ALMIRALL, S.A.

Annual Accounts for the year ended
December 31, 2021 and
Directors' Report

(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 31
(Thousand euro)

ASSETS	Nota	31/12/2021	31/12/2020
NON-CURRENT ASSETS	5	290,172	257,913
Intangible assets	6	34,878	33,679
Property, plant and equipment	8	1,380,168	1,474,939
Long-term investments in group companies and associates	9	79,511	85,474
Long-term investments	18	188,011	210,274
TOTAL NON -CURRENT ASSETS		**1,972,740**	**2,062,279**
Inventories	10	**67,576**	**75,807**
Trade and other receivables		**93,731**	**119,078**
Trade receivables for sales and services rendered	11	28,971	21,680
Trade receivables, group companies and associates	11 y 20	41,463	50,879
Sundry accounts receivable	11	131	98
Personnel		48	129
Current tax assets	18	16,240	39,437
Other receivables with Public Administrations	18	6,878	6,855
Short-term investments in group companies and associates	8 y 20	**2,186**	**264**
Short-term financial investments	9	**20,152**	**26,148**
Prepayment and accrued income		**5,344**	**4,882**
Cash and cash equivalents		**161,105**	**127,755**
TOTAL CURRENT ASSETS		**350,094**	**353,934**
TOTAL ASSETS		**2,322,834**	**2,416,213**

LIABILITIES AND EQUITY	Nota	31/12//2021	31/12/2020
Shareholders' funds		**1,310,433**	**1,378,883**
Share capital	12	21,573	21,374
Share premium	12	301,058	279,162
Legal reserve	12	4,275	4,189
Other reserves	12	1,042,492	1,066,708
Own shares and equity instruments	12	(2,131)	(2,261)
Profit/(loss) for the year		(56,834)	9,711
TOTAL EQUITY		**1,310,433**	**1,378,883**
Long-term provisions	14	**33,824**	**34,474**
Long-term payables		**363,499**	**229,984**
Debentures and other marketable securities	15	294,692	-
Bank borrowings			
Derivatives	15	65,000	224,345
Other financial liabilities	16	3,807	5,639
Deferred tax liabilities	18	**29,465**	**27,412**
Accruals and deferred income	13	**1,842**	**19,613**
NON-CURRENT LIABILITIES		**428,630**	**311,483**
Short- term provision		**1,273**	**5,791**
Short-term payables		**39,823**	**253,476**
Debentures and other marketable securities	15	-	239,647
Bank borrowings	15	12,314	5,000
Derivatives	15	-	2,967
Other financial liabilities	16	27,509	5,862
Short-term payables to Group companies and associates	20	**419,605**	**366,111**
Trade and other payables		**122,368**	**100,268**
Trade payables		47,278	39,362
Trade payables, Group companies and associates	20	25,500	15,163
Sundry payables		33,352	27,523
Accrued wages and salaries		12,195	10,566
Current tax liabilities		-	88
Other payables with Public Administrations	18	4,043	7,566
Accruals and deferred income		**701**	**201**
TOTAL CURRENT LIABILITIES		**583,771**	**725,847**
TOTAL LIABILITIES AND EQUITY		**2,322,834**	**2,416,213**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended December 31, 2021.

Almirall, S.A.

Income Statement for year ended December 31 (Thousand euro)

	Note	Year 2021	Year 20120
Net Sales	19	520,166	519,672
Changes in inventories of finished products and work in progress	10	(9,659)	10,027
Own work capitalised		4,827	3,315
Raw materials and consumables	19	(184,915)	(197,264)
Other operating income	19	62,369	77,813
Staff costs	19	(72,836)	(64,699)
Other operating expenses	19	(214,627)	(192,556)
Losses, impairment and variation in trade provisions	19	880	(639)
Fixed asset amortization/ depreciation	5 and 6	(25,099)	(26,960)
Release of non-financial asset grants and other		47	65
Other losses in ordinary course of business			-
Impairment and profit/(loss) on fixed asset disposals in group companies	19	(119,376)	(86,851)
Operating profit/(loss)		**(38,223)**	**41,923**
Financial income	19	486	1,365
Financial expenses	19	(20,237)	(17,496)
Exchange differences	19	16,529	(15,184)
Impairment, profit /(loss) on disposals and change in fair value of financial instruments	19	3,218	7,478
Financial income/(expense)		**(4)**	**(23,837)**
Profit /(loss) before taxes		**(38,227)**	**18,086**
Income taxes	18	(18,607)	(8,375)
Profit/(loss) for the year		**(56,834)**	**9,711**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended December 31, 2021.

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

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

	Note	Year ended December 31	
		2021	2020
RESULTS RECOGNISED IN THE INCOME STATEMENT (I)		**(56,834)**	**9,711**
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			(43)
Tax effect		-	-
Total transfers to the income statement (III)		**-**	**(43)**
Total recognised income and expense (I+II+III)		**(56,834)**	**9,668**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended December 31, 2021.

Almirall, S.A.
Statement of changes in equity for the year ended December 31
(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, 2019	**12**	**20,947**	**246,285**	**4,172**	**1,069,621**	**(1,773)**	**(158,988)**	**191,527**	**-**	**43**	**1,371,834**
Distribution of results		-	-	17	32,522	-	158,988	(191,527)	-	-	-
Dividends		427	32,877		(35,435)	-	-	-	-	-	(2,130)
Recognised income and expense		-	-	-	-	-	-	9,711	-	(43)	9,668
Transactions with own shares and equity instruments		-	-	-	-	(488)	-	-	-	-	(488)
Balance at December 31, 2020	**Error! Reference source not found.**	**21.374**	**279.162**	**4.189**	**1.066.708**	**(2.261)**	**-**	**9.711**	**-**	**-**	**1,378,883**
Distribution of results	**3**	-	-	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	**Error! Reference source not found.**	**21,573**	**301,058**	**4,275**	**1,042,492**	**(2,131)**	**-**	**(56,834)**	**-**	**-**	**1,310,433**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts
for the year ended December 31, 2021.

ALMIRALL, S.A.

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

	Note	Year ended December 2021	Year ended December 2020
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit/ (loss) for the year before tax		**(38,227)**	**18,086**
2. Adjustments to results		**113,910**	**26,369**
Fixed asset amortization/ depreciation (+)	5 & 6	25,099	26,960
Value adjustments for impairment (+/-)	5,8,10 & 11	118,864	86,450
Change in allowances and provisions (+/-)	14 & 19	4,396	(1,482)
Release of grants (+/-)		(47)	(65)
Profit//loss) on write-offs and disposals of fixed assets (+/-)	19	955	385
Financial income and dividends received (-)	19 & 20	(11,141)	(53,412)
Financial expenses (+)	19	20,237	17,496
Exchange differences (+/-)	19	(16,529)	15,184
Variation in the fair value of financial instruments (+/-)	19	(3,218)	(7,478)
Deferred income	13	(409)	(410)
Inclusion of deferred income on the AstraZeneca transaction	13	(17,363)	(52,246)
Recognition of financial asset value not collected	9	(6,934)	(5,013)
3. Changes in working capital		**22,501**	**16,053**
Inventories (+/-)	10	7,899	(19,425)
Debtors and other receivables (+/-)	11	2,554	(964)
Other current assets (+/-)		(963)	50,583
Creditors and other payables (+/-)		18,766	(14,342)
Other current liabilities (+/-)		(5,755)	201
4. Other cash flows from operating activities		**25,528**	**35,012**
Interest paid (-)	19	(5,870)	(6,153)
Dividends and interests received (+)	20	2,458	52,047
Corporate income tax collections/payments (+/-)	18	28,817	(9,927)
Other non-current assets and liabilities (+/-)		123	(955)
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)		**123,712**	**95,520**
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6. Payments for investments (-)		**(39,864)**	**(65,428)**
Group companies and associates	8	(1,922)	-
Intangible assets	5	(33,272)	(62,009)
Property, plant and equipment	6	(3,588)	(3,419)
Other financial assets	9	(1,083)	-
7. Collections from divestments (+)		**14,027**	**721**
Group companies and associates	8	-	608
Property, plant and equipment	6		113
Other financial assets	9	13,994	-
Other assets	9	33	-
8. Cash flows from investing activities (7-6)		**(25,837)**	**(64,707)**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Receipts and payments equity instruments		**131**	**(488)**
Acquisition own equity instruments		131	(488)
10. Receipts and payments financial liability instruments		**(59,159)**	**16,349**
Issue		348,257	25,995
Bonds and other marketable securities (+)	15	294,411	-
Bank loans (+)	15	102	213
Payable to Group companies and associates (+)	15	53,494	25,782
Other payables	15	250	-
Return and repayment of:		(407,416)	(9,646)
Bonds and other marketable securities (-)	15	(250,000)	
Bank loans (-)	15	(155,000)	-
Payable to Group companies and associates (-)	15		-
Other payables (-)	16	(2,416)	(9,646)
11. Dividend payments and return on other equity instruments	3	**(11,746)**	**(2,130)**
Dividends (-)	3	(11,746)	(2,130)
12. Cash flows from financing activities (+/-9+/-10)		**(70,774)**	**13,731**
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		305	(118)
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-11+/-D)		**28,216**	**44,426**
Cash and cash equivalents at beginning of the year	4-e/ 9	**133,714**	**89,288**
Cash and cash equivalents at end of the year	4-e /9	**161,120**	**133,714**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended December 31, 2021.

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 kind, 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 social capital 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, 2021, were prepared by its Directors on February 18, 2022 (February 18, 2021 for the financial statements for the year 2020) and approved by the Company's General Shareholders' Meeting held on May 7, 2021. These consolidated financial statements show a consolidated loss of 40.9 million euros in the 2021 financial year (profit of 74.3 million euros in the 2020 financial year) and consolidated equity at December 31, 2021 of 1,286 million euros (1,303 million euros at December 31, 2020). 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 exchanges 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 annual accounts

a. Applicable financial reporting legislation

The Company's annual accounts for the year ended December 31, 2021, which were obtained from the accounting records held by the Company, were formally prepared by the Company's directors on February 18, 2022.

These annual accounts 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 annual accounts 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 2021, the figures for the previous year, which formed part of the annual accounts for 2020 approved by the General Shareholders' Meeting on May 7, 2021.

These financial statements have been prepared under the same criteria as the information relating to December 31, 2020, except for the change in the cash flow classification criteria described below, which has had no impact on any Debt/Covenant ratio or on the cash generated at the end of the period. In this regard, the Company has changed the classification criteria of the cash flows associated with the proceeds from the sale made in previous years to AstraZeneca (Note 9) to consider them as investment cash flows in the comparative year 2020.

Transition to the new accounting standards

The accounting principles and the main valuation standards used by the Company for the preparation of these annual accounts are the same as those applied in the previous year, except for the adoption of Royal Decree 1/2021, of January 12, amending the General Accounting Plan approved by Royal Decree 1514/2007, November 16, 2007, as well as the adoption of the Resolution of February 10, 2021, of the Spanish Accounting and Auditing Institute, which establishes rules for the recording, valuation and preparation of the annual accounts 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 1, 2021 as a result of the application of the new accounting standards.

As a result of the new regulations, as of January 1, 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 1, 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 1, 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 1, 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

No non-mandatory accounting principles have been applied. The Company's Directors have prepared these annual accounts 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 annual accounts, estimates made by the Company's Directors 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 31, 2021, 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 31, 2021 for an amount of EUR 233,677 thousand (EUR 371,913 thousand negative in 2020). However, the Administrators have formulated these annual accounts 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 EUR 419,605 thousand as of December 31, 2021 (EUR 366,111 thousand in 2020), as indicated in Note 20 of the annual accounts, 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 EUR 275 million (Note 15) (EUR 275 million as of December 31, 2020), 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 31, 2021, 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 annual accounts for the year ended December 31, 2021 and the proposed distribution of results for 2020 approved by the Shareholders at the General Meeting held on May 7, 2021 are as follows:

	Thousands of Euros	
	2021	2020
Basis of distribution:		
Profit for year	(56,833,925.29)	9,710,970.30
Distribution:		
To legal reserve	-	85,459.37
To voluntary reserves	-	9,626,510.93
To dividends	-	-
To prior years' losses	(56,833,925.29)	-
Total	**(56,833,926.29)**	**9,710,970.30**

The dividends paid by the Company in 2021 and 2020, which related to the dividends approved out of profit earned in the previous year, are as follows:

	2021			2020		
	% 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	33,841	169%	0.203	35,435
Total dividends paid	**158%**	**0.190**	**33,841**	**169%**	**0.203**	**35,435**

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

At the formulation date of these annual accounts, the Board of Directors of Almirall, S.A. has agreed to propose in the Shareholders' meeting the distribution of a dividend, charged against reserves for an amount of 34.2 million euros (equivalent to 0.19 euro per share). For the purpose of carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders called "Scrip dividend", already implemented in 2020. In this way, its shareholders are offered an alternative that allows them to receive shares issued by the Company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend (Note 27).

4. Accounting policies

a. Intangible assets

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

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 future economic benefits. 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 in house.

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 ability to measure reliably the payment attributable to the development until its completion.

The development of new drugs is subject to a high degree of uncertainty as a result of the protracted period of maturation thereof (usually several years) and of the technical results that are obtained during the various trial phases through which the development passes. Development may be abandoned at one of the various stages either because the product has failed to meet medical or regulatory standards or it does not meet the required profit thresholds. Therefore, the Company considers that there is no longer uncertainty when the developed product has been approved by the competent authorities in a reference market. From then on the Company can consider that the conditions for capitalising development expenditure 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 2021 development costs have been capitalized amounting to EUR 4.8 million related to a project related with a product currently being commercialized in different markets (Note 5). During 202 development costs amounted to EUR 3.3 million.

Intellectual property-

Patents, trademarks and product production, sale and/or distribution licences are initially recognised at the cost of purchase (separate or through a business combination) and are amortised over the estimated useful lives of the related products (on a straight-line basis) up to a limit of the duration of the licensing agreements entered into 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 its entry into service.

Merger 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
Buildings	33-50
Plant and machinery	6-12
Other fixtures and tools	4-12
Furniture and laboratory equipment	6-10
Computer processing equipment:	4-6
Vehicles	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 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 the year-end, the Company reviews the amounts of its property, plant and equipment and intangible assets to determine whether there is any indication of impairment. If there is an indication of impairment, the recoverable amount of the asset is calculated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Company calculates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible assets that have not been amortised are tested for impairment at least at the year-end and prior to year-end if there are indications of impairment.

The recoverable amount is determined as the higher of fair value less cost of sale and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. The value in use has been calculated applying cash flows and a discount rate after taxes (d.r.a.t.). As indicated below, the Group of which the Company is Parent assessed the discount rate and considered that it was reasonable. The fact of using those variables (discount rate and cash flows) before and after taxes does not imply a significant change in the result of the analysis.

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, prorating based on the book value of each of the assets, with the limit for each of them being the higher of their fair value less costs of disposal, their value in use and zero.

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. by the Directorate covering 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 17 years (depending on the expected useful life of the asset) to which a probability of success of the project is applied 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 these.

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 hypothesis.

The main assumptions used in the impairment tests in the years ended December 31, 2021 and 2020 were as follows:

CGU	**Assets December 31, 2021** *(thousand euros)*	**Assets December 31, 2020** *(thousand euros)*	**Hypothesis 2021 (*)**	**Hypothesis 2020 (*)**
Wynzora license	Intangible asset: 12,000	-	d,r,b,t,: 11.1% d,r,a,t,: 9.0% g,r,c,i,: (1%)	d,r,b,t,: 11.3% d,r,a,t,: 9.0% g,r,c,i,: n/a
Sun Pharma license	Intangible asset: 81,673	Intangible asset: 81,600	d,r,b,t,: 13.4% d,r,a,t,: 9.0% g,r,c,i,: (20%)	d,r,b,t,: 11.3% d,r,a,t,: 9.0% g,r,c,i,: n/a
AstraZeneca license	Intangible asset: 35,496	Intangible asset: 41,412	d,r,b,t,: 13.4% d,r,a,t,: 9.0% g,r,c,i,: (20%)	d,r,b,t,: 11.9% d,r,a,t,: 9.0% g,r,c,i,: (20%)
Athenex license	Intangible Asset in progress: 11,149	Intangible Asset in progress: 7,924	d,r,b,t,: 10.3% d,r,a,t,: 9% g,r,c,i,: (15%)	d,r,b,t,: 11.7% d,r,a,t,: 9% g,r,c,i,: (15%)
Dermira license	Intangible asset in progress: 98,406	Intangible asset in progress: 98,610	d,r,b,t,: 11.2% d,r,a,t,: 9 % g,r,c,i,: (15%)	d,r,b,t,: 12.1% d,r,a,t,: 9 % g,r,c,i,: (15%)

(*) Discount rate before taxes (d.r.b.t.), Discount rate after taxes (d.r.a.t.) and Growth rate for continual income (g.r.c.i.).

Management calculates 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 53% and 91%.

The key variables in the impairment tests carried out by Almirall, S.A. relate mainly to the sales performance 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 on the basis of the performance of the indicators applied.

From the sensitivity analysis performed for each of the assets in the face of variations that are reasonably possible from the main key assumptions (increase / reduction of estimated net sales, probability of success and discount rate), no impact is derived. Due to the uncertainty generated by COVID-19, as of December 31, 2021, the Management has deemed it appropriate to increase the sensitivity in the low range of the sales estimate, expanding it to -15/20% instead of the usual -10% used since 2019 fiscal year.

d. Leases

Leases in which Almirall, S.A. 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 at December 31, 2021 and 2020.

e. Cash and cash equivalents

Cash deposited in the Company, demand deposits in financial institutions 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 forms 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, provided that 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 has to 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 give rise, 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 give rise, 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:

(a) Investments in the equity of group, multi-group and associated companies.

b) 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.

c) Any other financial asset that initially should be classified in the fair value portfolio with changes in the profit and loss account 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 purchase 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.

Subsequent to 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 coincides 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 provided that 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 considered to be 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 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 on the basis of 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 at December 31, 2021 and 2020 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 at December 31, 2021 and 2020.

h. *Inventories*

Inventories are stated at the lower of acquisition or production cost and net realisable 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 realisable 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 realisable 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 considered to be 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 annual accounts, the Company's directors 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 annual accounts 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 annual accounts 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, taking into account 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 2021 and 2020, a number of 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 annual accounts 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 directors' 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 fulfillment 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 fulfillment 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 collectibility 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 has the ability to 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 directors 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 general 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 particular 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 aforementioned 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 in order 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 annual accounts:

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, 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 annual accounts.

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, taking into account 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 at December 31, 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%.
- Probability of success allocated: it affects the valuations of the “milestones events” and “sales-related payments”.

For the purpose of sensitivity analyses of variations considered reasonably possible with respect to the independent expert's appraisal made at December 31, 2021, the following should be taken into account:

- If the estimation of sales revenue for 2020 to 2035 is reduced/increased by 5% every year, the effect would be a reduction/increase of the financial asset by EUR (2.9)/2.9 million, 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 2.3/(2.3) million, respectively.

- If the probabilities assigned to "milestone events" are reduced/increased by five percentage points, the effect would be a reduction/increase of the financial asset by EUR (2.4)/2.2 million, 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") is recognised on a straight-line basis in the consolidated income statement over the expected development period (expected until 2021) (see deferred income in Note 13), recognising, in addition, the income of future milestones in the development stage as they are achieved (which is the date from which they are expected to be collected). Once the product in question has been launched, the revenue recognition will be based on the future royalties, based on the real sales achieved.

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 27, regarding Corporate Income Tax. The companies composing the tax group for 2021 and 2020 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 considered to be 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 7 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 14, 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 9, 2008.

Under the 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 at December 31, 2021 and 2020 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 2021 and 2020 are as follows:

	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
Merger 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. Merger 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 Ind. Property	(56,500)	-	45,000	-	(11,500)
Impairment Comp. Software	(5,070)	-	3,475	-	(1,595)
Total Impairment losses	**(61,570)**	**-**	**48,475**	**-**	**(13,095)**
Net value Int. Assets	**257,913**	**33,213**	**(955)**	**-**	**290,172**

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

Miles de euros	2020	Additions	Disposals	Transfers	2021
Industrial Property	413,338	1,080	(4,443)	1,819	411,794
Development expenses (1)	-	3,315	-	-	3,315
Merger goodwill	101,167	-	-	-	101,167
Computer software	84,804	4,219	(43)	5,305	94,285
Intangible assets in progress	99,926	16,158	-	(7,124)	108,960
Total coste Inmovilizado Intangible	**699,235**	**24,772**	**(4,486)**	**-**	**719,521**
A. Dep. Industrial Property	(207,037)	(16,895)	3,845	-	(220,087)
A. Dep. Development expenses	-	-	-	-	-
A. Dep. Merger goodwill	(101,167)	-	-	-	(101,167)
A. Dep. Computer software	(73,350)	(5,476)	42	-	(78,784)
Total A. Depreciation	**(381,554)**	**(22,371)**	**3,887**	**-**	**(400,038)**
Impairment Ind. Property	(56,741)	-	241	-	(56,500)
Impairment Comp. Software	(5,070)	-	-	-	(5,070)
Total Impairment losses	**(61,811)**	**-**	**241**	**-**	**(61,570)**
Net value Int. Assets	**255,870**	**2,401**	**(358)**	**-**	**257,913**

[1] Additions to the heading Development expenses include €3,315 thousand of internally generated expenses in the fiscal year ending on 31 December 2020.

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

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

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

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

On 14 December 2021 Almirall and Ichnos Science announced the exclusive licence agreement for ISB 880, an IL-1RAP antagonist. Under the agreement, Almirall has acquired the global rights to develop and market this monoclonal antibody for autoimmune diseases. Ichnos will retain the rights to antibodies targeting the IL-1RAP pathway for oncological indications. Under the terms of the agreement, Almirall will assume full cost and responsibility for the development and global commercialisation of the compound for all autoimmune disease indications. The Group has recorded the initial up-front payment of €20.8 million in the balance sheet on 31 December 2021, the payment having been made on 19 January 2022. The contract also provides for additional payments for commercial and development milestones (up to a maximum of €225 million), sales milestones (up to a maximum of US$400 million) and tiered royalties based on future global sales.

During fiscal 2021, additions in intangible assets amounted to €54.1 million and mainly correspond to:

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

- As a consequence of the agreement with MC2 Therapeutics, the Company has made an upfront payment of €5 million in March 2021 and €7 million in September 2021 for the regulatory approval of the product in Europe.

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

- In connection with the license agreement signed with Athenex, in March 2021, following the commercial launch in Europe under the trade name Klisyri®, the Company paid $5.0 million (€4.3 million).

- In the last quarter of fiscal 2020, a development project was initiated which meets the capitalization criteria mentioned in Note 4a. This project corresponds to a new formulation of a treatment for psoriasis which is already marketed in the European market. During the year 2021, another development project has been initiated that also meets the same criteria, and corresponds to the studies prior to the regulatory authorization in the EU of a drug for the treatment of actinic keratosis that is already marketed in the United States. The amount capitalized in fiscal 2021 for both projects amounts to 4.8 million euros.

The main additions to intangible assets during the financial year ending December 31, 2020 amounted to EUR 24.8 million and mainly corresponded to:

- As a result of the option and license agreement with Dermira, during the first half of 2020, the Company has paid 15 million dollars (about EUR 13 million) due to the fulfillment of a milestone related to phase III clinical studies.

- In the last quarter of fiscal year 2020, a development project was started that meet the capitalization criteria mentioned in note 4-a). This project correspond to a new formulation of a treatment for psoriasis that is already marketed in the European market. The total amount capitalized at December 31, 2020 amounts to EUR 3.3 million.

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.

Transfers of the fiscal years 2021 and 2020 correspond mainly to the go live of a new computer software for commercial activity management.

At December 31, 2021 and 2020, fully-amortised intangible assets in use amounted to approximately EUR 99.1 million and EUR 87.9 million (not including goodwill), respectively.

The aggregate amount of "Research and Development Expenses" which have been charged as expenses in the accompanying 2021 and 2020 income statements amounts to EUR 71.6 and 71.5 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 31, 2021 and 2020, 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 31, 2020, the amount of impairment of Industrial Property corresponded mainly to the total impairment of the development and commercialization rights of a product in the respiratory area for a total of 45 million euros, in view of the strategic decision taken in 2016 not to commercialize this product, the definitive derecognition of which was carried out in 2021.

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

(Expressed in thousand euro)

6. Property, plant and equipment

The changes in 2021 and 2020 in “Property, plant and equipment” in the accompanying balance sheet and the most significant information affecting this heading were as follows:

	2020	Additions	Disposals	Transfers	2021
Land	6,215	-	-	-	6,215
Buildings	19,492	12	-	-	19,504
Plant and machinery	7,610	44	(54)	(22)	7,600
Fixtures, fittings, tooling and furnishings	118,458	2,547	(7,774)	344	113,575
Other fixed assets	17,487	427	(2,782)	255	15,387
Payments on account 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 buildings	(7,257)	(419)	-	-	(7,676)
A. Dep. Plant and machinery	(6,107)	(351)	54	-	(6,404)
A. Dep. Fixtures, fittings, tooling 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)**
Carring amount	**33,679**	**1,199**	**-**	**-**	**34,878**

	2019	Additions	Disposals	Transfers	2020
Land	6,215	-	-	-	6,215
Buildings	19,492	-	-	-	19,492
Plant and machinery	7,443	153	(79)	93	7,610
Fixtures, fittings, tooling and furnishings	120,215	2,603	(5,176)	816	118,458
Other fixed assets	16,409	847	(44)	275	17,487
Payments on account and assets in progress	1,336	1,102	-	(1,184)	1,254
Total cost	**171,110**	**4,705**	**(5,299)**	**-**	**170,516**
A. Dep. Land and buildings	(6,838)	(419)	-		(7,257)
A. Dep. Plant and machinery	(5,498)	(688)	79	-	(6,107)
A. Dep. Fixtures, fittings, tooling and furnishings	(109,899)	(2,799)	5,149	-	(107,549)
A. Dep. Other fixed assets	(15,285)	(683)	44		(15,924)
Total A. Depreciation	**(137,520)**	**(4,589)**	**5,272**	**-**	**(136,837)**
Carring amount	**33,590**	**116**	**(27)**	**-**	**33,679**

Additions in 2021 and 2020 were due mainly to improvements at the production centres at chemical and pharmaceutical plants and at the Company’s research and development facilities.

(Expressed in thousand euro)

Fixed assets under construction at the 2021 and 2020 year-ends and transfers in those years relate mainly to investments in the aforementioned research facilities.

There are no disposals with a significant net book value in fiscal years 2021 and 2020.

At December 31, 2021 and 2020 the Company does not have any impaired assets which are not in use.

Fully-depreciated property, plant and equipment at December 31, 2021 and 2020 amounted to approximately EUR 109 million and EUR 111 million, respectively.

The Company has a number of facilities held under operating leases (Note 7).

The Company has taken out insurance to cover possible risks affecting its property, plant and equipment and possible claims that could be brought in the ordinary course of business. The Company considers that the insurance policies provide adequate coverage for such risks.

The only commitments for the acquisition of assets are disclosed in Note 17.

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

7. Leases

At year-end 2021 and 2020, 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	
	2021	2020
Within one year	9,740	6,631
2 to 5 years	3,468	3,692
Over 5 years	-	-

Operating lease instalments recognised under expenses in 2021 and 2020 are as follows:

	Thousand euro	
	2021	2020
Operating leases recognised in the income statement for the year	14,171	13,115

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 center, as well as the lease contract for the Company's headquarters, which is leased to the related company Grupo Corporativo Landon, S.L. (Note 20). (Note 20).

(Expressed in thousand euro)

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

The changes in 2021 and 2020 in “Property, plant and equipment” in the accompanying balance sheet and the most significant information affecting this heading were as follows:

	Thousand euro					
	Investments in Group companies	Impairment adjustments	Long-term loans to Group companies (Note 20)	Impairment adjustments	Total long-term	Short-term loans to group companies (Note 20)
Balance at December 31, 2019	**1,504,439**	**(105,611)**	**177,586**	**-**	**1,576,413**	**872**
Additions	-	(98,987)	-	-	(98,987)	-
Disposals	-	12,521	(15,008)	-	(2,487)	(608)
Transfers	-	-	-	-	-	-
Balance at 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 at December 31, 2021	**1,689,699**	**(309,531)**	**-**	**-**	**1,380,168**	**2,186**

Investments in Group companies

The transfers recorded under "Investments in Group companies" in 2021 correspond mainly to the capitalization of the loan granted to the investee company Almirall, Inc (USA) detailed in the following section of this Note in the amount of 178 million euros (199.5 million dollars) plus the corresponding interest accrued on November 24.

The detail and changes by entity in this caption in financial years 2021 and 2020 is as follows:

	Thousand Euros					
	2021		2020		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)	-	22,566
Almirall Aesthetics, S,A	261	(28)	261	(27)	-	(1)
Almirall Hermal, GmbH	359,270	-	359,270	-	-	-
Almirall, GmbH	1,485	-	1,485	-	-	-
Almirall, ApS	17	-	17	-	-	-
Almirall, Spa	-	-	967	-	(967)	-
Almirall Inc,	736,495	(309,503)	550,268	(169,484)	186,227	(140,019)
Poli Group Holding, SRL	380,270	-	380,270	-	-	-
TOTAL	**1,689,699**	**(309,531)**	**1,504,439**	**(192,077)**	**185,260**	**(117,454)**

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

(Expressed in thousand euro)

The investments in Group companies and other relevant information at December 31, 2021 and 2020 is as follows:

	2021		2020
Name Address	Almirall Europa Derma, S.A. Spain (*)	Laboratorios Tecnobio, S.A. España	Almirall Europa Derma, S.A. Spain (*)
Activity	Dormant	Dormant	Dormant
% interest	100%	100%	100%
Carrying amount of interest (Group)			
Cost	261	127	261
Measurement adjustments	(28)	-	(27)

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

Long term loans to Group companies -

The balance of the heading "Long-term loans to group companies" corresponded at December 31, 2020 to the loan granted on December 13, 2018 to the investee Almirall Inc, in the amount of USD 250 million maturing on December 13, 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 24, 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 solely to the effect of the year-end exchange rate restatement (EUR15.5 million) of this loan.

The year 2020 write-offs corresponded to the effect of the year-end exchange rate restatement (EUR 15 million).

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 140 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 wholly owned by Almirall Inc.). During the 2020 financial year, a valuation adjustment of EUR 98.9 million was recorded on the same holding, mainly due to the impact of COVID-19 and the negative impact of the exchange rate resulting from the evolution of the U.S. dollar. The slower than expected recovery of prescriptions in the U.S. dermatology market, aggravated by difficulties in accessing dermatologists, both for patients and medical representatives, led to the loss recorded in the current fiscal year. In particular, the main impacts on the re-estimation of future flows derive from:

- Face-to-face visits to doctors are severely restricted in the wake of the pandemic, and this restriction is expected to continue in the long term.

- Increased cost pressures from industry favoring the use of generics over branded products for acute therapies.

- Increased reimbursements required by pharmaceutical managers to maintain and gain access to formularies.

- Increased value of co-pay coupons and fees required to limit switching from branded to generic products.

Disposals in the year correspond to the reversal of impairment after valuation of the investment in Almirall International B.V., amounting to EUR 22.6 million. During the 2020 financial year, impairment of EUR 12.5 million was reversed in relation to the same shareholding.

In general, the methodology used by Almirall, S.A. for updating 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 indicated below.

(Expressed in thousand euro)

The recoverable amount is determined as the higher of fair value less cost to sell 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 on the basis of 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 in order to reduce future exposure to possible additional impairment in this cash-generating unit, made up of the aforementioned subsidiary as a whole.

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

Investment	Assumption 2021	Assumption 2020
Almirall, Inc	d.r.b.t.: 7% d.r.a.t.: 7% g.r.c.i.: (5)% - (15)%	d.r.b.t.: 7%-7.3% d.r.a.t.: 7% g.r.c.i.: (5)% - (15)%

Due to the uncertainty generated by Covid-19, as of December 31, 2021, the Management has deemed it appropriate to increase the sensitivity in the low range of the sales estimate, expanding it to 20% instead of the usual -10%. From the sensitivity analysis performed, it has been identified a maximum impact for the cash generating unit of the USA of -36 million euros.

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

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.

9. Long and short-term investments

Long-term investments

The detail of the balance of this heading in the balance sheets at December 31, 2021 and 2020 and of the changes therein in the years then ended is as follows:

	Thousand euro			
	Long-term investment portfolio	Long-term loans and other financial assets	Deposits and guarantees given	Total long-term
Balance at December 31, 2019	**12**	**98,541**	**378**	**98,931**
Additions	-	5,013	-	5,013
Decreases	-	(114)	-	(114)
Transfers	-	(18,357)	-	(18,357)
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**

(Expressed in thousand euro)

The heading "Long-term loans and other financial assets" includes mainly the financial asset corresponding to the fair value of the future long-term payments to be received by AstraZeneca as described in Note 4k to these financial statements, amounting to EUR 78,848 thousand (EUR 85,050 thousand at December 31, 2020). The movement in 2021 is due, on the one hand, to the recording of changes in the fair value of the asset, representing an increase of EUR 6,934 thousand in this asset (EUR 5,013 thousand in 2020) and, on the other hand, to the decrease resulting from the transfer to the short term, based on the expectations of the collection time horizon, of certain milestones receivable whose fair value at December 31, 2021 amounts to EUR 13,136 thousand (EUR 18,357 thousand in 2020).

The revaluation of this financial asset at December 31, 2021 has been updated using the same method as that used by the independent expert in the initial valuation, with a short-term amount of EUR 19.3 million (see details in the "Short-term investments" section of this note) and a long-term amount of EUR 78.8 million (EUR 20.2 million and EUR 85.0 million, respectively, at December 31, 2020). The change in value of this financial asset during the 2021 financial year was due to the change in the euro/US dollar exchange rate in the amount of EUR 4 million, the financial restatement which resulted in income in the amount of EUR 9.5 million, the change in the discount rate in the amount of EUR 1.4 million, as well as the re-estimation of expected flows and probabilities assigned to the various future milestones in the amount of EUR -8 million and, lastly, reduction of the asset for the collection of royalties in the amount of EUR 14 million. As a result, the total amount of EUR 6.9 million of change in fair value is recorded under "Other income" in the income statement for the corresponding year (EUR 5 million at December 31, 2020) (Note 19).

As indicated in Note 2-b, the proceeds from the sale made during that period to AstraZeneca, amounting to 52 million euros, which were previously classified as operating cash flows, have been reclassified as investment cash flows in the comparative year 2020.

Finally, in relation to this asset it should be noted that on October 29, 2021 AstraZeneca announced the agreement with Covis Pharma Group to transfer the global rights to Eklira (aclidinium bromide) and Duaklir (aclidinium bromide/formoterol). This agreement became effective on January 5, 2022 and has therefore been treated as a subsequent event with no impact on the 2021 financial year-end. Note 27 details the estimated impacts of this agreement in the year beginning January 1, 2022.

Short-term financial investments

The detail of this heading in the balance sheets at December 31, 2020 and 2019 is as follows:

	Thousand euro	
	2021	2020
Short-term credit	19,327	20,185
Short-term interest	-	4
Deposits and warrants	810	-
Deposits and warrants highly liquid	15	5,959
Total	**20,152**	**26,148**

For the purpose of preparing the cash flow statement, the Company considers cash equivalents all highly liquid short-term investments (Note 4-e) that are readily convertible into given amounts of cash and are subject to an insignificant risk of changes in value. Accordingly, when preparing the cash flow statement for the year all short-term investments were included as cash equivalents since short-term bank deposits can be liquidated immediately at the Company's discretion without incurring a penalty. In this regard, the preparation of the Statement of Cash Flows for the year includes cash equivalents of current financial investments, corresponding to bank deposits with short-term maturities, liquids can be made immediately at the discretion of the Company without penalty, which at December 31, 2021 is EUR 15 thousand (EUR 5,959 thousand at December 31, 2020).

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

The movement in fiscal year 2021 corresponds to the collections received by the Company as royalties and milestones and to the transfers explained in previous section. Mainly, on March 31, 2020 the Company collected 30 million American dollars (EUR 27.5 million at the date of collection), corresponding to the second part of the milestone amounting to 65 million dollars met on April 5, 2019, which first part was collected in April 2019 (35 million dollars, EUR 31.2 million at the date of collection).

(Expressed in thousand euro)

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	
	2021	2020
Loans and receivables	-	31
Held-to-maturity financial assets	1,488	6,356
Financial assets at fair value through profit or loss	98,175	105,235
Total	**99,663**	**111,622**

The fair value of financial instruments is calculated on the basis of 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, taking into account 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 6).

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

In addition, the bank accounts included in the Cash headings have not been mostly remunerated during the annual years ended December 31, 2021 and 2020.

10. Inventories

At December 31, 2021 and 2020 this heading breaks down as follows:

	Thousand euro	
	2021	2020
Goods purchased for resale	10,964	10,124
Raw materials and packaging	26,530	26,129
Work in progress	7,481	6,344
Finished products	26,043	36,374
Advanced payment to suppliers	61	7
Measurement adjustment (Note 19)	(3,503)	(3,170)
Total	**67,576**	**75,807**

The changes in the impairment allowance for Inventories are detailed in Note 19.

There were no commitments to purchase inventories involving significant amounts at December 31, 2021 and 2020.

No inventories have been pledged as security.

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

(Expressed in thousand euro)

11. Trade and other receivables

At December 31, 2021 and 2020 this heading breaks down as follows:

	Thousand euro	
	2021	2020
Trade receivables for sales and services rendered	29,430	22,405
Trade receivables, group companies and associates (Note 20)	41,463	50,879
Sundry accounts receivable	131	98
Personnel	48	129
Current tax assets and other receivables with the public administrations (Note 18)	23,118	46,292
Measurement adjustment (Note 19)	(459)	(725)
Total	**93,731**	**119,078**

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 31, 2021 and 2020, there are no guarantees on customer balances.

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

The trade receivable balance in foreign currency amounts to EUR 5.7 million in 2020 (EUR 21.6 million at year-end 2020).

12. Equity

Share capital

At December 31, 2021 the parent company’s share capital consists of 179,776,802 shares with a nominal value of 0.12 euros each, fully subscribed and paid up (178,115,627 shares at 0,12 euros nominal value as at December 31, 2020).

At June 11, 2021, 1,661,175 new shares of the Company, from the scrip 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 free allocation rights that chose to receive new shares instead of cash. As a consequence, the share capital of the Company after the capital increase was increased by 199,341 euros, reaching December 31, 2021 to 21,573,216.36 euros (represented by 178,115,627 shares).

On October 12, 2020, 3,560,807 new shares of the Company were admitted to trading on the Barcelona, Madrid, Bilbao and Valencia stock exchanges. These shares were representative of the holders of 93.84% of the free allotment rights who opted to receive new shares instead of cash. As a result, the Company's share capital after the bonus share issue was increased by 427,296.84 euros, amounting to 21,373,875.24 euros at December 31, 2020, represented by 178,115,627 shares.

At December 31, 2021 and 2020, all the Company's shares were listed on the Spanish stock exchanges, there being no restrictions on their free transferability. Also, pre-emption rights and purchase and sale options have been granted to the Company’s ultimate shareholders in respect of the shares of one of the shareholders in accordance with the agreement entered into on May 28, 2007.

The shareholders with significant direct or indirect ownership interests in the share capital of Almirall, S.A., of more than 3% of the share capital, of which the Company is aware, in accordance with the information contained in the official records of the Spanish National Securities Market Commission (CNMV) at 31 December 2021 and 2020, are as follows:

(Expressed in thousand euro)

Name of direct holder of the ownership interest	2021	2020
	% Interest	% Interest
Grupo Plafin, S.A.	40,9%	40,9%
Grupo Corporativo Landon S.L	18,8%	18,8%
Wellington Management	5,1%	-
Artisan Partners Asset Maagement, Inc.	3,6%	-
Total	**68,4%**	**59,7%**

At December 31, 2021 and 2020 the Company is unaware of other ownership interests of 3% or more in the Company's share capital or voting rights or of interests lower than the established percentage but that permit significant influence to be exercised.

Legal Reserve

The legal reserve may be used to increase capital in an amount equal to the portion of the balance that exceeds 10% of capital after the increase. Otherwise until it exceeds 20% of share capital and provided there are no sufficient available reserves. The legal reserve may only be used to offset losses.

The balance of this item at December 31, 2021 and 2020 amounted to EUR 4,275 and EUR 4,189 thousand respectively.

Share premium

The Spanish Companies Act expressly permits the share premium account balance to be used to increase capital and provides no specific limitation with respect to the availability of that balance.

In 2007, as a result of various transactions in the framework of the admission to listing of all the Company's shares on the Spanish stock exchanges, the share premium balance increased by EUR 105,800 thousand.

During 2021 as a result of the increase in capital due to the flexible dividend, this reserve has increased by the difference between the nominal value of the shares and the equivalent value to the dividend, which amounts to EUR 21,896 thousand (EUR 32,877 at December 31, 2020).The balance under this heading amounts to EUR 301,058 thousand at December 31, 2021 (EUR 279,162 at December 31, 2020).

Other reserves

The breakdown of this account for the years ended December 31, 2021 and 2020 is as follows:

	Thousand euro	
	2021	2020
Voluntary reserves	1,001,341	1,025,557
Canary Islands investment reserve	3,485	3,485
Redeemed capital reserve	30,539	30,539
Revaluation reserve	2,539	2,539
Merger reserve	4,588	4,588
Total other reserves	**1,042,492**	**1,066,708**

Canary Islands investment reserve

Pursuant to Law 19/1994, the Company began to avail itself of the tax incentives established therein, appropriating a portion of the profit earned by the permanent establishment in the Canary Islands to the Canary Islands investment reserve which is restricted to the extent that the resulting assets must remain at the company.

(Expressed in thousand euro)

At December 31, 2021 and 31 December 200 the balance of this reserve included in "Other Reserves" is EUR 3,485 thousand.

Redeemed capital reserve

Under the Spanish Companies Law, this reserve may be used based on the conditions required for reductions of share capital.

The balance of this reserve at December 31, 2020 and 2019 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, without the accrual of taxes, to offset book losses, including losses brought forward and current-year or future losses, as well as to increase share capital. As from January 1, 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.

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 EUR 2,539 thousand at December 31, 2021 and 2020 and is available.

Liquidity contract

The Company maintains a liquidity contract with a financial intermediary, effective as of March 4, 2019, with the objective of increase and stability in the share price of the Company, within the limits established by the General Meeting of Shareholders and by current regulations, in particular, Circular 1/2017, of April 26, of the National Securities Market Commission, on liquidity contracts. Said contract assumes that the Company owns, at December 31, 2021, treasury stock representing 0.09% of the share capital (0.09% at December 31, 2020) and a global nominal value of EUR 16.8 thousand (EUR 18.6 thousand euros at December 31, 2020) and which have been registered in accordance Spanish GAAP. The average acquisition price of these shares has been 11.3 EUR per share (11.07 EUR per share as of December 31,2020). The shares of the Company in its possession are intended to negotiate in the market.

13. Accruals and deferred income

At December 31, 2021 and 2020 the balance and movement in this heading are as follows:

	Thousand euro
Balance at December 31, 2019	**72,269**
Taken to results (Note 19)	(52,656)
Balance at December 31, 2020	**19,613**
Taken to results (Note 19)	(17,771)
Balance at December 31, 2021	**1,842**

At December 31, 2021, there are no significant amounts of deferred revenues pending to be taken to the income statement. The main component of the balance at December 31, 2020 shown in the table above is made up of the amounts not taken to income for the initial non-refundable collections relating to the transaction with AstraZeneca described in Note 4k, amounting to EUR 17.4 million. They have been taken to income on a straight-line basis over the estimated duration of the development phase, ending in October 2021, and are included under "Other operating income" in the income statement at December 31, 2021 in the amount of EUR 17,406 thousand (EUR 20,839 thousand in the same period of 2020).

(Expressed in thousand euro)

However, in the first quarter of 2020 the Group decided to end its involvement in the development of one of the products, for which reason in 2020 EUR 31,407 thousand has been allocated under the heading "Other operating Income" (EUR 8,190 thousand during fiscal year 2019).

In 2021 and 2020, the Company has not signed any agreements which imply any deferred income in addition to the deferred income stated in Note 5 of these notes to the annual accounts.

14. Long-term provisions

The changes in 2021 and 2020 in "Provisions" in the accompanying balance sheet are as follows:

	2021			2020		
	Provision for returns	Other provisions	Total	Provision for returns	Other provisions	Total
Balance at January 1	**4,814**	**29,660**	**34,474**	**3,900**	**34,778**	**38,678**
Additions for the year	-	6,201	6,201	914	584	1,498
Derecognition	(329)	(1,476)	(1,805)	-	(3,914)	(3,914)
Transfers	-	(5,046)	(5,046)	-	(1,788)	(1,788)
Balance at December 31	**4,485**	**29,339**	**33,824**	**4,814**	**29,660**	**34,474**

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 4-j.

Other Provisions

The amount of other provisions relates mainly to the remuneration long-term (see note 4-r) and the estimate made by the Company of the disbursements that it should make in the future 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.

15. Financial debts

As detailed in Note 5-f, the Company classifies its financial liabilities in the following valuation categories:

- Financial liabilities measured at fair value through profit or loss:

Those liabilities related to bonds and other marketable securities issued listed that the Company may purchase in the short term based on changes in value, portfolio of financial instruments identified and managed jointly 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 or has not been designated as hedging instruments, are considered included in this caption.

- Financial liabilities valued at amortized cost:

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

(Expressed in thousand euro)

The detail of the bank borrowings and other financial liabilities at December 31, 2021 and 2020 is as follows:

	Limit	Amount drawn down (*)	Current	Non-current		
				2023	Rest	Total
Credit lines	275,000	-	-	-	-	-
Bank loans (*)	80,000	75,000	10,000	10,000	55,000	65,000
Obligations (**)	300,000	249,692	-	-	249,692	249,692
Accrued interests	N/A	-	2,314	-	-	-
Total at December 31, 2021	**655,000**	**369,692**	**12,314**	**10,000**	**349,692**	**359,692**

	Limit	Amount drawn down	Current	Non-current		
				2022	Rest	Total
Credit lines	275,000	-	-	-	-	-
Bank loans	230,000	229,345	5,000	10,000	214,345	224,345
Obligations	250,000	239,647	239,647	-	-	-
Derivatives	N/A	2,967	2,967	-	-	-
Total at December 31, 2020	**755,000**	**471,959**	**247,614**	**10,000**	**214,345**	**224,345**

(*) Balance drawn down net of issuance costs.

Senior unsecured debentures

On September 22, 2021, the Company closed and paid up an issue of senior unsecured debentures for an aggregate nominal amount of EUR 300 million, with a fixed annual interest rate of 2.125% and maturing on September 22, 2026. The proceeds were mainly used to redeem convertible bonds for a nominal amount of EUR 250 million. The debentures were placed with qualified investors by BNP Paribas and JP Morgan AG as lead arrangers. The effective interest rate of these bonds is 2.537% and at December 31, 2021 there is unpaid accrued interest of EUR 1,742 thousand.

Debts with credit institutions

On July 17, 2020 the Company entered into a revolving credit facility for an amount of EUR 275 million, for an initial term of 3 years with the possibility of an extension of 1 additional year (such renewal has been granted effective June 30, 2021, effective July 17, 2021) and intended for general corporate purposes. In the contract of said policy, the Company is obliged to comply with a series of covenants, among which the compliance with a certain "Consolidated Net Financial Debt / Consolidated EBITDA Ratio" stands out. This covenant is considered to be complied with as of December 31, 2021 and 2020.

On December 4, 2018, the Company formalized an unsecured senior syndicated loan “Club Bank Deal” led by BBVA for EUR 150 million (with a maturity date on December 14, 2023) and accruing interest 2.1% annual payable semi-annually. Within the contract of this credit line, the Company is obliged to comply with a series of covenants, among which the fulfilment of a certain “Consolidated Net Financial Debt / Consolidated EBITDA Ratio” stands out. Said “covenant” has been considered fulfilled as of December 31, 2020. On September 27, 2021, the Company has proceeded to the early cancellation of this syndicated loan without any penalty.

On March 27, 2019, the Company formalized a loan with the European Investment Bank (EIB) for an amount of up to 120 million euros, to finance its research and development efforts, with the aim of offering cutting-edge innovation and therapies differentiated in the area of medical dermatology. The first tranche of EUR 80 million was granted on April 17, 2019, with a fixed interest of 1.35% and 32 equal capital amortizations between April 17, 2021 and April 17, 2029, this being the maturity latest. Within the contract for this loan, the Company is obliged to comply with a series of covenants, among which the fulfilment of a certain “Consolidated Net Financial Debt / Consolidated EBITDA Ratio” and another certain “Financial Leverage Ratio of the companies stand out. subsidiaries / consolidated EBITDA ”. Both covenants are considered fulfilled as of December 31, 2020 and 2021. As a consequence of the maturities of 2022, EUR 5 million have been reclassified as Current financial debt as of December 31, 2021.

Convertible Bond

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

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

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

- Conversion option: due to the fact that, within the scenarios of price adjustment for conversion into shares, there were mechanisms whose nature implied that the presentation as equity was not appropriate, such option represented a derivative financial instrument separable from the host contract (financial liability) for the Company.

- Cancellation option: the Company could early redeem in full, but not in part, the bonds for their face value plus accrued and unpaid interest.

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

The change in the fair value of these options has been recorded in the income statement between the time of initial recognition and the valuation made at closing. For the year ended December 31, 2021, the impact on the income statement amounted to EUR 2.3 million profit (EUR 16.8 million profit at December 31, 2020) (Note 19). The Company accounted for both options at their net value in accordance with current regulations.

The valuation of both options was performed by an independent expert, using standard valuation methodologies for derivative financial instruments and in accordance with current regulations.

On December 14, 2021 the Parent Company has proceeded to the full cancellation, at maturity, of the convertible bond.

Financial derivative instruments

On May 10, 2018, the Ordinary General Shareholders' Meeting approved the execution of a swap transaction of interest and shares ("Equity swap"). This operation was made effective through a contract dated May 11, 2018 with Banco Santander, S.A., by which the Company must pay a variable interest to the bank as a compensation and Banco Santander, S.A. commits, as acquirer of underlying common shares of Almirall S.A. (with a maximum nominal limit of 2.95% of the share capital (5,102,058 shares) or EUR 50 million, and with a term of 24 months), to deliver the dividend received for its investment in Almirall S,A, and sell the shares of the Company to the company itself at expiration date.

Additionally, under certain conditions in which the fair value is less than 85% of the cost value, the Company must partially settle this debt with the bank (reducing in that case the fair value of the derivative). Once a settlement has been made, in the event that the fair value is greater than 110% of the last value for which a settlement took place, the Company may recover part of the payments made (always limited to the cost of acquisition by part of Banco Santander). For this reason, the Company has chosen to classify said asset / liability as current.

Consequently, under "Assets from derivative financial instruments" (in the case of unrealized gain) or "Liabilities from derivative financial instruments" (in the case of unrealized loss), the fair value of the derivative corresponding to the difference between the fair value of the underlying asset (2,510. 952 shares equivalent to EUR 35.1 million, corresponding to 1.4% of the Company's share capital) and the acquisition cost thereof for Banco Santander, which at December 31, 2021 amounts to a capital loss of EUR 6.7 million, all of which has been deposited with the bank, so that the liability at year-end is zero. As of December 31, 2020, it amounted to a loss of EUR 9.3 million, of which EUR 6.9 million had been deposited with the bank, so that the liability at year-end amounted to EUR 0.7 million (Note 9). It is considered that the value of the option derivative that would entail the acquisition of the maximum total number of shares (EUR 50 million) would not be significant at the closing date. Since this derivative does not meet the requirements for hedge accounting, it is recorded with changes in value in the income statement (Note 19). For the year ended December 31, 2021, the impact on the Company's income statement amounted to a gain of €1 million (loss of EUR 9.3 million for the year ended December 31, 2020), see Note 9.

(Expressed in thousand euro)

At the date of preparation of these annual accounts, the directors consider that all of the aforementioned obligations have been fulfilled.

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

The detail at December 31, 2021 and 2020 is as follows:

	Thousand euro					
	Current	Non-Current				
		2023	2024	2025	Other	Total
Research-related loans	2,167	1,519	860	1,056	372	3,807
Payables for purchases of non-current assets	25,342	-	-	-	-	-
Total at December 31, 2021	**27,509**	**1,519**	**860**	**1,056**	**372**	**3,807**

	Thousand euro					
	Current	Non-Current				
		2022	2023	2024	Other	Total
Research-related loans	2,608	2,116	1,592	904	1,027	5,639
Payables for purchases of non-current assets	2,568	-	-	-	-	-
Accrued interest	686	-	-	-	-	-
Total at December 31, 2020	**5,862**	**2,116**	**1,592**	**904**	**1,027**	**5,639**

The research-related loans relate to the interest-free loans granted by the Ministry of Science and Technology to promote research and are presented as described in Note 4-f. The grant of these loans is subject to compliance with certain conditions concerning investments and expenses. These loans mature in the period 2021 to 2030.

Payables for non-current asset purchases in 2021 and 2020 relate mainly to the outstanding payments for the acquisition of goods, products and marketing licences made in the year and in prior years. The balance at December 31, 2021 includes the portion pending disbursement for the agreement reached with Ichnos Science, amounting to EUR 20.8 million, for the global rights to develop and commercialize the monoclonal antibody ISB 880 for autoimmune diseases, for which payment was made on January 19, 2022 (Note 5).

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

17. Commitments entered into, contingent liabilities and contingent assets

a. Commitments entered into

As a result of the research and development activities carried out by the Company, at the end of 2021 and 2020, firm agreements had been signed for the performance of these activities amounting to EUR 60 million and EUR 32 million, respectively, to be paid in future years. As of December 31, 2021 and 2020, there were no significant commitments to purchase property, plant and equipment.

The lease commitments entered into by the Company are detailed in Note 7.

The Company has arranged several guarantees with the public administration and third parties amounting to EUR 8,378 thousand at December 31, 2021 (EUR 9,501 thousand at December 31, 2020).

b. Contingent liabilities

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

c. Contingent assets

As a result of the operation with AstraZeneca described in Note 4-k, 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.

Years open to tax inspections

On June 30, 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. Likewise, it 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 movable capital, withholdings and payments on account of work/professional income, and withholdings and payments on account of non-resident taxes for the periods between July 2017 and December 2018.

Consequently, the Parent Company and the companies comprising the Spanish tax group, of which it is the parent company, have open for inspection the years 2016 to 2020 in relation to Corporate Income Tax and the periods starting from July 2017 onwards in relation to the other taxes applicable to it.

Generally, due to the possible different interpretations to which tax legislation lends itself, future inspections that may be carried out by the tax authorities for the years open to inspection may give rise to tax liabilities, whose amount cannot be currently quantified in an objective manner. However, the Company's directors consider that the possibility of any material liability arising in this connection other than those already recognised is remote.

(Expressed in thousand euro)

Tax refundable and payable

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

	Thousand euro	
	2021	2020
VAT receivable	5,453	5,788
Income tax receivable	16,240	39,437
Sundry taxes receivable	1,425	1,067
Total balances receivable	**23,118**	**46,292**
VAT payable	-	-
Foreign VAT payable	1,143	5,364
Income tax payable	-	88
Personal income tax withholdings	2,071	1,338
Social security payable	829	864
Sundry taxes receivable	-	-
Total balances payable	**4,043**	**7,654**

"Corporate income tax receivable" includes tax refundable for 2021 and 2020.

Income tax recognised

The reconciliation of the accounting results and tax base for 2021 and 2020 is as follows:

	Thousand euro	
	2021	2020
Profit /(loss) before taxes	(38,227)	18,086
Permanent differences:		
Increase	140,090	99,473
Decrease	(35,934)	(85,743)
Temporary differences		
Increase	2,088	6,916
Decrease	(75,511)	(39,152)
Gross taxable income	**(7,493)**	**(419)**
Offsetting of tax-loss carry forwards	-	-
Tax base	**(7,493)**	**(419)**

The reduced taxable profit resulting from permanent differences in 2021 and 2020 is a result basically of the reduction of the taxable profit from the disposal of intangible assets, to the exemption for double imposition of received dividend, and to the reversal of impairments, whilst the increase mainly corresponds to the different treatment for tax purposes of certain expenses arising in these years.

(Expressed in thousand euro)

Additionally, the detail of income tax recognised in the income statement and in equity in 2021 and 2020 is as follows:

	Thousand euro	
	Expense /(income)	
	2021	2020
Income tax:		
- Recognised in the income statement	**18,607**	**8,375**
Current corporate income tax	-	-
Deferred corporate income tax	18,577	8,323
Foreign tax	30	52
- Recognised in equity	-	-
Total	**18,607**	**8,375**

Reconciliation of the accounting results to the tax base

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	
	2021	2020
Profit /(loss) before taxes	(38,227)	18,086
Permanent differences:		
Increase	140,090	99,473
Decrease	(35,934)	(85,743)
Adjusted accounting results	65,930	31,816
Tax rate	25%	25%
Gross tax	**16,482**	**7,954**
Tax credits:		
-Tax credits and other consolidation adjustments	1,141	369
Income tax paid abroad	30	52
Regularisation of deferred tax assets and liabilities	-	-
Effect of tax consolidation	932	-
Offset of tax losses	-	-
Other	22	-
Income tax expense (income) accrued	**18,607**	**8,375**

The Corporate Income Tax expense of Almirall, S.A. is the result of applying the tax rate of 25% on the tax group taxable base (null in 2021 and 2020 due to a negative taxable base). The retentions and advance payments have amounted to EUR 11,677 thousand (EUR 11,227 thousand in fiscal year 2020). The amount to be returned from tax authorities amount to EUR 16,240 thousand at December 31, 2021 (EUR 15,954 thousand at December 31, 2020). Said amount is the result from advance payments made during the financial year 2021 and the monetization of deductions according to art. 39.2 of LIS, amounting to EUR 4,563 thousand (EUR 4,824 thousand in 2020).

(Expressed in thousand euro)

The detail, by nature and amount, of the tax incentives applied in 2021 and 2020 and of those not yet applied at 31 December 2021 and 2020 is as follows:

Nature	Year generated	Thousand euros			
		2021		2020	
		Offset	Available for offset	Offset	Available for offset
Research and development					
	2007	-	25,274	202	25,274
	2008	-	34,841	-	34,841
	2009	-	26,883	-	26,883
	2010	-	34,629	-	34,629
	2011	-	35,845	-	35,845
	2012	-	32,842	-	32,842
	2013	-	28,661	-	28,661
	2014	-	23,685	-	23,685
	2015	-	14,841	-	14,841
	2016	-	12,260	-	12,260
	2017	-	10,209	-	10,209
	2018	-	9,230	-	9,230
	2019	86	9,786	6,250	9,872
	2020	5,619	7,824	-	13,442
	2021	-	15,996	-	-
		5,705	**322,806**	**6,452**	**312,514**
Technological innovation	2012	-	1,077	-	1,077
	2013	-	1,439	-	1,439
	2014	-	701	-	701
		-	**3,217**	**-**	**3,217**
International double taxation	2017	-	-	-	-
	2018	-	-	-	-
	2019	-	499	415	499
	2020	-	80	-	80
	2020	-	29	-	-
		-	**608**	**415**	**579**
Re-investment of extraordinary income	2012	-	55	-	55
	2013	-	2	-	2
	2014	-	10	-	10
		-	**67**	**-**	**67**
Donations	2016	-	-	-	-
	2017	-	-	-	-
	2018	-	-	-	-
	2019	-	-	36	-
	2020	-	-	41	-
	2021	-	14	-	-
		-	**14**	**77**	**-**
Temporary measures	2016	-	-	-	-
	2017	-	-	-	-
	2018	-	-	-	-
	2019	-	-	26	-
	2020	-	-	21	-
	2021	-	11		
		-	**11**	**47**	**-**
Total tax incentives attested		**5,705**	**326,725**	**6,991**	**316,379**
Total deferred tax assets recognized on the balance sheet			**181,955**		**187,915**

(Expressed in thousand euro)

The deadline for recognition of tax credit carryforwards is 18 years from the date earned. These tax assets may only be recognised in relation to 50% of the tax payable in accordance with current legislation, if legislation establishes that the tax credit which the Company will generate each year will exceed 10% of tax payable.

Also, as of December 31, 2021 and 2020, 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:

	2021	2020
Generated in 2017	29,542	29,542
Generated in 2019	106,103	106,103
Generated in 2021	3,727	-
Total tax los carryforwards	**139,372**	**135,645**

Deferred tax

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

	2021		2020	
	Accumulated differences in tax bases	Accumulated effect tax payable	Accumulated differences in tax bases	Accumulated effect tax payable
Amortisation of intangible assets	9,444	2,361	69,564	17,398
Provisions	14,780	3,695	19,843	4,961
Deductions pending application	-	181,955	-	187,915
Total deferred tax assets	**-**	**188,011**		**210,274**
Unrestricted amortisation/depreciation R,D, 27/84, 2/85, 3/93	18,624	4,656	20,014	5,004
Amortisation of goodwill	99,236	24,809	89,633	22,408
Other	-	-		
Deferred tax liabilities	**-**	**29,465**		**27,412**

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

	2021	**2020**
Deferred tax assets	188,011	210,274
Deferred tax liabilities	(29,465)	(27,412)
Deferred tax assets (net)	**158,546**	**182,862**

The gross movement in deferred tax is as follows:

	2021	**2020**
At January 1	182,862	197,153
(Charged)/credited to income statement	(18,356)	(8,261)
Partial monetization of R&D deductions	(5,705)	(6,030)
Adjustments and regularizations	(255)	-
At December 31	**158,546**	**182,862**

These deferred tax assets were recognised in the balance sheet as the Company's directors consider that it is probable that these assets will be recovered in full within 10 years in line with their best estimates of future profit. The basis of the estimated future profit underpinning this analysis was as follows:

- Projections of estimated profit of the consolidated Spanish tax group over the next five years (extrapolated up to 10 years) based on the product portfolio and current group structure. This projection took into account sustained increases in future profit, the result mainly of expected growth in sales of the products in the Group's portfolio as well as significant synergies which are expected as a result of the Group's restructuring.

(Expressed in thousand euro)

- Estimated additional effects expected in profit or loss over the coming years as a result of the expected future investments/acquisitions in the medium term. Estimated returns and the probability of achieving them were also considered.

On December 29, 2021, Law 22/2021, of December 28, 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 1, 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 has carried out an analysis of the recoverability of the deferred tax assets recorded in the balance sheet, which has led to a reduction of deferred tax assets in the amount of EUR 19.9 million and the corresponding loss in the year ended December 31, 2021 has been recorded under the heading "Income tax" in the income statement.

19. Income and expense

Net Sales

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

	Thousand euro	
	2021	**2020**
Spain	255,982	239,676
Exports	253,529	227,949
Income from shareholdings in Group companies (Note 20)	10,655	52,047
Total	**520,166**	**519,672**

	Thousand euro	
	2021	**2020**
Sale through own network	446,717	407,753
Sale through licensees	42,007	44,050
Income from shareholdings in Group companies (Note 20)	10,655	52,047
Other	20,787	15,822
Total	**520,166**	**519,672**

Other operating income

	Thousand euro	
	2021	**2020**
Income from sales/product marketing licenses	20,896	410
Other income - Group companies (Note 20)	14,805	17,909
Other	26,668	59,494
Total	**62,369**	**77,813**

The first four items detailed above refer basically to other income relating to sales/assignment of marketing rights for proprietary research products which were accounted for as indicated in Note 4-K.

Other for 2021 mainly includes:

- Income in the amount of EUR 17.4 million, related to the temporary charge to income of the non-refundable amounts initially received (Note 13) (EUR 52 million during 2020).
- A net income of EUR 6,934 thousand related to the change in the fair value of the financial asset arising from the transaction with AstraZeneca (Note 4k) (EUR 5,013 thousand during 2020).

Raw materials and consumables

This heading is analysed below:

	Thousand euro	
	2021	**2020**
Purchases	140,198	155,008
Changes in inventories of raw materials and other consumables	(401)	(11,714)
Changes in inventories of goods for resale	(840)	3,012
Inventory impairment	(132)	107
Subcontracted work	46,090	50,851
Total	**184,915**	**197,264**

The detail of "Inventory impairment" and the movement in the measurement adjustment is as follows:

	Thousand euro		
	Raw material and other consumables impairment	Finished and semi-finished goods impairment	Inventory impairment (Note 10)
Balance at December 31, 2019	**430**	**3,612**	**4,042**
Appropriation	577	5,519	6,096
Application	(654)	(5,335)	(5,989)
Reclassification	-	(979)	(979)
Balance at December 31, 2020	**353**	**2,817**	**3,170**
Appropriation	999	7,996	8,995
Application	(1,131)	(7,531)	(8,662)
Balance at December 31, 2021	**221**	**3,282**	**3,503**

The detail, by origin, of the purchases made by the Company in 2021 and 2020 is as follows (thousand euro):

	2021			2020		
	Spain	Intra-Community	Imports	Spain	Intra-Community	Imports
Purchases	36,124	94,951	9,123	38,289	108,159	8,560
Total	**140,198**			**155,008**		

(Expressed in thousand euro)

Staff costs

The detail of "Staff Costs" is as follows:

	Thousand euro	
	2021	2020
Wages and salaries	56,781	49,531
Employer's Social Security contributions	8,561	8,805
Severance payments	2,776	2,584
Other employee welfare expenses	4,718	3,777
Total	**72,836**	**64,699**

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

	2021			2020		
	Men	Women	Total	Men	Women	Total
Managing directors	1	-	1	1	-	1
Directors	21	10	31	23	11	34
Managers	62	60	122	64	60	124
Technicians	141	215	356	144	220	365
Administrative	16	43	60	23	46	68
Other	-	1	1	-	1	1
Total	**241**	**329**	**570**	**254**	**338**	**592**

The average of employees during 2021 with a 33% or higher disability is 1 person (one technical employee) (1 employee during 2020).

The number of employees at the year-end 2021 is as follows:

	2021		
	Men	Women	Total
Managing directors	1	-	1
Directors	22	7	29
Managers	62	60	122
Technicians	142	217	359
Administrative	15	45	60
Other	-	1	1
Total	**242**	**330**	**572**

The number of employees at the year-end 2020 is as follows:

	2020		
	Men	Women	Total
Managing directors	1	-	1
Directors	21	11	32
Managers	63	59	122
Technicians	142	219	361
Administrative	22	45	67
Other	-	1	1
Total	**249**	**334**	**583**

The number of employees at the end of 2021 with a 33% or higher disability is 1 person (one technical employee) (1 employee at year-end 2020).

(Expressed in thousand euro)

Other operating expenses

The detail of “Other Operating Expenses” is as follows:

	Thousand euro	
	2021	2020
R+D	30,019	31,611
Rent and charges	34,903	21,723
Repair and upkeep	8,859	8,642
Independent professional services	9,371	9,144
Services received from Group (Note 20)	74,613	67,626
Vehicles	4,002	3,064
Insurance premiums	1,802	1,536
Banking and similar services	496	257
Advertising	35,036	30,740
Utilities	1,025	1,166
Other services	14,273	16,863
Other taxes	228	184
Total	**214,627**	**192,556**

Losses, impairment and variation in trade provisions

The detail of “Losses, impairment and change in allowances and provisions” in the accompanying income statement and of changes in trade provisions is as follows:

	Thousand euro	
	2021	2020
Change in measurement adjustment for bad debts (Note 11)	(110)	123
Change in other trade provisions	990	(762)
Total	**880**	**(639)**

The change in the bad debt allowance is as follows:

	Thousand euro
	Bad debt allowance (Note 11)
Balance at December 31, 2019	**848**
Change in measurement adjustments	
Appropriation	749
Application	(872)
Balance at December 31, 2020	**725**
Change in measurement adjustments	
Appropriation	1,068
Application	(958)
Cancellation	(376)
Balance at December 31, 2021	**459**

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 2021 and 2020 is as follows:

	Thousand euro			
	2021		2020	
	Profit	Loss	Profit	Loss
Profit/loss on disposal or derecognition of intangible assets (Note 5)	-	(955)	-	(358)
Profit/loss on disposal or derecognition of property, plant and equipment	-	-	-	(27)
Impairment and gain (loss) on disposal of financial instruments (Note 8)	-	(967)	-	-
Impairment of investments in Group companies (Note 8)	22,566	(140,020)	12,521	(98,987)
	22,566	**(141,942)**	**12,521**	**(99,372)**
Impairment and profit/(loss) on disposals of fixed assets and investments in Group companies	**(119,376)**		**(86,851)**	

Impairment gains on investments in group companies in 2021 and 2020 correspond to the reversal of impairment of the investee Almirall International BV and impairment losses in 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 2021 and 2020 is as follows:

	Thousands of Euros			
	2021		2020	
	Income	Income	Income	Expense
Other income and similar interest	486	-	1,365	-
Change to fair value in financial instruments	3,218	-	7,478	-
Financial expenses for obligations (Note 15)	-	(12,972)	-	(11,027)
Finance and similar costs	-	(7,264)	-	(6,469)
Exchange differences	20,565	(4,036)	11,172	(26,356)
	24,269	**(24,273)**	**20,015**	**(43,852)**
	(4)		**(23,837)**	

The caption "Variation in the fair value of financial derivatives" corresponds to the update of the fair value of the Equity swap and the options linked to the convertible bond as described in Note 15.

In caption "Financial expenses for obligations" include financial expenses for interest regarding the issuing of convertible bonds (Note 15).

Foreign Currency Transactions

During the years ended 2021 and 2020 the Company carried out the following transaction in foreign currency:

	Thousands of Euros			
	Expense		Income	
	2021	2020	2021	2020
US dollar	7,186	55,763	7,524	7,859
Sterling Pounds	11,479	10,386	10,556	27,437
Swiss Franc	5,031	4,862	9,043	7,559
Japanese Yen	4,204	5,206	3,605	3,824
Danish Krone	2,324	2,349	5,515	5,791
Polish Zloty	817	933	2,613	2,221
Others	205	79	(3)	(8)
	31,246	**79,578**	**38,853**	**54,683**

Auditor fees

During fiscal years 2021 and 2020, the fees for auditing services and other services provided by the Company's auditor (KPMG in fiscal year 2021 and PricewaterhouseCoopers Auditores, S.L. in fiscal year 2020) 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	2021			
	Audit and related services		Tax services	Other services
	Audit services	Audit related services		
PricewaterhouseCoopers Auditores, S.L.	138	244	-	-
Other companies of Group PwC	-	-	34	-
	138	**244**	**34**	**-**

Description	2020			
	Audit and related services		Tax services	Other services
	Audit services	Audit related services		
PricewaterhouseCoopers Auditores, S.L.	217	31	-	55
Other companies of Group PwC	-	-	-	-
	217	**31**	**-**	**55**

The heading "Audit services" includes the fees corresponding to the audit of the individual and consolidated annual accounts of Almirall, S.A.

The heading "Audit-related professional services" for 2021 includes the fees for the limited review of the Group's interim consolidated financial statements, the review of the information relating to the Group's Internal Control over Financial Reporting System (ICFR), as well as a specific "Comfort Letter" related to the issuance of the simple senior bonds described in Note 15.

(Expressed in thousand euro)

The heading "Tax services" in 2021 includes the services invoiced in relation to the preparation of reports and R&D Certificates related to monetization of R&D tax deductions to official bodies.

20. Balances and transactions with related parties

Transactions

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

Revenues	Sales	Other operating income	Financial income (interests and dividends)	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 (Suiza-Lugano)	2,460	2,938	-	5,398
Almirall LLC	5,480	7,798	-	13,278
Total	**194,781**	**14,805**	**10,655**	**220,241**

Expenses	Purchases	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 (Suiaza-Lugano)	3,938	71	-	4,009
Almirall NV	-	1,578	-	1,578
Total	**77,281**	**74,613**	**1**	**151,895**

(Expressed in thousand euro)

During 2020 the Company carried out the following transactions with Group companies:

Revenues	Sales	Other operating income	Financial income (interests and dividends)	Total
Almirall, AG	7,559	12	1	7,572
Almirall ApS	5,791	2	-	5,793
Almirall Limited	27,437	152	-	27,589
Almirall B.V	5,422	-	-	5,422
Almirall S.A.S	7,920	372	-	8,292
Almirall SpA	29,266	182	-	29,448
Almirall Hermal, GmbH	75,755	1,925	40,000	117,680
Almirall-Productos Farmacéuticos, Lda.	4,211	-	-	4,211
Almirall N.V	2,353	-	-	2,353
Almirall Inc. (USA)	-	1,698	12,046	13,744
Industrias Farmacéuticas Almirall S.A	-	725	-	725
Ranke Química, S.A	-	163	-	163
Laboratorios Almirall S.L	-	689	-	689
Laboratorios Tecnobio, S.A	-	4	-	4
Polichem S.A (Suiza-Lugano)	768	4,242	-	5,010
Almirall LLC	3,713	7,737	-	11,450
Almirall Gmbh	-	1	-	1
Polichem SRL	-	5	-	5
Total	**170,195**	**17,909**	**52,047**	**240,151**

Expenses	Purchases	Services received	Financial expenses	Total
Almirall, AG	-	4,656	-	4,656
Almirall ApS	-	2,181	-	2,181
Almirall Limited	-	4,613	34	4,647
Almirall B.V	-	2,050	-	2,050
Almirall S.A.S	-	39	-	39
Almirall SpA	-	7,767	-	7,767
Almirall Hermal, GmbH	15,059	25,550	-	40,609
Almirall-Productos Farmacéuticos, Lda.	-	943	-	943
Almirall Sp. Z.o.o	-	689	-	689
Industrias Farmacéuticas Almirall S.A	43,067	3,521	-	46,588
Ranke Química, S.A	17,688		-	17,688
Laboratorios Almirall S.L	-	13,749	-	13,749
Polichem S.A (Suiaza-Lugano)	2,010		-	2,010
Almirall NV	-	1,868	-	1,868
Total	**77,824**	**67,626**	**34**	**145,484**

Expenses related to purchases and services received by the Company basically relate to supply contracts with Group companies and expenses connected with the marketing of products of foreign subsidiaries with their own sales network.

Sales revenues relate mainly to the supply of products to foreign subsidiaries and the rendering of administrative and management support services to subsidiaries.

As mentioned in Note 4k, the Company classifies the dividends and interest obtained in its capacity as Parent Company as net revenue interest of EUR 10,655 thousand in 2021 (EUR 12,047 thousand in 2020) and dividends in 2020 of EUR 40,000 thousand relating to the distribution from the investee Almirall Hermal Gmbh.

At December 31, 2021 and 2020 the balances of intercompany transactions break down as follows:

Debtor balances

Group Companies	Thousands of Euros			
	2021		2020	
	Trade balance	Financial balance (Nota **Error! Reference source not found.**)	Trade balance	Financial balance (Note 8)
Almirall N.V.	714	-	416	-
Almirall-Produtos Farmacéuticos, Lda.	625	-	652	-
Laboratorios Almirall, S.L.	24	-	-	-
Almirall, B.V.	6,727	-	844	-
Almirall SpA	5,394	-	4,875	-
Almirall S.A.S.	2,160	-	1,166	-
Almirall, AG	1,895	1,666	1,757	264
Almirall Sp.Z.o.o.	33	-	-	-
Almirall Limited UK	986	-	15,022	-
Almirall Hermal GmbH	17,265	-	16,542	-
Almirall ApS Nordics	-	-	1,140	-
Almirall Inc. (USA)	283	-	4,544	162,578
Almirall LLC	3,853	-	2,200	-
Polichem S.A. (Suiza – Lugano)	1,504	-	1,721	-
Ranque Química, S.A.	-	520	-	-
Total	**41,463**	**2,186**	**50,879**	**162,842**

Creditor balances:

Group companies	Thousand euros			
	2021		2020	
	Comercial	Financial	Comercial	Financial
Laboratorio Almirall S.L.	-	10,764	-	13,294
Laboratorios Tecnobío, S.A.	-	1,344	-	1,346
Industrias Farmacéuticas Almirall, S.A.	-	22,597	-	21,985
Ranke Química, S.A.	1,185	-	-	2,066
Almirall N.V.	226	3,180	360	3,387
Almiral ApS	799	-	719	-
Almirall-Produtos Farmacéuticos, Lda.	111	4,183	146	4,069
Almirall, B.V.	451	7,484	798	6,663
Almirall GmbH	-	2,252	-	2,092
Almirall SpA	1,539	71,573	25	71,739
Almirall S.A.S.	1,721	33,450	1,798	33,455
Almirall, AG	1,913	-	1,818	-
Almirall Sp. z o.o	-	-	(53)	-
Almirall Limited	2,121	4,588	644	9,497
Almirall Hermal GmbH	14,889	87,532	8,894	56,149
Almirall Aestethics S.A.	-	182	-	196
Aqua Pharmaceuticals Holdings, Inc	-	-	14	-
Polichem S.A. (Suiza-Lugano)	545	162,529	-	132,974
Polichem SRL (Italia)	-	6,626	-	6,067
Poligroup Holding SRL (Italia)	-	1,321	-	1,130
Total	**25,500**	**419,605**	**15,163**	**366,111**

Balances and transactions with other related parties

In 2020 and 2019 the Company performed the following related-party transactions, giving rise to the following balances at December 31, 2020 and 2019:

Other related parties	Concept	Year	Thousands of Euros	
			Transactions – Income/ (Expense)	Balances - Debit / (Credit)
Grupo Corporativo Landon, S.L.	Leases	2021	(2,982)	-
		2020	(2,963)	-
Grupo Corporativo Landon, S.L.	Rebilling works	2021	252	123
		2020	122	-
Grupo Corporativo Landon, S.L.	Others	2021	-	-
		2020	-	-

The Company's head office is leased to the related company Grupo Corporativo Landon, S.L., under a contract expiring in 2022, which can be extended annually with a 6-month notice period (Note 7).
Related party transactions are carried out at market price.

21. Remuneration of the Board of Directors and Executives

In 2021 and 2020 the amount accrued by the current and former members of the Board of Directors for all types of remuneration (salaries, bonuses, per diems, benefits in kind, life insurance plans, compensation, incentive plans and social security contributions) totalled EUR 3,124 thousand and EUR 3,000 thousand, respectively. There are life insurance policies accrued amounting to EUR 9 thousand (EUR 13 thousand in 2020).

Additionally, the remuneration accrued, paid and unpaid, by the Company's Board of Directors in respect of the multi-year incentive and loyalty plans and the SEUS Plan (Note 4r), which amounted to EUR 552 thousand and cero thousand euros in 2021 and 2020, respectively. The year-end balance of the provision for these plans amounts to EUR 806 thousand in 2021 (EUR 302 thousand in 2020).

At December 31, 2021 and 2020, there were no other pension commitments with the current and former members of the Company's Board of Directors.

The Company has included the members of the Management Committee who are not members of the Board of Directors in the determination of the Executive members for the purposes of the annual accounts.

The amount accrued during the 2021 and 2020 financial years by the Executives, who are not members of the Board of Directors of the Company, for all remuneration items (salaries, bonuses, allowances, remuneration in kind, indemnities, incentive plans and social security contributions) amounted to EUR 6,249 thousand and EUR 5,017 thousand, respectively. There are life insurance policies accrued for an amount of EUR 9 thousand in 2021 (EUR 9 thousand in 2020).

In addition, the accrued remuneration, paid and unpaid, for the Company's executives under the multi-year incentive and loyalty plans and the SEUS Plan (Note 4r) amounted to EUR 1,050 thousand and EUR 740 thousand in 2021 and 2020, respectively. The year-end balance of the provision for these plans amounts to EUR 2,315 thousand in 2021 (EUR 1,999 thousand in 2020).

There are no other pension commitments to executives as of December 31, 2021 and 2020.

During 2021 and 2020, liability insurance premiums of 229 thousand euros and 151 thousand euros, respectively, have been accrued to cover possible damages caused to members of the Board of Directors and Senior Management in the performance of their duties.

The members of the Board of Directors and of the Senior Management of the Company have not received shares or share options during the year, nor have they exercised any options or have options pending exercise, nor have they granted advances or credits.

22. Other disclosures concerning the Board of Directors

As part of the duty to avoid conflicts with the Company's interests, during the year the directors who have held positions on the Board of Directors have discharged the obligations set forth in Article 228 of the Spanish Companies Act. Additionally, they and parties related to them have not come under the provisions concerning conflicts of interest set out in Article 229 of this Act, except where the pertinent authorisation was obtained.

23. Information regarding the environment

The Company has adopted the relevant measures on environmental issues in order to comply with current environmental legislation. The Company's strategy takes into consideration the objectives of the Paris Agreement to limit the global temperature increase to below 2ºC and climate neutrality in 2050. The impact of climate change risk has not been considered relevant in the preparation of the 2021 financial statements, as it does not significantly affect the useful lives of assets and/or asset impairment assessments, nor does it result in any legal or implicit obligations for the Company.

The Company's property, plant and equipment include certain environmentally friendly assets (smoke abatement, underfloor drainage, etc.). The carrying amount of the assets is approximately EUR 636 thousand and EUR 350 thousand at December 31, 2021 and 2020, respectively. Additionally, the new additions of these assets during the year 2021 amount to EUR 360 thousand (EUR 94 thousand in 2020).

As of December 31, 2021 and 2020 there are no emission rights.

The income statements for 2021 and 2020 include expenses related to protection of the environment amounting to EUR 578 thousand and EUR 478 thousand, respectively.

The Company’s directors consider that the measures adopted adequately cover all the possible requirements and, therefore, there are no environmental risks or contingencies. Grants or income have not been received in connection with these activities.

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

At December 31 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 22, 2021, the Company closed and disbursed an issue of senior plain vanilla bonds for an aggregate nominal amount of EUR 300 million, with a fixed annual interest rate of 2.125% and maturing on September 22, 2026.

- On July 17, 2020, the Company entered into a revolving credit facility for an initial term of 3 years with the possibility of an extension of 1 additional year (this renewal was granted on June 30, 2021, effective July 17, 2021) for general corporate purposes. This policy accrues a variable interest rate tied to Euribor. At December 31, the Company has not drawn down any amount under this policy.

- On March 27, 2019, the Company entered into 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 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 foreign currency risk on certain transactions arising from its business. The risk relates mainly to revenue received in US dollars for sales of finished goods, payments received for the operation carried out with AstraZeneca, payments in US dollars received as a result of the deal agreements with Athenex, Dermira, payments in US dollars for clinical trials, raw material purchases and royalty payments in yen and dollars. The most relevant currency which the Company is operating is the US dollar.

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

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

Liquidity risk

The Company calculates its cash requirements using two fundamental forecasting systems that differ in terms of time scale.

On the one hand, a one-year monthly cash budget is prepared based on the projected annual accounts for the current year, whose variations 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) five-year Strategic Plan.

Cash surpluses are generally invested in very short-term financial assets in financial institutions of recognized solvency, although as of December 31, 2021 they have been kept in the available accounts of the banks with which the Company works.

The financing instruments include a series of covenants that in case of non-compliance, would imply the immediate enforceability of said financial liabilities. Periodically, the Company assesses such compliance (as well as future compliance expectations in order, if appropriate, to be able to take corrective measures. As of December 31,2021 all the covenants were accomplished as mentioned in Note 15.

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

Credit risk

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

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

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

Estimation of fair value

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

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

- Level 2. Data other than the quoted price included in level 1 that are observable for the asset or liability, both directly (i.e., prices) and indirectly (i.e., derived from prices).

- Level 3. Data for the asset or liability that is not based on observable market data.

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

2021	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value 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 (see Note 9).

2020	Nivel 1	Nivel 2	Nivel 3
Assets			
Financial assets at fair value through profit or loss (*)	-	-	105,235
Total Assets	**-**	**-**	**105,235**
Liabilities			
Financial liabilities at fair value through profit or loss (Note 15)	-	2,967	-
Total Liabilities	**-**	**2,967**	**-**

(*) includes the long-term and short-term amount derived from the transaction with AstraZeneca (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 after the debt has expired.

Amounts considered uncollectible, once all the pertinent collection procedures have been carried out, are provided for at 100%. The balance of the provision at the end of 2021 and 2020 is EUR 459 thousand and EUR 725 thousand, respectively (Note 11).

In relation to the impairment 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 a significant credit risk, and both treasury placements and, if applicable, the contracting of derivatives with highly solvent financial institutions.

The attached tables reflect the aging analysis from the maturity date of the financial assets that are in default or impaired as of December 31, 2021 and 2020.

	Miles de euros			
	Trade receivables	Other debtors	Impairment los on commercial operations	Total
Not expired	64,485	131	-	64,616
Less than 30 days past due	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**
Not expired	70,068	98	-	70,166
Less than 30 days past due	584	-	-	584
30 to 60 days	(255)	-	-	(255)
60 to 90 days	(377)	-	-	(377)
90 to 120 days	-	-	-	-
120 to 180 days	2,439	-	-	2,439
More than 180 days	825	-	(725)	100
Balance as of December 31, 2020	**73,284**	**98**	**(725)**	**72,657**

Capital management

The Company manages its capital to guarantee the continuity of the activities of the companies of the Group of which it is the 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.

At December 31, 2021 and 2020 the leverage ratios were as follows (thousand euro):

	December 31 2021	December 31 2020
Bank borrowings	75,000	229,345
Bonds and other negotiable securities	294,692	242,614
Cash and cash equivalents	(161,930)	(133,714)
Net debt	**207,762**	**338,245**
Equity	1,310,433	1,378,883
Share capital	21,573	21,374
Leveraging ratio(1)	**16%**	**25%**

(1) On the basis of 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 envisages a maximum payment period of 60 days.

(Expressed in thousand euro)

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 4 February 2016, is as follows:

	Number of days	
	2020	2020
	Days	Days
Average supplier payment period	45	48
Ratio operations paid	48	47
Ratio operations pending payment	18	63
Total payments made	**445,906**	**501,907**
Total payments pending	**48,612**	**37,868**

This balance relates to the suppliers which, by nature were trade creditors for goods and services supplied.

The average payment period for 2021 and 2020 stood at 45 and 48 days, respectively.

26. Covid-19 impacts

As a result of Royal Decree 463/2020, dated March 14, 2020, which decreed a state of alarm in Spain, different measures were established to protect the health and safety of citizens, contain the progression of the disease and reinforce the public health system. In the case of Spain, on 25 October 2020 the Government declared a state of alarm throughout the national territory to contain the spread of infections caused by SARSCoV-2, by Royal Decree 926/202. On 9 November 2020, the state of alarm was extended for a period of 6 months until 00:00 hours on 9 May 2021. On the latter date, the state of alarm ended and with it began the de-escalation of certain measures restricting mobility and certain economic activities, and as the curfew came to an end.

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

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

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

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

From the point of view of R&D activities, there have been delays, not cancellations, in some activities related to clinical trials, given the restrictions on access to hospitals that hindered the recruitment of new patients. In spite of this, Management considers that there have been no significant delays that could have an impact in the medium to long term. The registration process for Klisyri in the United States was completed in December 2020, while in the

EU the product received regulatory approval from the European Medicines Agency (EMA) on 19 July 2021. As for Phase-III trials of Lebrikizumab, the development schedule remains on track for submission for registration with the EMA in 2022 and subsequent approval and launch in 2023.

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

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

In the present note, the Company's Management proceeds to assess the impacts of the COVID-19 outbreak that have affected the company's operations in the EU and in the United States, which are the regions where the Group has its greatest presence.

a. Impairment of non-financial assets

As of 31 December 2021, no significant risks have been identified except for those already mentioned in Note 8 that are associated with the portfolio acquired in the business combination of Aqua Pharmaceuticals, LLC in 2013 (now Almirall LLC) though the participation of Almirall, Inc. Nevertheless, certain government measures to limit pharmaceutical spending in the different regions in which the Company operates, as well as a greater than expected impact of the Omicron variant on the global economy or the emergence of new variants, could force us to reconsider new scenarios in the future.

A sensitivity analysis of the main intangible assets and cash-generating units is included in Notes 8 and 4c). This analysis contemplates scenarios of both a drop in revenues and increases in the discount rate derived from an increase in the cost of financing due to the rise in interest rates on the debt markets.

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

As for the tax credits recognised in the balance sheet (Note18), the Management has reassessed the plan for the recoverability of the assets, and no indications of impairment due to the impact of COVID-19 have arisen as of 31 December 2021. However, future fiscal measures that may be adopted by the Spanish government in view of the new macroeconomic environment could significantly affect this plan, such as the recent amendment to the Spanish corporate income tax law described in the Note **Error! Reference source not found.**.

Regarding the valuation of stocks, since it has been possible to sell the products without interruptions, no provision has been made for slow turnover or expiry linked to COVID-19 (Note 10).

b. Financial assets deterioration

In relation to accounts receivable, the Group has not seen an increase in doubtful debts in the fiscal year, and no relevant balance has been allocated for this purpose. The debt with hospitals may constitute the greatest risk due to possible cash-flow problems that the health administrations of the different countries may experience in the face of the increase in the deficit. In this regard, the Group's Management expects that any delay in payments would not significantly impact the Group's equity or liquidity, since hospital debt amounts to only 8,7% of the Group's accounts receivable as of 31 December 2021 (Note 11**Error! Reference source not found.**).

As for the financial assets corresponding to the fair value of future long-term payments to be received from AstraZeneca (Note 9), the Company's Management has updated the projections in accordance with the methodology described in Note4.k), and no significant impact related with COVID-19 has been observed. Nevertheless, since these flows are linked to the performance of products managed by a third party, the Group has limited visibility in the short term, and hence future revaluations of these assets could give rise to changes in the estimates that would have to be adjusted prospectively in the income statement. As regards the valuation of this asset in future years, however, account should be taken of the subsequent event described in Note 27.

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

- As indicated in the Note 24, the Company has no relevant maturities of financial debt until September 2026, when the senior notes issued in 2021 for a nominal amount of €300 million mature (Note **Error! Reference source not found.**). In addition, the Group has a credit facility with a limit of up to €275 million to cover possible short-term liquidity needs, and as of the end of 2021, no balance of this line of credit was drawn down.
- In relation to incoming payments, as mentioned above, there have been no delays, and therefore cash generation has not been affected.
- Finally, given the slowdown in certain activities due to the various restrictions imposed to contain the spread of the virus, the volume of payments decreased slightly as a result of the decline in the Group's overall activity.

c. Significant uncertainties and risks associated with COVID-19

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

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

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

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

During the fiscal year ending on 31 December 2021, no specific activities related to COVID-19 have been carried out, apart from the continuation of the measures adopted in 2020 and the reopening of certain services that had been cancelled during the months with the highest incidence of the virus (such as the fitness centres located on the Company's premises). In fiscal year 2021, certain expenses were incurred related to the adaptation of the facilities to the new healthcare requirements and the management of personnel in view of the mobility restriction, which totalled €168 thousand euros, with no new investments worthy of note (€1,002 thousand in expenditures and €158 thousand in investments in the fiscal year 2020).

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

Also, all lease contracts have been paid on time as agreed, without having arranged any deferral with the lessors.

27. Subsequent events

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

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

APPENDIX: INFORMATION ON INVESTEES DIRECT AND INDIRECT

	Thousand euros						
Name	Laboratorios Almirall, S.L.	Laboratorios Tecnobio, S.A.	Industrias Farmacéuticas Almirall, S.A.	Ranke Química, S.A.	Almirall Internacional, BV	Almirall, NV	Almirall - Productos Farmacêuticos, Lda.
Managment	España	España	España	España	Holanda	Bélgica	Portugal
Activity	Mediation services	Mediation services	Specialty manufacturing	Raw material manufacturing	Holding internacional	Pharmaceutical Laboratoy	Pharmaceutical Laboratoy
31 December 2021							
% interest 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
Share Capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	7,739	471	51,977	19,103	69,034	2,213	2,327
Net profit (loss) for the year	295	601	3,294	871	6,423	102	283
Carrying amount of interest	4,112	127	41,982	10,840	144,203	9	-
- Cost	4,112	127	41,982	10,840	144,203	9	-
- Measurement adjustments	-	-	-	-	-	-	-
31 December 2020							
% interest 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
Share Capital	120	61	1.200	1.200	52.602	1.203	1.500
Reserves	7,326	474	48,696	18,428	56,513	2,168	2,145
Net profit (loss) for the year	360	(3)	3,378	675	12,521	46	182
Carrying amount of interest	4,112	127	41,982	10,840	121,637	9	-
- Cost	4,112	127	41,982	10,840	144,203	9	-
- Measurement adjustments	-	-	-	-	(22,566)	-	-

Note: All information on the companies has been obtained from their separate annual accounts. Therefore it does not reflect the effect that would apply from consolidating the investments. Excluding unconsolidated dormant companies.

	Thousand euros						
Name Management Activity	Almirall, BV Holanda Mediation services	Almirall Europa Derma S.A. España Mediation services	Almirall Limited Reino Unido Pharmaceutical Laboratoy	Almirall, S.A.S. Francia Pharmaceutical Laboratoy	Almirall SP, Z.O.O. Polonia Marketing pharmaceutical specialties	Almirall GmbH Austria Pharmaceutical Laboratoy	Almirall, AG Suiza License management and marketing of raw materials
31 December 2021							
% interest 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
Share Capital	4,000	61	571	12,527	12	36	901
Reserves	2,768	173	11,648	21,335	1,444	2,121	3,154
Net profit (loss) for the year	352	(1)	404	1,535	16	242	1,005
Carrying amount of interest	-	233	-	-	-	1,485	10,628
- Cost	-	261	-	-	-	1,485	10,628
- Measurement adjustments	-	(28)	-	-	-	-	-
31 December 2020							
% interest 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
Share Capital	4,000	61	571	12,527	12	36	901
Reserves	2,586	178	10,263	19,913	1,438	1,851	2,168
Net profit (loss) for the year	182	(5)	579	1,422	17	270	514
Carrying amount of interest	-	234	-	-	-	1,485	10,628
- Cost	-	261	-	-	-	1,485	10,628
- Measurement adjustments	-	(27)	-	-	-	-	-

Note: All information on the companies has been obtained from their separate annual accounts. Therefore it does not reflect the effect that would apply from consolidating the investments. Excluding unconsolidated dormant companies.

APPENDIX: INFORMATION ON INVESTEES DIRECT AND INDIRECT

	Thousand euros					
Name	Almirall SpA	Almirall Hermal, GmbH	Almirall Aps	Almirall Inc	Subgrupo (*) Almirall LLC	Poli Group Holding, S.R.L.
Management	Italia	Alemania	Dinamarca	USA	USA	Italia
Activity	Pharmaceutical Laboratoy	Pharmaceutical Laboratoy	Pharmaceutical Laboratoy	Pharmaceutical Laboratoy	Pharmaceutical Laboratoy	Holding
31 December 2021						
% interest 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
Share Capital	8,640	25	17	-	-	31
Reserves	51,585	22,421	2,695	576,559	489,660	46,792
Net profit (loss) for the year	3,192	25,804	354	(155,047)	(114,272)	(65)
Carrying amount of interest	-	359,270	17	426,991	-	380,270
- Cost	-	359,270	17	736,494	-	380,270
- Measurement adjustments	-	-	-	(309,503)	-	-
31 December 2020						
% interest 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
Share Capital	8,640	25	17	-	-	31
Reserves	39,853	(7,516)	2,486	444,740	306,340	46,870
Net profit (loss) for the year	11,732	25,799	207	(82,468)	(19,426)	(78)
Carrying amount of interest	-	359,270	17	380,783	-	380,270
- Cost	-	359,270	17	550,267	-	380,270
- Measurement adjustments	-	-	-	(169,484)	-	-

Note: All information on the companies has been obtained from their separate annual accounts. Therefore it does not reflect the effect that would apply from consolidating the investments. Excluding unconsolidated dormant companies.
(*) Includes the Companies holding Aqua Pharmaceutical Holdings Inc and Almirall LLC (called Aqua Pharmaceuticals LLC).

	Thousand euros	
Name Management Activity	Polichem, S.A. Luxemburgo/ Suiza/China Pharmaceutical Laboratoy	Polichem, S.R.L. Italia Pharmaceutical Laboratoy
31 December 2021		
% interest held		
- Directly	-	-
- Indirectly	100%	99,6%
% voting rights	100%	100%
Consolidation method	Global Integration	Global Integration
Share Capital	1,351	540
Reserves	168,767	5,658
Net profit (loss) for the year	23,921	985
Carrying amount of interest	-	-
- Cost	-	-
- Measurement adjustments	-	-
31 December 2021		
% interest held		
- Directly	-	-
- Indirectly	100%	99,6%
% voting rights	100%	100%
Consolidation method	Global Integration	Global Integration
Share Capital	1,351	540
Reserves	126,574	4,223
Net profit (loss) for the year	33,712	1,435
Carrying amount of interest	-	-
- Cost	-	-
- Measurement adjustments	-	-