



# 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 2021)**

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



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## **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**

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We have audited the annual accounts of Almirall, S.A. (the "Company"), which comprise the balance sheet at 31 December 2021, 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 2021, 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 accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

#### **Basis for Opinion**

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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.



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## 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

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Non-current investments in Group companies and associates detailed in note 8 to the accompanying annual accounts and amounting to Euros 1,380 million, represent approximately 59% of the Company's total assets at 31 December 2021.</p> <p>The Company performs an annual assessment of the existence of objective evidence of impairment of investments in Group companies and associates, and estimates the recoverable amount at reporting date of those entities for which objective evidence of impairment exists.</p> <p>We focus on this area due to the relevant carrying amount of these investments and because the evaluation made by Company management and Directors to identify any indications of impairment and, in this case, their recoverable amount, entails significant judgements and estimates, principally on the future results of the aforementioned investees.</p> <p>As indicated in note 8 to the accompanying annual accounts, during 2021 the activity of the subsidiary Almirall, LLC (a wholly owned company through the direct investee Almirall, Inc.) has been negatively affected by the aspects described in that note. This has led to a reduction in the financial outlook of the variables indicated in that note for the coming years with regard to those foreseen in the previous business plan and a re-assessment of the business plan for future years. Impairment testing carried out based on the new revised business plan has led to the recognition of a Euros 140 million provision for impairment of Almirall, Inc.'s investment.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>– Assessing the design and implementation of the internal control established by the Company with respect to the process of estimating the recoverable amount of investments in Group companies and associates.</li> <li>– 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.</li> <li>– We involved valuation specialists for the following procedures: <ul style="list-style-type: none"> <li>○ Evaluating the discount rate applied.</li> <li>○ Analysing the reasonableness of the valuation methodology using discounted cash flows used to calculate the recoverable amount.</li> </ul> </li> <li>– Assessing and querying the composition of future cash flow forecasts used by the Company which served as the basis for its calculations, as well as the process by which they are prepared, including their consistency with the business plans.</li> <li>– Evaluating the reasonableness of the methodology and assumptions used by the Company.</li> </ul> <p>We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.</p>



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<b>Recoverability of deferred tax assets</b> See note 18 to the annual accounts	
<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As indicated in note 18 to the accompanying annual accounts, at 31 December 2021 the Company has recognised deferred tax assets for a total of Euros 188 million. This amount represents 8% of total assets and primarily corresponds to deductions generated for research and development to be applied to corporate income tax by the Spanish tax group.</p> <p>The recoverability of these deferred tax assets is analysed on a yearly basis by Company management and Directors in line with the best estimate of taxable income for the next 10 years. This is deemed to be a reasonably foreseeable deadline, even though some of the deductions expire on dates after this period. Therefore, management has prepared projections of the Spanish tax group’s estimated results.</p> <p>The analysis of the recoverability of deferred tax assets is considered a key matter of our audit because it requires a significant degree of judgement and estimate as tax gains depend on future tax profits and there are inherent uncertainties regarding the forecasts, which form the basis for assessing recoverability.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>– Assessing the design and implementation of internal control over the recognition and measurement of deferred tax assets.</li> <li>– Evaluating that the Spanish tax group’s projected results are in line with the business plans approved by Company management.</li> <li>– Evaluating the main key assumptions on growth rates and on profit margins that support these projections and the degree of fulfilment of the business estimates referring to the Spanish tax group in the current year.</li> <li>– We contrasted the key calculation assumptions in the future application of the tax credits in accordance with prevailing tax legislation applicable for coming years.</li> </ul> <p>We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.</p>



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<b>Valuation of the financial assets deriving from the transaction with AstraZeneca</b> See note 9 to the annual accounts	
<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As a result of the transaction with AstraZeneca in November 2014, Almirall, S.A. signed an agreement with AstraZeneca UK Limited whereby it transferred the rights to part of its respiratory franchise, as well as the personnel for commercialisation thereof. This transaction represented the sale of a business.</p> <p>Upon signing this sale transaction, it was agreed that cash amounts and other deferred amounts would be received based on the fulfilment of certain commercial milestones and the volume of future sales of licensed products estimated until 2035. In view of the specific characteristics of the payment for the sale of this business, a financial asset was recognised for future receivables, measured at fair value through profit or loss. The initial valuation was made based on a study prepared by an independent expert, which the Company updates internally at each reporting date with changes in fair value recognised against the income statement for the year.</p> <p>As indicated in note 9 to the accompanying annual accounts, this financial asset amounts to Euros 98 million (non-current portion of Euros 79 million and current portion of Euros 19 million) at 31 December 2021. The valuation of this financial asset is subject to relevant judgements and estimates by management. Note 4 to the annual accounts indicates the terms of the main calculation assumptions, as well as a sensitivity analysis thereon. Given the significance of the amounts, as well as the level of judgement and estimate required to determine the value in the balance sheet at the reporting date, we consider this to be a key audit matter of our audit.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>– Assessing the design and implementation of internal control over measurement of said financial asset.</li> <li>– Evaluating management’s process for determining the probabilities, as well as the financial assumptions used to measure the financial asset.</li> <li>– Assessing the assignment of probabilities of success to the different milestones, taking into account historical experience.</li> <li>– Evaluating the discount rate applied.</li> <li>– Assessing the projections for future sales of licensed products, based on the historical sales information provided by AstraZeneca UK Limited.</li> <li>– Querying the valuation methodology using a sensitivity analysis regarding the key assumptions and comparing the results with the recognised amount.</li> </ul> <p>We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.</p>

**Other Information: Directors' Report**

Other information solely comprises the 2021 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.



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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.

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 2021, 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.



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## **Auditor's Responsibilities for the Audit of the Annual Accounts**

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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<sup>2</sup>.
- 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.



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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**

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We have examined the digital file of Almirall, S.A. for 2021 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 2021 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").

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.





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## **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 18 February 2022.

## **Contract Period** \_\_\_\_\_

We were appointed as auditor by the shareholders at the ordinary general meeting on 7 May 2021 for a period of three years, beginning after the year ended 31 December 2021.

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

*(Signed on the original in Spanish)*

Juan Ramón Aceytuno Mas  
On the Spanish Official Register of Auditors ("ROAC") with No. 16084  
18 February 2022