

Almirall, S.A.

Annual accounts for the year ended
31 December 2023 and
Directors' Report

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

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Almirall, S.A.

Balance sheet for the year ended 31 December

(Expressed in thousands of Euros)

ASSETS	Note	31/12/2023	31/12/2022
Intangible assets	5	501,149	330,359
Property, plant and equipment	6	40,282	36,526
Long-term investments in group and associate companies	8	1,197,575	1,288,785
Long-term financial investments	9	21,563	33,331
Deferred tax assets	18	179,708	180,441
NON-CURRENT ASSETS		1,940,277	1,869,442
Stocks	10	103,453	77,944
Trade and other receivables	11	126,494	102,181
Trade receivables for sales and services		33,345	32,933
Customers, group companies and associates	20	72,001	54,737
Sundry receivables		7,421	-
Staff costs		46	94
Current tax assets	18	7,265	8,723
Other receivables from Public Administrations	18	6,416	5,694
Short-term investments in group and associate companies	8 & 20	7	-
Short-term financial investments	9	13,286	29,600
Short-term prepayments and accruals		10,027	8,367
Cash and other cash equivalents		360,885	214,621
CURRENT ASSETS		614,152	432,713
TOTAL ASSETS		2,554,429	2,302,155

LIABILITIES AND EQUITY	Note	31/12/2023	31/12/2022
Shareholders' Equity		1,375,200	1,239,926
Subscribed capital	12	25,127	21,782
Share premium	12	551,139	322,588
Legal reserve	12	4,275	4,275
Other reserves	12	972,172	1,008,334
Own shares or equity units	12	(2,858)	(2,552)
Prior years' losses		(114,501)	(56,834)
Profit/(loss) for the year		(60,154)	(57,667)
Grants, donations and bequests received		1,335	-
EQUITY		1,376,535	1,239,926
Long-term provisions	14	24,370	25,030
Long-term debts		357,001	353,227
Bonds and other marketable securities	15	296,851	295,758
Debts with credit institutions	15	45,000	55,000
Other financial liabilities	16	15,150	2,469
Deferred tax liabilities	18	33,748	31,064
Long-term prepayments and accruals	13	382	1,303
NON-CURRENT LIABILITIES		415,501	410,624
Short-term provisions		542	632
Short-term debts		98,743	21,814
Debts with credit institutions	15	12,398	12,377
Derivatives	15	1,569	25
Other financial liabilities	16	84,776	9,412
Short-term payables to group and associate companies	20	527,348	495,881
Trade and other payables		135,760	133,095
Suppliers		57,044	63,810
Suppliers, group companies and associates	20	22,500	24,686
Sundry payables		38,456	26,722
Personnel (remuneration to be paid)		11,520	10,902
Current tax liabilities	18	89	-
Other debts with Public Administrations	18	6,151	6,975
Short-term prepayments and accruals		-	183
CURRENT LIABILITIES		762,393	651,605
TOTAL LIABILITIES AND EQUITY		2,554,429	2,302,155

Notes 1 to 26 explained in the attached Notes are an integral part of the annual accounts for the year ended 31 December 2023.

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

ALMIRALL, S.A.

Profit and loss statement for the year ended 31 December
(Expressed in thousands of Euros)

	Note	Year 2023	Year 2022
Net turnover	19	702,805	603,296
Change in stocks of finished or semi-finished products	10 and 19	25,832	12,546
Work carried out by the company for its assets	5	5,622	1,235
Supplies	19	(278,741)	(248,410)
Other operating income	19	19,828	35,045
Staff costs	19	(74,106)	(64,058)
Other operating expenses	19	(280,684)	(251,106)
Losses, impairment and change in provisions for trading operations	19	(1,336)	562
Depreciation of fixed assets	5 and 6	(39,987)	(28,786)
Allocation of grants for non-financial fixed assets and others		111	80
Impairment and gains/losses on disposals of fixed assets and investments in group companies	19	(116,197)	(95,329)
Operating gain/(loss)		(36,853)	(34,925)
Financial income	19	5,562	636
Financial expenses	19	(27,754)	(12,999)
Exchange rate differences	19	(234)	1543
Impairment and gains/losses on disposals and changes in fair value of financial instruments	19	(1,544)	(5,675)
Financial result		(23,970)	(16,495)
Earnings before tax		(60,823)	(51,420)
Income tax	18	669	(6,247)
Profit for the year		(60,154)	(57,667)

Notes 1 to 26 explained in the attached Notes and the Annex are an integral part of the annual accounts for the year ending on 31 December 2023.

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Almirall, S.A.

Statement of changes in equity for the year ended 31 December (Expressed in thousands of Euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENDITURE (Expressed in thousands of Euros)

	Note	Year ended 31 December	
		2023	2022
PROFIT AND LOSS STATEMENT RESULT (I)		(60,154)	(57,667)
Income and expenses recognised directly in equity:			
Grants, donations and bequests received		1780	-
Tax effect		(445)	-
Total income and expenses recognised directly in equity (II)		1,335	-
Transfers to profits and loss statement			
Through measurement of financial instruments		-	-
Grants, donations and bequests received		-	-
Tax effect		-	-
Total transfers to the profit and loss statement (III)		-	-
Total recognised income and expenditure (I+II+III)		(58,819)	(57,667)

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Almirall, S.A.

Statement of changes in equity for the year ended 31 December
(Expressed in thousands of Euros)

B) TOTAL STATEMENT OF CHANGES IN EQUITY

	Note	Registered capital	Share premium	Legal reserve	Other reserves	Shares and equity units	Prior years' years	Profit for the year	Grants, donations and bequests	Equity
Balance as of 31 December 2021	12	21,573	301,058	4,275	1,042,492	(2,131)	-	(56,834)	-	1,310,433
Distribution of profits	3	-	-	-	-	-	(56,834)	56834	-	-
Dividends/Capital increase expenses		209	21,530	-	(34,158)	-	-	-	-	(12,419)
Recognised income and expenditure		-	-	-	-	-	-	(57,667)	-	(57,667)
Transactions with treasury stock		-	-	-	-	(421)	-	-	-	(421)
Balance as of 31 December 2022	12	21,782	322,588	4,275	1,008,334	(2,552)	(56,834)	(57,667)	-	1,239,926
Distribution of profits	3	-	-	-	-	-	(57,667)	57667	-	-
Dividends/Capital increase expenses		3,345	228,551	-	(36,162)	-	-	-	-	195,734
Recognised income and expenditure		-	-	-	-	-	-	(60,154)	1,335	(58,819)
Transactions with treasury stock		-	-	-	-	(306)	-	-	-	(306)
Balance as of 31 December 2023	12	25,127	551,139	4,275	972,172	(2,858)	(114,501)	(60,154)	1,335	1,376,535

The accompanying Notes 1 to 26 and the Annex form an integral part of the annual accounts for the year ended 31 December 2023.

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Almirall, S.A.

Cash flow statement for the year ended 31 December (Expressed in thousands of Euros)

	Notes	FY 2023	FY 2022
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1. Earnings before tax		(60,823)	(51,420)
2. Adjustments to gains/losses		132,130	122,613
Depreciation of fixed assets (+)	5 and 6	39,987	28,786
Measurement adjustments for impairment	5,8,10 and 11	115,522	92,357
Change in provisions (+/-)	14 and 19	545	(5,305)
Allocation of grants		(111)	(80)
Gain/(loss) on disposal of fixed assets (+/-)	19	1,170	2,936
Financial income and dividends received (-)	19 and 20	(50,601)	(644)
Financial expenses (+)	19	27,754	12,999
Exchange rate differences (+/-)	19	234	(1,543)
Change in fair value of financial instruments (+/-)	19	1,544	5,675
Incorporation of deferred income	13	(921)	(539)
Recognition of financial assets fair value uncollected	9	(2,994)	(12,029)
3. Changes in working capital		(64,414)	(23,797)
Stocks (+/-)	10	(26,005)	(10,395)
Trade and other receivables (+/-)	11	(21,507)	(13,745)
Other current assets (+/-)		(1,946)	(3,535)
Trade and other payables (+/-)		(13,432)	6,878
Other current liabilities (+/-)		(1,524)	(3,001)
4. Net cash flows from operating activities		46,630	812
Interest payable (-)	19	(9,919)	(9,389)
Dividends and interest received from Group companies (+)	20	45,039	8
Interest received (+)		5,562	-
Income tax receipts/payments (+/-)	18	5,746	10,439
Other receipts/payments (+/-)		202	(246)
5. Cash flows from operating activities (+/-1 +/-2 +/-3 +/-4)		53,523	48,208
B) CASH FLOWS FROM FINANCING ACTIVITIES			
6. Investment payments (-)		(154,158)	(91,908)
Group companies and associates	8	(23,824)	(1,011)
Intangible assets	5	(121,304)	(86,054)
Property, plant and equipment	6	(8,429)	(4,803)
Other financial assets	9	(601)	(40)
7. Proceeds from divestments (+)		32,447	50,203
Group companies and associates	8	-	2,187
Property, plant and equipment	6	-	-
Receivables linked to the contract with AstraZeneca / Covis	9	31,771	47,336
Other assets	9	676	680
8. Cash flows from investment activities (7-6)		(121,710)	(41,705)
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Proceeds and payments for equity instruments		197,461	(421)
Issuance of equity instruments (+)	12	197,767	-
Acquisition of own equity instruments (-/+)	12	(306)	(421)
10. Proceeds and payments for financial liability instruments		20,290	58,627
Issue	15	31,904	76,443
Bonds and other marketable securities (+)	15	-	-
Debts with credit institutions (+)	15	414	167
Debts with group and associated companies (+)	15	31,466	76,276
Other debts (+)	0	23	-
Repayment and amortisation of:		(11,614)	(17,816)
Bonds and other negotiable securities (-)	15	-	-
Debts with credit institutions (-)	15	(10,000)	(10,000)
Other debts (-)	0	(1,614)	(7,816)
11. Dividend and remuneration payments on other equity instruments		(2,592)	(12,419)
Dividends (-)	3	(2,592)	(12,419)
12. Cash flows from financing activities (+/-9 +/-10)		215,160	45,787
D) EFFECT OF EXCHANGE RATE CHANGES		(708)	1,211
E) NET INCREASE/(DECREASE) IN CASH or CASH EQUIVALENTS (+/-5 +/-8 +/-11 +/-D)		146,264	53,501
Cash and cash equivalents at the start of the year	4e and 9	214,621	161,120
Cash and cash equivalents at the end of the year	4e and 9	360,885	214,621

Notes 1 to 26 explained in the attached Notes and Annex are an integral part of the annual accounts for the year ending on 31 December 2023.

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Almirall, S.A.

Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

1. Activity of the Company

Almirall, S.A. (the Company) has the corporate purpose which consists basically of the purchase, manufacture, storage, marketing and mediation in the sale of pharmaceutical specialities and products, as well as of all types of raw materials used in the preparation of such pharmaceutical specialities and products.

Accordingly, the Company's corporate purpose also includes:

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

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

Almirall, S.A. is the parent company of a Group of companies and, in accordance with current legislation, is obliged to prepare separate consolidated annual accounts. The consolidated annual accounts for the year ended 31 December 2023 were authorised for issue by the Directors on 16 February 2024 (the consolidated annual accounts for 2022 were authorised for issue on 17 February 2023 and approved by the Company's shareholders at the Annual General Meeting held on 5 May 2023). These consolidated annual accounts show a consolidated loss of 38.5 million euros in 2023 (consolidated profit of 4.3 million euros in 2022) and consolidated equity at 31 December 2023 of 1,463 billion euros (1,319 billion euros at 31 December 2022). 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 assessed on the basis of this relationship with the Group companies (Notes 8 and 20).

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

2. Basis of presentation of the annual accounts

a. *Financial reporting regulatory framework applicable to the Company*

The annual accounts of the Company for the year ending on 31 December 2023, which have been obtained from the accounting records kept by the Company, were prepared by the Company's Directors on 16 February 2024.

These annual accounts have been prepared by the Directors in accordance with the regulatory financial reporting framework applicable to the Company, which is set out in:

- The Code of Commerce, the Corporate Enterprises Act and other commercial legislation.
- The General Chart of Accounts (hereinafter "GCA") approved by Royal Decree 1514/2007 together with Royal Decree 1159/2010 and Royal Decree 602/2016 amending certain aspects of the GCA and its sectorial adaptations.
- The mandatory rules approved by the Instituto de Contabilidad y Auditoría de Cuentas (Institute of Accounting and Accounts Auditing) in development of the General Chart of Accounts and its complementary rules.
- All other applicable Spanish accounting legislation.

b. *Comparability of the information*

For the purposes of comparison, the annual accounts are presented with each of the items of the balance sheet, profit and loss statement, statement of changes in equity, cash flow statement, the notes to the annual accounts, and, in addition to the figures for financial year 2023, those corresponding to the previous financial year.

c. *True and fair view*

The accompanying annual accounts 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 the true and fair view of the Company's equity, financial position, results of operations, changes in equity and cash flows for the year.

d. *Non-mandatory accounting principles applied*

No non-mandatory accounting principles have been applied. On the other hand, the directors have prepared these annual accounts taking into account all the mandatory accounting principles and standards that have a material effect on these annual accounts. There is no accounting principle that is mandatory but no longer applied.

e. *Critical aspects of uncertainty valuation and estimation*

In preparing these annual accounts estimates have been made by the Company's directors in order to measure certain of the assets, liabilities, income, expenses and commitments reported herein. Basically, these estimates refer to:

- The useful life of intangible assets and of property, plant and equipment (Notes 4a and 4b).
- The assessment of possible impairment losses on certain property, plant and equipment and intangible assets arising from the non-recovery of the carrying amount recorded for these assets (Note 4c).
- The evaluation of the recoverability of deferred tax assets (Note 18).
- The assessment of the technical and economic feasibility of ongoing development projects that are 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).
- Estimated liability corresponding to remuneration based on cash-settled equity instruments (Note 4r).

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Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

Although these estimates have been made on the basis of the best information available at 31 December 2023, it is possible that future events may make it necessary to change these estimates (upwards or downwards) in the coming years, if necessary prospectively.

f. Going concern principle

The Company has negative working capital at 31 December 2023 amounting to €148,241 thousand (negative €218,892 thousand at 31 December 2022). However, the directors have prepared these annual accounts on a going concern basis as there is an implicit commitment from the majority shareholders to continue to provide the necessary support for the future development of the Company.

The Company prudently manages liquidity risk by maintaining sufficient cash and cash equivalents to have sufficient capacity to meet future obligations. In addition, the Company has current loans with Group companies amounting to €527,348 thousand at 31 December 2023 (€495,881 thousand at 31 December 2022), as indicated in Note 20, due to centralised cash management, and which are classified as short-term, but not imminently due. In addition, the Company has an undrawn credit facility with a limit of 275 million euro (275 million euro at 31 December 2022) (Note 15), and the Group of which the Company is Parent has positive working capital at the same date and a good financial position. All of the above suggests that, despite the fact that the Company has negative working capital at 31 December 2023, the Directors of the Company ensure the going concern principle based on expectations of continued earnings.

3. Allocation of gains/losses

The proposed allocation of gains/losses included in the Company's annual accounts for the financial year 2023, as well as the appropriation of profit for the financial year 2022 approved by the General Meeting of Shareholders on 5 May 2023, is as follows:

	Euros	
	2023	2022
Basis of distribution:		
Profit for the year	(60,153,596.90)	(57,666,623.53)
Application:		
Legal reserve	-	-
Other voluntary reserves	-	-
Prior years' losses	(60,153,596.90)	(57,666,623.53)
Total	(60,153,596.90)	(57,666,623.53)

The dividends paid by the Company during 2023 and 2022, which in both cases correspond to the dividends approved on the results of the previous year, are shown below:

	2023			2022		
	% of nominal	Euros per share	Amount (thousands of euros)	% of nominal	Euros per share	Amount (thousands of euros)
Ordinary shares	158%	0.19	34,488	158%	0.19	34,158
Total Dividends paid	158%	0.19	34,488	158%	0.19	34,158

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

The 2023 and 2022 dividend payments have been implemented as a scrip dividend in which shareholders have been offered the choice between receiving newly issued Company shares or the cash amount equivalent to the dividend. In 2023, the cash payment was chosen by 7.8% of the rights holders (which entailed a disbursement of €2.6 million), while the remaining 92.2% opted to receive new shares at the unit par value, which were issued as a capital increase. In 2022, the cash payment was chosen by 37.1% of the holders of rights (which meant a disbursement of €12.4 million), while the remaining 62.9% opted to receive new shares, each at par value, which were issued as a capital increase (Note 12).

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

At the date of preparation of these 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 for the amount of €39.8 million (equivalent to €0.19 per share). For the purposes of this dividend distribution, it is proposed to use the "Scrip Dividend" shareholder remuneration system, which has already been applied in 2023 and in previous years. In this system, the shareholders are offered an alternative option that allows them to receive bonus shares in the Company without limiting their option to receive an amount of cash equivalent to the dividend payment (Note 26).

4. Accounting criteria

a. *Intangible assets*

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

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

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

The Company recognises any impairment loss on the carrying amount of these assets with a balancing entry under "Impairment and gains/losses on disposal of fixed assets and investments in Group companies". The criteria for recognising the impairment losses of these assets and, when applicable, the reversal of impairment losses recorded in previous years, are similar to those applied for property plant and equipment (Note 4c).

Development costs-

The Company recognises the research expenses it incurs in the profit and loss statement.

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

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

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

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

If the consideration given in exchange for an intangible asset includes a contingent component, the acquisition price of the intangible asset shall include the best estimate of the present value of the contingent payment, unless it is linked to the occurrence of a future event that increases the economic benefits or returns to be provided by the asset that relates to events or circumstances that did not exist at the acquisition date. Similarly, using the same criteria as for property, plant and equipment, contingent payments that depend on business performance, such as sales or profit or loss, are recognised as an expense in the profit and loss statement as they are incurred.

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

Industrial property-

Patents, trademarks and licences for the production, marketing and/or distribution of products are initially recorded at acquisition cost (separately or through a business combination) and are amortised over the estimated useful lives of the products to which they relate (linear method), subject to the limit, if applicable, of the term of the licence agreements signed with third parties. These periods do not normally exceed 10 years.

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

Computer applications-

The Company records the costs incurred in the acquisition and development of computer software in this account. Maintenance costs for computer applications are charged to the profit and loss statement for the year in which they are incurred.

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

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

Merger goodwill-

The merger goodwill arose from the difference between the value at which the shares of Prodesfarma, S.A. were recorded and the underlying book value of this company at the moment of the merger by absorption of this company by the company, once the unrealised gains arising from property, plant and equipment and financial assets had been assigned to the other assets. Goodwill was fully amortised at the date of transition to the current Spanish General Chart of Accounts.

b. Property, plant and equipment

The property, plant and equipment acquired are measured at cost revalued in accordance with various legal provisions, including Royal Decree Law 7/1996 of 7 June (Note 6). Subsequently, it is reduced by the related accumulated depreciation and impairment losses, if any, in accordance with the criteria mentioned in Note 4c.

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

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

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

The annual tangible asset depreciation charge is recognised with a balancing entry in the profit and loss statement and is basically equivalent to the depreciation rates that are determined on the basis of the years of estimated useful life, although, of course, the land on which the buildings and other structures stand has an indefinite useful life and, therefore, is not depreciated. In general, the Company depreciates its property, plant and equipment using the linear method, distributing the cost of the assets over the years of estimated useful life, according to the following useful lives:

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

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

Investments of an environmental nature comprising items intended to serve the company's business activity on a lasting basis are classified under "Property, plant and equipment", measured at acquisition cost and depreciated on a linear basis over their estimated useful lives.

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

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

Almirall, S.A.

Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

impairment at least at the end of each fiscal year, and whenever there are indications of impairment prior to the end of each year.

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

The discount rate used is reviewed periodically (at least every six months), and it takes into account various components that reflect the current macroeconomic environment, such as the cost of risk-free debt (usually associated with the cost of public debt of the territory concerned), the sector Beta and the risk premium by size.

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

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

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

In general, the methodology that the Company uses for impairment tests, based on the value in use of assets assigned to the CGUs, relies on the estimation of cash flow projections drawn from financial budgets approved by the Management, which cover a 5-year period. Cash flows beyond the explicit period are extrapolated using negative perpetual growth rates (g), given that, due to the very nature of the sector, products tend to be replaced by new, innovative products in the long term or they see their price significantly reduced as a consequence of new treatments and/or generics entry, and therefore permanent growth scenarios are not considered in the long term.

The methodology that the Company uses to carry out the impairment tests for development expenses (Note 5), which are not amortised because the marketing has not begun for each associated product, draws on detailed financial projections that cover a range from 10 to 18 years (depending on the expected useful life of the asset). A probability of the project's success is applied to these projections, and a residual income is estimated for the following years by applying a growth rate that depends on the type and age of the products, based on experience with the same.

Other intangible assets are tested for impairment only in those cases where there are indications of impairment and those that are in progress (usually products in the development phase). The main assumptions of these impairment tests are detailed in Note 5.

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

Cash flows are estimated based on the maturity cycle of the product, the size of the market (which depends on the type of disease and the level of diagnosis of the disease), the therapeutic characteristics of the product itself (based on the clinical value of the product, a market share percentage within the therapeutic area is estimated) and the expected reimbursement price. In this regard, faced with tougher macroeconomic

Almirall, S.A.

Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

environments, it is true that the governments of the different territories have incentives to limit healthcare spending (one part being the cost of financed medicines and treatments), but these cost containment measures can take different forms, such as the prevalence of alternative generic treatments, limiting the number of patients treated, unilateral price cuts for certain medicines, etc., so it is difficult to estimate without knowing the specific measures that may be applied, but even so the Company has some margin to adapt in many cases.

The key variables of the impairment tests performed by the Company largely reflect the sales trend for each of the different drugs, most of which are currently in the marketing phase, as well as the discount rates applied and the perpetual growth rate. Other assumptions, such as gross margin or cash flows, are not considered key for the following reasons:

-Regarding gross margin, the costs of sale of many of the products subject to impairment testing are fixed to supply contracts with the original licensees, usually at a percentage of the selling price of the products. It is therefore unusual for the cost of inflation to be passed on. Likewise, operating expenses associated with manufacturing represent a small part of the total product cost (e.g. supplies), and most of the products manufactured by the Company do not have any associated intangible asset.

-Regarding cash flows, in general the pharmaceutical sector is counter-cyclical, given that chronic and prescription treatments tend to have stable demand, and they neither benefit from nor are they harmed by favourable or recessionary macroeconomic scenarios.

In terms of sensitivity to the key assumptions, the Company's Management considers 10% to be a deviation range with sufficient headroom to absorb unexpected events beyond what is considered reasonable under normal business conditions, based on the retrospective analysis of past estimates.

As for the discount rate assumption and the perpetual growth rate assumption, half a point has been set as reasonable based on the increases experienced in recent years in the former case and a conservative assumption in the latter case.

The main assumptions used in the impairment tests and the sensitivity analysis for the years ending on 31 December 2023 and 2022 are detailed in Note 5.

d. Leases

Leases in which Almirall, S.A. acts as lessee are classified as operating leases when they meet the conditions established in the Spanish General Chart of Accounts, i.e. when ownership of the leased asset and substantially all the risks and rewards incidental to ownership are attributable to the lessor, and the related expenses are recognised in the profit and loss statement on an accrual basis.

Operating lease payments are charged to the profit and loss statement on a linear basis over the lease term.

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

Each lease payment is distributed between the liability and financial expense. The corresponding lease obligations, net of financial charges, are included in long-term accounts payable. The interest portion of the finance charge is charged to the profit and loss statement over the period of the lease so as to provide a constant periodic rate of interest on the outstanding debt each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

At 31 December 2023 and 2022, the Company has no finance leases.

Almirall, S.A.

Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

e. Cash and cash equivalents

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

f. Financial instruments (excluding derivative financial instruments)

Recognition and classification of financial instruments:

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

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

For measurement purposes, the Company classifies financial instruments as 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 amortised 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 amortised 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 amortised cost, except for those designated at fair value through profit or loss and those held for trading.

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

- It is originated, acquired, issued or assumed principally for the purpose of selling or repurchasing it in the short term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actions to realise gains in the short term;
- It is a derivative financial instrument, provided that it is neither a financial guarantee contract nor designated as a hedging instrument; or
- It is an obligation of the Company in a short position to deliver financial assets that have been lent to it.

The Company classifies a financial asset at amortised cost, even when it is held for trading, if it is held under a business model whose objective is to hold the investment to receive cash flows from the performance 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 (PPIO).

The Company classifies a financial asset at fair value through equity if it is held within 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 PPIO. 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 particular business objective. The Company's business model represents how the Company manages its financial assets to generate cash flows.

Almirall, S.A.

Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

The Company classifies the following financial assets at cost:

- a) Investments in the equity of group companies, jointly controlled entities and associates.
- 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 that have these investments as their underlying value.
- c) Any other financial asset that is initially classified in the fair value through profit or loss portfolio when it is not possible to obtain a reliable estimate of its fair value.

Financial assets and liabilities measured at fair value through profit and loss

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

The fair value of a financial instrument at inception is usually the transaction price, unless that price contains elements other than 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 recognises the difference in profit or loss to the extent that the value is derived by reference to a quoted price in an active market for an identical asset or liability or is derived from a measurement technique using only observable inputs. In all other cases, the Company recognises the difference in profit or loss to the extent that it arises from a change in a factor that market participants would consider in pricing the asset or liability.

Subsequent to initial recognition, they are recognised at fair value through profit and loss. Changes in fair value include the interest and dividend component. The fair value is not reduced by transaction costs that may be incurred in connection with its possible sale or disposal.

Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value, plus or minus transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method. The effective interest rate is the discount rate that equates the carrying amount of a financial instrument to the estimated cash flows over the expected life of the instrument, based on its contractual terms and for financial assets without regard to 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 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 of its estimated cash flows from all sources over its remaining life. For fixed rate financial instruments, the effective interest rate matches the contractual interest rate established at the time of acquisition plus, where applicable, any fees which, by their nature, can be assimilated to an interest rate. For floating rate financial instruments, the effective interest rate matches the prevailing rate of return in all respects until the first resetting of the benchmark interest rate to take place.

The following financial assets are included in this category:

- Loans and receivables: financial assets arising from the sale of goods or the rendering of services in the ordinary course of the company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, the proceeds of which are fixed or determinable in amount and are not traded in an active market.
- Debt securities with fixed maturity and determinable payments that are traded in an active market and for which the Company expresses its intention and ability to hold to maturity.

Almirall, S.A.

Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

This category includes the following financial liabilities:

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

– Financial debts: Loans at subsidised or zero interest rates are forms of government aid. These loans are recognised based on the fair value of the financing received; the differences arising between that value and the nominal value of the financing received are treated as shown in Note 4i.

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

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 measure of the financial asset or financial liability is available to the Company at any time on an ongoing basis, the financial asset or financial liability is recognised at fair value at that time, with gains or losses recognised on the basis of the classification of the financial asset or financial liability.

Investments in group, associate and jointly-controlled companies

Group companies are considered to be those over which the Company, directly or indirectly, through subsidiaries, exercises control, in accordance with article 42 of the Commercial Code, or when the companies are controlled by one or more natural or legal persons acting jointly or are under sole management by agreements or clauses in the articles of association.

Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities, including potential voting rights exercisable or convertible at the end of the accounting year held by the Company or third parties.

Associates are companies 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 an undertaking without exercising control or joint control over it. In assessing the existence of significant influence, the potential voting rights exercisable or convertible at the end of each financial year are considered, also taking into account the potential voting rights held by the Company or by another company.

Jointly-controlled companies are considered to be those that are jointly managed by the Company or one or more of the companies in 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 recognised at cost, which is 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 any accumulated impairment losses.

The impairment calculation is determined by comparing the carrying amount of the investment with its recoverable amount, which is 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 investee's equity, adjusted for any unrealised gains existing at the measurement date (including goodwill, if any), is taken into account. 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.

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

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 it occurs, the impairment is recorded in the profit and loss statement.

Reversals of impairment are recognised in subsequent periods, 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 recognised.

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 loss event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company recognises impairment losses on financial assets at amortised cost when there has been a reduction or delay in the estimated future cash flows due to the debtor's insolvency.

Likewise, in the case of equity instruments, impairment exists when the carrying amount of the asset is no longer recoverable due to a prolonged or significant decline in its fair value.

Impairment of financial assets measured at amortised cost

The amount of the impairment loss on financial assets measured at amortised 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 floating rate financial assets, the effective interest rate at the measurement date according to the contractual terms 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.

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

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

The allowance for impairment of trade receivables involves a high degree of judgement by management and the review of individual balances based on the credit quality of customers, current market trends and historical analysis of bad debts at an aggregate level. To determine the country-specific component of the individual valuation adjustment, 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 defaults, a reduction in the volume of balances implies a reduction in allowances and vice versa. However, the Company does not recognise impairment losses on balances with tax authorities, financial institutions and 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 by their dates of maturity; in other words, those maturing in twelve months or less from the balance sheet date are classified as current, and those maturing in more than twelve months as non-current.

Loans maturing in the short term, but whose long-term refinancing is secured at the Company's discretion by available 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 an enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Almirall, S.A.

Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

g. Derivative financial instruments

The Company's activities expose it mainly to exchange rate risks, due to the marketing of products through licensees and subsidiaries in countries with currencies other than the euro, and to interest rate risks due to the Company's indebtedness with banks.

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

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

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

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

At 31 December 2023 and 2022, the Company has no derivative financial instruments contracted that qualify for hedge accounting.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in income and are included in financial income and expenses (Change of fair value of financial instruments).

See Note 15 for a description of the derivative financial instruments existing as of 31 December 2023 and 2022.

h. Stocks

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

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

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

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

Almirall, S.A.

Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

i. Grants, donations and bequests

The Company accounts for grants, donations and bequests received using the following criteria:

- Non-refundable grants, donations and bequests: these are measured at the fair value of the amount or the asset granted, depending on whether they are of a monetary or non-monetary nature. They are initially recognised in equity and subsequently taken to profit or loss in proportion to the depreciation charge for the period for the subsidised items or, where appropriate, when they are disposed of or impaired, with the exception of those received from shareholders or owners, which are recognised directly in equity and do not constitute income.
- Refundable grants: as long as they are refundable, they are recorded as liabilities.
- Operating grants: these are credited to income when they are granted, unless they are intended to finance operating deficits in future years, in which case they are charged to income in those years. If they are granted to finance specific expenditure, they will be charged as and when the expenditure financed is incurred.

j. Provisions and contingencies

When preparing the annual accounts, the Company's directors distinguish between:

- Provisions: credit balances that cover present obligations arising from past events, the settlement of which is probable to result in an outflow of resources, but the amount and/or timing of which is uncertain;
- Contingent liabilities: possible obligations derived from past events that will become manifest only if one or more future events beyond the control of the Company occurs or fails to occur.

The annual accounts include all significant provisions with regards to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the annual accounts, but are disclosed in note 17 to the extent that they are not considered to be remote.

Provisions are measured at the present value of the best possible estimate of the amount required to settle or transfer the obligation, taking into account available information about the event and its consequences, with adjustments arising from the discounting of such provisions recorded as a finance expense as accrued.

The compensation to be received from a third party at the time of settlement of the obligation, provided that there is no doubt that such reimbursement will be received, is recorded as an asset, unless there is a legal link whereby part of the risk has been externalised and the Company is not liable; in this situation, the compensation is taken into account in estimating the amount of the provision, if any.

Ongoing legal proceedings and/or claims

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

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

At 31 December 2023 and 2022, various legal proceedings and claims were in progress against the Company, arising from its normal course of business. Both the Company's legal consultants and its Directors consider that the provisions recorded are sufficient and that the conclusion of these proceedings and claims will not have a significant impact on the consolidated financial statements for the years in which they are closed.

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

Almirall, S.A.

Notes to the annual accounts for the financial year 2023 (Expressed in thousands of euros)

Provision for product returns

Provisions for product returns are recognised at the date of sale of the relevant products to cover losses on returns that will occur in the future, based on the Directors' best estimate of the expense necessary to settle the Company's liability. This estimate is made on the basis of the Company's historical experience with product returns in previous years.

As a very significant portion of these returns will occur over a period of more than twelve months, it has been classified as non-current.

Provision for restructuring

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

k. Income and expenses

Revenue from contracts with customers must be recognised based on the fulfilment of performance obligations to customers.

Revenue 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 client's contract(s).
2. Identify performance obligations.
3. Determine the transaction price.
4. Allocation of the transaction price to the various performance obligations.
5. Revenue recognition according to the fulfilment of each obligation.

Sales of products and provision of services

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

Expenses are recognised on an accrual basis immediately for expenditures that will not generate future economic benefits or when they do not qualify for recognition as an asset.

Sales are measured net of taxes and discounts.

Revenue from the rendering of services is recognised 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.

Income from granting licenses

Mainly, although not exclusively, in countries where the Company does not have a direct presence, it grants other pharmaceutical companies licences to sell its products on an exclusive basis in a specific territory, furthermore undertaking to manufacture the pharmaceutical product for the customer in most cases. Sales for the supply of products are made at market conditions and are recognised as explained above in this Note.

For these agreements, the Company generally charges an upfront payment for transfer of the licence, which is either non-refundable or may be refunded to the customer under strict conditions if the product is not finally

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

authorised for distribution in the agreed territory. Given that these amounts are considered non-refundable in most cases, the revenue is recognised at the initial moment.

In addition, the Company usually includes in such contracts additional payments linked to the assignment of intellectual property subject to the achievement of regulatory and/or commercial milestones, which are considered contingent until the corresponding milestone occurs (at which time revenue would be recognised), or royalties based on product performance (typically sales of product in the local market), which are recognised as such sales occur.

Finally, in certain cases the Company grants perpetual licences where the Company's obligations are minimal (beyond a transitional period until transfer of the commercial authorisation in the relevant territory or until effective transfer of the production site can take place). In these cases, the Company's obligations are deemed to be fulfilled at the time when the contract is signed, and all revenue is recognised at inception.

Interest and dividend income

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 income produced by the different activities of the Company will be considered in the calculation of ordinary activities, to the extent that it is obtained on a regular and periodic basis and derives from the economic cycle of production, commercialisation or provision of services of the Company. Provisions for impairment of investments in Group companies as well as receivables from Group companies are also classified as ordinary activities.

Interest received on financial assets is recognised using the effective interest method and dividends are recognised 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 recognised as income in the profit and loss statement.

l. Transactions in foreign currency

The functional currency used by the Company is the euro. Consequently, transactions in currencies other than the euro are deemed to be denominated in foreign currencies and are recorded at the exchange rates prevailing at the dates of the transactions.

At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Reported profits or losses are taken directly to the profit and loss statement in the year in which they arise.

m. Transactions with related parties

The Company conducts all its transactions with related parties at market value (Note 20). In addition, transfer prices are adequately supported and the Company's directors consider that there are no significant risks in this respect that could give rise to significant liabilities in the future.

n. Interest cost

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

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

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

o. Income tax

The income tax expense or income comprises the portion relating to current tax expense or income and the portion relating to deferred tax expense or income.

Almirall, S.A.

Notes to the annual accounts for the financial year 2023 (Expressed in thousands of euros)

Almirall, S.A. is subject to Corporate Income Tax under the Spanish Tax Consolidation regime according to Chap. VI of Title VII of Law 27/2014, of 27 November, on Corporate Income Tax. The companies that make up the Group for tax purposes for 2023 and 2022 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas Almirall, S.A., Laboratorios Tecnobío, S.A., Ranke Química, S.A., Almirall Europa Derma, S.A. and Almirall Holding Iberia, S.L. (formerly Almirall International, B.V., which transferred its registered office from the Netherlands to Spain in December 2023), with the first of them acting as parent company.

Current tax is the amount payable by the Company as a result of income tax assessments relating to a financial year. Deductions and other tax benefits, excluding withholdings and payments on account, as well as tax losses carried forward from previous years and effectively applied in the current year, result in a lower amount of current tax.

Deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities in accordance with the liability method. These include temporary differences which are identified as amounts expected to be payable or recoverable arising from differences between the carrying amounts of assets and liabilities and their tax bases, as well as tax loss carryforwards and tax credit carryforwards. These amounts are recorded by applying the tax rate at which they are expected to be recovered or settled to the relevant timing difference or credit.

Deferred tax liabilities are recognised for all taxable temporary differences, except those arising from the initial recognition of goodwill or other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit and is not a business combination.

Deferred tax assets are only recognised to the extent that it is considered probable that future taxable profits will be available to the tax group of which the Company is the parent or, as the case may be, to individual companies to which the temporary differences can be used.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity accounts are also recognised with a balancing entry in equity.

In determining deferred tax assets for which the recoverability is deemed to be reasonably assured, the tax group of which the Company is the parent establishes a finite time frame for offsetting them, based on the best estimates made. Accordingly, the expected application period for deferred tax assets has been determined using an estimate of the individual taxable income of the companies comprising the tax group; moreover, the legal deadlines for use of these assets also takes into account the timetable for the use of deductions pending application, as well as the tax losses subject to offset in subsequent years. Nevertheless, the Company has considered a time frame of up to 10 years as a probable scenario for recoverability of these deferred tax assets, and hence it did not include in the recognition of the assets any tax credits that, according to the estimates of future taxable income, would require a longer period. Even though the tax legislation would allow inclusion of tax credits requiring more than 10 years for recovery, the Company does not consider the forecast beyond the 10-year time frame as a probable scenario.

Current or deferred income tax is recognised in profit or loss, unless it arises from a transaction or economic event that is recognised in the same or a different period, against equity or from a business combination.

p. Severance pay

Severance payments are made to employees as a result of the Company's decision to terminate their employment contract before the normal retirement age, or when the employee agrees to voluntarily resign in exchange for these benefits. The Company recognises these benefits when it has demonstrably committed to dismiss current employees in accordance with a detailed official plan that cannot be revoked. When an offer is made to encourage the voluntary resignation of employees, severance payments are valued based on the number of employees expected to accept the offer.

Furthermore, in accordance with current legislation, the Company is obliged to pay severance payments to those employees with whom, under certain conditions, it terminates their employment relationships. Reasonably quantifiable severance payments are therefore recognised as an expense in the year in which the decision is taken and a valid expectation is created to third parties about the dismissal.

Almirall, S.A.

Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

q. Environmental information

Assets of an environmental nature are defined as assets that are used on a long-term basis in the activities of the Company, for the main purpose of minimising environmental impacts and protecting and improving the environment, including the reduction or elimination of future pollution.

These assets are valued, like any tangible asset, at acquisition price or revalued production cost in accordance with various legal provisions, including Royal Decree-Law 7/1996 of 7 June.

The Company depreciates these items on a linear basis over the estimated remaining useful lives of the various items.

The Company also incurs expenses related to environmental preservation activities, as also detailed in Note 23.

r. Share-based remuneration systems

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

Under the SEUS Plan, the Company undertakes to grant the Executives a long-term variable remuneration linked to the value of the Company's shares, provided that certain requirements and conditions are met and this remuneration is paid in cash. The liabilities recorded in the accompanying balance sheet at 31 December 2023 and 2022 are indicated in Note 14 of the notes to the annual accounts.

s. Equity

The subscribed capital is represented by ordinary shares.

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

In the case of the acquisition of the Company's treasury shares, the consideration paid, including any directly attributable incremental costs, is deducted from equity until cancellation, reissue or disposal. When these shares are subsequently sold or reissued, any amount received, net of any directly attributable incremental transaction costs, is included in equity.

t. Contributions to the health system

In the different territories where the Company operates, it is common that, in order to gain access to health system prescribers (health sector professionals such as family doctors or specialists) and, therefore, to be able to sell proprietary medicinal products through its network of coverage, it has to enter into agreements with governments (usually through the Ministry of Health) or private co-payment systems (mainly insurance companies).

When accessing the national health system, in the case of proprietary medicinal products, the relevant commercial authorisation is required, as well as a reimbursement price, which is the price charged by the Company (although the patient pays a much lower price, the difference being borne by the State). For this reason, governments often have models of contributions to the national health system, which are paid by pharmaceutical companies based on the different products that are prescribed or administered in hospitals, either in the form of mandatory direct rebates or contributions according to the sales made on reimbursed products.

The Company makes the best estimate of the costs associated with these contributions, which are recorded as a reduction in "Turnover" in the profit and loss statement. The liability is recorded under "Trade payables" or "Long-term Provisions" (Note 14), depending on the expected time horizon for payment of the contributions.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

5. Intangible assets

The changes under this heading in the balance sheets for 2023 and 2022 were as follows:

Thousands of euros	Balance as at 31/12/2022	Additions	Derecognitions	Transfers	Balance as at 31/12/2023
Industrial property	382,281	118,213	(5,201)	193,430	688,723
Development costs ⁽¹⁾	9,377	5,622	-	-	14,999
Goodwill	101,167	-	-	-	101,167
Computer applications	81,900	-	-	7,510	89,410
Advances and property, plant and equipment in progress	171,909	83,577	-	(200,941)	54,545
Total cost Intangible assets	746,634	207,412	(5,201)	-	948,845
Accum. A. Industrial property	(228,939)	(28,848)	4,065	-	(253,722)
Accum. A. Development costs	(143)	(738)	-	-	(881)
Accum. A. Goodwill	(101,167)	-	-	-	(101,167)
Accum. A. Computer applications	(72,932)	(5,899)	-	-	(78,831)
Total accumulated amortisation	(403,181)	(35,485)	4,065	-	(434,601)
Impairment of Industrial Property	(11,500)	-	-	-	(11,500)
Impairment Computer Applications	(1,595)	-	-	-	(1,595)
Total impairment losses	(13,095)	-	-	-	(13,095)
Net value Intangible assets	330,359	171,927	(1,136)	-	501,149

(1) Additions to the Development expenses heading include €5,622 thousands of internally generated expenses in 2023.

Thousands of euros	Balance as at 31/12/2021	Additions	Derecognitions	Transfers	Balance as at 31/12/2022
Industrial property	374,778	18,708	(11,205)	-	382,281
Development costs ⁽¹⁾	8,142	1,235	-	-	9,377
Goodwill	101,167	-	-	-	101,167
Computer applications	83,012	1,834	(5,425)	2,479	81,900
Advances and property, plant and equipment in progress	130,825	45,821	(2,258)	(2,479)	171,909
Total cost Intangible assets	697,924	67,598	(18,888)	-	746,634
Accum. A. Industrial property	(221,270)	(18,211)	10,542	-	(228,939)
Accum. A. Development costs	-	(143)	-	-	(143)
Accum. A. Goodwill	(101,167)	-	-	-	(101,167)
Accum. A. Computer applications	(72,221)	(6,136)	5,425	-	(72,932)
Total accumulated amortisation	(394,658)	(24,490)	15,967	-	(403,181)
Impairment of Industrial Property	(11,500)	-	-	-	(11,500)
Impairment Computer Applications	(1,595)	-	-	-	(1,595)
Total impairment losses	(13,095)	-	-	-	(13,095)
Net value Intangible assets	290,172	43,108	(2,921)	-	330,359

(1) Additions to the Development expenses heading include €1,235 thousand of internally generated expenses in 2022.

All of the intangible assets described in the tables above have finite useful lives and most of them have been acquired from third parties. There are no assets subject to debt guarantees.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

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

Thousands of Euros	Year of acquisition	Main products	Carrying amount 31/12/2023	Carrying amount 31/12/2022	Initial useful life (years)	Remaining useful life (31/12/2023)
a) Rights acquired from Eli Lilly for Europe	2019	Ebglyss	178,496	117,957	10	10
b) Rights acquired from Sun Pharma for Europe	2016	Ilumetri	103,904	87,286	15	10
c) Rights acquired from Novartis AG for Spain	2023	Prometax	50,948	-	10	10
d) Rights acquired from AstraZeneca for Spain	2017	Crestor and Provisacor	23,664	29,580	10	4
e) Rights acquired from Ichnos for the whole world	2021	Anti-IL-1RAP mAb	20,800	20,800	In progress	N/A
f) Rights acquired from Simcere for the whole world (except China)	2022	IL-2muFc	18,129	14,418	In progress	N/A
g) Intellectual property and development technology acquired from Eterna for the whole world	2023	N/A	16,362	-	Ongoing / 3	N/A / 3
h) Rights acquired from MC2 Therapeutics for Europe	2021	Wynzora	13,920	13,500	10	8
i) Renewal of rights acquired from MSD	2023	Efficib and Tesavel	12,000	-	3	2
j) Rights acquired from Athenex for Europe	2017	Klisyri	11,748	13,149	10	8
k) Rights acquired from DFT El Globo S.L. for Europe	2023	Physiorelax	11,263	-	10	9
l) Development technology and rights acquired from Evotec for the whole world	2022	N/A	4,100	5,300	5	3.5
Costs for developments made by the company	N/A		14,117	9,234	10	8
Other intangible assets	N/A		21,698	19,135		
Total intangible assets			501,149	330,359		

The main assets included under this heading are detailed below:

- a) Development and marketing rights in Europe for the product for treating atopic dermatitis (Lebrikizumab, marketed under the Ebglyss trademark), which was approved by the EMA on 17 November 2023 and launched in December 2023. Amortisation will begin in 2024. These rights stem from the agreement signed in 2019 with Dermira (subsequently acquired by Lilly), under which the Company is obligated to make additional payments of up to US\$125 million upon reaching certain net sales thresholds in Europe, as well as net sales royalty payments on sales.
- b) Marketing rights in Europe for a product that treats psoriasis, under the Ilumetri trademark. These rights stem from the agreement signed in 2016 with Sun Pharma, under which the Company is obligated to make additional payments of US\$170 million upon reaching certain net sales thresholds in Europe, as well as royalty payments on sales.
- c) Rights acquired from Novartis AG in 2023 for Prometax® in Spain, a product for treating Alzheimer's disease. The agreement provides for an additional payment of €5 million, linked to meeting a certain sales threshold to be reached by December 2024, which the Company's Management has deemed to be contingent, and it therefore has not been recognised at 31 December 2023.
- d) Marketing rights for Spain arising from the agreement with AstraZeneca signed in 2017 for two products for the treatment of hypertension marketed under the trade name of Crestor and Provisacor.

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

Almirall, S.A.

Notes to the annual accounts for the financial year 2023 (Expressed in thousands of euros)

- e) Worldwide development and marketing rights derived from the agreement signed in 2021 with Ichnos Science for ISB 880, an IL-1RAP antagonist monoclonal antibody for use in autoimmune diseases (Anti-IL-1RAP mAb). The Company recorded the initial payment of 20.8 million euros as an intangible asset in the balance sheet as at 31 December 2021 and made the payment in January 2022. The contract also provides for additional payments for marketing and development milestones (up to a maximum of 225 million euros), sales milestones (up to a maximum of US\$400 million) and royalties on sales.
- f) Exclusive licence rights worldwide except for the China region (mainland China, Hong Kong, Macau and Taiwan) for SIM0278, the IL-2 mutant fusion protein (IL-2Mu-Fc) developed by Simcere and drug candidate for the treatment of autoimmune diseases. That agreement was signed in 2022 and by virtue thereof the Company may pay out up to US\$488 million in development and commercial milestone payments based on achievements in various indications, with a significant portion as sales milestones, as well as royalties on sales.
- g) Rights acquired from EthernA in 2023 for research and development of mRNA-based therapies in medical dermatology, as well as access to EthernA's technology platform. The agreement provides for additional payments of 300 million euros, linked to the achievement of certain development and commercial milestones, as well as royalty payments on sales.
- h) Marketing rights for Europe for the product for treating psoriasis, marketed under the Wyzora trademark, commercially launched in 2022. These rights stem from the agreement signed in 2021 with MC2 Therapeutics by virtue of which payments are expected to be made for sales milestones (up to a maximum of 227 million euros) and royalties on sales.
- i) Extension of the marketing rights in Spain for products marketed under the Efficib and Tesavel brands until 2025, as explained later in this Note.
- j) Marketing rights for Europe, including Russia, for a product to treat actinic keratosis marketed under the brand name Klisyri. These rights arise from the agreement signed in 2017 with Athenex, under which the Company expects to make future milestone payments related to additional launches and indications, as well as payments for the achievement of certain sales milestones. The contract also provides for the payment of royalties on sales.
- k) Rights acquired from DFT El Globo S.L. in 2023 corresponding to various products marketed in Spain under the Physiorelax trademark.
- l) Rights related to the research and development agreement with Evotec International GmbH. This agreement was signed in 2022 and by virtue thereof the Company may make research and milestone payments of up to 230 million euros per programme, as well as royalties on sales.

As mentioned in Note 4a, the Company has three development projects that meet the capitalisation criteria. These projects are complementary studies for the launch of an acne treatment product in China, and a new formulation of a psoriasis treatment already on the European market. In addition, following the EMA's approval of Ebglyss (indicated for atopic dermatitis), certain clinical studies related to this product started to be capitalised (mainly a long-term safety study and a study to collect biomarker data with patients from different countries in Europe). The amount capitalised in 2023 for those projects amounts to €5.6 million (€1.2 million in 2022).

During 2023, the main additions of intangible assets amounted to 207.4 million euros, which largely reflect:

- On 1 January 2023, the agreement signed with MSD International Business GmbH came into force, thereby agreeing to an extension of the rights for the Spanish territory (which ended on 31 December 2022) for the products marketed under the Efficib and Tesavel trademarks, indicated for the treatment of diabetes and marketed by the Company since 2009. Under the terms of this agreement, the rights extend until 31 December 2025, for which €18 million were paid in March 2023.
- On 3 February 2023, a purchase agreement was signed with DFT El Globo S.L. for the rights of several products marketed in Spain under the Physiorelax trademark. Under the terms of the agreement, the Company disbursed approximately 11.7 million euros in February, with 0.7 million euros pending payment within 18 months from the effective date of the agreement.

Almirall, S.A.

Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

- In March 2023, \$7.5 million (equivalent to €7.1 million) were paid pursuant to the addendum to Ilumetri's licence agreement with Sun Pharma. According to the addendum, the Company will disburse \$10 million, based on certain regulatory milestones related to a new indication for this product. In addition, in November 2023, the third milestone for sales under the same contract was accrued in the amount of \$20 million (equivalent to €18.3 million). The payment was made in January 2024, pending payment as of 31 December 2023 (Note 16).
- In August 2023, an agreement was signed for acquiring, from Novartis AG, the exclusive rights to Prometax® in Spain, a product for treating Alzheimer's disease. As a consequence of this agreement, an asset amounting to €52.7 million was recorded (€45 million paid upfront and €7.7 million corresponding to the net present value of a deferred payment of €10 million payable in December 2028 at the latest, Note 16).
- In October 2023, the first sales milestone related to the licensing agreement with MC2 Therapeutics (under which the product Wynzora is marketed) was paid, in the amount of €2 million.
- On 17 November 2023, the EMA announced the approval of Ebglyss (indicated for atopic dermatitis), for which the Company has the commercial rights for Europe under the licence agreement signed with Eli Lilly. As a result of this approval, a milestone payment amounting to \$20 million (equivalent to €18.3 million) has been accrued. In addition, following the commercial launch of Ebglyss in Germany in December 2023, a further milestone of \$45 million (equivalent to €41.7 million) has been accrued. The latter was paid in January 2024 and was outstanding at 31 December 2023 (Note 16).
- In December 2023, there was advancement to the next phase of development of IL-2Mu-Fc (linked to the development agreement with Simcere), wherefore a milestone of \$4 million (equivalent to €3.7 million) was accrued. Payment was made in January 2024 and was outstanding at 31 December 2023 (Note 16).
- In December 2023, a research and development agreement was signed with EthernA, involving a multi-target partnership to develop mRNA-based therapies in medical dermatology. As a result of this agreement, €8.5 million was accrued as an additional payment for the intellectual property, plus €7.8 million for access to EthernA's technology platform (representing the net present value of 3 payments of €2.8 million each, due in January 2024, December 2024 and December 2025). These amounts were outstanding as of 31 December 2023 (with the initial payment of €8.5 million euros plus the first payment of €2.8 million euros having been paid in January 2024).

During 2022, the main additions of intangible assets amounted to €67.6 million and corresponded largely to:

- Payments in the first quarter of 2022 for three milestones linked to the launch in the first three European markets of Wynzora under the aforementioned licence signed with MC2 Therapeutics, for an aggregate amount of €3 million.
- The upfront payment for access to the EVOiR&D technology platform in the amount of €6 million, in accordance with the above-mentioned contract signed with Evotec.
- The payment of US\$0.8 million (equivalent to €0.8 million) in accordance with the aforementioned licence agreement signed with Athenex for the achievement of the milestone related to the start of recruitment for a Klisyri line extension study. In addition, a commercial milestone of US\$2.5 million (equivalent to €2.3 million) accrued and was outstanding as of 31 December 2022.
- The initial payment of US\$15 million (equivalent to €15.7 million) for the aforementioned agreement signed with Simcere.
- The disbursement of US\$20 million (equivalent to €20.1 million) following the EMA's announcement of acceptance of the marketing authorisation application (MAA) for Lebrikizumab for atopic dermatitis under the aforementioned licence agreement signed with Eli Lilly.
- US\$12 million (€12.6 million) payment linked to a milestone payment for Ilumetri sales achievement under the aforementioned licensing agreement signed with Sun Pharma.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

The disposals in 2023 are mainly due to the discontinuation of Veltin, resulting in a loss of €1.2 million recorded under “Net gain/loss on disposal of assets” in the profit and loss statement for the year ended 31 December 2023 (Note 19).

Transfers in 2023 and 2022 mainly relate to Ebglyss, following its approval and subsequent launch at the end of 2023, amounting to €178.5 million, and to the implementation of software applications to monitor commercial activity.

At 31 December 2023 and 2022, the amount of fully amortised intangible assets in operation (excluding goodwill) is €99.2 million and €90.9 million, respectively.

The aggregate amount of Research and Development Expenses recognised as costs in the consolidated profit and loss statement for 2023 and 2022 totals of €112.1 million and €99.2 million, respectively. These amounts include both the amortisation amount of assets assigned to research and development activities, as well as the expenses incurred by Company staff and expenses incurred by third parties.

At 31 December 2023 and 2022, the Company has not performed any impairment tests as there is no indication of impairment of its intangible assets.

However, for the most significant intangible assets in progress based on value in use calculations, as at 31 December 2023 and 2022, the Company has prepared the corresponding impairment test as described in Note 4c, as well as the main sensitivity analyses.

The main assumptions used in the impairment tests for the years ending on 31 December 2023 and 2022 were as follows:

Asset or Cash Generating Unit	Assumption 2023			Assumption 2022		
	p.t.d.	a.t.d.	p.i.g.r.	p.t.d.	a.t.d.	p.i.g.r.
Rights acquired from Ichnos for the whole world	11.5%	9.0%	(15)%	11.5%	9.0%	(15)%
Rights acquired from Simcere for the whole world (except China)	11.0%	9.0%	(15)%	N/A	N/A	N/A

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

The gross margin for impairment testing purposes is calculated on the basis of net turnover, net of Procurements and Royalties (which are included in caption Leases and royalties, under Other operating expenses (Note 19)).

At 31 December 2023 and 2022, the sensitivity analysis performed due to reasonably possible variations in the main key assumptions (as described in Note 4c) does not show any impact due to impairment according to the same variables that were used.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

6. Property, plant and equipment

The movements in this caption in the accompanying balance sheet in 2023 and 2022, as well as the most significant information affecting this caption, were as follows:

Thousands of euros	Balance as at 31/12/2022	Additions	Derecognitions	Transfers	Balance as at 31/12/2023
Land	6,215	-	-	-	6,215
Construction	19,504	-	(51)	-	19,453
Technical installations and machinery	7,919	76	-	3	7,998
Other installations	110,076	20	(169)	4,611	114,538
Other property, plant and equipment	12,339	-	-	1,044	13,383
Advances and property, plant and equipment in progress	2,005	8,196	-	(5,658)	4,543
Total cost Material	158,058	8,292	(220)	-	166,130
Accum. A. Land and construction	(8,093)	(418)	17	-	(8,494)
Accum. A. Technical plant and machinery	(6,679)	(295)	-	-	(6,974)
Accum. A. Other installations	(96,499)	(2,874)	169	-	(99,204)
Accum. A. Other property, plant and equipment	(10,261)	(915)	-	-	(11,176)
Total accumulated amortisation	(121,532)	(4,502)	186	-	(125,848)
Net value Material	36,526	3,790	(34)	-	40,282

Thousands of euros	Balance as at 31/12/2021	Additions	Derecognitions	Transfers	Balance as at 31/12/2022
Land	6,215	-	-	-	6,215
Construction	19,504	-	-	-	19,504
Technical installations and machinery	7,600	-	(38)	357	7,919
Other installations	113,575	3,121	(8,753)	2,133	110,076
Other property, plant and equipment	15,387	1,208	(4,456)	200	12,339
Advances and property, plant and equipment in progress	3,065	1,630	-	(2,690)	2,005
Total cost Material	165,346	5,959	(13,247)	-	158,058
Accum. A. Land and construction	(7,676)	(417)	-	-	(8,093)
Accum. A. Technical plant and machinery	(6,404)	(313)	38	-	(6,679)
Accum. A. Other installations	(102,524)	(2,713)	8,738	-	(96,499)
Accum. A. Other property, plant and equipment	(13,864)	(853)	4,456	-	(10,261)
Total accumulated amortisation	(130,468)	(4,296)	13,232	-	(121,532)
Net value Material	34,878	1,663	(15)	-	36,526

The additions for 2023 and 2022 are largely due to upgrades at the Company's chemical and pharmaceutical production facilities, as well as the Company's R&D centres.

The fixed assets in progress at year-end 2023 and 2022, as well as the transfers in these years, mainly relate to investments in the aforementioned production and research centres.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

In 2023 and 2022, there are no withdrawals with a significant net carrying value. Retirements correspond to write-offs mainly of fully depreciated or impaired items.

As of 31 December 2023 and 2022, the Company does not hold any non-impaired assets that are not used in operations.

As of 31 December 2023 and 2022, fully depreciated assets amount to €103.8 million and €99.9 million, respectively.

The main property owned by the Company is the R&D Centre, the net carrying value of which (including machinery, laboratory equipment and other items located there) at year-end 2023 amounts to €26,267 thousand (€24,676 thousand at year-end 2022).

The Company occupies various facilities under operating leases (Note 7).

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

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

7. Leases

At 31 December 2023 and 2022, the Company has contracted the following minimum lease payments with lessees, in accordance with the current contracts in force, without taking into account the impact of common expenses, future CPI increases or future updates of contractually agreed rents:

	Thousands of Euros	
	2023	2022
In one year	12,286	9,048
From 2 to 5 years	18,554	15,710
After 5 years	20,166	24,123

The amount of operating lease payments recognised as an expense in 2023 and 2022 respectively are as follows:

	Thousands of Euros	
	2023	2022
Operating leases recognised in profit or loss for the year	16,523	15,516

The most significant leasing contracts relate to property, vehicles and information processing equipment. These mainly include the partial lease to the investee Industrias Farmacéuticas Almirall, S.A. for a property located in Sant Andreu de la Barca which the Company uses as a production centre, as well as the lease of the Company's head office, which is currently leased to the related company Sinkasen, S.L.U. (Note 20).

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

8. Investments in group and associate companies (long and short term)

The movements in this caption in the accompanying balance sheet in 2023 and 2022, as well as the most significant information affecting this caption, were as follows:

	Thousands of Euros					
	Shareholdings in Group companies	Valuation adjustments for impairment	Long-term loans to Group companies (Note 20)	Impairment adjustments on loans to companies	Total long term	Short-term loans to Group companies (Note 20)
Balance as at 31 December 2021	1,689,699	(309,531)	-	-	1,380,168	2,186
Additions / provisions	1,010	(92,393)	-	-	(91,383)	-
Retirements / Reversals	-	-	-	-	-	(2,186)
Transfers	-	-	-	-	-	-
Balance as at 31 December 2022	1,690,709	(401,924)	-	-	1,288,785	-
Additions / provisions	23,817	(115,032)	-	-	(91,215)	7
Retirements / Reversals	-	5	-	-	5	-
Transfers	-	-	-	-	-	-
Balance as at 31 December 2023	1,714,526	(516,951)	-	-	1,197,575	7

Shareholdings in Group companies

Additions to "Investments in Group companies" during the financial year 2023 correspond to:

- The contribution of US\$25 million (equivalent to €22.8 million) to the investee Almirall, Inc. (USA) on 11 May 2023.
- The contribution of NOK 5.7 million (equivalent to €483 thousand) to the investee Almirall AS (Norway) on 27 April 2023.
- The contribution of SEK 5.7 million (equivalent to €502 thousand) to the investee company Almirall AB (Sweden) on 28 April 2023.

In December 2023 the investee Almirall International, B.V. moved its registered office to Spain and changed its name to Almirall Holding Iberia, S.L., with no impact on the valuation of the investment.

The additions to "Investments in Group companies" in 2022 relate to the incorporation of the following companies, which provide intermediary services in their respective countries.

- On 9 March 2022, the company BMCK XIII Delta s.r.o., based in Prague (Czech Republic), was incorporated for the amount of CZK 10 thousand (equivalent to €0.4 thousand) and renamed Almirall s.r.o. on 10 March 2022. Subsequently, on 10 June 2022 an additional contribution of €500 thousand was made.
- On 12 July 2022, Almirall s.r.o., based in Bratislava (Slovak Republic), was incorporated for the amount of €5 thousand. Subsequently, on 7 December 2022 an additional contribution of €500 thousand was made.
- On 28 October 2022, the company NFH 211016 AS, based in Oslo (Norway), was incorporated for an amount of NOK 30 thousand (equivalent to €3 thousand), and its name was changed to Almirall AS on 28 October 2022.
- On 1 November 2022, Goldcup 31889 AB, based in Stockholm (Sweden), was incorporated for the amount of SEK 25 thousand (equivalent to €2.3 thousand), and its name was changed to Almirall AB on 17 November 2022.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

The detail and movement by company of this caption in 2023 and 2022 is as follows:

Company	Thousands of Euros					
	2023		2022		Additions/(Retirements)	
	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 Holding Iberia, S.L. (1)	144,203	-	144,203	-	-	-
Almirall Europa Derma, S.A.	261	(24)	261	(29)	-	5
Almirall Hermal GmbH	359,270	-	359,270	-	-	-
Almirall, GmbH	1,485	-	1,485	-	-	-
Almirall, ApS	17	-	17	-	-	-
Almirall Inc.	759,325	(516,927)	736,494	(401,895)	22,831	(115,032)
Poli Group Holding, SRL	380,270	-	380,270	-	-	-
Almirall s.r.o (Czech Republic)	500	-	500	-	-	-
Almirall s.r.o (Slovakia)	505	-	505	-	-	-
Almirall AS	486	-	3	-	483	-
Almirall AB	505	-	2	-	503	-
TOTAL	1,714,526	(516,951)	1,690,709	(401,924)	23,817	(115,027)

(1) Formerly Almirall International, B.V.

Details of the corresponding information on holdings in Group companies are included in the Appendix to these notes.

The information relating to interests in group companies that are dormant as at 31 December 2023 and 2022 is as follows:

Name Address Activity	2023		2022	
	Almirall Europa Derma, S.A. (*) Spain	Laboratorios Tecnobio, S.A. Spain	Almirall Europa Derma, S.A. (*) Spain	Laboratorios Tecnobio, S.A. Spain
	Dormant	Dormant	Dormant	Dormant
Fraction of capital held	100%	100%	100%	100%
Book value of the shareholding				
Cost	261	127	261	127
Valuation adjustment	(24)	-	(29)	-

(*) Formerly known as Almirall Aesthetics, S.A.

Impairment losses

The additions in 2023 under “Impairment losses on investments in Group companies” relate mainly to the €115 million impairment loss on the investee Almirall, Inc. based on the updated impairment test performed on the basis of the revised business plan for the US subsidiary Almirall LLC (wholly owned subsidiary of Almirall Inc.). A valuation adjustment of €92 million was recorded for the same holding in 2022.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

The methodology used 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 the 5-year period are extrapolated using the standard growth rates indicated below.

The recoverable amount is defined as whichever is the greater of the following amounts: fair value less costs to sell; or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessments of the time value of money and any risks specific to the asset.

The estimated financial projections consist of estimated after-tax net cash flows. The latter are determined, in turn, based on the estimated sales, gross margins and other expected costs for each cash-generating unit. The projections are based on reasonable and well-founded assumptions and a markedly conservative approach in order to reduce future exposure to possible additional impairments in each cash-generating unit, which consists of the cash-generating unit as a whole.

The main assumptions for impairment discounting are as follows:

Investee company	Assumption 2023 (*)	Assumption 2022 (*)
Almirall, Inc	p.t.d.: 8.5% - 8.9% a.t.d.: 8.5% p.i.g.r.: (5)% - (15)%	p.t.d.: 8.9% - 11.7% a.t.d.: 7.5% - 9% p.i.g.r.: (5)% - (15)%

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

From the sensitivity analysis performed in 2023, a maximum value impact for the US cash generating unit of €-30 million (€ -34 million in 2022) has been identified.

Impairment losses are recognised under "Impairment and gains/losses on disposal of fixed assets and investments in Group companies" in the accompanying profit and loss statement.

According to the estimates and projections available to the directors of the Company, except as indicated above, the forecasts of earnings and discounted cash flows of the remaining investments in group companies adequately support the value of the remaining recorded investments.

9. Financial investments (long-term v short-term)

Long-term financial investments

The breakdown of the balance of this item in the balance sheets at 31 December 2023 and 2022 along with the movement in the years then ended are as follows:

	Thousands of Euros			
	Long-term securities portfolio	Long-term loans and other financial assets	Deposits and guarantees	Total long term
Balance as at 31 December 2021	12	78,848	650	79,511
Additions	35	12,029		12,064
Decreases	-	2	(271)	(269)
Transfers	-	(57,975)	-	(57,975)
Balance as at 31 December 2022	47	32,904	379	33,331
Additions	47	2,994	554	3,595
Decreases	-	(2)	(358)	(360)
Transfers	-	(15,003)	-	(15,003)
Balance as at 31 December 2023	94	20,893	575	21,563

Almirall, S.A.

Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

The item "Long-term loans and other financial assets" includes, mainly in the amount of €20,893 thousand (€32,904 thousand on 31 December 2022), the financial asset corresponding to the fair value of future payments to be received in the long term from Covis Pharma GmbH. This asset originated in November 2014 when the Company transferred to AstraZeneca the rights to part of its respiratory franchise (Eklira and Duaklir, and other brands with the compound acilidium bromide), a contract that included several components that involved receiving cash and deferred payments based on certain future milestones. On 5 January 2022, the agreement between AstraZeneca and Covis Pharma GmbH for the transfer of these rights entered into force. The agreement with AstraZeneca was novated to Covis Pharma GmbH, and as a result, in addition to continuing to receive royalty payments under the terms initially established with AstraZeneca, the Company received US\$10 million (equivalent to €8.8 million) on the date when the transaction was completed, as well as US\$40 million in different tranches until September 2023 (25 million in 2022 and 15 million in 2023), mainly linked to certain changes in the initially established milestone structure. At 31 December 2023, the remaining amount receivable consists entirely of the net present value of royalties receivable from 2025 onwards. The royalties receivable in 2024 are classified under the heading "Short-term financial investments".

The fair value of this transaction was determined upon initial recognition by an independent expert. The method used consisted in discounted cash flows adjusted for the probability of success of certain risks associated with the different phases of the products. Using this method, the future cash flows generated by the asset are estimated (converted from USD to euros at the exchange rate according to the range of dates stipulated in the agreement) for the estimated marketing period, taking into account the expiration of the patent. These cash flows are discounted at a rate that reflects the current required rate of return on the market and the specific risks of the asset. Changes in the fair value of this financial asset are recorded under the heading "Other operating income" in the profit and loss statement (Note 19).

The main assumptions and considerations applied in the valuation of financial assets as of 31 December 2023 are as follows:

- Level of revenue reached in future years derived from the contract with Covis Pharma GmbH.
- Discount rate: depending on the countries where the cash flows will be obtained by Covis Pharma GmbH, resulting in an overall weighted average of approximately 12.2%.

The changes of these assets in the Balance Sheet and the cash flows that have occurred, as shown in detail in the cash flow statement, are detailed below:

Thousands of euros	Balance as at 31/12/2022	Changes in fair value	Transfers	Cash Flow	Balance as at 31/12/2023
Long-term financial investments	32,902	2,994	(15,003)	-	20,893
Short-term financial investments	29,196	-	15,773	(31,771)	13,198
Trade and other receivables	770	-	(770)	-	-
Total	62,868	2,994	-	(31,771)	34,091

Thousands of euros	Balance as at 31/12/2021	Changes in fair value	Transfers	Cash Flow	Balance as at 31/12/2022
Long-term financial investments	78,848	12,029	(57,975)	-	32,902
Short-term financial investments	19,327	-	57,205	(47,336)	29,196
Trade and other receivables	-	-	770	-	770
Total	98,175	12,029	-	(47,336)	62,868

The cash flows for 2023 have been received entirely from Covis Pharma GmbH, corresponding to 3 of the aforementioned tranches (€13.8 million) and the remainder to royalties (€17.9 million). The cash flows for 2022 corresponded to AstraZeneca's partial payment for the novation (€8.8 million), and the rest from Covis Pharma GmbH, meaning five of the aforementioned tranches (€23.5 million), and the remainder corresponded to royalties (€15.0 million).

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

Short-term financial investments

The itemisation of the balance of this heading at 31 December 2023 and 2022 in the balance sheet is as follows:

	Thousands of Euros	
	2023	2022
Short-term loans	13,198	29,196
Deposits and guarantees	88	404
Total	13,286	29,600

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

The heading "Short-term receivables" corresponds to the fair value of future payments to be received in the short term from Covis Pharma GmbH as described earlier in this note.

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

	Thousands of Euros	
	2023	2022
<u>Financial assets at amortised cost</u>		
Other financial assets	758	833
<u>Financial assets measured at fair value through profit and loss:</u>		
Other financial assets (Covis Pharma GmbH)	34,091	62,098
Total	34,849	62,931

The determination of the fair value of the various financial instruments for which it is applicable is carried out in accordance with the following rules:

- Fixed-income securities: where these are unlisted securities or securities with a maturity of six months or less, it is calculated on the basis of the acquisition cost plus accrued interest, calculated in accordance with the internal rate of return.
- Other financial assets: The fair value of "Financial assets at fair value through profit or loss" has been obtained based on the discounted cash flow method adjusted for the probability of success of certain risks associated with the different phases of the products. Using this method, the future cash flows generated by the asset are estimated (converted from USD to euros at the exchange rate according to the range of dates stipulated in the agreement) for the estimated marketing period, taking into account the expiration of the patent, and these estimated future cash flows are adjusted for estimated probabilities of success. These probabilistic cash flows are discounted at a rate that reflects the current required rate of return on the market and the specific risks of the asset (Note 4k).

There are no significant differences between the net book value and the fair value of these assets.

In addition, the bank accounts included under the Cash and cash equivalents headings were mostly non-interest-bearing during the years ending on 31 December 2023 and 2022.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

10. Stocks

At 31 December 2023 and 2022, the composition of this heading is as follows:

	Thousands of Euros	
	2023	2022
Goods	9,949	9,543
Raw materials and other supplies	24,819	25,746
Semi-finished products	14,487	12,467
Finished products	58,096	33,709
Advances to suppliers	126	8
Valuation adjustments (Note 19)	(4,024)	(3,529)
Total	103,453	77,944

The inventory balance at year-end 2023 has increased significantly as a result of the initial supply of various products launched during the year (mainly Ebglyss and Physiorelax), the increase in demand for some of the licensed products (Ilumetri, Crestor and Wyzora) and the punctual supply of finished products and raw materials due to internalisation of the production of the product marketed under the Klisyri brand name.

The movement in the valuation adjustment for impairment of inventories is detailed in Note 19.

On 31 December 2023 and 2022, there are no commitments to purchase stock that are worthy of note. In addition, no stock is subject to guarantee.

The Company has taken out insurance policies to cover the risks to which inventories are subject. The coverage of these policies is considered sufficient.

11. Trade and other receivables

At 31 December 2023 and 2022, the composition of this heading is as follows:

	Thousands of Euros	
	2023	2022
<u>Financial assets at amortised cost</u>		
Trade receivables for sales and services	33,499	33,001
Customers, group companies and associates (Note 20)	72,001	54,737
Other receivables	7,421	-
Staff	46	94
Valuation adjustments (Note 19)	(154)	(68)
<u>Balances with Public Administrations:</u>		
Current tax assets and Other receivables from tax authorities (Note 18)	13,681	14,417
Total	126,494	102,181

The Company performs an individual analysis of past-due customer balances to identify potential insolvency risks and, based on this analysis, makes a provision for bad debts. The change in the provision for impairment losses on receivables is included in Note 19.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

The attached tables reflect the ageing analysis from the maturity date of the financial assets that are subject to default risk or impaired at 31 December 2023 and 2022:

	Thousands of euros			
	Trade receivables for sales and services	Other receivables	Valuation adjustments for impairment	Total
Not matured	97,652	7,421	-	105,073
Less than 30 days	537	-	-	537
From 30 to 60 days	(152)	-	-	(152)
From 60 to 90 days	1,617	-	-	1,617
From 90 to 120 days	1,261	-	-	1,261
From 90 to 180 days	3,981	-	-	3,981
More than 180 days	605	-	(154)	451
Balance as at 31 December 2023	105,500	7,421	(154)	112,767
Not matured	45,449	-	-	45,449
Less than 30 days	30,965	-	-	30,965
From 30 to 60 days	5,971	-	-	5,971
From 60 to 90 days	874	-	-	874
From 90 to 120 days	2,953	-	-	2,953
From 90 to 180 days	265	-	-	265
More than 180 days	1,018	-	(68)	950
Balance as at 31 December 2022	87,495	-	(68)	87,427

At 31 December 2023 and 2022 there is no concentration of credit risk with respect to trade receivables, since the Company has a large number of customers.

At 31 December 2023 and 2022 there are no guarantees on customer balances.

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

At 31 December 2023, the customer balance in foreign currencies amounts to €10.6 million, mostly in Swiss francs (31 December 2022: €8.6 million).

12. Equity

Share capital

At 31 December 2023, the Company's share capital consists of 209,393,724 shares of €0.12 par value each, fully subscribed and paid up (181,515,368 shares of €0.12 par value each at 31 December 2022).

On 7 June 2023, a total of 3,488,113 new shares from the scrip dividend of the Company were admitted to trading on the Barcelona, Madrid, Bilbao and Valencia stock exchanges. These shares are representative of the holders of 92.2% of the rights to be allotted shares at no charge, who opted to receive new shares instead of cash. Consequently, the share capital of the Company following the bonus issue has been increased by 418,573.56 euros.

Subsequently, on 12 June 2023, a total of 24,390,243 shares belonging to the same class and series as the shares currently outstanding were issued, by means of cash contributions and excluding the preemptive subscription rights of the Company's shareholders, through a private placement aimed exclusively at qualified investors. This placement was finally closed with an issue price of 8.2 euros per share, representing a total disbursement of 199,999,992.6 euros. After deducting the costs of the capital increase, the total funds received by the Company amounted to 197.8 million euros. As a result, the share capital of the Company following this capital increase was increased by 2,926,829.16 euros, amounting to 25,127,246.88 euros on 31 December 2023.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

On 8 June 2022, a total of 1,738,566 new shares from the scrip dividend of the Company were admitted to trading on the Barcelona, Madrid, Bilbao and Valencia stock exchanges. These shares are representative of the holders of 62.86% of the rights to be allotted shares at no charge, who opted to receive new shares instead of cash. As a result, the share capital of the Company following the issue of fully paid-up shares was increased by €208,628, amounting to €21,781,843.92 on 31 December 2022 (represented by 181,515,368 shares).

As of 31 December 2023 and 2022, all of the Company's shares are listed on the Spanish stock exchanges, and there were no statutory restrictions on their free transfer. Moreover, pursuant to the shareholders' agreement signed on 28 May 2007, first refusal rights, and put and call options have been granted between ultimate shareholders in the Company with respect to the shares of one of such shareholders.

The shareholders with significant holdings in the share capital of Almirall, S.A., both direct and indirect, in excess of 3% of the share capital, of which the Parent Company is aware, according to the information contained in the official records of the National Securities Market Commission (CNMV) as of 31 December 2023 and 2022, are as follows:

Name or company name of the direct holder of the interest	2023	2022
	% Interest	% Interest
Grupo Plafin, S.A.	44.5%	41.9%
Grupo Corporativo Landon, S.L.	15.6%	17.7%
Norbel Inversines	5.1%	-
Wellington Management	5.0%	5.1%
Total	70.2%	64.7%

As of 31 December 2023 and 2022, the Company was not aware of any other holdings equal to or greater than 3% of the share capital or voting rights of the Company, which, although less than the established percentage, would enable the exercise of significant influence over the Company.

Legal reserve

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

At 31 December 2023 and 2022, the balance of this item amounts to €4,275 thousand.

Share premium

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

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

As a result of the increase in fully-paid share capital as a result of the scrip dividend, this item was increased by the difference between the par value of the shares and the value equivalent to the dividend, which amounts to €31,478 thousand (€21,530 thousand in the financial year 2022).

Subsequently, as a result of the capital increase on 12 June 2023 through a private placement, the balance of this account increased by €197,073 thousand as a result of the difference between the issue price (8.2 euros) and the par value (0.12 euros). After these two capital increases, the balance of the share premium item amounted to €551,139 thousand at 31 December 2023 (€322,588 thousand at 31 December 2022).

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

Other reserves

At 31 December 2023 and 2022 the itemisation of this heading is as follows:

	Thousands of euros	
	2023	2022
Voluntary reserves	931,020	967,182
Reserves Investments Canary Islands	3,485	3,485
Reserve amortised capital	30,540	30,540
Revaluation reserve	2,539	2,539
Reserve merger	4,588	4,588
Total other reserves	972,172	1,008,334

There is a limit on distributions that would reduce the balance of reserves to an amount less than the total outstanding balance of development costs, which come to €14,118 thousand on 31 December 2023 (€9,234 thousand on 31 December 2022).

Reserves Investments Canary Islands

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

At 31 December 2023 and 2022, the balance of this item amounts to €3,485 thousand.

Reserves for amortized capital

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

At 31 December 2023 and 2022, the balance of this item amounts to €30,540 thousand.

Revaluation reserve

As permitted by commercial law, the Company revalued its fixed assets in 1996. This balance may be used, free of tax, to offset accounting losses, both accumulated losses from previous years and losses of the current year, or losses which may arise in the future, and to increase the company's share capital. As from 1 January 2007 (after ten years from the balance sheet date on which the revaluation transactions were reflected) it may be taken to unrestricted reserves, provided that the monetary surplus has been realised. The capital gain shall be deemed to be realised to the extent of the depreciation taken for accounting purposes or when the revalued assets have been transferred or written off in the accounting records.

If the balance of this account is used in a manner other than that provided for in Royal Decree-Law 7/1996, it will be subject to taxation.

At 31 December 2023 and 2022, the balance of this item amounts to € 2,539 thousand and is available.

Treasury shares and equity interests

The Company has a liquidity contract with a financial intermediary, effective as from 4 March 2019, with the aim of favouring liquidity and stability of prices of the Company's shares, within the limits established by the General Shareholders' Meeting and by current regulations, in particular, Circular 1/2017, of 26 April, of the National Securities Market Commission (CNMV), on liquidity contracts. This contract means that as at 31 December 2023 the Company holds treasury shares representing 0.09% of the share capital (0.10% on 31 December 2022) and an overall nominal value of €23 thousand (€21.7 thousand at 31 December 2022), which have been recognised in accordance with current regulations. The average acquisition price of these shares in the financial year 2023 was €8.6 per share (€9 per share in the financial year 2022). The Company's own shares are intended to be traded on the market.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

13. Long-term prepayments and accruals

As of 31 December 2023 and 2022, the balance and movement in "Long-term accruals" on the liability side of the Balance Sheet is as follows:

	Thousands of Euros
Balance as of 31 December 2021	1,842
Allocation to profit and loss	(539)
Balance as of 31 December 2022	1,303
Allocation to profit and loss	(921)
Balance as of 31 December 2023	382

During 2023 and 2022, the Company has not concluded any contracts that involve deferred revenue in addition to those described in Note 5 to these notes.

14. Long-term provisions

During the financial years 2023 and 2022, the changes in the heading "Long-term provisions" in the accompanying balance sheet were as follows:

	2023			2022		
	Provision for returns	Other provisions	Total	Provision for returns	Other provisions	Total
Balance as of 1 January	4,485	20,545	25,030	4,485	29,339	33,824
Additions and provisions	-	5,440	5,440	-	500	500
Retirements or applications	(50)	(4,808)	(4,858)	-	(5,305)	(5,305)
Transfers	-	(1,242)	(1,242)	-	(3,989)	(3,989)
Balance as of 31 December	4,435	19,935	24,370	4,485	20,545	25,030

Provision for returns

The provision for product returns corresponds to the amounts necessary to cover possible losses due to returns that will occur in the future as a result of sales made in the current and previous years. This provision has been calculated as described in Note 4j.

Other provisions

The amount of other provisions refers mainly to the provision for long-term remuneration (see Note 4r) and to the Company's estimate of the disbursements that it would have to make in the future to meet other liabilities arising from the nature of its business. Additions and disposals in the current year mainly relate to additions to and reversals of these provisions, and transfers relate to reclassifications to short-term. This provision has been calculated as described in Note 4r.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

15. Financial liabilities

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

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

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

- Financial liabilities valued at amortised cost:

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

The composition of the debts with credit institutions and other financial liabilities as of 31 December 2023 and 2022 is as follows:

	Limit	Balance drawn down (*)	Current	Non-current		
				2025	Rest	Total
<u>Financial liabilities at amortised cost</u>						
Credit facilities	275,000	-	-	-	-	-
Debts with credit institutions	80,000	55,000	10,000	10,000	35,000	45,000
Senior unsecured bonds	300,000	296,851	-	-	296,851	296,851
Accrued interest to be paid	-	2,398	2,398	-	-	-
<u>Financial liabilities at fair value through profit or loss</u>						
Liabilities for derivative financial instruments	-	1,569	1,569	-	-	-
Total as at 31 December 2023	655,000	355,818	13,967	10,000	331,851	341,851

(*) Balance drawn down net of issuance costs.

	Limit	Balance drawn down (*)	Current	Non-current		
				2024	Rest	Total
<u>Financial liabilities at amortised cost</u>						
Credit facilities	275,000	-	-	-	-	-
Debts with credit institutions	80,000	65,000	10,000	10,000	45,000	55,000
Senior unsecured bonds	300,000	295,758	-	-	295,758	295,758
Accrued interest to be paid	-	2,377	2,377	-	-	-
<u>Financial liabilities at fair value through profit or loss</u>						
Liabilities for derivative financial instruments	-	25	25	-	-	-
Total as at 31 December 2022	655,000	363,160	12,402	10,000	340,758	350,758

(*) Balance drawn down net of issuance costs.

Debts with credit institutions

On 17 July 2020, the Company arranged a revolving credit facility for €275 million, for an initial term of three years with the possibility of an extension for an additional year (this renewal was granted on 30 June 2021), and this facility was earmarked for general corporate purposes. The credit facility contract obliges the Company to comply with a series of covenants, including most notably compliance with a ratio of "Consolidated net financial debt / consolidated EBITDA". This covenant is fulfilled on 31 December 2023 and 2022.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

On 2 February 2024, this policy has been novated for the same amount, maintaining the same contractual conditions and for an initial term of 4 years (with the possibility of an extension of 1 additional year), intended for general corporate uses (Note 26).

On 27 March 2019, the Company arranged a loan facility with the European Investment Bank (EIB) for up to 120 million euros to fund its research and development efforts, with the objective of providing cutting-edge innovation and differentiated therapies in the area of medical dermatology. On 17 April 2019, the first tranche of €80 million was granted, with 32 equal repayments of principal between 17 April 2021 and 17 April 2029, with the latter date being the final maturity. Due to the issue of new debt in 2021, the interest rate has temporarily increased by 0.30%. The loan agreement requires the Company to comply with a series of covenants, including most notably compliance with a "Net financial debt / EBITDA" ratio and a "Financial leverage of subsidiaries / consolidated EBITDA" ratio, which are complied with as of 31 December 2023 and 2022.

Senior unsecured bonds

On 22 September 2021, the Company proceeded to conclude and disburse an issuance of senior unsecured bonds for an aggregate nominal amount of €300 million, at a fixed annual interest rate of 2.125%, maturing on 22 September 2026. The bonds were placed among qualified investors by BNP Paribas and JP Morgan AG, as coordinating entities. The effective interest rate of these bonds is 2.5% and, as at 31 December 2023, there is unpaid accrued interest of €1,859 thousand (€1,864 thousand on 31 December 2022).

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

Derivative financial instruments

On 10 May 2018, the Ordinary General Meeting of Shareholders arranged the completion of a swap transaction of interest rate and shares ("Equity swap"). This transaction entered into force by means of a contract dated 11 May 2018 with Banco Santander, S.A., whereby the Company undertakes to pay a variable interest to the bank as compensation and Banco Santander, S.A. undertakes, as acquirer of underlying ordinary shares of the Company (with a maximum nominal limit of 2.99% of the share capital (5,102,058 shares or €50 million), to hand over the dividend received for its investment in the Company and to sell the shares of the Company to the company itself on maturity. This instrument has been renewed in December 2023 for 2 years.

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

Consequently, under the heading "Assets resulting from derivative financial instruments" (in the case of unrealised gains) or "Liabilities resulting from derivative financial instruments" (in the case of unrealised losses), the fair value of the derivative has been recognised, which corresponds to the difference between the fair value of the underlying asset (2,510,952 shares equivalent to €35.1 million, corresponding to 1.4% of the Company's share capital). The following table details the impacts at 31 December 2023 and 2022:

	Thousands of euros	
	31/12/2023	31/12/2022
Underlying asset:		
Fair value	21,155	22,699
Acquisition cost	35,073	35,073
Capital gain / (capital loss)	(13,918)	(12,374)
Disbursements made to date	12,349	12,349
Asset / (liability) per derivative financial instrument	(1,569)	(25)
Profit / (Loss) for the year (Note 19)	(1,544)	(5,675)

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

16. Other financial liabilities

On 31 December 2023 and 2022 the composition of Other financial liabilities is as follows:

	Thousands of Euros					
	Current	Non-current				
		2025	2026	2027	Rest	Total
Loans linked to research	1,004	1,096	316	479	2,909	4,800
Debts for purchases of fixed assets	83,772	2,494	-	-	7,831	10,325
Deposits received	-	-	-	-	25	25
Total as at 31 December 2023	84,776	3,590	316	479	10,765	15,150

	Thousands of Euros					
	Current	Non-current				
		2024	2025	2026	Rest	Total
Loans linked to research	1,354	898	1,124	107	340	2,469
Debts for purchases of fixed assets	8,058	-	-	-	-	-
Total as at 31 December 2022	9,412	898	1,124	107	340	2,469

Loans linked to research refer to zero-interest loans granted by the Ministry of Science and Technology to promote research, and are presented as described in Note 4f. The granting of these loans is subject to compliance with carrying out certain investments and expenses, and the loans mature between 2024 and 2038.

Debts for purchases of fixed assets in 2023 and 2022 refer basically to disbursements pending the acquisition of goods, products and marketing licenses contracted in the fiscal year and prior years. The balance at 31 December 2023 mainly includes the outstanding payments to Sun Pharma, Lilly, Eterna and Simcere described in Note 5 (equivalent to a total of €75 million), which were paid in January 2024. In addition, the balances classified as non-current correspond mainly to the agreements signed in 2023 with Novartis and Eterna, described in Note 5. The balance at 31 December 2022 mainly included the amount corresponding to the outstanding payments to Athenex described in Note 5 and which were paid in January 2023.

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

17. Commitments, contingent liabilities and contingent assets

a. Commitments

As a result of the research and development activities carried out by the Company, on 31 December 2023 and 2022, firm agreements had been entered into for the performance of these activities at a cost of €64.9 million and €45.8 million, respectively, to be paid in future periods. As of 31 December 2023 and 2022, there are no significant commitments to purchase property, plant and equipment.

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

As of 31 December 2023, the Company has set up various guarantees with the public administration and third parties for an amount of €7,160 thousand (€7,466 thousand as of 31 December 2022).

b. Contingent liabilities

Apart from what is described in Note 5 of the notes to the annual accounts regarding contingent payments for the acquisition of intangible assets, at 31 December 2023 and 2022 there are no significant contingent liabilities that could give rise to significant additional cash outflows.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

c. Contingent assets

As at 31 December 2023 and 2022, there are no contingent assets.

18. Tax situation

Consolidated Tax Group

Almirall S.A. is subject to Corporate Income Tax under the Tax Consolidation regime, as described in Note 4o.

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

Fiscal years subject to tax inspection

On 30 June 2021, the Tax Agency notified the Company, in its capacity as representative of the tax group, of the commencement of the inspection and investigation of Corporate Income Tax (tax consolidation regime) for the 2016, 2017 and 2018 financial years. It also notified the initiation of inspection and investigation activities to the Company Industrias Farmacéuticas Almirall S.A., as well as Ranke Química, S.A., regarding Value Added Tax, Withholdings and Payments on account of capital gains, Withholdings and payments on account of work/professional income, and Withholdings and payments on account due to non-resident taxation for the periods between July 2017 and December 2018. These inspections were finalised with the signing of the certificates of conformity on 31 March 2023, without any significant amounts arising therefrom.

Consequently, the Company and the companies forming part of the Spanish tax group of which it is the parent are currently being audited for FY 2019 to 2022 regarding Corporate Income Tax, and for FY 2020 to 2023 for all other applicable taxes.

In general, due to the different ways in which the tax regulations may be interpreted, or the inspections that may be carried out in the future by the tax authorities, for the years subject to verification, may give rise to tax liabilities of an amount that cannot be objectively quantified at present. In the opinion of the Company's Directors, however, the possibility of significant liabilities arising in this respect, in addition to those recognised, is remote.

Balances held with the Public Administration

At 31 December 2023 and 2022, current receivables from and payables to tax authorities are as follows:

	Thousands of Euros	
	2023	2022
Tax authorities (Hacienda) VAT owed	6,125	4,857
Tax authorities (Hacienda) Corporate Income Tax owed	7,265	8,723
Tax authorities (Hacienda) owed for other items	291	837
Total debtor balance	13,681	14,417
Tax authorities (Hacienda) foreign VAT receivable	1,826	2,169
Tax authorities (Hacienda) Corporate Income Tax receivable	89	-
Withholdings of personal income tax	3,442	3,943
Social Security Agencies creditors	880	863
Tax authorities (Hacienda) receivables for other items	3	-
Total credit balances	6,240	6,975

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

Income tax recognised

The reconciliation of the Company's accounting profit and individual taxable income for 2023 and 2022 is as follows:

	Thousands of Euros	
	2023	2022
Earnings before tax	(60,823)	(51,420)
Permanent differences:		
Increase	118,781	93,610
Decrease	(48,784)	(12,222)
Temporary differences:		
Increase	5,382	978
Decrease	(20,736)	(13,524)
Preliminary tax base	(6,180)	17,422
Offsetting of tax loss carry forwards	-	(6,567)
Tax base	(6,180)	10,855

The decrease in the tax base for permanent differences in 2023 and 2022 basically corresponds to the reduction of income from the disposal of intangible assets as well as the double taxation exemption of dividends received, while the increases basically correspond to impairment losses on portfolios as well as provisions considered to be non-tax deductible.

In addition, income taxes recognised in the profit and loss statement and in equity in 2023 and 2022, are as follows:

	Thousands of Euros	
	Expense / (Income)	
	2023	2022
<u>Corporate income tax recognised in the profit and loss statement:</u>	(669)	6,247
Current corporate income tax	-	2,714
Deferred corporate income tax	(642)	3,501
Taxation abroad	(27)	32
<u>Corporate income tax recognised in equity</u>	445	-
Total	(224)	6,247

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

Reconciliation of accounting and tax results

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

	Thousands of Euros	
	2023	2022
Earnings before tax	(60,823)	(51,420)
Permanent differences:		
Increase	118,781	93,610
Decrease	(48,784)	(12,222)
Adjusted accounting profit	9,174	29,968
Tax rate	25%	25%
Gross Tax	2,294	7,492
Deductions:		
-Discounting of R&D monetisation	987	927
-Capitalisation of deductions	(5,500)	-
-Deactivation of deductions from previous years	-	1,332
Corporate income tax paid abroad	27	32
Tax consolidation effect	632	(3,612)
Others	891	76
Expense / (Income) accrued for Corporate Income Tax	(669)	6,247

At 31 December 2023, the current corporate income tax of Almirall, S.A. consists of a zero current tax, interim income and withholdings receivable of €2,855 thousand and €460 thousand, respectively, and a net amount receivable from the tax authorities in respect of monetisation of deductions provided for in article 39.2 of the Spanish Corporation Tax Law of €3,949 thousand.

At 31 December 2022, the current corporate income tax of Almirall, S.A. consisted of a current tax payable amounting to €2,956 thousand, interim income and withholdings receivable amounting to €7,969 and €0 thousand, respectively, and a net amount expected to be collected by the tax authorities in respect of monetisations of deductions provided for in article 39.2 of the Spanish Corporation Tax Law amounting to €3,710 thousand.

The Company has complied with the following requirements in order to be able to apply such monetisation:

- a) At least one year has elapsed since the end of the tax period in which the deduction was generated, without the deduction having been applied.
- b) The average number of employees or, alternatively, the average number of employees assigned to research and development and technological innovation activities has not been reduced since the end of the tax period in which the deduction was generated until the end of the period referred to in point (c) below.
- c) An amount equivalent to the deduction applied or paid is used for research and development and technological innovation expenses or for investments in tangible fixed assets or intangible fixed assets exclusively assigned to such activities, excluding real estate, within 24 months following the end of the tax period in whose tax return the corresponding application or request for payment is made.
- d) The entity has obtained a reasoned report on the qualification of the activity as research and development or technological innovation or a prior agreement on the valuation of the expenses and investments corresponding to these activities.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

The nature and amount of the deductions applied in 2023 and 2022, and those pending application as of 31 December 2023 and 2022 are as follows:

Nature	Thousands of Euros			
	2023		2022	
	Compensated	Pending compensation	Compensated	Pending compensation
Research and Development	4,937	337,174	6,029	323,753
Technological Innovation	-	3,323	-	3,323
International Double Taxation	-	23	638	-
Reinvestment of extraordinary profits	-	67	-	67
Donations	-	328	-	300
Temporary measures	-	324	-	321
Total deductions credited	4,937	341,239	6,667	327,764
Total deductions recognised in the Balance Sheet		144,980		144,315

Currently, there is no time limit for the application of the deductions to avoid international double taxation that have not yet been applied. However, current legislation on corporate income tax stipulates that the application is limited to 50% of the total tax liability.

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

The expiry dates of the deductions for Research and Development are detailed below:

Year generation	Cut-off year of application	Thousands of Euros			
		2023		2022	
		Compensated	Pending compensation	Compensated	Pending compensation
2007	2025	-	23,710	1,392	23,710
2008	2026	-	34,841	-	34,841
2009	2027	-	26,883	-	26,883
2010	2028	-	34,628	-	34,628
2011	2029	-	35,845	-	35,845
2012	2030	-	32,841	-	32,841
2013	2031	-	28,660	-	28,660
2014	2032	-	23,387	-	23,387
2015	2033	-	12,247	-	12,247
2016	2034	-	11,521	-	11,521
2017	2035	-	9,824	-	9,824
2018	2036	-	8,908	-	8,908
2019	2037	-	9,786	-	9,786
2020	2038	-	7,823	-	7,823
2021	2039	-	7,470	4,637	7,470
2022	2040	4,937	10,443	-	15,380
2023	2041	-	18,357	-	-
Total R&D deductions		4,937	337,174	6,029	323,753

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

In addition, as of 31 December 2023 and 2022, the Company has recognised as deferred tax assets the tax effect of tax loss carryforwards generated by the entire tax group, the amounts and year of generation of which are as follows:

	2023	2022
Generated in the financial year 2017	16,532	17,325
Generated in the financial year 2019	106,103	106,103
Generated in the financial year 2021	3,255	3,255
Total (tax loss carryforwards)	125,890	126,683

There is no time limit on the application of these tax loss carry forwards pending offset.

Deferred taxes

The breakdown of deferred tax assets and liabilities recorded on the balance sheet is as follows:

	2023	2022
Deferred tax assets	179,708	180,441
Deferred tax liabilities	(33,748)	(31,064)
Deferred taxes (net)	145,960	149,377

The amount of net deferred tax assets that will reverse in a period of less than 12 months amounts to €8.7 million at 31 December 2023 (€2.05 million at 31 December 2022).

The gross changes in the tax account were as follows:

	2023	2022
At 1 January	149,377	158,546
(Charge) / Credit to the profit and loss statement	(3,875)	(4,468)
(Charge) / Credit to equity	(445)	-
Monetization R&D deductions	(4,937)	(4,637)
Capitalisation of deductions from previous years	5,500	(4,637)
Adjustments and standardisations	340	(64)
At 31 December	145,960	149,377

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

	2023		2022	
	Differences in cumulative tax bases	Cumulative effect on tax liability	Differences in cumulative tax bases	Cumulative effect on tax liability
Amortisation of intangible assets	4,002	1,001	7,152	1,788
Provisions	9,019	2,255	10,671	2,667
For deductions pending offset		144,980	-	175,986
For Tax Loss Carryforwards pending offset		31,473		-
Total deferred tax assets		179,708		180,441
Freedom of amortization R.D. 27/84, 2/85, 3/93	14,767	3,692	15,418	3,854
Goodwill amortisation	118,444	29,611	108,840	27,210
Others	-	445	-	-
Total deferred tax liabilities		33,748		31,064

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

Almirall, S.A.

Notes to the annual accounts for the financial year 2023 (Expressed in thousands of euros)

The deferred tax assets referred to previously have been recorded in the balance sheet because the Company's Directors consider that, based on the best estimate of future results, it is probable that these assets will be fully recovered within a time frame of up to 10 years.

In order to determine the estimated future results that justify this recovery analysis, the following has been used as a starting point:

- Projections of estimated results corresponding to the Spanish consolidated tax group for the next 5 years (and extrapolated up to 10 years) based on the current product portfolio and structure of the group. This projection has taken into account sustained increases in future profits, resulting mainly from expected increases in sales of the Group's product portfolio, as well as significant synergies expected from the optimisation of the Group's structure.
- Estimated additional expected impacts on results in the coming years from future investments/acquisitions expected to be carried out in the medium term. For this purpose, expected target returns, as well as probabilities of success in achieving them, have been considered.

Finally, it should be noted that on 29 December 2021, Law 22/2021, of 28 December, on the General State Budget for 2022, was published in the Official State Gazette, thereby amending the Corporate Income Tax Law and establishing the concept of "minimum taxation" in Spain (as from 1 January 2022 and for an indefinite period of time). Minimum taxation implies that, depending on the size and type of entity, companies must have a minimum net tax liability (generally set at 15%). In order to determine the net tax liability, a priority is established in the allowances and deductions, so that those of lower priority cannot be deducted if they reduce taxation below the stipulated minimum, and hence they must be deferred. The concept of minimum taxation has implications for the recognition of deductions for the purposes of assessing the recoverability of deferred tax assets.

The sensitivity analysis performed on the projected taxable income (within a +/-5% range of variation) would not result in a significant impact on the annual accounts at 31 December 2023.

Global minimum complementary tax

In March 2022, the Organisation for Economic Co-operation and Development (OECD) approved its Pillar 2 international taxation model, which establishes a global minimum corporate tax rate of 15% for groups with a turnover of more than €750 million. On 23 May 2023, the IASB published an amendment to IAS 12 pertaining to Pillar 2 standards, effective for periods beginning as from 1 January 2023. The amendments to IAS 12 provide a mandatory temporary exemption from recognition of the deferred tax balances arising from the implementation of Pillar 2 legislation.

In Spain, on 19 December 2023, the Council of Ministers approved the draft bill transposing the European directive to guarantee this minimum overall taxation of 15%.

The Company is assessing the potential impact of this measure, and based on the analyses carried out, it does not expect to have significant impacts in the application thereof.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

19. Income and expenses

Net turnover

The table below provides an itemisation of turnover for the year by business activity and geographical area:

	Thousands of Euros	
	2023	2022
Domestic Market	298,943	275,395
Export	340,898	304,812
Income from royalties	924	781
Other income from licensing	17,001	22,300
Income from shareholdings in Group companies (Note 20)	45,039	8
Total	702,805	603,296

During 2023, the Company received dividends of 45 million euros from the investee Almirall Hermal, GmbH (Note 20).

Revenues related to sales/licensing agreements for the commercialisation of proprietary research products are accounted for in accordance with Note 4k.

	Thousands of Euros	
	2023	2022
Sales through own network	573,463	512,332
Sales through licensees	68,652	71,610
Income from shareholdings in Group companies (Note 20)	45,039	8
Others	15,651	19,346
Total	702,805	603,296

Other operating income

	Thousands of Euros	
	2023	2022
Other income of Group companies (Note 20)	14,893	20,371
Others	4,935	14,674
Total	19,828	35,045

“Other” mainly includes income in the amount of 3 million euros from the change in fair value of the financial asset arising from the transaction with Covis Pharma GmbH described in Note 9 above (12 million euros in 2022).

Supplies

The itemisation of this heading is as follows:

	Thousands of Euros	
	2023	2022
Purchases	226,528	188,249
Change in stocks of raw materials and other supplies	(927)	784
Change in stock of goods	406	1,421
Impairment of raw materials and other supplies	(79)	(81)
Work carried out for third parties	52,813	58,037
Total	278,741	248,410

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

The movement in the valuation adjustment for impairment of inventories of finished goods and work in progress, raw materials and other supplies is as follows:

	Thousands of Euros		
	Impairment of raw materials and other supplies	Impairment in stocks of finished or semi-finished products	Total stock impairment (Note 10)
Balance as at 31 December 2021	221	3,282	3,503
Endowment	450	15,717	16,167
Application	(531)	(15,610)	(16,141)
Balance as at 31 December 2022	140	3,389	3,529
Endowment	-	575	575
Application	(80)	-	(80)
Balance as at 31 December 2023	60	3,964	4,024

Details of purchases made by the Company during 2023 and 2022, according to their origin, are as follows (in thousands of euros):

	2023			2022		
	Domestic	Intra-Community	Imports	Domestic	Intra-Community	Imports
Purchases	47,936	112,778	65,814	48,346	98,178	41,725
Total	226,528			188,249		

Staff costs

The composition of staff costs is as follows:

	Thousands of Euros	
	2023	2022
Payroll and salaries	60,126	50,169
Social security payable by the company	10,055	8,729
Severance payments	(361)	2,401
Other welfare expenses	4,286	2,760
Total	74,106	64,058

The average number of employees of the Company in the financial years 2023 and 2022, distributed by professional category and gender, is as follows:

	2023			2022		
	Men	Women	Total	Men	Women	Total
Directors (in staff)	1	-	1	2	-	2
Executives	37	25	63	32	19	51
Managers	40	37	78	45	44	89
Technical staff	151	216	367	142	212	354
Administrative staff	27	61	88	21	55	76
Others	-	2	2	-	2	2
Total	257	341	599	242	332	574

In 2023, the average number of employees with functional diversity equal to or greater than thirty-three per cent amounts to 3 people (1 person in 2022) (others).

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

As at 31 December 2023 and 2022, the staffing table is as follows:

	2023			2022		
	Men	Women	Total	Men	Women	Total
Directors (in staff)	1	-	1	1	-	1
Executives	37	27	64	39	23	62
Managers	39	37	76	38	39	77
Technical staff	153	224	377	145	207	352
Administrative staff	28	61	89	25	61	86
Others	-	2	2	-	2	2
Total	258	351	609	248	332	580

In addition, at year-end 2023 the number of non-employee directors was 8, of whom 3 were women and 6 were men (in 2022 there were 11, of whom 4 were women and 7 were men).

As of 31 December 2023, the number of employees with functional diversity equal to or greater than thirty-three per cent comes to 4 people (1 person as of 31 December 2022) (others).

Other operating expenses

The composition of other operating expenses is as follows:

	Thousands of Euros	
	2023	2022
Research and development	56,638	50,170
Leases and royalties	37,512	27,079
Repairs and maintenance	9,055	8,664
Independent professional services	10,280	9,943
Services received from Group (Note 20)	95,544	88,497
Transport	5,587	5,489
Insurance premiums	2,109	2,050
Bank services and similar	157	177
Publicity	45,327	38,300
Supplies	1,360	3,018
Other services	16,812	17,437
Other taxes	302	282
Total	280,684	251,106

The heading of leases and royalties includes royalties linked mainly to several of the licence agreements described in Note 5. The amounts corresponding to 2023 and 2022 reached €24.1 million and €14.3 million, respectively. The increase is mainly explained by the growth in sales of products marketed under the Ilumetri, Wyzora and Klisyri brands.

Losses, impairments and changes in provisions for trade operations

The breakdown of the heading "Losses, impairment losses and changes in trade provisions" in the accompanying profit and loss statement and the movement in trade provisions is as follows:

	Thousands of Euros	
	2023	2022
Change in insolvency valuation adjustment	(86)	62
Change in other trade provisions	(1,250)	500
Total (income/(loss))	(1,336)	562

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

The change in the adjustment for insolvencies is as follows:

	Thousands of Euros	
	Adjustment for impairment losses (Note 11)	
Balance as at 31 December 2021	459	
Addition	-	
Application	(62)	
Eliminations against the book balance	(329)	
Balance as at 31 December 2022	68	
Addition	86	
Application	-	
Eliminations against the book balance	-	
Balance as at 31 December 2023	154	

Impairment and gains/losses on disposals of fixed assets and investments in group companies

Details of “Impairment and gains or losses on disposals of property, plant and equipment and investments in Group companies” in 2023 and 2022 are as follows:

	Thousands of Euros			
	2023		2022	
	Gains	Losses	Gains	Losses
Gain/loss on the disposal or retirement of intangible assets (Note 5)	-	(1,136)	-	(2,921)
Gain/loss on the disposal or retirement of property, plant and equipment (Note 6)	-	(34)	-	(15)
Impairment and gain or loss on disposal of financial instruments (Note 8)	-	-	-	-
Impairment of investments in group companies (Note 8)	5	(115,032)	-	(92,393)
	5	(116,202)	-	(95,329)
Impairment and gains/losses on disposals of fixed assets and investments in group companies	(116,197)		(95,329)	

The impairment losses in both years relate mainly to provisions made for Almirall, Inc. (Note 8).

Financial income and expenses

The breakdown of “Financial income/(expense)”, “Impairment and gains/(losses) on disposals and fair value changes of financial instruments” and “Exchange differences” in the financial years 2023 and 2022 is as follows:

	Thousands of Euros			
	2023		2022	
	Income	Expenses	Income	Expenses
Other income and similar interest	5,562	-	636	-
Change in fair value of financial instruments	-	(1,544)	-	(5,675)
Financial expenses for unsecured bonds (Note 15)	-	(7,464)	-	(7,439)
Financial and similar expenses	-	(20,290)	-	(5,561)
Exchange rate differences	3,832	(4,066)	6,908	(5,365)
	9,394	(33,364)	7,544	(24,039)
	(23,970)		(16,495)	

The item “Change in fair value of financial instruments” mainly includes fair value restatements of the equity swap (Note 15).

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

The heading "Financial expenses on unsecured bonds" mainly includes interest financial expenses accrued during the year on senior unsecured bonds and the convertible bond (Note 15).

Transactions in foreign currency

During the financial years 2023 and 2022, the Company has entered into the following foreign currency transactions:

Currency	Thousands of Euros			
	Expenses		Income	
	2023	2022	2023	2022
US Dollars	24,531	21,046	26,832	28,282
Pound sterling	13,698	16,741	10,320	13,139
Swiss franc	6,255	5,265	14,921	9,092
Japanese yen	435	1,041	783	4,308
Danish krone	4,222	3,231	2,877	2,953
Polish Zloty	1,906	1,359	3,877	2,443
Czech koruna	1,556	-	1,056	-
Others	149	512	8	120
	52,752	49,195	60,674	60,339

Remuneration of auditors

During 2023 and 2022, the fees for auditing services and other services provided by the Company's auditor (KPMG), or by other companies in the auditor's network, were as follows:

Description	2023			
	Audit and related services		Tax services	Other services
	Audit services	Professional services related to auditing		
KPMG Auditores, S.L.	224	73	-	-
Other companies in the PwC network	-	-	-	73
	224	73	-	73

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

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

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” includes fees related to the limited review of the Group’s interim consolidated financial statements and to the review of information relating to the Group’s Internal Control over Financial Reporting (ICFR), as well as works to review the supporting accounts and financial ratios.

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

Lastly, the heading “Other services” includes the services billed in relation to the verification report of the information included in the Statement of Non-Financial Information (SNFI).

20. Balances and transactions with related parties

Transactions

During the financial year 2023, the Company has entered into the following transactions with Group companies:

Income	Sales	Other operating income	Financial income (dividends and interest)	Total
Almirall AG	17,527	1	33	17,553
Almirall ApS	4,513	-	-	4,513
Almirall Limited	19,894	4	-	19,897
Almirall B.V	33,383	-	-	33,383
Almirall S.A.S	20,699	4	-	20,704
Almirall SpA	42,857	90	-	42,946
Almirall Hermal GmbH	124,061	1,050	45,000	170,111
Almirall-Productos Farmacéuticos, Lda.	6,335	-	-	6,335
Almirall N.V	3,947	7	-	3,954
Industrias Farmacéuticas Almirall S.A	-	973	-	973
Ranke Química, S.A	-	273	6	280
Laboratorios Almirall S.L	-	867	-	867
Polichem S.A (Switzerland-Lugano)	3,427	3,701	-	7,128
Almirall LLC	9,225	7,918	-	17,143
Almirall, AB (Sweden)	-	2	-	-
Almirall, AS (Norway)	-	3	-	-
Total	285,869	14,893	45,039	345,795

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

Expenses	Purchases	Services Received	Financial Expenses	Total
Almirall AG	-	5,196	25	5,221
Almirall ApS	-	4,104	-	4,104
Almirall Limited	3	5,563	202	5,768
Almirall B.V	2,411	2,055	216	4,682
Almirall S.A.S	-	7,940	1,191	9,131
Almirall SpA	-	12,536	2,331	14,867
Almirall Hermal GmbH	17,791	30,539	3,636	51,966
Almirall-Productos Farmacéuticos, Lda.	-	2,062	108	2,170
Almirall SP. Z.o.o	-	1,478	-	1,478
Industrias Farmacéuticas Almirall S.A	44,983	4,072	739	49,794
Ranke Química, S.A	20,262	-	33	20,295
Laboratorios Almirall S.L	-	16,169	336	16,505
Laboratorios TecnoBio, S.A.	-	-	38	38
Polichem S.A (Switzerland-Lugano)	2,959	41	6,675	9,674
Almirall NV	-	1,801	106	1,907
Almirall GmbH	-	226	63	289
Poli Group Holding SRL	-	-	38	38
Polichem SRL	-	-	250	250
Almirall SRO (Czech Republic)	-	1,506	-	1,506
Almirall SRO (Slovak Republic)	-	256	21	271
Totals	88,409	95,544	16,006	199,952

During the financial year 2022, the Company entered into the following transactions with Group companies:

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

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

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

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

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

As mentioned in Note 4k the Company classifies dividends and interest earned in its capacity as parent company as net turnover. On 13 December 2023, the Company received a dividend of 45 million euros from the investee Almirall Hermal, GmbH. In the financial year 2023, interest income amounted to €39 thousand (€8 thousand in the financial year 2022).

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

In addition, at 31 December 2023 and 2022, the balances arising from transactions with Group companies are detailed below:

Debit balances

Group companies	Thousands of Euros			
	2023		2022	
	Sales (Note 11)	Financial (Note 8)	Sales (Note 11)	Financial (Note 8)
Almirall N.V.	147	-	581	-
Almirall-Produtos Farmacéuticos, Lda.	1,394	-	937	-
Laboratorios Almirall, S.L.	-	7	255	-
Almirall, B.V.	5,733	-	3,797	-
Almirall SpA	7,487	-	5,387	-
Almirall S.A.S.	4,253	-	2,843	-
Almirall AG	8,004	-	3,291	-
Almirall Limited (UK)	-	-	2,203	-
Almirall Hermal GmbH	28,273	-	20,032	-
Almirall ApS Nordics	-	-	582	-
Almirall LLC	13,201	-	13,513	-
Polichem S.A. (Switzerland - Lugano)	2,949	-	1,315	-
Ranke Química, S.A.	555	-	-	-
Almirall AS	3	-	-	-
Almirall AB	2	-	-	-
Total	72,001	7	54,737	-

Credit balances

Group companies	Thousands of Euros			
	2023		2022	
	Commercial	Financial	Commercial	Financial
Laboratorios Almirall S.L.	-	12,739	-	12,244
Laboratorios Tecnobío, S.A.	-	1,379	3	1,349
Industrias Farmacéuticas Almirall, S.A.	-	27,387	35	26,392
Ranke Química, S.A.	-	4,722	1,208	2,483
Almirall N.V.	378	2,884	115	3,290
Almiral ApS	1,646	-	1,135	-
Almirall-Produtos Farmacéuticos, Lda.	716	3,024	581	3,236
Almirall, B.V.	474	7,122	394	6,396
Almirall GmbH	94	2,489	52	2,390
Almirall SpA	1,024	77,234	2,528	70,303
Almirall S.A.S.	1,563	41,436	1,802	36,577
Almirall AG	2,154	3,907	1,360	31
Almirall Sp. z o.o	394	-	175	-
Almirall Limited	1,670	1,890	3,492	6,354
Almirall Hermal GmbH	11,420	93,229	10,462	113,963
Almirall Aesthetics S.A.	-	237	-	233
Almirall Holding Iberia, SL	375	33	-	-
Polichem S.A. (Switzerland-Lugano)	256	236,881	1,107	201,261
Polichem SRL (Italy)	-	9,020	20	8,133
Poligroup Holding SRL (Italy)	-	1,221	3	1,248
Almirall SRO (Czech Republic)	288	-	138	-
Almirall SRO (Slovak Republic)	48	513	73	-
Total	22,500	527,348	24,686	495,881

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

Balances and transactions with other related parties

During 2023 and 2022, the Company has carried out the following transactions with related parties, consequently maintaining the following balances at 31 December 2023 and 2022:

Related party	Concept	Year	Thousands of Euros	
			Transactions - Income/(Expenses)	Balance Debtor/(Creditor)
Sinkasen, S.L.U.	Leases	2023	(3,185)	-
		2022	(1,580)	-
Sinkasen, S.L.U.	Rebilling of works	2023	54	38
		2022	351	382
Grupo Corporativo Landon, S.L.	Leases	2023	-	-
		2022	(1,580)	-
Grupo Corporativo Landon, S.L.	Rebilling of works	2023	-	-
		2022	315	-
Grupo Corporativo Landon, S.L.	Others	2023	8	-
		2022	(2)	(2)

The Company's headquarters (located at Ronda General Mitre, 151, Barcelona) are leased to the related entity Sinkasen S.L.U., under a contract that was renewed in January 2023 for a minimum period of ten years (until 31 December 2032). Up to 30 June 2022, the building was owned by Grupo Corporativo Landon S.L. (which is the sole shareholder of Sinkasen S.L.U.) (Note 7).

Transactions with related parties are carried out at market price.

21. Remuneration of the Board of Directors and Senior Management

The amount accrued during fiscal years 2023 and 2022 by current and former members of the Board of Directors for all remuneration items (salaries, bonuses, allowances, remuneration in kind, life insurance, compensation, incentive schemes and social security contributions) amounted to €2,517 and €6,840 thousand, respectively. In the financial year 2023, there are accrued life insurance policies in the amount of €2.2 thousand (€4.9 thousand in the financial year 2022).

During fiscal year 2023, civil liability insurance premiums in the amount of €249 thousand (€268 thousand in 2022) have accrued to cover possible damages caused to members of the Board of Directors and Senior Management in the performance of their duties.

In addition, the remuneration, paid and unpaid, accrued by the Company's Board of Directors for multi-year incentive and loyalty plans and the SEUS Plan (see Note 4r), amounted to €615 thousand in 2023 (nil in 2022). As at 31 December 2023, the provision for such plans amounts to €861 thousand (nil as at 31 December 2022).

As of 31 December 2023 and 2023, there are no other pension commitments agreed with the current and former members of the Company's Board of Directors.

The Company has included the members of the Management Committee as senior management for the purposes of the annual accounts, as long as they are not on the Board of Directors.

The amount accrued by senior managers who are not members of the Company's Board of Directors, for all remuneration items (salaries, bonuses, allowances, remuneration in kind, compensation, incentive schemes and social security contributions), came to €6,533 thousand in 2023 (€6,537 thousand in 2022). In the financial year 2023, there are accrued life insurance policies in the amount of €12.5 thousand (€10.4 thousand in the financial year 2022).

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

Almirall, S.A.

Notes to the annual accounts for the financial year 2023 (Expressed in thousands of euros)

In addition, the remuneration, paid and unpaid, accrued by the Company's Board of Directors for multi-year incentive and loyalty plans and the SEUS Plan (see Note 4r), amounted to €1,230 thousand in 2023 (€1,150 thousand in 2022). As at 31 December 2023, the provision for such plans amounts to €3,938 thousand (€2,671 thousand as at 31 December 2022).

As at 31 December 2023 and 2022, there are no other pension commitments to the senior managers.

In addition, in 2023 and 2022 the members of the Board of Directors and Senior Management of the Company have not received any shares or share options during the fiscal year, nor have they exercised any options or have any options outstanding, nor have they been granted any advances or loans.

22. Other information concerning the Board of Directors

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

23. Environmental information

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

The Company's property, plant and equipment includes certain assets for environmental protection (limitation of fumes, subsoil drainage, etc.), with a carrying amount at 31 December 2023 and 2022 of €1,261 thousand and €757 thousand, respectively. In addition, investments amounting to €626 thousand (€217 thousand in 2022) have been made in 2023.

As of 31 December 2023 and 2022, there are no emission allowances.

The profit and loss statements for fiscal years 2023 and 2022 include expenses related to environmental protection for the amounts of €563 thousand and €540 thousand, respectively.

The Company has made investments for an amount of €320 thousand related to photovoltaic panels intended for the production of electricity for self-consumption in 2023, the carrying amount of which amounts to €432 thousand as of 31 December 2023 (€457 thousand as of 31 December 2022). The profit and loss statement for the year 2023 includes related depreciation expenses amounting to €26 thousand (€1 thousand in 2022), with electricity and maintenance tax expenses in 2023 and 2022 being nil.

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

24. Risk exposure and capital management

The Company's activities are exposed to various financial risks: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's global risk management programme focuses on the uncertainty of financial markets, and seeks to minimise the potential adverse effects on its financial profitability.

Risk management is controlled by the Company's Treasury Department, which identifies, assesses and hedges for financial risks in accordance with the policies approved by the Board of Directors. The Board provides written

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

Almirall, S.A.

Notes to the annual accounts for the financial year 2023 (Expressed in thousands of euros)

policies for overall risk management, as well as for specific areas such as foreign exchange risk, interest rate risk, liquidity risk, use of derivatives and non-derivatives, and investment of surplus liquidity.

Interest rate risk

As of 31 December 2023 and 2022, most of the Company's debt is at a fixed rate, which minimises the risk of a possible increase in interest rates. As described in Note 15, the main debt instruments are as follows:

- On 22 September 2021, the Company proceeded to conclude and disburse an issuance of senior unsecured bonds for an aggregate nominal amount of €300 million, at a fixed annual interest rate of 2.125%, maturing on 22 September 2026.
- On 27 March 2019, the Company arranged a loan facility with the European Investment Bank (EIB) for up to 120 million euros to fund its research and development efforts, with the objective of providing cutting-edge innovation and differentiated therapies in the area of medical dermatology. The first tranche of €80 million was granted on 17 April 2019, at a fixed interest rate of 1.351%, with 32 equal repayments of principal between 17 April 2021 and 17 April 2029, with the latter date being the final maturity. Due to the issue of new debt, the interest rate is temporarily increasing by 0.30%, and therefore the interest rate is 1.651%.
- Lastly, the Company entered into a revolving credit facility for an amount of 275 million euros, which will mature in July 2024 and has been allocated to general corporate purposes. This credit facility accrues interest at a variable rate linked to Euribor. As at 31 December 2023 and 2022, the Company had not drawn down any amounts.

Exchange rate risk

The Company is exposed to exchange rate risk on certain transactions arising from its business activities. This exchange rate risk is mainly related to cash inflows in dollars for sales of finished product; cash inflows and outflows derived from the transaction with Covis Pharma GmbH; outflows in dollars for the licensing agreements with Athenex, Eli Lilly or Sun Pharma; outflows in dollars and pounds sterling for clinical trials; purchases of raw materials and royalty payments in dollars. The most relevant foreign currency in which the Company operates is the US dollar.

Monthly, the Company analyses the expected incoming and outgoing payments in foreign currencies, as well as the evolution and trends in these currencies. In recent years, the Company has occasionally reduced its exposure to exchange rate risk in larger commercial transactions by taking out specific insurance policies for exchange rates to cover incoming and outgoing cash flows in US dollars.

Liquidity risk

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

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

And on the other hand, medium- and long-term liquidity planning and management is based on the Company's Strategic Plan, and that of the Parent Group, which covers a five-year time frame.

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

Financing instruments include a series of covenants that, in the event of default, would result in a demand for immediate payment of these financial liabilities. The Company periodically assesses their fulfilment (as well as expected future fulfilment, so that it may take corrective measures, if necessary). As of 31 December 2023 and 2022, all covenants are fulfilled, as mentioned in Note 15.

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

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

Estimate of the fair value

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

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

As of 31 December 2023 and 2022, the itemisation of the Company's assets and liabilities measured at fair value according to the aforementioned levels, is as follows (in thousands of euros):

2023	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit or loss ^(*)	-	-	34,091
Total assets	-	-	34,091
Liabilities			
Financial liabilities at fair value through profit or loss (Note 15)	-	1,569	-
Total liabilities	-	1,569	-

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

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

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

Credit risk

The Company manages credit risk through an individual analysis of the items included in accounts receivable. As a preventive measure, credit limits are established for sales to wholesalers, pharmacies and local licensees. In the case of hospital sales, given their minor significance, payment is collected afterwards, once the debt is due.

Amounts considered to be bad debts, once all the pertinent collection procedures have been carried out, are provisioned at 100%. At 31 December 2023 and 2022, the balance of the provision is €154 thousand and €68 thousand, respectively (Note 11).

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

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

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

The debt aging analysis of financial assets that are subject to default risk or impaired at 31 December 2023 and 2022 is provided in Note 11.

Capital management

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

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

As at 31 December 2023 and 2022, the leverage ratios were as follows (in thousands of euros):

	2023	2022
Loans with credit institutions (Note 15)	55,000	65,000
Bonds and other marketable securities (Note 15)	296,851	295,758
Cash and cash equivalents	(360,885)	(214,621)
Net Debt / (Net Cash)	(9,034)	146,137
Equity	1,376,535	1,239,926
Share capital	25,127	21,782
Leverage Index⁽¹⁾	-0.7%	11.8%

(1) Based on the calculation used by the Company to determine the leverage ratio (excluding the amount of "Other financial liabilities" included in Note 0, and the accrued interest pending payment of the debts included in Note 15).

Macroeconomic and geopolitical risks

The Company's operations can be conditioned by economic cycles and international geopolitical conflicts, whether in areas in which it operates directly or in territories that impact other activities (such as the supply chain or clinical trials, for example). However, the pharmaceutical sector is generally considered counter-cyclical, given that chronic and prescription treatments tend to have stable demand and do not benefit (or are not harmed) by favourable macroeconomic scenarios or recession.

In the year ended 31 December 2023, inflation in the various territories where the Company operates (mainly the European Union and the United States) has returned to lower levels as a result of the more restrictive monetary policies of the central banks, which has resulted in higher interest rates (although this has not had an impact on the Company's financial cost for the reasons mentioned in the section on interest rate risk). Energy costs have also eased in 2023, as well as supply chain disruptions, although the Company has put in place mechanisms to avoid stock-outs because of the uncertainty of recent years (partly reflected in the increase in inventories). The conflict between Ukraine and Russia remains active, and in 2023 the conflict in the Middle East erupted (both events mainly affect the licensee marketing segment), but they have not had a significant impact on the Company's operations in 2023.

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

Almirall, S.A.
Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

25. Report on deferrals of payments to suppliers

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

The itemisation of payments for commercial transactions made during the year and those pending payment at 31 December 2023 and 2022 in relation to the maximum legal deadlines provided for in Law 15/2010, which is itemised pursuant to the Official State Gazette published on 4 February 2016, is as follows:

	Number of days	
	2023	2022
	Days	Days
Average period of payment to suppliers	40	44
Ratio of paid transactions	42	46
Ratio of transactions pending payment	22	17
Total payments made	739,081	634,567
Total payments due	56,304	53,706

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

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

	2023		2022	
	Thousands of Euros	Number of invoices	Thousands of Euros	Number of invoices
Invoices paid within the deadline	515,741	24,956	448,020	13,446
Total invoices paid	739,081	31,483	634,567	26,924
% paid within the deadline	69.78%	79.27%	70.60%	49.94%

26. Subsequent events

In January 2024, the Company made payments in the aggregate amount of 75 million euros linked to the achievement, by the end of 2023, of certain milestones linked to the contracts with Eli Lilly, Sun Pharma and Simcere, together with the amounts derived from the agreement with Ethernal, as described in Notes 5 and 16.

On 2 February 2024, the Company signed a novation of the revolving credit facility entered into with several financial institutions in July 2020 to extend the maturity date to February 2028, with the option to extend the maturity by a further year to February 2029, while maintaining the same financial terms, and which will be used for general corporate purposes (Note 15).

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Almirall, S.A.

Notes to the annual accounts for the financial year 2023
(Expressed in thousands of euros)

Finally, at the date of preparation of these annual accounts, the Board of Directors of the Company resolved to propose to the General Meeting of Shareholders the distribution of a dividend charged to unrestricted reserves in the amount of 39.8 million euros (equivalent to 0.19 euros per share). For the purposes of this dividend distribution, it is proposed to again utilise the "Scrip Dividend" shareholder remuneration system, already applied in 2023. In this manner, its shareholders are offered an alternative that allows them to receive shares of the Company without limiting their possibility of receiving a cash amount equivalent to the dividend payment, as indicated in Note 3.

APPENDIX: INFORMATION RELATED TO DIRECT AND INDIRECT INVESTEE COMPANIES

Name Address Activity	Thousands of Euros						
	Laboratorios Almirall, S.L. Spain Brokerage services	Laboratorios Tecnobio, S.A. Spain Inactive	Industrias Farmacéuticas Almirall, S.A. Spain Manufacturing of specialities	Ranke Química, S.A. Spain Manufacture of raw materials	Almirall Holding Iberia, S.L. (*) Spain Holding	Almirall NV Belgium Pharmaceutical laboratory	Almirall - Productos Farmacéuticos, Lda. Portugal Pharmaceutical laboratory
31 December 2023							
Fraction of capital held:							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	120	61	1200	1,200	52,602	1,203	1,500
Reserves	8,458	1,274	58,557	21,308	17,615	2,437	2,769
Net profit/(loss) for the year	680	44	3,661	1,128	(110)	132	145
Book value of equity interest (Group)	4,112	127	41,982	10,840	144,203	9	-
- Cost	4,112	127	41,982	10,840	144,203	9	-
- Provision	-	-	-	-	-	-	-
31 December 2022							
Fraction of capital held:							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	8,034	1,072	55,271	20,303	75,457	2,315	2,610
Net profit/(loss) for the year	424	202	3,285	1,005	3,840	122	159
Book value of equity interest (Group)	4,112	127	41,982	10,840	144,203	9	-
- Cost	4,112	127	41,982	10,840	144,203	9	-
- Provision	-	-	-	-	-	-	-

Note: All information concerning the indicated companies is obtained from the individual financial statements of the different companies. For this reason, they do not reflect the effect that would result from applying consolidation criteria for the shares. The dormant companies described in Note 8 are not included.

(*) Formerly Almirall International B.V., headquartered in the Netherlands.

APPENDIX: INFORMATION RELATED TO DIRECT AND INDIRECT INVESTEE COMPANIES

Name Address Activity	Thousands of Euros						
	Almirall BV Pharmaceutical laboratory	Almirall Europa Derma S.A. Spain Inactive	Almirall Limited United Kingdom Pharmaceutical laboratory	Almirall, S.A.S. France Pharmaceutical laboratory	Almirall SP, Z.O.O. Poland Brokerage services	Almirall GmbH Austria Brokerage services	Almirall AG Switzerland Pharmaceutical laboratory
31 December 2023							
Fraction of capital held:							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	4,000	61	571	12,527	12	36	901
Reserves	3,487	171	12,514	23,579	1,576	2,662	6,288
Net profit/(loss) for the year	499	5	583	2,625	45	384	744
Book value of the shareholding	-	237	-	-	-	1,485	10,628
- Cost	-	261	-	-	-	1,485	10,628
- Provision	-	(24)	-	-	-	-	-
31 December 2022							
Fraction of capital held:							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	4,000	61	571	12,527	12	36	901
Reserves	3,120	172	11,355	22,869	1,433	2,361	4,835
Net profit/(loss) for the year	367	(1)	868	709	26	300	928
Book value of the shareholding	-	232	-	-	-	1,485	10,628
- Cost	-	261	-	-	-	1,485	10,628
- Provision	-	(29)	-	-	-	-	-

Note: All information concerning the indicated companies is obtained from the individual financial statements of the different companies. For this reason, they do not reflect the effect that would result from applying consolidation criteria for the shares. The dormant companies described in Note 8 are not included.

APPENDIX: INFORMATION RELATED TO DIRECT AND INDIRECT INVESTEE COMPANIES

Name Address Activity	Thousands of Euros					
	Almirall SpA Italy Pharmaceutical laboratory	Almirall Hermal GmbH Germany Pharmaceutical laboratory	Almirall Aps Denmark Pharmaceutical laboratory	Almirall Inc United States Holding	Subgroup(*) Almirall LLC United States Pharmaceutical laboratory	Poli Group Holding S.R.L. Italy Holding
31 December 2023						
Fraction of capital held:						
- Directly	-	100%	100%	100%	-	100%
- Indirectly	100%	-	-	-	100%	-
% voting rights	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	8,640	25	17	-	-	31
Reserves	57,239	44,127	3,212	342,297	358,944	46,713
Net profit/(loss) for the year	4,159	32,369	229	(106,577)	(105,652)	(31)
Book value of the shareholding	-	359,270	17	242,398	-	380,270
- Cost	-	359,270	17	759,325	-	380,270
- Provision	-	-	-	(516,927)	-	-
31 December 2022						
Fraction of capital held:						
- Directly	-	100%	100%	100%	-	100%
- Indirectly	100%	-	-	-	100%	-
% voting rights	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	8,640	25	17	-	-	31
Reserves	54,777	63,599	3,049	450,299	399,968	46,728
Net profit/(loss) for the year	2,462	30,162	170	(128,937)	(64,472)	(15)
Book value of the shareholding	-	359,270	17	334,598	-	380,270
- Cost	-	359,270	17	736,494	-	380,270
- Provision	-	-	-	(401,896)	-	-

Note: All information concerning the indicated companies is obtained from the individual financial statements of the different companies. For this reason, they do not reflect the effect that would result from applying consolidation criteria for the shares. The dormant companies described in Note 8 are not included.

(*) Includes the holding companies Aqua Pharmaceutical Holdings Inc and Almirall LLC (formerly Aqua Pharmaceuticals LLC).

APPENDIX: INFORMATION RELATED TO DIRECT AND INDIRECT INVESTEE COMPANIES

Name Address Activity	Thousands of Euros					
	Polichem, S.A. Luxembourg/Switzerland/China Pharmaceutical laboratory	Polichem S.R.L. Italy Pharmaceutical laboratory	Almirall S.r.o. Czech Republic Brokerage services	Almirall S.r.o Slovak Republic Brokerage services	Almirall AS Norway Brokerage services	Almirall AB Sweden Brokerage services
31 December 2023						
Fraction of capital held:						
- Directly	-	-	100%	100%	100%	100%
- Indirectly	100%	99.6%	-	-	-	-
% voting rights	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	1,452	540	-	5	27	2
Reserves	224,284	7,435	509	556	482	515
Net profit/(loss) for the year	33,819	1,344	38	17	16	30
Book value of the shareholding	-	-	500	505	486	505
- Cost	-	-	500	505	486	505
- Provision	-	-	-	-	-	-
31 December 2022						
Fraction of capital held:						
- Directly	-	-	100%	100%	100%	100%
- Indirectly	100%	99.6%	-	-	-	-
% voting rights	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Capital	1,452	540	-	5	3	2
Reserves	192,560	6,643	513	500	-	-
Net profit/(loss) for the year	31,719	792	10	56	-	-
Book value of the shareholding	-	-	500	505	3	2
- Cost	-	-	500	505	3	2
- Provision	-	-	-	-	-	-

Note: All information concerning the indicated companies is obtained from the individual financial statements of the different companies. For this reason, they do not reflect the effect that would result from applying consolidation criteria for the shares. The dormant companies described in Note 8 are not included.