This document contains the following elements:

1. Auditor Report *(English translation)*
2. Financial Statements *(English translation)*
3. Directors' report *(English translation)*

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

Translation of documents originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

Auditor's Report on Almirall, S.A.

(Together with the annual accounts and directors' report of Almirall, S.A. for the year ended 31 December 2022)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
(Barcelona)

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Almirall, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Almirall, S.A. (the "Company"), which comprise the balance sheet at 31 December 2022, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702, and the Spanish Institute of Registered Auditors' list of companies with No. 10.
Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of non-current investments in Group companies and associates

See note 8 to the annual accounts

Key audit matter	*How the matter was addressed in our audit*
As disclosed in note 8 to the accompanying annual accounts, at 31 December 2022 the Company has non-current investments in Group companies and associates amounting to Euros 1,289 million. The Company performs an annual assessment of the existence of objective evidence of impairment of non-current investments in Group companies and associates, and estimates the recoverable amount at the reporting date of those entities for which objective evidence of impairment exists. We focus on this area due to the significant carrying amount of these investments and because the assessment made by the Company's management and Directors to identify the existence of indications of impairment and, in this case, their recoverable amount, requires significant judgements and estimates, mainly regarding the future results of the aforementioned entities.	Our audit procedures included the following: – Assessing the design and implementation of certain key controls linked to the process of estimating the recoverable amount of investments in Group companies and associates. – Evaluating the criteria used by the Company in the process of assessing the existence of objective evidence of impairment of the investments in Group companies and associates. – Assessing the reasonableness of the methodology used to calculate the recoverable amount, and the key assumptions used, with the involvement of our valuation specialists. – Evaluating the Company’s capacity to calculate the cash flow projections, comparing historical forecasts of results with the actual results obtained and the business plans approved by management. Moreover, we assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

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Recoverability of deferred tax assets See note 18 to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
As indicated in note 18 to the accompanying annual accounts, at 31 December 2022 the Company has recognised deferred tax assets for a total of Euros 180 million, which primarily correspond to deductions generated for research and development to be applied to corporate income tax by the Spanish tax group. The recoverability of these deferred tax assets is analysed on a yearly basis by the Company's management and Directors in line with the best estimate of taxable profits for the next 10 years, which is deemed to be a reasonably foreseeable deadline. As part of their assessment, the Company's Directors analyse whether the deductions could be converted into a receivable from the taxation authorities (monetisation) in the future, for the purposes of considering it in assessing their recoverability. The analysis of the recoverability of deferred tax assets is considered a key audit matter because estimating future taxable profits requires a significant degree of judgement.	Our audit procedures included the following: – Assessing the design and implementation of certain key controls linked to the process of recognising and measuring deferred tax assets. – Assessing the reasonableness of the criteria and the main assumptions considered by the Spanish tax group in estimating the future taxable profits necessary for offset. – Assessing the reasonableness of the amounts to be offset in the estimated period of time, in accordance with applicable tax legislation. – Analysing the consistency of forecast results which served as a basis for analysing the recoverability of the deferred tax assets with the business plan approved by the Company's management. Moreover, we assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2022 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts. Also, assess and report on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

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Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2022, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with Almirall, S.A.'s audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital file of Almirall, S.A. for 2022 in European Single Electronic Format (ESEF) comprising an XHTML file with the annual accounts for the aforementioned year, which will form part of the annual financial report.

The Directors of Almirall, S.A. are responsible for the presentation of the 2022 annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Our responsibility consists of examining the digital file prepared by the Company's Directors, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the annual accounts included in the aforementioned digital file fully corresponds to the annual accounts we have audited, and whether the annual accounts have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 17 February 2023.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 07 May 2021 for a period of three years, from the year ended 31 December 2021.

KPMG Auditores, S.L.
On the Spanish Official Register of
Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

This report corresponds to stamp number *20/23/00109* issued by the Catalan Institute of Registered Auditors (Col.legi de Censors Jurats de Comptes de Catalunya).

On the Spanish Official Register of Auditors ("ROAC") with No. 16084

ALMIRALL, S.A.

Financial Statements for the year ending on
December 31st, 2022 and
Directors' Report

(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.

Balance Sheet for the year ended December 31st

(Thousand euro)

ASSETS	Note	31/12/2022	31/12/2021
NON-CURRENT ASSETS	5	330,359	290,172
Intangible assets	6	36,526	34,878
Property, plant and equipment	8	1,288,785	1,380,168
Long-term investments in group companies and associates	9	33,331	79,511
Long-term investments	18	180,441	188,011
TOTAL NON -CURRENT ASSETS		**1,869,442**	**1,972,740**
Inventories	10	**77,944**	**67,576**
Trade and other receivables		**102,181**	**93,731**
Trade receivables for sales and services rendered	11	32,933	28,971
Trade receivables, group companies and associates	11 y 20	54,737	41,463
Sundry accounts receivable	11	-	131
Personnel		94	48
Current tax assets	18	8,723	16,240
Other receivables with Public Administrations	18	5,694	6,878
Short-term investments in group companies and associates	8 y 20	**-**	**2,186**
Short-term financial investments	9	**29,600**	**20,152**
Prepayment and accrued income		**8,367**	**5,344**
Cash and cash equivalents		**214,621**	**161,105**
TOTAL CURRENT ASSETS		**432,713**	**350,094**
TOTAL ASSETS		**2,302,155**	**2,322,834**

LIABILITIES AND EQUITY	Note	31/12//2022	31/12/2021
Shareholders' funds		**1,239,926**	**1,310,433**
Share capital	12	21,782	21,573
Share premium	12	322,588	301,058
Legal reserve	12	4,275	4,275
Other reserves	12	1,008,334	1,042,492
Own shares and equity instruments	12	(2,552)	(2,131)
Negative results from previous exercises		(56,834)	-
Profit/(loss) for the year		(57,667)	(56,834)
TOTAL EQUITY		**1,239,926**	**1,310,433**
Long-term provisions	14	**25,030**	**33,824**
Long-term payables		**353,227**	**363,499**
Debentures and other marketable securities Bank borrowings	15	295,758	294,692
Derivatives	15	55,000	65,000
Other financial liabilities	16	2,469	3,807
Deferred tax liabilities	18	**31,064**	**29,465**
Accruals and deferred income	13	**1,303**	**1,842**
NON-CURRENT LIABILITIES		**410,624**	**428,630**
Short- term provision		**632**	**1,273**
Short-term payables		**21,814**	**39,823**
Bank borrowings	15	12,377	12,314
Derivatives	15	25	-
Other financial liabilities	16	9,412	27,509
Short-term payables to Group companies and associates	20	**495,881**	**419,605**
Trade and other payables		**133,095**	**122,368**
Trade payables		63,810	47,278
Trade payables, Group companies and associates	20	24,686	25,500
Sundry payables		26,722	33,352
Accrued wages and salaries		10,902	12,195
Current tax liabilities		-	-
Other payables with Public Administrations	18	6,975	4,043
Accruals and deferred income		**183**	**701**
TOTAL CURRENT LIABILITIES		**651,605**	**583,771**
TOTAL LIABILITIES AND EQUITY		**2,302,155**	**2,322,834**

The accompanying Notes 1 to 26 and the Appendix are an integral part of the financial statements for the year ended December 31st, 2022.

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

Almirall, S.A.
Income Statement for year ended December 31st (Thousand euro)

	Note	Year 2022	Year 2021
Net turnover	19	603,296	520,166
Changes in inventories of finished products and work in progress	10 y 19	12,546	(9,659)
Own work capitalised		1,235	4,827
Raw materials and consumables	19	(230,163)	(184,915)
Other operating income	19	35,045	62,369
Staff costs	19	(64,058)	(72,836)
Other operating expenses	19	(269,353)	(214,627)
Losses, impairment and variation in trade provisions	19	562	880
Fixed asset amortization/ depreciation	5 and 6	(28,786)	(25,099)
Release of non-financial asset grants and other Other losses in ordinary course of business		80	47
Impairment and profit/(loss) on fixed asset disposals and group companies	19	(95,329)	(119,376)
Operating profit/(loss)		**(34,925)**	**(38,223)**
Financial income	19	636	486
Financial expenses	19	(12,999)	(20,237)
Exchange differences	19	1,543	16,529
Impairment, profit /(loss) on disposals and change in fair value of financial instruments	19	(5,675)	3,218
Financial income/(expense)		**(16,495)**	**(4)**
Profit /(loss) before taxes		**(51,420)**	**(38,227)**
Corporate Income Tax	18	(6,247)	(18,607)
Profit/(loss) for the year		**(57,667)**	**(56,834)**

The accompanying Notes 1 to 26 and the Appendix are an integral part of the financial statements for the year ended December 31st, 2022.

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

Almirall, S.A.

Income Statement for year ended December 31st (Thousand euro)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE (Thousand euro)

	Note	Year ended December 31	
		2022	**2021**
RESULTS RECOGNISED IN THE INCOME STATEMENT (I)		**(57,667)**	**(56,834)**
Income and expenses taken directly to equity			
Grants, donations and bequests received		-	-
Tax effect		-	-
Total income and expenses taken directly to equity (II)		**-**	**-**
Transfers to the income statement:			
Measurement of financial instruments		-	-
Grants, donations and bequests received			
Tax effect		-	-
Total transfers to the income statement (III)		**-**	**-**
Total recognised income and expense (I+II+III)		**(57,667)**	**(56,834)**

The accompanying Notes 1 to 26 and the Appendix are an integral part of the financial statements for the year ended December 31st, 2022.

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

Almirall, S.A.
Statement of changes in equity for the year ended December 31st
(Thousand euro)

B) TOTAL STATEMENT OF CHANGES IN EQUITY (Thousand euro)

	NOTE	Authorised capital	Share premium	Legal reserve	Other reserves	Own shares and equity instruments	Prior year results	Profit /(loss) for year	Value change adjustments	Grants, donations and bequests	Equity
Balance at December 31, 2020	**3**	**21,374**	**279,162**	**4,189**	**1,066,708**	**(2,261)**	**-**	**9,711**	**-**	**-**	**1,378,883**
Distribution of results		-	-	86	9,625	-	-	(9,711)	-	-	-
Dividends		199	21,896	-	(33,841)	-	-	-	-	-	(11,746)
Recognised income and expense		-	-	-	-	-	-	(56,834)	-	-	(56,834)
Transactions with own shares and equity instruments		-	-	-	-	130	-	-	-	-	130
Balance at December 31, 2021	**3**	**21,573**	**301,058**	**4,275**	**1,042,492**	**(2,131)**	**-**	**(56,834)**	**-**	**-**	**1,310,433**
Distribution of results		-	-		-	-	(56,834)	56,834	-	-	-
Dividends		209	21,530	-	(34,158)	-	-	-	-	-	(12,419)
Recognised income and expense		-	-	-	-	-	-	(57,667)	-	-	(57,667)
Transactions with own shares and equity instruments		-	-	-	-	(421)	-	-	-	-	(421)
Balance at December 31, 2022	**3**	**21,782**	**322,588**	**4,275**	**1,008,334**	**(2,552)**	**(56,834)**	**(57,667)**	**-**	**-**	**1,239,926**

The accompanying Notes 1 to 26 and the Appendix are an integral part of the financial statements for the year ended December 31st, 2022.

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

ALMIRALL, S.A.

Cash flow statement for the year ended December 31st(Thousand euro)

		Year ended December	
	Note	**2022**	**2021**
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit/ (loss) for the year before tax		**(51,420)**	**(38,227)**
2. Adjustments to results		**122,613**	**113,910**
Fixed asset amortization/ depreciation (+)	5 & 6	28,786	25,099
Value adjustments for impairment (+/-)	5,8,10 & 11	92,357	118,864
Change in allowances and provisions (+/-)	14 & 19	(5,305)	4,396
Release of grants (+/-)		(80)	(47)
Profit//loss) on write-offs and disposals of fixed assets (+/-)	19	2,936	955
Financial income and dividends received (-)	19 & 20	(644)	(11,141)
Financial expenses (+)	19	12,999	20,237
Exchange differences (+/-)	19	(1,543)	(16,529)
Variation in the fair value of financial instruments (+/-)	19	5,675	(3,218)
Deferred income	13	(539)	(409)
Inclusion of deferred income on the AstraZeneca transaction	13	-	(17,363)
Recognition of financial asset value not collected	9	(12,029)	(6,934)
3. Changes in working capital		**(23,797)**	**22,501**
Inventories (+/-)	10	(10,395)	7,899
Debtors and other receivables (+/-)	11	(13,745)	2,554
Other current assets (+/-)		(3,535)	(963)
Creditors and other payables (+/-)		6,878	18,766
Other current liabilities (+/-)		(3,001)	(5,755)
4. Other cash flows from operating activities		**812**	**25,528**
Interest paid (-)	19	(9,389)	(5,870)
Dividends and interests received (+)	20	8	2,458
Corporate income tax collections/payments (+/-)	18	10,439	28,817
Other non-current assets and liabilities (+/-)		(246)	123
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)		**48,208**	**123,712**
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6. Payments for investments (-)		**(91,908))**	**(39,864)**
Group companies and associates	8	(1,011)	(1,922)
Intangible assets	5	(86,054)	(33,272)
Property, plant and equipment	6	(4,803)	(3,588)
Other financial assets	9	(40)	(1,083)
7. Collections from divestments (+)		**50,203**	**14,027**
Group companies and associates	8	2,187	-
Property, plant and equipment	6	-	
Other financial assets	9	47,336	13,994
Other assets	9	680	33
8. Cash flows from investing activities (7-6)		**(41,705)**	**(25,837)**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Receipts and payments equity instruments		**(421)**	**131**
Acquisition own equity instruments		(421)	131
10. Receipts and payments financial liability instruments		**58,627**	**(59,159)**
Issue		76,443	348,257
Bonds and other marketable securities (+)	15	-	294,411
Bank loans (+)	15	167	102
Payable to Group companies and associates (+)	15	76,276	53,494
Other payables	15	-	250
Return and repayment of:		(17,816)	(407,416)
Bonds and other marketable securities (-)	15	-	(250,000)
Bank loans (-)	15	(10,000)	(155,000)
Payable to Group companies and associates (-)	15		
Other payables (-)	16	(7,816)	(2,416)
11. Dividend payments and return on other equity instruments	3	**(12,419)**	**(11,746)**
Dividends (-)	3	(12,419)	(11,746)
12. Cash flows from financing activities (+/-9+/-10)		**45,787**	**(70,774)**
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		**1,211**	305
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-11+/-D)		**53,501**	**28,216**
Cash and cash equivalents at beginning of the year	4-e/ 9	**161,120**	**133,714**
Cash and cash equivalents at end of the year	4-e /9	**214,621**	**161,120**

The accompanying Notes 1 to 26 and the Appendix are an integral part of the financial statements for the year ended December 31st, 2022.

1. Company activity

The corporate purpose of Almirall, S.A. ("the Company") basically consists of the acquisition, manufacture, storage, marketing and representation in the sale of pharmaceutical specialties and products and all manner of raw materials used to prepare the aforementioned pharmaceutical specialties and products.

The Company's corporate purpose also includes:

- The acquisition, manufacture, storage, sale and mediation in the sale of cosmetics, chemical, biotechnological and diagnostic products for human, veterinary, agrochemical and food-industry use, as well as all manner of utensils, complements and accessories for the chemical, pharmaceutical and clinical industries.

- Research into chemical and pharmaceutical ingredients and products.

- The acquisition, sale, lease, subdivision and development of plots, land and properties of all kinds, including the performance of construction work thereon and their disposal, in full, in part or under a condominium property arrangement.

- The provision of prevention services of the companies and companies participating in the company under the article 15 of Royal Decree 39/1997, of January 17, which establishes the Regulation of Prevention Services, and regulations of developing. This activity may be regulated and developed in a joint manner for related companies and participants in it, according to the article 21 of the legal text. It is expressly stated that said activity is not subject to administrative authorization as established by law. This activity may be subcontracted to other specialized entities under the provisions of article 15 of RD 39/1997.

- Manage and direct the participation of the Company in the equity of other entities, through the corresponding organization of personal and material.

In accordance with the Company's Articles of Association, the corporate purpose may be carried on, in full or in part, directly by the company or indirectly through the ownership of shares, equity instruments or any other rights or interests in companies or other types of entity with or without legal personality, resident in Spain or abroad, engaging in activities that are identical or similar to those composing the Company's corporate purpose.

Almirall, S.A. is the parent company of a Group of companies and, in accordance with current legislation, is obliged to prepare separate consolidated financial statements. The consolidated financial statements for the year ended December 31, 2022, were prepared by its Directors on February 17, 2023 (February 18, 2022, for the consolidated financial statements for the year 2021) and approved by the Company's General Shareholders' Meeting held on May 6, 2022. These consolidated financial statements show a consolidated profit of 4,3 million euros in the 2022 financial year (consolidated loss of 40,9 million euros in the 2021 financial year) and consolidated equity as of December 31, 2022 of 1,319 million euros (1,286 million euros as of December 31, 2021). The Company's operations and those of the Group companies are managed on a consolidated basis and, therefore, the Company's results and financial position must be evaluated considering this relationship with the Group companies (Notes 8 and 20).

Almirall, S.A. is a public limited liability company listed on the Spanish stock exchange included in the Spanish electronic trading system (continual market). Its registered office is located at Ronda General Mitre, 151, Barcelona (Spain).

2. Basis of presentation of the financial statements

a. Applicable financial reporting legislation

The Company's financial statements for the year ended December 31, 2022, which were obtained from the accounting records held by the Company, were formally prepared by the Company's directors on February 17th, 2023.

These financial statements have been drawn up by the directors within the financial reporting framework applicable to the Company, which is contained in:

- The Code of Commerce, the Spanish Companies Act and other commercial legislation.
- The General Chart of Accounts approved by Royal Decree 1514/2007 together with Royal Decree 1159/2010 and Royal Decree 602/2016 which amends certain aspects of the General Chart of Accounts and its sectoral versions.
- The mandatory standards approved by the Spanish Institute of Auditors and Accountants in the development of the Chart of Accounts and complementary standards.
- Other applicable Spanish accounting legislation.

b. Comparison of information

The financial statements present for comparative purposes, with each of the items of the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the financial statements, in addition to the figures for 2022, the figures for the previous year, which differ of the financial statements for 2021 approved by the General Shareholders' Meeting on May 6th, 2022, as the Company has changed the classification criterion of an amount of 38,929 thousand euros of other operating income to consider it as a net turnover in the comparative year 2021, as it is considered as income from its usual activity. This income corresponds to royalty income, as well as income from the assignment of licenses, as indicated in Note 19.

Transition to the new accounting standards

The accounting principles and the main valuation standards used by the Company for the preparation of these financial statements are the same as those applied in the previous year, except for the adoption of Royal Decree 1/2021, of January 12th, amending the General Accounting Plan approved by Royal Decree 1514/2007, November 16, 2007, as well as the adoption of the Resolution of February 10th, 2021, of the Spanish Accounting and Auditing Institute, which establishes rules for the recording, valuation and preparation of the financial statements for the recognition of income from the delivery of goods and services. The main amendments essentially refer to the transposition to the local accounting environment of most of the standards included in IFRS-EU 9, IFRS-EU 15, IFRS-EU 7 and IFRS-EU 13.

The Company has not had any adjustment to the carrying amount of financial assets and liabilities in reserves as of January 1st, 2021 as a result of the application of the new accounting standards.

As a result of the new regulations, as of January 1st, 2021 the Company's accounting policies for financial assets and liabilities, derivatives and other financial instruments and revenue recognition have been modified as follows:

Financial Instruments

In relation to financial assets and liabilities, new criteria are introduced for their classification, valuation and derecognition, and new rules are introduced for hedge accounting.

In the first application of this standard on January 1st, 2021, the Company has opted for the practical solution of not restating comparative information for the year 2020.

The option is taken to change the classification of assets and liabilities for 2020 without affecting their valuation. The Company has not had any adjustment to the carrying amount of financial assets and liabilities in reserves as of January 1st, 2021.

The standard implies a greater breakdown of information in the notes to the financial statements relating to financial instruments, essentially in risk management and in the fair value hierarchy and valuation techniques.

Revenue Recognition

The standard establishes a new revenue recognition model for contracts with customers, where revenue should be recognized based on the fulfilment of performance obligations to customers. Revenue represents the transfer of committed goods or services to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services.

The Company has chosen as the first-time application method as of January 1st, 2021 the practical expedient of applying the new standard for new contracts as of that date, choosing not to restate comparative information for the year 2020.

The Company has reviewed the internal revenue recognition policies for the different types of contracts with customers, identifying the performance obligations, the determination of the schedule for the satisfaction of these obligations, the transaction price and its allocation, in order to identify possible differences with the revenue recognition model of the new standard, without finding significant differences between the two or compliance obligations that would give rise to the recognition of liabilities for contracts with customers.

c. Fair information

The accompanying financial statements have been obtained from the Company's accounting records and are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, the accounting principles and criteria contained therein, so as to present fairly the Company's net worth, financial position, results of operations, changes in shareholders' equity and cash flows for the year.

d. Non-mandatory accounting principles applied

Any non-mandatory accounting principles have been applied. The Company’s Administrators have prepared these financial statements taking into account all applicable mandatory accounting principles and standards that have a significant effect on the same. All mandatory principles have been applied.

e. Critical measurement issues and estimates of uncertainty

When preparing these financial statements, estimates made by the Company’s Administrators have been used in order to measure some assets, liabilities, income, expenses and commitments recognised in the accounts. These estimates basically relate to the following:

- The useful life of intangible assets and property, plant and equipment (Notes 4a and 4b).
- The evaluation of possible impairment losses on certain items of property, plant and equipment and intangible assets as a result of not recovering the carrying amount of such assets (Note 4c).
- Assessment of the recoverability of deferred tax assets (Note 18).
- Evaluation of the technical and economic viability of the development projects in the pipeline that have been capitalised (Note 4a).
- The recoverable amount of interests held in Group companies and the fair value of certain listed and unlisted financial assets (Notes 4f and 4k)
- Estimate of the liability relating to the cash-settled share-based payment arrangements (Note 4r).

Although these estimates have been prepared based on the best information available at year-end December 31st, 2022, events may take place in the future that make it necessary to revise them up or down in coming years. Such revision would in any event be carried out prospectively.

f. Going concern principle

The Company has a negative working capital as of December 31st, 2022 for an amount of € 218,892 thousand (€ 233,677 thousand negative in 2021). However, the Administrators have formulated these financial statements under the principle of continuity business considering that there is the implicit commitment of the majority shareholders to continue providing the necessary support for the future development of the Company.

The Company carries out prudent management of liquidity risk, by maintaining sufficient cash and cash equivalents to have sufficient capacity to meet future obligations. In addition, the Company has loans with Group companies for an amount of € 495,881 thousand as of December 31st, 2022 (€ 419,605 thousand in 2021), as indicated in Note 20 of the financial statements, due to centralized management of the treasury, and which classifies short-term but not with an imminent enforceability. In addition, the Company has a non-disposed revolving credit facility with a limit of € 275 million (Note 15) (€ 275 million as of December 31st, 2021), and also the Group of which the Company is Parent has a positive Working Capital at this date and a good financial situation. All of the above suggests that despite the fact that the Company has a negative working capital as of December 31st, 2022, the Company's Administrators ensure the functioning of the operating company based on expectations of the continuity of the results.

3. Distribution of results

The proposed presentation of results included in the Company's financial statements for the year ended December 31st, 2022 and the proposed distribution of results for 2021 approved by the Shareholders at the General Meeting held on May 6th, 2022 are as follows:

	Thousands of Euros	
	2022	2021
Basis of distribution:		
Profit for year	(57,666,623.53)	(56,833,925.29)
Distribution:		
To legal reserve	-	-
To voluntary reserves	-	-
To dividends	-	-
To prior years' losses	(57,666,623.53)	(56,833,925.29)
Total	**(57,666,623.53)**	**(56,833,926.29)**

The dividends paid by the Company in 2022 and 2021, which related to the dividends approved out of profit earned in the previous year, are as follows:

	2022			2021		
	% of nominal value	Euro per share	Amount in thousand euro	% of nominal value	Euro per share	Amount in thousand euro
Ordinary shares	158%	0.190	34,158	158%	0.190	33,841
Total dividends paid	**158%**	**0.190**	**34,158**	**158%**	**0.190**	**33,841**

When a dividend is approved, which may be settled in cash or through the issue of fully paid-up shares at the investor's option, i.e., remuneration with shares for a specific value, the corresponding liability must be recognized with a charge to reserves equivalent to the fair value of the rights to be allotted shares at no charge. If the investor opts to subscribe for fully paid-up shares, then the corresponding capital increase will be recognized. If the investor elects to collect the dividend, then the liability will be derecognized with a credit to the cash paid.

At the date of preparation of these consolidated financial statements, the Board of Directors of the Company agreed to propose to the General Shareholders' Meeting the distribution of a dividend charged to unrestricted reserves for the amount of €34.5 million (equivalent to €0.19 per share). For the purposes of this dividend distribution, it is proposed to again utilize the "Flexible Dividend" shareholder remuneration system, already applied in 2022. In this manner, its shareholders are offered an alternative that allows them to receive bonus shares of the Company without limiting their possibility of receiving a cash amount equivalent to the dividend payment (see subsequent event indicated in Note 26).

4. Accounting policies

a. Intangible assets

As a general rule, intangible assets are initially carried at acquisition cost or production cost. They are subsequently measured at cost less accumulated amortisation and if appropriate, any impairment losses (Note 4c). These assets are amortised over their useful lives.

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

	Annual rate
Development expenses	10%
Industrial property rights	6%-10%
Computer software	18-33%

The Company recognises for accounting purposes any impairment loss on these assets using as a balancing entry the heading "impairment losses and profit/loss on disposal of fixed assets and investments in group companies". Recognition of impairment losses and the reversal of prior year impairment losses is made, where applicable, using methods similar to the ones used for property, plant and equipment (Note 4c).

Development costs-

The Company recognises research expenditure as an expense in the income statement.

The expenses incurred as a result of the development of new projects are recognised as assets when all the following conditions are met or can be evidenced:

I. It is technically possible to complete production of the drug so that it can be made available for use or for sale.

II. There is an intention to finish developing the drugs in question for use or for sale.

III. There is the capacity to use or sell the drug.

IV. The asset will generate economic benefits in the future. There is evidence that there is a market for the drug which will result from the development or a market for its development. There is also evidence that its development will be useful to the Company if it is going to be used internally.

V. Adequate technical, financial and other resources are available to complete development and use or sell the drug resulting from the development in progress.

VI. The expenditure attributable to this development until its completion can be reliably measured.

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 phases of the development process, it may be necessary to abandon said development, either because the new drugs do not meet medical and regulatory standards, or because they do not meet profitability thresholds. For these reasons, the Company considers that the uncertainty is only overcome once the developed product is approved by the competent authorities in a relevant market. This is the moment from which the Company considers that the conditions for the capitalisation of development expenses have been met.

When the amount delivered in Exchange of an intangible asset includes a contingent component, it will be considered within the carrying amount the best estimation of the present value of the contingent payment, except in the case that it is linked with a future event which will increase the profit or the economic profitability that this asset will provide, related to facts or circumstance not existing in the acquisition date. Likewise, applying the same criteria as per property, plant and equipment, the contingent payments that are dependent on magnitudes linked with the development of the activity, such as sales or profit for the year, they will be accounted for as an expense on the income statement as the events occur.

The capitalised development costs with a finite useful life which may be recognised as an asset are amortised from the product's regulatory approval on a straight-line basis over the period in which benefits are expected to be generated.

During 2022 development costs have been capitalized amounting to € 1.2 million related to a project related with a product currently being commercialized in different markets (Note 5). During 2021 development costs amounted to € 4.8 million.

Intellectual property-

Patents, trademarks and product production, sale and/or distribution licences are initially recognised at the cost of acquisition (separate or through a business combination) and are amortised over the estimated useful lives of the related products (straight-line method) up to a limit of the duration of the licensing agreements signed with third parties. These periods do not usually exceed ten years.

The expenses incurred in development of intellectual property that is not economically feasible are recognised in full in the income statement in the year in which these circumstances become known.

Computer software-

The Company recognises the costs incurred in the acquisition and development of computer programs in this account. Computer software maintenance costs are recognised in the income statement in the year in which they are incurred.

Computer software may be contained in a tangible asset or have physical substance and therefore include both tangible and intangible elements. These assets will be recognised as property, plant, and equipment if they constitute an integral part of the related tangible asset, which cannot operate without that specific software.

Computer software is amortised on a straight-line basis over a period of between three to six years from the start-up of each application.

Goodwill-

Goodwill arose as a result of the difference between the carrying amount of the shares of Prodesfarma, S.A. and the carrying amount of this company at the time it was merged by absorption with the Company, after having allocated any other latent gains arising from intangible assets, property, plant and equipment and financial assets. Goodwill was fully amortised at the date of transition to the current general chart of accounts.

b. Property, plant and equipment

Items acquired of property, plant and equipment are measured at cost restated in accordance with the applicable legislation, including Royal Decree-Law 7/1996, of 7 June (Note 7). Subsequently, cost is adjusted for accumulated depreciation and impairment losses, if any, as described in Note 4c.

Replacements or renewals of complete items that lead to a lengthening of the useful lives of the assets or to an increase in their economic capacity are recognised as an increase in property, plant, and equipment, with the resulting de-recognition of the items replaced or renewed.

Periodic maintenance, upkeep and repair expenses are recognised in the income statement on an accrual basis as incurred.

Property, plant, and equipment in the course of construction are transferred to property, plant and equipment in use at the end of the related development period.

The annual depreciation charge is recognised in the income statement and is basically based on the depreciation rates calculated over the years of estimated useful life. The land on which the buildings and other structures stand is considered to have an indefinite useful life and, therefore, it is not depreciated. Property, plant and equipment is generally depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

	Estimated useful life
Constructions	33-50
Technical installations and machinery	6-12
Other facilities and tools	4-12
Furniture and laboratory equipment	6-10
Information processing equipment	4-6
Transport equipment	5-6.25

The gain or loss arising on the disposal or de-recognition of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and it is recognised in the income statement.

Environmental investments that include assets to be used on a lasting basis in the company's activities are classified under "property, plant and equipment". They are carried at acquisition cost and are depreciated on a straight-line basis over their estimated useful lives.

c. *Impairment of intangible assets and property, plant, and equipment*

At each balance sheet date, the Company 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 such an 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 Company 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 fiscal year, and whenever there are indications of impairment prior to the end of each year.

The recoverable amount is defined as whichever is the greater of the following amounts: fair value less costs to sell; or the 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 the current market assessments of the time value of money (TVM) 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 Company 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 must be calculated individually for each asset, unless the asset does not generate cash inflows that are mostly independent from the ones of other assets of asset groups. In this case, the recoverable amount must be 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, 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.

Loses related to the impairment of the CGU, initially reduce, if applicable, the value of goodwill assigned to the CGU, and then the rest of assets of the said CGU, pro rata based on the carrying amount 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.

Where an impairment loss subsequently reverses (a circumstance that is not permitted in the case of goodwill), the carrying amount of the asset (or, if applicable, the assets included in the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so 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 (or, if applicable, assets included in the cash-generating unit) in prior years. Reversal of an impairment loss is recognised in the income statement immediately up to the above permitted limit.

In general, the methodology used by the Company for the impairment tests based on the value in use of the intangible assets affected by the cash generating units (CGUs) is based on the estimation of cash flow projections based on approved financial budgets approved by the Management, which cover a period of 5 years. Cash flows beyond the 5-year period are extrapolated using the standard growth rates indicated below.

The methodology used by the Company to carry out the impairment tests of development expenses (Note 5) that are not subject to amortization due to the non-commencement of commercialization by associated product are based on detailed financial projections ranging from 10 to 18 years (depending on the expected useful life of the asset) to which a probability of success of the project is applied to these projections, and a residual income is estimated for the following years based on a growth rate based on the type and age of the products based on experience with the same.

The financial projections for each of the cash or asset generating units consist of the estimation of the net cash flows after taxes, determined from the estimated sales and gross margins and other costs foreseen for said cash generating unit. The projections are based on reasonable and well-founded assumptions.

The main assumptions used in the impairment tests in the years ended December 31st, 2022 and 2021 were as follows:

CGU	Assets December 31, 2022 (thousand euros)	Assets December 31, 2021 (thousand euros)	Assumptions 2022 (*)	Assumptions 2021 (*)
MC2 Therapeutics license	Intangible asset: 13,500	Intangible asset: 12,000	p.t.d.: 11.5% a.t.d: 9.0% p.i.g.r.: (1%)	p.t.d.:11.1% a.t.d,: 9.0% p.i.g.r.,: (1%)
Sun Pharma license	Intangible asset: 86,730	Intangible asset: 81,673	p.t.d.: 13.4% a.t.d: 9.0% p.i.g.r.,: (20%)	p.t.d.:13.4% a.t.d: 9.0% p.i.g.r.,: (20%)
AstraZeneca license	Intangible asset: 29,580	Intangible asset: 35,496	p.t.d.:14.9% a.t.d,: 9.0% p.i.g.r.,: (20%)	p.t.d.:13.4% a.t.d: 9.0% p.i.g.r.,: (20%)
Athenex license	Intangible Asset in progress: 13,149	Intangible Asset in progress: 11,149	p.t.d.:11.7% a.t.d: 9% p.i.g.r.,: (15%)	p.t.d.:10.3% a.t.d,: 9% p.i.g.r.,: (15%)
Lilly license	Intangible asset in progress: 118,513	Intangible asset in progress: 98,406	p.t.d.:12.4% a.t.d :9 % p.i.g.r.,: (15%)	p.t.d.:11.2% a.t.d,: 9 % p.i.g.r.,: (15%)
Ichnos license	Intangible asset in progress: 20,800	Intangible asset in progress: 20,800	p.t.d.:11.5% a.t.d,: 9 % p.i.g.r.,: (15%)	p.t.d.: n/a a.t.d,: 9 % p.i.g.r.,: n/a

(*) Pre-tax discount rate (p.t.d), After-tax discount rate (a.t.d.) and Perpetual income growth rate (p.i.g.r)

Management determines the budgeted gross margin based on past performance and how they expect the market will perform. The average gross margin for projected periods of these CGU's range between 56% and 90%.

The key variables in the impairment tests carried out by the Company relate mainly to the sales trend of each of the different drugs, both those marketed and those which are currently in the pipeline. For the latter, the outlook of the probability of success of the product in accordance with the results of the drug's various development phases is an additional key variable.

These variables are based on historical experience weighted by outside information available. Changes in assumptions are based on the evidence obtained by the Company based on the performance of the indicators applied.

From the sensitivity analysis performed on these assets and CGUs which present changes in their carrying value as of December 31st, 2022, restated for reasonably possible variations in key assumptions. For the other unitemised assets and CGUs, there is no impact due to impairment according to the same variables used.

d. Leases

Leases in which the Company acts as the lessee are classified as operating leases when they meet the conditions of the General Chart of Accounts, i.e. when the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset are allocable to the lessor, the related expense being recognised on an accruals basis in the income statement.

Operating lease payments are charged to the income statement on a straight- line basis over the lease period.

Leases of property, plant and equipment where the lessee holds substantially all the risks and rewards of ownership are classed as finance leases. Finance leases are capitalised at inception of the lease at the lower of fair value of the leased asset and the present value of the minimum lease payments.

Each lease payment is distributed between the liability and the financial charge. The corresponding lease obligations are included under long-term payables net of financial charges. The interest part of the financial charge is charged to the income statement over the term of the lease in order to obtain a consistent regular rate of interest on the debt repayable in each period. Property, plant, and equipment acquired under finance leases are depreciated over the lower of their useful lives and the lease period.

The Company does not have any finance leases on December 31st, 2022, and 2021.

e. Cash and cash equivalents

Cash deposited in the Company, bank deposits payable on demand and financial investments convertible into cash (short-term highly liquid investments), with a maturity of no more than three months from the date of acquisition, which do not have any significant risk of change in value and which form part of the Company's normal cash management policy are classified as cash and cash equivalents.

For the purposes of the statement of cash flows the heading "Cash and Cash Equivalents" is considered to include the Company's cash and short-term bank deposits that can be readily liquidated at the Company's discretion without incurring any penalty. They are recognised under "Short-term financial investments" in the accompanying balance sheet. The carrying amount of these assets is close to their fair value.

f. Financial instruments (excluding derivative financial instruments)

Recognition and classification of financial instruments:

The Company classifies financial instruments upon initial recognition as a financial asset, financial liability, or equity instrument, in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, financial liability or equity instrument.

The Company recognizes a financial instrument when it becomes an obligated party to the contract or legal transaction in accordance with the provisions thereof, either as the issuer or as the holder or acquirer thereof.

For valuation purposes, the Company classifies financial instruments into the following categories: financial assets and liabilities at fair value through profit or loss, separating those initially designated from those held for trading and those mandatorily measured at fair value through profit or loss; financial assets and liabilities measured at amortized cost; financial assets measured at fair value through equity, separating equity instruments designated as such from other financial assets; and financial assets measured at cost. The Company classifies financial assets at amortized cost and at fair value through equity, except for designated equity instruments, in accordance with the business model and the characteristics of the contractual cash flows. The Company classifies financial liabilities as measured at amortized cost, except those designated at fair value through profit or loss and those held for trading. Financial assets and liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument.

The Company classifies a financial asset or liability as held for trading if:

- It is originated, acquired or issued or assumed principally for the purpose of selling or repurchasing it in the short term;
- On initial recognition it belongs to a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actions to obtain gains in the short term.
- It is a derivative financial instrument, if it is not a financial guarantee contract and has not been designated as a hedging instrument; or
- It is an obligation that the Company in a short position must deliver financial assets that have been lent to it.

The Company classifies a financial asset at amortized cost, even when it is admitted to trading, if it is held under a business model whose objective is to hold the investment to receive cash flows from the execution of the contract and the contractual terms of the financial asset arise, at specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding (UPPI).

The Company classifies a financial asset at fair value through equity if it is held within the framework of a business model whose objective is achieved by obtaining contractual cash flows and selling financial assets and the contractual terms of the financial asset arise, at specified dates, to cash flows that are UPPI. The Company has no financial assets in this category.

The business model is determined by the Company's key personnel and at a level that reflects the way in which they jointly manage groups of financial assets to achieve a specific business objective. The Company's business model represents how the Company manages its financial assets to generate cash flows.

The Company classifies the following financial assets at cost:

- Investments in the equity of group, multi-group, and associated companies.
- Investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument, or cannot be reliably estimated, and derivatives underlying these investments.
- Any other financial asset that initially should be classified in the fair value portfolio with changes in the income statement when it is not possible to obtain a reliable estimate of its fair value.

Financial assets and financial liabilities at fair value through profit or loss

The Company recognizes financial assets and liabilities at fair value through profit or loss initially at fair value. Transaction costs directly attributable to the acquisition or issue are recognized as an expense as incurred.

The fair value of a financial instrument at initial recognition is usually the transaction price, unless that price contains different elements of the instrument, in which case, the Company determines the fair value of the instrument. If the Company determines that the fair value of an instrument differs from the transaction price, it records the difference in profit or loss, to the extent that the value has been obtained by reference to a quoted price in an active market for an identical asset or liability or has been obtained from a valuation technique using only observable inputs. In all other cases, the Company recognizes the difference in profit or loss to the extent that it arises from a change in a factor that market participants would consider in determining the price of the asset or liability.

After initial recognition, they are recognized at fair value, recording the changes in fair value in profit or loss. Changes in fair value include the interest and dividend component. The fair value is not reduced by transaction costs that may be incurred for its eventual sale or disposal by other means.

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value, plus or minus transaction costs incurred, and are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate is the discount rate that matches the carrying amount of a financial instrument with the estimated cash flows over the expected life of the instrument, based on its contractual conditions and for financial assets without considering future credit losses, except for those acquired or originated with incurred losses, for which the effective interest rate adjusted for credit risk, i.e. considering the credit losses incurred at the time of acquisition or origination, is used.

The effective interest rate is the discount rate that exactly matches the value of a financial instrument to all its estimated cash flows for all items over its remaining life. For fixed-rate financial instruments, the effective interest rate matches with the contractual interest rate established at the time of acquisition plus, where applicable, any commissions which, by their nature, can be assimilated to an interest rate. In the case of variable interest rate financial instruments, the effective interest rate coincides with the rate of return in force for all concepts until the first review of the reference interest rate to take place.

This category includes the following financial assets:

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the Company's ordinary course of business, or those which, not having a commercial origin, are not equity instruments or derivatives, and whose collections are of fixed or determinable amount and are not traded in an active market.

- Debt securities with a fixed maturity date and receivables of a determinable amount, which are traded in an active market and for which the Company expresses its intention and ability to hold until the maturity date.

This category includes the following financial liabilities:

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

- Financial debts: Loans at subsidized or zero interest rates are forms of government assistance. These loans are recorded at the fair value of the financing received; differences arising between this value and the nominal value of the financing received are treated as described in Note 4i.

Fees paid for obtaining credit facilities are recognized as debt transaction costs if it is probable that part or all of the facility will be drawn down. In this case, the fees are deferred until the drawdown occurs. To the extent that it is not probable that all or part of the line of credit will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period to which the availability of the credit facility relates.

Financial assets and liabilities measured at cost

Investments in equity instruments whose fair value cannot be reliably estimated and derivative instruments that are linked to them and that must be settled by delivery of such unquoted equity instruments are measured at cost. However, if a reliable valuation of the financial asset or liability is available to the Company at any time on an ongoing basis, they are recognized at fair value at that time, recording gains or losses based on their classification.

Investments in group, associated and multi-group companies

Group companies are considered to be those over which the Company, directly or indirectly, through subsidiaries, exercises control, as provided for in article 42 of the Commercial Code, or when the companies are controlled by any means by one or more individuals or legal entities acting jointly or under single management by agreements or clauses in the bylaws.

Control is the power to direct the financial and operating policies of a company in order to obtain benefits from its activities, considering for these purposes the potential voting rights exercisable or convertible at the end of the accounting period held by the Company or third parties.

Associated companies are those over which the Company, directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to intervene in the financial and operating policy decisions of a company, without the existence of control or joint control over it. In assessing the existence of significant influence, the potential voting rights exercisable or convertible at the closing date of each year are considered, also considering the potential voting rights held by the Company or by another company.

Multigroup companies are those that are jointly managed by the Company or one or more of the companies of the group, including the controlling entities or individuals, and one or more third parties outside the group.

Investments in Group companies, associates and jointly controlled entities are initially recognized at cost, which is equivalent to the fair value of the consideration given, including transaction costs incurred for investments in associates and jointly controlled entities, and are subsequently measured at cost, less the accumulated amount of impairment losses.

Impairment is calculated by comparing the carrying amount of the investment with its recoverable amount, understood as the higher of the present value of future cash flows from the investment and the fair value less costs to sell. Unless there is better evidence of the recoverable amount, the equity of the investee is taken into consideration, adjusted by the unrealized gains existing at the valuation date (including goodwill, if any). In this regard, the present value of future cash flows from the investment is calculated on the basis of the Company's share of the present value of the estimated cash flows from ordinary activities and from the final disposal or the estimated cash flows expected to be received from the distribution of dividends and from the final disposal of the investment.

At least at year-end the Company performs an impairment test for these financial assets. Objective evidence of impairment is considered to exist if the recoverable amount of the financial asset is less than its carrying amount. When this occurs, the impairment is recorded in the income statement.

In subsequent years, reversals of impairment are recognized to the extent that there is an increase in the recoverable amount, up to the limit of the carrying amount that the investment would have had if no impairment had been recognized.

Impairment of financial assets

A financial asset or group of financial assets is impaired, and an impairment loss has been incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event or events causing the loss to have an impact on the estimated future cash flows of the asset or group of financial assets that can be reliably estimated.

The Company follows the criterion of recording the appropriate valuation adjustments for impairment of financial assets at amortized cost, when there has been a reduction or delay in the estimated future cash flows, caused by the debtor's insolvency.

Likewise, in the case of equity instruments, impairment exists when there is a lack of recoverability of the carrying value of the asset due to a prolonged or significant decrease in its fair value.

Impairment of financial assets carried at amortized cost

The amount of the impairment loss on financial assets measured at amortized cost is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the asset's original effective interest rate. For variable interest rate financial assets, the effective interest rate corresponding to the valuation date according to the contractual conditions is used. However, the Company uses their market value, provided that it is sufficiently reliable to be considered representative of the value that could be recovered.

The impairment loss is recognized in profit or loss and is reversible in subsequent years if the impairment can be objectively related to an event occurring after its recognition. However, the reversal of the loss is limited to the amortized cost that the assets would have had if the impairment loss had not been recognized.

The Company directly reduces the carrying amount of a financial asset when it has no reasonable expectation of total or partial recovery.

The valuation adjustment for impairment of trade receivables involves a high degree of management judgment and review of individual balances based on the credit quality of customers, current market trends and historical analysis of insolvencies at an aggregate level. To determine the country-specific component of the individual allowance, the country's credit rating, determined based on information provided by external agencies, is considered. In relation to the allowance derived from the aggregate analysis of the historical experience of bad debts, a reduction in the volume of balances implies a reduction in the allowances and vice versa. However, the Company does not recognize valuation adjustments for impairment for balances with Public Administrations, financial institutions and those balances secured by effective guarantees.

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

In the accompanying balance sheet, financial assets and liabilities are classified according to their maturities, i.e. as current those maturing in twelve months or less from the balance sheet date and as non-current those maturing in more than twelve months.

Loans maturing in the short term, but whose long-term refinancing is secured at the Company's discretion through long-term credit facilities, are classified as non-current liabilities.

Offsetting principle

A financial asset and a financial liability are offset only when the Company has the enforceable right to set off the recognized amounts and intends to settle the net amount or to realize the asset and settle the liability simultaneously.

g. Derivative financial instruments and hedge accounting

The Company's activities expose it mainly to foreign currency risk on the marketing of products through licensees in countries with a currency other than the Euro, and interest rate risk on the borrowings arranged by the Company with banks.

The Company initially documents the relationship between the hedging instruments and hedged items and its risk management objectives and strategy for arranging various hedging transactions. The Company also documents their initial and subsequent assessments as to whether the derivatives used in the hedges are highly effective for offsetting the changes in the fair value or cash flows of the hedged items.

Derivatives are initially recognized at fair value on the date the derivative contract is signed and are 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 so, the nature of the item it is hedging. In the past, the Company has entered into 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 undertake ("cash flow hedges"), such as foreign exchange forwards to meet relevant foreign currency payments.
- Cash flow hedges that qualify for hedge accounting, such as collars to hedge interest rate fluctuations.

When option contracts are used to hedge forecasted transactions, the Company 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 maturity of the remaining hedged item is greater than 12 months, and as a current asset or liability if the maturity of the remaining hedged item is less than 12 months.

The Company held no derivatives as of December 31st, 2022 and 2021 that can be considered as hedging instruments.

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 recognized immediately in income and are included in financial income and expenses (Change in fair value of financial instruments).

Note 15 describes the derivative financial instruments existing as of December 31st, 2022 and 2021.

h. Inventories

Inventories are stated at the lower between acquisition or production cost and net realizable value. Production cost comprises direct materials and, where applicable, direct labour costs and production overheads, including the costs that have been incurred in bringing the inventories to their present location and condition at the point of sale.

Trade discounts, rebates and other similar items are deducted in determining the acquisition cost.

Cost is calculated using the weighted average cost method. The net realizable value is an estimate of the selling price less all estimated costs to completion and the costs incurred in the marketing, sales and distribution processes.

The Company carries out an evaluation of the net realisable value of inventories at the year-end and establishes the pertinent loss provision when they are overstated. When the circumstances that previously caused the decline in value no longer exist or when there is clear evidence of an increase in net realizable value due to a change in economic circumstances, the valuation adjustment is reversed.

i. Grants, donations and bequests

The Company accounts for grants, donations and bequests received as follows:

– Non-repayable capital grants, donations, and bequests: these are measured at the fair value of the amount or asset granted, depending on whether or not they are monetary in nature. They are initially recognised in equity and are subsequently released to the income statement in proportion to the depreciation charged during the period on the asset for which the grant is awarded or, if applicable, when the asset is sold or adjusted for impairment, except where they are received from shareholders or owners, in which case they are taken directly to equity without recognising any income.

– Repayable grants: while they are repayable, they are recognised as liabilities.

– Operating grants: operating grants are credited to the income statement when they are extended unless they are used to finance the operating shortfall in future years in which case they are allocated to those years, If they are granted to finance specific expenditure, they are released to income as the expenses financed accrue.

j. Provisions and contingencies

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

- Provisions: creditor balances that cover present obligations deriving from past events, the settlement of which is likely to trigger an outflow of funds the amount or timing of which cannot be determined, and

- Contingent liabilities: possible obligations resulting from past events, the crystallisation of which is contingent upon the occurrence or otherwise of one or more future events that are beyond the Company's control.

The financial statements reflect all significant provisions where the probability of the obligation having to be met is greater than the probability of its not having to be met. Contingent liabilities are not recognised in the financial statements but are disclosed in Note 17 unless they are classed as remote.

Provisions are carried at the fair value of the best estimate possible of the amount necessary to settle or transfer the obligation, considering the information available on the event and its consequences. Any adjustments arising on the restatement of such provisions are reflected as a finance expense as it accrues.

The consideration receivable from a third party when the obligation is settled is recognised as an asset, provided there are no doubts that the consideration will be received, except in the event that there is a legal relationship through which a part of the risk has been transferred out as a result of which the Company is not liable, In this case, the consideration will be taken into account to estimate the amount of the relevant provision.

On-going litigation and/or claims -

The Company's business activities take place in a highly regulated industry (healthcare legislation, intellectual property, etc.), exposing it to potential lawsuits as a result.

The claims and lawsuits to which the Company is subject are, in general, complex and, therefore, they are subject to a high degree of uncertainty, both in relation to an outcome detrimental to the Company's interests and to the estimated future disbursements that the Comp0any might have to make. Consequently, it is necessary to use judgements and estimates with the assistance of the relevant legal advisers.

At year-end 2022 and 2021, several legal proceedings and claims had been initiated against the Company in the ordinary course of its business. The Company's legal advisers and directors consider that the provisions recognised are sufficient and that the outcome of litigation and claims will not have a material effect on the financial statements for the years in which they are settled.

Provisions for product returns-

The provisions for product returns are recognised at the date of sale of the related products to cover losses for returns that will be made in the future, based on the Administrators' best estimate of the expenditure required to settle the Company's liability. This estimate is made on the basis of the Company's historical experience of product returns in previous years.

Since a very significant portion of these returns will be made in more than twelve months, they are classified as non-current items.

Provision for restructuring-

The Company recognises the restructuring costs when it has detailed plans to begin restructuring which extend to the following at least: the business activities involved, the main locations affected, the functions and approximate number of the employees who will receive an indemnity following the discontinuance of their services, the payments to be carried out, the possible dates on which the detailed plans will be implemented and a valid expectation has been created among those affected, either because the plans have been started up or they have been informed of their main characteristics.

k. Income and expense

Income from contracts with customers should be recognized based on the fulfilment of performance obligations to customers.

Ordinary income represents the transfer of committed goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

Five steps are established for revenue recognition:

1. Identify the customer contract(s).

2. Identify performance obligations.

3. Determine the transaction price.

4. Allocate the transaction price to the various performance obligations.

5. Revenue recognition according to the fulfilment of each obligation.

Based on this recognition model, sales of goods are recognized when the products have been delivered to the customer and the customer has accepted them, even though they have not been invoiced, or, if applicable, the services have been rendered and the collectability of the related receivables is reasonably assured.

Expenses are recognized on an accrual basis, immediately in the case of expenditures that will not generate future economic benefits or when they do not qualify for recognition as an asset.

Sales are valued net of taxes and discounts.

Income from the rendering of services is recognized by reference to the stage of completion of the transaction at the balance sheet date, provided that the outcome of the transaction can be estimated reliably.

The Company classifies dividends and interest earned in its capacity as parent company as net sales as the Company has different activities. In other words, it is understood that the income produced by the Company's different activities will be considered in the computation of ordinary activities, to the extent that they are obtained on a regular and periodic basis and derive from the economic cycle of production, marketing, or provision of services of the Company. Provisions for impairment of investments in group companies and loans with group companies are also classified as ordinary activities.

Interest received from financial assets is recognized using the effective interest rate method and dividends are recognized when the shareholder's right to receive them is declared. In any case, interest and dividends on financial assets accrued after the time of acquisition are recognized as income in the income statement.

Registration of licensing, co-development, co-promotion, and other similar operations.

The Company is a licensor of various intellectual property patents. Revenue from licenses is recognized depending on whether they provide a right of access or a right of use to licensees. Licenses that provide a right of access to intellectual property are recognized as revenue over the term of the right of access. Licenses that grant a right to use intellectual property are recognized as revenue when the right is granted to the customer. However, the Company does not recognize revenue prior to the beginning of the period during which the customer can use and benefit from the license.

Intellectual property license revenue based on the volume of revenue earned by the customer is recognized at the time subsequent to the accrual of the revenue and the performance of the obligation to which the revenue-based royalty has been allocated.

The Company records revenues from product licensing, co-development, co-promotion, and other similar transactions based on the economic nature of the related contracts. These agreements generally include multiple elements and the revenues associated with them must be correlated with the costs and consideration to be paid by the Company. When evaluating the accounting treatment of these transactions, the Company's Administrators consider the following aspects:

- The economic substance of the transaction.
- The nature of the items forming the subject matter of the transaction (disbursements, asset swaps, etc,).
- Measurement and allocation on the basis of the fair value of each of the items relating to the consideration.
- Transfer of the significant risks and rewards arising from ownership of the goods and assumption of future obligations.

As a rule, if the consideration received is non-refundable, relates to compensation for costs incurred prior to the execution of the agreement or there are no significant future obligations assumed by the Company under non-market conditions and substantially all the risks and rewards of ownership of the asset are transferred, the transaction is considered to be revenue for the year in which the agreement is executed. If these circumstances do not arise, the collection is recognised as deferred income within the period over which the obligations established remain effective or the remaining useful life of the product or the applicable period based on the circumstances of the agreement established.

The consideration tied to the fulfilment of certain technical or regulatory requirements (milestones) under the framework of cooperation agreements with third parties, is recognised as revenue applying the same rules as those detailed in the method for revenue recognition in the case of the initial consideration described above.

The consideration is recognised when it is taken to profit or loss under “Other operating income” in the accompanying income statement.

A portion of the revenue generated by the Company is obtained through the transfer of rights, the transfer to third parties of the use of product licences developed by the Company and third-party access to products under development. The agreements upon which these licensing or access arrangements are based are usually of a complex nature and include concepts such as:

-Non-refundable initial amounts.

-Receipts on attainment of certain milestones (development, business, etc,).

-Royalties.

-Calculation of the future price of supplies of the product in question between the parties.

A detailed analysis is required of each component of the agreements and of the agreements as a whole to accurately calculate how much of each item to recognise in profit or loss.

As a result of the operation with AstraZeneca UK Limited on November 2014, the Company entered into an agreement with AstraZeneca UK Limited. Under the agreement it transferred the rights to part of its respiratory franchise, which included various components, and in exchange received some cash payments and other deferred payments based on certain future milestones. This operation has had the following effects in these financial statements:

1) Sale of Eklira (aclidinium) and Duaklir (aclidinium and formoterol combination): recorded in 2014 as a business sale (transfer of assets or rights, etc. together with the employees, which would form a business unit and not have any significant future commitments or obligations for Almirall). This operation was recognised at the fair value of the agreed considerations (the portion of the initial payment allocated plus the corresponding fair value of the potential future payments from milestones, sales and royalties), derecognising the existing assets from the consolidated balance sheet for the purpose of the business. The profit (loss) of the business was recognised under "Other Income" in the income statement for 2014.

As a result of this operation, a financial asset was generated, valued at fair value at year end with changes to the results, and formed by the following components of future collection established in the sale agreement in relation to the future development of the sales activity of the Eklira business unit:

- "Milestones events: milestones related to the first launches and achievement of reference prices in certain countries with different probabilities of achievement.

- “Sales-related payments”: events related to reaching a certain level of sales. As of December 31, 2022, and 2021 there is no amount pending.

- “Potential payments”: events related to the payment of royalties, which is linked to the sales obtained in each future year. Sales revenue is related to the sales variable based on sales reported by AstraZeneca at the end of the corresponding financial statements.

In this regard, on January 5th, 2022, the agreement between AstraZeneca and CovisPharma GnbH for the transfer of the global rights of Eklira and Duaklir became effective. The agreement with AstraZeneca was renewed to CovisPharma GmbH and as a result of this agreement, the Company, in addition to continuing to receive royalty payments on the terms initially set with AstraZeneca, has received 10 million dollars (equivalent to 8.8 million euros) on the date on which said transaction was effective and will receive 40 million dollars in different tranches until September 2023. Fundamentally, linked to certain changes in the structure of milestones (“milestones events”) initially established. As of December 31st, 2022, 5 tranches have been collected for a total of 25 million dollars (equivalent to 23.5 million euros).

The fair value of this transaction was calculated by independent experts Ernst & Young. The fair value was calculated on the basis of discounted cash flows adjusted for the probable success of certain risks associated at different stages of the products. The discounted cash flow method estimates the future cash flows of the asset (translated from USD to euros at the exchange rate based on the range agreed in the agreement) and the cash flows during the estimated marketing period, considering the maturity of the patent, adjusted for estimated probability of success. These probabilised cash flows are discounted at a rate which reflects the current returns required by the market and the specific risks of the asset.

The main assumptions and considerations used by the independent experts to value the financial asset as of December 31st, 2022 and 2021 are as follows:

- Estimated level of sales reached in a territory during a year.
- Discount rate: based on the country where the cash flows are obtained, giving an overall weighted average of approximately 10.4%.

For the purpose of sensitivity analyses of variations considered reasonably possible with respect to the independent expert's appraisal made as of December 31st, 2022, the following should be taken into account:

- If the estimation of sales revenue for 2023 to 2035 is reduced/increased by 5% every year, the effect would be a reduction/increase of the financial assets by EUR (2.1))/2.1 million euros, respectively.

- If the discount rate used is reduced/increased by one percentage point, the effect would be an increase/reduction of the financial asset by EUR (1.2)/1.3 million euros, respectively.

2) Sales of licences for development and the subsequent marketing: of the components in the sales agreements which transferred certain rights for development and subsequent marketing, in which there is significant ongoing involvement over the development period by Almirall, the initial payment assigned to this component ("upfront payment") was recognised on a straight-line basis in the consolidated income statement having terminated in October 2021 (Note 13).

l. Foreign Currency Transactions

The Company's functional currency is the euro. Transactions in currencies other than the euro are thus deemed to be denominated in foreign currency and are carried at the exchange rates prevailing on the transaction dates.

At the year-end monetary assets and liabilities denominated in foreign currency are translated to euro at the exchange rate on the balance sheet date. Gains or losses are taken directly to the income statement in the period in which they arise.

m. Related-party transactions

The Company carries out all its operations with related parties at market values (Note 20). In addition, transfer prices are adequately supported and therefore the Company's Directors consider that there are no significant risks arising from this issue that could give rise to material liabilities in the future.

n. Borrowing costs

General and specific borrowing costs which are directly attributable 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 forecast use or sale, are added to the cost of such assets until the assets are substantially ready for their intended use or sale.

Financial income obtained on the temporary investment of specific loans is deducted from borrowing costs eligible for capitalisation until it is used in the qualifying assets.

Other borrowing costs are expensed currently in the income statement.

o. Corporate income tax

Corporate income tax expense or income is made up of current tax expense or income and deferred tax expense or income. Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VI of Law 27/2014 of November 27th, regarding Corporate Income Tax. The companies composing the tax group for 2022 and 2021 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas Almirall, S.A., Laboratorios Tecnobío, S.A., Ranke Química, S.L. and Almirall Europa Derma, S.A. being the first of them the head of the tax group.

The current tax is the amount paid by the Company as a result of the corporate income tax assessments for the year, Tax credits and other tax breaks, excluding tax withholdings and payments on account, and available tax loss carry-forwards offset in the current year reduce the current income tax expense.

Deferred tax expense or income relates to the recognition and cancellation of deferred tax assets and liabilities in accordance with the liability method. They include temporary differences identified as those amounts expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and available tax losses and tax credits. Such amounts are reflected by applying to the relevant temporary difference or credit the tax rate at which they are expected to be recovered or settled.

Deferred tax liabilities are recognised for all temporary taxable differences, barring those arising from the initial recognition of goodwill or other assets and liabilities in a transaction that does not affect either taxable income or the reported result and is not a business combination. Deferred tax assets are only recognised insofar as it is considered probable that the tax Group parented by the Company, or the individual companies will have future taxable income to offset the temporary differences.

Deferred tax assets and liabilities, resulting from transactions charged or credited to equity accounts, are also accounted for with a balancing entry in equity.

In calculating its deferred tax assets whose recoverability is reasonably assured, the Company establishes a time limit for their compensation based on best estimates. In addition, on the basis of estimates of the taxable profit of each of the companies, the Company has determined the expected period over which the deferred tax assets will be realised, also taking into account the timing of deduction of the tax credit and tax loss carry forwards by the legally established deadlines. However, as the likelihood of recovery of these deferred tax assets, the Company has considered a period of up to 10 years and therefore, in recognising the asset, it has not taken into account those tax credits which, on the basis of estimates of future taxable profit, need a longer period of time, even if it is permitted under tax legislation, considering that it will not be a likely case of recovery within the 10-year period.

p. Severance indemnities

In accordance with current legislation, the Company is required to pay severance to employees who, under certain conditions, are terminated. Accordingly, termination benefits that can be reasonably quantified are expensed in the year in which the related decision is taken, and valid dismissal expectations are created vis-à-vis third parties.

q. Environmental disclosures

Environmental assets are assets used on a continual basis in the transactions of the Company whose main purpose is to minimise the environmental effects and to protect and enhance the environment, including the reduction or elimination of any future pollution.

These assets, like any other tangible assets, are measured at acquisition or production cost restated in accordance with the applicable legislation, including Royal Decree-Law 7/1996, of 7th June.

The Company depreciates these items on a straight-line basis over the remaining years of their estimated useful life.

Additionally, the Company incurred certain expenses related to activities to protect the environment, as explained in Note 23.

r. Share-based payment plans

On February 14th, 2008, the Company's Board of Directors approved, for certain executives, a long-term variable remuneration plan tied to the Company's share price or Stock Equivalent Units Plan ("the SEUS Plan") which was approved by the shareholders at the Annual General Meeting on May 9th, 2008.

Under the SEUS Plan, the Company undertakes to grant the executives long-term variable remuneration, settled in cash, tied to the price of the Company's shares, provided that certain requirements and conditions are met. The liability recognised in the accompanying balance sheet on December 31st, 2022 and 2021 is detailed in Note 14.

s. Equity

Share capital consists of ordinary shares.

The costs of issuing new shares or options are recognised directly in equity as a reduction in reserves.

If the Company acquires treasury shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity until the shares are redeemed, reissued or sold. When these shares are sold or subsequently reissued, any amount received, net of any incremental directly attributable transaction costs, included in equity.

5. Intangible assets

The movements in this heading on the balance sheet in 2022 and 2021 are as follows:

Thousands of euros	2021	Additions	Disposals	Transfers	2022
Industrial Property	374,778	18,708	(11,205)	-	382,281
Development expenses [1]	8,142	1,235	-	-	9,377
Goodwill	101,167	-	-	-	101,167
Computer software	83,012	1,834	(5,425)	2,479	81,900
Intangible assets in progress	130,825	45,821	(2,258)	(2,479)	171,909
Total cost Intangible Assets	**697,924**	**67,598**	**(18,888)**	**-**	**746,634**
A. Dep. Industrial Property	(221,270)	(18,211)	10,542	-	(228,939)
A. Dep. Development expenses	-	(143)	-	-	(143)
A. Dep. Goodwill	(101,167)	-	-	-	(101,167)
A. Dep. Computer software	(72,221)	(6,136)	5,425	-	(72,932)
Total A. Depreciation	**(394,658)**	**(24,490)**	**15,967**	**-**	**(403,181)**
Impairment Industrial Property	(11,500)	-	-	-	(11,500)
Impairment Computer Software	(1,595)	-	-	-	(1,595)
Total Impairment losses	**(13,095)**	**-**	**‘**	**-**	**(13,095)**
Net value Intangible Assets	**290,172**	**43,108**	**(2,921)**	**-**	**330,359**

[1] Additions to the Development expenses heading include €1,235 thousand of internally generated expenses in the fiscal year ending on 31 December 2022.

Thousands of euros	2020	Additions	Disposals	Transfers	2021
Industrial Property	411,794	22,581	(59,598)	1	374,778
Development expenses [1]	3,315	4,827	-	-	8,142
Goodwill	101,167	-	-	-	101,167
Computer software	94,285	3,265	(16,063)	1,525	83,012
Intangible assets in progress	108,960	23,398	(7)	(1,526)	130,825
Total cost Intangible Assets	**719,521**	**54,071**	**(75,668)**	**-**	**697,924**
A. Dep. Industrial Property	(220,087)	(14,889)	13,706	-	(221,270)
A. Dep. Development expenses	-	-	-	-	-
A. Dep. Goodwill	(101,167)	-	-	-	(101,167)
A. Dep. Computer software	(78,784)	(5,969)	12,532	-	(72,221)
Total A. Depreciation	**(400,038)**	**(20,858)**	**26,238**	**-**	**(394,658)**
Impairment Industrial Property	(56,500)	-	45,000	-	(11,500)
Impairment Computer Software	(5,070)	-	3,475	-	(1,595)
Total Impairment losses	**(61,570)**	**-**	**48,475**	**-**	**(13,095)**
Net value Intangible Assets	**257,913**	**33,213**	**(955)**	**-**	**290,172**

[1] Additions to the Development expenses heading include €4,827 thousand of internally generated expenses in the fiscal year ending on 31 December 2021.

All the intangible assets described in the table above have a finite useful life. No assets have been granted to secure debts.

The main assets included under this heading and their main movements during 2022 are detailed below:

In 2019, the Company signed an option and licence agreement with Dermira (subsequently acquired by Lilly) 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, currently in registration phase in EMA. Under this agreement, the Company made various payments between 2019 and 2022, and will be obligated to make additional payments upon achievement of certain future milestones, up to a total of US$65 million upon achievement of regulatory milestones and the first commercial sale of Lebrikizumab in Europe. In addition, the Company will be required to make payments upon reaching certain net sales thresholds in Europe, as well as paying royalties on net sales at percentages from the low double digits to the low twenty range.

In 2016, the Company signed an agreement with Sun Pharma under which it acquired the marketing rights in Europe of a product for the treatment of psoriasis, under the trade name of Ilumetri. Under this agreement, the Company has made various payments and is required to make additional payments of $190 million upon reaching certain thresholds for net sales in Europe, as well as net sales royalty payments of percentages ranging from low double digits to the low twenty range.

In 2017, the Company signed an agreement with Athenex, granting the exclusive license to research, develop and commercialize in Europe, including Russia, a first-in-class topical treatment for actinic keratosis marketed under the brand name Klysiri. Under this contract, the Company has made payments and is expected to make future milestones payments related to launches and additional indications, as well as payments for the achievement of certain sales milestones. The contract also contemplates the payment of tiered royalties from the average double digit based on annual net sales, which will increase in case of higher sales.

On February 16th, 2021, the Company acquired from MC2 Therapeutics the marketing rights in Europe of a product under the trademark Wynzora for the treatment of plaque psoriasis commercially launched in 2022. As a result of this agreement, the Company has made payments in 2021 and 2022 as detailed below in this note, and additional payments are expected to be made for sales milestones (up to a maximum of €229 million) and double-digit royalties on sales in Europe.

On December 14th, 2021, the Company and Ichnos Science announced the exclusive license agreement for ISB 880, an IL-1RAP antagonist. Under the agreement, the Company 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, the Company will assume full cost and responsibility for the development and global commercialization of the compound for all autoimmune disease indications. The Company recorded the initial up-front payment of €20.8 million in the balance sheet on 31 December 2021 and made the payment on January 19th, 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.

On September 29th, 2022, the Company signed an exclusive license agreement for SIM0278, the IL-2 mutant fusion protein (IL-2Mu-Fc) developed by Simcere and a drug candidate for the treatment of autoimmune diseases. Under the agreement, the Company will have the exclusive right to develop and commercialize SIM0278 for all indications outside the China region (Mainland China, Hong Kong, Macao and Taiwan), while Simcere will retain all rights to develop and commercialize SIM0278 within China. The Company has made an initial payment of $15 million (equivalent to €15.7 million) and can disburse up to $492 million in development and commercial milestones payments based on achievements made in various indications, with a significant portion as sales milestones, as well as tiered royalties of up to low double digits based on future global sales.

On May 12th, 2022, the Company signed and early research and development agreement with Evotec International GmbH whereby it expects to discover and develop new therapies for serious skin diseases, including immune-mediated inflammatory conditions, such as atopic dermatitis, and non-melanoma skin cancer, such as basal cell carcinoma. As a result of this agreement, the Company has paid €6 million for access to Evotec's technology platform (EVOir&D). Under this agreement, the Company may disburse research and milestones payments of up to €230 million per program and also royalties on net sales.

Additionally, as mentioned in Note 4a, the Company has two development projects that meet the capitalization criteria. These projects correspond to complementary studies to launch a product for the treatment of acne in Chinese territory and a new formulation of a treatment for psoriasis that is already commercialized in the European market. The amount capitalized in the fiscal year 2022 for both projects totals €1.2 million (€4.8 million in 2021).

During fiscal year 2022, additions in intangible assets amounted to €67.6 million and mainly correspond to:

- Payments in the first quarter of 2022 for three milestones linked to the launch in the first three European markets of Wynzora in accordance with the aforementioned license signed with MC2 Therapeutics, for an aggregate amount of €3 million.

- The initial payment for access to the EVOiR&D technology platform amounting to 6 million euros in July 2022, in accordance with the aforementioned contract signed with Evotec.

- The payment of $0.8 million (equivalent to €0.8 million) in the month of June 2022 in accordance with the aforementioned license agreement signed with Athenex for the fulfillment of the milestone linked to the start of recruitment for a line extension study for Klisyri. Additionally, in December 2022, a commercial milestone of $2.5 million (equivalent to €2.3 million) has been accrued was pending to be paid as of December 31st, 2022.

- The initial payment of $15 million (equivalent to €15.7 million) for the aforementioned agreement signed with Simcere on September 29th, 2022.

- The disbursement of $20 million (equivalent to €20.5 million) on November 28th, 2022 following the announcement of EMA's acceptance of the marketing authorization application (MAA) for Lebrikizumab for atopic dermatitis in accordance with the aforementioned license agreement signed with Lilly.

- The payment of $12 million (equivalent to €12.6 million) linked to a milestone for achieving sales of Ilumetri in accordance with the aforementioned license agreement signed with Sun Pharma.

- The capitalized amount of the aforementioned development projects amounting to €1.2 million.

During fiscal year 2021, additions to intangible assets amounted to €54.1 million and corresponded mainly to:

- The aforementioned initial payment of €20.8 million for the license agreement with Ichnos Science.

- The initial payment of €5 million and €7 million for the regulatory approval of Wynzora in Europe, as a result of the aforementioned agreement with MC2 Therapeutics.

- The payment linked to the first milestone for sales of Ilumetri according to the aforementioned license agreement with Sun Pharma, amounting to $7.5 million (€6.6 million).

- The payment linked to the commercial launch of Klisyri in Europe amounting to $5 million (€4.3 million), as a result of the aforementioned agreement with Athenex.

- The capitalized amount of the development project for a new formulation of a treatment for psoriasis mentioned above, amounting to €4.8 million.

In fiscal years 2022 and 2021, there are no retirements with a significant net book value. Retirements correspond mainly to write-offs of fully amortized or impaired items.

Transfers of the fiscal years 2022 and 2021 correspond mainly to the go live of a new computer software for commercial activity management.

On December 31st, 2022 and 2021, fully-amortised intangible assets in use amounted to approximately EUR 90.9 million and EUR 99.1 million (not including goodwill), respectively.

The aggregate amount of "Research and Development Expenses" which have been charged as expenses in the accompanying income statement in 2022 and 2021 amounts to EUR 99.2 and 71.6 million, respectively. These amounts include both the amount of the depreciation of assets assigned to research and development activities and the expenses accrued by the Company's personnel and the expenses incurred by third parties.

As of December 31st, 2022, and 2021, the Company has prepared the corresponding impairment test for the most significant intangible assets based on value in use calculations, as described in Note 4c, resulting in no need for impairment.

As of December 31st, 2021, the Company wrote-off in the heading of Industrial Property, the rights to develop and commercialize a product in the respiratory area for a total of EUR 45 million, which was already totally impaired, in response to the strategic decision taken in 2016 not to commercialize this product.

Impairment losses are recorded under "Impairment and gains or losses on disposal of fixed assets" in the income statement (Note 19).

6. Property, plant and equipment

The changes in 2022 and 2021 in "Property, plant and equipment" in the accompanying balance sheet and the most significant information affecting this heading were as follows:

Thousands of euros	2021	Additions	Disposals	Transfers	2022
Land	6,215	-	-	-	6,215
Constructions	19,504	-	-	-	19,504
Technical installations and machinery	7,600	-	(38)	357	7,919
Other facilities, tools and furnishings	113,575	3,121	(8,753)	2,133	110,076
Other fixed assets	15,387	1,208	(4,456)	200	12,339
Advances and assets in progress	3,065	1,630	-	(2,690)	2,005
Total cost	**165,346**	**5,959**	**(13,247)**	**-**	**158,058**
A. Dep. Land and constructions	(7,676)	(417)	-	-	(8,093)
A. Dep. Technical installations and machinery	(6,404)	(313)	38	-	(6,679)
A. Dep. Facilities, tools and furnishings	(102,524)	(2,713)	8,738	-	(96,499)
A. Dep. Other fixed assets	(13,864)	(853)	4,456	-	(10,261)
Total A. Depreciation	**(130,468)**	**(4,296)**	**13,232**	**-**	**(121,532)**
Net Value PP&E	**34,878**	**1,663**	**(15)**	**-**	**36,526**

Thousands of euros	2020	Additions	Disposals	Transfers	2021
Land	6,215	-	-	-	6,215
Constructions	19,492	12	-	-	19,504
Technical installations and machinery	7,610	44	(54)	(22)	7,600
Other facilities, tools and furnishings	118,458	2,547	(7,774)	344	113,575
Other fixed assets	17,487	427	(2,782)	255	15,387
Advances and assets in progress	1,254	2,410	-	(577)	3,065
Total cost	**170,516**	**5,440**	**(10,610)**	**-**	**165,346**
A. Dep. Land and constructions	(7,257)	(419)	-	-	(7,676)
A. Dep. Technical installations and machinery	(6,107)	(351)	54	-	(6,404)
A. Dep. Facilities, tools and furnishings	(107,549)	(2,749)	7,774	-	(102,524)
A. Dep. Other fixed assets	(15,924)	(722)	2,782	-	(13,864)
Total A. Depreciation	**(136,837)**	**(4,241)**	**10,610**	**-**	**(130,468)**
Net Value PP&E	**33,679**	**1,199**	**-**	**-**	**34,878**

The additions for fiscal years 2022 and 2021 are largely due to upgrades at the Company's chemical and pharmaceutical production facilities, and improvements at the Company's headquarters.

(Expressed in thousand euro)

Fixed assets in progress at the 2022 and 2021 year-ends as well as transfers in those years, corresponds, basically, to the transfer of investment projects in the production centres that began operations during those years.

In fiscal years 2021 and 2020, there are no retirements with a significant net book value. Retirements correspond mainly to write-offs of fully amortized or impaired items.

As of December 31st, 2022 and 2020 the Company does not have any impaired assets which are not in use.

Fully depreciated property, plant and equipment as of December 31st, 2022 and 2021 amounted to approximately EUR 99.9 million and EUR 109 million respectively.

The Company occupies various facilities under operating leases as detailed in Note 7.

The Company 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.

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

7. Leases

At year-end 2022 and 2021, the Company has the following minimum lease liabilities under agreements currently in effect, excluding service charges, inflation and future rent reviews stipulated in the lease:

	Thousand euro	
	2022	2021
Within one year	9,048	9,740
2 to 5 years	15,710	3,468
Over 5 years	24,123	-

Operating lease instalments recognised under expenses in 2022 and 2021 are as follows:

	Thousand euro	
	2022	2021
Operating leases recognised in the income statement for the year	15,516	14,171

The most significant leasing contracts correspond to real estate, transport elements and equipment for information processes. These mainly include the partial lease contract with the investee Industrias Farmacéuticas Almirall, S.A. for a property located in Sant Andreu de la Barca which the Company uses as a production centre, as well as the lease contract for the Company's headquarters, which is leased to the related company Sinkasen S.L.U (Note 20).

(Expressed in thousand euro)

8. Short and long-term investments in Group companies and associates

The changes in 2022 and 2021 in this caption and the most significant information affecting this heading were as follows:

	Thousand euro					
	Investments in Group companies	Impairment	Long-term loans to Group companies (Note 20)	Impairment	Total long-term	Short-term loans to group companies (Note 20)
Balance as of December 31, 2020	**1,504,439**	**(192,077)**	**162,578**	**-**	**1,474,939**	**264**
Additions	-	(140,020)	15,451	-	(124,569)	1,922
Disposals	(967)	22,566	-	-	21,599	-
Transfers	186,227	-	(178,029)	-	8,198	-
Balance as of December 31, 2021	**1,689,699**	**(309,531)**	**-**	**-**	**1,380,168**	**2,186**
Additions	1,010 -	(92,393)	-	-	(91,383)	-
Disposals	-	-	-	-	-	(2,186)
Transfers	-	-	-	-	-	-
Balance as of December 31, 2022	**1,690,709**	**(401,924)**	**-**	**-**	**1,288,785**	**-**

Investments in Group companies

The additions recorded under "Investments in Group companies" in 2022 correspond mainly to the constitution of the following companies, which will carry out the commercialization of pharmaceutical specialties in their respective countries:

- On March 9th, 2022, the company BMCK XXIII Delta s.r.o, based in Prague (Czech Republic) was incorporated for an amount of 10 thousand Czech crowns (equivalent to 0.4 thousand euros), and renamed Almirall s.r.o, on March 10th, 2022. Subsequently on June 10th, 2022, an additional contribution of 500 thousand euros was made.

- On July 12th, 2022, the company Almirall s.r.o, based in Bratislava (Slovak Republic), was incorporated for an amount of 5 thousand euros. Subsequently on December 7th, 2022, and additional contribution of 500 thousand euros was made.

- On October 28th, 2022, the company NFH 211016 AS, based in Oslo (Norway), was incorporated for an amount of 30 thousand Norwegian crowns (equivalent to 3 thousand euros), and its name was changed to Almirall AS on October 28th, 2022.

- On November 1st, 2022, Goldcup 31889 AB, based in Stockholm (Sweden), was incorporated for the amount of 25 thousand Swedish crowns (equivalent to 2.3 thousand euros), and its name was changed to Almirall AB on November 17th, 2022.

The transfers recorded under this heading during fiscal year 2021 corresponded mainly to the capitalizaton of the loan granted to the investee company Almirall, Inc (USA) detailed in the next section of this Note in the amount of 178 million euros (199.5 million dollars) plus the corresponding interest accrued on November 24th.

(Expressed in thousand euro)

The detail and changes by entity in this caption in financial years 2022 and 2021 is as follows:

	Thousand Euros					
	2022		2021		Additions / (Disposals)	
Company	Cost	Impairment	Cost	Impairment	Cost	Impairment
Laboratorios Almirall S,L	4,112	-	4,112	-	-	-
Laboratorios Tecnobio, S,A	127	-	127	-	-	-
Ranke Química, S,A	10,840	-	10,840	-	-	-
Industrias Farmacéuticas Almirall S,A	41,982	-	41,982	-	-	-
Almirall, A,G	10,628	-	10,628	-	-	-
Almirall, N,V,	9	-	9	-	-	-
Almirall International, B,V	144,203	-	144,203	-	-	22,566
Almirall Aesthetics, S,A	261	(28)	261	(28)	-	(1)
Almirall Hermal, GmbH	359,270	-	359,270	-	-	-
Almirall, GmbH	1,485	-	1,485	-	-	-
Almirall, ApS	17	-	17	-	-	-
Almirall, Spa	-	-	-	-	(967)	-
Almirall Inc,	736,495	(309,503)	736,495	(309,503)	186,227	(140,019)
Poli Group Holding, SRL	380,270	-	380,270	-	-	-
Almirall s.r.o (Czech Republic)	500	-	-	-	500	-
Almirall s.r.o (Slovakia)	505	-	-	-	505	-
Almirall AS	3	-	-	-	3	-
Almirall AB	2	-	-	-	2	-
TOTAL	**1,690,709**	**(401,924)**	**1,689,699**	**(309,531)**	**1,010**	**(92,393)**

The breakdown of information on Interests in group companies is included in the Appendix to these notes.

The investments in Group companies and other relevant information as of December 31st, 2022 and 2021 is as follows:

	2022		2021	
Name Address	Almirall Europa Derma, S.A. Spain (*)	Laboratorios Tecnobio, S.A. España	Almirall Europa Derma, S.A. Spain (*)	Laboratorios Tecnobio, S.A. España
Activity	Dormant	Dormant	Dormant	Dormant
% ownership	100%	100%	100%	100%
Carrying amount of interest (Group)				
Cost	261	127	261	127
Impairment	(29)	-	(28)	-

(*) Previously denominated Almirall Aesthetics, S.A.

Long term loans to Group companies -

The balance of the heading "Long-term loans to group companies" corresponded as of December 31st, 2020 to the loan granted on December 13th, 2018 to the investee Almirall Inc, in the amount of USD 250 million maturing on December 13th, 2025, which accrued an annual interest rate of 7%. This contract had a long-term stable and permanent financing nature given that it was not estimated that it could be repaid. On November 24th, 2020, it was agreed to capitalize the outstanding balance of EUR 178 million (EUR 199.5 million) and the corresponding interest accrued at that date, as indicated in the line of carryforwards. The additions for the year correspond to the effect of the year-end exchange rate restatement (EUR 23.6 million) of this loan.

(Expressed in thousand euro)

Impairment losses-

The additions for the year under the heading "Impairment losses on investments in Group companies" correspond mainly to the valuation adjustment amounting to EUR 92 million on the investee Almirall, Inc. according to the update of the impairment test performed on the basis of the revised business plan on the American subsidiary Almirall LLC (a company 100% owned by Almirall Inc.). During the 2021 fiscal year, a valuation adjustment of EUR 140 million was recorded on the same holding, mainly due to the impact of the reestimation of future flows, as well as by the negative impact of the exchange rate derived from the evolution of the US dollar.

Disposals in 2021 correspond to the reversal of impairment after valuation of the investment in Almirall International B.V., amounting to EUR 22.6 million.

The methodology used to update the impairment test is based on cash flow projections based on financial budgets approved by Management covering a period of 5 years. Cash flows beyond this 5-year period are extrapolated using the standard growth rates listed below.

The recoverable amount is determined as the higher of fair value less cost of selling and value in use. In assessing value in use, 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 the risks specific to the asset.

The financial projections consist of an estimation of the net cash flows after taxes, calculated based on an estimation of gross sales and margins and other costs projected for the cash-generating unit. The projections are based on reasonable and supported assumptions and markedly conservative criteria to reduce future exposure to possible additional impairment in this cash-generating unit, made up of the aforementioned subsidiary.

The main assumptions used in updating the impairment test are as follows:

Investment	Assumption 2022	Assumption 2021
Almirall, Inc	p.t.d: 8.9% - 11.7% a.t.d.: 7.5% - 9% p.i.g.r.: (5)% - (15)%	p.t.d: 7% a.t.d.: 7% p.i.g.r.: (5)% - (15)%

(*) Pre-tax discount rate (p.t.d), After-tax discount rate (a.t.d.) and Perpetual income growth rate (p.i.g.r)

From the sensitivity analysis performed, it has been identified a maximum impact for the cash generating unit of the USA of -34 million euros.

Impairment losses are recognised under “Impairment and profit/(loss) on fixed asset disposals and group companies” in the accompanying income statement.

According to the estimates and projections available to the directors of the Company, except for the matter commented above, the projected results and discounted cash flows of the other cash-generating units adequately support the value of the rest of the investments recognised.

(Expressed in thousand euro)

9. Non-current and Current financial investments

Non-current financial investments

The detail of the balance of this heading in the balance sheet as of December 31st, 2022 and 2021 is as follows:

	Thousand euro			
	Long-term investment portfolio	Long-term loans and other financial assets	Deposits and guarantees	Total long-term
Balance at December 31, 2020	**12**	**85,083**	**378**	**85,474**
Additions	-	6,934	272	7,206
Decreases	-	(33)	-	(33)
Transfers	-	(13,136)	-	(13,136)
Balance at December 31, 2021	**12**	**78,848**	**650**	**79,511**
Additions	35	12,029	-	12,064
Decreases	-	2	(271)	(269)
Transfers	-	(57,975)	-	(57,975)
Balance at December 31, 2022	**47**	**32,904**	**379**	**33,331**

The heading "Long-term loans and other financial assets" includes mainly in the amount of €32,902 thousand (€78,848 thousand as of December 31st, 2021) the financial asset corresponding to the fair value of the future payments to be received in the long term from Covis Pharma GmbH as described in Note 4k.

The movement in 2022 is due, on the one hand, to the recording of changes in the fair value of the asset, amounting to an increase of € 12,029 thousand in this asset (€ 6,934 thousand in 2021) and, on the other hand, 57,975 thousand euros (13,136 thousand euros in 2021) to the decrease arising from the transfer to short-term, based on the expectations of the time frame for collection.

The agreement with AstraZeneca described in Note 4k was novated to Covis Pharma GmbH on January 5th, 2022, as described earlier in this note. As a result of this agreement, in addition to continuing to receive royalty payments on the terms initially established with AstraZeneca, the Company has received $10 million (equivalent to €8.8 million) on the date on which the transaction was completed, as well as $40 million in different tranches until September 2023, mainly linked to certain changes in the initially established milestone structure. As of December 31st, 2022, 5 tranches have been collected for a total amount of $25 million (equivalent to €23.5 million).

Changes in the fair value of this financial asset for the year ended December 31st, 2022, amounted to €12 million and have been recorded under "Other income" in the income statement for the that period (€ 6.9 million in 2021) (Note 19). The changes in fair value are due, on the other hand, to the fluctuation of the euro/US dollar exchange rate in the amount of €3.1 million, the financial restatement which resulted in income of € 15.8 million, the discount rate restatement in the amount of € 1.6 million, as well as the re-estimation of the expected cash flows in the amount of € -5.3 million.

Current financial investments

The detail of this heading in the balance sheets as of December 31st, 2022 and 2021 is as follows:

	Thousand euro	
	2022	2021
Short-term credit	29,196	19,327
Short-term interest	-	-
Deposits and warrants	389	810
Deposits and warrants highly liquid	15	15
Total	**29,600**	**20,152**

(Expressed in thousand euro)

For the purposes of preparing the Cash Flow Statement, the Company considers as cash equivalents all high liquidity short-term investments (Note 4-e) that are readily convertible to specific amounts of cash, since the risk of changes in value to which they are subject is negligible. In this regard, in the preparation of the Cash Flow Statement for the year, current financial investments, consisting of bank deposits maturing in the short term that can be made liquid immediately at the Company's discretion without any penalty, which on December 31st , 2022 and 2021 come to € 15 thousand.

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

The heading “Short term credits” corresponds to the fair value of future payments payable to be received in the short term by Covis Pharma GmbH as described above and in Note 4k, based on the expectations of the time frame for collection.

The detail of current and non-current financial assets available for sale, held to maturity or at fair value through profit or loss is as follows:

	Thousand euro	
	2022	2021
Financial Assets at amortised cost:	-	-
Loans and receivables		
Other financial assets	833	1,488
Financial assets at fair value through profit of loss:	62,098	98,175
Other financial assets (Covis Pharma GmbH)		
Total	**62,931**	**99,663**

The fair value of financial instruments is calculated based on the following rules:

- Fixed income securities: where these are unlisted securities or mature within no more than six months, fair value is calculated on the basis of acquisition cost plus the related accrued interest, calculated using the internal rate of return.

- Other financial assets: The fair value of "Financial Assets at fair value through profit or loss" was calculated using the discounted cash flow method adjusted for the probability of success of certain risk at different stages of the products. The discounted cash flow method estimates the future cash flows of the asset (translated from dollars to euros at the exchange rate based on the range agreed in the agreement) and the cash flows during the estimated marketing period, considering the maturity of the patent adjusted for estimated probability of success. These probabilised cash flows are discounted at a rate which reflects the current returns required by the market and the specific risks of the asset (Note 4k).

There are no significant differences between the carrying amount and fair value of such assets.

In addition, the bank accounts included under the headings of Cash have not been remunerated during the fiscal years ended December 31st, 2022, and 2021.

10. Inventories

On December 31st, 2022 and 2021 the composition of this heading is as follows:

	Thousand euro	
	2022	2021
Goods purchased for resale	9,543	10,964
Raw materials and packaging	25,746	26,530
Products in progress	12,467	7,481
Finished products	33,709	26,043
Advances to suppliers	8	61
Inventory impairment (Note 19)	(3,529)	(3,503)
Total	**77,944**	**67,576**

The changes in the inventory impairment allowance are detailed in Note 19.

There were no commitments to purchase inventories involving significant amounts as of December 31st, 2022 and 2021.No stock is subject to warranty.

The Company has taken out insurance policies to cover risks relating to inventories. The coverage provided by these policies is considered to be sufficient.

11. Trade and other receivables

As of December 31st, 2022 and 2021 the composition of this heading is as follows:

	Thousands of Euros	
	2022	2021
Financial assets at amortized cost:		
Customers for sales and services	33,001	29,430
Customers, group companies and associates (Note 20)	54,737	41,463
Other debtors	-	131
Personnel	94	48
Bad debt allowance (Note 19)	(68)	(459)
Balances with Public Administrations:		
Current tax assets and Other government credits (Note 18)	14,417	23,118
Total	**102,181**	**93,731**

The Company performs an individualized analysis of overdue customer balances to identify possible insolvency risks and, based on this analysis, makes an allowance for bad debts. The movement in the valuation adjustment for impairment losses on accounts receivable is included in Note 19.

As of December 31st, 2022 and 2021, there is no concentration of credit risk with respect to the commercial accounts receivable, given that the Company has a large number of customers.

As of December 31st, 2022 and 2021, there are no guarantees on customer balances.

The balances receivable are recognised at their nominal value which is not significantly different from fair value.

As of December 31st, 2022, the balance of customers in foreign currency amounted to €8.6 million (€5.7 million as of December 31st, 2021).

(Expressed in thousand euro)

12. Equity

Share capital

As of December 31st, 2022 the parent company's share capital consists of 181,515,368 shares with a par value of 0.12 euros each, fully subscribed and paid up (179,776,802 shares as of December 31st, 2021).

On June 8th, 2022, 1,738,566 new shares of the 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 62.86% 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 Company following the issue of fully paid-up shares was increased by 208,628 euros, amounting to 21,781,843.92 euros (represented by 181,515,368 shares) as of December 31st, 2022 (represented by 181,515,368 shares).

On June 11th, 2021, 1,661,175 new shares of the Company, from the flexible dividend, were admitted to trading on the stock exchanges of Barcelona, Madrid, Bilbao and Valencia. 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 Company following the issue of fully paid-up shares was increased by 199,341 euros, amounting to 21,573,216.24 euros as of December 31st, 2021 (represented by 179,776,802 shares).

As of December 31st, 2022 and 2021, all of the 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 28th May 2007, first refusal rights, and put and call options have been granted between ultimate shareholders in the 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 Company is aware, according to the information contained in the official records of the National Securities Market Commission (CNMV) as of December 31st, 2022 and 2021, are as follows:

Name of direct holder of the ownership interest	2022	2021
	% Interest	% Interest
Grupo Plafin, S.A.U.	41.9%	40.9%
Grupo Corporativo Landon S.L	17.7%	18.8%
Wellington Management	5.1%	5.1%
Artisan Partners Asset Management Inc.	-	3.6%
Total	**64.7%**	**68.4%**

As of December 31st, 2022 and 2021 the Company was not aware of any other holdings equal to or greater than 3% of the share capital or voting rights of the Company, which, although less than the established percentage, would enable the exercise of significant influence over the Company.

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 the share capital, this reserve may only be used to offset losses if there are no other reserves available that are sufficient for this purpose.

The balance of this item as of December 31st, 2022 and 2021 amounted to EUR 4,275 thousand.

(Expressed in thousand euro)

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.

During 2007, and as a result of various operations carried out within the framework of the process of admission to trading on the Spanish stock exchanges of all the Company's shares, there was an increase in the balance of the share premium amounting to 105,800 thousand euros.

As a result of the increase in capital resulting from the flexible dividend, in 2022, this item was increased by the difference between the par value of the shares and the value equivalent to the dividend, which comes to 21,530 thousand euros (21,896 thousand euros in the year 202 1), and therefore the balance of this item totals 322,588 thousand euros as of December 31st, 2022 (301,058 thousand euros as of December 31st, 2021).

Other reserves

The breakdown of this account for the years ended December 31st, 2022 and 2021 is as follows:

	Thousand euro	
	2022	2021
Voluntary reserves	967,183	1,001,341
Canary Islands investment reserve	3,485	3,485
Reserves for amortized capital	30,539	30,539
Revaluation reserve	2,539	2,539
Merger reserve	4,588	4,588
Total other reserves	**1,008,334**	**1,042,492**

There is a limit on distributions that would reduce the balance of reserves to an amount less than the total outstanding balances of the Company’s development costs, which as of December 31st, 2022, amounts to 9,234 thousand euros (8,142 thousand euros as of December 31st, 2021).

Canary Islands investment reserve

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 Company allocates to these Reserves for Canary Islands Investments (R.I.C.) part of the profits obtained by the establishment located in the Canary Islands, which is a restricted reserve since the assets of which it must remain within the company.

As of December 31st, 2022 and 2021, the balance of this item amounts to 30,539 thousand euros.

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.

The balance of this reserve as of December 31st, 2022 and 2021 amounted to EUR 30,539 thousand.

Revaluation reserves

In accordance with mercantile legislation, the Company restated its fixed assets in 1996. The balance may be used to offset negative results, without the accrual of taxes, including losses brought forward and current-year or future losses, as well as to increase share capital. As from January 1st, 2007 (once 10 years have elapsed as from the date of the balance sheet in which the restatements were presented) it may be appropriated to freely distributable, provided the monetary gain has been realised. The capital gain will be deemed to have been realised in an amount equal to the depreciation that has been charged in the accounts or when the restated assets have been transferred or written off.

(Expressed in thousand euro)

Should the balance in this account be used for any purposes other than those defined by Royal Decree-Law 7/1996, the balance would become taxable.

The balance of the Company's "Revaluation reserve" amounts to € 2,539 thousand as of December 31st, 2022 and 2021 and is available.

Treasury Shares

The Company maintains a liquidity contract with a financial intermediary, effective as of March 4th, 2019, with the aim of increasing and stabilizing the share price of the Company, within the limits established by the General Shareholders' Meeting and by current regulations, in particular, Circular 1/2017, of April 26th, of the National Securities Market Commission, on liquidity contracts. Said contract assumes that the Company owns, as of December 31st, 2022, treasury stock representing 0.10% of the share capital (0.09% as of December 31st, 2021) and a global nominal value of 21.7 thousand euros (16.8 thousand euros as of December 31st, 2021) and which have been registered in accordance with current regulations. The average acquisition price of these shares in the financial year 2022 was EUR 9 per share (EUR 11.3 per share in the financial year 2021). The treasury shares held by the Company are intended to be traded on the market.

13. Accruals and deferred income

As of December 31st, 2022 and 2021 the balance and movement in this heading are as follows:

	Thousand euro
Balanceat 31 December 2020	**19,613**
Taken to results	(17,771)
Balance at December 31, 2021	**1,842**
Taken to results	(539)
Balance at December 31, 2022	**1,303**

As of 31st December 2022, there is no significant deferred income outstanding to be charged to the income statement. The main movement during 2021 shown in the table above was constituted by the amounts not charged to the results of the initial non-repayable collections relating to the operation with AstraZeneca described in Note 4k (€ 17.4 million). The imputation to profit or loss was made linearly over the estimated duration of the development phase, ending in October 2021, and was recorded under "Net sales" in the income statement (Note 19).

During the financial years 2022 and 2021, the Company did not sign new contracts involving deferred income additional to those described in Note 5.

14. Long-term provisions

The changes in 2022 and 2021 in "Provisions" in the accompanying balance sheet are as follows:

	2022			2021		
	Provision for returns	Other provisions	Total	Provision for returns	Other provisions	Total
Balance at January 1	**4,485**	**29,339**	**33,824**	**4,814**	**29,660**	**34,474**
Additions or endowments	-	500	500	-	6,201	6,201
Disposals or applications	-	(5,305)	(5,305)	(329)	(1,476)	(1,805)
Transfers	-	(3,989)	(3,989)	-	(5,046)	(5,046)
Balance at December 31	**4,485**	**20,545**	**25,030**	**4,485**	**29,339**	**33,824**

(Expressed in thousand euro)

Provision for returns

The provision for product returns relates to amounts recognised to cover the possible losses due to returns that may arise in the future as a result of sales made this year or in previous years. This provision was calculated as described in Note 4j.

Other Provisions

The amount of other provisions relates mainly to the long-term remuneration (see Note 4r) and the estimation made by the Company of the future disbursements to meet other liabilities arising from the nature of its activity. Withdrawals for the current fiscal year correspond mainly to reversals of that provisions and the transfers relates to short-term reclassifications. This provision has been calculated as described in Note 4r.

15. Financial debts

As detailed in Note 4f, the Company classifies its financial liabilities in the following valuation categories:

- Financial liabilities measured at fair value with changes through profit and loss:

This heading is deemed to include liabilities related with bonds and other marketable securities issued and quoted that the Company 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 amortized cost:

This heading includes mainly unsecured bonds, debts with credit institutions and (revolving) credit lines. At the date of initial application, the Company'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 owed to credit institutions and other financial liabilities as of 31st December 2022 and 2021 is as follows:

	Limit	Drawn down balance (*)	Stream	Not current		
				2024	Remainder	Total
Financial liabilities at amortized cost						
Credit facilities	275,000	-	-	-	-	-
Loans with credit institutions	80,000	65,000	10,000	10,000	45,000	55,000
Senior unsecured bonds	300,000	295,758	-	-	295,758	295,758
Accrued interest outstanding	-	2,377	2,377	-	-	-
Financial liabilities at fair value through profit or loss						
Liabilities for derivative financial instruments	-	25	25	-	-	-
Totals of December 31, 2022	**655,000**	**363,160**	**12,402**	**10,000**	**340,758**	**350,758**

(*) Balance drawn down net of issuance costs

	Limit	Drawn down balance (*)	Stream	No corriente		
				2023	Resto	Total
Financial liabilities at amortized cost						
Credit facilities	275,000	-	-	-	-	-
Loans with credit institutions	80,000	75,000	10,000	10,000	55,000	65,000
Senior unsecured bonds	300,000	294,692	-	-	294,692	294,692
Accrued interest outstanding	-	-	2,314	-	-	-
Totals of December 31, 2021	**655,000**	**369,692**	**12,314**	**10,000**	**349,692**	**359,692**

(*) Balance drawn down net of issuance costs

Senior unsecured bonds

On 22 September 2021, the Company proceeded to conclude and disburse an issuance of senior unsecured bonds for an aggregate nominal amount of €300 million, at a fixed annual interest rate of 2.125%, maturing on 22 September 2026. The bonds were placed among qualified investors by BNP Paribas and JP Morgan AG, as coordinating entities. The effective interest rate of these bonds is 2.5% and, as of 31st December 2022, there is unpaid accrued interest of €1,864 thousand (€1,742 thousand on 31 December 2021).

The debt of these bonds is stated at the nominal amount (300 million euros) net of issuance costs (which amounted to 5.6 million euros), which will be recorded over the duration of the bonds using the effective interest method.

Debts with credit institutions

On 17 July 2020, the 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 this facility was earmarked for general corporate purposes. The credit facility contract obliges the 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 2022 and 2021.

On 4 December 2018, the Company entered into an unsecured syndicated Club Bank Deal loan led by BBVA for €150 million. On 27 September 2021, the Company proceeded to the early cancellation of this syndicated loan without any penalty.

On 27 March 2019, the 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 July 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 has temporarily increased by 0.30%. The loan agreement requires the Company to comply with a series of covenants, including most notably compliance with a "Consolidated net financial debt / consolidated EBITDA" ratio and a "Financial leverage of subsidiaries / consolidated EBITDA" ratio. Both covenants are fulfilled on 31 December 2022 and 2021.

Convertible Bond

On 4 December 2018, the issuance 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 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%.

In addition, for this issuance of bonds, the fair value of the derivative financial instruments embedded in the host instrument (the financial liability for the bond) was determined beforehand. 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, two options with significant value were identified that were separated from the host contract (a conversion option involving a financial liability for the Company and an early termination option involving a financial asset).

The change in the fair value of these options was recorded in the income statement between the time of initial recognition and the valuation made at the time of closing, which totalled €2.3 million profit as of 31 December 2021. On December 14th, 2021, the 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 the Company 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 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 the Company and to sell its shares to the Company itself on maturity.

In addition, when the fair value is less than 85% of the cost value, the Company 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 Company 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 Company has opted to classify this asset/liability as current.

Consequently, under the heading "Assets in derivative financial instruments" (in the case of unrealised gains) or "Liabilities in 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 euros, corresponding to 1.4% of the Company's share capital) and the acquisition cost of the shares for Banco Santander, which as of December 31st, 2022 amounted to a loss of 12.3 million euros (loss of 6.7 million euros as of December 31st, 2021), all of which has been deposited in the bank, and therefore, at the close of the fiscal year, the liabilities come to zero (same as of December 31st, 2021). It is considered that the value of the derivative of the option that would entail the acquisition of the maximum total shares (50 million euros) 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. In fiscal year 2022 the impact on the Company's income statement amounted to a loss of €5.7 million (€1 million profit in 2021) (Note 19).

At the date of preparation of these financial statements, the Directors consider that there has been no breach of the afore mentioned obligations (including the series of covenants mentioned above).

16. Other long-term and short-term financial liabilities

The detail as of December 31st, 2022 and 2021 is as follows:

	Thousand euro					
	Current	Non-Current				
		2024	2025	2026	Remainder	Total
Research-related loans	1,354	898	1,124	107	340	2,469
Payables for acquisition of non-current assets	8,058	-	-	-	-	-
Total at December 31, 2022	**9,412**	**898**	**1,124**	**107**	**340**	**2,469**

	Thousands of Euros					
	Stream	Not current				
		2023	2024	2025	Remainder	Total
Research-related loans	2,167	1,519	860	1,056	372	3,807
Debts for acquisition of fixed assets	25,342	-	-	-	-	-
Total at December 31, 2022	**27,509**	**1,519**	**860**	**1,056**	**372**	**3,807**

Research-related loans correspond to zero-interest rate loans granted by the Ministry of Science and Technology to promote research and are presented as described in Note 4f. The concession of the same is subject to the fulfilment of certain investments and expenses and have maturities between 2023 and 2031.

The debts for acquisition of fixed assets for fiscal years 2022 and 2021 correspond, basically, to the outstanding disbursements on the acquisition of goods, products and marketing licenses made. As of December 31st, 2022, the balance includes the amount pending to pay for the agreement reached with Athenex that totals 2.5 million dollars (2.3 million euros). As of December 31st, 2021, the balance includes the unpaid portion of the agreement reached with Ichnos Science, amounting to €20.8 million, for the global rights to develop and commercialize the monoclonal antibody ISB 880 for autoimmune diseases, which payment became effective on January 19th, 2022 (Note 5).

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

17. Commitments, contingent liabilities and contingent assets

a. Commitments

As a result of the research and development activities carried out by the Company, as of December 31st, 2022 and 2021 firm agreements have been signed for the performance of these activities for the amount of 45.8 million euros and 59 million euros respectively, which would have to be honoured in future years.

As of December 31st, 2022 and 2021 there were no commitments to acquire property, plant and equipment of significant amount.

The Company's lease commitments are described in Note 7.

As of December 31st, 2022, the Company has formalized various guarantees against the public administration and third parties for an amount of 7,466 thousand euros (8,378 thousand euros as of December 31st, 2021).

b. Contingent liabilities

There are no significant contingent liabilities that might result in significant cash outlays others than mentioned in these financial statements (contingent payments for intangibles assets acquisition, Note 5)

c. Contingent assets

As a result of the operation with AstraZeneca, currently Covis Pharma GmbH, described in Note 4k, the Company is entitled to receive a payment of certain amounts for milestones related to certain events.

18. Tax situation

Consolidated Tax Group

Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VI of Law 27/2014 of 27 November, for the Corporate Income Tax. The companies composing the tax group for 2020 and 2019 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas Almirall, S.A., Laboratorios Tecnobío, S.A., Ranke Química, S.L. and Almirall Europa Derma S.A. being the first of them the head of the tax group. Consequently, Almirall, S.A. is the responsible in front of tax authorities for the declaration, payment, and presentation of Corporate Income Tax.

Fiscal years open to tax inspection

On June 30th, 2021, the Tax Agency notified the Company, in its capacity as representative of the tax group, of the commencement of the verification and investigation inspection proceedings for Corporate Income Tax (tax consolidation regime) for fiscal years 2016, 2017 and 2018. It also notified the initiation of inspection and investigation proceedings against the Company, Industrias Farmacéuticas Almirall S.A. and Ranke Química, S.A. for Value Added Tax, withholdings and payments on account of capital gains, and withholdings and payments on account of work/professional income, and withholdings and payments on account of non-resident taxation for the periods between July 2017 and December 2018.

As a result of the tax audit, the Company and the companies comprising the Spanish tax group, are open to inspection for the years 2016 to 2021 in relation to Corporate Income Tax and the periods starting from July 2017 onwards in relation to the other taxes applicable to them.

In general, due to the different ways in which the tax regulations may be interpreted, 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 of an amount that cannot be objectively quantified at present. In the opinion of the Company's administrators, however, the possibility of significant liabilities arising in this respect, in addition to those recognised, is remote.

(Expressed in thousand euro)

Tax refundable and payable

The detail of current tax refundable and payable as of December 31st, 2021 and 2020 is as follows:

	Thousand euro	
	2022	2021
VAT receivable	4,857	5,453
Income tax receivable	8,723	16,240
Other taxes receivable	837	1,425
Total debtor balance	**14,417**	**23,118**
VAT payable	-	-
Foreign VAT payable	2,169	1,143
Income tax payable	-	-
Personal income tax withholdings	3,943	2,071
Social security payable	863	829
Other taxes receivable	-	-
Total credit payable	**6,975**	**4,043**

As of December 31st, 2022, the item “Corporate income tax receivable” includes the tax receivable for the year 2022, as well as on December 31st, 2021, that item included the tax receivable for the year 2021.

Income tax recognised

The reconciliation of the accounting results and tax base for 2022 and 202 is as follows:

	Thousand euro	
	2022	2020
Pre-tax profit /(loss)	(51,420)	(38,227)
Permanent differences:		
Increase	93,610	140,090
Decrease	(12,222)	(35,934)
Temporary differences		
Increase	978	2,088
Decrease	(13,524)	(75,511)
Gross taxable income	**17,422**	**(7,493)**
Offsetting of tax-loss carry forwards	(6,567)	-
Tax base	**10,855**	**(7,493)**

The decrease in the base for permanent differences for the years 2022 and 2021 corresponds, basically, to the reduction of income from the transfer of intangible assets to the exemption to avoid double taxation of dividends received, as well as to reversals of impairment losses of certain units, while the increases correspond basically to the different tax treatment of impairment losses.

The income tax recognised in the income statement and on equity in fiscal years 2022 and 2021 is as follows:

	Thousands of Euros	
	Expenditure / (Income)	
	2022	2021
Corporate income tax recognised in the income statement:	**6,247**	**18,607**
Current corporate tax	2,714	-
Deferred corporate tax	3,501	18,577
Overseas tax	32	30
Corporate income tax recognised on equity	-	-
Total	**6,247**	**18,607**

Reconciliation of accounting and tax results

The reconciliation of the corporate income tax expense resulting from the application of the standard tax rate in force to the income tax expense recognised is as follows:

	Thousand euro	
	2022	2021
Pre-tax profit /(loss)	(51,420)	(38,227)
Permanent differences:		
Increase	93,610	140,090
Decrease	(12,222)	(35,934)
Adjusted accounting profit	29,968	65,930
Tax rate	25%	25%
Gross tax	**7,492**	**16,482**
Deductions:		
-Deductions and other consolidation adjustments	2,259	1,141
Corporate tax paid abroad	32	30
Fiscal consolidation effect	(3,612)	932
Others	76	22
Expense / (Income) accrued for Corporate Income Tax	**6,247**	**18,607**

The current corporate income tax of Almirall, S.A. results from applying a tax rate of 25% on the individual tax base of the entity. Payments on account amounted to 7,969 thousand euros (11,677 thousand euros in 2021).

The amount to be returned by the Tax Administration amounts to 8,723 thousand euros (16,240 thousand euros in 2021). Of this amount, the monetization of the deductions provided for in article 39.2 of the LIS has amounted to 3,710 thousand euros (4,563 thousand euros in 2021).

The nature and amount of the tax incentives applied in 2022 and 2021 and of those not yet applied as of 31st December 2022 and 2021 is as follows:

Nature	Year generated	Thousands of euros			
		2022		2021	
		Applied	Available	Applied	Available
Research and development					
	2007	1,332	23,943	-	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	-	9,786	86	9,786
	2020	-	7,824	5,619	7,824
	2021	4,637	7,470	-	12,107
	2022	-	19,317	-	-
		5,969	**332,266**	**5,705**	**318, 917**
Technological innovation	2012	-	1,077	-	1,077
	2013	-	1,440	-	1,439
	2014	-	702	-	701
		-	**3,219**	**-**	**3,217**
International double taxation	2018	-	-	-	-
	2019	499	-	-	499
	2020	80	-	-	80
	2021	29	-	-	29
	2022	32	-	-	-
		640	**-**	**-**	**608**
Reinvestment of extraordinary profits	2012	-	55	-	55
	2013	-	2	-	2
	2014	-	11	-	10
		-	**68**	**-**	**67**
Donations	2018	-	-	-	-
	2019	-	36	-	36
	2020	-	41	-	41
	2021	-	26	-	26
	2022	-	46	-	-
		-	**149**	**-**	**103**
Temporary measures	2018	-	-	-	-
	2019	-	26	-	26
	2020	-	21	-	21
	2021	-	11	-	11
	2022	-	7	-	-
		-	**65**	**-**	**58**
Total Deductions accredited		**6,609**	**335,767**	**5,705**	**322,973**
Total deferred tax assets recognized in balance sheet			**175,986**		**181,955**

Currently, there is no time limit for the application of outstanding international double taxation deductions. However, the current legislation on Corporate Income Tax stipulates that the application is limited to 50% of the total tax liability.

(Expressed in thousand euro)

On the other hand, the period of application of deductions for scientific research and technological innovation activities pending application is 18 years from their origin, and the application of these is limited to 50% of the tax liability according to the current legislation, whenever the deduction that the Company generates each year is expected to exceed 10% of the total tax liability.

Also, as of December 31st, 2022 and 2021, the Company has not recognized as deferred tax assets the tax effect of the tax loss carryforwards generated by the entire tax group, the amounts and year of generation of which are as follows:

	2022	2021
Generated in 2017	22,975	29,542
Generated in 2019	106,103	106,103
Generated in 2021	3,255	3,255
Total tax los carryforwards	**132,334**	**138,901**

Deferred taxes

The detail of deferred taxes recognised in both years is as follows:

	2022		**2021**	
	Accumulated differences in tax bases	Accumulated effect tax payable	Accumulated differences in tax bases	Accumulated effect tax payable
Amortisation of intangible assets	7,152	1,788	9,444	2,361
Provisions	10,671	2,667	14,780	3,695
Deductions pending application	-	175,986	-	181,955
Total deferred tax assets		**180,441**		**188,011**
Unrestricted amortisation/depreciation R,D, 27/84, 2/85, 3/93	15,418	3,854	18,624	4,656
Amortisation of goodwill	108,840	27,210	99,236	24,809
Deferred tax liabilities		**31,064**		**29,465**

A breakdown of deferred tax assets and liabilities is as follows:

	2022	**2021**
Deferred tax assets	180,441	188,011
Deferred tax liabilities	(31,064)	(29,465)
Deferred tax assets (net)	**149,378**	**158,546**

The amount of net deferred tax assets that will revert in a period of less than 12 months amounts to 2.05 million euros as of December 31st, 2022.

The gross movement in deferred tax is as follows:

	2022	**2021**
At January 1	158,546	182,862
(Charged)/credited to income statement	(4,468)	(18,356)
Partial monetization of R&D deductions	(4,637)	(5,705)
Adjustments and regularizations	(64)	(255)
At December 31	**149,377**	**158,546**

These deferred tax assets have been recorded in the consolidated balance sheet because the 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 frame of up to 10 years.

In order to determine the estimated future results that justify this recovery 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.

- Estimation of additional expected impacts on results in the coming years from the future investments/acquisitions planned to be carried out in the mid term. 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 +5% / -5% range of variation) would not result in a significant impact on the consolidated financial statements as of 31 December 2022.

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

As a result of this regulatory change, the Company carried out an analysis of the recoverability of the deferred tax assets recorded in the balance sheet, which meant a reduction in deferred tax assets amounting to €19.9 million and the corresponding loss in 2021 was recorded under the heading "Income tax" of the income statement.

19. Income and expenses

Net turnover

The detail, by business and geographical area, of Net tornover for the fiscal year is as follows:

	Thousands of Euros	
	2022	**2021**
National Market	275,395	255,982
Export	304,812	253,529
Income from royalties	781	670
Income from granting licences (AstraZeneca) (Note 13)	-	17,363
Other income from licensing	22,300	20,896
Income from shareholdings in Group companies (Note 20)	8	10,655
Total	**603,296**	**559,095**

Revenues related to agreements for the sale/transfer of marketing rights for proprietary research products that are registered for in accordance with Note 4k.

	Thousands of Euros	
	2022	**2021**
Marketing through own network	512,332	446,717
Marketing through licensees	71,610	80,936
Income from shareholdings in Group companies (Note 20)	8	10,655
Other	19,346	20,787
Total	**603,296**	**559,095**

Other operating income

	Thousand euro	
	2022	**2021**
Income from sales/product marketing licenses	-	-
Other income - Group companies (Note 20)	20,371	14,805
Other	14,674	8,635
Total	**35,045**	**23,440**

The "Other" section mainly includes income of €12 million due to the change in the fair value of the financial assets derived from the operation with Covis Pharma GmbH described in Note 4k (€6.9 million during 2021) (Note 9).

Supplies

The breakdown of this heading is as follows:

	Thousands of Euros	
	2022	**2021**
Purchases	170,002	140,198
Changes in stocks of raw materials and other consumables	784	(401)
Changes in stocks of goods for resale	1.421	(840)
Inventory impairment	(81)	(132)
Subcontracted work	58,037	46,090
Total	**230,163**	**184,915**

The detail of Inventory impairment and the movement, for finished and semi-finished products and raw materials and other consumables is as follows:

	Thousands of Euros		
	Raw material and other consumables impairment	Finished and semi-finished goods impairment	Inventory impairment (Note 10)
Balance as of December 31, 2020	**353**	**2,817**	**3,170**
Addition	999	7,996	8,995
Application	(1,131)	(7,531)	(8,662)
Balance as of December 31, 2021	**221**	**3,282**	**3,503**
Addition	450	15,717	16,167
Application	(531)	(15,610)	(16,141)
Balance as of December 31, 2022	**140**	**3,389**	**3,529**

The detail, by origin, of the purchases made by the Company in 2022 and 2021 is as follows (thousand euro):

	2022			2021		
	Spain	Intra-Community	Imports	Spain	Intra-Community	Imports
Purchases	48,346	98,178	23,478	36,124	94,951	9,123
Total	**170,002**			**140,198**		

Staff costs

The detail of staff costs is as follows:

	Thousand euro	
	2022	2021
Payroll and salaries	50,169	56,781
Social Security payable by the company	8,729	8,561
Compensation payments	2,401	2,776
Other welfare expenses	2,760	4,718
Total	**64,058**	**72,836**

The average number of employees of the Company by professional category and gender is as follows:

	2022			2021		
	Hombres	Mujeres	Hombres	Mujeres	Hombres	Mujeres
Directors	2	-	2	1	-	1
Executives	32	19	51	21	10	31
Managers	45	44	89	62	60	122
Technical staff	142	212	354	141	215	356
Administrative staff	21	55	76	16	43	60
Other	-	2	2	-	1	1
Total	**242**	**332**	**574**	**241**	**329**	**570**

The average number of employees in fiscal year 2022 and 2021 with disabilities greater than or equal to thirty-three percent amounts to 1 person (others).

As at 31st December 2022 and 2021, the staff team is as follows:

	2022			2021		
	Men	Women	Total	Men	Women	Total
Directors	-	-	-	1	-	1
Executives	39	23	62	22	7	29
Managers	38	39	77	62	60	122
Technical staff	145	207	352	142	217	359
Administrative staff	25	61	86	15	45	60
Other	-	2	2	-	1	1
Total	**248**	**332**	**580**	**242**	**330**	**572**

In addition, at the end of 2022, the number of non-employee directors was 11, of whom 4 were women and 7 men (in 2021 there were 13, of whom 4 were women and 9 men).

As of December 31st, 2022 and 2021, the number of employees with disabilities greater than or equal to thirty-three percent amounts to 1 person (other).

Other operating expenses

The detail of Other Operating Expenses is as follows:

	Thousand euro	
	2022	2021
R&D activities	50,170	30,019
Leases and fees	45,326	34,903
Repairs and maintenance	8,664	8,859
Independent professional services	9,943	9,371
Services received from Group (Note 20)	88,497	74,613
Transport	5,489	4,002
Insurance premiums	2,050	1,802
Banking services and similar	177	496
Congresses and other promotional activities	38,300	35,036
Supplies	3,018	1,025
Other services	17,437	14,273
Other taxes	282	228
Total	**269,353**	**214,627**

Losses, impairment and variation in trade provisions

The detail of Losses, impairment and variation in trade provisions in the accompanying income statement is as follows:

	Thousands of Euros	
	2022	2021
Change in bad debts provision	62	(110)
Change in other trade provisions	500	990
Total	**562**	**880**

The change in the bad debt provision is as follows:

	Thousands of Euros
	Valuation adjustment for insolvencies (Note 11)
Balance at 31 December 2020	**725**
Addition	1,068
Application	(958)
Eliminations against the balance	(376)
Balance at 31 December 2021	**459**
Addition	-
Application	(62)
Eliminations against the balance	(329)
Balance at 31 December 2022	**68**

Impairment and profit/(loss) on disposals of fixed assets and investments in Group companies

The detail of “Impairment and profit/loss on disposals of fixed assets and investments in group companies” in 2022 and 2021 is as follows:

	Thousand euro			
	2022		2021	
	Profit	Loss	Profit	Loss
Profit/loss on disposal or retirement of intangible assets (Note 5)	-	(2,921)	-	(955)
Profit/loss on disposal or retirement of property, plant and equipment	-	(15)	-	-
Impairment and gain (loss) on disposal of financial instruments (Note 8)	-	-	-	(967)
Impairment of investments in Group companies (Note 8)	-	(92,393)	22,566	(140,020)
	-	**(95,329)**	**22,566**	**(141,942)**
Impairment and profit/(loss) on disposals of fixed assets and investments in Group companies	**(95,329)**		**(119,376)**	

The impairment gains on investments in group companies for the financial year 2021 corresponded to the impairment reversal of the affiliate Almirall International BV and the impairment losses for both years correspond mainly to the provisions made for Almirall, Inc. (Note 8).

Financial income and expenses

The detail of “Financial income/(expense)”, “Impairment and profit/loss on disposals and changes in the fair value of financial instruments” and “Exchange differences” in 2022 and 2021 is as follows:

	Thousands of Euros			
	2022		2021	
	Revenue	Expense	Revenue	Expense
Other income and similar interest	636	-	486	-
Change in fair value of financial instruments	-	(5,675)	3,218	-
Bond issuance costs (Note 15)	-	(7,439)	-	(12,972)
Financial and similar income / (expenses)	-	(5,561)	-	(7,265)
Exchange rate differences	6,908	(5,365)	20,565	(4,036)
	7,544	**(24,039)**	**24,269**	**(24,273)**
	(16,495)		**(4)**	

The caption "Change in fair value of financial instruments" corresponds to the update of the fair value of the Equity swap as described in Note 15.

In caption “Bond issuance costs” include financial expenses derived from the convertible bond and senior unsecured bonds (Note 15).

Foreign Currency Transactions

During the years ended 2022 and 2021 the Company carried out the following transaction in foreign currency:

	Thousands of Euros			
	Expense		Income	
	2022	2021	2022	2021
US dollar	21,046	7,186	28,282	7,524
Sterling Pound	16,741	11,479	13,139	10,556
Swiss Franc	5,265	5,031	9,092	9,043
Japanese Yen	2,159	4,204	4,308	3,605
Danish Krone	3,231	2,324	2,953	5,515
Polish Zloty	1,359	817	2,443	2,613
Others	512	205	120	(3)
	50,313	**31,246**	**60,339**	**38,853**

Remuneration of auditors

During financial years 2022 and 2021, the fees relating to account audit services and other services provided by the Company's auditor (KPMG) or by other companies in the auditor's network were as follows (in thousands of euros):

The detailed services provided by year are as follows:

Description	2022			
	Audit and related services		Tax services	Other services
	Audit services	Audit related services		
KPMG Auditores, S.L.	183	58	-	-
Other companies in the KPMG network	-	-	113	37
	183	**58**	**113**	**37**

Description	2021			
	Audit and related services		Tax services	Other services
	Audit services	Audit related services		
KPMG Auditores, S.L.	138	244	-	-
Other companies in the KPMG network	-	-	34	-
	138	**244**	**34**	**-**

The heading "Audit services" includes the fees corresponding to the audit of the individual and consolidated financial statements of Almirall, S.A. and other audit services from KPMG Auditores, S.L.

The heading "Audit related services" includes the fees derived from the limited review of the Group's interim consolidated financial statements, the review of the information related to the Group's Internal Financial Reporting Control System (SCIIF), work on the review of supporting accounts and financial ratios, as well as a specific work in 2021 of "Comfort Letter" related to the issuance of the simple senior notes described in Note 15.

(Expressed in thousand euro)

The "Tax services" caption in 2021 included services billed in that year in connection with documentation, certification and obtaining binding reasoned reports to monetize a portion of the tax deductions related to the Company's R&D projects.

Finally, the heading "Other services" includes the services billed in relation to the audit of the information included in the Non-Financial Information Statement (EINF).

20. Balances and transactions with related parties

Transactions

During 2022 the Company carried out the following transactions with Group companies:

Revenue	Sales	Other operating income	Financial income (dividends and interest)	Total
Almirall, AG	10,960	3	7	10,970
Almirall ApS	3,944	-	-	3,944
Almirall Limited	20,115	2	-	20,117
Almirall B.V	31,307	0	-	31,307
Almirall S.A.S	15,737	415	-	16,153
Almirall SpA	38,145	38	-	38,184
Almirall Hermal, GmbH	97,585	1,544	-	99,130
Almirall-Productos Farmacéuticos, Lda.	5,174	-	-	5,174
Almirall N.V	3,614	-	-	3,614
Almirall Inc. (USA)	-	-	-	-
Industrias Farmacéuticas Almirall S.A	-	904	-	904
Ranke Química, S.A	-	192	1	193
Laboratorios Almirall S.L	-	589	-	589
Polichem S.A (Switzerland-Lugano)	3,770	1,978	-	5,748
Almirall LLC	6,901	14,705	-	21,606
Total	**237,253**	**20,371**	**8**	**257,632**

Expense	Puchases	Services Received	Financial Expenses	Total
Almirall, AG	-	4,513	-	4,513
Almirall ApS	-	3,120	-	3,120
Almirall Limited	-	8,003	82	8,085
Almirall B.V	1,949	2,043	20	4,012
Almirall S.A.S	-	6,393	93	6,486
Almirall SpA	-	12,308	183	12,491
Almirall Hermal, GmbH	11,375	27,850	291	39,516
Almirall-Productos Farmacéuticos, Lda.	-	1,652	9	1,661
Almirall Sp. Z.o.o	-	926	-	926
Industrias Farmacéuticas Almirall S.A	41,794	3,756	89	45,639
Ranke Química, S.A	18,224	-	-	18,224
Laboratorios Almirall S.L	-	15,789	45	15,834
Laboratorios Tecnobio, S.A.	-	-	5	5
Polichem S.A (Switzerland-Lugano)	3,938	16	503	4,457
Almirall NV	-	1,608	9	1,617
Almirall Gmbh	-	47	6	53
Poli Group Holding SRL	-	-	3	3
Polichem SRL	-	-	20	20
Almirall SRO (Czech Republic)	-	401	-	401
Almirall SRO (Slovak Republic)	-	73	-	73
Total	**77,281**	**88,497**	**1,358**	**167,136**

(Expressed in thousand euro)

During 2021 the Company carried out the following transactions with Group companies:

Revenue	Sales	Other operating income	Financial income (dividends and interest)	Total
Almirall, AG	6,676	-	2	6,678
Almirall ApS	5,515	-	-	5,515
Almirall Limited	10,550	129	2	10,681
Almirall B.V	28,303	-	-	28,303
Almirall S.A.S	11,070	402	-	11,472
Almirall SpA	35,140	87	-	35,227
Almirall Hermal, GmbH	81,255	1,525	-	82,780
Almirall-Productos Farmacéuticos, Lda.	4,129	-	-	4,129
Almirall N.V	3,309	-	-	3,309
Almirall Inc. (USA)	-	283	10,651	10,934
Industrias Farmacéuticas Almirall S.A	-	882	-	882
Ranke Química, S.A	894	188	-	1,082
Laboratorios Almirall S.L	-	573	-	573
Polichem S.A (Switzerland-Lugano)	2,460	2,938	-	5,398
Almirall LLC	5,480	7,798	-	13,278
Total	**194,781**	**14,805**	**10,655**	**220,241**

Expense	Puchases	Services Received	Financial Expenses	Total
Almirall, AG	-	4,619	1	4,620
Almirall ApS	-	2,137	-	2,137
Almirall Limited	-	5,757	-	5,757
Almirall B.V	1,950	1,729	-	3,679
Almirall S.A.S	-	2,513	-	2,513
Almirall SpA	-	11,092	-	11,092
Almirall Hermal, GmbH	11,375	28,966	-	40,341
Almirall-Productos Farmacéuticos, Lda.	-	994	-	994
Almirall Sp. Z.o.o	-	543	-	543
Industrias Farmacéuticas Almirall S.A	41,794	3,630	-	45,424
Ranke Química, S.A	18,224	-	-	18,224
Laboratorios Almirall S.L	-	10,984	-	10,984
Polichem S.A (Switzerland-Lugano)	3,938	71	-	4,009
Almirall NV	-	1,578	-	1,578
Total	**77,281**	**74,613**	**1**	**151,895**

The expenses for purchases and services received by the Company correspond, basically, to the supply contracts it has with its Group companies, as well as the product marketing expenses of foreign subsidiaries with their own sales network.

Sales revenues correspond basically to the supply of product to foreign subsidiaries, as well as to the provision of administrative and management support services to their subsidiaries.

As mentioned in Note 4k, the Company classifies dividends and interest earned as a parent company in net turnover. In fiscal year 2022, interest income amounted to 8 thousand euros, while in 2021 it amounted to 10,655 thousand euros mainly linked to the loan to the affiliate company Almirall, Inc. Likewise, in fiscal years 2022 and 2021, no dividends have been received from the investee companies.

As of December 31st, 2022 and 2021 the balances of intercompany transactions break down as follows:

Debtor balances

Group Companies	Thousands of Euros			
	2022		2021	
	Commercial (Note 11)	Financial (Note 8)	Commercial (Note 11)	Financial (Note 8)
Almirall N.V.	581	-	714	-
Almirall-Produtos Farmacéuticos, Lda.	937	-	625	-
Laboratorios Almirall, S.L.	255	-	24	-
Almirall, B.V.	3,797	-	6,727	-
Almirall SpA	5,387	-	5,394	-
Almirall S.A.S.	2,843	-	2,160	-
Almirall, AG	3,291	-	1,895	1,666
Almirall Sp.Z.o.o.	-	-	33	-
Almirall Limited UK	2,203	-	986	-
Almirall Hermal GmbH	20,032	-	17,265	-
Almirall ApS Nordics	582	-	-	-
Almirall Inc. (USA)	-	-	283	-
Almirall LLC	13,513	-	3,853	-
Polichem S.A. (Switzerland – Lugano)	1,315	-	1,504	-
Ranque Química, S.A.	-	-	-	520
Total	**54,737**	**-**	**41,463**	**2,186**

Creditor balances

Group Companies	Thousands of Euros			
	2022		2021	
	Commercial	Financial	Commercial	Financial
Laboratorios Almirall S.L.	-	12,244	-	10,764
Laboratorios Tecnobío, S.A.	3	1,349	-	1,344
Industrias Farmacéuticas Almirall, S.A.	35	26,392	-	22,597
Ranke Química, S.A.	1,208	2,483	1,185	-
Almirall N.V.	115	3,290	226	3,180
Admiral ApS	1,135	-	799	-
Almirall-Produtos Farmacéuticos, Lda.	581	3,236	111	4,183
Almirall, B.V.	394	6,396	451	7,484
Almirall GmbH	52	2,390	-	2,252
Almirall SpA	2,528	70,303	1,539	71,573
Almirall S.A.S.	1,802	36,577	1,721	33,450
Almirall, AG	1,360	31	1,913	-
Almirall Sp. z o.o	175	-	-	-
Almirall Limited	3,492	6,354	2,121	4,588
Almirall Hermal GmbH	10,462	113,963	14,889	87,532
Almirall Aestethics S.A.	-	233	-	182
Polichem S.A. (Switzerland-Lugano)	1,107	201,261	545	162,529
Polichem SRL (Italy)	20	8,133	-	6,626
Poligroup Holding SRL (Italy)	3	1,248	-	1,321
Almirall s.r.o (Czech Republic)	138	-	-	-
Almirall s.r.o (Slovak Republic)	73	-	-	-
Total	**24,686**	**495,881**	**25,500**	**419,605**

Balances and transactions with other related parties

During the years 2022 and 2021 the Company has carried out the following transactions with related parties, maintaining as of December 31st, 2022 and 2021 the balances detailed below:

Related party	Concept	Year	Thousands of Euros – Transactions - Income/(Expenses)	Thousands of Euros – Balance- Debtor/(Creditor)
Grupo Corporativo Landon, S.L.	Leases	2022	(1,580)	-
		2021	(2,982)	-
Grupo Corporativo Landon, S.L.	Re-invoicing of works	2022	315	-
		2021	252	123
Grupo Corporativo Landon, S.L.	Other	2022	(2)	(2)
		2021	-	-
Sinkasen, S.L.U.	Leases	2022	(1,580)	-
		2021	-	-
Sinkasen, S.L.U.	Re-invoicing of works	2022	351	382
		2021	-	-

The headquarters of the Company (located at Ronda General Mitre, 151 Barcelona) are leased to the related company Grupo Corporativo Landon, S.L., under a contract that is tacitly renewed by both parties on an annual basis. On July 1st, 2022, the ownership of the building was transferred to the company Sinkasen, S.L.U. (whose sole shareholder is Grupo Corporativo Landon, S.L.), without this having any effect on the conditions and amounts of related-party transactions with the Company (Note 7).

Transactions with related parties are carried out at market price.

21. Remuneration of the Board of Directors and Executives

During the years 2022 and 2021, the amount accrued by current and former members of the Board of Directors for all remuneration items (salaries, bonuses, allowances, remuneration in kind, life insurance, compensations, incentive schemes and social security contributions) amounted to 6,840 and 3,124 thousand euros, respectively. In fiscal year 2022, there are life insurance policies accrued for an amount of 4.9 thousand euros (9 thousand euros in the year 2021).

Additionally, in fiscal years 2022 and 2021, the remuneration, paid and unpaid, accrued by the Board of Directors of the Company in respect of multi-year incentive and loyalty plans and SEUS Plan (Note 4), which amounted to 0 and 552 thousand euros, respectively. As of December 31st, 2022, the balance of the provision for these plans totals 0 thousand euros (806 thousand euros as of December 31st, 2021).

As of December 31st, 2022 and 2021, there are no other pension commitments made with the current and former members of the Company's Board of Directors.

The Company has included in the determination of the Board of Directors for the purposes of the financial statements the members of the Management Committee who are not part of the Board of Directors.

Likewise, at the end of 2022, the number of non-employed directors was 11, of whom 4 were women and 7 men (in 2021 13 of whom were women and 9 men).

During the fiscal years 2022 and 2021, the amount paid by the senior managers, who are not members of the Board of Directors of the Company, for all remuneration items (salaries, bonuses, allowances, remuneration in kind, compensation, incentive plans and social security contributions) has risen to 6,537 and 6,249 thousand euros, respectively. In financial year 2022, life insurance policies accrued amounted to €10.4 thousand (€9 thousand in financial year 2021).

In addition, in fiscal years 2022 and 2021, the remuneration accrued, paid and unpaid, by the Company's Directors for multi-year incentive and loyalty plans and SEUS Plan (Note 4r) to 1,150 and 1,050 thousand euros, respectively. As of 31st December 2022, the provision for these plans totals 2,671 thousand euros (2,315 thousand euros as of December 31st, 2021).

As of December 31st, 2022 and 2021, there were no other pension commitments under the Directorates.

During the financial years 2022 and 2021, civil liability insurance premiums amounting to EUR 268 million and EUR 229 thousand respectively were accrued, covering any damage caused to the members of the Board of Directors and Senior Management in the exercise of their duties.

In addition, during fiscal years 2022 and 2021, the members of the Board of Directors and Senior Management of the Company have not received shares or stock options during the year, nor have they exercised options or have options pending exercise nor have they granted advances or credits.

22. Other disclosures concerning the Board of Directors

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

23. Information regarding the environment

The Company has adopted the pertinent measures in environmental matters in order to comply with current legislation in this regard. The Company's strategy takes into consideration the objectives of the Paris Agreement to limit the increase in global temperature to below 2ºC and climate neutrality by 2050. The impact of climate change risk has not been considered relevant in the preparation of the financial statements for the financial year 2022, since it does not significantly affect the useful lives of the assets and/or the valuations of the impairment of the assets nor do they derive legal or implicit obligations for the Company.

The Company's property, plant and equipment includes certain assets for the protection of the environment (limitation of fumes, subsoil drainage, etc.) with a net book value as of December 31st, 2022 and 2021 of 757 and 636 thousand euros, respectively. Likewise, during 2022 investments amounting to 217 thousand euros (360 thousand euros in 2021) have been made.

As at 31st December 2022 and 2021 no emissions rights exist.

The income statement for the years 2022 and 2021 includes expenses related to the protection of the environment in the amount of 540 and 578 thousand euros, respectively.

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

24. Exposure to risk and capital management

The Company's business is exposed to certain financial risk: market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program is focused on the uncertainty of the financial markets, and it seeks to minimize the potential adverse effect on its financial profitability.

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

Interest rate risk

As of December 31st most of the Company's debt is at a fixed rate, minimizing the risk of a possible increase in interest rates. As described in Note 15, the main debt instruments are as follows:

- On September 22nd, 2021, the Company proceeded t conclude and disburse an issuance of senior unsecured bonds for an aggregate nominal amount of EUR 300 million, with a fixed annual interest rate of 2.125% and maturing on September 22nd, 2026.

- On July 17th, 2020, the Company entered into a revolving credit facility for an amount of 275 million euros, which will mature in July 2024 and has been allocated to general corporate purposes. This policy accrues a variable interest rate linked to Euribor. As of December 31st, the Company has not drawn down any amount under this policy.

- On March 27th, 2019, the Company entered into a loan with the European Investment Bank (EIB) for up to EUR 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 EUR 80 million was granted on April 17, 2019 at a fixed interest rate of 1.35%, with 32 equal principal repayments between April 17, 2021 and April 17, 2029, the latter being the final maturity. Due to the issuance of new debt, the interest rate is temporarily increased by 0.30%, resulting in an interest rate of 1.65%.

Foreign currency risk

The Company is exposed to the exchange rate risk on certain transactions arising from its business activity. These are essentially dollar charges for sales of finished products, receipts and payments arising from the transaction with Covis Pharma GmbH, payments in dollars arising from licensing agreements with Athenex, Lilly or Sun Pharma, payments in dollars for clinical trials, purchases of raw materials and royalty payments in yen and dollars. The most relevant foreign currency with which the Company operates is the US dollar.

The Company analyses quarterly the forecasts of collections and payments in foreign currency, as well as their evolution and trend in these currencies. In recent years, the Company 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 dollars.

Until November 24th, 2021, the Company held an intercompany loan with the U.S. subsidiary Almirall, Inc. in U.S. dollars. This loan had not been covered as since July 1st, 2020 it was considered as net investment abroad. On November 24th, 2021, the Company proceeded to capitalize the nominal amount of this loan together with the interest pending to be paid.

Liquidity risk

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

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

On the other hand, medium- and long-term liquidity planning and management is based on the Group's (for what the Company is parent) Strategic Plan, which covers a five-year time frame.

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

The financing instruments include a series of covenants which, in the event of default, would result in a demand for immediate payment of these financial liabilities. The Company periodically assesses their fulfilment (as well as future expectations of fulfilment so that, where appropriate, it can take corrective measures). As of December 31st, 2022, all covenants are considered to be fulfilled, as mentioned in Note 15.

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

Estimation of fair value

The valuation of assets and liabilities measured at fair value should be broken down by levels according to the following hierarchy:

- Level 1. Quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2. Data other than the quoted market prices 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.

The breakdown as of December 31st, 2022 and 2021 of the Company's assets and liabilities measured at fair value according to the aforementioned levels is as follows (in thousands of euros):

2022	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit or loss (*)	-	-	62,098
Total assets	**-**	**-**	**62,098**
Liabilities			
Financial liabilities at fair value through profit or loss (Note 15s)	-	25	-
Total liabilities	**-**	**25**	**-**

(*) includes the long-term and short-term amounts derived from the transaction with AstraZeneca, currently Covis Pharma GmbH (Note 9).

2021	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit or loss (*)	-	-	98,175
Total Assets	**-**	**-**	**98,175**
Liabilities			
Financial liabilities at fair value through profit or loss (Note 15)	-	-	-
Total Liabilities	**-**	**-**	**-**

(*) includes the long-term and short-term amount derived from the transaction with AstraZeneca, currently Covis Pharma GmbH (see Note 9).

Credit risk

The Company manages credit risk through an individual analysis of the items comprising accounts receivable. As a preventive measure, credit limits are established for sales to wholesalers, pharmacies and local licensees. With respect to hospital sales, given their small weight, collection management is carried out directly once the debt is due.

The amounts that are considered to be bad debts, once all the relevant collection procedures have been carried out, are provisioned at 100%. As of December 31st, 2022 and 2021, the balance of the provision is €68 thousand and €459 thousand, respectively (Note 11).

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

The Company does not have a significant credit risk, since it invests cash and arranges derivatives with highly solvent entities. The attached tables reflect the aging analysis from the maturity date of the financial assets that are in default or impaired as of December 31st, 2022 and 2021.

	Thousands of euros			
	Customers for sales and provision of services	Other debtors	Valuation adjustments for impairment	Total
Not expired	45,449	-	-	45,449
Expired less than 30 days	30,965	-	-	30,965
30 to 60 days	5,971	-	-	5,971
60 to 90 days	874	-	-	874
90 to 120 days	2,953	-	-	2,953
120 to 180 days	265	-	-	265
More than 180 days	1,018	-	(68)	950
Balance as of December 31, 2022	**87,495**	**-**	**(68)**	**87,427**
Not expired	64,485	131	-	64,616
Expired less than 30 days	6,054	-	-	6,054
30 to 60 days	(802)	-	-	(802)
60 to 90 days	168	-	-	168
90 to 120 days	77	-	-	77
120 to 180 days	29	-	-	29
More than 180 days	884	-	(459)	425
Balance as of December 31, 2021	**70,895**	**131**	**(459)**	**70,567**

Capital management

The Company manages its capital to ensure the continuity of the activities of the companies of the Group of which it is parent while maximising shareholders' returns through an optimum debt-equity ratio.

The Company periodically reviews the capital structure on the basis of a five-year strategic plan that establishes the guidelines concerning investment and financing.

As of December 31st, 2022 and 2021 the leverage ratios were as follows (thousand euro):

	2022	2021
Debts with credit institutions (Note 15)	65,000	75,000
Debt securities and other negotiable securities (Note 15)	295,758	294,692
Cash and cash equivalents	(214,621)	(161,120)
Net Debt	**146,137**	**208,572**
Equity (Note 12)	1,239,926	1,310,433
Share capital (Note 12)	21,782	21,573
Leverage Index(1)	**12%**	**16%**

(1) Based on the calculation used by the Company to determine the leverage ratio (not including "Other financial liabilities" included in Note 16 neither the interest pending to be paid from debt included in Note 15).

25. Information on delays in payments to suppliers

The supplier payment periods in force at the Company comply with the limits established in Law 15/2010, of July 5, on amendments to Law 3/2004 to combat non-payment in commercial transactions. The aforementioned law establishes a maximum payment period of 60 days.

The detail of payments made on commercial transactions in the year that are outstanding at the year-end with respect to the maximum terms allowed by Law 15/2010 and in accordance with the State Official Gazette published on 4th February 2016, is as follows:

	Number of days	
	2022	**2021**
	Days	**Days**
Average period of payment to suppliers	44	46
Ratio of paid transactions	46	48
Ratio of transactions pending payment	17	18
Total payments made	**634,567**	**460,934**
Total payments due	**53,706**	**48,612**

This balance relates to the suppliers which, by their nature, are trade payables for debts with supplier of goods and services.

Finally, in accordance with Law 18/2022 of 28 September, the monetary volume and number of invoices paid in a period lower than the maximum established in the regulations on late payment and the percentage they represent of the total invoices and payments, according to the provisions of the Official State Gazette published on 29 September 2022:

	2022	
	Euro thousand	**Number of invoices**
Invoices paid within the deadline	448,020	13,446
Total Invoices paid	634,567	26,924
% paid within the deadline	**70,60%**	**49,94%**

26. Subsequent events

On 1 January 2023, the agreement signed with MSD International Business GmbH came into force, whereby it agreed to extend the rights for the Spanish territory (which ended on 31st December 2022) for the products marketed under the Efficib and Tesavel trademarks, indicated for the treatment of diabetes and marketed by the Company since 2009. Under the terms of this agreement, the rights extend until 31st December 2025, for which €18 million will be paid by the end of March 2023.

In addition, on 03rd February 2023, the Company signed a purchase agreement with DFT El Globo S.L. for the rights of several products marketed in Europe under the Physiorelax trademark. Under the terms of this agreement, the Company will pay around €12 million.

Additionally, at the date of preparation of preparation of these financial statements, the Board of Directors of the Company agreed to propose to the General Shareholders' Meeting the distribution of a dividend charged to unrestricted reserves for the amount of EUR 34.5 million (equivalent to 0.19 euros per share). For the purpose of this dividend distribution, it is proposed to again utilize the "Flexible Dividend" shareholder remuneration system, already applied in 2022. In this manner, its shareholders are offered an alternative that allows them to receive bonus shares of the Company without limiting their possibility of receiving a cash amount equivalent to the dividend payment as indicated in Note 3.

ANNEX: INFORMATION RELATING TO DIRECT AND INDIRECT INVESTEE COMPANIES

	Thousands of Euros						
Name	Laboratorios Almirall, S.L.	Laboratorios Tecnobio, S.A.	Industrias Farmacéuticas Almirall, S.A.	Ranke Química, S.A.	Almirall International, BV	Almirall, NV	Almirall - Productos Farmacêuticos, Lda.
Address	Spain	Spain	Spain	Spain	Holland	Belgium	Portugal
Activity	Mediation services	Mediation services	Manufacture of specialties	Manufacture of raw materials	International holding	Pharmaceutical laboratory	Pharmaceutical laboratory
31 December 2022							
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	Global integration	Global integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration
Capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	8,034	1,072	55,271	20,303	75,457	2,315	2,610
Net results for the year	424	202	3,285	1,005	3,840	122	159
Book value of the participation (Group)	4,112	127	41,982	10,840	144,203	9	-
-Cost	4,112	127	41,982	10,840	144,203	9	-
-Provision	-	-	-	-	-	-	-
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	Global integration	Global integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration
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 results for the year	295	601	3,294	871	6,423	102	283
Book value of the participation (Group)	4,112	127	41,982	10,840	144,203	9	-
-Cost	4,112	127	41,982	10,840	144,203	9	-
-Provision	-	-	-	-	-	-	-

Note: All information relating to the companies indicated is obtained from individual financial statements of the various companies. For that reason, they do not include the effect that would result from applying consolidation criteria for shareholdings. Inactive Companies are not included (Note 8).

ANNEX: INFORMATION RELATING TO DIRECT AND INDIRECT INVESTEE COMPANIES

	Thousands of Euros						
Name	Almirall, BV	Almirall Europa Derma S.A.	Almirall Limited	Almirall, S.A.S.	Almirall SP, Z.O.O.	Almirall GmbH	Almirall, AG
Address		Spain	United Kingdom	France	Poland	Austria	Switzerland
Activity	Mediation services	Mediation services	Pharmaceutical laboratory	Pharmaceutical laboratory	Marketing of proprietary medicinal products	Pharmaceutical laboratory	Management of licenses and commercialization of raw materials.
31 December 2022							
Fraction of capital held:							
-Directly	-	-	-	-	-	100%	100%
-Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Global integration	Global integration	Global integration	Global integration	Global integration	Global integration	Global integration
Capital	4,000	61	571	12,527	12	36	901
Reserves	3,120	172	11,355	22,869	1,433	2,361	4,835
Net results for the year	367	(1)	868	709	26	300	928
Book value of the stake	-	232	-	-	-	1,485	10,628
-Cost	-	261	-	-	-	1,485	10,628
-Provision	-	(29)	-	-	-	-	-
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	Global integration	Global integration	Global integration	Global integration	Global integration	Global integration	Global integration
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 results for the year	352	(1)	404	1,535	16	242	1,005
Book value of the stake	-	233	-	-	-	1,485	10,628
-Cost	-	261	-	-	-	1,485	10,628
-Provision	-	(28)	-	-	-	-	-

Note: All information relating to the companies indicated is obtained from individual financial statements of the various companies. For that reason, they do not include the effect that would result from applying consolidation criteria for shareholdings. Inactive Companies are not included (Note 8).

ANNEX: INFORMATION RELATING TO DIRECT AND INDIRECT INVESTEE COMPANIES

	Thousands of Euros					
Name	Almirall SpA	Almirall Hermal, GmbH	Almirall Aps	Almirall Inc	Subgroup (*) Almirall LLC	Poli Group Holding, S.R.L.
Address	Italy	Germany	Denmark	USED	USED	Italy
Activity	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory	Holding company
31 December 2022						
Fraction of capital held:						
-Directly	-	100%	100%	100%	-	100%
-Indirectly	100%	-	-	-	100%	-
% voting rights	100%	100%	100%	100%	100%	100%
Consolidation method	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global integration
Capital	8,640	25	17	-	-	31
Reserves	54,777	63,599	3,049	450,299	399,968	46,728
Net results for the year	2,462	30,162	170	(128,937)	(64,472)	(15)
Book value of the stake	-	359,270	17	334,598	-	380,270
-Cost	-	359,270	17	736,494	-	380,270
-Provision	-	-	-	(401,896)	-	-
31 December 2021						
Fraction of capital held:						
-Directly	-	100%	100%	100%	-	100%
-Indirectly	100%	-	-	-	100%	-
% voting rights	100%	100%	100%	100%	100%	100%
Consolidation method	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global integration
Capital	8,640	25	17	-	-	31
Reserves	51,585	22,421	2,695	576,559	489,660	46,792
Net results for the year	3,192	25,804	354	(155,047)	(114,272)	(65)
Book value of the stake	-	359,270	17	426,991	-	380,270
-Cost	-	359,270	17	736,494	-	380,270
-Provision	-	-	-	(309,503)	-	-

Note: All information relating to the companies indicated is obtained from individual financial statements of the various companies. For that reason, they do not include the effect that would result from applying consolidation criteria for shareholdings. Inactive Companies are not included (Note 8).
(*) It includes the holding companies Aqua Pharmaceutical Holdings Inc and Almirall LLC (formerly Aqua Pharmaceuticals LLC).

ANNEX: INFORMATION RELATING TO DIRECT AND INDIRECT INVESTEE COMPANIES

	Thousands of Euros					
Name Address Activity	Polichem, S.A. Luxembourg/Switzerland/China Pharmaceutical laboratory	Polichem, S.R.L. Italy Pharmaceutical laboratory	Almirall S.r.o. Czech Republic Pharmaceutical laboratory	Almirall S.r.o Slovakia Pharmaceutical laboratory	Almirall AS Norway Pharmaceutical laboratory	Almirall AB Sweden Pharmaceutical laboratory
31 December 2022						
Fraction of capital held:						
-Directly	-	-	100%	100%	100%	100%
-Indirectly	100%	99.6%	-	-	-	-
% voting rights	100%	100%	100%	100%	100%	100%
Consolidation method	Global integration	Global integration	Global integration	Global integration	Global integration	Global integration
Capital	1,452	540	-	5	3	2
Reserves	192,560	6,643	513	500	-	-
Net results for the year	31,719	792	10	56	-	-
Book value of the stake	-	-	500	505	3	2
-Cost	-	-	500	505	3	2
-Provision	-	-	-	-	-	-
31 December 2021						
Fraction of capital held:						
-Directly	-	-	-	-	-	-
-Indirectly	100%	99.6%	-	-	-	-
% voting rights	100%	100%	-	-	-	-
Consolidation method	Global integration	Global integration	-	-	-	-
Capital	1,351	540	-	-	-	-
Reserves	168,767	5,658	-	-	-	-
Net results for the year	23,921	985	-	-	-	-
Book value of the stake	-	-	-	-	-	-
-Cost	-	-	-	-	-	-
-Provision	-	-	-	-	-	-

Note: All information relating to the companies indicated is obtained from individual financial statements of the various companies. For that reason, they do not include the effect that would result from applying consolidation criteria for shareholdings. Inactive Companies are not included (Note 8).

Almirall, S.A.

Directors' report

(Year ended December 31st, 2022)

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

CONTENTS

1. ***Summary of the year; main milestones***

The 2022 financial year has been highlighted by the launch of two new products in Europe (Klisyri for actinic keratosis and Wynzora for psoriasis) together with the deployment of Ilumetri (also for psoriasis) in the different geographies in which the Company has a presence. In parallel, the US market has continued to be affected by the erosion of generics and higher discounts, negatively impacting sales in that territory.

During this year, the impact of Covid 19 has also decreased, although the conflict between Russia and Ukraine has begun, which has resulted in a harsher macroeconomic environment than initially expected, especially with regard to energy costs and certain raw materials. However, this conflict has not had a significant direct impact in the year ended December 31st, 2022 and the Company's Management has monitored those activities most sensitive to the conflict in order to minimize the impact and/or seek alternatives.

From the point of view of R&D activities, there have been important advances in the development of Lebrikizumab (compound indicated for atopic dermatitis), since positive results of phase 3 were published and the dossier has been presented to European regulatory entities on October 28th, 2022, with approval expected in the second half of 2023. Additionally, several research agreements have been signed for early-stage products, such as the agreements with Evotec, Simcere and Ichnos (the latter signed in December 2021), which allow nurturing the Company's *pipeline* in the long term. Finally, in May 2022, the procedure has been initiated in Europe to apply for the approval of Efinaconazole, a treatment for mild to moderate onychomycosis in the nails.

The dividend proposed by the Board of Directors on February 18th, 2022 was approved by the General Shareholders' Meeting held on May 6th, 2022. The dividend payment has been instrumented as a flexible solution in which shareholders have been given the right to choose between receiving newly issued shares of the Company or the cash amount equivalent to the dividend. The cash payment has been chosen for 37.1% of the rights (which has meant a disbursement of 12.4 million euros) and the remaining 62.9% has opted to receive new shares at the unit nominal value that have been issued as a capital increase. On June 8th, 2022, 1,738,566 new shares of the Company, from this flexible dividend, were admitted to trading on the Barcelona, Madrid, Bilbao and Valencia stock exchanges.

Finally, from the liquidity point of view, the Company closed 2022 with a cash position amounting to €214.6 million (€161.1 million as of December 31st, 2021). This evolution is explained by:

- Solid cash flow from operating activities (€48.2 million), mainly as a result of the good performance of the business corrected for non-cash items, which was offset by the negative evolution of working capital (linked to the increase in inventories due to new launches and the decrease in accounts payable) and by the collection of corporate income tax refund of the previous year.
- Net cash flows from investment activities (-€41.7 million) mainly from payments relating to the licensing and development agreements of Ichnos, Evotec and Simcere, payments for the commercial launch of Winzora, for regulatory milestones to Eli Lilly and for sales milestones to Sun Pharma described in Note 5 of the accompanying Financial Statements, partially offset by the charges arising from the agreement with Covis Pharma GmbH (which acquired the respiratory business from AstraZeneca).
- Net cash flows from financing activities (€45.8 million) mainly as a result of collections from debt issuance with group companies, partially offset by net repayments of debt and obligations in 2021 as described in Note 15 of the accompanying Financial Statements.

2. ***Corporate development***

During the year ended December 31st, 2022, the following corporate development agreements and relevant facts have taken place:

- On 5th January 2022, the agreement between AstraZeneca and Covis Pharma GmbH for the transfer of the global rights of Eklira and Duaklir became effective. As a result of this agreement, the Company, in addition to continuing to receive royalty payments on the terms initially set with AstraZeneca, received $10 million on the date on which the transaction was effective and will receive $40 million in different tranches until September 2023, primarily linked to certain changes in the milestone structure initially established.
- On March 26th, 2022, 16-week data for the Phase 3 ADvocate 1 and 2 studies of Lebrikizumab were announced at the American Academy of Dermatology annual meeting. Subsequently, on June 7th, 2022, the main results of the one-year analyses of the efficacy and safety of Lebrikizumab were published, where 80% of patients who responded to Lebrikizumab maintained improvement in skin lightening and improvement in disease severity at 52 weeks; Lasting improvements in itch relief were also observed.
- On September 29th, 2022, the exclusive license agreement for SIM0278, the mutant fusion protein IL-2 (IL-2Mu-Fc) developed by Simcere and a drug candidate for the treatment of autoimmune diseases, was announced. Under the agreement, the Company will have the exclusive right to develop and commercialize SIM0278 for all indications outside the China region, has made an initial payment of $15 million, and can pay up to $492 million for development and commercial milestones taking into account achievements in various indications, with an important part as sales milestones, as well as staggered royalties of up to low double digits based on future global sales.

- On 28th October 2022, the acceptance by the European Medicines Agency (EMA) of the marketing authorization application (MAA) for Lebrikizumab for the treatment of moderate to severe atopic dermatitis was announced. Marketing Authorization Application Dossier is based on three pivotal phase III studies: ADvocate 1 and ADvocate 2, which evaluate lebrikizumab as monotherapy in adult and adolescent patients with moderate to severe AD, and ADhere, evaluating lebrikizumab in combination with topical corticosteroids (TCS). Approval in Europe is expected in the second half of 2023.
- On November 18th, 2022, the perpetual license of Motilex® (Cleboprida) to Teofarma was announced. Under the agreement, the rights in Italy are transferred for Motilex® 0.5 mg tablets, indicated for the relief of symptoms of nausea and vomiting in adults and children. The Company received €18.5 million on the effective date of the agreement.

3. *Evolution of the main figures in the income statement*

- The net turnover amounts to 603.3 million euros (+8%) due to the good performance of the domestic and export market despite the lower contribution of income from the transfer of licenses linked to the completion of the allocation to results of deferred income linked to the operation with AstraZeneca described in Note 13 of the accompanying Financial Statements, which amounted to 17.4 million euros in the previous year; and despite the income from interest of Group companies, practically null and amounted to €10.6 million in the previous year, as explained in Note 19 of the accompanying Financial Statements.
- Other revenues amounted to €35 million(+49%) as a result of the financial update of the collection rights related to the agreement between Covis Pharma and AstraZeneca, as explained in the previous section.
- Personnel costs decreased by 12% mainly as a result of reversals in the provision for long-term remuneration, as explained in Note 14 of the accompanying Financial Statements.
- Operating expenses increased by 25% due on the one hand to R&D expenses mainly due to the phase 3 studies of Lebrikizumab and post-launch studies of Klisyri, as well as the new research agreements signed, and on the other hand as a result of the operating expenses related to new launches in Europe.
- The heading "Impairment and profit from disposals of fixed assets and investments in group companies" in the accompanying income statement includes mainly, the impairments of the participation in Almirall, Inc. as explained in Note 8 of the accompanyig Financial Statements.
- The financial result decreased to a negative result of €16.5 million due to the adjustment of the fair value of the equity swap as well as interest accrued during the year relating to senior unsecured notes see Note 19.
- As a result of the above, the operating result and the net result amounted to losses of 34.9 million euros and 57.7 million euros, respectively.

4. *Balance sheet. Financial position*

The main variations of the Balance sheet as of December 31st, 2022 compared to December 31st, 2021 are described below:

- Intangible assets have increased due to investments linked to licensing agreements with Eli Lilly, Simcere, Sun Pharma and Evotec.
- The heading of Investments in group companies and long-term associates has decreased mainly as a result of the impairment discussed above on the investee company Almirall, Inc.
- Inventories have increased due to new releases.
- Financial debt has decreased as a result of quarterly repayments of the loan with the European Investment Bank.
- Non-current liabilities (excluding financial debt) have decreased mainly due to reversal of provisions as mentioned in Note 14 of the accompanying Financial Statements.
- Current liabilities (excluding financial debt) have increased mainly due to the increase in short-term debts to group companies as detailed in Note 20 of the accompanying Financial Statements.

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

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

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

Interest rate risk

At December 31st, 2022 most of the Company's debt is at a fixed rate, minimizing the risk of a possible increase in interest rates. As described in Note 15 of the accompanying Financial Statements, the main debt instruments are as follows:

- On September 22nd, 2021, the Company, has proceeded to the issuance of senior unsecured notes for an aggregate nominal amount of EUR 300 million, with an annual fixed interest rate of 2.125% and maturing on September 22nd, 2026.

- On July 17th, 2020, the Company subscribed a revolving credit facility, amounting to EUR 275 million, maturing in July 2024 and intended for general corporate purposes. This policy accrues a variable interest rate tied to Euribor. At December 31st, 2021, the Company had no amount drawn on this policy.

- On March 27th, 2019, the Company formalized a loan with the European Investment Bank (EIB) for up to EUR 120 million to finance its research and development efforts, with the aim of offering cutting-edge innovation and differentiated therapies in the area of medical dermatology. The first tranche of EUR 80 million was granted on April 17th, 2019 at a fixed interest rate of 1.351%, with 32 equal principal repayments between April 17th, 2021 and April 17th, 2029, the latter being the final maturity. Due to the issuance of new debt, the interest rate is increased by 0.30% temporarily, resulting in an interest rate of 1.651%.

Foreign currency risk

The Company is exposed to exchange rate risk in certain transactions derived from its activity. These are mainly collections in dollars corresponding to sales of finished products, collections and payments derived from the operation with Covis Pharma GmbH, payments in dollars derived from license agreements with Athenex, Eli Lilly or Sun Pharma, payments in dollars for clinical trials, purchases of raw materials and royalty payments in yen and dollarsThe most relevant foreign currency in which the Company operates is the US dollar.

The Company analyzes quarterly the forecasts of collections and payments in foreign currencies as well as their evolution and trend. During the last few years, the Company has reduced its exposure to exchange rate risk in those commercial transactions of greater volume, by contracting specific exchange rate insurance to cover payments in yen for the purchase of raw materials, and to cover cash inflows in USD for collections.

Until November 24th, 2021, the Company held a loan between companies, with the American subsidiary Almirall, Inc., in US dollars. This loan had not been covered since July 1st, 2020 it had been considered as net investment abroad. On November 24th, 2021 the Company proceeded to capitalize the nominal amount of said loan together with the outstanding interest.

Liquidity risk

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

On the one hand, a one-year treasury budget is established based on the forecast financial statements for the current year, from which the variances are analyzed monthly.

On the other hand, medium and long-term liquidity planning and management is based on the Company's Strategic Plan covering a five-year time horizon.

Cash surpluses in foreign currency are invested in deposits when there is a prevision to make payments in that currency, mainly US dollars.

The financing instruments include a series of "covenants" which in the event of non-compliance would imply the immediate enforceability of such financial liabilities. The Company periodically evaluates such compliance (as well as future expectations of compliance, where appropriate, to be able to take corrective measures). As of December 31st, 2022, all "covenants" are fulfilled, as mentioned in Note 15 of the accompanying financial statements.

The Company performs prudent liquidity risk management, maintaining sufficient cash and marketable securities, as well as the hiring of credit facilities committed enough to meet the intended needs.

Credit risk

The Company manages credit risk through an individual analysis of the items included in accounts receivable. As preventive measures, credit limits are established for sales made to wholesalers, pharmacies and local licensees. With regard to hospital sales, given its reduced weight, the subsequent collection management is carried out directly, once the debt is due.

The amounts that are considered uncollectible, once all the relevant collection procedures have been carried out, are provisioned at 100%. The balance of the provision at year-end 2022 amounts to Euros 68 thousand, as described in Note 11 of the accompanying financial statements.

In relation to the deterioration of financial assets due to credit risk, the Company invests mainly in very short-term variable rate instruments in entities with a high credit rating, in order to minimize any credit risk.

The Company does not have significant credit risk, as both treasury placements and, when appropriate, contracting of derivatives, are carried out with highly solvency financial institutions.

6. *Risk factors*

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

- Pressures on price reductions, repayment conditions, contributions to the health system or more restrictive regulations, which can accelerate with the growing budget deficits of the governments that are foreseen and the general worsening of macroeconomic conditions in European countries.
- Price increases in materials, transportation, energy, and shortages in supplies due to current geopolitical and socio-economic threats and macroeconomic developments.
- Unexpected climate changes and increasing risks of major natural disasters can accelerate the adoption of new regulations to reduce emissions, energy and water use and changes to increase climate resilience by generating operational expenses.
- Cyber-attacks or security incidents that allow access to sensitive information or cause disruption of business activities.
- Impairment of intangible assets and goodwill due to lower than projected revenue streams.
- R&D pipeline not sufficiently balanced and differentiated in its different phases to nourish the product portfolio.

7. *Treasury shares*

The Company maintains a liquidity contract with a financial intermediary, effective as of March 4th, 2019, with the aim of increasing and stabilizing the share price of the Company, within the limits established by the General Shareholders' Meeting and by current regulations, in particular, Circular 1/2017, of April 26th, of the National Securities Market Commission, on liquidity contracts. Said contract assumes that the Company owns, at December 31st, 2022, treasury stock representing 0.10% of the share capital and a global nominal value of EUR 21.7 thousand and which have been registered in accordance with current regulations. The average acquisition price of these shares has been EUR 9 per share. The treasury shares held by the Company are intended to be traded on the market.

8. *Personnel costs*

The Company's average headcount numbered 574 employees during 2022.

9. *Average payment period*

The Company's average payment period to suppliers and creditors during 2022 was 44 days.

10. *Trends for the year 2023*

The year 2023 will be a busy year from an operational standpoint, as in addition to the rollout of launches in new territories for Wynzora and Klisyri, and the consolidation of Ilumetri in existing markets, there will be regulatory and pre-launch activities for Lebrikizumab. Should it receive regulatory approval from the EMA in the fourth quarter of 2023, it is expected to be launched in the first territories in Europe by the end of 2023..

In terms of R&D activities, we expect to obtain decentralized regulatory approval for Efinaconazole for some European countries, the aforementioned approval of Lebrikizumab, Phase III results for the line extension of Klisyri, progress in the various molecules that are in early stages of development, such as Anti-IL-1RAP mAb (agreement with Ichnos) and IL-2muFc (agreement with Simcere), and the first candidates resulting from the collaboration agreement with Evotec. Seysara is also expected to be filed for registration in China.

Finally, the Company's management continues to focus on opportunistic M&A transactions that fit in with the Company's commercial strategy, always with a prudent financial attitude.

11. ***Annual Corporate Governance Report / Annual Remuneration Report***

The Corporate Governance report and the Directors' Remuneration Report are attached to the Consolidated Almirall Group Management Report.

12. ***Capital structure. Significant shareholdings***

The share capital of the Company as of December 31st, 2022 is represented by 181,515,368 shares with a par value of EUR 0.12, fully subscribed and paid up.

In Note 12 of the accompanying Financial Statements the movement of capital during the fiscal year 2022 is detailed, the increase of which is due to the flexible dividend paid in the year.

Shareholders with significant holdings in the share capital of Almirall, S.A. both direct and indirect, in excess of 3% of the share capital, of which the Company is aware, according to the information contained in the official records of the National Securities Market Commission (CNMV) as of December 31st, 2022, are as follows:

Name of direct holder of the ownership interest	% interest 31/12/2021
Grupo Plafin, S.A.U.	41.9%
Grupo Corporativo Landon, S.L.	17.7%
Wellington Management	5.1%

As of December 31st, 2022, the Company was not aware of any other holdings equal to or greater than 3% of the share capital or voting rights of the Company, which, although less than the established percentage, would enable the exercise a significant influence over the Company.

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

There is a private agreement among shareholders, which has been duly notified to the CNMV and the full text of which can be consulted on the website www.almirall.com, concluded by Mr. Antonio Gallardo Ballart and Mr. Jorge Gallardo Ballart, which regulates the concerted action of its signatories in Almirall, S.A. and the exercise of the voting rights inherent in their indirect participation in the Company through the company Grupo Plafin, S.A.U. and Todasa, S.A.U. (now Grupo Corporativo Landon, S.L.).

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

14. ***Management bodies, Board***

Appointment of directors

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

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

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

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

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

Replacement of directors

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

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

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

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

When they leave the executive positions associated to their appointment as director.

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

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

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

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

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

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

Amendment of Articles of Incorporation

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

Powers of the members of the Board of Directors

The Board has delegated certain powers to the Chief Executive Officer of the Company, according to a deed authorised by the Notary Public of Barcelona, Mr. Enrique Viola Tarragona, on 10 November 2022.

The director Mr. Carlos Gallardo Piqué has been granted powers by virtue of a deed of power of attorney authorised by the Notary Public of Barcelona, Mr. Enrique Viola Tarragona, on 11 May 2022.

15. *Significant agreements*

There are no significant agreements, either in relation to changes of control of the Company or between the Company and its Directors and Management or Employees, regarding compensation for resignation, dismissal or takeover bids.

16. *Subsequent events*

On 1 January 2023, the agreement signed with MSD International Business GmbH came into force, whereby it agreed to extend the rights for the Spanish territory (which ended on 31st December 2022) for the products marketed under the Efficib and Tesavel trademarks, indicated for the treatment of diabetes and marketed by the Company since 2009. Under the terms of this agreement, the rights extend until 31st December 2025, for which €18 million will be paid by the end of March 2023.

In addition, on 03rd February 2023, the Company signed a purchase agreement with DFT El Globo S.L. for the rights of several products marketed in Europe under the Physiorelax trademark. Under the terms of this agreement, the Company will pay around €12 million.

Additionally, at the date of preparation of preparation of these financial statements, the Board of Directors of the Company agreed to propose to the General Shareholders' Meeting the distribution of a dividend charged to unrestricted reserves for the amount of EUR 34.5 million (equivalent to 0.19 euros per share). For the purpose of this dividend distribution, it is proposed to again utilize the "Flexible Dividend" shareholder remuneration system, already applied in 2022. In this manner, its shareholders are offered an alternative that allows them to receive bonus shares of the Company without limiting their possibility of receiving a cash amount equivalent to the dividend payment.

17. Statement of non-financial information

The Statement of non-financial information is attached to the Consolidated Almirall Group Management Report.