidated income statement when incurred.

In this regard, a detailed analysis of contingent payments is required to determine whether they should be capitalised or charged to the income statement when incurred.

c) Provision for contingent liabilities (litigation, etc.)

The Group's activities fall within a highly regulated sector (health legislation, intellectual property, etc.), which increases its exposure to potential litigation arising from its activities.

The claims and litigation to which the Group is subject are generally complex, meaning that their evolution can be highly uncertain, both as regards the probability of an outcome detrimental to the Group's interests and as regards the estimate of potential future disbursements to be made Group. As a consequence, it is necessary to use judgements and estimates, with the support of the relevant legal consultants.

At the end of the fiscal years ending on 31 December 2021 and 2020, various legal proceedings and claims were in progress against the consolidated entities arising from the ordinary course of their business. Both the Group's legal consultants and its Administrators believe that the conclusion of these proceedings and claims will not have a significant effect on the consolidated financial statements for future years (Note 26).

d) Deferred tax assets

In determining deferred tax assets whose recoverability is considered reasonably assured, the Group establishes a finite time horizon for offsetting them based on the best estimates made. Accordingly, the expected period of application of deferred tax assets has been determined using an estimate of the individual taxable income of the companies comprising the Group; moreover, the legal deadlines for use of these assets also takes into account the timetable for the use of deductions pending application as well as tax losses subject to offset in subsequent years (Note 22). Nevertheless, the Group has

considered a time horizon of up to 10 years as a probable scenario for recoverability of these deferred tax assets, and hence it did not include in the recognition of the assets any tax credits that, according to the estimates of generation of future taxable income, would require a longer period. Even though the tax legislation would allow inclusion of tax credits requiring more than 10 years for recovery, the Group does not consider the forecast beyond the time horizon of 10 years as a probable scenario.

e) Impairment of goodwill and intangible assets

The determination of the potential impairment loss of goodwill, as well as of any intangible assets with possible indications of impairment, requires the use of judgements and estimates regarding their recoverable value. These judgements and estimates rely mainly on the determination of the cash flows associated with the relevant cash-generating units and on certain assumptions regarding the interest rates used in the discounted cash flows (Note 5-d) and 8). The use of other assumptions in the analysis of the recoverable value of goodwill and intangible assets could give rise to other considerations regarding their impairment.

8. Goodwill

The changes in this heading in the consolidated balance sheet during 2021 and 2020 were as follows:

	Thousands of Euros						
	Balance as of 31 December 2019	Variations due to exchange rate	Valuation adjustment	Balance as of 31 December 2020	Variations due to exchange rate	Valuation adjustment	Balance as of 31 December 2021
Almirall, S.A.	35,407	-	-	35,407	-	-	35,407
Almirall Hermal, GmbH	227,743	-	-	227,743	-	-	227,743
Poli Group	52,816	-	-	52,816	-	-	52,816
Total	**315,966**	**-**	**-**	**315,966**	**-**	**-**	**315,966**

The goodwill of Almirall, S.A., the net value of which amounts to €35.4 million, arose in 1997 from the difference between the value at which the shares of Prodesfarma, S.A. were recorded and the underlying book value of this company at the time of the merger by absorption of this company by the Parent Company, once the unrealised gains arising from property, plant and equipment and financial assets had been assigned to the other assets.

The goodwill of Almirall Hermal, GmbH arose as a result of the difference between the acquisition value in 2007 of the shares of the Hermal Group companies and their theoretical value at the time of acquisition, after assigning to the identifiable assets and liabilities the difference between their fair value and the value at which they were recognised in the financial statements of the companies acquired, where applicable. The cash-generating unit to which this goodwill is allocated, in accordance with the segmentation and monitoring policies of the financial information maintained by Almirall Group management, is the company Almirall Hermal, GmbH, as a whole.

Poli Group's goodwill arose as a result of the difference between the acquisition value in February 2016 of the shares of Poli Group companies and their underlying value at the time of acquisition once the difference between their fair value and the value at which they were recorded in the financial statements of the acquired companies had been allocated to identifiable items of assets and liabilities.

Impairment losses

At the end of the fiscal year ending on 31 December 2021, the recoverable amount of all goodwill for which impairment tests have been performed has been estimated based on calculation of value in use of the CGUs to which they are assigned, as described in Note 5-d). In the cases related to Cash-Generating Units, these calculations use cash flow projections based on financial budgets approved by Management that cover a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates indicated in Note 5-d).

Impairment losses are recorded under the heading "Impairment losses on property, plant and equipment, intangible assets and goodwill" in the accompanying consolidated income statement (see Note 21).

As of 31 December 2021 and 2020, according to the estimates and projections available to the Parent Company's Administrators, the forecasts of results and discounted cash flows for the remaining cash generating units adequately support the carrying amounts of the related assets and, therefore, the related goodwill.

Goodwill is assigned to the respective subsidiaries, except for the goodwill of Almirall, S.A., which is assigned to the Parent Company, since in general the CGUs coincide with the activity of these companies.

See Note 5-d) for details of the sensitivity analyses conducted.

9. Intangible assets

The itemisation of the balance and changes in this heading in the accompanying consolidated balance sheets as of 31 December 2021 and 2020 is as follows:

Thousands of euros	Balance as of 31/12/2020	Recognitions	Transfers	Derecognitions	Translation differences	Balance as of 31/12/2021
Industrial property	1,821,574	39,689	61,135	(66,606)	62,466	1,918,258
Development costs[1]	89,069	10,530	(25,940)	(1,390)	1,232	73,501
Computer applications	103,955	3,933	6,924	(18,780)	97	96,129
Advances and property, plant and equipment in progress	152,658	23,494	(42,119)	(12,677)	1,686	123,042
Total cost Intangible assets	2,167,256	77,646	-	(99,453)	65,481	2,210,930
Accum. A. Industrial property	(803,660)	(91,168)	-	22,149	(18,408)	(891,087)
Accum. A. Development costs	(888)	-	-	-	(471)	(1,359)
Accum. A. Computer applications	(87,744)	(6,907)	-	15,770	(20)	(78,901)
Total Accum. A. Intangible assets	(892,292)	(98,075)	-	37,919	(18,899)	(971,347)
Impairment losses	(265,428)	(90,844)	-	48,475	(15,730)	(323,527)
Net Value Intangible assets	**1,009,536**	**(111,273)**	**-**	**(13,059)**	**30,852**	**916,056**

[1] Additions to the heading Development expenses include €8,932 thousand of internally generated expenses in the fiscal year ending on 31 December 2021.

Thousands of euros	Balance as of 31/12/2019	Recognitions	Transfers	Derecognitions	Translation differences	Balance as of 31/12/2020
Industrial property	1,900,289	3,217	1,819	(16,761)	(66,990)	1,821,574
Development costs[1]	84,316	4,941	-	-	(188)	89,069
Computer applications	94,859	4,178	5,305	(360)	(27)	103,955
Advances and property, plant and equipment in progress	144,906	19,139	(7,124)	-	(4,263)	152,658
Total cost Intangible Assets	2,224,370	31,475	-	(17,121)	(71,468)	2,167,256
Accum. A. Industrial property	(740,678)	(93,582)	-	14,529	16,071	(803,660)
Accum. A. Development costs	(843)	-	-	-	(45)	(888)
Accum. A. Computer applications	(82,118)	(5,963)	-	313	24	(87,744)
Total Accum. A. Intangible assets	(823,639)	(99,545)	-	14,842	16,050	(892,292)
Impairment losses	(261,716)	(16,197)	-	-	12,485	(265,428)
Net Value Intangible assets	**1,139,015**	**(84,267)**	**-**	**(2,279)**	**(42,933)**	**1,009,536**

[1] Additions to the heading Development expenses include €4,941 thousand of internally generated expenses in the fiscal year ending on 31 December 2020.

The intangible assets described in the table above have finite useful lives, and the majority of them have been acquired from third parties or as part of a business combination, with the exception of the internally generated development costs described below in this Note. There are no assets subject to debt guarantees.

On 11 December 2017, the Group signed an agreement with Athenex, whereby Athenex granted Almirall an exclusive licence to research, develop and commercialise in the United States of America and Europe, including Russia, a first-in-class topical treatment for actinic keratosis, which was in Phase-III development at that time. Athenex is entitled to receive milestone payments related to additional launches and indications of up to US$70 million. In addition, the contract provides for payments for the achievement of sales milestones, estimated at up to US$155 million. The agreement also provides for the payment of tiered royalties starting at 15% in accordance with annual net sales, which will increase in the event of greater sales. Almirall paid US$30 million (€25.1 million) in 2018 for signing the agreement and US$20 million (€17.3 million) in 2019 for meeting certain development milestones. In this context, regulatory approval for the United States was obtained from the FDA on 14 December 2020, while approval for the European Union was obtained from the EMA on 19 July 2021. This product was launched in the first quarter of 2021 in the United States, and in the fourth quarter in the first European markets (Germany and the United Kingdom), with the expectation that it will be launched in the rest of Europe in 2022. In 2021, milestones of US$20 million and US$5 million, respectively (equivalent to €16.5 million and €4.3 million), have been paid for the launch in the United States and Europe.

On 12 February 2019, the Group signed an option and licence agreement with Dermira whereby it acquired the option for exclusive licensing of the rights to develop and market Lebrikizumab for the treatment of atopic dermatitis and other indications in Europe. In 2019 and 2020, the Group made various payments under this agreement (as detailed later in this release) and will be obligated to make additional payments upon achievement of certain future milestones, up to a total of US$85 million upon achievement of regulatory milestones and the first commercial sale of Lebrikizumab in Europe. In addition, the Group will be required to make payments upon reaching certain net sales thresholds for Lebrikizumab in Europe, as well as paying royalties on net sales at percentages from the low double digits to the low twenties range. In February 2019, the Group made a first payment of US$30 million (about €27 million). On 25 June 2019, the Group decided to exercise its option, for which it paid US$50 million (approximately €44 million) on 9 July 2019. Finally, in the last quarter of 2019, the Group paid US$15 million (about €13 million), and in the first half of the year another US$15 million (about €13 million) due to the achievement of certain milestones in Phase-III clinical studies.

During 2021, the main additions of intangible assets came to €77.6 million and largely reflect:

- On 16 February 2021, the Group acquired the European marketing rights to Wynzora® cream for the treatment of plaque psoriasis from MC2 Therapeutics. Wynzora® cream (50 µg/g calcipotriol and 0.5 mg/g betamethasone dipropionate) received FDA approval in the USA on 20 July 2020. The product is currently under review in Europe. For this purpose, two Phase-3 trials have been submitted, including a head-to-head comparison study against the active ingredient Dovobet / Daivobet® Gel. Under the terms of this agreement, the Group has made an initial payment of €5 million in March 2021 and €7 million in September 2021 for regulatory approval of the product in Europe. An additional payment of €3 million is expected to be made in accordance with the achievement of certain product launch milestones, in addition to payments for sales milestone (up to a maximum of €229 million) and double-digit royalties on sales in Europe.

- Pursuant to the licence agreement signed with Athenex, in March 2021, in the wake of the commercial launch in the United States and Europe under the commercial name Klisyri, the Group has made payments for a total amount of US$25 million, (€20.8 million) as previously mentioned, due to the achievement of these product launch milestones.

- In September 2021, the first sales milestone related to the licensing agreement with Sun Pharma was accrued in the amount of US$7.5 million (€6.6 million).

- On 14 December 2021 Almirall and Ichnos Science announced the exclusive licence agreement for ISB 880, an IL-1RAP antagonist. Under the agreement, Almirall has acquired the global rights to develop and market this monoclonal antibody for autoimmune diseases. Ichnos will retain the rights to antibodies targeting the IL-1RAP pathway for oncological indications. Under the terms of the agreement, Almirall will assume full cost and responsibility for the development and global commercialisation of the compound for all autoimmune disease indications. The Group has recorded the initial up-front payment of €20.8 million in the balance sheet on 31 December 2021, the payment having been made on 19 January 2022. The contract

also provides for additional payments for commercial and development milestones (up to a maximum of €225 million), sales milestones (up to a maximum of US$400 million) and tiered royalties based on future global sales.

- As mentioned in Note 5-0, the Group has three development projects that meet the capitalisation criteria. These projects constitute: supporting studies for launch of a product for the treatment of acne in China, a new formulation of a treatment for psoriasis that is already marketed in Europe and studies prior to regulatory approval in the EU of a drug for the treatment of actinic keratosis that is already marketed in the United States. The total amount capitalised in fiscal year 2021 is €8.9 million.

During the 2020 fiscal year, the main additions of intangible assets amounted to €31.5 million and corresponded largely to:

- As a consequence of the Dermira agreement mentioned above, in the first half of 2020 the Group paid US$15 million (about €13 million) due to the achievement of a milestone related to Phase-III clinical studies.
- In the last quarter of fiscal year 2020, two development projects were initiated that met the capitalisation criteria mentioned in Note 5,-0, as outlined previously. The total amount capitalised during fiscal year 2020 came to €4.9 million.

The disposals from fiscal year 2021 can largely be attributed to the option agreement concluded in late 2019 to acquire a development stage pharmaceutical component from Bioniz Therapeutics, Inc.; an upfront payment of US$15 million (approximately €13 million) was made to Bioniz in exchange for the option to acquire all of the company's shares. That agreement stipulated that after the results of the Phase-1/2 study in LCCT, certain biomarker clinical data and the report from the " End of Phase 2" meeting with the FDA have all been made available, Almirall would have 60 days to exercise its option. These conditions became effective on 16 March 2021, the date on which the Group communicated its decision not to exercise this option. As a result, this asset has been derecognised, and a loss of €12.4 million (equivalent to US$15 million) has been recognised under "Net gains/losses on disposal of assets" in the consolidated income statement for the year ending on 31 December 2021 (Note 21). In addition, the rights to develop and commercialise a product in the respiratory field for a total of €45 million (which was fully impaired) have been written off, as any possibility of developing this product has been definitively ruled out.

The derecognitions in fiscal year 2020 were mainly due to the divestment of Ansiolin® (diazepam) in favour of Neuraxpharm in Italy (signed on 25 June 2020). The agreement between Neuraxpharm Italia and Almirall included the two marketed formats of Ansiolin®: Ansiolin® 5 mg tablets and Ansiolin® 5 mg/ml drops, both marketed in Italy. The conditions for this transaction to be completed were met in November 2020, for which the Group received a payment of €14.1 million, obtaining a net result of €12 million from this transaction in 2020.

The translation differences for the fiscal year are mainly due to the evolution of the US dollar's exchange rate, mainly linked to the portfolio of 5 speciality products for the treatment of acne, psoriasis and dermatosis, which were acquired from Allergan Sales, LLC and Allergan Pharmaceuticals International Limited ("Allergan").

The itemisation of the main assets included under the intangible assets heading is as follows, by carrying amount:

(Thousands of Euros)	Carrying amount 31/12/2021	Carrying amount 31/12/2020	Useful life	Remaining useful life (31/12/21)
a) Licenses and other marketing rights as a consequence of the takeover of Allergan's portfolio	275,160	361,024	5-15	2-12
b) Polichem Group: - Licenses and other marketing rights (product technology) as a consequence of the takeover	225,588	246,318	14-18	10-14
- Development costs as a consequence of the takeover	25,940	27,465	10-15	9-14

(Thousands of Euros)	Carrying amount 31/12/2021	Carrying amount 31/12/2020	Useful life	Remaining useful life (31/12/21)
c) Licenses and other marketing rights as a consequence of the marketing agreement with Sun Pharma	81,479	81,600	15	12
c) Licenses and other marketing rights as a consequence of the marketing agreement with AstraZeneca	50,316	58,700	10	6
c) Licenses and other marketing rights as a consequence of the marketing agreement with Athenex	61,059	40,746	10	10
f) Product technology as a consequence of the takeover Aqua Pharmaceuticals (now Almirall LLC)	23,929	50,641	15	7
g) Licenses and other marketing rights as a consequence of the marketing agreement with MC2 Therapeutics	12,000	-	10	10
h) Option and licence agreement with Dermira for the development and marketing of Lebrikizumab	98,043	98,043	In progress	-
i) Licenses and other marketing rights as a consequence of the marketing agreement with Ichnos	20,800	-	In progress	-
Costs for developments made by the company	13,873	4,941	In progress	-
Other intangible assets	27,869	40,058		
Total intangible assets	**916,056**	**1,009,536**		

The aggregate amount of Research and Development Expenses recognised as costs in the consolidated income statement for fiscal years 2021 and 2020 comes to totals of €82.5 million and €83.8 million, respectively. These amounts include both the amount of the amortisation of assets assigned to research and development activities, as well as the expenses incurred by Group employees and expenses incurred by third parties.

Listed below are the main assets included under this heading and their main changes in the 2021 fiscal year:

a) Portfolio of 5 speciality products for the treatment of acne, psoriasis and dermatosis, which were acquired from Allergan Sales, LLC and Allergan Pharmaceuticals International Limited ("Allergan") on 21 September 2018 for €471.2 million (equivalent to US$548 million), corresponding to the trademarks, intellectual property, regulatory approval documents, and the licenses for being the exclusive distributor of the dermatological products in the United States. The change in the year corresponds to the amortisation for the fiscal year 2021 for the amount of €44.9 million (€42.6 million in the year 2020), the impairment losses recorded in 2021 for €68.7 million (there were none in 2020) and the revaluation, as a consequence of the conversion to the currency in which the consolidated financial statements are presented, at a value of +27.7 million euros (-33.7 million euros in 2020).

b) Intangible assets acquired from the Poli Group in 2016, for an amount of 428.4 million euros, mainly for product technology and development costs. Said technology, allocated to each product, was defined as a pool of intangible assets that basically includes product formulation, value of the trademarks or trade names and patents or marketing licenses, and that were grouped together because they were deemed to be interrelated, they had no worth on their own and they were expected to have the same useful life. The estimated value of said product technology was 348.2 million euros. The change in the year corresponds to the amortisation for the fiscal year 2021 for the amount of €20.7 million (€20.7 million in the year 2020). The total development costs (€80.2 million at the initial moment) corresponded to the pipeline of acquired products that were in progress, up to the marketing of the associated products, for which an impairment was recorded in the 2017 fiscal year. In 2021, said assets started to depreciate as they began their commercial life, amounting to €1.5 million.

c) Marketing rights for Europe arising from the agreement with Sun Pharma for the product that treats psoriasis, under the trade name Ilumetri. The change in the year corresponds to the amortisation for the fiscal year 2021 for the amount of €6.5 million (€6.3 million in the year 2020), and the aforementioned additions.

d) Marketing rights for Europe arising from the agreement with AstraZeneca for two products that treats hypertension. The change in the year corresponds to the amortisation for the fiscal year 2021 for the amount of €8.4 million (€8.4 million in the year 2020).

e) Marketing rights for Europe and the United States from the agreement with Athenex, for a product to treat actinic keratosis. This product was in progress as of 31 December 2020. The change in the year corresponds to the amortisation for the fiscal year 2021 for the amount of €4.7 million (0 in 2020), additions for the amount of €20.8 million, and the revaluation, as a consequence of the conversion to the currency in which the consolidated financial statements are presented, at a value of +4.3 million euros, the carrying amount as of 31 December 2021 being €61.1 million.

f) Technology acquired from Almirall LLC (formerly Aqua Pharmaceuticals, LLC) in 2013, said technology, allocated to each product, was defined as a pool of intangible assets that basically includes product formulation, value of the trademarks or trade names and patents or marketing licenses, and that are grouped together because they were deemed to be interrelated, they have no worth on their own and they are expected to have the same useful life. The change in the year corresponds to the amortisation for the fiscal year 2021 for the amount of €5.9 million (€8.2 million in fiscal year 2020), the revaluation, as a consequence of the conversion to the currency in which the consolidated financial statements are presented, at a value of +€1.5 million (-€4.5 million in the fiscal year 2019), and the impairment in the fiscal year 2021 for €22.3 million (€16.2 million in the fiscal year 2020).

g) Marketing rights for Europe arising from the agreement with MC2 Therapeutics for the product for the treatment of psoriasis. As of 31 December 2021, the carrying value amounts to €12 million as a result of the additions in this fiscal year.

h) Development and marketing rights for Europe derived from the agreement with Dermira for the product for the treatment of atopic dermatitis, currently in Phase-III development. There were no changes in 2021.

i) Worldwide development and marketing rights derived from the agreement with Ichnos Science for ISB 880, an IL-1RAP antagonist monoclonal antibody for use in autoimmune diseases. On 31 December 2021, the carrying value came to €20.8 million as a result of the initial up-front fee incurred on 14 December 2021.

Impairment losses

The Group has conducted the impairment analyses for the main intangible assets, both those in progress and those in current operation. The key assumptions used for the impairment analyses, as well as the related sensitivity analyses, are shown in Note 5-d).

The itemisation of and changes in impairment losses on intangible assets recorded during 2021 and 2020 are as follows:

	Thousands of Euros							
	Balance as of 31.12.2019	Additions	Translation differences	**Balance as of 31.12.2020**	Additions	Derecognitions	Translation differences	**Balance as of 31.12.2021**
Industrial property	**203,828**	16,197	(12,488)	**207,537**	90,844	(45,000)	15,730	**269,111**
Development costs	**52,816**	-	3	**52,819**	-	-	-	**52,819**
Computer applications	**5,072**	-	-	**5,072**	-	(3,475)	-	**1,597**
Total impairment losses	**261,716**	**16,197**	**(12,485)**	**265,428**	**90,844**	**(48,475)**	**15,730**	**323,527**

The Group has revised downwards the net sales forecasts for the products linked to the cash-generating units "Almirall LLC" (formerly Aqua Pharmaceuticals, LLC) and "Allergan portfolio". This decline is explained by a slower than expected recovery in prescriptions in the US dermatology market, exacerbated by difficulties in accessing dermatologists, both for patients and for medical sales representatives. In the particular case of "Allergan Portfolio", the main impacts on the re-estimation of future flows derive from:

- In-person visits to doctors are severely restricted due to the pandemic, and these restrictions are expected to continue in the long term.
- Increasing industry cost pressures favouring the use of generics over branded products for acute therapies.
- Increased reimbursement required by pharmaceutical managers to maintain and gain access to formularies.
- Increased value of co-pay coupons and fees required to limit switching from branded to generic products.

As a result of the new estimate made on 31 December 2021, an impairment loss of €90.8 million was recorded in the consolidated profit and loss statement (consisting of €22.2 million relating to the Almirall LLC CGU and €68.6 million relating to the Allergan portfolio CGU, which corresponds entirely to the product marketed with the brand Seysara, the carrying value of which has decreased by roughly 40%; both of these belonging to the "Dermatology USA" segment). After deducting the amortisation for the year ending on 31 December 2021, as well as the impairment, the carrying value of these assets, equivalent to their recoverable amount, comes to €23.9 million and €275.2 million, respectively, on 31 December 2021. The recoverable amount has been defined value in use method.

The impairment in 2020 corresponded to the portfolio acquired in the business combination of Aqua Pharmaceuticals, LLC in 2013 (now Almirall LLC), in the amount of €16.2 million.

As of 31 December 2021, and as a result of the impairment tests conducted as indicated in Note 5-d), the amount of accumulated impairment of Industrial Property and Development Expenses corresponds mainly to:

- Impairment of the "Allergan portfolio", corresponding to the Seysara product for a total of €73 million, as described in the same Note.
- Impairment of technology acquired from Almirall LLC (formerly Aqua Pharmaceuticals, LLC) in 2013 allocated to each product and defined as a pool of intangible assets totalling €171.6 million in 2021 (€138.2 million in 2020).
- Impairment of acquired development costs as a result of the takeover of Polichem Group following the decision to cease development activities on two projects in the United States and one in Europe. The itemisation of which is as follows:
    - i. P 3058 (Onychomycosis) impaired by an amount of €7 million
    - ii. P 3073 (Psoriasis nails) impaired by an amount of €45.7 million
- Impairment of €12 million on marketing rights for various dermatological products acquired from Shire in 2007.

Impairment losses generated or reversed have been recorded under "Impairment losses on property, plant and equipment, intangible assets and goodwill" in the accompanying consolidated income statements for 2021 and 2020.

10. Assets due to right of use

The itemisation of the balance and changes in this heading in the consolidated balance sheet as of 31 December 2021 and 2020 is as follows:

Thousands of euros	Balance as of 31/12/2020	Recognitions	Derecognitions	Translation differences	Balance as of 31/12/2021
Construction	21,460	5,368	(1,080)	143	25,891
Machinery	288	-	(275)	(13)	-
Transport elements	8,886	2,536	(1,863)	26	9,585
Total cost Rights of use	30,634	7,904	(3,218)	156	35,476
Accum. A. Construction	(7,715)	(4,026)	906	(45)	(10,880)
Accum. A. Machinery	(200)	-	195	5	-
Accum. A. Transport elements	(3,399)	(2,819)	1,674	(19)	(4,563)
Total Accum. A. Rights of use	(11,314)	(6,845)	2,775	(59)	(15,443)
Net Value Rights of use	**19,320**	**1,059**	**(443)**	**97**	**20,033**

Thousands of euros	Balance as of 31/12/2019	Recognitions	Derecognitions	Translation differences	Balance as of 31/12/2020
Construction	16,470	6,316	(1,249)	(77)	21,460
Machinery	299	-	(11)	-	288
Transport elements	8,896	2,769	(2,748)	(31)	8,886
Total cost Rights of use	25,665	9,085	(4,008)	(108)	30,634
Accum. A. Construction	(4,305)	(4,433)	1,005	18	(7,715)
Accum. A. Machinery	(100)	(112)	11	1	(200)
Accum. A. Transport elements	(2,989)	(3,199)	2,747	42	(3,399)
Total Accum. A. Rights of use	(7,394)	(7,744)	3,763	61	(11,314)
Net Value Rights of use	**18,271**	**1,341**	**(245)**	**(47)**	**19,320**

This heading includes assets corresponding to leasing contracts, which mainly reflect the leasing of offices and transportation equipment (Note 5-e)).

The additions for the year correspond mainly to the renewal of vehicle contracts for the Group's sales networks and to the estimate of the term of the lease contract for the Group's headquarters (see Note 2-e)).

Payments made in 2021 and 2020 for leases came to €7,772 thousand and €8,289 thousand, respectively.

The itemisation of lease liabilities as of 31 December 2021 and 2020 is as follows, together with their future maturities (which coincide with the minimum future payments):

	Balance as of 31/12/2021	Balance as of 31/12/2020
Liabilities for leasing		
Current	6,278	6,262
Non-current	14,162	13,482
Total	**20,440**	**19,744**

Liabilities for leasing	Maturities	Thousands of Euros
Current	Up to 6 months	3,268
	From 6 months to 1 year	3,010
Non-current	From 1 to 2 years	5,388
	From 2 to 3 years	4,187
	From 3 to 4 years	3,642
	From 4 to 5 years	420
	More than 5 years	525
Total		**20,440**

11. Property, plant and equipment

The changes in this heading in the consolidated balance sheets for 2021 and 2020 were as follows:

Thousands of euros	Balance as of 31/12/2020	Recognitions	Transfers	Derecognitions	Translation differences	Balance as of 31/12/2021
Land and construction	95,684	707	270	(403)	5	96,263
Technical installations and machinery	97,072	1,710	1,555	(4,561)	23	95,799
Other facilities, tools and furnishings	259,072	7,240	2,230	(18,703)	135	249,974
Other property, plant and equipment	24,183	1,028	460	(3,428)	114	22,357
Advances and property, plant and equipment in progress	9,902	8,253	(4,515)	(3)	-	13,637
Total cost Property, plant and equipment	485,913	18,938	-	(27,098)	277	478,030
Accum. A. Land and construction	(48,890)	(2,129)	-	403	(44)	(50,660)
Accum. A. Technical installations and machinery	(63,115)	(3,624)	-	4,514	-	(62,225)
Accum. A. Other facilities, tools and furnishings	(238,288)	(8,739)	-	18,666	(85)	(228,446)
Accum. A. Other property, plant and equipment	(22,072)	(527)	-	3,416	(103)	(19,286)
Total Accum. A. Property, plant and equipment	(372,365)	(15,019)	-	26,999	(232)	(360,617)
Impairment losses	-	-	-	-	-	-
Net value Property, plant and equipment	**113,548**	**3,919**	**-**	**(99)**	**45**	**117,413**

Thousands of euros	Balance as of 31/12/2019	Recognitions	Transfers	Derecognitions	Translation differences	Balance as of 31/12/2020
Land and construction	95,513	187	-	-	(16)	95,684
Technical installations and machinery	95,607	3,347	1,384	(3,263)	(3)	97,072
Other facilities, tools and furnishings	257,859	5,203	4,422	(8,338)	(74)	259,072
Other property, plant and equipment	23,134	1,052	171	(88)	(86)	24,183
Advances and property, plant and equipment in progress	13,892	2,105	(5,977)	(118)	-	9,902
Total cost Property, plant and equipment	486,005	11,894	-	(11,807)	(179)	485,913
Accum. A. Land and construction	(46,721)	(2,209)	-	-	40	(48,890)
Accum. A. Technical installations and machinery	(62,555)	(3,823)	-	3,261	2	(63,115)
Accum. A. Other facilities, tools and furnishings	(237,962)	(8,752)	-	8,319	107	(238,288)
Accum. A. Other property, plant and equipment	(21,219)	(1,012)	-	73	86	(22,072)
Total Accum. A. Property, plant and equipment	(368,457)	(15,796)	-	11,653	235	(372,365)
Impairment losses	-	-	-	-	-	-
Net value Property, plant and equipment	**117,548**	**(3,902)**	**-**	**(154)**	**56**	**113,548**

The additions for fiscal years 2021 and 2020 are largely due to upgrades at the Group's chemical and pharmaceutical production facilities and improvements at the Group's headquarters.

As of 31 December 2021, and 2020, the Group does not hold any non-impaired assets not used in operations.

The transfer of property, plant and equipment in progress made by the Group in the fiscal years ending on 31 December 2021 and 2020 corresponds basically to the transfer of investment projects in the production centres that began operations during those years.

During the year 2021 and 2020, several assets that were fully depreciated and in disuse, mainly consisting of production centres located in Spain, have been written off.

As of 31 December 2021, and 2020, the carrying value of property, plant and equipment owned by subsidiaries located in foreign countries amounts to €23.2 million and €26.9 million, respectively, which are almost entirely in the company Almirall Hermal GmbH, located in Germany, being of little relevance in the rest of the countries.

The Group occupies various facilities under operating leases, as detailed in Note 10.

The Group has taken out insurance policies to cover the possible risks to which the various items of its property, plant and equipment are subject, as well as the possible claims that may arise in the course of its operations, and it considers that these policies sufficiently cover the risks to which these items are subject.

The only asset acquisition commitments are detailed in Note 26.

No property, plant and equipment is subject to any mortgage guarantee.

12. Non-current financial assets/current financial assets/other cash equivalents and other current assets

As explained in Note 5-i) and pursuant to IFRS 9, the Group classifies its financial assets into the following valuation categories:

- those measured subsequently at fair value (either with changes in other comprehensive income or in income), and
- those that are measured at amortised cost.

In this sense, this classification is distributed as follows:

- Financial assets measured at fair value through profit or loss: these assets do not meet the criteria for classification at amortised cost in accordance with IFRS 9 because their cash flows do not represent only payments of principal and interest. Consequently, this item includes the balances receivable arising from the recognition of the sale of a business to AstraZeneca described in Note 7, as well as those derivative financial instruments that do not qualify for hedge accounting.
- Financial assets measured at fair value with changes in other comprehensive income: equity instruments, such as the interest in Suneva Medical Inc. of Dermelle LLC (which were measured at fair value in the year ending on 31 December 2018), are considered to be included under this heading.
- Financial assets measured at amortized cost: this item includes fixed-income investments made mainly through eurodeposits, foreign currency deposits and repos. At the date of initial application, the Group's business model is to hold these investments in order to receive contractual cash flows that represent only payments of principal and interest on the principal amount.

Non-current assets

The itemisation of and changes in this heading in the consolidated balance sheet in 2021 and 2020 are as follows:

	Thousands of Euros		
	Deposits and guarantees	Long-term loans and other financial assets	Total
Balance as of 31 December 2019	**964**	**102,220**	**103,184**
Additions and provisions	510	105	615
Derecognitions	-	(238)	(238)
Transfers	-	(18,357)	(18,357)
Translation differences	(70)	(258)	(328)
Valuation adjustments	-	(3,371)	(3,371)
Changes in fair value (Note 21)	-	5,013	5,013
Balance as of 31 December 2020	**1,404**	**85,114**	**86,518**
Additions and provisions	89	-	89
Derecognitions	-	(1)	(1)
Transfers	-	(13,136)	(13,136)
Translation differences	131	(33)	98
Valuation adjustments	-	-	-
Changes in fair value (Note 21)	-	6,934	6,934
Balance as of 31 December 2021	**1,624**	**78,878**	**80,502**

The item "Financial assets - Long-term loans and other financial assets" includes, mainly in the amount of €78,848 thousand (€85,050 thousand on 31 December 2020), the financial asset corresponding to the fair value of future long-term payments to be received from AstraZeneca as described in Note 7. The change in fiscal year 2021 is mainly due, on the one hand, to the recognition of changes in the fair value of the asset, representing an increase of €6.9 million in this asset and, on the other hand, to the decrease arising from the transfer to the short term for €13.1 million, based on the expectations of the time frame for collection, and with €19,327 thousand classified under the heading "Trade and other receivables" at 31 December 2021 (Note 14).

The change in value of this financial asset during the fiscal year ending on 31 December 2021 is due, on the one hand, to the fluctuation of the euro/US dollar exchange rate for an amount of €4.0 million; the net present value which resulted in income totalling €9.5 million, the change in the discount rate for €1.4 million, as well as the re-estimation of expected flows and probabilities assigned to the various future milestones for the amount of -€8.0 million and, lastly, reduction of the asset due to the collection of royalties for the amount of €14.0 million. As a result, the total amount of €6.9 million of change in fair value is recorded in "Other income" in the consolidated income statement for the fiscal year ending on 31 December 2021 (Note 21).

As indicated in Note 2-c), the proceeds from the sale made during the fiscal year to AstraZeneca, amounting to €52 million, which were previously classified as operating cash flows, have been reclassified as investment cash flows in the comparison year 2020.

Finally, in relation to this asset it should be noted that on 29 October 2021 AstraZeneca announced the agreement with Covis Pharma Group to transfer the global rights to Eklira (aclidinium bromide) and Duaklir (aclidinium bromide/formoterol). This agreement took effect on 5 January 2022 and the estimated impact of this agreement starting in the fiscal year beginning on 1 January 2022 are detailed in Note 34.

There are no other non-current financial assets worthy of mention.

Current financial investments

The itemisation of the balance of this heading in the consolidated balance sheet is as follows:

	Thousands of Euros	
	31/12/2021	**31/12/2020**
Short-term bonds and others	-	4
Short-term deposits	810	5,949
Short-term guarantees	89	72
Total cash equivalents	**899**	**6,025**
Short-term loans	-	-
Derivative financial instruments (Note 17)	-	-
Short-term deposits	-	-
Total non-cash equivalents	**-**	**-**
Total Current financial investments	**899**	**6,025**

In accordance with IAS 7, for the purposes of preparing the Cash Flow Statement, the Group considers as cash equivalents all highly liquid short-term investments that are readily convertible to specific amounts of cash, since the risk of changes in value to which they are subject is negligible (see Note 5-i)). In this regard, in the preparation of the consolidated cash flow statement for the fiscal year, current financial investments, consisting of bank deposits maturing in the short term that can be made liquid immediately at the Group's discretion without any penalty, which on 31 December 2021 come to €899 thousand (€6,025 thousand on 31 December 2020), have been included as cash equivalents.

There are no restrictions on the availability of such cash and cash equivalents.

Details of current and non-current financial investments are as follows:

	Thousands of Euros	
	31/12/2021	**31/12/2020**
Long-term financial assets measured at amortized cost (deposit account)	1,654	1,468
Financial assets at fair value through profit or loss (Financial asset with AZ[1])	78,848	85,050
Financial assets at fair value through profit or loss (Note 17)	-	-
Financial assets at amortized cost (fixed income securities, deposits)	899	6,025
Total	**81,401**	**92,543**

(1) Includes mainly the long-term portion of the fair value of future payments to be received from AstraZeneca on 31 December 2021 and 2020. On 31 December 2021 in the short term there were €19.3 million (€20.2 million on 31 December 2020), classified under the heading "Other receivables" (Note 14).

In addition, the bank accounts included under the headings of Cash were mostly non-interest-bearing during the years ending on 31 December 2021 and 2020.

13. Inventories

On 31 December 2021 and 2020 the composition of this heading is as follows:

	Thousands of Euros	
	31/12/2021	**31/12/2020**
Raw materials and packaging materials	40,422	44,227
Products in progress	16,666	12,941
Merchandises	16,448	17,133
Finished Goods	44,939	55,752
Advances to suppliers	157	98
Total	**118,632**	**130,151**

No inventories are subject to warranty. On 31 December 2021 and 2020, there are no commitments to purchase stock worthy of note.

14. Trade and other receivables

On 31 December 2021 and 2020 the composition of this heading is as follows:

	Thousands of euros	
	31/12/2021	31/12/2020
Trade receivables for sales and services	104,911	95,470
Other receivables	25,834	23,595
Provision for impairment losses	(3,074)	(7,770)
Total receivables	**127,671**	**111,295**

As of 31 December 2021, the heading "Other receivables" mainly includes €19.3 million, which corresponds to the fair value of future payments to be received in the short term from AstraZeneca as described in Note 7-a) and Note 12 of the present consolidated financial statements (€20.2 million as of 31 December 2020).

On 31 December 2021 and 2020, the total overdue and deteriorated balances amount to €3,074 thousand and €7,770 thousand, respectively. In addition, as a result of the application of the "expected loss" model (simplified approach) provided for in IFRS 9 (Note5-i)), the Group has recognised an impairment loss on financial asset balances (Trade receivables) of €1,070 thousand on 31 December 2021 (€1,530 thousand on 31 December 2020). Itemised below is the balance of debtors according to their maturity as of 31 December 2021:

	Thousands of euros			
	Trade receivables for sales and services	Other receivables	Valuation adjustments for impairment	Total receivables
Not matured	94,266	25,834	-	120,100
Less than 30 days	5,988	-	-	5,988
From 30 to 60 days	2,289	-	(706)	1,583
From 60 to 90 days	334	-	(334)	-
From 90 to 180 days	753	-	(753)	-
From 180 to 360 days	331	-	(331)	-
More than 360 days	950	-	(950)	-
Balance as of 31/12/2021	**104,911**	**25,834**	**(3,074)**	**127,671**

The change in the provision for impairment losses on trade and other receivables is included in Note 21. The reduction in the provision in 2021 is mainly due to the cancellation of old customer balances that were finally written off (and therefore had no impact on the income statement for the year).

There is no concentration of credit risk with respect to trade receivables, since the Group has a large number of customers.

As of 31 December 2021, the percentage of balances with public administrations for the hospital business, out of the total receivables, comes to 3.6% (3.1% on 31 December 2020).

There are no guarantees on customer balances.

Customer balances are stated at nominal value, and there are no significant differences compared to their fair value.

The balance of customers in foreign currencies amounted to €57,692 thousand at the end of 2021 (€73,900 thousand at the end of 2020). Given the amounts and associated maturities, the potential impact of exchange rate fluctuations is not considered significant.

15. Equity

Share capital

The Parent Company's share capital as of 31 December 2021 is represented by 179,776,802 shares with a par value of €0.12, fully subscribed and paid up (178,115,627 shares as of 31 December 2020).

On 11 June 2021, an amount of 1,661,175 new shares of the Parent Company from the flexible dividend were admitted to trading on the Barcelona, Madrid, Bilbao and Valencia stock exchanges. These shares were representative of the holders of 64.4% of the rights to be allotted shares at no charge who opted to receive new shares instead of cash. As a result, the share capital of the Parent Company following the issue of fully paid-up shares was increased by €199,341, amounting to €21,573,216.24 on 31 December 2021 (represented by 179,776,802 shares).

As of 31 December 2021, and 2020, all of the Parent Company's shares were listed on the Spanish stock exchanges, and there were no statutory restrictions on their free transfer. Moreover, pursuant to the shareholders' agreement signed on 28 May 2007, first refusal rights and put and call options have been granted between ultimate shareholders in the Parent Company with respect to the shares of one of such shareholders.

The shareholders with significant holdings in the share capital of Almirall, S.A., both direct and indirect, in excess of 3% of the share capital, of which the Parent Company is aware, according to the information contained in the official records of the National Securities Market Commission (CNMV) as of 31 December 2021 and 2020, are as follows:

Name or company name Of the direct shareholder	**% Interest 31/12/2021**	**% Interest 31/12/2020**
Grupo Plafin, S.A.	40.9%	40.9%
Grupo Corporativo Landon, S.L.	18.8%	18.8%
Wellington Management	5.1%	-
Artisan Partners	3.6%	-
Total	**68.4%**	**59.7%**

As of 31 December 2021, and 2020, the Parent Company was not aware of any other holdings equal to or greater than 3% of the share capital or voting rights of the Parent Company which, although less than the established percentage, would enable the exercise of significant influence over the Parent Company.

Legal reserve

The part of the balance of the legal reserve that exceeds 10% of the previously increased capital may be used for a capital increase. Except for the aforementioned purpose, and provided that it does not exceed 20% of share capital, this reserve may only be used to offset losses only if there are no other reserves available sufficient for this purpose.

The amount of €4,275 thousand found in this account as of 31 December 2021 corresponds to the balance of the Parent Company's legal reserve (€4,189 thousand on 31 December 2020).

Share premium

The Spanish Capital Companies Act expressly permits the use of the share premium balance to increase capital and does not establish any specific restrictions on the availability of this balance.

As a result of the increase in capital released as a result of the flexible dividend, this item was increased by the difference between the par value of the shares and the value equivalent to the dividend, which comes to €21,896 thousand, and therefore the balance of this item totals €295,785 thousand on 31 December 2021 (on 31 December 2020: €273,889 thousand).

Other reserves

The itemisation of this account is as follows:

	Thousands of euros	
	31/12/2021	**31/12/2020**
Reserves Investments Canary Islands	3,485	3,485
Reserve amortised capital	30,539	30,539
Reserve merger	4,588	4,588
Revaluation reserve	2,539	2,539
Other voluntary reserves	1,004,863	1,029,079
Subtotal Other reserves of the Parent Company	**1,046,014**	**1,070,230**
Reserves in consolidated companies	(20,274)	(84,843)
Treasury shares	(2,131)	(2,261)
Total other reserves	**1,023,609**	**983,126**

There is a limit on distributions that would reduce the balance of reserves to an amount less than the total outstanding balance of development costs, which come to €8.1 million on 31 December 2021 (€3.3 million on 31 December 2020.)

- Reserves Investments Canary Islands

In compliance with the requirements of Law 19/1994, and in order to be able to benefit from the tax incentives that it establishes, the Parent Company allocates to these Reserves for Canary Islands Investments (RIC) part of the profits obtained by the establishment located in the Canary Islands, which is a restricted reserve since assets of which it consists must remain within the company.

On 31 December 2021 and 31 December 2020, the balance of these reserves comes to €3,485 thousand, included under "Other Reserves of the Parent Company".

- Reserves for amortized capital

In accordance with the revised text of the Spanish Capital Companies Act, these reserves may only be used subject to the same requirements as for the reduction of share capital.

On 31 December 2021 and 31 December 2020, the balance of these reserves amounts to €30,539 thousand.

- Liquidity contract and treasury shares

The Parent Company has a liquidity contract with a financial intermediary, effective 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 of 31 December 2021 the Parent Company holds treasury shares representing 0.08% of the share capital (0.09% on 31 December 2020) and an overall nominal value of €16.8 thousand, which have been recognised in accordance with EU-IFRS. The average acquisition price of these shares was €11.3 per share. The treasury shares held by the Parent Company are intended to be traded on the market.

- Valuation adjustments and other adjustments-

On 31 December 2021, this amount of this item comes to €-44,409 thousand, and on 31 December 2020, to €-48,797 thousand, and it is mainly related with:

- Net accumulated actuarial losses due to recalculations of the valuations of the retirement benefit obligations as a result of changes in the calculation assumptions: €-34,317 thousand on 31 December 2021, and €-35,983 thousand on 31 December 2020.
- Financial assets measured at fair value through other comprehensive income: in accordance with the application of IFRS 9 (see Note 12), the Group recorded under this heading the impairment losses of the investees Suneva Medical Inc and Dermelle LLC. On 31 December 2021 and 31 December 2020, the accumulated balance is €-10,092 thousand.

Translation differences

This heading in the accompanying consolidated balance sheet includes the net amount of exchange differences arising due to translation of equity of companies with a functional currency other than the euro into the Group's reporting currency.

At the close of fiscal years 2021 and 2020, the itemisation of the balance of this heading by companies is shown below:

	Thousands of Euros	
	31/12/2021	31/12/2020
Almirall Limited (UK)	(550)	(1,357)
Almirall, A.G.	461	240
Almirall SP, Z.O.O.	(194)	(182)
Almirall Aps	7	5
Almirall Inc / Almirall LLC (USA)	24,312	(6,352)
Polichem, S.A.	2,029	2,551
Total translation differences	**26,065**	**(5,095)**

The changes in the years ending on 31 December 2021 and 2020 were as follows:

	Thousands of euros
Balance as of 31 December 2019	**38,522**
Variations due to exchange differences	(43,617)
Transfer to profits and loss account	-
Balance as of 31 December 2020	**(5,095)**
Variations due to exchange differences	31,160
Transfer to profits and loss account	-
Balance as of 31 December 2021	**26,065**

The changes in translation differences generated in 2021 and 2020 are entirely due to the variation due to exchange rate differences, mainly derived from the subsidiaries Almirall Inc and Almirall LLC (both U.S. subsidiaries), as well as the exchange differences incurred due to a loan in dollars (with a nominal value on that date of US$199.5 million) granted by the Parent Company to the subsidiary Almirall Inc. Due to the change in the maturity conditions of the loan in 2020, this loan was not expected to be repaid, and so it became part of the net investment in that company. Therefore, from that moment on, the exchange differences on this loan were recognised under this heading of translation differences. Subsequently, on 24 November 2021, Almirall, S.A. proceeded to capitalise the nominal amount of this loan together with the interest pending payment. Hence, from that date on, no additional exchange difference has been generated in the Parent Company.

16. Deferred income

As of 31 December 2021, and 2020, the balance of the heading "Deferred income" has the following composition:

	Thousands of Euros
Balance as of 31 December 2019	**69,652**
Allocation to income (Note 21)	(52,246)
Other changes	-
Balance as of 31 December 2020	**17,406**
Allocation to income (Note 21)	(17,406)
Other changes	-
Balance as of 31 December 2021	**-**

As of 31 December 2021, there is no deferred income pending allocation to the income statement. The main component of the balances as of 31 December 2020 shown in the table above consists of the

amounts not allocated to income for the initial non-refundable incoming payments from the transaction with AstraZeneca described in Note 7-a). As of 31 December 2020, initial incoming payments under the contracts for the transfer of rights to AstraZeneca pending recognition in Income came to €17.4 million.

As of 31 December 2021, €17,406 thousand corresponding to the allocation of deferred income in accordance with the established development plan (€20,839 thousand in 2020) have been recognised under the heading "Net turnover".

In the first quarter of 2020, the Group decided to end its involvement in the development of one of the products. Hence, in 2020, €31,407 thousand, which corresponds to the amount pending deferral as of 31 December 2019, was recognised under the heading "Net turnover".

17. Financial debts

As detailed in Note 5-i), the Group classifies its financial liabilities into the following valuation categories:

- Financial liabilities at fair value with changes in the income statement:

  This heading is considered to include liabilities related with bonds and other marketable securities issued and quoted that the Group may purchase in the short term in accordance with changes in value, a portfolio of identified financial instruments that are managed jointly and for which there is evidence of recent actions to obtain gains in the short term, or derivative financial instruments, provided that it is not a financial guarantee contract and has not been designated as a hedging instrument.

- Financial liabilities valued at amortised cost:

  This heading includes mainly unsecured debentures, debts with credit institutions and (revolving) credit lines. At the date of initial application, the Group's business model is to maintain this financing to pay contractual cash flows that represent only payments of principal and interest on the principal amount.

The composition of debts with credit institutions and other financial liabilities as of 31 December 2021 is as follows:

	Limit	Balance drawn down (*)	Current	Non-current			
				2023	2024	Rest	Total
Financial liabilities at amortised cost							
Credit facilities	275,000	-	-	-	-	-	-
Loans with credit institutions	80,000	75,000	10,000	10,000	10,000	45,000	65,000
Senior unsecured bonds	300,000	294,692	-	-	-	294,692	294,692
Financial liabilities at fair value through profit or loss							
Liabilities for derivative financial instruments	N/A	-	-	-	-	-	-
Accrued interest to be paid	**N/A**	**2,314**	**2,314**	**-**	**-**	**-**	**-**
Total as at 31 December 2021	**655,000**	**372,006**	**12,314**	**10,000**	**10,000**	**339,692**	**359,692**

(*) Balance drawn down net of issuance costs.

The composition of debts with credit institutions and other financial liabilities as of 31 December 2020 was as follows:

	Limit	Balance drawn down (*)	Current	Non-current			
				2022	2023	Rest	Total
Financial liabilities at amortised cost							
Credit facilities	275,000	-	-	-	-	-	-
Loans with credit institutions	230,000	229,345	5,000	10,000	159,345	55,000	224,345
Convertible bond	250,000	239,648	239,648	-	-	-	-
Financial liabilities at fair value through profit or loss							
Liabilities for derivative financial instruments	N/A	2,966	2,966	-	-	-	-
Accrued interest to be paid	**N/A**	**686**	**686**	**-**	**-**	**-**	**-**
Total as at 31 December 2020	**755,000**	**472,645**	**248,300**	**10,000**	**159,345**	**55,000**	**224,345**

(*) Balance drawn down net of issuance costs.

Senior unsecured Notes -

On 22 September 2021, the Parent Company proceeded to conclude and disburse an issuing of senior unsecured Notes for an aggregate nominal amount of €300 million, at a fixed annual interest rate of 2.125%, maturing on 22 September 2026. The funds obtained were mainly used to settle the convertible bond for a nominal amount of €250 million. The Notes have been placed among qualified investors by BNP Paribas and JP Morgan AG as well as coordinating entities. The effective interest rate of these Notes is 2.5% and, as of 31 December 2021, there is unpaid accrued interest of €1,742 thousand.

The debt from these Notes is stated at nominal amount (€300 million) net of issuance costs (which amounted to €5.6 million), which will be recorded over the life of the Notes at amortised cost using the effective interest method.

Debts with credit institutions-

Details of debts with credit institutions as of 31 December 2021 and 2020 are as follows:

	Limit	Balance drawn down	Final maturity	Nominal interest rate	Effective interest rate
Debts with credit institutions					
Revolving credit facility	275,000	-	17/07/2023	1.22% (Euribor + Margin)	1.41%
European Investment Bank Loan	80,000	75,000	17/04/2029	1.35%	1.35%
Total as at 31 December 2021	**355,000**	**75,000**			

	Limit	Balance drawn down	Final maturity	Nominal interest rate	Effective interest rate
Debts with credit institutions					
Revolving credit facility	275,000	-	17/07/2023	1.22% (Euribor + Margin)	1.41%
Syndicated "Club Bank Deal" loan	150,000	149,345	14/12/2023	2.10%	2.26%
European Investment Bank Loan	80,000	80,000	17/04/2029	1.35%	1.35%
Total as at 31 December 2020	**505,000**	**229,345**			

On 17 July 2020, the Parent Company arranged a revolving credit facility for €275 million for an initial term of three years with the possibility of an extension for an additional year (this renewal was granted on 30 June 2021, and entered into force on 17 July 2021), and this facility was earmarked for general corporate purposes. The credit facility contract obliges the Parent Company to comply with a series of covenants, including most notably compliance with a certain ratio of "Consolidated net financial debt / consolidated EBITDA". This covenant is fulfilled on 31 December 2021 and 2020.

On 4 December 2018, the Parent Company entered into an unsecured syndicated Club Bank Deal loan led by BBVA for €150 million. The contract for this line of credit obliges the Parent Company to comply with a series of covenants, including most notably compliance with a certain "Ratio of Consolidated net financial debt / consolidated EBITDA". This covenant was fulfilled on 31 December 2020. On 27 September 2021, the Parent Company proceeded to the early cancellation of this syndicated loan without any penalty.

On 27 March 2019, the Parent Company arranged a loan facility with the European Investment Bank (EIB) for up to €120 million to fund its research and development efforts, with the objective of providing cutting-edge innovation and differentiated therapies in the area of medical dermatology. On 17 April 2019, the first tranche of €80 million was granted, 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 in 2021, the interest rate is temporarily increased by 0.30%. The loan agreement requires the Parent Company to comply with a series of covenants, including most notably compliance with a ratio of "Consolidated net financial debt / consolidated EBITDA" ratio and a ratio of "Financial leverage of subsidiaries / consolidated EBITDA". Both covenants are fulfilled on 31 December 2021 and 2020.

Convertible bond-

On 4 December 2018, issuing of simple unsecured bonds with final maturity on 14 December 2021 was also arranged for a maximum aggregate nominal amount of €250 million, possibly convertible into or exchangeable for ordinary shares of the Parent Company at a fixed conversion price of €18.1776 per share. These bonds accrued a nominal interest rate of 0.25%, with an effective interest rate of 4.8%.

For this issuing of bonds, in accordance with IFRS 9, the fair value of the derivative financial instruments embedded in the host instrument (the financial liability for the bond) was first determined. The initial recognition value of the host instrument was determined on a residual basis after deducting the fair value assigned to the derivative financial instruments from the total value of the instrument.

Within the derivative financial instrument, the following options with a significant value were identified that required the separation of the host contract:

- Conversion option: due to the fact that, within the scenarios for share conversion price adjustment, there are mechanisms whose nature implies that recording as equity is not appropriate, this option represents a derivative financial instrument separable from the host contract (financial liability) for the Group.
- Cancellation option: the Parent Company has the right to early redemption of the bonds in their entirety, but not in part, at their nominal value plus unpaid accrued interest.

As of 31 December 2020, the fair value of these options amounted to €2.3 million.

The change in the fair value of these options has been recognised in the income statement between the time of initial recognition and the valuation made at the time of closing. For the fiscal year ending on 31 December 2021, the impact on the Group's income statement amounted to €2.3 million in profits (€16.8 million in profits on 31 December 2020, Note 21). Both options have been recognised at net value, as permitted by IFRS 9.

The valuation of both options was carried out by an independent expert using standard valuation methodologies for derivative financial instruments and pursuant to IFRS 13 and IFRS 9.

On 14 December 2021, the Parent Company cancelled the convertible bond in full at maturity.

Derivative financial instruments-

On 10 May 2018, the Ordinary General Meeting of Shareholders arranged the completion of a swap transaction of interest rate and shares ("Equity swap"). This transaction is made effective by means of a contract dated 11 May 2018 with Banco Santander, S.A., whereby Almirall S.A. undertakes to pay a variable interest to the bank as compensation and Banco Santander, S.A. undertakes as acquirer of underlying ordinary shares of the company Almirall S.A. with a maximum nominal limit of 2.99% of the share capital (5.102.058 shares or €50 million), and with a term of 24 months and an extension of 4 months, to hand over the dividend received for its investment in Almirall S.A. and to sell the shares of Almirall, S.A. to the company itself on maturity.

In addition, when the fair value is less than 85% of the cost value, the Group must offset the loss by contributing cash to the bank (thereby reducing the fair value of the derivative). Once a settlement has been made, if the fair value exceeds 110% of the last value at which a settlement occurred, then the Group will reclaim the payments made proportionately up to 100% of the initial value of the derivative (always limited to the cost of acquisition by Banco Santander). For this reason, the Group has opted to classify this asset/liability as current.

Consequently, under the heading "Assets due to derivative financial instruments" (in the case of unrealised gains) or "Liabilities due to derivative financial instruments" (in the case of unrealised losses), the fair value of the derivative has been recognised, which corresponds to the difference between the fair value of the underlying asset (2,510,952 shares equivalent to €35.1 million, corresponding to 1.4% of the Parent Company's share capital) and the acquisition cost of the shares for Banco Santander, which on 31 December 2021 amounts to a loss of €6.7 million, the entirety of which difference has been deposited with the bank, and therefore at the close of the fiscal year the liabilities come to €0 million. As of 31 December 2020, this amounted to a capital loss of €9.3 million, of which €6.9 million had been deposited with the bank, leaving a liability at year-end totalling €0.7 million. (Note 12). It is considered that the value of the derivative of the option that would entail the acquisition of the total maximum shares (€50 million) would not be significant at the closing date. Since this derivative does not meet the

requirements for hedge accounting, it is recorded with changes in the income statement (Note 21). For the fiscal year ending on 31 December 2020, the impact on the Group's consolidated income statement amounted to €1.0 million in profits (€9.3 million in losses for the fiscal year ending on 31 December 2020).

At the date of drafting of these consolidated financial statements, the Parent Company's Administrators consider that no breach of the aforementioned obligations (including the aforementioned series of covenants) has occurred.

Interest accrued and payable on 31 December 2021 amounts to €2,314 thousand (€686 thousand on 31 December 2020).

The average cost of debt for the years ending on 31 December 2021 and 2020 was 0.85% and 0.77%, respectively.

The recorded balance of financial liabilities at amortized cost approximates their fair value.

Moreover, in application of the amendment to IAS 7, below we provide a reconciliation of the cash flows arising from financing activities with the corresponding liabilities in the opening and closing statements of financial position, separating the movements that involve cash flows from those that do not.

	Balance 01.01.2021	Cash Flow	Interest paid	Interest accrued	Changes in fair value	Balance 31.12.2021
Financial liabilities at amortised cost						
Credit facilities	-	-	-	-	-	-
Loans with credit institutions	229,345	(155,000)	(1,080)	1,735	-	75,000
Convertible bond	239,648	(250,000)	(596)	10,948	-	-
Senior unsecured bonds	-	294,411	-	281	-	294,692
Financial liabilities at fair value through profit or loss						
Liabilities for derivative financial instruments	2,966	252	-	-	(3,218)	-
Accrued interest to be paid	**686**	**-**	**(4,454)**	**6,082**	**-**	**2,314**
Total Financial debt	**472,645**	**(110,337)**	**(6,130)**	**19,046**	**(3,218)**	**372,006**

	Balance 01.01.2020	Cash Flow	Interest paid	Interest accrued	Translation differences	Changes in fair value	Balance 31.12.2020
Financial liabilities at amortised cost							
Credit facilities	15,133	(15,499)	-	-	366	-	-
Loans with credit institutions	229,133	-	-	212	-	-	229,345
Financial liabilities at fair value through profit or loss							
Convertible bond	229,245	-	-	10,403	-	-	239,648
Liabilities for derivative financial instruments	19,082	(6,951)	-	-	-	(9,165)	2,966
Accrued interest to be paid	**452**	**-**	**(6,536)**	**6,770**	**-**	**-**	**686**
Total Financial debt	**493,045**	**(22,450)**	**(6,536)**	**17,385**	**366**	**(9,165)**	**472,645**

18. Trade payables and Other liabilities

a) Trade payables

On 31 December 2021 and 2020 the composition of this item is as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Suppliers	73,500	65,900
Trade payables	104,300	96,243
Total short-term trade payables	**177,800**	**162,143**

b) Other current and non-current liabilities

On 31 December 2021 and 2020 the composition of this item is as follows:

	Thousands of Euros				
		Non-current			
	Current	2023	2024	Rest	Total
Loans linked to research	2,167	1,519	860	1,427	3,806
Debts for purchases of fixed assets	30,517	-	-	-	-
Remuneration to be paid	31,675	5,027	1,625	5,701	12,353
Long-term tax liabilities	-	-	-	6,459	6,459
Other debts	771				-
Total as at 31 December 2021	**65,130**	**6,546**	**2,485**	**13,587**	**22,618**

	Thousands of Euros				
		Non-current			
	Current	2022	2023	Rest	Total
Loans linked to research	2,608	2,118	1,592	1,929	5,639
Debts for purchases of fixed assets	3,818	-	-	-	-
Remuneration to be paid	29,693	1,579	2,353	3,343	7,275
Long-term tax liabilities	-	-	-	6,519	6,519
Other debts	275	-	-	1	1
Total as at 31 December 2020	**36,394**	**3,697**	**3,945**	**11,792**	**19,434**

Loans linked to research refers to zero-interest loans granted by the Ministry of Science and Technology to promote research and are presented as described in Note5-i). The granting of these loans is subject to the implementation of certain investments and expenses during the years for which they are granted, and the loans mature between 2022 and 2030.

Debts for purchases of fixed assets refer basically to disbursements pending on the acquisition of goods, products and marketing licenses contracted in the fiscal year and prior years. The balance as of 31 December 2021 mainly includes the amount corresponding to the initial up-front payment of the agreement with Ichnos Science as described in Note 9, which has been paid on 19 January 2022. The balance as of 31 December 2020 included amounts pending payment for investments in progress, mainly for production plants.

As of 31 December 2021, and 31 December 2020, the balance of Remuneration to be paid mainly includes balances to be paid to employees for the accrued portions of special payments, as well as the Group's bonuses for achieving targets and the long-term remuneration provision (Note 5-p)).

As a result of the application of IFRIC 23 "Uncertainty over income tax treatments" (Note 5-p)), as of 31 December 2021, €6,459 thousand is classified as "Long-term tax liabilities" (€6,519 thousand on 31 December 2020).

There are no significant differences between the fair value of the liabilities and the amount recognised.

19. Provisions

The changes in 2021 and 2020 in the heading "Provisions" in the accompanying consolidated balance sheet were as follows:

	Thousands of euros	
	2021	2020
Balance as of 1 January	**35,899**	**32,806**
Additions and provisions	380	505
Write-downs or transfers	(11,774)	2,588
Balance as of 31 December	**24,505**	**35,899**

This refers mainly to the Group's estimate of the disbursements that it would have to make in the future to meet other liabilities arising from the nature of its business.

20. Retirement benefit obligations

The retirement benefit obligations are related mainly with the subsidiaries Almirall Hermal GmbH, Almirall, AG and Polichem, S.A. and are related with unfunded plans (there are no assets assigned to these plans), as described in Note 5-l).

The changes in the defined benefit obligation were as follows:

	2021	2020
At 1 January	**85,641**	**79,429**
Current services cost	304	79
Interest cost	399	769
Contributions from plan participants	55	58
Actuarial losses / (gains)	(6,184)	7,232
Benefits paid	(2,203)	(2,075)
Other changes	(129)	149
At 31 December	**77,883**	**85,641**

The amount recorded as actuarial losses mainly reflects the impact of the variation in the discount rate used in the actuarial calculations in 2021 and 2020.

The amounts recognised in the consolidated income statement are as follows:

	2021	2020
Current service cost	304	79
Interest cost	399	769
Others	-	-
Total (included in staff costs)	**703**	**848**

Sensitivity to changes in the key assumptions, weighted as follows, would not have a significant effect on the total pension liability.

	Change in the assumption
Discount rate	Increase/decrease by 0.5%
Rate of inflation	Increase/decrease by 0.5%
Rate of salary increases	Increase/decrease by 0.5%
Mortality rate	Increase in 1 year

These variations in the assumptions are reasonable in keeping with those indicated by the actuarial reports. Moreover, the Group has assessed that for the Group companies concerned (Almirall Hermal GmbH, Almirall AG and Polichem S.A.) these assumptions are reasonable.

21. Income and expenses

Net turnover

The table below details the net turnover for the fiscal years 2021 and 2020 by line of business:

	Thousands of Euros	
	2021	**2020**
Marketing through our own network	685,627	634,585
Marketing through licensees	114,481	146,638
Corporate management and income not allocated to other segments	27,087	26,204
Net turnover	**827,195**	**807,427**

	Thousands of Euros	
	2021	**2020**
Product sales revenue	774,405	723,332
Income from royalties	8,264	12,052
Income from granting licenses (Note 16)	17,406	52,246
Other income from granting licenses	27,120	19,797
Net turnover	**827,195**	**807,427**

The table below provides an itemisation of net turnover for fiscal years 2021 and 2020 by geographical area:

	Thousands of Euros	
	2021	**2020**
Spain	250,165	237,129
Europe and Middle East	406,901	394,500
America, Asia and Africa	143,042	149,594
Corporate management and income not allocated to other segments	27,087	26,204
Net turnover	**827,195**	**807,427**

The main countries where the Group earns incomes are:

	2021	2020
Spain	30%	29%
United States	10%	11%
Germany	22%	20%
Italy	7%	6%
France	4%	2%
United Kingdom	3%	3%
Others	24%	29%
Total	**100%**	**100%**

Finally in the following table shows the contribution of the Group's main therapeutic areas to net turnover in 2021 and 2020:

	Thousands of Euros	
	2021	**2020**
Respiratory	80,313	77,534
Gastrointestinal and metabolism	119,627	116,010
Dermatology and others	386,562	320,619
CNS	66,172	65,897
Osteomuscular	26,776	28,751
Cardiovascular	68,416	62,100
Other therapeutic specialities	79,329	136,516
Total	**827,195**	**807,427**

Other income

The itemisation of this heading is as follows:

	Thousands of Euros	
	2021	**2020**
Income due to agreement with AstraZeneca (Note 12)	6,934	5,013
Re-invoicing of services rendered to AstraZeneca	1,139	1,073
Others	1,232	976
Total Other income	**9,305**	**7,062**

Supplies

The itemisation of this heading is as follows:

	Thousands of Euros	
	2021	**2020**
Purchases	172,253	197,537
Change in stocks of products finished or in progress	7,119	(9,202)
Change in stocks of raw materials and goods	2,380	(10,893)
Total Procurement	**181,752**	**177,442**

Staff costs

The composition of staff costs is as follows:

	Thousands of Euros	
	2021	2020
Payroll and salaries	150,460	138,337
Social security payable by the company	25,738	24,860
Severance costs	265	2,482
Other welfare expenses	11,957	11,325
Total	**188,420**	**177,004**

The average number of employees of the Group, distributed by professional category and gender, is as follows:

	Fiscal year 2021			Fiscal year 2020		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors	1	-	1	1	-	1
Executives	31	12	43	33	13	46
Managers	148	118	266	148	112	260
Technical staff	474	601	1,075	469	589	1,058
Administrative staff	181	221	402	186	234	420
Others	-	1	1	-	1	1
Total	**835**	**953**	**1,788**	**837**	**949**	**1,786**

At year-end 2021 and 2020, the staff is as follows:

	31 December 2021			31 December 2020		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Directors	1	-	1	1	-	1
Executives	32	10	42	30	14	44
Managers	145	121	266	150	113	263
Technical staff	475	597	1,072	471	595	1,066
Administrative staff	180	224	404	186	226	412
Others	-	1	1	-	1	1
Total	**833**	**953**	**1,786**	**838**	**949**	**1,787**

As of 31 December 2021, the number of employees with a disability equal to or greater than thirty-three per cent comes to 33 people (33 people as of 31 December 2020).

As of 31 December, of the years 2021 and 2020, the number of Group employees engaged in research and development activities amounted to 235 and 248 people, respectively.

Other operating expenses

The composition of other operating expenses is as follows:

	Thousands of Euros	
	2021	2020
R&D activities	41,975	44,135
Leases and fees	32,474	21,116
Repairs and maintenance	19,331	19,219
Independent professional services	25,247	28,663
Transport	10,716	9,726
Insurance premiums	3,142	2,788
Bank services and similar	886	545
Congresses and other promotional activities	78,846	66,550
Supplies	3,586	3,776
Other services	29,390	31,026
Other taxes	1,991	1,461
Total	**247,584**	**229,005**

The "Other services" heading includes donations for the amount of €362 thousand in 2021 (€313 thousand in 2020).

Net change in valuation adjustments

The itemisation of the heading "Net change in valuation adjustments" in the accompanying consolidated income statement, as well as the changes in "Current provisions" is as follows:

	Thousands of Euros	
	2021	**2020**
Change in bankruptcies valuation adjustment	1,077	(1,794)
Change in stock valuation adjustment	1,239	(892)
Change in other current provisions	412	(1,064)
Total	**2,728**	**(3,750)**

Net gains / (Losses) on disposal of assets

The itemisation of net gains/ (losses) on disposal of non-current assets in fiscal years 2021 and 2020 is as follows:

	Thousands of Euros			
	2021		**2020**	
	Gains	**Losses**	**Gains**	**Losses**
For disposal or retirement of intangible assets	8	(13,780)	10	(404)
For disposal or retirement of property, plant and equipment	-	(99)	-	(255)
	8	**(13,879)**	**10**	**(659)**
Net gains (losses) on disposal of assets	**(13,871)**		**(649)**	

The losses recorded in 2021 reflect the termination of the option agreement to acquire a pharmaceutical component under development from Bioniz Therapeutics, Inc., as explained in Note 9.

Financial income and expenses

The breakdown of financial income and expenses in fiscal years 2021 and 2020 is as follows:

	Thousands of Euros			
	2021		**2020**	
	Income	**Expenses**	**Income**	**Expenses**
Change in fair value of financial instruments	3218	-	7478	-
Bond interests costs (Note 17)	-	(12,972)	-	(11,027)
Other financial income /(expenses) and similar	493	(7,628)	1,579	(6,976)
Financial assets valuation adjustment (Note 12)	8	-	-	(3,371)
Exchange rate differences	6,577	(4,533)	18,585	(19,328)
	10,296	**(25,133)**	**27,642**	**(40,702)**
Financial result	**(14,837)**		**(13,060)**	

In 2021 and 2020, the heading "Change in fair value of financial instruments" includes mainly the restatement of the fair value of the equity swap and of the derivative associated with the convertible bond, both described in Note 17.

The heading "Other finance income/(expenses) and similar" includes financial expenses derived from bank loans, as well as the impact of the financial restatement on liabilities carried at amortised cost, with the exception of the convertible bond and senior unsecured bonds (as described in Note 17), which are included under the heading "Bond interests costs" (€13.0 and €11.0 million in 2021 and 2020, respectively).

Impairment losses on property, plant and equipment, intangible assets and goodwill-

In fiscal year 2021, this heading includes the impairment recognised on the portfolio acquired in the business combination of Aqua Pharmaceuticals, LLC in 2013 (now Almirall LLC) and the "Allergan portfolio" in the amount of €22.1 million and €68.8 million, respectively, as explained in Note 9.

In fiscal year 2020, this heading included the impairment recognised on the portfolio acquired in the business combination of Aqua Pharmaceuticals, LLC in 2013 (now Almirall LLC) in the amount of €16.2 million (Note 9).

Transactions in foreign currency

The amounts of transactions carried out in foreign currencies are as follows:

	Amount in euros (thousands)			
	Expenses		**Income**	
	2021	**2020**	**2021**	**2020**
Canadian dollar	1	-	42	23
Swiss franc	6,386	3,221	12,261	10,161
Czech koruna	34	44	1,267	1,129
Danish krone	1,731	1,851	682	1,002
Pound sterling	15,034	15,377	22,726	21,875
Hungarian Forint	25	30	552	469
Japanese Yen	3,593	6,151	3,597	3,821
Arab Emirates Dirham	9	-	-	-
Mexican Peso	132	3	-	-
Norwegian Krone	58	218	1,657	1,401
Polish Zloty	595	747	2,621	2,229
Renminbi	27	322	-	-
Swedish Krona	221	196	3,899	3,396
Russian Ruble	69	15	-	-
US Dollar	89,399	97,258	104,483	121,361

Remuneration of auditors

During fiscal years 2021 and 2020, the fees for auditing services and other services provided by the Group's auditor in 2021, KPMG Auditores S.L. (other auditors in fiscal year 2020), or by other companies in the auditor's network, were as follows:

Entities (Thousands of Euro)	Year	Audit & related services		Tax services	Other services
		Audit services	Professional services related to audit		
PricewaterhouseCoopers Auditores. S.L.	2021	170	244	-	-
Other entities PwC's network		310	-	265	-
Total		**480**	**244**	**265**	**-**
PricewaterhouseCoopers Auditores. S.L.	2020	239	31	-	55
Other entities PwC's network		371	-	37	16
Total		**610**	**31**	**37**	**71**

In 2021, other auditors have accrued 56 thousand euros in connection with audit work of Group subsidiaries.

The heading "Audit services" for the 2021 financial year includes the fees corresponding to the audit of the individual and consolidated annual accounts of Almirall, S.A. and of the companies that form part of its group.

The heading "Audit-related professional services" for the 2021 financial year includes the fees derived from the limited review of the Group's interim consolidated financial statements, the review of the information relating to the Group's Internal Control over Financial Reporting System (ICFR), as well as specific "Comfort Letter" work related to the issue of the senior unsecured bonds described in Note 17.

The heading "Tax services" in 2021 includes the services invoiced in the aforementioned fiscal year in relation to the documentation, certification and obtaining of binding reasoned reports to monetize a portion of the tax deductions linked to our R&D projects, among other general consultancy services.

22. Tax situation

Consolidated Tax Group

Almirall S.A. is subject to corporate income tax under the Spanish Tax Consolidation regime pursuant to Chap. VI of Title VII of Law 27/2014, of November 27, on Corporate Income Tax. The companies that make up the Group for tax purposes for fiscal years 2021 and 2020 are: Almirall S.A., Laboratorios Almirall S.L., Industrias Farmacéuticas Almirall S.A., Laboratorios Tecnobío S.A., Ranke Química, S.A. and Almirall Europa Derma, S.A., of which the first company mentioned acts as parent company. Consequently, the consolidated corporate income tax expense includes the benefits derived from the application of tax loss and tax credit carryforwards that would not have been recorded if the companies comprising the tax group had been taxed individually.

Corporate income tax is calculated on the basis of the economic or accounting result, obtained by applying the applicable financial reporting regulatory framework, which does not necessarily coincide with the tax result, which in turn is understood as the taxable income.

The rest of the Group's subsidiaries file individual tax returns in accordance with the tax regulations applicable in each country.

Fiscal years subject to tax inspection

The Parent Company and the companies that form part of the Spanish tax group, of which it is the head, have the years 2016 to 2021 open for inspection in respect of Corporate Income Tax, and the periods starting from July 2017 onwards in respect of the other taxes that apply to it. In July 2021, the Spanish Tax Agency informed Almirall, S.A., in its capacity as the representative of the tax group, that inspection actions were to be initiated to check the Corporate Income Tax (Tax Consolidation regime) for the years 2016 to 2018; as well as for Value-Added Tax, Withholdings and Income on account for investment income, Withholdings and Income on account of income for professional/earned income and

Withholdings and income on account for the income tax of non-residents for the periods from July 2017 to December 2018.

During the financial year 2016, the following inspection procedure was initiated in respect of the Group's following foreign company:

- Almirall Hermal GmbH (Germany), in respect of the financial years from 2009 to 2013, relating to Corporate Income Tax, Value Added Tax, as well as Withholdings and income on account for Personal Income Tax. This inspection was completed in January 2022, with no significant aspect arising.

During the financial year 2018, the following inspection procedure was communicated in respect of the Group's following foreign companies:

- Almirall AG (Switzerland). Federal inspection covering financial years 2013, 2014, 2015 and 2016. As of the date on which these consolidated annual accounts were formulated, it continues in progress.

During the financial year 2019, the following inspection procedure was communicated in respect of the Group's following foreign company:

- Almirall SAS (France) in respect of the financial years 2016 and 2017, relating to Corporate Income Tax, Value Added Tax, as well as Withholdings and Income on account for Personal Income Tax. This inspection was completed in fiscal year 2021, with no significant aspect arising.

During the financial year 2021, the following inspection procedure was communicated in respect of the Group's following foreign company:

- Almirall AG (Switzerland). Cantonal inspection covering financial years 2018 and 2019. As of the date on which these consolidated annual accounts were formulated, it continues in progress.

The Group’s foreign companies are currently being audited for the corresponding years in each of the local legislations regarding the applicable taxes.

The Group’s foreign companies are currently being audited for the corresponding years in each of the local legislations regarding the applicable taxes.

In general, due to the possible different interpretations that may be given to the tax regulations, the results of the inspections that are being carried out, or that may be carried out in the future by the tax authorities for the years subject to verification, may give rise to tax liabilities whose amount cannot be objectively quantified at present. In the opinion of the Parent Company's administrators, however, the possibility of significant liabilities arising in this connection in addition to those recognised is remote.

Balances held with the Public Administration

The balances receivable from and payable to the Public Administrations as of 31 December 2021 and 2020 are as follows:

	Thousands of Euros	
	31/12/2021	**31/12/2020**
Tax Authorities, VAT receivable	8,155	10,235
Tax Authorities, Corporate Income Tax receivable	25,894	62,385
Other debts	5	26
Total debtor balance	**34,054**	**72,646**
Tax Authorities, VAT payable	2,640	7,429
Personal income tax	3,853	2,758
Social Security contributions, payable	3,158	2,961
Tax Authorities, Corporate Income Tax payable	9,820	8,312
Total credit balances	**19,471**	**21,460**

The corporate income tax receivables are mainly due to the expected tax refund for the scope of consolidation in Spain for the current year.

Income tax recognised

Income taxes recognised in the consolidated income statement and in equity in fiscal years 2021 and 2020 are as follows:

	Thousands of Euros	
	Expense / (Income)	
	2021	**2020**
Corporate Income Tax:		
- Recognised in the consolidated income statement	31,774	4,958
- Recognized in equity	1,797	(2,025)
Total	**33,571**	**2,933**

Reconciliation of accounting and tax results

Presented below is the reconciliation between the income tax expense resulting from applying the general tax rate in force in Spain and the expense recorded for the aforementioned tax:

	Thousands of Euros	
	2021	**2020**
Consolidated pre-tax profit or loss	(9,085)	79,238
Permanent differences:		
Increase	55,865	-
Decrease	(83,711)	(27,613)
Adjusted accounting profit	(36,931)	51,625
Tax rate	25%	25%
Gross Tax	**(9,233)**	**12,906**
Deductions:		
Deductions applied and/or regularized in the fiscal year and other consolidation adjustments	1,140	369
Corporate Income Tax for Almirall, S.A. paid abroad	30	52
Effect of temporary differences not recognized in the balance sheet	16,204	-
Regularization of activated tax credits	19,900	-
Others	506	-
Accrued cost for theoretical tax	**28,547**	**13,327**
Effect of rate difference between countries	2,938	(6,028)
Other changes	289	(2,341)
Expense / (Income) accrued for Corporate Income Tax	**31,774**	**4,958**

The increase in the basis for permanent differences in 2021 and 2020 is mainly due to the different tax treatment of certain expenses accrued in those years. The decrease in the basis for permanent differences in 2021 is basically due to the reduction in taxable income from the disposal of intangible assets.

The amount of the deductions applied and/or adjusted during fiscal years 2021 and 2020 correspond to the partial monetisation of the research and development deduction generated in fiscal years 2020 and 2019, respectively.

The amount of "Effect of temporary differences not recognized in the balance sheet" includes the temporary differences of the subsidiary Almirall LLC as a result of the impairment recorded on the Allergan portfolio CGU described in Note 9.

The amount for "regularization of activated tax credits" reflects the impact derived from Law 22/2021, of 28 December, on General State Budgets for the year 2022, which amends the Corporate Income Tax Law, as explained later in this same Note.

The nature and amount of the incentives applied in 2021 and 2020 and those pending deduction as of 31 December 2021 and 2020 for Spanish tax group are as follows:

Nature	Fiscal Year generation	Thousands of Euros			
		2021		2020	
		Compensated	Pending compensation	Compensated	Pending compensation
Research and Development	2007	-	25,274	202	25,274
	2008	-	34,841	-	34,841
	2009	-	26,883	-	26,883
	2010	-	34,629	-	34,629
	2011	-	35,845	-	35,845
	2012	-	32,842	-	32,842
	2013	-	28,661	-	28,661
	2014	-	23,685	-	23,685
	2015	-	14,841	-	14,841
	2016	-	12,260	-	12,260
	2017	-	10,209	-	10,209
	2018	-	9,230	-	9,230
	2019	86	9,786	6,250	9,872
	2020	5,619	7,824	-	13,442
	2021	-	15,996	-	-
		5,705	**322,806**	**6,452**	**312,514**
Technological Innovation	2012	-	1,077	-	1,077
	2013	-	1,439	-	1,439
	2014	-	701	-	701
		-	**3,217**	**-**	**3,217**
International Double Taxation	2019	-	499	415	499
	2020	-	80	-	80
	2021	-	29	-	-
		-	**608**	**415**	**579**
Reinvestment of extraordinary profits	2012	-	55	-	55
	2013	-	2	-	2
	2014	-	10	-	10
		-	**67**	**-**	**67**
Donations	2019	-	-	36	-
	2020	-	-	41	-
	2021	-	14	-	-
		-	**14**	**77**	**-**
Temporary measures	2019	-	-	26	-
	2020	-	-	21	-
	2021	-	11	-	-
		-	**11**	**47**	**-**
Total accredited incentives		**5,705**	**326,723**	**6,991**	**316,377**
Total deferred tax assets recognized on balance sheet			**181,953**		**187,915**

Currently, there is no time limit for the application of deductions for the avoidance of international double taxation that are yet to be applied. However, current corporate income tax legislation sets a limit of 50% to the total tax liability.

On the other hand, the period for the application of the deductions for scientific research and technological innovation activities that have not yet been applied is 18 years from their origin, and the application of these is limited to 50% of the tax liability according to legislation in force, whenever the deduction generated each year by the Parent Company is expected to exceed 10% of the total tax liability.

This period is reduced to the 15 years immediately after the origin of the deduction however for those amounts not deducted for the rest of the deductions.

Deferred taxes

The analysis of deferred tax assets and liabilities is as follows:

	Thousands of Euros	
	31/12/2021	31/12/2020
Deferred tax assets	192,500	256,476
Deferred tax liabilities	(75,852)	(117,382)
Deferred tax assets (net)	**116,648**	**139,094**

The gross changes in the deferred tax account were as follows:

	Thousands of Euros	
	2021	2020
At 1 January	139,094	141,777
Income statement credit	(14,689)	1,322
Partial monetization R&D deductions	(5,960)	(6,030)
Tax (Charged)/ Paid to equity	(1,797)	2,025
At 31 December	**116,648**	**139,094**

On 29 December 2021, Law 22/2021, of 28 December, on the General State Budget for 2022 was published in the Official State Gazette, which amends the Corporate Income Tax Law and establishes that, for fiscal years beginning on or after 1 January 2022 and for an indefinite term, the concept of "minimum taxation" will be applied in Spain. Minimum taxation implies that, depending on the size and type of entity, companies must have a minimum net tax liability (generally set at 15%). In order to determine the net tax liability, a priority is established in the allowances and deductions so that those of lower priority cannot be deducted if they reduce taxation below the minimum stipulated and hence, they must be deferred. The concept of minimum taxation has implications for the recognition of deductions for purposes of assessing the recoverability of deferred tax assets.

As a result of this regulatory change, the Group has carried out an analysis of the recoverability of the deferred tax assets recorded in the consolidated balance sheet by the Parent Company and its Spanish subsidiaries, which has resulted in a reduction of deferred tax assets by the amount of €19.9 million, and the relevant loss has been recorded in the year ending on 31 December 2021 under the heading "Income tax" in the consolidated income statement.

Pursuant to the tax regulations in force in the different countries in which the consolidated entities are located, certain timing differences have arisen in 2021 and 2020 that must be taken into account when quantifying the corresponding income tax expense. The itemisation of deferred taxes recorded in both years is as follows:

	Thousands of Euros			
	31/12/2021		31/12/2020	
	Differences in cumulative tax bases	Cumulative effect on tax liability	Differences in cumulative tax bases	Cumulative effect on tax liability
Deferred tax assets (net):				
Depreciation of assets	43,046	8,511	99,825	23,768
Provisions	51,672	12,322	66,118	16,577
Retirement benefit obligations	46,905	13,733	54,268	15,878
Stock valuation	27,494	5,733	27,495	7,718
Goodwill amortisation	(99,238)	(24,809)	-	-
Others	(19,777)	(4,943)	3,909	1,072
	50,102	**10,547**	**251,615**	**65,013**
Tax credits:				
Negative tax bases to offset	-	-	14,044	3,548
For deductions pending offset	-	181,953	-	187,915
Deferred tax assets and tax credits (net):	**50,102**	**192,500**	**265,659**	**256,476**

	Thousands of Euros			
	31/12/2021		31/12/2020	
	Differences in cumulative tax bases	Cumulative effect on tax liability	Differences in cumulative tax bases	Cumulative effect on tax liability
Deferred tax liabilities (net):				
Allocation of capital gains to assets in business combinations	203,826	54,708	249,485	67,244
Goodwill amortisation	35,410	10,623	125,042	33,031
Tax reversal effect on subsidiary portfolio provisions	16,508	5,353	16,508	5,353
Others	20,181	5,168	45,943	11,754
Deferred tax liabilities (net)	**275,925**	**75,852**	**436,978**	**117,382**

The net deferred tax assets indicated above, amounting to €192.8 million, basically come from the Parent Company, which records an amount of €188.8 million in deferred tax assets in its financial statements as of 31 December 2021 (mainly due to the deductions pending application mentioned above). These deferred tax assets have been recorded in the consolidated balance sheet because the Parent Company's Administrators consider that, based on the best estimate of future results, it is probable that these assets will be fully recovered within a time horizon of up to 10 years. In order to determine the estimated future results that justify this recoverability analysis, the following has been used as a starting point:

- Projections of estimated results corresponding to the Spanish consolidated tax group for the next 5 years (and extrapolated up to 10 years) based on the current product portfolio and structure of the Group. This projection has taken into account sustained increases in future profits, resulting mainly from expected increases in sales of the Group's product portfolio as well as significant synergies expected from the optimisation of the Group's structure. The amendment to the Corporate Income Tax Law described earlier in this Note on the minimum net tax liability has also been taken into account.
- Estimate of additional impact on results in the coming years from future investments/acquisitions expected to be carried out in the medium term, and taking into account the relevant investments made in 2021 and prior years. For this purpose, expected target returns as well as probabilities of success in achieving them have been considered.
- In addition, the sensitivity analysis performed on the projected taxable income (within a range of +5% / -5% variation) would not result in a significant impact on the financial statements as of 31 December 2021.

The detail of Deferred tax assets and liabilities by jurisdiction as of December 31, 2021 is as follows:

	31/12/2021			
Thousand euros	**Spain**	**United States**	**Others (*)**	**Total**
Net Deferred Tax Assets	(23.973)	8.785	(50.117)	(65.305)
Deduction fees	181.953	-	-	181.953
Total	**157.980**	**8.785**	**(50.117)**	**116.648**

(*) Mainly corresponds to consolidation adjustments

The detail of Deferred tax assets and liabilities by jurisdiction as of December 31, 2020 is as follows:

	31/12/2020			
Thousand euros	**Spain**	**United States**	**Others (*)**	**Total**
Net Deferred Tax	(4.878)	14.142	(58.085)	(48.821)
Deduction fees	187.915	-	-	187.915
Total	**183.037**	**14.142**	**(58.085)**	**139.094**

(*) Mainly corresponds to consolidation adjustments

The amount of temporary differences not recorded in the Group's consolidated balance sheet amounts to 16,204 thousand euros at December 31, 2021 (there were no significant amounts at December 31, 2020), corresponding mostly to the subsidiary Almirall LLC.

The amount of net deferred tax assets that will reverse in a period of less than 12 months amounts to 13,797 thousand euros at December 31, 2021.

Finally, the Group has tax loss carryforwards of 45,314 thousand euros, that have not been recognized in the consolidated balance sheet at December 31, 2021 and mainly correspond to the subsidiaries based in Spain and the USA.

23. Business and geographic segments

Segmentation criteria

The main criteria for defining the Group's information by segments in the consolidated financial statements for the years ending on 31 December 2021 and 2020 are explained below.

The business segments listed below are those for which separate financial information is available and on which the reports are based, and whose results are reviewed on a monthly basis by the Group's Management (Management Committee) for operational decision-making, in order to decide on the resources to be allocated to each segment and evaluate their performance, in addition to having separate financial information available.

The lines of business described below have been established on the basis of the Group's organisational structure, which constitutes the basis for the primary segment information:

- Marketing through our own network.
- Marketing through licensees.
- Research and development activity.
- Therapeutic dermatology area in the United States.
- Corporate management and results not allocated to other segments.

The operating segments reported in these accompanying notes are those with incomes, results and/or assets greater than 10% of the corresponding consolidated figure. In this sense, the column "Corporate management and results not attributed to other segments" includes income and expenses that are not directly related and allocated to the business areas, which mainly consist of the Group’s corporate assets and production centres.

In this regard, the professional judgements used by the entity to consider as separate segments the headings of "Research and development activity" and of "Corporate management and results not allocated to other segments" are based on the fact that the information on expenses and income from these segments are not taken into consideration for decision-making purposes in the rest of the segments. Instead, they are analysed separately by the Group's top authority for operational decision-making in order to decide on the resources to be allocated to these types of activity.

In the case of the segment designated as "Research and development activities", although as a general rule this segment does not generate any income from ordinary activities, its itemisation is fundamental for understanding the Group, since R+D activity is considered absolutely key and strategic in the market in which the Group operates. On the other hand, the resources allocated to this component are based on an analysis that is totally independent from that of the rest of the Group's components.

Furthermore, the segment termed "Corporate management and results not allocated to other segments" groups together those revenues and expenses that, given their nature, are not directly related to the other segments itemised and hence cannot be allocated to these, since they are not directly related to the relevant business areas. The figures disclosed in this segment are mainly derived from the corporate assets that will be itemised subsequently, from the expenses associated with the Group's production centres, as well as from all expenses not included in operating income. In this regard, the Group considers that the effort that would be necessary if these expenses were broken down into the other segments would entail completely arbitrary principles for allocation and would not reflect the Group's organisational structure, which is the basis on which the financial information is itemised internally.

Basis and methodology for reporting by business segments

The information presented by segments below is based on the reports prepared by the Group's management and is generated using information based on the Group's consolidated accounting data.

For the purpose of determining the information by segments for the consolidated income statement, the consolidated balances of each segment have been considered, while also carrying out the consolidation adjustments relevant for each of the segments. For the purposes of reporting by segments in the consolidated balance sheets, allocations based on consolidation adjustments have been taken into account.

Income for the segment, which comprise "Net turnover" and "Other income", correspond to income directly attributable to the segment.

In addition, in relation to the income received by the Group as a result of the agreements mentioned in Note 7, this income has been allocated, where possible, on the basis of the business segment directly related to the geographical areas or type of activity associated with these agreements, whether this income is due to milestone payments or to initial disbursements that are recognised as deferred in the consolidated income statement, mainly in the segments of marketing through licensees and research and development activities. Nevertheless, the change in the fair value of the assets from the sale transaction with AstraZeneca has been included in the segment termed "Corporate management and results not allocated to other segments", since this transaction is monitored at the corporate level independently from the other segments, given that it is not related to the recurring business.

Income attributable to the segment "Research and development activity" reflect expenses re-invoiced to third parties for this activity.

The expenses of each segment are determined based the expenses derived from the operating activities of the segment that are directly attributable to it, which include "Procurement", "Staff costs", "Depreciation and amortisation" and "Other operating expenses", among others In this regard, the amounts reported as "Procurement" in each of the segments include, in addition to the cost of acquiring materials, the costs allocated to them in the manufacturing process by the Group (these costs include, for example, staff costs and depreciation and amortisation, among others). Due to their nature, these same costs are included in the segment termed "Adjustments and reclassifications" and, therefore, prior to obtaining the data for the Group's consolidated income statements, they are eliminated.

The expenses recorded in each of the segments, as described above, do not include depreciation and amortisations, restructuring costs or general administrative expenses for general services that are not directly attributed to each business segment, and therefore, these general expenses have not been distributed among the business segments.

As previously mentioned, those expenses that are not directly attributable to each business segment are not distributed among individual segments. Instead, they are allocated to the segment termed "Corporate management and results not allocated to other segments", because this is how the Group's top authority for operational decision-making analyses the information on profitability and reaches decisions about the resources to be invested in each segment.

Depreciation and amortisation allocated to the segment termed "Corporate management and results not allocated to other segments" is related with those assets that are used by all segments (mainly software). These depreciation and amortisation charges are considered expenses that cannot be allocated to business segments using marketing criteria, since they are not directly attributable to any of the established segments. Therefore, the Management does not take them into consideration when making decisions affecting them.

In contrast, as a general rule, impairment losses are itemised under the segment to which the impaired asset is allocated.

As for restructuring costs, since they are expenses that the Group's Management considers to be unusual, that are decided by the top decision-making authority and that are of a markedly strategic nature, it is considered inappropriate to include them (and in fact they are not included in any of the internal analyses) in any of the other segments, since they would distort the conclusions that people who consult the financial information would reach regarding their profitability.

With respect to the general and administrative expenses included in the segment termed "Corporate management and results not allocated to other segments", the reasons that the Management has not allocated them to the other segments, apart from their basic nature, are detailed below:

- Costs related to the Group's production centres that are not directly attributable to manufacturing.
- Costs related to the central headquarters, shared service centres and support areas, which mainly include the expenses of the departments of Human Resources, Finance and General Operational Management ("Marketing", "Market Access" and "Global Medical Affairs"). These costs are difficult to allocate to the rest of the segments since, on the one hand, it would be done under a totally subjective criterion and, on the other hand, it would not be consistent with the method used by the Group's management to assess the profitability of the other segments.

The Group does not itemise information on relevant clients by segment in the financial statements, since none of them individually represents more than 10% of the Group's net turnover.

Tangible assets (property, plant and equipment, stocks, etc.) have been allocated to the segments according to the final use made of them by each segment, regardless of their geographic location.

As for intangible assets (goodwill, intangible fixed assets, etc.), these have been allocated according to the Cash-Generating Unit that ensures the recovery of the value of these assets. More specifically, goodwill has been allocated as follows:

- Almirall S.A.: has been assigned to the segment designated "Corporate management and results not allocated to other segments", given its structural nature in the Group's current configuration and the fact that it cannot be assigned to any specific segment, as detailed in Note 8.
- Almirall Hermal, GmbH: has been assigned to the segment designated "Marketing through own network", since the main cash-generating unit of this goodwill is this segment.
- Poli Group: Assets, incomes and expenses have been allocated among the segments termed "Marketing through own network" and "Marketing through licensees" in a manner consistent with the Cash-Generating Units used for the purposes of the impairment tests detailed in Note 5-d).

The Group has not established criteria for the allocation of equity and liabilities by segment and, therefore, it does not itemise this information. Accordingly, certain balance sheet items, including current and non-current financial assets held by the Group, cash and cash equivalents and other minor items are considered to belong to the segment called "Corporate management and results not allocated to other segments".

Furthermore, the main assets that are included in the segment called "Corporate management and results not allocated to other segments" are as follows:

- Goodwill of Almirall, S.A., as described above.
- Intangible assets corresponding mainly to the agreement with Dermira and Athenex for the licence mentioned in Note 9 of the accompanying consolidated financial statements, as well as other assets of a lesser amount corresponding mainly to patents and computer software.
- Intangible assets mainly reflecting ongoing development costs acquired as a result of the takeover of Polichem Group, as indicated in Note 9 of the accompanying consolidated financial statements.
- Property, plant and equipment mainly related to the Group's production centres, in keeping with the allocation of expenses in the segmented income statement.
- Financial assets corresponding to the agreement with AstraZeneca, as indicated in Note 12 to the accompanying consolidated financial statements, in keeping with the allocation of income in the segmented income statement.
- Deferred tax assets belonging to the Spanish tax consolidation Group, as detailed in Note 22 of the accompanying consolidated financial statements, as well as the deferred tax assets generated in Almirall Hermal, GmbH and Almirall LLC and the holding company Almirall, Inc.

These assets have not been allocated to any other business segment, because, since they are assets of holding companies or companies that are separated into several segments, they are analysed according to the territories where the respective tax regulations apply and not according to the itemisation of the primary distribution in the note about segments.

- Stocks whose reference numbers cannot be allocated directly to any one business segment, since they do not correspond to any finished product but mainly to raw materials, materials and semi-finished products with an as yet unknown destination.
- Current financial investments and cash and other liquid assets, since the Group engages in cash pooling among the various subsidiaries that operate in euros, and therefore cash management is centralised. There are no significant cash or cash equivalents on the balance sheets of the subsidiaries.
- The itemisation of non-current assets referring to fixed assets located in foreign countries is detailed in Note 11.

Financial information by segments

Segmentation by lines of business

Consolidated segmented income statement for the year ending on 31 December 2021:

	Marketing through own network	Marketing through licensees	Dermatology USA	Research and development activity	Corporate management and results not allocated to other segments	Adjustments and reclassifications	Total
Net turnover	593,517	114,104	92,487	-	27,087	-	827,195
Other Income	79	105	-	-	9,121	-	9,305
Operating income	**593,596**	**114,209**	**92,487**	-	**36,208**	-	**836,500**
Work carried out on fixed assets	-	-	-	8,932	-	-	8,932
Supplies	(160,234)	(35,885)	(20,966)	836	(23,680)	58,177	(181,752)
Staff costs	(60,442)	(1,147)	(16,667)	(24,185)	(55,743)	(30,236)	(188,420)
Depreciation	(32,862)	(8,405)	(51,821)	(4,712)	(11,590)	(10,547)	(119,937)
Net change in valuation adjustments	-	-	193	-	2,535	-	2,728
Other operating expenses	(79,817)	(2,869)	(31,274)	(52,778)	(63,452)	(17,394)	(247,584)
Net gains (losses) on disposal of assets	-	-	-	-	(13,871)	-	(13,871)
Current operating gains / (losses)	-	-	-	-	-	-	-
Impairment losses on property, plant and equipment, intangible assets and goodwill	-	-	(90,844)	-	-	-	(90,844)
Operating profit	**260,241**	**65,903**	**(118,892)**	**(71,907)**	**(129,593)**	-	**5,752**
Financial income	-	-	-	-	493	-	493
Financial expenses	-	-	-	-	(20,600)	-	(20,600)
Exchange rate differences	-	-	-	-	2,044	-	2,044
Gains / (losses) on measurement of financial instruments	-	-	-	-	3,226	-	3,226
Earnings before tax	**260,241**	**65,903**	**(118,892)**	**(71,907)**	**(144,430)**	-	**(9,085)**
Corporate income tax	-	-	(5,813)	-	(25,961)	-	(31,774)
Net profit for the period attributable to the Parent Company	**260,241**	**65,903**	**(124,705)**	**(71,907)**	**(170,391)**	-	**(40,859)**

Assets as of 31 December 2021 by segments:

ASSETS	Marketing through our own network	Marketing through licensees	Research and development activity	Dermatology USA	Corporate management and results not allocated to other segments	Total
Goodwill	227,743	52,816	-	-	35,407	315,966
Intangible assets	221,512	186,331	23,547	348,603	136,063	916,056
Assets due to right of use	5,428	164	-	234	14,207	20,033
Property, plant and equipment	165	22	30,804	1,641	84,781	117,413
Financial assets	162	45,523	-	742	34,075	80,502
Deferred tax assets	1,752	6,157	-	7,751	176,840	192,500
NON-CURRENT ASSETS	**456,762**	**291,013**	**54,351**	**358,971**	**481,373**	**1,642,470**
Stocks	53,382	1,777	-	11,471	52,002	118,632
Trade and other receivables	40,940	20,599	-	41,851	24,281	127,671
Current tax assets	1,232	222	-	9,374	23,226	34,054
Other current assets	890	100	-	3,958	6,583	11,531
Current financial investments	-	-	-	-	899	899
Cash and cash equivalents	-	-	-	23,162	183,325	206,487
CURRENT ASSETS	**96,444**	**22,698**	**-**	**89,816**	**290,316**	**499,274**
TOTAL ASSETS	**553,206**	**313,711**	**54,351**	**448,787**	**771,689**	**2,141,744**

Consolidated segmented income statement for the year ending on 31 December 2020:

	Marketing through own network	Marketing through licensees	Research and development activity	Dermatology USA	Corporate management and results not allocated to other segments	Adjustments and reclassifications	Total
Net turnover	534,406	146,638	-	100,179	26,204	-	807,427
Other Income	134	104	1,073	-	5,751	-	7,062
Operating income	**534,540**	**146,742**	**1,073**	**100,179**	**31,955**	-	**814,489**
Work carried out on fixed assets	-	-	4,941	-	-	-	4,941
Supplies	(160,234)	(35,885)	-	(19,305)	(21,759)	59,741	(177,442)
Staff costs	(60,442)	(1,147)	(24,651)	(15,893)	(43,703)	(31,168)	(177,004)
Depreciation	(32,862)	(8,405)	(5,220)	(51,275)	(14,877)	(10,446)	(123,085)
Net change in valuation adjustments	-	-	-	(1,735)	(2,015)	-	(3,750)
Other operating expenses	(79,817)	(2,869)	(53,947)	(23,601)	(50,644)	(18,127)	(229,005)
Net gains (losses) on disposal of assets	-	-	-	-	(649)		(649)
Current operating gains / (losses)	-	-	-	-	-	-	-
Impairment losses on property, plant and equipment, intangible assets and goodwill	-	-	-	(16,197)	-	-	(16,197)
Operating profit	**201,185**	**98,436**	**(77,804)**	**(27,827)**	**(101,692)**	-	**92,298**
Financial income	-	-	-	-	1,579	-	1,579
Financial expenses	-	-	-	-	(18,003)	-	(18,003)
Exchange rate differences	-	-	-	-	(742)	-	(742)
Gains / (losses) on measurement of financial instruments	-	-	-	-	4,106	-	4,106
Earnings before tax	**201,185**	**98,436**	**(77,804)**	**(27,827)**	**(114,752)**	-	**79,238**
Corporate income tax	-	-	-	16,754	(21,712)	-	(4,958)
Net profit for the period attributable to the Parent Company	**201,185**	**98,436**	**(77,804)**	**(11,073)**	**(136,464)**	-	**74,280**

Assets as of 31 December 2020 by segments:

ASSETS	Marketing through our own network	Marketing through licensees	Research and development activity	Dermatology USA	Corporate management and results not allocated to other segments	Total
Goodwill	227,743	52,816	-	-	35,407	315,966
Intangible assets	212,325	202,550	-	411,665	182,996	1,009,536
Assets due to right of use	3,965	100	-	498	14,757	19,320
Property, plant and equipment	178	24	33,790	231	79,325	113,548
Financial assets	163	45,522		795	40,038	86,518
Deferred tax assets	2,843	7,217	-	12,846	233,570	256,476
NON-CURRENT ASSETS	**447,217**	**308,229**	**33,790**	**426,035**	**586,093**	**1,801,364**
Stocks	74,970	2,496	-	13,626	39,059	130,151
Trade and other receivables	30,220	22,340	-	38,557	20,178	111,295
Current tax assets	3,034	112	-	24,077	45,423	72,646
Other current assets	632	125	-	2,717	6,517	9,991
Current financial investments	-	-	-	-	6,025	6,025
Cash and cash equivalents	-	-	-	13,738	145,904	159,642
CURRENT ASSETS	**108,856**	**25,073**	**-**	**92,715**	**263,106**	**489,750**
TOTAL ASSETS	**556,073**	**333,302**	**33,790**	**518,750**	**849,199**	**2,291,114**

Additions to non-current assets by segment during the six months ending on 31 December 2021:

	Marketing through our own network	Marketing through a network of licensees	Research and development activities	Dermatology USA	Corporate management and results not allocated to other segments	**Total**
Total additions to non-current assets	41,439	-	31,330	-	31,719	**104,448**

Additions to non-current assets by segment during the six months ending on 31 December 2020:

	Marketing through our own network	Marketing through a network of licensees	Research and development activities	Dermatology USA	Corporate management and results not allocated to other segments	**Total**
Total additions to non-current assets	-	-	10,052	-	42,402	**52,454**

24. Dividends paid by the Parent Company

The dividends paid by the Parent Company during fiscal years 2021 and 2020, which in both cases correspond to the dividends approved on the results of the previous year, are shown below:

	2021			2020		
	% of nominal	Euros per share	Amount (Thousands of Euros)	% of nominal	Euros per share	Amount (Thousands of Euros)
Ordinary shares	158%	0.19	33,841	169%	0.203	35,435
Total Dividends paid	**158%**	**0.19**	**33,841**	**169%**	**0.203**	**35,435**
Dividends charged to income statement	158%	0.19	33,841	169%	0.203	35,435

The 2021 dividend payment has been implemented as a flexible dividend in which shareholders have been offered the choice between receiving newly issued Parent Company shares or the cash amount equivalent to the dividend. The cash payment was chosen by 35.6% of the rights holders (which meant disbursing €11.7 million), and the remaining 64.4% opted to receive new shares, each at par value, which were issued as a capital increase (Note 15). The 2020 dividend payment was implemented as a flexible dividend in which shareholders were offered the choice between receiving newly issued Parent Company shares each at par value 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 €2.1 million), while the remaining 93.8% opted to receive new shares each at par value, which were issued as a capital increase.

25. Basic earnings / (loss) per share

Basic earnings per share is calculated by dividing the net profit for the period that can be attributed to the Parent Company by the weighted average number of ordinary shares outstanding during the period, excluding the average number of treasury shares held for the entire period. Diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, adjusted by the weighted average number of ordinary shares that would be issued if all potential ordinary shares were converted into ordinary shares of the Parent Company. For these purposes, the conversion is deemed to take place at the beginning of the period or at the time of issue of the potential ordinary shares if these have been issued during the period itself.

For these purposes, it should be taken into account that the diluted earnings per share at the end of December 2020 included the potential shares to be issued by the Parent Company at the exchange price of the convertible bond (see Note 17), i.e., 13,753,191 shares, given that this bond became effectively convertible on 25 June 2019. However, this convertible bond was cancelled on 14 December 2021, so that as of 31 December 2021 there is no financial instrument that could dilute the Parent Company's current capital. As a result, earnings per share for 2020 have been adjusted.

Accordingly:

	2021	2020
Net result of the year (thousands of euros)	(40,859)	74,280
No. of weighted average ordinary shares available (*)	178,910	178,910
No. of weighted average diluted shares (**)	178,910	178,910
Basic earnings per share (euros)	**(0.23)**	**0.42**
Diluted earnings per share (euros)	**(0.23)**	**0.42**

(*) Number of issued shares minus treasury shares

(**) The average number of ordinary shares available

According to Note 15, as a result of the increase in the fully-paid share capital through which the flexible dividend programme was implemented, a total of 1,661,175 new Parent Company shares were created and admitted to trading on 11 June 2021. During the year ending on 31 December 2020, a total of 3,560,807 new Parent Company shares were created and admitted to trading on 12 October 2020.

In accordance with IAS 33, these capital increases have resulted in an adjustment to the earnings per share for the fiscal year 2020 included in the consolidated financial statements (0.02 euros per share)

and they have been taken into account in the calculation of basic and diluted earnings per share for the fiscal year ending on 31 December 2021.

Lastly, the calculation of diluted consolidated earnings per share takes into account the consolidated profit for the year attributable to the Parent Company, excluding the expense incurred on financial instruments convertible into shares, net of the related tax effect.

26. Commitments, contingent liabilities and contingent assets

a) Commitments

As a result of the research and development activities carried out by the Group, as of the close of fiscal years 2021 and 2020, firm agreements had been entered into for the performance of these activities at a cost of €38.5 and €40.2 million, respectively, and in future years these agreements will have to be honoured.

As of 31 December 2021, the Group has set up various guarantees with the public administration and third parties for an amount of €14,147 thousand as of 31 December 2021 (€14,874 thousand as of 31 December 2020).

As of 31 December 2021 and 2020, there were no significant commitments to purchase property, plant and equipment.

The Group's lease commitments are described in Note 10.

b) Contingent liabilities

There are no contingent liabilities other than those mentioned in the notes to these consolidated financial statements (contingent payments for the acquisition of intangible assets, Note 9).

c) Contingent assets

For the purpose of the transaction with AstraZeneca mentioned in Note 7-a), the Group has rights to collect certain milestone payments related to certain regulatory and commercial events.

27. Transactions with related parties

Transactions between the Parent Company and its subsidiaries, since they are related parties, have been eliminated during consolidation and are not itemised in this note. Transactions between the Parent Company and its subsidiaries are itemised in the individual financial statements.

During fiscal years 2021 and 2020, Group companies have carried out the following transactions with related parties, with the following balances as of December 31, 2021 and 2020:

Company	Related party	Concept	Year	Thousands of Euros	
				Transactions - Income/(Expenses)	Balance - Debtor / (Creditor)
Almirall, S.A.	Grupo Corporativo Landon, S.L.	Leases	2021	(2,982)	-
			2020	(2,963)	-
Almirall, S.A.	Grupo Corporativo Landon, S.L.	Re-invoicing works	2021	252	123
			2020	122	-

The Group's headquarters (located at Ronda General Mitre, 151, Barcelona) are leased to the company Grupo Corporativo Landon S.L., under a contract that is tacitly renewed by both parties on an annual basis.

Transactions with related parties are carried out at market price.

28. Remuneration of the Board of Directors and Senior Management

The amount accrued during fiscal years 2021 and 2020 by the current and former members of the Parent Company's Board of Directors for all remuneration items (salaries, bonuses, allowances, remuneration in kind, life insurance, compensations, incentive schemes, and social security contributions) came to €3,124 and €3,000 thousand, respectively. There are life insurance policies accrued for an amount of €9 thousand in 2021 (€13 thousand in 2020).

During fiscal year 2021, civil liability insurance premiums of €229 thousand (€151 thousand as of 31 December 2020) have accrued to cover possible damages caused to members of the Board of Directors and Senior Management in the performance of their duties.

In addition, the remuneration, paid and unpaid, accrued by the Parent Company's Board of Directors from multi-year incentive and loyalty plans and the SEUS Plan (see Note 5-v)), amounted to €552 thousand in 2021, while in 2020 no amount had been accrued. At the end of fiscal year 2021, the balance of the provision for these plans amounts to €806 thousand (€302 thousand in 2020).

As of 31 December 2021, and 2020, there are no other pension commitments agreed with the current and former members of the Parent Company's Board of Directors.

The Group has included the members of the Management Committee as senior management for the purposes of the consolidated financial statements as long as they are not on the Board of Directors.

The amount accrued during fiscal years 2021 and 2020 by senior managers who are not members of the Parent Company's Board of Directors, for all remuneration items (salaries, bonuses, allowances, remuneration in kind, compensations, incentive schemes and social security contributions), came to €6,555 thousand and €5,293 thousand, respectively. There are life insurance policies accrued for an amount of €10 thousand in 2021 (€9 thousand in 2020).

In addition, the remuneration accrued, both paid and unpaid, by the Group's senior management under the multi-year incentive and loyalty schemes and the SEUS Plan, totalled €1,139 thousand and €798 thousand in fiscal years 2021 and 2020, respectively. The balance of the provision for these plans totals €2,743 thousand in 2021 (€2,322 thousand in 2020).

As of 31 December 2021, and 2020, there are no other pension commitments to the Senior Managers.

The members of the Board of Directors and Senior Management of the Group have not received any shares or share options during the fiscal year, nor have they exercised any options or have any options outstanding, nor have they been granted any advances or loans.

29. Other information concerning the Board of Directors

In order to avoid situations of conflict of interests with the Parent Company, during the fiscal year the Administrators who have held positions on the Board of Directors have complied with the obligations set forth in Art. 228 of the revised text of the Spanish Capital Companies Act. Likewise, both they themselves and the people related to them have abstained from incurring in the scenarios of conflict of interest set forth in Art. 229 of that law, except in those cases in which the corresponding authorisation has been obtained.

30. Environmental information

The Group companies have adopted the appropriate measures in environmental matters in order to comply with current environmental legislation. The Group's strategy takes into consideration the objectives of the Paris Agreement to limit the global temperature increase to below 2°C and climate neutrality by 2050. The impact of climate change risk has not been considered relevant in the preparation of the consolidated financial statements for 2021 as it does not significantly affect the useful lives of assets and/or asset impairment assessments and no legal or constructive obligations arise for the Group.

The Almirall Group's property, plant and equipment includes certain assets for environmental protection (limitation of fumes, subsoil drainage, etc.) with a carrying value on 31 December 2021 of €9.4 million euros (€4.3 million on 31 December 2020). In addition, investments for the amount of €5.1 million were made during 2021 (€0.9 million in 2020).

The consolidated income statements for fiscal years 2021 and 2020 include expenses related to environmental protection for the amounts of €1.6 million and €1.4 million, respectively.

The Group has made investments for an amount of €41.0 thousand in 2021 related to photovoltaic panels intended for the production of electricity for self-consumption in 2021, the carrying value of which amounts to €1,117 thousand as of 31 December 2021 (€1,142 thousand as of 31 December 2020). The income statement for 2021 includes expenses related to the maintenance of these plates, which amount to €2 thousand (€16 thousand in 2020), and related depreciation expenses that amount to €66 thousand

(€63 thousand in 2020); but it does not include any amount at all for electricity tax expenses in 2021 and 2020.

The Parent Company's Administrators consider that the measures adopted adequately cover all possible needs, and hence there are no environmental risks or contingencies. Accordingly, no subsidies or income related to these activities have been received.

31. Risk exposure and capital management

The Group'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 Group's global risk management program 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 Group's Treasury Department, which identifies, assesses and hedges for financial risks in accordance with the policies approved by the Board of Directors. The Board 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 December 31, most of the Group's debt was at a fixed rate, which minimises the risk of a possible increase in interest rates. As described in Note 17, the main debt instruments are as follows:

- On 22 September 2021, the Parent Company proceeded to conclude and disburse an issuing of senior unsecured debentures for an aggregate nominal amount of €300 million, at a fixed annual interest rate of 2.125%, maturing on 22 September 2026.
- On 17 July 2020, the Parent Company arranged a revolving credit facility for €275 million, for an initial term of 3 years with the possibility of an extension for an additional year (this renewal was granted on 30 June 2021, and entered into force on 17 July 2021, and therefore will mature on 17 July 2024), and this facility was earmarked for general corporate purposes. This credit facility accrues interest at a variable rate linked to Euribor. As of December 31, the Group has not drawn down any amount under this policy.
- On 27 March 2019, the Parent Company arranged a loan facility with the European Investment Bank (EIB) for up to €120 million to fund its research and development efforts, with the objective of providing cutting-edge innovation and differentiated therapies in the area of medical dermatology. The first tranche of €80 million was granted on 17 April 2019, at a fixed interest rate of 1.35%, 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 1.65%.

Exchange rate risk

The Group is exposed to exchange rate risk on certain transactions arising from its business activities. This exchange rate risk is mainly related with incoming payments in dollars corresponding to sales of finished product, incoming and outgoing payments derived from the transaction with AstraZeneca, payments in dollars on the licensing agreements with Athenex, Dermira or Sun Pharma, payments in dollars for clinical trials, purchases of raw materials and royalty payments in yen and dollars. The most relevant currency in which the group operates is the U.S. dollar.

The Group analyses quarterly the expected incoming and outgoing payments in foreign currencies, as well as the evolution and trends in these currencies. In recent years, the Group has reduced its exposure to exchange rate risk in larger commercial transactions by taking out specific insurance policies for exchange rates to cover payments in yen for the purchase of raw materials and to cover incoming cash flows in USD.

Until 24 November 2021, the Group's Parent Company had been granted an intra-Group loan as borrower by Almirall, Inc. in USD. This loan has not been hedged, since as of 1 July 2020 the loan became part of the net investment in that company and, therefore, the exchange differences generated since that date have been recognised under translation differences in equity (see Note 15). On 24 November 2021 Almirall, S.A. proceeded to capitalise the nominal amount of this loan, together with

the interest pending payment. Therefore, as of that date no additional exchange difference has been generated in the Parent Company.

Liquidity risk

The Group determines its cash requirements using two fundamental forecasting tools that vary in terms of their time horizon.

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.

In addition, medium- and long-term liquidity planning and management is based on the Group's Strategic Plan, which covers a five-year time horizon.

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

The financing instruments include a series of covenants which, in the event of default, would result a demand for immediate payment of these financial liabilities. The Group periodically assesses compliance (as well as expected future compliance in order to be able to take corrective measures, if necessary). As of 31 December 2021, all covenants are considered to be fulfilled, as mentioned in Note 17.

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

As of 31 December 2021, the forecast for liquidity reserves is as follows:

	2022	**2023 and following years**
Cash and other cash equivalents	206,487	-
Current financial investments	899	-
Credit lines agreed by banks, not used	-	275,000
Closing Balance	**207,386**	**275,000**

The following table presents an analysis of the Group's financial liabilities that are settled on a net basis grouped according to maturity dates for the remaining period from the balance sheet date to the contractual maturity date. The amounts shown in the table correspond to contractual non-discounted cash flows. Balances payable within 12 months are equal to the carrying amounts, since the effect of discounting is negligible.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**More than 5 years**
At 31 December 2021				
Loans with credit institutions	12,314	10,962	32,076	25,886
Financial derivatives for trading	-	-	-	-
Obligations	1,742	6,375	317,531	-
Liabilities for leases	6,278	5,388	8,249	525
Trade and other payables	177,800	-	-	-
Total	**198,134**	**22,725**	**357,856**	**26,411**
At 31 December 2020				
Loans with credit institutions	5,686	11,072	182,480	36,443
Financial derivatives for trading	2,966	-	-	-
Obligations	250,000	-	-	-
Liabilities for leases	6,262	5,129	7,853	500
Trade and other payables	162,143	-	-	-
Total	**427,057**	**16,201**	**190,333**	**36,943**

Estimate of the fair value

The valuation of assets and liabilities measured at fair value must be itemised by levels according to the following hierarchy determined by IFRS 13:

- Level 1. Quoted prices (unadjusted) on markets, assets and liabilities identically.
- Level 2. Data other than the quoted price included in Level 1 that are observable for the asset or liability, both directly (i.e., prices) and indirectly (i.e., derived from prices).
- Level 3. Data for the asset or liability that is not based on observable market data.

As of 31 December 2021, and 2020, the itemisation of the Group's assets and liabilities measured at fair value grouped according to the aforementioned levels is as follows (in thousands of euros):

2021	**Level 1**	**Level 2**	**Level 3**
Assets			
Financial assets at fair value with changes in Income (*)	-	-	98,175
Total assets	**-**	**-**	**98,175**
Liabilities			
Financial liabilities at fair value with changes in Income (Note 17)	-	-	-
Total liabilities	**-**	**-**	**-**

(*) includes the long-term and short-term amounts derived from the transaction with AstraZeneca (see Notes 12 and 14).

2020	**Level 1**	**Level 2**	**Level 3**
Assets			
Financial assets at fair value with changes in Income (*)	-	-	105,235
Total assets	**-**	**-**	**105,235**
Liabilities			
Financial liabilities at fair value with changes in Income (Note 17)	-	2,966	-
Total liabilities	**-**	**2,966**	**-**

(*) includes the long-term and short-term amounts derived from the transaction with AstraZeneca (see Notes 12 and 14).

Credit risk

The Group 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 provisioned at 100%. The balance of the provision at year-end 2021 and 2020 is €3,074 thousand and €7,770 thousand, respectively (see Note 14).

As for the impairment of financial assets due to credit risk, the Group invests mainly in very short-term, floating-rate instruments in entities with a high credit rating, in order to minimise any credit risk.

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

Capital management

The Group manages its capital to ensure the continuity of the activities of the Group companies of which it is the Parent Company and, at the same time, to maximise shareholder returns through an optimal balance between debt and equity.

The Group periodically reviews its capital structure in accordance with a five-year strategic plan that sets the guidelines for investment and financing needs.

The leverage ratios as of 31 December 2021 and 2020 were as follows (in thousands of euros):

	31 December 2021	31 December 2020
Financial debts	372,006	472,645
Retirement benefit obligations	77,883	85,641
Cash and cash equivalents	(207,386)	(165,667)
Net debt	**242,503**	**392,619**
Equity	1,286,039	1,302,966
Share capital	21,573	21,374
Leverage Index(1)	**18.9%**	**30.1%**

(1) Based on the calculation used by the Group to determine the leverage ratio (excluding the amount of "Other financial liabilities" included in the Note 18 and the lease liabilities included in Note 10).

32. Information on deferrals of payments to suppliers

The periods for payments to suppliers achieved by the Spanish companies of the consolidated group comply with the limits established in Law 15/2010 of 5 July, amending Law 3/2004 on combating late payment in commercial transactions. This Law establishes a payment deadline of 60 days.

The itemisation of payments for commercial transactions made during the year and those pending payment at year-end, in relation to the maximum legal deadlines provided for in Law 15/2010, which is itemised pursuant to the Official State Gazette published on 4 February 2016, is as follows:

	2021	2020
	Days	Days
Average period of payment to suppliers	46	49
Ratio of paid transactions	49	48
Ratio of transactions pending payment	20	60
Total payments made	**475,340**	**532,461**
Total payments due	**51,525**	**41,712**

This balance refers to the suppliers of the Spanish companies of the Group's consolidation perimeter which, by their nature, are trade creditors for debts with suppliers of goods and services. The average payment period in 2021 for these companies was 46 days (49 days in 2020).

33. Impacts of COVID-19

In the case of Spain, on 25 October 2020 the Government declared a state of alarm throughout the national territory to contain the spread of infections caused by SARSCoV-2, by Royal Decree 926/202. On 9 November 2020, the state of alarm was extended for a period of 6 months until 00:00 hours on 9 May 2021. On the latter date, the state of alarm ended and with it began the de-escalation of certain measures restricting mobility and certain economic activities, and as the curfew came to an end. The same has been happening in other countries where the Group operates.

In particular, in Germany everything has been managed according to local regulations ("Bund-Länder-Treffen") by adopting specific measures for employees in production, sales network or office to ensure the supply of products to patients as well as the safety of employees. Most office employees work from home, while those who go to work in person or have contact with clients have free test kits at their disposal.

In the United States, on the other hand, in-person access to health professionals remains below pre-Covid levels. Following guidance from the Center for Disease Control (CDC), several measures have been taken during 2021 to reduce the impact of these restrictions on the performance of our product portfolio.

In November 2021, a new variant of the virus called Omicron was detected, which has led to renewed lockdowns in some regions, although the impact on the Group's operations has been minimal. This variant is characterised by a higher rate of infection, although the symptoms appear to be less severe, which, together with the high vaccination rates, means that as of 31 December 2021, the Group's management considers that the pandemic situation will not worsen to a scenario such as that experienced in the first half of 2020.

Given the sector in which the Group operates, its activities are considered essential, and hence they have not been interrupted by the various measures adopted since March 2020 (states of alarm or lockdowns), especially with regard to the production activity of both the Group's production centres (located in Spain and Germany) and to the third-party manufacturers that supply certain products. There have been no supply shortages during this period.

Despite not having interrupted production activity, the Group's sales have been negatively impacted in those products for colds (due to social distancing measures) or products that were not for chronic treatments, especially due to the restriction of people's mobility, which has caused delays and cancellation of product marketing campaigns, as well as the reduction of demand at global level in the different countries in which the Group operates.

In this context it should be noted that the impact of COVID-19 in EU countries has been less than in the United States as a result of the type of product sold in each of these territories. The EU market and especially products related to chronic treatments have been the least impacted, while in the United States, where the product portfolio is of the so-called non-essential products, the drop in sales was more pronounced in 2020. Fiscal year 2021 has witnessed a rebound in prescriptions in the US, while the EU has generally returned to pre-Covid levels, with the exception of the aforementioned cold products. It should be noted that the market share of the Group's main products has not been significantly impacted and that most of the sales are in keeping with the market trend.

From the point of view of R&D activities, there have been delays, not cancellations, in some activities related to clinical trials, given the restrictions on access to hospitals that hindered the recruitment of new patients. In spite of this, Management considers that there have been no significant delays that could have an impact in the medium to long term. The registration process for Klisyri in the United States was completed in December 2020, while in the EU the product received regulatory approval from the European Medicines Agency (EMA) on 19 July 2021. As for Phase-III trials of Lebrikizumab, the development schedule remains on track for submission for registration with the EMA in 2022 and subsequent approval and launch in 2023.

Marketing campaigns have been the most affected due to the lockdown and measures imposed to prevent contagion. As a result, various activities such as congresses or medical sales visits have been cancelled and/or postponed. In this regard, the Group has made an effort to advance in the digitalisation of certain processes and activities in order to maintain its normal operations, while at the same time complying with the social distancing measures and restrictions on access to medical centres.

Lastly, support and administration activities have continued to be carried out by adopting certain flexibility measures at the different work centres and in accordance with the exceptional measures adopted in each country. In general, Group companies have opted for teleworking for all those functions that allow it, and this has not resulted in any significant disruptions.

In the present note, the Group's Management proceeds to assess the impacts of the COVID-19 outbreak that have affected the company's operations in the EU and in the United States, which are the regions where the Group has its greatest presence, as is apparent in the itemisation of the net turnover (Note 21).

Impairment of non-financial assets

As of 31 December 2021, no significant risks have been identified except for those already mentioned in Note 9 that are associated with the portfolio acquired in the business combination of Aqua Pharmaceuticals, LLC in 2013 (now Almirall LLC) and the "Allergan portfolio". Nevertheless, certain government measures to limit pharmaceutical spending in the different regions in which the Group

operates, as well as a greater than expected impact of the Omicron variant on the global economy or the emergence of new variants, could force us to reconsider new scenarios in the future.

A sensitivity analysis of the main intangible assets and cash-generating units is included in Note 5-d). This analysis contemplates scenarios of both a drop in revenues and increases in the discount rate derived from an increase in the cost of financing due to the rise in interest rates on the debt markets.

As for intangible assets related to products currently under development, no additional risk has been detected due to possible delays in the various activities required for their completion, as mentioned above.

As for the tax credits recognised in the balance sheet, which are mainly within Spain (Note 22), the Management has reassessed the plan for the recoverability of the assets, and no indications of impairment due to the impact of COVID-19 have arisen as of 31 December 2021. However, future fiscal measures that may be adopted by the Spanish government in view of the new macroeconomic environment could significantly affect this plan, such as the recent amendment to the Spanish corporate income tax law described in the Note 22.

Regarding the valuation of stocks, since it has been possible to sell the products without interruptions, no provision has been made for slow turnover or expiry linked to COVID-19 (Note 13).

Impairment of financial assets

In relation to accounts receivable, the Group has not seen an increase in doubtful debts in the fiscal year, and no relevant balance has been allocated for this purpose. The debt with hospitals may constitute the greatest risk due to possible cash-flow problems that the health administrations of the different countries may experience in the face of the increase in the deficit. In this regard, the Group's Management expects that any delay in payments would not significantly impact the Group's equity or liquidity, since hospital debt amounts to only 3.6% of the Group's accounts receivable as of 31 December 2021 (Note 14).

As for the financial assets corresponding to the fair value of future long-term payments to be received from AstraZeneca (Note 12), the Group's Management has updated the projections in accordance with the methodology described in Note 7, and no significant impact related with COVID-19 has been observed. Nevertheless, since these flows are linked to the performance of products managed by a third party, the Group has limited visibility in the short term, and hence future revaluations of these assets could give rise to changes in the estimates that would have to be adjusted prospectively in the income statement. As regards the valuation of this asset in future years, however, account should be taken of the subsequent event described in Note 34.

Lastly, with regard to the Group's liquidity position, no deterioration was observed, mainly due to three factors:

- As indicated in the Note 31, the Group has no relevant maturities of financial debt until September 2026, when the senior notes issued in 2021 for a nominal amount of €300 million mature (Note 17). In addition, the Group has a credit facility with a limit of up to €275 million to cover possible short-term liquidity needs, and as of the end of 2021, no balance of this line of credit was drawn down.
- In relation to incoming payments, as mentioned above, there have been no delays, and therefore cash generation has not been affected.
- Finally, given the slowdown in certain activities due to the various restrictions imposed to contain the spread of the virus, the volume of payments decreased slightly as a result of the decline in the Group's overall activity.

Significant uncertainties and risks associated with COVID-19

As discussed in the previous sections, the main risks and uncertainties stem largely from the new macroeconomic environment following the pandemic, as well as the appearance of the Omicron variant or the possibility of new variants in the future.

In this regard, the main uncertainties that could significantly affect the estimates made on 31 December 2021 are as follows:

- Measures applied by the governments where the Group operates to contain pharmaceutical spending in view of the increase in the deficit and public debt generated by the exceptional measures to mitigate the effects of COVID-19. These measures could take the form of additional contributions to national health systems in the form of discounts, measures to favour the use of generic drugs to the detriment of branded drugs, application of reference prices by groups of molecules, lower reimbursement prices for new launches, among others.
- Measures applied by governments to maximize tax revenues, either in the form of tax increases or in the form of restrictions on the use or granting of tax incentives.
- Increase in the cost of debt on the markets that would hinder or limit the Group's activity and/or growth in certain geographical areas.
- Slower rate of vaccination than initially expected due to lack of resources on the part of the administrations of the different countries, problems with the supply of the vaccine or uncertainties about the effects of the vaccine on people's health. Also, the possible effectiveness of the vaccine against the virus as well as against new variants.
- New waves of the virus that could limit the growth in and/or access to certain medicines by patients and/or limitations to the sales network for medical sales visits due to new restrictions on mobility; or budgetary constraints in choosing treatment by national health systems.
- Risk of disruption of the supply chain of the relevant products due to new outbreaks that could cause a shortage on the market and consequent loss of profit.

Breakdown of items related with COVID-19 in the income statement

During the fiscal year ending on 31 December 2021, no specific activities related to COVID-19 have been carried out, apart from the continuation of the measures adopted in 2020 and the reopening of certain services that had been cancelled during the months with the highest incidence of the virus (such as the fitness centres located on the Group's premises). In fiscal year 2021, certain expenses were incurred related to the adaptation of the facilities to the new healthcare requirements and the management of personnel in view of the mobility restriction, which totalled €456 thousand euros, with no new investments worthy of note (€1,284 thousand in expenditures and €158 thousand in investments in the fiscal year 2020).

The Group has not received any government aid for exceptional COVID-19 measures, and therefore does not implement any breakdowns in accordance with IAS 20 "Accounting for government grants".

Also, all lease contracts have been paid on time as agreed, without having arranged any deferral with the lessors, and therefore no additional breakdown is applicable regarding IFRS 16 "Leases".

34. Subsequent events

On 29 October 2021, the Parent Company, AstraZeneca and Covis Pharma GmbH signed an agreement whereby AstraZeneca assigns to Covis Pharma GmbH, the global rights for Eklira and Duaklir, which would be effective at the time that these companies were to complete the transaction, which finally took place on 5 January 2022 (Note 12). as a result of this agreement, in addition to continuing to receive royalty payments under the terms initially established with AstraZeneca, the Company will receive a fixed amount of US$10 million on the date on which the transaction is completed and US$40 million in different tranches until September 2023, mainly linked to certain changes in the milestone structure initially established.

Additionally, at the date of preparation of these consolidated financial statements, the Board of Directors of Almirall, S.A. has agreed to propose to the General Shareholders' Meeting the distribution of a dividend charged to unrestricted reserves in the amount of €34.2 million (equivalent to €0.19 per share). For the purposes of this dividend distribution, it is proposed utilise again the "Flexible Dividend" shareholder remuneration system, already applied in 2021. In this manner, its shareholders are offered an alternative that allows them to receive bonus shares of the Parent Company without limiting their possibility of receiving an amount in cash equivalent to the dividend payment, as indicated in Note 4.

ANNEX: INFORMATION ON GROUP COMPANIES

	Thousands of Euros						
Name Address Activity	Laboratorios Almirall S.L. Spain Mediation services	Laboratorios Tecnobío S.A. Spain Mediation services	Industrias Farmacéuticas Almirall S.A. Spain Manufacturing of specialities	Ranke Química S.A. Spain Manufacture of raw materials	Almirall Internacional. BV The Netherlands Holding	Almirall NV Belgium Pharmaceutical laboratory	Almirall - Productos Farmacêuticos. Lda. Portugal Pharmaceutical laboratory
31 December 2021							
Fraction of capital held							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	7,739	471	51,977	19,103	69,034	2,213	2,327
Net profit/(loss) for the year	295	601	3,294	871	6,423	102	283
31 December 2020							
Fraction of capital held							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	7,326	474	48,696	18,428	56,513	2,168	2,145
Net profit/(loss) for the year	360	(3)	3,378	675	12,521	46	182

Note: All information concerning the indicated companies is obtained from the individual financial statements of the different companies. For this reason, they do not reflect the effect that would result from applying consolidation criteria for the shares. Inactive companies other than those consolidated are not included.

ANNEX: INFORMATION ON GROUP COMPANIES

	Thousands of Euros						
Name	Almirall BV	Almirall Europa Derma S.L	Almirall Limited	Almirall S.A.S.	Almirall SP. Z.O.O.	Almirall GmbH	Almirall AG
Address	The Netherlands	Spain	United Kingdom	France	Poland	Austria	Switzerland
Activity	Pharmaceutical laboratory	Marketing of beauty products	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory
31 December 2021							
Fraction of capital held							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	4,000	61	571	12,527	12	36	901
Reserves	2,768	173	11,648	21,335	1,444	2,121	3,154
Net profit/(loss) for the year	352	(1)	404	1,535	16	242	1,005
31 December 2020							
Fraction of capital held							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	4,000	61	571	12,527	12	36	901
Reserves	2,586	178	10,263	19,913	1,438	1,851	2,168
Net profit/(loss) for the year	182	(5)	579	1,422	17	270	514

Note: All information concerning the indicated companies is obtained from the individual financial statements of the different companies. For this reason, they do not reflect the effect that would result from applying consolidation criteria for the shares. Inactive companies other than those consolidated are not included.

ANNEX: INFORMATION ON GROUP COMPANIES

	Thousands of Euros							
Name	Almirall SpA	Almirall Hermal GmbH	Almirall Aps	Almirall Inc	Subgroup(*) Almirall US	Poli Group Holding S.R.L.	Polichem, S.A.	Polichem S.R.L.
Address	Italy	Germany	Denmark	USA	USA	Italy	Luxembourg/ Switzerland/China	Italy
Activity	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory	Holding	Pharmaceutical laboratory	Holding	Pharmaceutical laboratory	Pharmaceutical laboratory
31 December 2021								
Fraction of capital held								
- Directly	-	100%	100%	100%	-	100%	-	0.4%
- Indirectly	100%	-	-	-	100%	-	100%	99.6%
% voting rights	100%	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	8,640	25	17	-	-	31	1,351	540
Reserves	51,585	22,421	2,695	576,559	489,660	46,792	168,767	5,658
Net profit/(loss) for the year	3,192	25,804	354	(155,047)	(114,272)	(65)	23,921	985
31 December 2020								
Fraction of capital held								
- Directly	-	100%	100%	100%	-	100%	-	0.4%
- Indirectly	100%	-	-	-	100%	-	100%	99.6%
% voting rights	100%	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	8,640	25	17	-	-	31	1,351	540
Reserves	39,853	(7,516)	2,486	450,895	306,340	46,870	126,574	4,223
Net profit/(loss) for the year	11,732	25,799	207	(80,549)	(19,426)	(78)	33,712	1,435

Note: All information concerning the indicated companies is obtained from the individual financial statements of the different companies. For this reason, they do not reflect the effect that would result from applying consolidation criteria for the shares. Inactive companies other than those consolidated are not included.

(*) Includes Aqua Pharmaceutical Holdings Inc and Almirall LLC holding companies