

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

Consolidated annual accounts for the year ended December 31, 2020, prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union

(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. and Subsidiaries (Almirall Group)
CONSOLIDATED BALANCE SHEET AT DECEMBER 31
(Thousands of Euro)

ASSETS	Note	31/12/2020	31/12/2019	EQUITY AND LIABILITIES	Note	31/12/2020	31/12/2019
Goodwill	8	315,966	315,966	Issued capital	15	21,374	20,947
Intangible assets	9	1,009,536	1,139,015	Share premium	15	273,889	241,011
Rights-of-us assets	10	19,320	18,271	Legal reserve	15	4,189	4,172
Property, plant and equipment	11	113,548	117,420	Other reserves	15	983,126	913,156
Financial assets	12	86,518	103,184	Valuation adjustments	15	(48,797)	(43,531)
Deferred tax assets	22	256,476	269,317	Translation differences	15	(5,095)	38,522
NON-CURRENT ASSETS		1,801,364	1,963,173	Profit (Loss) for year		74,280	105,909
				EQUITY		1,302,966	1,280,186
				Deferred income	16	17,406	69,652
				Financial liabilities	17	224,345	492,593
				Non-current lease liabilities	10	13,482	11,280
				Deferred tax liabilities	22	117,382	127,540
				Retirement benefit obligations	20	85,641	79,429
				Provisions	19	35,899	32,806
				Other non-current liabilities	18	19,434	29,774
				NON-CURRENT LIABILITIES		513,589	843,074
Inventories	13	130,151	106,418	Financial liabilities	17	248,300	452
Trade and other receivables	14	111,295	203,115	Current lease liabilities	10	6,262	7,327
Current tax assets	22	72,646	39,888	Trade payables	18	162,143	222,478
Other current assets		9,991	8,212	Current tax liabilities	22	21,460	14,903
Current investments	12	6,025	1,769	Other current liabilities	18	36,394	71,367
Cash and cash equivalents		159,642	117,212				
CURRENT ASSETS		489,750	476,614	CURRENT LIABILITIES		474,559	316,527
TOTAL ASSETS		2,291,114	2,439,787	TOTAL LIABILITIES AND EQUITY		2,291,114	2,439,787

The accompanying Notes 1 to 34 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts as at December 31, 2020

(Translation of the consolidated annual accounts originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails).

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

CONSOLIDATED INCOME STATEMENTS AT DECEMBER 31

(Thousands of Euro)

	Note	2020	2019
Revenue	21	807,427	855,339
Other Income	21	7,062	55,318
Operating income		814,489	910,657
Works for own fixed assets	9	4,941	-
Procurements	21	(177,442)	(192,466)
Staff costs	21	(177,004)	(181,545)
Amortization and depreciation charge	9, 10 & 11	(123,085)	(129,426)
Net change in provisions	21	(3,750)	8,073
Other operating expenses		(229,005)	(254,517)
Net gains/(losses) on disposals of assets	21	(649)	(10,474)
Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill	9 & 11	(16,197)	(389)
Operating profit		92,298	149,913
Financial income	21	1,579	853
Financial expense	21	(18,003)	(14,812)
Exchange differences	21	(742)	(8,631)
Profit / Losses from financial instruments valuation	12 & 21	4,106	956
Profit /(loss) before taxes		79,238	128,279
Income tax		(4,958)	(22,370)
Net profit (loss) for the year attributable to the Parent Company		74,280	105,909
Earnings/(loss) per share (euro):	25		
Basic		0.42	0.60
Diluted		0.44	0.58

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Almirall, S.A. and Subsidiaries (Almirall Group)
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31
(Thousands of Euro)

	Note	2020	2019
Profit/(loss) for the period		74,280	105,909
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Retirement benefit obligations	20	(7,232)	(9,065)
Corporate income tax on items that will not be reclassified	22	2,025	2,538
Fair value changes on Equity instruments with fair value with change in other comprehensive income	12	-	-
Total items that will not be reclassified to profit or loss		(5,207)	(6,527)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Other changes in value		(59)	(33)
Exchange differences on translation of foreign currency	15	(43,617)	15,010
Total items that may be reclassified subsequently to profit or loss		(43,676)	14,977
Other comprehensive income for the period. net of taxes		(48,883)	8,450
Total comprehensive income for the period		25,397	114,359
Attributable to:			
- Owners of the parent		25,397	114,359
- Non-controlling interests		-	-
Total comprehensive income attributable to owners of the parent company arising on:			
Continuing operations		25,397	114,359
Discontinued operations		-	-

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN THE YEAR ENDED DECEMBER 31

(Thousands of Euro)

	Note	Share Capital	Share premium	Legal reserve	Other reserves	Valuation adjustments recognized in Equity	Exchange differences	Profit/(loss) attributable to parent company	Equity
Balance at 31 December 2018	15	20,862	229,953	4,151	872,568	(36,971)	23,512	77,674	1,191,749
Distribution of profit		-	-	21	77,653	-	-	(77,674)	-
Dividends		85	11,058	-	(35,292)	-	-	-	(24,149)
Treasury shares of Parent company		-	-	-	(1,773)	-	-	-	(1,773)
Total comprehensive income for the period		-	-	-	-	(6,560)	15,010	105,909	114,359
Balance at 31 December 2019	15	20,947	241,011	4,172	913,156	(43,531)	38,522	105,909	1,280,186
Distribution of profit		-	-	17	105,892	-	-	(105,909)	-
Dividends		427	32,878	-	(35,435)	-	-	-	(2,130)
Treasury shares of Parent company		-	-	-	(487)	-	-	-	(487)
Total comprehensive income for the period		-	-	-	-	(5,266)	(43,617)	74,280	25,397
Balance at 31 December 2020	15	21,374	273,889	4,189	983,126	(48,797)	(5,095)	74,280	1,302,966

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31

(Thousands of Euro)

	Note	FY 2020	FY 2019
Cash flow			
Profit before tax		79,238	128,279
Amortization and depreciation charge	9 & 10 & 11	123,085	129,426
Impairment adjustments	9 & 11	16,197	389
Net variation of current provisions		2,153	-
Net profit/(loss) on disposals of assets	21	649	10,474
Financial income	21	(1,579)	(853)
Financial expense	21	18,003	14,812
Exchange differences	21	742	8,631
Fair value variation of financial instruments	21	(4,106)	(940)
Impacts of the Astrazeneca transaction:			
Allocation of deferred income Astrazeneca transaction	16 & 21	(52,246)	(29,954)
Change in the fair value of Astrazeneca financial asset	12 & 21	(5,013)	(51,829)
		177,123	208,435
Adjustments to changes in working capital			
Change in inventories	13	(25,329)	(15,569)
Changes in trade and other receivables	14	105,976	80,659
Changes in trade payables	18	(57,503)	26,118
Changes in other current assets		(3,195)	(2,712)
Changes in other current liabilities		(3,717)	2,611
Adjustments to changes in other non-current items:			
Other non-current assets and liabilities		(2,312)	(4,774)
		13,920	86,333
Cash inflows/(outflows) for income tax:		(26,279)	(18,622)
Net cash flows from operating activities (I)		164,764	276,146
Cash flows from investing activities			
Interest received		1,082	205
Investments:			
Intangible assets	9 & 18	(64,635)	(115,375)
Property, plant and equipment	11	(11,891)	(19,712)
Financial assets	12	(518)	(11,593)
Disposals:			
Intangible assets and property, plant and equipment	9 & 11	-	1
Financial assets	12	438	684
Business unit	3-b	-	1,188
Net cash flows from investing activities (II)		(75,524)	(144,602)
Cash flows from financing activities:			
Interest paid	17	(6,536)	(6,640)
Equity instruments:			
Dividends paid	24	(2,130)	(24,149)
Treasury shares	15	(487)	(1,773)
Other Equity instruments		405	522
Financial Instruments:			
Funds (refunds) from bank borrowings	17	(16,882)	(55,000)
Payments from lease agreements	10	(8,289)	(7,543)
Other		(6,947)	(5,938)
Net cash flows from financing activities (III)		(40,866)	(100,521)
Net change in cash and cash equivalents (I+II+III)		48,374	31,023
Cash and cash equivalents at the beginning of the period	12	117,293	86,270
Cash and cash equivalents at the end of the period	12	165,667	117,293

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

Notes to the Consolidated Annual Accounts
for the year ended December 31, 2020

1. Group activity

Almirall, S.A. is the Parent company of a corporate group ("Almirall Group"), which is made up of the subsidiaries listed in the accompanying Appendix to these consolidated annual accounts. Its corporate purpose is basically acquisition, manufacture, storage, marketing and representation in the sale of pharmaceutical specialties and products and all manner of raw materials used to prepare the aforementioned pharmaceutical specialties and products.

The Parent company's corporate purpose also includes:

- The acquisition, manufacture, storage, sale and mediation in the sale of cosmetics, chemical, biotechnological and diagnostic products for human, veterinary, agrochemical and food-industry use, as well as all manner of utensils, complements and accessories for the chemical, pharmaceutical and clinical industries.
- Research into chemical and pharmaceutical ingredients and products.
- The acquisition, sale, lease, subdivision and development of plots, land and properties of all kind, including the performance of construction work thereon and their disposal, in full, in part or under a condominium property arrangement.
- The provision of prevention services of the companies and companies participating in the company under the article 15 of Royal Decree 39/1997, of January 17, which establishes the Regulation of Prevention Services, and regulations of developing. This activity may be regulated and developed in a joint manner for related companies and participants in it, according to the article 21 of the aforementioned legal text. It is expressly stated that said activity is not subject to administrative authorization as established by law. This activity may be subcontracted to other specialized entities under the provisions of article 15 of RD 39/1997.
- Manage and direct the participation of the Company in the social capital of other entities, through the corresponding organization of personal and material.

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

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

2. Basis of presentation of the consolidated annual accounts and basis of consolidation

a) Regulatory financial reporting framework applicable to the Group

Almirall Group's consolidated annual accounts for the year ended 31 December 2020, which were obtained from the accounting records held by the Parent company and by the other companies composing the Group, were formulated by the Parent company's directors on February 18, 2021.

These consolidated annual accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and take into account all the mandatory accounting policies and rules and measurement bases, the Spanish Commercial Code, the Spanish Companies Law and all other applicable Spanish corporate and commercial law. Accordingly, they present fairly the equity and financial position of the Almirall Group at December 31, 2020 and the results of its operations, the changes in consolidated equity, the changes in other consolidated comprehensive income and the consolidated cash flows at the Group in the year then ended.

The consolidated annual accounts have been prepared on a cost basis, adjusted in the relevant record of financial instruments at fair value as required by the accounting standards.

However, since the accounting, standards and measurement bases used to prepare the Group's consolidated annual accounts for 2020 may differ from those used by certain Group companies, the

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required adjustments and reclassifications were made on consolidation to unify them and to bring them into line with International Financial Reporting Standards.

The Group's consolidated annual accounts for 2019 were approved by the Parent company's shareholders at the General Meeting held on July 24, 2020. The Group's consolidated annual accounts for 2020 are awaiting approval by the Parent company's shareholders at the next General Meeting. However, the Parent company's Board of Directors considers that the aforementioned consolidated annual accounts will be approved without any changes.

b) Adoption of International Financial Reporting Standards

The consolidated annual accounts of the Almirall Group for the year ended December 31, 2005 were the first to be prepared in accordance with International Financial Reporting Standards pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council dated July 19, 2002. The obligation to present consolidated annual accounts under EU-IFRSs was also transposed into Spanish law and is regulated by Final Provision XI of Law 62/2003, of 30 December, on fiscal, administrative and social order measures.

The main accounting standards and measurement bases adopted by the Almirall Group are disclosed in Note 5.

With respect to the application of IFRS, Almirall Group has decided to do the following:

- To present the consolidated balance sheet on a current / non-current basis.
- To present the consolidated income statement by nature.
- To present the statement of cash flows using the indirect method.
- To present the income and expense in two separate statements: a consolidated income statement and a consolidated statement of comprehensive income.

As is detailed below, in 2020 new accounting standards (IAS/IFRS) and interpretations (IFRIC) have come into effect. Similarly, at the date of preparation of these consolidated annual accounts, new accounting standards (IAS/IFRS) and interpretations (IFRIC) have been published, which are set to come into effect for the accounting periods starting on or after 1 January 2020.

Mandatory standards, amendments and interpretations for all years starting January 1, 2020:

IAS 1 (Modification) and IAS 8 (Modification) "Definition of materiality (or relative importance)", IFRS 9 (Modification), IFRS 7 (Modification) and IAS 39 (Modification) "Reform of the reference interest rates" and IFRS 3 (Modification) "Definition of a business", "Modifications of references to the Conceptual Framework in IFRS and IFRS 16 (Amendment) "Rent reductions related to COVID-19".

These standards have been taken into account with effect from January 1, 2020, reflecting their impact in these consolidated annual accounts, which has not been significant.

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

IFRS 4 (Modification) "Extension of the temporary exemption from the application of IFRS 9", IFRS 9 (Modification), IAS 39 (Modification), IFRS 7 (Modification), IFRS 4 (Modification) and IFRS 16 (Modification) "Reform of the reference interest rates: Phase 2".

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

As of the date of signing of these consolidated annual accounts, the IASB and the IFRS Interpretations Committee had published the standards, modifications and interpretations detailed below, which are pending adoption by the European Union:

IFRS 10 (Modification) and IAS 28 (Modification) "Sale or contribution of assets between an investor and its associates or joint ventures", IFRS 17 "Insurance contracts", IFRS 17 (Modification) "Modifications of IFRS 17", IAS 1 (Modification) "Classification of liabilities as current or non-current", IAS 16 (Modification) "Property, plant and equipment - Income obtained before intended use", IAS 37 (Modification) "Onerous contracts - Cost of fulfilling a contract", and "IFRS 3 (Amendment) "Reference to the Conceptual Framework", Annual Improvements to IFRS. Cycle 2018 - 2020.

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As indicated above, the Group has not considered the early application of the Standards and interpretations detailed above and in any case the Group is analyzing the impact that these new standards / modifications / interpretations may have on the Group's consolidated annual accounts, in case of being adapted by the European Union.

c) Comparison of information

There have been no significant changes in the composition of the Group that could significantly affect the comparability of the balance sheet figures as of December 31, 2020 with those of December 31, 2019, as well as those of the consolidated income statement of the year ended December 31, 2020 with those of the same year ended December 31, 2019.

In relation to the impact of COVID-19, the main impacts that could affect the comparison of information in these consolidated annual accounts are detailed in Note 33.

d) Functional currency

These consolidated annual accounts are presented in euros since this is the currency of the primary economic area in which the Group operates. Foreign operations are recognized in accordance with the policies established in Note 5-r).

e) Estimates

The consolidated results and determination of the consolidated equity are sensitive to the accounting principles and policies, measurement bases and estimates made by the Parent company's directors when preparing the consolidated annual accounts.

In the Group's consolidated annual accounts for the year ended December 31, 2020, estimates by the Group's executives and consolidated entities, which were later approved by the Parent company's directors, were used occasionally to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates basically relates to the following:

- The impairment losses on certain items of property, plant and equipment, intangible assets and goodwill arising from the non-recovery of the carrying amount recognized on these assets (see Notes 5-d, 7-e, 8 and 9).
- The useful life of the intangible assets and property, plant and equipment (see Notes 5-b and 5-c).
- Assessment of the recovery of deferred tax assets (see Note 22).
- The fair value of certain unlisted financial assets (see Notes 5-j, 7-a and 12).
- Assessment of lawsuits, obligations and contingent assets and liabilities at year-end (see Notes 5-k and 26).
- Estimate of the appropriate write-downs for inventory obsolescence and impairment of accounts receivable (see Notes 5-f, 5-g and 5-k).
- Estimate of provisions for restructuring (Note 18).
- Determination of the assumptions required to calculate the actuarial liability for retirement benefit obligations in conjunction with an independent expert (see Note 5-l).
- Estimate of the liability relating to the cash-settled share-based payment arrangements (see Note 5-v).
- Estimation of the lease term (IFRS 16): when determining the lease term, management considers all the factors and circumstances that create an economic incentive to exercise an extension option, or not to exercise a rescission option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably true that the lease is extended (or not terminated). In general, the Group relies on the financial projections it makes periodically to determine the reasonableness of exercising or not the extensions for the most significant contracts (mainly, the lease agreement of the head office as described in Note 27).
- Brexit: On January 1, 2021, the transition period given by the EU and the United Kingdom to negotiate the future relationship ended with the positive result of the signing of a Trade Agreement that avoided a chaotic rupture and, although this Trade Agreement was agreed Later than initially planned, it laid the foundations to allow Almirall to continue developing the operational and commercial activities between the two markets as the main take-up actions were implemented. The Group closely monitors its operations throughout the supply chain to

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ensure that all required contingency actions are properly implemented and that no negative impacts arise. Additionally, as detailed in Note 21, the percentage of the Group's turnover in said market amounts to 3%.

Although these estimates were made based on the best information available at December 31, 2020 on the events analyzed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognizing the effects of any changes in estimates in the related consolidated income statement.

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

a) Basis of consolidation

The accompanying consolidated annual accounts were prepared from the accounting records of Almirall, S.A. and of the companies under its control, whose annual accounts were prepared by the directors of the companies.

The subsidiaries of Almirall Group listed in the Appendix have been included in the scope of consolidation.

The subsidiaries are all companies over which the Group has effective control. The Group has effective control over a subsidiary when it is exposed or entitled to some variable remunerations as a result of its involvement in the subsidiary and it has an influential capacity over such remunerations by having the power to manage the subsidiary's relevant activities. Subsidiaries are consolidated from the date on which control is transferred to the Group. Subsidiaries cease to be consolidated from the date on which the Group no longer has control.

The criteria followed to determine the consolidation method applicable to each of the companies that make up the Almirall Group has been global integration, as they are companies in which there is a direct or indirect stake of more than 50% and in which there is an effective control by having a majority of votes in its representative and decision-making bodies. Consequently, all the balances and effects of the transactions carried out between the consolidated companies that are significant have been eliminated in the consolidation process.

The consolidation of the results generated by the companies acquired in a year is carried out taking into consideration only those relating to the period between the acquisition date and the end of that year. At the same time, the consolidation of the results generated by the companies disposed of in a year is carried out taking into consideration, only, those relating to the period between the beginning of the year and the date of sale.

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

As soon as the Group ceases to have control, the remaining holding in the entity is revalued at its fair value at the date that control is lost, recognizing any gain or loss in profit or loss. The fair value is the initial carrying amount when subsequently recognizing the remaining holding as an associate, joint venture or financial asset. Any amount recognized previously in other comprehensive income in relation to this entity is recognized as if the Group had directly sold the related assets or liabilities. This could mean that the amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Also, the accompanying consolidated annual accounts do not include the tax effect that may arise as a result of including the results and reserves from these subsidiaries in the Parent company's equity since it is not considered that any reserves will be transferred that might give rise to further taxation pursuant to IAS 12.

The Appendix to these notes to the consolidated annual accounts details the subsidiaries and information thereon (including name, country of incorporation and proportion of ownership interest held by the Parent company).

b) Changes in the scope of consolidation

In 2020, no changes occurred in the Group's perimeter composition.

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In 2019, there were the following changes to the Group's perimeter composition:

- On March 4, 2019, the Group reached an agreement with Celling Aesthetics LLC to sell the investee company Thermigen, LLC. The conditions to consider such agreement effective were met on March 29, 2019. The divestment was carried out through the investee Almirall Aesthetics Inc., having a non-significant impact on these annual accounts, taking into account that the main assets it contributed said company were impaired as of December 31, 2019. Because of said agreement, there were accounted for some loans and milestones in favor of the Group, as indicated in Note 12.
- On November 27, 2019, the investee company Almirall Aesthetics, Inc. was dissolved. As a result, accumulated translation differences have been transferred to the income statement, registering a loss of EUR 3.3 million in the heading Exchange differences of the income statement for the year. The main assets of said subsidiary company corresponded to the loans mentioned in the previous paragraph, which were transferred to Almirall Inc. (another subsidiary company) for the same value as they were in Almirall Aesthetics, Inc.

Said operations implied reorganizations within the Group that did not originate results within it except for those mentioned above, but rather the previous value of the assets and liabilities indicated is maintained.

4. Scrip dividend

At the formulation date of these consolidated annual accounts, the Board of Directors of Almirall, S.A. has agreed to propose in the Shareholders' meeting the distribution of a dividend, charged against reserves for an amount of EUR 33.8 million (equivalent to 0.19 euros per share). For carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders called "Scrip dividend", already implemented in 2019. In this way, its shareholders are offered an alternative that allows them to receive shares issued by the parent company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend (See Note 34).

5. Accounting principles

The Group's consolidated annual accounts for the year ended December 31, 2020 were formulated by the directors of the Parent company in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union, pursuant to Law 62/2003, of 30 December.

The main measurement bases used in preparing these consolidated annual accounts, in accordance with International Financial Reporting Standards as adopted by the European Union and with the Interpretations in force at the reporting date, were as follows:

a) Goodwill

The goodwill earned on business combinations represents the excess of the consideration delivered over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the combination date.

The positive differences between the cost of the equity instruments representing the capital of the subsidiaries acquired with respect to their corresponding underlying book values, adjusted on the date of first consolidation, are allocated as follows:

- If it is attributable to specific assets and liabilities of the companies acquired: by increasing the value of the assets (or reducing the value of the liabilities) that have a higher (lower) market value than the respective carrying amounts and have a similar method of recognition to the methods used for the Group's same assets (liabilities): amortization and depreciation, accrual method of accounting, etc.
- If it is attributable to certain intangible assets: by recognizing it explicitly in the consolidated balance sheet provided that the fair value at the date of acquisition can be measured reliably.
- The remaining amount is recognized as goodwill, which is allocated to one or more specific cash-generating units.

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- Goodwill acquired from 1 January 2004 onwards is carried at the consideration delivered while goodwill prior to that date is continued to be recognized at its carrying amount. In both cases, at least at the end of each reporting period (or earlier if there is any indication of impairment), goodwill is tested for impairment (i.e., a reduction in its recoverable amount to below its carrying amount) and, if there is any impairment, the goodwill is written down with a charge to "Impairment Losses on Property, Plant and Equipment, Intangible Assets and Goodwill" in the consolidated income statement, since IFRS 3 does not permit the amortization of goodwill. An impairment loss recognized for goodwill may not be reversed in a subsequent period (see Note 5-d).
- On disposal of a subsidiary, the attributable amount of goodwill is included in the calculation of the gain or loss on disposal.

b) Intangible assets

Intangible assets are initially recognized at acquisition cost (separately or through a business combination) or production cost and are subsequently measured at cost less any accumulated amortization and any accumulated impairment losses.

They can have "indefinite useful lives" when, based on analysis of all the relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the consolidated companies or a "finite useful life" in all other cases.

Intangible assets with indefinite useful lives as well as those that are in progress, are not amortized, but rather at the end of each reporting period the consolidated companies review the remaining useful lives of the assets in order to ensure that they are still indefinite or to take the appropriate steps where they are not.

Intangible assets with a defined useful life are amortized based on it, applying similar criteria to those adopted for the amortization of tangible assets, and, basically, they are equivalent to the following amortization percentages (determined based on the years of life estimated useful, as average, of the different elements):

	Annual rate
Intellectual property	6%-10%
Computer applications	18%-33%

The consolidated entities recognize in the accounting any loss that may have occurred in the recorded value of these assets arising from their impairment, using the heading "Impairment of property, plant and equipment, intangible assets and goodwill" in the loss account and as a counterpart. consolidated earnings. The criteria for recognizing impairment losses on these assets and, where appropriate, recoveries from impairment losses recorded in prior years are similar to those applied for tangible assets (Note 5-d).

Development costs

- Internal development

Expenditure on research activities is recognized as an expense in the year in which it is incurred.

The expenditure incurred internally because of the development of new drugs by the Group is only capitalized when all the following conditions are met or can be demonstrated:

- i. It is technically possible to complete production of the medication so that it can be made available for use or for sale.
- ii. There is an intention to finish developing the drugs in question for use or for sale.
- iii. The Group has the capacity to use or sell the drug.
- iv. The asset will generate future economic benefits. There is evidence that there is a market for the medication which will generate development or a market for its development. There is also evidence that its development will be useful to the Group in the event that it is going to be used in house.

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- v. Adequate technical, financial and other resources are available to complete development and use or sell the medication resulting from the development in progress.
- vi. The ability to measure reliably the payment attributable to the aforementioned development up until its completion.

Developing new medicines is highly uncertain due to the lengthy maturity period (which is usually several years) and the technical results obtained during the different trial phases of development. Development may be abandoned at one of the various stages either because the product has failed to meet medical or regulatory standards or it does not meet the required profit level. Therefore, the Group considers that there is no longer uncertainty when the developed product has been approved by the competent authorities in a reference market. From then on, the Group can consider that the conditions for capitalizing development expenditure have been achieved.

The development costs with a finite useful life that are gradually capitalized to assets are amortized from the regulatory approval of the product on a straight-line basis over the period in which benefits are expected to be obtained.

During the 2020 financial year, development costs of EUR 4.9 million were capitalized corresponding to two projects related to products that are currently being marketed in various markets (Note 9). No capitalization of significant internal development costs was carried out during 2019.

- Separate acquisition

A research and development project in progress acquired separately or through a business combination is always capitalized in accordance with Paragraph 25 of IAS 38 since the price paid for the acquisition reflects the probability of expected future economic benefits of the asset flowing to the Group, i.e. the price paid reflects the probability of the aforementioned project's success. When the Group acquires intangible assets with contingent payments subject to future events, it records them in line with the aggregate cost method.

The development costs acquired with a finite useful life are amortized from the time of the product's regulatory approval (i.e. when the intellectual property rights are transferred) on a straight-line basis over the period in which benefits are expected to be obtained.

Development costs (internal and acquired) previously recognized as an expense are not recognized as an asset in a subsequent period.

Intellectual property

Patents, trademarks and product production, sale and/or distribution licenses are initially recognized at the cost of purchase (separate or through a business combination) and are amortized over the estimated useful lives of the related products (on a straight-line basis) up to a limit of the duration of the licensing agreements entered into with third parties. These periods do not usually exceed ten years.

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

Computer software

The Group records the acquisition and development of computer programs in this account. Maintenance costs for computer programs are recognized with a charge to the consolidated income statement for the year in which they are incurred.

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

Computer software is amortized on a straight-line basis over a period of between three to six years, starting from its entry into service.

c) Property, plant and equipment

Property, plant and equipment are measured at cost (calculated based on a separate acquisition or through a business combination).

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Replacements or renewals of complete items that lead to a lengthening of the useful lives of the assets or to an increase in their economic capacity are recognized as additions to property, plant and equipment. The items replaced or renewed are derecognized from the accounting records.

Based on the accrual method of accounting, the periodic maintenance, upkeep and repair costs are expensed currently.

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

The annual depreciation charge is recognized in the consolidated income statement and is based on the depreciation rates calculated over the years of estimated useful life. The land on which the buildings and other structures stand is considered to have an indefinite useful life and, therefore, it is not depreciated. The detail of the average useful lives of the various items is as follows:

	Useful life (years)
Buildings	33-50
Plant and machinery	8-12
Other fixtures and tools	3-12
Furniture and laboratory equipment	6-10
Data processing equipment	4-6
Vehicles	5-6.25

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated income statement.

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

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets might have suffered an impairment loss. If there is an indication of impairment, the recoverable amount of the asset is calculated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible assets that have not been amortized are tested for impairment at least at the end of each year and prior to year-end if there are indications of impairment.

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

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

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

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In the case of goodwill, the impairment analysis, which is carried out with the periodicity described in Note 5-a), is carried out in three steps: Firstly, the recoverable value of the goodwill assigned specifically to cash-generating units (if possible). Secondly, the loss attributable to the asset elements included in the cash-generating unit is evaluated, recording, where appropriate, the relevant impairment in accordance with the above. Subsequently, the recoverable value of the unallocated goodwill is evaluated, incorporating all associated cash-generating units. If the recognition of impairment loss on goodwill is required, it is not reversible (Note 5-a)).

In general, the methodology used by the Almirall Group for the impairment tests is based on the value in use of the assets (goodwill and intangible assets) affected by the cash generating unit based on the estimation of projections of cash flows based on budgets approved by the Direction of the Company covering a period of 5 years. Cash flows beyond the 5-year period are extrapolated using the standard growth rates indicated below.

The methodology used by the Almirall Group to carry out the impairment tests for development expenses (Note 9) not subject to amortization as they have not been yet commercialized for which signs of impairment have been detected, are based on projections detailed financial terms ranging from 10 to 17 years, depending on the asset) to which a probability of success of the project will be applied and a perpetual income will be estimated for the following years based on a growth rate depending on the expected remaining life of the products.

The financial projections for each cash-generating unit or asset consist of an estimation of the net cash flows after taxes, calculated on the basis of an estimation of gross sales and margins and other costs projected for the cash-generating unit. The projections are based on reasonable and supported assumptions.

The main assumptions used in the impairment tests in the years ended December 31, 2020 and 2019 were as follows:

Cash generating Unit	Intangible assets as of December 31, 2020 (euro thousand)	Hypothesis 2020 (*)	Hypothesis 2019 (*)
Almirall LLC (formerly Aqua Pharmaceuticals, LLC)	Goodwill: - Intangible asset: 50,641	d.r.b.t.: 7% d.r.a.t.: 7% g.r.c.i.: (15)%	d.r.b.t.: 10.9% d.r.a.t.: 7.5% g.r.c.i.: (15)%
Almirall LLC ("Allergan portfolio")	Goodwill: - Intangible asset: 361,024	d.r.b.t.: 7.3% d.r.a.t.: 7% g.r.c.i.: (5)% - (15)%	d.r.b.t.: 9.1% d.r.a.t.: 7.5% g.r.c.i.: (5)% - (15)%
Almirall Hermal GmbH	Goodwill: 227,743 Intangible asset: 770	d.r.b.t.: 10.5% d.r.a.t.: 7% g.r.c.i.: (2)%	d.r.b.t.: 10.9% d.r.a.t.: 7.5% g.r.c.i.: (2)%
Poli Group Pipeline Segment third parties	Intangible asset: P- 3058 1,116 P- 3074 16,960	d.r.b.t.: 10.2% d.r.a.t.: 8.5% g.r.c.i.: (15)%	d.r.b.t.: 12.6% d.r.a.t.: 9% g.r.c.i.: (15)%
Poli Group Pipeline Segment own network	Intangible asset: P- 3058 4,940 P- 3074 4,449	d.r.b.t.: 11.8% d.r.a.t.: 8.5% g.r.c.i.: (15)%	d.r.b.t.: 11.6% d.r.a.t.: 9% g.r.c.i.: (15)%
Poli Group Marketed Segment third parties	Goodwill: 45,416 Intangible asset: 202,550	d.r.b.t.: 7.6% d.r.a.t.: 7% g.r.c.i.: (1)%	d.r.b.t.: 9.3% d.r.a.t.: 7.5% g.r.c.i.: (1)%
Poli Group Marketed	Goodwill: 7,400	d.r.b.t.: 9.1% d.r.a.t.: 7%	d.r.b.t.: 10.0% d.r.a.t.: 7.5%

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Segment own network	Intangible asset: 43,768	g.r.c.i.: (-)%	g.r.c.i.: (-)%
License AstraZeneca	Intangible asset: 58,700	d.r.b.t.: 11.9% d.r.a.t.: 9.0% g.r.c.i.: (20)%	d.r.b.t.: 11.8% d.r.a.t.: 9.0% g.r.c.i.: (20)%
License Sun Pharma	Intangible asset: 81,600	d.r.b.t.: 11.3% d.r.a.t.: 9.0% g.r.c.i.: (-)%	d.r.b.t.: 13.6% d.r.a.t.: 9.0% g.r.c.i.: (-)%
License Athenex	Intangible asset: 41,878	d.r.b.t.: 11.7% d.r.a.t.: 9.0% g.r.c.i.: (15)%	d.r.b.t.: 11.8% d.r.a.t.: 9.0% g.r.c.i.: (15)%
Dermira	Intangible asset under construction: 98,190	d.r.b.t.: 12.1% d.r.a.t.: 9.0% g.r.c.i.: (15)%	d.r.b.t.: 11.8% d.r.a.t.: 9.0% g.r.c.i.: (15)%
Other licenses	Intangible asset under construction: 9,505	d.r.b.t.: 12.0% d.r.a.t.: 9.0% g.r.c.i.: (2)%	d.r.b.t.: 12.0% d.r.a.t.: 9.0% g.r.c.i.: (2)%

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

Gross average margins for these projected cash-generating units range between 53% and 92%.

Management calculates the budgeted gross margin based on past performance and how they expect the market will perform.

The key variables in the impairment tests carried out by the Group relate mainly to the sales of each different medication, which are almost all currently at the marketing stage, and the discount rates applied. Using these variables (discount rate and cash flows) either before or after taxes does not represent a significant change to the results of the analysis carried out.

These variables are based on historical experience weighted by outside information available. Changes in assumptions are based on the evidence obtained by the Group in accordance with the indicators applied.

Below we include the sensitivity analysis performed for each of the assets in the face of reasonably possible variations in the main key hypotheses. Due to the uncertainty generated by Covid-19, as of December 31, 2020, the Management has deemed it appropriate to increase the sensitivity in the low range of the sales estimate, expanding it to -20% instead of the usual -10%:

Cash generating unit	Sensibility analysis	Impact (million euros)
Almirall LLC (formerly, Aqua Pharmaceuticals, LLC)	- Increase (+10%) / Decrease (-20%) estimated net sales - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	3 / (3) 7 / (3) 3 / (1)
Almirall LLC portfolio ("Allergan portfolio")	- Increase (+10%) / Decrease (-20%) estimated net sales - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	None / (17) None None
Poli Group Pipeline Segment sold by third parties	- Increase (+10%) / Decrease (-20%) estimated net sales - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	None None None
Poli Group Pipeline Internal network segment	- Increase (+10%) / Decrease (-20%) estimated net sales - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	None None None
Poli Group Marketed Segment sold by third parties	- Increase (+10%) / Decrease (-20%) estimated net sales - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	None None None

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Poli Group Marketed Internal network segment	- Increase (+10%) / Decrease (-20%) estimated net sales - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	None None None
Astrazeneca license	- Increase (+10%) / Decrease (-20%) estimated net sales - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	None None None
Almirall Hermal GmbH	- Increase (+10%) / Decrease (-20%) estimated net sales - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	None None None
Sun Pharma license	- Increase (+10%) / Decrease (-20%) estimated net sales - Increase / decrease by 5 points the probability of success - Increase / Decrease by 1 point in the discount rate	None None None
Athenex license	- Increase (+10%) / Decrease (-20%) estimated net sales - Increase / decrease by 5 points the probability of success - Increase / Decrease by 1 point in the discount rate	None None None
Dermira license	- Increase (+10%) / Decrease (-20%) estimated net sales - Increase / decrease by 5 points the probability of success - Increase / Decrease by 1 point in the discount rate	None None None

e) Leases

The Group rents several offices, machinery and transport elements. Rental agreements are normally made for fixed terms from 3 to 5 years, although they may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease agreements do not impose covenants, but the leased assets cannot be used as collateral to obtain loans.

Since January 1st, 2019, the Group recognizes leases as a right-of-use asset and the corresponding liability on the date the leased asset is available for use. Each lease payment is allocated between the liability and the financial expense. The financial expense is charged to income during the term of the lease in such a way that it produces a constant periodic interest rate on the remaining balance of the liability for each year. The right-of-use asset is amortized over the useful life of the asset or the lease term, whichever is shorter, on a straight-line basis.

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

- fixed payments (including fixed payments in substance), less any lease incentive receivable
- variable lease payments that depend on an index or a rate, and
- the payment of penalties for termination of the lease, if the lease term reflects the exercise by the lessee of that option.

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

Given the nature of right-of-use assets, the initial cost recognized is essentially made up of the initial valuation of the lease liability, with initial direct costs or restoration generally not relevant. In addition, there are no variable lease payments other than those that depend on a type or rate.

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

f) Inventories

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

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

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

The Group assesses the net realizable value of the inventories at the end of each period and recognizes the appropriate loss if the inventories are overstated. When the circumstances that previously caused the decline in value no longer exist or when there is clear evidence of an increase in net realizable value due to a change in economic circumstances, the valuation adjustment is reversed.

g) Receivables from sales and services

Trade receivable balances are initially recognized at fair value and subsequently measured at amortized cost. At the end of each reporting period, the recoverable amount of trade receivables is calculated and the carrying amount is reduced, where necessary, by the required adjustments to cover the balances, which are in situations that are classified as doubtful debts.

h) Cash and cash equivalents

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

For the purposes of the statement of cash flows, "Cash and Cash Equivalents" is considered to be the Company's cash and short-term bank deposits that can be liquidated immediately at the Group's discretion without incurring any penalty. They are recognised under "Current Financial Assets" in the accompanying consolidated balance sheet. The carrying amount of these assets is close to their fair value.

i) Financial instruments (excluding derivative financial instruments)

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

In the years ended December 31, 2020 and 2019, the measurement bases applied by the Group to its financial instruments were as follows:

Financial assets

Classification: In accordance with the application of IFRS 9, the Group classifies its financial assets in the following valuation categories:

- those that are valued after fair value (either with changes in other comprehensive income or results), and
- those that are valued at amortized cost.

The classification depends on the business model of the entity to manage the financial assets and the contractual terms of the cash flows.

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

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Recognition and de-recognition of accounts: Conventional purchases and sales of financial assets are recognized on the trading date, the date on which the Group agrees to buy or sell the asset. Financial assets are de-recognized when the rights to receive cash flows from the financial assets expire or are transferred and the Group has transferred substantially all the risks and benefits inherent to the property.

Valuation: At the time of initial recognition, the Group values a financial asset at its fair value plus, in the case of a financial asset other than at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets recorded at fair value through profit or loss are recognized as expenses in results.

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

Debt instruments

The subsequent valuation of the debt instruments depends on the Group's business model to manage the asset and the characteristics of the cash flows of the asset. The Group classifies its debt instruments in three valuation categories:

- **Amortized cost:** The assets held for the collection of contractual cash flows when these cash flows represent only payments of principal and interest are valued at amortized cost. Interest income from these financial assets is included in financial income according to the effective interest rate method. Any gain or loss that arises when derecognized is recognized directly in profit or loss and is presented in other receivables / (losses) together with gains and losses from exchange differences. Impairment losses are presented as a separate item in the income statement.
- **Fair value with changes in other comprehensive income:** Assets held for the collection of contractual cash flows and for selling financial assets, when the cash flows of the assets represent only payments of principal and interest, are valued at value reasonable with changes in other comprehensive income. Movements in the carrying amount are carried to other comprehensive income, except for the recognition of gains or losses from impairment of value, ordinary income from interest and gains or losses from exchange differences that are recognized in profit or loss. When the financial asset is written off in accounts, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit and loss and recognized in other gains / (losses). Interest income from these financial assets is included in financial income according to the effective interest rate method. Gains and losses from exchange differences are presented in other gains and losses and the impairment expense is presented as a separate item in the income statement.
- **Fair value with changes in results:** Assets that do not meet the criterion for amortized cost or for fair value with changes in other comprehensive income are recognized at fair value through profit or loss. A gain or loss on an investment in debt that is recognized subsequent to fair value through profit or loss is recognized in income and is presented net in the income statement within other gains / (losses) in the year in which it arises.

Equity instruments

The Group subsequently values all investments in equity at fair value. When the Group's Management has chosen to present gains and losses in the fair value of investments in equity in other comprehensive income, there is no subsequent reclassification of gains and losses in fair value to results. Dividends from such investments continue to be recognized in profit or loss as other income when the company's right to receive payments is established.

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

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Impairment losses

The Group evaluates on a prospective basis the expected credit losses associated with its assets at amortized cost and at fair value with changes in other comprehensive income. The methodology applied to impairment of value depends on whether there has been a significant increase in credit risk.

For trade accounts receivable, the Group applies the simplified approach allowed by IFRS 9, which requires that the expected losses during its life be recognized from the initial recognition of accounts receivable; see Note 14 for more details.

Financial liabilities

Trade payables are payment obligations for goods or services that have been acquired from suppliers during the ordinary course of business. Current liabilities mature within twelve months or less. Any payables maturing beyond this date are classed as non-current liabilities.

The trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Financial liabilities are recognized initially at fair value less any transaction costs incurred. Financial liabilities are subsequently measured at amortized cost. Any gain (loss) between the funds obtained (net of the costs required to obtain them) and the repayment amount is recognised in the consolidated income statement over the term of the liability using the effective interest method.

Fees paid for credit lines are recognized as transaction costs of the liability provided whenever it is probable that the credit line will be drawn down in part or in full. In this case, the fees are deferred until funds are drawn down. Fees are capitalized as an advance for liquidity services and are amortized over the period of the credit availability to the extent that it is not probable that the credit line will be drawn down in full or in part.

The fair value of the liability component of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on the basis of amortized cost until it is extinguished with the conversion or maturity of the bonds. The rest of the income obtained is allocated to the conversion option that is recognized and included in the shareholders equity, net of the effect of the income tax.

Financial debt is eliminated from the balance sheet when the obligation specified in the contract has been paid, cancelled or expired. The difference between the carrying amount of a financial liability that has been cancelled or assigned to another party and the consideration paid, including any assigned asset different from the cash or liability assumed, is recognized in the income statement as other financial income or expenses.

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

The loans with subsidized or zero interest rates are forms of government aid. These loans are recognized at the fair value of the financing received and the differences arising between the fair value and the nominal value of the financing received are treated as a grant.

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

In the accompanying consolidated balance sheets, financial assets and liabilities maturing within no more than twelve months of the consolidated balance sheet date are classified as current, while those maturing after more than twelve months are classified as non-current.

j) Derivative financial instruments and hedge accounting

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

The Group initially documents the relationship between the hedging instruments and hedged items and its risk management objectives and strategy for arranging various hedging transactions. The Group also

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documents their initial and subsequent assessments as to whether the derivatives used in the hedges are highly effective for offsetting the changes in the fair value or cash flows of the hedged items.

The total fair value of a hedging derivative is classified as a non-current asset or liability if the time remaining to maturity of the hedged item is more than 12 months and as a current asset or liability if the time remaining to maturity of the hedged item is less than 12 months. Derivatives that do not qualify for hedge accounting are classified as current assets or liabilities.

Derivatives are initially recognized at fair value on the date on which the derivative contract is signed and subsequently they are revalued at their fair value on the date of each balance. 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 being hedged. The Group designates certain derivatives such as:

- Hedging of variations in the value of assets and liabilities due to fluctuations in price, the interest rate and / or the exchange rate to which the position or balance to be covered is subject ("fair value hedges").
- Hedges of changes in estimated cash flows originating from financial assets and liabilities, commitments and highly probable forecast transactions that an entity plans to carry out ("cash flow hedges").
- Hedges of a net investment in a foreign operation ("net investment hedges").
- Cash flow hedges that qualify for hedge accounting

The effective part of the changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The loss or gain related to the ineffective part is recognized immediately in the result of the exercise within other gains / (losses).

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

Gains or losses corresponding to the effective portion of the change in the intrinsic value of option contracts are recognized in the cash flow hedge reserve in equity. Changes in the time value of option contracts that are related to the hedged item ("aligned time value") are recognized within other comprehensive income in the hedge cost reserve in equity.

When forward contracts are used to hedge forecasted transactions, the Group generally designates only the change in the fair value of the forward contract related to the cash component as the hedging instrument. Gains or losses related to the effective portion of the change in the cash component of forward contracts are recognized in the cash flow hedge reserve in equity. The change in the term element of the contract related to the hedged item ("matured term element") is recognized in other comprehensive income in the reserve of hedge costs within equity. In some cases, the gains or losses corresponding to the effective part of the change in the fair value of the full-term contract are recognized in the cash flow hedge reserve in equity.

The amounts accumulated in equity are reclassified in the years in which the hedged item effects the income for the year, as follows:

When the hedged item subsequently results in the recognition of a non-financial asset (such as inventories), both the deferred gains and losses on coverage and the deferred time value or the deferred forward points, if any, are included in the initial cost of the asset. Deferred amounts are recognized financially in the income for the year, since the hedged item affects the result (for example, through cost of sales).

The gain or loss corresponding to the effective portion of the interest rate swaps covering variable rate loans is recognized in income within the financial expense at the same time as the interest expense on the covered loans.

The accounting for hedges, if considered as such, is interrupted when the hedging instrument expires, or is sold, terminated or exercised, or fails to meet the criteria for accounting for hedges. Any cumulative profit or loss corresponding to the hedging instrument that has been recorded in equity is maintained within equity until the anticipated transaction occurs. When the operation that is being hedged is not expected to occur, the accumulated net gains or losses recognized in equity are transferred to the net results of the period.

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(i) Net investment hedges

Hedges of net investments in businesses abroad are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument related to the effective portion of the hedge is recognized in other comprehensive income and accumulates in reserves in equity. The loss or gain relating to the ineffective part is recognized immediately in results within other gains / (losses).

Gains and losses accumulated in equity are reclassified to profit or loss when the business is partially disposed of abroad.

(ii) 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 recognized immediately in income and included in other gains/(losses).

In 2020 and 2019 there are no derivative financial instruments contracted that meet the requirements for hedge accounting (Note 17).

k) Provisions and contingencies

When preparing the consolidated annual accounts, the directors made a distinction between:

- Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to an outflow of economic resources, which are certain as to its nature but uncertain as to its amount and/or timing; and
- Contingent liabilities: possible obligations resulting from past events, the future materialization of which is contingent upon the occurrence or otherwise of one or more events out of the consolidated companies' control.

The Group's consolidated annual accounts include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Since the contingent liabilities did not arise from a business combination, they are not recognized, but rather detailed in Note 26.

Provisions, which are quantified on the basis of the best information available on the consequences of the event giving rise to them and are reviewed and adjusted at the end of each year, are used to cater for the specific and probable risks for which they were originally recognized. Provisions are fully or partially reversed when these risks cease to exist or are reduced.

(i) Litigations and/or claims in process

The Group's business activities are carried on in a highly regulated industry (healthcare legislation, intellectual property, etc.) and, therefore, its business is at risk of potential lawsuits.

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

At the end of 2020 and 2019, a number of legal proceedings and claims had been initiated against the Group in the ordinary course of its business. The Company's legal advisers and directors consider that the provisions recognized are sufficient and that the outcome of litigation and claims will not have a material effect on the consolidated annual accounts for the years in which they are settled.

(ii) Provision for restructuring

The Group recognizes the restructuring costs when they have detailed plans to begin restructuring which extend to the following at least: the business activities involved, the main locations affected, the functions and approximate number of the employees who will receive an indemnity following the discontinuance of their services, the payments to be carried out, the possible dates on which the detailed plans will be implemented and a valid expectation has

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been created among those affected, either because the plans have been started up or they have been informed of their main characteristics.

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

The Group companies Almirall Hermal, GmbH, Almirall AG and Polichem, S.A. have retirement benefit obligations (or post-employment benefit obligations). The obligations of Almirall AG and Polichem, S.A. are not material with respect to the Group's consolidated annual accounts. The obligations assumed by Almirall Hermal GmbH are funded by two defined benefit plans that were frozen in 2017 and a defined contribution plans with employee contributions.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that does not fulfil the definition of a defined contribution plan. Defined benefit plans generally lay down the amount of the benefit that will be received by an employee on retirement, normally on the basis of one or more factors such as age, years of service or remuneration.

The contingencies funded by the defined benefit plans are retirement and similar (death of spouse and death of parent), active life risks, death and disability for the employees hired prior to 30 June 2002 and consist of a pension calculated basically on the basis of the pensionable pay. The obligation assumed is covered by in-house provisions and there are no plan assets (see Note 20).

The liability recognized in the balance sheet in connection with defined benefit pension plans is the present value of the defined benefit obligations at the reporting date. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting estimated future cash outflows at interest rates on high quality Government bonds denominated in the same currency in which the benefits will be paid and having similar maturities to those of the respective obligations. In those countries where there is no developed market for such bonds, the market rates on government bonds are used.

The amount of the obligations assumed was calculated as follows:

- Calculation method: the calculation method used in actuarial valuations has been that of "year-to-year proportional accreditation" or "projected unit of credit". The value of the pension obligations has been calculated on the basis of the present value of the promised benefits and has taking into account the number of years that the staff has served and the number of years remaining until the date of retirement.
- Actuarial assumptions: the main assumptions used to calculate the actuarial valuation of said commitments have been, in 2020 and 2019, the following:

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

2019	Almirall Hermal, GmbH	Almirall, AG	Polichem, S.A.
Mortality tables	Heubeck 2018G	BVG 2015 GT	BVG 2015 GT
Discount rate	1.00%	0.20%	0.25%
Salary increase rate	2.25%	1.75%	1.00%

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Benefit increase rate	1.75%	1.00%	0.00%
Turnover rate	3.00%	8.22%	-
Retirement age	63	64 - 65	64 - 65

Actuarial gains and losses that arise from adjustments applied due to experience and changes in the actuarial assumptions used are charged and credited to equity in "Other comprehensive income" in the period in which they arise.

The cost of past services arises as a result of modifications to the benefits offered under a defined benefit plan. It may lead to an improvement or a reduction in the benefits covered by the plan.

IAS 19 requires past service costs to be recognized directly in the consolidated income statement for the year in which the plan is amended. The entity recognizes an expense when the change entails an improvement in the benefits (positive past service cost) and income when benefits are reduced (negative past service cost).

The effect of new benefits incorporated into a defined benefit plan will have an immediate impact on the profit and loss account, without the possibility of deferring the expense corresponding to those benefits that have not yet accrued in the period of their consolidation.

The discount rates used in the calculation are determined based on actuarial advisory services in accordance with the statistics published and experience in each territory.

Defined contribution plans cover similar contingencies to those under the defined benefit plans described above for all employees. Contributions are made to non-related entities such as insurance companies and the amount recognized as an expense in this respect in 2020 and 2019 totals EUR 1.8 million and EUR 2.4 million, respectively.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit costs when they vest.

m) Severance costs

Severance costs are payable when the Group decides to terminate an employment contract before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes these costs when it has demonstrably undertaken to terminate current employees' employment in accordance with a formal detailed plan that cannot be withdrawn. When a redundancy offer is made to employees, the severance costs are measured on the basis of the number of employees that are expected to take the offer up. Severance payments due beyond 12 months of the balance sheet date are discounted to present value.

n) Government grants

Government grants to cover current costs are recognized as income once all the conditions attaching to them have been fulfilled over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Government grants related to property, plant and equipment are treated as deferred income and are recognized in profit or loss over the expected useful lives of the assets concerned.

o) Revenue recognition

Ordinary revenue is recognized when the control of a good or service is transferred to the customer (thus, the concept of control replaces the previous concept of risks and benefit).

The Group recognizes its ordinary income when it satisfies an obligation through the transfer of goods or services committed to customers and is recorded for an amount that reflects the consideration that the Group expects it to pay.

In this regard, the Group recognizes ordinary income from contracts with customers based on a five-step model established in IFRS 15:

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- Step 1. Identification of contracts with customers: A contract is defined as an agreement between two or more parties, which creates rights and obligations and establishes certain criteria that must be met for each contract. Contracts can be written, verbal or tacit by virtue of the usual commercial practices of a company.
- Step 2. Identification of separate performance obligations: A performance obligation is a promise in a contract with a customer for the transfer of a good or service.
- Step 3. Value of the price of the contract transaction: The price of the transaction is the amount of the consideration to which the Group expects to be entitled in exchange for the transfer of the goods or services promised to a customer, without taking into account the amounts charged on behalf of third parties. This consideration promised in a contract with a client may consist on a fixed amount, in a variable amount, or both.
- Step 4. Assignment of the transaction price to the separate execution obligations of the contract: In a contract that has more than one execution obligation, the Group distributes the transaction price among the execution obligation in amounts that represent the consideration to which the Group expects to have the right in exchange for fulfilling each execution obligation.
- Step 5. Recognition of ordinary income when (or as) the Group fulfils an execution obligation. The Group meets an execution obligation and recognizes income over time, if one of the following criteria is met:
 - i. The Group's execution does not create an asset with an alternative use for the Group, and the Group has an enforceable right to the payment of what has been executed to date.
 - ii. The Group's execution creates or improves an asset that the client controls as the asset is created or improved.
 - iii. The client at the same time receives and consumes the benefits provided by the execution of the Group as it carries it out.

For obligations where none of the indicated conditions is met, the income is recognized at the moment in which the execution obligation is fulfilled.

When the Group fulfills an obligation through the delivery of the promised goods or services, it creates a contractual asset for the amount of the consideration obtained with the contract.

When the amount of the good or service received by a customer exceeds the amount of income recognized, this generates a contractual liability.

The following is a detail of the main activities through which the Group generates operating income from contracts with customers, which are included in the caption "Net Sales" from the consolidated profit and loss account:

(a) Long-term revenue contracts for licenses granted to different "partners" (business partners)

The Group has long-term contracts for licenses granted to the different "partners" (business partners) with the different countries where the Group markets its products. Derived from these contracts the following types of income will occur:

- Sales, either raw material or any product that has been modified in a production process. Given that this income component is differentiated from other components of the contracts, and that the price at which these transactions are made is a market price, similar to the way in which they were recorded under IAS 18. This income is recorded under the caption "Net Sales", in line with previous years.
- Royalties to be collected linked to "partners" (business partners). The registration criteria followed under IAS 18 of recognition of them has been maintained. This income is recorded under the "Net Sales" caption.
- Milestones related to the achievement of certain levels of sales. In general terms, the milestones associated to a contingent event, and as such, the registration is made on the date of achievement of the contingent milestone and related to sales already occurred. This income is recorded under the "Net Sales" caption.
- Collections for assignments or sales of brands or intellectual property assimilable to products, either for a specific period or perpetually.

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(b) Income from sales of licenses for development and subsequent commercialization

In the components of sales contracts where certain rights are transferred for the development and subsequent commercialization, and in which there is a significant continuous involvement during the period of development by the Group, the part of the initial charge assigned to that component ("upfront payment") is deferred annually to the consolidated profit and loss account during the planned development period. This sale of the rights of a license, is an activity that the Group also performs with other companies, which, beyond involving continuous involvement by the Group during the period of development of the molecules, will generate income by milestones (milestones) and future royalties.

p) Corporate income tax and deferred tax assets and liabilities

The expense for Spanish Corporation Tax and taxes of a similar nature applicable to consolidated foreign entities are recognized in the consolidated income statement, except when they are the result of a transaction whose results are recorded directly in equity, in which Of course, the corresponding tax is also recorded in equity.

Almirall, S.A. It is subject to Corporation Tax under the Tax Consolidation tax regime according to Chapter VI of Title VII of Law 27/2014, of November 27, on Corporation Tax. The companies that constitute the Group for tax purposes for 2020 and 2019 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas Almirall, S.A., Laboratorios Tecnobío, S.A., Ranke Química, S.A. and Almirall Europa Derma, S.A. (previously known as Almirall Aesthetics, S.A.), the former acting as the parent company. Consequently, the corporate income tax expense of the consolidated Group includes those advantages derived from the use of tax losses and deductions pending application that would not have been recorded in the event of individual taxation of the companies that make up the aforementioned tax Group.

The income tax expense represents the sum of the current tax expense and the changes in recognized deferred tax assets and liabilities.

The current income tax expense is calculated on the basis of taxable profit for the year. The taxable profit differs from the net profit shown in the consolidated income statement because it excludes income or expenses that are taxable or deductible in other years and excludes items that will never become taxable or deductible. The Group's current tax liability (or if the case, asset) is calculated using tax rates that have been approved or almost approved by the date of the consolidated balance sheet. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax liabilities are the amounts to be paid in the future for income tax related to taxable temporary differences while deferred tax assets are the amounts to be recovered as income tax due to the existence of deductible temporary differences, compensable negative tax bases or deductions pending application. For these purposes, temporary difference is understood as the difference between the book value of assets and liabilities and their tax base. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled. However, deferred taxes are not recognized if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting profit (accounting loss) or taxable profit (tax loss).

Deferred tax assets for temporary differences and other deferred tax assets (tax loss carry forwards and tax credit carry forwards) are only recognized to the extent that it is considered probable that the consolidated companies will have sufficient taxable profits in the future against which the deferred tax asset can be utilized. At each accounting close, deferred tax assets and liabilities are analyzed to ensure that they remain valid. Any necessary adjustments arising out of the analyses are made accordingly.

Lastly, in application of IFRIC 23 "Uncertainty about the treatment of income tax" the Group classifies under the heading of "Other non-current liabilities" the liabilities derived from said standard (Note 18).

q) Borrowing costs

General and specific borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets, which are those assets that necessarily require a substantial period of

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time before they are ready for forecast use or sale, are added to the cost of such assets until the assets are substantially ready for their intended use or sale.

Financial income obtained on the short-term investment of specific loans is deducted from eligible borrowing costs for capitalization until it is used by the qualifying assets.

The rest of the interest costs are recognized in profit or loss in the year in which they are incurred.

r) Foreign currency transactions

The Group's presentation currency is the Euro. All balances and transactions denominated in currencies other than the Euro are therefore foreign currency balances and transactions.

Balances in foreign currencies are translated to euros in two consecutive stages:

i. Translation of foreign currencies to the subsidiaries' functional currencies:

Foreign currencies transactions performed by consolidated companies are initially recognized in their respective annual accounts at the equivalent value in their functional currencies based on the exchange rates prevailing at the date of the respective transactions. Subsequently, for the purpose of their presentation in the separate annual accounts, the consolidated companies translate the receivable or payable balances in foreign currencies to their functional currencies using the exchange rates prevailing at the balance sheet date. Any exchange differences are charged and/or credited to their income statements.

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

The balances in the annual accounts of consolidated companies whose functional currency is not the Euro are translated to Euro as follows:

- Assets and liabilities are translated at the exchange rates at the reporting date.
- Income, expenses and cash flows are translated at the average exchange rates for the year.
- Equity items are translated at the historical exchange rates.

Adjustments to goodwill and to the fair value arising on the acquisition of a foreign operation are considered to be assets and liabilities of the foreign operation and are translated at the year-end exchange rate. Differences arising in the translation process are included under "Equity - Translation Differences" in the statement of other comprehensive income. Such translation differences are recognized as income or expense in the period in which the investment is made or sold.

For consolidation purposes, translation differences arising from converting any net investment in foreign business or financial debts and other financial instruments designated as cover of these investments are recognized in another global result. When a foreign business is sold or any financial debt which forms part of the net investment is paid, the related translation differences are reclassified in the result of the financial year as part of the gain or loss from the sale.

s) Information about environment

Assets of an environmental nature are considered assets that are used in a lasting manner in the activity of the Almirall Group companies, whose main purpose is the minimization of the environmental impact and the protection and improvement of the environment including the reduction or elimination of future pollution of the Group's operations. Note 30 details the annual cost as well as the investments and the net book value at the end of each year.

Likewise, the Group has photovoltaic panels in some of its production facilities, destined to the production of energy for its own consumption.

These assets are valued, like any fixed asset, at acquisition price or production cost. Companies amortize said elements following the linear method, based on the estimated remaining useful life of the different elements.

Likewise, the Group also incurs expenses related to activities to preserve the environment, as also detailed in Note 30.

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t) Earnings per share

Basic earnings per share are calculated by dividing net profit or loss attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held during the year.

Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been issued if all the potential ordinary shares were to be converted into ordinary shares of the Parent company. Therefore, conversion is deemed to take place at the start of the period or when the potential ordinary shares are issued, where they have become outstanding during the period in question.

u) Consolidated statement of cash flows

The following expressions are used with the following meaning in the consolidated statement of cash flows:

- Cash flows: inflows and outflows of cash and cash equivalents, understood as short-term highly liquid investments with a low risk of shifts in value.
- Operating activities: the company's ordinary activities and other activities that cannot be classified as investment or finance activity.
- Investment activities: acquisition, sale or disposal of long-term assets and other investments not included in cash and equivalents.
- Financing activities: activities that, not forming part of the operating activities, result in changes in the size and composition of equity and liabilities.

For the purpose of calculating the consolidated statement of cash flows, "Cash and Cash Equivalents" is considered to include the Group's cash and short-term bank deposits that can be liquidated immediately at the Group's discretion without a penalty being applied and are recognized under "Current investments" in the accompanying consolidated balance sheet. The carrying amount of these assets approximates their fair value.

v) Share-based payment systems for listed shares

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

Under the Plan, the Parent company undertakes to grant the executives long-term cash-settled variable remuneration tied to the price of the Parent company's shares, following the fulfilment of certain requirements and conditions, Note 28 provides a detail of the liability calculated in accordance with IFRS 2, at December 31, 2020 and 2019.

w) Share capital

Ordinary shares are classified as equity.

The incremental costs directly attributable to the issue of new shares or options are recognized in equity as a deduction in the income obtained, net of any tax.

When a Group entity acquires corporate shares (i.e. treasury shares), the consideration paid, including any directly attributable incremental cost (net of income tax), is deducted from the equity attributable to the aforementioned shareholders until they are settled, re-issued or disposed of. When these items are subsequently re-issued, all of the amounts received net of any directly attributable incremental cost of the transaction and the corresponding effects of any income tax are included in the equity attributable to the holders of these equity instruments and the Company.

6. Changes in accounting policies

In the year ended December 31, 2020, there have been no significant changes in the Group's accounting policies, nor have new standards come into force that have an impact on the comparability of these consolidated annual accounts with respect to the year ended December 31, 2019.

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7. Critical accounting judgements and estimates

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances. Additionally, due to the uncertainty generated by the pandemic related to COVID-19, Note 33 details additional impacts that it could have on these consolidated annual accounts and the judgments and accounting estimates made as of December 31, 2020.

a) Revenue recognition and fair value of outstanding revenue

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

- Non-refundable initial amounts.
- Receipts on attainment of certain milestones (development, business, etc.).
- Royalties.
- Calculation of the future price of supplying the product in question to each of the parties.

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

As a result of the operation with AstraZeneca UK Limited on November 2014, Almirall, S.A. entered into an agreement with AstraZeneca UK Limited under this agreement it transferred the rights to part of its respiratory franchise, which included various components, receiving in exchange some cash payments and other deferred payments on complying with certain future milestones. This operation has had the following effects in these consolidated annual accounts:

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

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

- "Milestone events": events related to the first launches and to obtaining reference prices in certain countries with a 25-30% probability of occurring.
- "Sales-related payments": events related to reaching a certain level of sales. At December 31, 2019 there is a milestone pending to be collected amounting to 26 million euros (30 million dollars), which was collected in March 2020. At the end of December 2020, there are no sales-related payments pending to be collected.
- "Potential payments": events related to the payment of royalties, which is linked to the sales obtained in each future year. Sales revenue is related to the sales variable based on the sales reported by AstraZeneca at the end of the year to which the corresponding consolidated annual accounts refer.

Independent expert calculated the fair value of this transaction. The fair value was calculated based on discounted cash flows adjusted for the probable success of certain risks associated at different stages of the products. The discounted cash flow method estimates the future cash flows of the asset (translated from USD to euros at the exchange rate based on the range agreed in the agreement) and the cash flows during the estimated marketing period, taking into account the maturity of the patent, adjusted for estimated probability of success. These probabilized cash flows are discounted at a rate which reflects the current returns required by the market and the specific risks of the asset. The impacts on the fair value of the asset are detailed in Note 12.

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The main assumptions and considerations used by the independent experts to value the financial asset at December 31, 2020 are as follows:

- Estimated level of sales reached in a territory during a year.
- Discount rate: based on the country where the cash flows are obtained, giving an overall weighted average of approximately 10.4%.
- Probability of success allocated: it affects the valuations of the "milestones events" and "sales-related payments".

For the purpose of sensitivity analyses of variations considered reasonably possible with respect to the independent expert's appraisal made at December 31, 2020, the following should be taken into account:

- If the estimation of sales revenue for 2021 to 2035 were reduced/increased by 5% every year, the effect would be a reduction/increase of the financial asset by EUR (4.5)/4.5 million, respectively.
- If the discount rate used is reduced/increased by one percentage point, the effect would be an increase/reduction of the financial asset by EUR 3.1/(2.9) million, respectively.
- If the probabilities assigned to "milestone events" and "sales-related payments" are reduced/increased by five percentage points, the effect would be a reduction/increase of the financial asset by EUR (2.0)/2.0 million, respectively.

Sales of licenses for development and the subsequent marketing: of the components in the sales agreements which transferred certain rights for development and subsequent marketing, in which there is significant ongoing involvement over the development period by Almirall, the initial payment assigned to this component ("upfront payment") is recognized on a straight-line basis in the consolidated income statement over the expected development period (expected until 2021) (see deferred income in Note 15). Once the product in question has been commercially launched, if applicable, the future royalties will be recognized in the accounting, based on the product sales achieved.

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

The Group obtained rights to market certain products at the development stage (see Note 9), which meet the criteria for capitalization upon initial recognition under IFRS (see Note 5-b). These assets will be amortized on the basis of the respective useful lives of the related products from the date that they obtain regulatory approval. At the end of the reporting period, the Group assesses the recoverability of these assets through positive future cash flows based on the best estimates of the Group's technical and financial managers and, therefore, a discounted cash flow model that envisages a degree of uncertainty in the various possible scenarios must be taken into consideration. A change in the assumptions used to measure the estimated cash flows (changes in interest rates, regulatory amendments, final approval of forecast regulated prices competition from other products, etc.) could reduce the realizable value of the aforementioned assets (see Note 9).

Contingent payments in the purchase of marketing rights for certain products that are in the development phase, are capitalized when they are incurred to the extent that they respond to compliance with certain milestones (for example, obtaining regulatory approval), which comes to confirm the highest value of the asset in question. On the contrary, when the contingent payments are related to the execution of normal activities of the development phase that do not comply with the condition to capitalize or royalties on future sales, they will be recognized in the consolidated profit and loss account when they are incurred.

In this regard, a detailed analysis of contingent payments is required to determine their capitalization or allocation to the profit and loss account when incurred.

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

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

The claims and lawsuits to which the Group is exposed are generally complex and, therefore, there is a high degree of uncertainty as to whether there will be an outcome that is detrimental to the Group's interests and to the estimated potential future disbursements that the Group might have to pay.

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Consequently, it is necessary to use judgements and estimates with the assistance of the relevant legal advisers.

At December 31, 2020 and 2019, certain litigations and claims arising from the ordinary course of their operations were ongoing against the consolidated companies. The Group's legal advisers and directors consider that the outcome of these litigation and claims will not have a material effect on the consolidated annual accounts for future years (see Note 26).

d) Deferred tax assets

When calculating the deferred tax assets whose recoverability is reasonably assured, the Group establishes a time limit for their compensation based on best estimates. In addition, on the basis of estimates of the taxable profit of each of the Group companies, the Group has determined the expected period over which the deferred tax assets will be realized, also taking into account the timing of deduction of the tax credit and tax loss carry forwards by the legally established deadlines (see Note 22). However, as the likelihood of recovery of these deferred tax assets, the Group has considered a period of up to 10 years and therefore, in recognizing the asset, it has not taken into account those tax credits which, on the basis of estimates of future taxable profit, need a longer period of time, even if it is permitted under tax legislation, considering that it will not be a likely case of recovery within the 10-year period.

e) Impairment of goodwill and intangible assets

The calculation of potential impairment losses on goodwill and intangible assets requires judgements and estimates to be made on the recoverable amount. These judgements and estimates relate mainly to the calculation of the cash flows associated with the relevant cash-generating units and to certain assumptions in relation to the interest rates used to discount the cash flows (see Notes 5-d and 8). Other assumptions used to analyze the recoverable amount of goodwill and intangible assets could give rise to other considerations in the impairment of them.

8. Goodwill

The detail of Goodwill in the accompanying consolidated balance sheets at December 31, 2020 and 2019 and the changes therein is as follows:

	Thousand euro						
	Balance at 31 December 2018	Exchange rate differences	Impairment	Balance at 31 December 2019	Exchange rate differences	Impairment	Balance at 31 December 2020
Almirall, S.A.	35,407	-	-	35,407	-	-	35,407
Almirall Hermal, GmbH	227,743	-	-	227,743	-	-	227,743
Poli Group	52,816	-	-	52,816	-	-	52,816
Total	315,966	-	-	315,966	-	-	315,966

The goodwill of Almirall, S.A., the net value of which amounts to EUR 35.4 million, arose in 1997 as a result of the difference between the carrying amount of the shares of Prodesfarma, S.A. and the underlying carrying amount of this company at the time of the merger by absorption thereof by the Parent company, after having allocated any unrealized gains arising from property, plant and equipment and financial assets.

The goodwill of Almirall Hermal, GmbH was originated as a result of the difference between the acquisition value in 2007 of the shares of the Hermal Group companies and the notional value of the same at the time of acquisition, once assigned to identifiable assets and liabilities, the difference between their fair value and that for which they were recorded in the financial statements of the acquired companies, if applicable. The cash-generating unit to which said goodwill is assigned has been established, in accordance with the policies for segmentation and monitoring of financial information maintained by the Almirall Group Management, by Almirall Hermal, GmbH, as a whole.

The goodwill of the Poli Group arose as a result of the difference existing between the acquisition cost of the shares of the Poli Group companies in February 2016 and the underlying carrying amount thereof

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at the acquisition date, having allocated the identifiable assets and liabilities a difference between their fair value and their carrying amount in the annual accounts of the companies acquired.

Impairment losses

At December 31, 2020, the recoverable amount of all goodwill for which impairment tests have been carried out has been estimated based on value in use calculations of the Cash Generating Units that are assigned to them, as described in Note 5-d). In the cases related to Cash Generating Units, these calculations use cash flow projections based on financial budgets approved by Management that cover a period of 5 years. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates indicated in Note 5-d).

The impairment losses are recorded in “Loss (Gain) on recognition (reversal) of impairment losses on Property, Plant and Equipment, Intangible Assets and Goodwill” in the accompanying consolidated income state (Note 21).

At December 31, 2020, according to the estimates and projections available to the directors of the Parent company, except for the matter commented above regarding the cash-generating unit, the projected results and discounted cash flows of the other cash-generating units adequately support the value of the assets and the goodwill recognized.

The goodwill is allocated to subsidiaries except for the goodwill of Almirall, S.A. which is allocated to the Parent company.

The sensibility tests are detailed in Note 5 d).

9. Intangible assets

The detail of the intangible assets in the accompanying consolidated balance sheets at December 31, 2020 and 2019 and the changes therein is as follows:

	Patents and trademarks	Development expenditure	Computer software	Prepayments and assets under construction	Total
Cost					
At 31 December 2018	1,976,812	83,562	92,930	29,259	2,182,563
Additions	978	-	1,361	114,844	117,183
Disposals	(27,343)	-	(202)	-	(27,545)
Transfers	-	-	1,768	-	1,768
Exchange differences	15,976	754	(24)	803	17,509
Business combinations	(66,134)	-	(974)	-	(67,108)
At 31 December 2019	1,900,289	84,316	94,859	144,906	2,224,370
Additions	3,217	4,941	4,178	19,139	31,475
Disposals	(16,761)	-	(360)	-	(17,121)
Transfers	1,819	-	5,305	(7,124)	-
Exchange differences	(66,990)	(188)	(27)	(4,263)	(71,468)
Business combinations	-	-	-	-	-
At 31 December 2020	1,821,574	89,069	103,955	152,658	2,167,256
Accumulated amortization					
At 31 December 2018	(673,616)	(476)	(75,672)	-	(749,764)
Additions	(98,033)	-	(7,700)	-	(105,733)
Disposals	11,087	-	258	-	11,345
Transfers	-	-	-	-	-
Exchange differences	(685)	(367)	(5)	-	(1,057)
Business combinations	20,569	-	1,001	-	21,570
At 31 December 2019	(740,678)	(843)	(82,118)	-	(823,639)
Additions	(93,582)	-	(5,963)	-	(99,545)
Disposals	14,529	-	313	-	14,842
Transfers	-	-	-	-	-
Exchange differences	16,071	(45)	24	-	16,050
Business combinations	-	-	-	-	-

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At 31 December 2020	(803,660)	(888)	(87,744)	-	(892,292)
Impairment losses					
At 31 December 2018	(253,696)	(52,816)	(5,072)	-	(311,584)
Impairment losses	(262)	-	-	-	(262)
Disposals	8,200	-	-	-	8,200
Exchange differences	(3,608)	-	-	-	(3,608)
Business combinations	45,538	-	-	-	45,538
At 31 December 2019	(203,828)	(52,816)	(5,072)	-	(261,716)
Impairment losses	(16,197)	-	-	-	(16,197)
Disposals	-	-	-	-	-
Exchange differences	12,488	(3)	-	-	12,485
Business combinations	-	-	-	-	-
At 31 December 2020	(207,537)	(52,819)	(5,072)	-	(265,428)
Net book value					
Cost	1,900,289	84,316	94,859	144,906	2,224,370
Accumulated amortization	(740,678)	(843)	(82,118)	-	(823,639)
Impairment losses	(203,828)	(52,816)	(5,072)	-	(261,716)
At 31 December 2019	955,783	30,657	7,669	144,906	1,139,015
Cost	1,821,574	89,069	103,955	152,658	2,167,256
Accumulated amortization	(803,660)	(888)	(87,744)	-	(892,292)
Impairment losses	(207,537)	(52,819)	(5,072)	-	(265,428)
At 31 December 2020	810,377	35,362	11,139	152,658	1,009,536

Most of the above intangible assets have finite useful lives and have been acquired from third parties or as part of a business combination and none of the assets have been pledged as security.

On December 11, 2017, the Group signed an agreement with Athenex, whereby the latter granted Almirall an exclusive license to research, develop and commercialize in the United States of America and Europe, including Russia, a first-in-class topical treatment for actinic keratosis, in phase III of development at that time. Athenex is entitled to receive milestone payments related to additional launches and indications of up to 70 million dollars. Likewise, the contract includes payments for the achievement of sales milestones, estimated at up to 155 million dollars. The contract also contemplates the payment of staggered royalties starting at 15% based on annual net sales, which will increase in case of higher sales. Said license is in progress in the absence of the commercial launch in 2021. In this sense, the regulatory approval by the FDA for the United States was obtained on December 14, 2020, pending approval by the EMA for the European Union at the end of the fiscal year.

On February 12, 2019, the Group signed an option and license agreement with Dermira whereby it acquired the option to exclusively license the rights to develop and commercialize lebrikizumab for the treatment of atopic dermatitis and other indications in Europe. By virtue of this agreement, the Group has made various payments in 2019 and 2020 (as detailed later in this note) and will be obliged to make additional payments upon reaching certain future milestones, up to a total of \$ 85 million upon reaching the regulatory milestones and the first commercial sale of lebrikizumab in Europe. In addition, the Group must make payments once certain thresholds for net sales of lebrikizumab in Europe have been reached, as well as payments for net sales royalties on percentages from the low double digits to the low range of twenty.

On December 19, 2019, the Group signed an option agreement to acquire a pharmaceutical compound under development to Bioniz Therapeutics, Inc., a biopharmaceutical company based in Irvine, California (USA), which develops first-in-class peptide therapies, which inhibit selectively multiple cytokines to treat immuno-inflammatory diseases and T cell neoplasms. Under the terms of the agreement, the Group has made an initial payment of 15 million dollars (about 13 million euros) to Bioniz in exchange for the option to acquire the totality of the company's shares. After the availability of the results of the phase 1/2 study at LCCT, certain biomarker clinical data and the report of the End of Phase 2 meeting with the FDA, that have been received in mid-January, Almirall will have 60 days to exercise his option. If Almirall decides to exercise it, the company will make a payment for such exercise of 47 million dollars in different terms during the following years. Almirall will make additional payments once certain development, regulatory and commercial milestones are achieved.

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During 2020, the main additions to intangible assets amounted to EUR 31.5 million mainly related to:

- As a result of the option and license agreement with Dermira mentioned above, during the first half of 2020, the Group has paid 15 million dollars (about EUR 13 million) due to the fulfillment of a milestone related to phase III clinical studies.
- In the last quarter of fiscal year 2020, two development projects were started that meet the capitalization criteria mentioned in Note 5-b). These projects correspond to complementary studies to launch a product for the treatment of acne in Chinese territory (initiated after the signing of a license agreement for that territory with Paratek Pharmaceuticals, Inc. in February 2020) and to a new formulation of a treatment for psoriasis that is already marketed in the European market. The total amount capitalized at December 31, 2020 amounts to EUR 4.9 million.

During 2019 the main additions in intangible assets amounted to EUR 117.2 million mainly to:

- As a result of the agreement signed with Athenex dated December 11, 2017, by which it granted Almirall an exclusive license to research, develop and commercialize a first-in-class topical treatment for actinic keratosis in the United States of America and Europe, including Russia, in phase III of development, subsequent payments were derived associated with the fulfillment of certain milestones of the product development phase. As of December 31, 2019, payments were formalized for the fulfillment of these milestones amounting to EUR 17.3 million (20 million dollars).
- As a result of the option and license agreement with Dermira, the Group made a first payment of 30 million dollars (about EUR 27 million) in February 2019. On June 25, 2019 the Group decided to exercise its option, for what it paid 50 million dollars (about EUR 44 million) on July 9, 2019. Finally, in the last quarter of 2019 the Group paid 15 million dollars (about EUR 13 million) due to the fulfillment of certain milestones of Phase III clinical studies.
- As a result of the option agreement to acquire a pharmaceutical component under development from Bioniz Therapeutics, Inc., the Group made an initial payment of 15 million dollars (about 13 million euros) to Bioniz in exchange for the option to acquire all of the company's shares.

The disposals for 2020 are mainly linked to the divestment of Ansiolin® (diazepam) to Neuraxpharm in Italy (signed on June 25, 2020). The agreement between Neuraxpharm Italia and Almirall includes two commercialized formats of Ansiolin®: Ansiolin® 5 mg tablets and Ansiolin® 5 mg / ml drops, both marketed in Italy. The conditions for this operation to be completed were met in November 2020, for which the Group received a collection of 14.1 million euros, obtaining a net result of the operation amounting to 12 million euros.

The disposals for 2019 were mainly due to the termination of the agreement signed with Symatase, through which it granted Almirall an exclusive license to market a new range of facial fillers with hyaluronic acid worldwide, for which the Group paid 7.5 million euros in 2017. The loss was recorded in its entirety under the heading "Net gains/(losses) on disposal of assets" (Note 21).

The impacts recorded in "Business combinations" for the year 2020 are due to the sale of the investee company Thermigen LLC (Note 3-b).

The translation differences for 2020 are mainly due to the evolution of the exchange rate of the US dollar, mainly linked to the portfolio of 5 products specialized in the treatment of acne, psoriasis and dermatosis, which belonged to Allergan Sales, LLC and Allergan Pharmaceuticals International Limited ("Allergan") acquired on September 21, 2018 for an amount of EUR 471.2 million (equivalent to 548 million dollars).

The detail of the main headings under "Intangible Assets" (Intellectual Property and development expenditure) is, by carrying amount, as follows:

	2020	2019
Other acquired development costs	2,956	3,192
Development costs generated by the Company	4,941	-
Development costs acquired as a result of the acquisition of control of Polichem Group,	27,465	27,465

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Licenses and other marketing rights as a result of the acquisition of control of Almirall Hermal, GmbH	770	4,757
Product technology a result of the acquisition of control of Almirall LLC (formerly, Aqua Pharmaceuticals, LLC)	50,641	74,613
Licenses and other marketing rights as a result of the acquisition of control of Polichem Group	246,318	267,047
Licenses and other marketing rights as a result of the sales agreement with AstraZeneca	58,700	67,085
Licenses and other marketing rights as a result of the sales agreement with Sun Pharma	81,600	87,883
Licenses and other marketing rights as a result of the sales agreement with Allergan	361,024	437,333
Other Licenses and other marketing rights	11,324	17,065
Total Intellectual Property and Development Expenditure	845,739	986,440

The aggregate amount of the research and development expenditure recognized as an expense in the accompanying consolidated income statement for 2020 and 2019 was approximately EUR 83.8 million and EUR 92.2 million, respectively. These amounts include the depreciation of the assets associated with R&D activities and the amortization of the expenses incurred by Group personnel and by third parties.

"Intellectual Property" includes mainly the following intangible assets:

- Licenses and other marketing rights resulting from the takeover of Almirall Hermal, GmbH for EUR 0.8 million at 31 December 2020 (EUR 4.8 million at 31 December 2019).
- Technology acquired from Almirall LLC (formerly, Aqua Pharmaceuticals, LLC) in 2013. This technology was assigned to each product and is defined as a set of intangible assets which basically include product formulation and the value of trademarks or brand names and patents or sales licenses and which are grouped together insofar as they are considered to be inter-related, they have no value on a stand-alone basis or they are expected to have the same useful life. The useful lives of the intangible assets acquired were estimated at 15 years. The changes in the year correspond to amortization of EUR 8.2 million in 2020 (EUR 8.3 million in 2019), to the revaluation of EUR -4.5 million (+EUR 1.6 million in 2019) for its translation to the presentation currency of the consolidated annual accounts and to the impairment carried out in 2020 for an amount of EUR 16.2 million.
- Intangible assets acquired from Poli Group in 2016 for an amount of EUR 428.4 million, mainly related to product technology and development expenses. This technology, assigned to each product, was defined as a set of intangible assets that basically includes the formulation of the product, the value of trademarks or trade names and patents or marketing licenses, and that were grouped together as they were considered to be interrelated, they had no value on their own and were expected to have the same lifespan. The estimated value of said product technology amounted to 348.2 million euros with an estimated useful life of 14-18 years. The movement for the year corresponds to the amortization of the year 2020 for EUR 20.7 million (EUR 20.7 million in the year 2019), which net book value amounts to EUR 246.3 million as of December 31, 2020. The total development expenses (EUR 80.2 million at the initial time) corresponded to the pipeline of acquired products that were in progress until the commercialization of the associated products and on which there was an impairment in 2017 leaving the asset for an amount of EUR 27.5 million (which coincides with the value at December 31, 2020).
- Portfolio of 5 products specialized in the treatment of acne, psoriasis and dermatosis, which belonged to Allergan Sales, LLC and Allergan Pharmaceuticals International Limited ("Allergan") was acquired on September 21, 2018 for an amount of EUR 471.2 million corresponding to trademarks, intellectual property, regulatory approval documents, and licenses to exclusively distribute dermatological products in the United States with an estimated

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useful life of 4-14 years. As explained in this same note, the net book value at the end of 2020 amounts to EUR 361.0 million. The movement of the year corresponds to the amortization of 2020 for the amount of EUR 42.6 (EUR 42.8 million in 2019) million euros and to the revaluation as a consequence of its conversion to the presentation currency of the consolidated annual accounts for a value of EUR -33.7 million (EUR +8.9 million during 2019).

Impairment losses

The Group has prepared the corresponding impairment tests for the main intangible assets, both those that are ongoing and current, Note 5 d) shows the main key assumptions used for the impairment tests, as well as the corresponding sensitivity analysis.

The detail of the impairment losses on intangible assets in 2020 and 2019 included in "Impairment Losses" in the above table and of the changes therein is as follows:

	Miles de Euros								
	Balance at 31/12/2018	Additions	Disposals	Changes in scope of consolidation	Exchange rate differences	Balance at 31/12/2019	Additions	Exchange rate differences	Balance at 31/12/2020
Intellectual property	253,696	262	(8,200)	(45,538)	3,608	203,828	16,197	(12,488)	207,537
Development costs	52,816	-	-	-	-	52,816	-	3	52,819
Computer software	5,072	-	-	-	-	5,072	-	-	5,072
Total impairment losses	311,584	262	(8,200)	(45,538)	3,608	261,716	16,197	(12,485)	265,428

The movements of the 2020 exercise correspond to:

- As of December 31, 2020, the impairment tests were updated for those assets that showed some indicator of impairment as of December 31, 2019. Likewise, Management evaluated the impacts of COVID-19 on the financial projections of the various generating units of cash, having detected no impact with the exception of the portfolio acquired in the business combination of Aqua Pharmaceuticals, LLC in 2013 (now Almirall LLC), whose net book value as of December 31, 2019 amounted to EUR 80.6 million. As a result of this new estimate made during 2020, an impairment loss has been recorded in the consolidated income statement that amounted to EUR 16.2 million

The movements of the 2019 exercise correspond to:

- Disposals are due to the expiration of a license agreement whose net book value at year-end 2018 was zero, so no loss has been recorded in the consolidated profit and loss account.
- The impacts recorded in "Business combination" are due to the sale of the investee company Thermigen LLC as explained in Note 3-b).

As of December 31, 2020 and as a result of the impairment tests carried out and indicated in Note 5 d), the amount of the accumulated impairment of the Industrial Property corresponds mainly to:

- Impairment of the development rights and sale of a product of the respiratory area totalling EUR 45 million (EUR 45 million at 31 December 2019) due to the strategic decision made in 2016 to not sell this product.
- Impairment of the technology acquired from Almirall LLC (formerly, Aqua Pharmaceuticals LLC) in 2013 allocated to each product and defined as a Group of intangible assets totaling EUR 138.2 million (EUR 134.5 million in 2019).
- Impairment of development expenses acquired as a result of the takeover of the Polichem Group following the decision to terminate the research activities for both projects in the US and one of them in Europe. Details are as follow:
 - i. P 3058 (Onychomycosis) impaired by an amount of EUR 7 million
 - ii. P 3073 (Nail Psoriasis) impaired by an amount of EUR 45.7 million

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- Impairment for an amount of EUR 12 million on the marketing rights related to various products in the dermatological area acquired from Shire in 2007.

The impairment losses generated have been recognized under “Impairment Losses on Property, Plant and Equipment, Intangible Assets and Goodwill” in the accompanying consolidated income statements for 2020 and 2019.

10. Rights of use

The detail of the “Rights of use” in the accompanying consolidated balance sheets at December 31, 2020 and 2019 and the changes therein is as follows:

	Buildings	Machinery	Vehicles	Total
Cost				
At 1 January 2019	16,285	282	5,931	22,498
Additions	157	17	3,417	3,591
Disposals	-	-	(468)	(468)
Exchange differences	28	-	16	44
At 31 December 2019	16,470	299	8,896	25,665
Additions	6,316	-	2,769	9,085
Disposals	(1,249)	(11)	(2,748)	(4,008)
Exchange differences	(77)	-	(31)	(108)
At 31 December 2020	21,460	288	8,886	30,634
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Additions	(4,293)	(100)	(3,470)	(7,863)
Disposals	-	-	487	487
Exchange differences	(12)	-	(6)	(18)
At 31 December 2019	(4,305)	(100)	(2,989)	(7,394)
Additions	(4,433)	(112)	(3,199)	(7,744)
Disposals	1,005	11	2,747	3,763
Exchange differences	18	1	42	61
At 31 December 2020	(7,715)	(200)	(3,399)	(11,314)
Net book value				
Cost	16,470	299	8,896	25,665
Accumulated depreciation	(4,305)	(100)	(2,989)	(7,394)
At 1 January 2020	12,165	199	5,907	18,271
Cost	21,460	288	8,886	30,634
Accumulated depreciation	(7,715)	(200)	(3,399)	(11,314)
At 31 December 2020	13,745	88	5,487	19,320

This heading includes the assets corresponding to the lease contracts that are mainly due to leases of offices and transportation elements (Note 5-e)).

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

Payments made in 2020 and 2019 for leases amounted to EUR 8,269 and 7,543 thousand, respectively.

The detail of the lease liabilities as of December 31, 2020 and 2019 is as follows:

	Balance 31 December 2020	Balance 31 December 2019
Liabilities for leases		
Current	6,262	7,327
Non-current	13,482	11,280
Total	19,744	18,607

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The detail of future maturities as of December 31, 2020 is as follows:

	Thousand euro				
	Current	Non-current			
		2022	2023	Rest	Total
Liabilities for leases	6,262	5,541	4,465	3,476	13,482

The detail of future maturities as of December 31, 2019 was as follows:

	Thousand euro				
	Current	Non-current			
		2021	2022	Rest	Total
Liabilities for leases	7,327	5,641	4,696	943	11,280

11. Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheets in 2020 and 2019 were as follows:

	Land and buildings	Plant and machinery	Other fixtures, tools and furniture	Other property, plant and equipment	Prepayments and assets under construction	Total
Cost						
At 31 December 2018	95,346	92,889	258,496	23,047	4,759	474,537
Additions	130	2,687	3,670	688	12,537	19,712
Disposals	-	(318)	(1,208)	(201)	-	(1,727)
Transfers	-	741	1,486	69	(4,063)	(1,767)
Exchange differences	37	-	40	41	644	762
Business Combinations	-	(392)	(4,625)	(510)	15	(5,512)
At 31 December 2019	95,513	95,607	257,859	23,134	13,892	486,005
Additions	187	3,347	5,203	1,052	2,105	11,894
Disposals	-	(3,263)	(8,338)	(88)	(118)	(11,807)
Transfers	-	1,384	4,422	171	(5,977)	-
Exchange differences	(16)	(3)	(74)	(86)	-	(179)
Business Combinations	-	-	-	-	-	-
At 31 December 2020	95,684	97,072	259,072	24,183	9,902	485,913
Accumulated amortization						
At 31 December 2018	(44,798)	(59,319)	(232,261)	(20,691)	-	(357,069)
Additions	(2,017)	(3,495)	(9,261)	(1,057)	-	(15,830)
Disposals	-	259	733	173	-	1,165
Transfers	-	-	-	-	-	-
Exchange differences	(29)	-	(27)	(69)	-	(125)
Business Combinations	123	-	2,854	425	-	3,402
At 31 December 2019	(46,721)	(62,555)	(237,962)	(21,219)	-	(368,457)
Additions	(2,209)	(3,823)	(8,752)	(1,012)	-	(15,796)
Disposals	-	3,261	8,319	73	-	11,653
Transfers	-	-	-	-	-	-
Exchange differences	40	2	107	86	-	235
Business Combinations	-	-	-	-	-	-
At 31 December 2020	(48,890)	(63,115)	(238,288)	(22,072)	-	(372,365)
Impairment losses						
At 31 December 2018	-	-	(2,233)	-	-	(2,233)
Impairment losses	-	(3)	(110)	(15)	-	(128)
Exchange differences	-	-	2,233	-	-	2,233
Business Combinations	-	-	-	-	-	-

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At 31 December 2019	-	(3)	(110)	(15)	-	(128)
Impairment losses	-	-	-	-	-	-
Disposals	-	3	110	15	-	128
Exchange differences	-	-	-	-	-	-
Business Combinations	-	-	-	-	-	-
At 31 December 2020	-	-	-	-	-	-
Net book value						
Cost	95,513	95,607	257,859	23,134	13,892	486,005
Accumulated amortization	(46,721)	(62,555)	(237,962)	(21,219)	-	(368,457)
Impairment losses	-	(3)	(110)	(15)	-	(128)
At 31 December 2019	48,792	33,049	19,787	1,900	13,892	117,420
Cost	95,684	97,072	259,072	24,183	9,902	485,913
Accumulated amortization	(48,890)	(63,115)	(238,288)	(22,072)	-	(372,365)
Impairment losses	-	-	-	-	-	-
At 31 December 2020	46,794	33,957	20,784	2,111	9,902	113,548

The additions in 2020 and 2019 were due mainly to improvements at the production centers at chemical and pharmaceutical plants and at the Group's research and development centers.

At December 31, 2020 and 2019 the Group does not have any impaired assets which are not in use.

The transfers of property, plant and equipment in the course of construction made by the Group in the years ended December 31, 2020 and 2019 relate mainly to the transfer of investment projects at the production centers that came into service during these years.

During 2020 and 2019 there have been no significant disposals or significant impairments of property, plant and equipment.

The impacts recorded in "Business combination" in 2019 were due to the sale of the investee company Thermigen LLC as explained in Note 3-b. During 2020 there have not been "Business combination" impacts.

As of December 31, 2020 and 2019, the net book value of property, plant and equipment owned by subsidiaries located in foreign countries amounts to EUR 26.9 and 20.3 million, respectively, which are found almost entirely in the company Almirall Hermal, GmbH located in Germany, being insignificant in the rest of the countries.

The Group has a number of facilities held under operating leases (see Note 10).

The Group has formalized insurance policies to cover the possible risks to which certain property, plant and equipment are subject and the possible claims that may be filed in relation to the performance of its operations. These policies are understood to provide sufficient coverage of the risks to which such assets are subject.

The only commitments for the acquisition of assets are disclosed in Note 26.

None of the property, plant and equipment is held as guarantee for a mortgage loan.

12. Financial assets (Current and Non-current) and Cash and Cash equivalents

As detailed in Note 5 i), in accordance with the application of IFRS 9, the Group classifies its financial assets in the following valuation categories:

- those that are valued after fair value (either with changes in other comprehensive income or results), and
- those that are valued at amortized cost.

In this sense, this classification is distributed as follows:

- Financial assets measured at fair value through profit or loss: these assets do not meet the criteria to be classified at amortized cost in accordance with IFRS 9 because their cash flows do not only represent principal and interest payments. As a result, this heading includes the balances receivable derived from the recognition of the sale of business to Astrazeneca

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described in Note 7, as well as those derivative financial instruments that do not meet the necessary requirements to be considered hedges.

- Financial assets measured at fair value through changes in other comprehensive income: equity instruments are considered included in this heading, as it's the case of the shares in Suneva Medical Inc., (which were disposed of and valued at fair value, respectively, in the year ended December 31, 2018).
- Financial assets valued at amortized cost: this caption includes fixed income investments made through euro deposits, deposits in foreign currency and repos, mainly. At the date of initial application, the Group's business model is to maintain these investments to collect contractual cash flows that represent only principal and interest payments on the principal amount.

Non-current

The detail of the balance of the non-current financial assets in the consolidated balance sheets at December 31, 2020 and 2019 and of the changes therein in the years then ended is as follows:

	Thousands of Euros		
	Deposits and guarantees	Non-current loans and other financial assets	Total
Balance at 31 December 2018	5,484	136,832	142,316
Additions or allocations	15	221	236
Disposals	(4,536)	(55)	(4,591)
Transfers	-	(82,972)	(82,972)
Exchange differences	76	40	116
Value adjustments	-	(3,675)	(3,675)
Changes in fair value (Note 21)	-	51,829	51,829
Others	(75)	-	(75)
Balance at 31 December 2019	964	102,220	103,184
Additions or allocations	510	105	615
Disposals	-	(238)	(238)
Transfers	-	(18,357)	(18,357)
Exchange differences	(70)	(258)	(328)
Value adjustments	-	(3,371)	(3,371)
Changes in fair value (Note 21)	-	5,013	5,013
Balance at 31 December 2020	1,404	85,114	86,518

The caption "Financial assets – Non-current loans and other financial assets" includes, mainly for the amount of EUR 85,050 thousand (EUR 98,394 thousand as of December 31, 2019), the financial asset corresponding to the fair value of future long term payments to receive from AstraZeneca as described in Note 7. The movement in 2020 is mainly due, on the one hand, to the record of changes in the fair value of the asset, amounting to EUR 5,013 thousand in said asset and, on the other hand, to the decrease derived from the short-term transfer, based on the expectations of the collection time horizon, of certain milestones and royalties receivable for an amount of EUR 18,357 thousand.

On March 31, 2020, the Group received 30 million dollars (EUR 27.5 million) corresponding to the second tranche of the milestone of 65 million dollars reached on April 5, 2019, the first tranche of which was collected in April 2019 (35 million dollars, EUR 31.2 million at the time of collection).

The fair value update of said financial asset as of December 31, 2020 was carried out using the same method used by the independent expert in the initial valuation, with an amount of EUR 20.2 million being registered in the short term and EUR 85.0 million in the long term (EUR 53.8 and 98.4 million, respectively, as of December 31, 2019). The change in value of this financial asset during the year ended December 31, 2020 is due on the one hand to the fluctuation of the Euro / US dollar exchange rate amounting to EUR -3.6 million, to the update of the discount rate used for an amount of EUR 2.6 million, to the financial update that has led to an income of EUR 13.3 million, as well as the re-estimation of expected flows and probabilities assigned to the different future milestones for the amount of EUR -

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7.3 million and, finally, to the reduction of the asset for the collection of milestones and royalties for a total of EUR 52.0 million (which are due to the collection of the milestone mentioned above (EUR 27.5 million), at December 31 2019 registered in the caption "Other debtors" (Note 14)). Therefore, the total amount of EUR 5.0 million of fair value change is recorded under the heading "Other income" of the consolidated income statement for the year ended December 31, 2020 (Note 21).

Additionally, as of December 31, 2019, the remaining amount (EUR 3.6 million) related to the loans granted to the buyer of Thermigen LLC, Celling Aesthetics LLC (and other related companies), was included in this heading, as mentioned in the Note 3-b). During the first half of 2020, the delays in the payment schedule were reiterated, for which reason the Group finally executed guarantees against said creditor, having collected a total of EUR 0.2 million in 2020. Consequently, the Group has proceeded to recognize a loss under the heading "Valuation of financial assets" (Note 21) for the remaining amount (3.4 million euros).

Current financial assets

The detail of current financial assets in the consolidated balance sheets is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Short term investments	4	18
Short term deposits	5,949	-
Short term guarantees	72	64
Total equivalent to cash	6,025	82
Short term loans	-	-
Derivative financial instruments (Note 16)	-	1,687
Short term deposits	-	-
Total no equivalent to cash	-	1,687
Total current financial assets	6,025	1,769

In accordance with the provisions of IAS 7, for the purposes of preparing the Statement of Cash Flows, the Group considers as equivalent means to cash all those short-term investments of high liquidity that are easily convertible into determined amounts of cash, being subject to an insignificant risk of changes in value (see Note 5-i). In this sense, in the preparation of the Statement of Cash Flows for the year, cash equivalents of current financial investments corresponding to bank deposits with short-term maturities have been included as liquid can be made immediately at the Group's discretion without penalty, which as of December 31, 2020 amounts to EUR 6,025 thousand (EUR 82 thousand as of December 31, 2019).

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

The detail of the current and non-current available-for-sale financial assets and held to maturity or at fair value with changes to results is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Loans and other receivables	1,468	4,790
Financial assets at fair value through profit or loss (Financial Assets with AZ ¹)	85,050	98,394
Financial assets at fair value through profit or loss (Note 17)	-	1,687
Held-to-maturity financial assets	6,025	82
Total	92,543	104,953

(1) Includes mainly the non-current part of the fair value of the future payments receivable from AstraZeneca, As of December 31, 2020 and 2019. As at December 31 2020 short term amounts were booked in "Other Debtors" by an amount of EUR 20.2 million (EUR 53.8 million at December 31, 2019), see Note 14.

In accordance with the hierarchy levels established by IFRS 13 and indicated in Note 31, the financial assets for which their fair value is estimated are Level 1 (equity instruments in listed companies), 2 (derivative financial instruments) and 3 (equity instruments in unlisted companies).

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Additionally, the bank accounts included in the Cash captions have not been mostly remunerated during the annual periods ended December 31, 2020 and 2019.

Finally, at December 31, 2020, two of the companies included in the scope of consolidation are considered inactive (Almirall Europa Derma, S.A. -formerly Almirall Aesthetics. S.A.- and Laboratorios Tecnobio S.A.). There are no other companies that are outside the scope of consolidation. As of December 31, 2019, there were no inactive companies and / or outside the consolidation perimeter.

13. Inventories

The detail of "Inventories" at December 31, 2020 and 2019 is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Raw materials and packaging	46,549	35,656
Work in progress	14,660	15,297
Goods held for resale and finished products	79,869	70,030
Advances to suppliers	98	422
Impairment	(11,025)	(14,987)
Total	130,151	106,418

The changes in the impairment allowance for Inventories are included in Note 21. Additionally, the Group makes applications of this provision during the year that have no impact on the consolidated income statement.

No inventories have been pledged as security.

There are no commitments to purchase inventories involving significant amounts at December 31, 2020 and 2019.

14. Trade and other receivables

The detail of "Trade and other receivables" at December 31, 2020 and 2019 is as follows:

	Thousands of Euros	
	31/12/2020	31/12/2019
Trade receivables for sales and services	95,470	156,280
Other receivables	23,595	56,703
Impairment	(7,770)	(9,868)
Total receivables	111,295	203,115

The heading "Other debtors" as of December 31, 2020 mainly includes EUR 20.2 million corresponding to the fair value of future payments to be received in the short term by AstraZeneca, as described in Note 7-a and Note 12 of these consolidated annual accounts (EUR 53.8 million at December 31, 2019 in the short term).

At December 31, 2020 and 2019 the overdue balances written down amount to EUR 7,770 and 9,868 thousand, respectively. In addition, as a result of the application of the "expected loss" model (simplified approach) provided in IFRS 9 (Note 5-i), the Group has recognized a correction for impairment on the balances of financial assets (Trade debtors) of EUR 1,530 thousand at December 31, 2020 (the same amount as of December 31, 2019).

The movement in the provision for impairment losses on trade debts and other accounts receivable is included in Note 21. Additionally, the Group makes applications of said provision during the year that have no impact on the consolidated income statement.

There is no concentration of credit risk with respect to commercial accounts receivable, given that the Group has a high number of clients.

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At December 31, 2020 the percentage of receivables from public authorities related to the hospital business as a percentage of the total trade receivable balance for sales and services stands at 3.1% (2.0% at December 31 2019).

No trade receivable balances have been pledged as security.

The balance receivables are stated at their nominal value and they are not significantly different from their fair value.

The trade receivable balance denominated in foreign currency amounts to EUR 73,900 thousand at the end of 2020 and EUR 110,419 thousand at the end of 2019. In view of the associated amounts and maturities the potential impact for the exchange rate fluctuations that may arise are not considered significant.

15. Equity

Share capital

At December 31, 2020 the parent company's share capital consists of 178,115,627 shares with a nominal value of 0.12 euros each, fully subscribed and paid up (174,554,820 shares a nominal value as at December 31, 2019).

On October 12, 2020, 3,560,807 new shares of the Parent Company, from the scrip dividend, were admitted to trading on the stock exchanges of Barcelona, Madrid, Bilbao and Valencia. These shares are representative of the holders of 93.84% of the free allocation rights that chose to receive new shares instead of cash. As a consequence, the share capital of the Parent Company after the capital increase was increased by EUR 427,296.84, reaching December 31, 2020 to EUR 21,373,875.24 (represented by 178,115,627 shares).

At December 31, 2020 and 2019, all the Parent's shares were listed on the Spanish stock exchanges. The articles of association do not lay down any restrictions on their transferability. Also, pre-emption rights and purchase and sale options have been granted to the ultimate shareholders of the Parent in respect of the shares of one of the aforementioned shareholders in accordance with the agreement entered into on 28 May 2007.

The shareholders with significant direct or indirect ownership interests in the share capital of Almirall, S.A. of over 3% of the share capital which are known to the Parent company, in accordance with the information contained in the official records of the Spanish National Securities Market Commission (CNMV) at December 31, 2020 and 2019, are as follows:

<i>Name of direct holder of the ownership interest</i>	<i>% interest 31/12/2020</i>	<i>% interest 31/12/2019</i>
Grupo Plafin, S.A.	40.9%	40.9%
Grupo Corporativo Landon, S.L.	18.8%	18.8%
Total	59.7%	59.7%

At December 31, 2020 and 2019, the Parent is unaware of other ownership interests over 3% in the Parent's share capital or any voting rights held at the Parent company under 3% that permit significant influence to be exercised.

Legal reserve

The legal reserve can be used to increase capital in the part of its balance that exceeds 10% of the capital already increased. Except for the aforementioned purpose, and as long as it does not exceed 20% of the capital stock, this reserve may only be used to offset losses and provided that there are no other sufficient reserves available for this purpose.

EUR 4,189 thousand disclosed under this heading at December 31, 2020 relates to the balance of the legal reserve of the Parent company (EUR 4,172 thousand at December 31, 2019).

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Share premium

The Spanish Companies Law expressly permits the share premium account balance to be used to increase capital and it does not provide any specific restrictions on the availability of the balance.

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

As a result of the increase in capital due to the flexible dividend, this reserve has increased by the difference between the nominal value of the shares and the equivalent value to the dividend, which amounts to EUR 32,878 thousand. The balance under this heading amounts to EUR 273,889 thousand at December 31, 2020 (EUR 241,011 thousand at December 31, 2019).

Other reserves

The detail is as follows:

	Thousand euro	
	31/12/2020	31/12/2019
Canary Islands investment reserves	3,485	3,485
Redeemed capital reserve	30,539	30,539
Merger reserve	4,588	4,588
Other reserves	946,775	876,317
Treasury shares	(2,261)	(1,773)
Total other reserves	983,126	913,156

The "Other reserves" caption includes the "Revaluation reserve" of the Parent Company as of December 31, 2020, which amounts to EUR 2,539 thousand (EUR 2,539 thousand as of December 31, 2019) and is available.

- Canary Islands investment reserve

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

At December 31, 2020 and 2019 the balance of this reserve included in "Other Reserves of the Parent Company" is EUR 3,485 thousand.

- Redeemed capital reserves

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

The balance of this reserve at December 31, 2020 and 2019 amounted to EUR 30,539 thousand.

- Liquidity contract and Treasury shares

The Parent Company maintains a liquidity contract with a financial intermediary, effective as of March 4, 2019, with the objective of increase and stability in the share price of the Company, within the limits established by the General Meeting of Shareholders and by current regulations, in particular, Circular 1/2017, of April 26, of the National Securities Market Commission, on liquidity contracts. Said contract assumes that the Parent Company owns, at December 31, 2020, treasury stock representing 0.09% of the share capital (0.07% at December 31, 2019) and a global nominal value of EUR 18.6 thousand and which have been registered in accordance with IFRS-EU. The average acquisition price of these shares has been 11.07 EUR per share. The shares of the Parent Company in its possession are intended to negotiate in the market.

- Valuation adjustments and others

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The amount of this caption EUR - 48,797 thousand at December 31, 2020 and EUR -43,531 thousand at December 31, 2019, mainly relates to:

- Net accumulated actuarial losses for recalculations of the valuations of retirement benefit obligations due to variations in the calculation hypotheses: EUR - 35,983 thousand at December 31, 2020 and EUR - 30,776 thousand at December 31, 2019.
- Financial assets valued at fair value with changes in other comprehensive income: as explained in Note 12, according to the application of IFRS 9, the Group has recorded impairment losses on the Suneva investees under this heading, Medical Inc. and Dermelle LLC. The amount recorded at December 31, 2020 and 2019 amounts to EUR - 10.092 thousand.

Translation differences

This heading in the accompanying consolidated balance sheet includes the net amount of the exchange differences arising in the translation to the Group's presentation currency of the assets and liabilities of the companies that operate in a different functional currency.

The detail of "Translation Differences" by company in 2020 and 2019 is as follows:

	Thousand euro	
	31/12/2020	31/12/2019
Almirall Limited (UK)	(1,357)	(737)
Almirall, A.G.	240	225
Almirall SP, Z.O.O.	(182)	(79)
Almirall Aps	5	(5)
Almirall Inc. / Almirall LLC (EEUU)	(6,352)	37,062
Polichem, S.A.	2,551	2,056
Total translation differences	(5,095)	38,522

The movement of the financial year ending December 31, 2020 and 2019 has been as follows:

	Thousand euro
Balance at 31 December 2018	23,512
Exchange differences variation	21,800
Transfer to profit and loss account	(6,790)
Balance at 31 December 2019	38,522
Exchange differences variation	(43,617)
Transfer to profit and loss account	-
Balance at 31 December 2020	(5,095)

The movement of the translation differences generated in 2020 is entirely due to the variation due to exchange rate differences, mainly derived from the subsidiaries Almirall Inc. and Almirall LLC (both United States).), as well as accumulated exchange differences for an amount of 11,684 thousand euros (net of the tax impact) and generated up to December 31, 2020 for a credit in dollars (whose nominal amount as of that date amounted to 199.5 million dollars) granted by the parent company to the dependent company Almirall Inc. which, due to the change in the loan maturity conditions in 2020 for which it is not estimated that it can be repaid, said loan has become part of the investment net in said company, and therefore the exchange differences of the same in the year have been recorded under this heading of translation differences.

The movement of the Translation differences generated in 2019 was due to exchange rate differences for an amount of EUR 21.8 million and the transfer to the "Exchange differences" heading of the amount loss account of EUR 6.8 million (Note 21) and earnings for the year corresponding to the liquidation of the investee Almirall Aesthetics Inc., as explained in Note 3-b).

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16. Deferred income

At December 31, 2020 and 2019, the detail of "Deferred Income" is as follows:

	Thousand euro
Balance at 31 December 2018	98,992
Allocated to profit and loss (Note 21)	(29,954)
Other movements	614
Balance at 31 December 2019	69,652
Allocated to profit and loss (Note 21)	(52,246)
Other movements	-
Balance at 31 December 2020	17,406

During 2020 and 2019, the Group has not signed contracts that imply deferred income in addition to those described in Note 7 of the report to these consolidated annual accounts.

The main component of the balances as of December 31, 2020 and 2019 shown in the previous table is made up of the amounts not allocated to results of the initial non-refundable collections related to the operation with AstraZeneca described in Note 7-a). The initial collections of the contracts for the transfer of rights to AstraZeneca pending allocation to income as of December 31, 2020 have a value of EUR 17.4 million (EUR 69.7 million as of December 31, 2019). Deferred income is allocated to results on a straight-line basis throughout the estimated duration of the product development phases.

However, in the first quarter of 2020 the Group decided to end its involvement in the development of one of the products, for which reason in 2020 EUR 31,407 thousand (EUR 8,190 thousand in 2019) was allocated under the heading "Net Sales", corresponding to the amount pending as of December 31, 2019.

Regarding the rest of the products under development, whose amount pending deferral as of December 31, 2019 amounted to EUR 38,245 thousand, it continues to be allocated on a straight-line basis until its estimated completion in 2021. As of December 31, 2020 they have been allocated under the heading of "Net Sales" EUR 20,839 thousand corresponding to the allocation of deferred income according to the established development plan (21,764 thousand euros in the same period of 2019).

17. Financial liabilities

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

- those that are valued after fair value (either with changes in other comprehensive income or results), and
- those that are valued at amortized cost.

In this sense the classification is as follows:

- Financial liabilities measured at fair value through profit or loss: included in this heading are liabilities related to bonds and other marketable securities issued that the Group may purchase in the short term based on changes in value, portfolio of financial instruments jointly identified and managed for which there is evidence of recent actions to obtain short-term gains, or derivative financial instruments, provided that it is not a financial guarantee contract or has been designated as hedging instruments. At December 31, 2020, the Group maintains the following financial instruments: equity swap on shares of Almirall, S.A. and the issuance of a Convertible Bond of which we attach detail below. At December 31, 2019, it maintained these same instruments.
- Financial liabilities valued at amortized cost: this heading mainly includes revolving lines of credit. On the date of initial application, the Group's business model is to maintain these loans to pay contractual cash flows that represent only principal and interest payments on the principal amount.

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

	Limit	Amount drawn down (*)	Current	Non-current			
				2022	2023	Subsequent years	Total
Credit lines	275,000	-	-	-	-	-	-
Loans with credit institutions	230,000	229,345	5,000	10,000	159,345	55,000	224,345
Obligations	250,000	239,648	239,648	-	-	-	-
Liabilities for derivative financial instruments	N/A	2,966	2,966	-	-	-	-
Accrued interest payable	N/A	686	686	-	-	-	-
Total at 31 December 2020	755,000	472,645	248,300	10,000	159,345	55,000	224,345

(*) Amount drawn down netted of the issuance costs

The detail of the bank borrowings and other financial liabilities at December 31, 2019 was as follows:

	Limit	Amount drawn down (*)	Current	Non-current			
				2021	2022	Subsequent years	Total
Credit lines	269,583	15,133	-	15,133	-	-	15,133
Loans with credit institutions	230,000	229,133	-	5,000	10,000	214,133	229,133
Obligations	250,000	229,245	-	229,245	-	-	229,245
Liabilities for derivative financial instruments	N/A	19,082	-	19,082	-	-	19,082
Accrued interest payable	N/A	452	452	-	-	-	-
Total at 31 December 2019	749,583	493,045	452	268,460	10,000	214,133	492,593

(*) Amount drawn down netted of the issuance costs

Bank debts

In 2017, the Parent Company entered into an agreement for a revolving credit line for a maximum of EUR 250 million for four years (with a maturity date on February 24, 2021) an accruing medium interest lower than 1%. As of December 31, 2019, there were no balances drawn down. On July 17, 2020, the Parent Company signed a new credit policy that replaces it, for an amount of 275 million euros, for an initial term of 3 years with the possibility of extension of 1 additional year (renewal at the end of the first year) and intended for general corporate uses. The BBVA entity has acted as coordinator of the operation, in which Santander, CaixaBank, BNP Paribas and Banca March have also participated. This policy accrues a variable interest rate referenced to Euribor. Within the contract of said policy, the Parent Company is obliged to comply with a series of covenants, among which the fulfillment of a certain "Consolidated Net Financial Debt / Consolidated EBITDA¹ Ratio" stands out. Said "covenant" is considered fulfilled as of December 31, 2020.

On December 4, 2018, the Parent Company formalized an unsecured senior syndicated loan "Club Bank Deal" led by BBVA for EUR 150 million (with a maturity date on December 14, 2023) and accruing interest 2.1% annual payable semiannually. Within the contract of this credit line, the Parent Company is obliged to comply with a series of covenants, among which the fulfillment of a certain "Consolidated Net Financial Debt / Consolidated EBITDA¹ Ratio" stands out. Said "covenant" has been considered fulfilled as of December 31, 2020.

On March 27, 2019, the Parent Company formalized a loan with the European Investment Bank (EIB) for an amount of up to 120 million euros, to finance its research and development efforts, with the aim of offering cutting-edge innovation and therapies differentiated in the area of medical dermatology. The first tranche of 80 million euros was granted on April 17, 2019, with a fixed interest of 1.35% and 32 equal capital amortizations between April 17, 2021 and April 17, 2029, this being the maturity latest. Within the contract for this loan, the Company is obliged to comply with a series of covenants, among which the fulfillment of a certain "Consolidated Net Financial Debt / Consolidated EBITDA¹ Ratio" and another certain "Financial Leverage of subsidiaries / consolidated EBITDA¹ Ratio". Both covenants are

¹ EBITDA is defined as "Operating profit excluding the headings "Net gains/(losses) on disposals of assets", "Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill" and "Amortization and depreciation charge".

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considered fulfilled as of December 31, 2020. As a consequence of the maturities of 2021, 5 million have been reclassified as Current financial debt as of December 31, 2020.

Convertible bond

On December 4, 2018 a simple unsecured senior-level bond issue with final maturity on December 14, 2021 was also formalized for an aggregate nominal amount of 250 million euros, eventually convertible into or exchangeable for ordinary shares of the parent company to be approved by the General Shareholders' Meeting before June 30, 2019. The Bonds bear a fixed annual interest of 0.25% payable semiannually. Once the convertibility conditions have been met, the Bonds have become convertible bonds at the option of the Noteholders at a conversion price set at 18,1776 Euros per share, after applying a conversion premium of 27.5% on the weighted average price of the ordinary shares of the Parent during the period between the opening and closing of the market on the day of the prospectus. This conversion price is subject to customary adjustment formulas in accordance with the terms and conditions of the Bonds. The Parent Company will deliver newly issued or existing shares (decision that will correspond to the Parent Company) each time the bondholders exercise their conversion rights. In the event that the Board Agreements have been proposed but not approved by the General Meeting before June 30, 2019 or the Board Agreements have been proposed and approved by the General Meeting before June 30, 2019 but the rest of the Convertibility Conditions were not fulfilled within the terms indicated in the terms and conditions, subject to prior notification to the bondholders, the company could have decided to amortize in full, but not in part, the Bonds, for the greater value between (i) 102% of the nominal value of the Bonds, plus accrued interest, or (ii) 102% of the listed price of the Bonds, plus accrued interest. Additionally, in the event that the bondholders are not notified of the modification of the Bonds within the terms provided in the terms and conditions and provided that the Parent Company had not notified the early amortization of the Bonds in accordance with the preceding paragraph, each bondholder could, subject to prior notice, request the amortization of its Bonds for the greater value between (i) 102% of the nominal value of the Bonds plus accrued interest, or (ii) 102% of the listed price of the Bonds, plus accrued interest. Likewise, at any time, each bondholder may, subject to prior notification for a specific period of time, request the amortization of his Bonds, at their nominal value plus accrued interest, in the event of a change of control in the Issuer or to reduce its floating capital below certain limits and, if any of these events occurred prior to the Modification Date, for the greater value between the nominal value of the Bonds plus the accrued interest, or the price of the Bonds , plus accrued interest.

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

Within the derivative financial instrument, the following options with a significant value that required the separation of the host contract were identified (among others whose value was estimated close to zero both at the beginning and at the closing date of the period):

- Conversion option: once the Transformation Option was exercised by the Shareholders' Meeting (fact previously announced to the CNMV on June 17, 2019), the bonds are convertible into Almirall shares at the option of the bondholders (this is a call option acquired by the bondholders and sold by Almirall) at a conversion price of 18.1776 euros per share (this price is subject to anti-dilution adjustments). If the exchange for all the bonds takes place, a total of 13,753,191 shares will be delivered. The swap could take place in newly issued shares or in existing shares at the discretion of Almirall. Because, within the scenarios of adjustment of the price of conversion into shares, there are mechanisms whose nature implies that presentation as equity is not adequate, this option represents a derivative financial instrument separable from the host contract (financial liability) for the Group.
- Cancellation option: the Parent Company may, after the "Modification Date", amortize in advance, in full, but not in part, the bonds at their nominal value plus interest accrued and not paid if:
 - a) At any time, 15% or less of the aggregate face value of the bonds issued remains outstanding.
 - b) As of the day on which 2 years and 21 days have elapsed since the Issue Date (that is, as of January 4, 2021, inclusive), the aggregate market value of the underlying shares for each

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bond, during a certain period of time exceeds 125 thousand euros (that is, taking into account that each bond corresponds to 5,501 shares to an exchange of 18,776 euros per share, if the share price of Almirall SA exceeds 22,722 euros per share). As of the date of formulation of these consolidated annual accounts, this condition has not been met, so the maturity of the convertible Bond remains at the one initially planned (December 14, 2021).

With respect to this option purchased by Almirall, given that the nominal value of the bonds (plus their respective accrued interest) would not be "approximately equal" to the amortized cost plus the value of the derivative financial instrument mentioned above, this anticipated cancellation option would not be closely related to the host contract and would be separable from it.

At the time of initial recognition (December 14, 2018), these options were valued at EUR 23.4 million, classified under the heading of "Liabilities for derivative financial instruments" of this same Note and remaining EUR 226.6 million, remaining euros as a component of the host bonus. As of December 31, 2020, the fair value of these options amounts to EUR 2.3 million (EUR 19.1 million as at December 31, 2019).

The change in the fair value of these options is recorded in the income statement between the time of initial recognition and the valuation made at the time of closing, until they expire. For the annual year ended on December 31, 2020, the impact on the Group's income statement has amounted to EUR 16.8 million in profit (EUR 4.3 million of profit as at December 31, 2019, Note 21). The Group has accounted for both options at their net worth, as allowed by IFRS 9.

The valuation of both options has been carried out by an independent expert, using standard valuation methodologies of derivative financial instruments and in accordance with the provisions of IFRS 13 and IFRS 9.

The component of the host bond, meanwhile, once discounted issuance expenses (amounting to EUR 2.9 million), is recorded at amortized cost using the effective interest method.

Financial derivative instruments

On May 10, 2018, the Ordinary General Shareholders' Meeting approved the execution of a swap transaction of interest and shares ("Equity swap"). This operation was made effective through a contract dated May 11, 2018 with Banco Santander, S.A., by which Almirall S.A. must pay a variable interest to the bank as a compensation and Banco Santander, S.A. commits, as acquirer of underlying common shares of Almirall S.A. (with a maximum nominal limit of 2,99% of the share capital (5,102,058 shares or EUR 50 million), and with a term of 24 months, to deliver the dividend received for its investment in Almirall S.A, and sell the shares of Almirall, S.A. to the company itself at expiration date.

Additionally, when the fair value is less than 85% of the cost value, the Group must compensate the loss by contributing cash to the bank (reducing in that case the fair value of the derivative). Once a settlement has been made, in the event that the fair value is greater than 110% of the last value for which a settlement took place, the Group will recover the payments made proportionally up to 100% of the initial value of the derivative (always limited to the acquisition cost by Banco Santander). For this reason, the Group has chosen to classify said asset / liability as current.

Consequently, under the heading "Assets for derivative financial instruments" (in the case of latent capital gains) or "Liabilities for derivative financial instruments" (in case of latent losses), the fair value of the derivative corresponding to the difference between the fair value of the underlying asset (2,510,952 shares equivalent to EUR 35.1 million, corresponding to 1.4% of the Parent Company's share capital) and their acquisition cost for Banco Santander, which As of December 31, 2020, it amounts to a capital loss of EUR 9.3 million, of which EUR 6.9 million have been settled in favor of the bank, therefore the liability at the end of the year amounts to EUR 0.7 million. As of December 31, 2019, it amounted to EUR 1.7 million of latent capital gain (Note 12). It is considered that the value of the derivative of the option that would entail the acquisition of the total of the maximum shares (EUR 50 million) would not be significant at the closing date. Said derivative, as it does not meet the accounting hedge requirements, is recorded with changes in value in the profit and loss account (Note 21). For the year ended December 31, 2020, the impact on the Group's consolidated income statement amounted to EUR 9.3 million of loss (EUR 3.2 million of profit for the year ended December 31, 2019).

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Likewise, as of December 31, 2018 Almirall, S.A. it had a liability for an amount of EUR 0.7 million that relates to an exchange rate hedge forward. Said forward was renewed on several occasions in the year ended December 31, 2019, being settled on June 28, 2019 for EUR 5.9 million. The impact generated in the profit and loss account by the interest rate differentials between the euro and the US dollar is detailed in Note 21, under the heading "Exchange differences".

At the date of preparation of these consolidated annual accounts, the directors consider that all of the aforementioned obligations have been fulfilled (including the covenants mentioned before).

The accrued interest payable at December 31, 2020 amounts to EUR 686 thousand (EUR 452 thousand at 31 December 2019).

The average cost of the debt, for the annual years ended on December 31, 2020 and 2019, was 0.77% and 0.98% respectively.

In application of IAS 7, the reconciliation of the cash flows arising from the financing activities with the corresponding liabilities of initial and final financial position is included below, separating the movements that represent Cash flows from those that do not.

	Balance 01.01.2020	Effective flows	Interest paid	Accrued interest	Exchange differences	Changes in fair value	Balance 31.12.2020
Credit lines	15,133	(15,499)	-	-	366	-	-
Loans with credit institutions	229,133	-	-	213	-	-	229,346
Obligations	229,245	-	-	10,402	-	-	239,647
	473,511	(15,499)	-	10,615	366	-	468,993
Liabilities for derivative instruments	19,082	(6,951)	-	-	-	(9,165)	2,966
Accrued interest payments	452	-	(6,536)	6,770	-	-	686
Total Financial liabilities	493,045	(22,450)	(6,536)	17,385	366	(9,165)	472,645

	Balance 01.01.2019	Effective flows	Interest paid	Accrued interest	Changes in fair value	Balance 31.12.2019
Credit lines	150,000	(134,867)	-	-	-	15,133
Loans with credit institutions	148,925	80,000	-	208	-	229,133
Obligations	223,745	-	-	5,500	-	229,245
	522,670	(54,867)	-	5,708	-	473,511
Liabilities for derivative instruments	25,611	(5,938)	-	-	(591)	19,082
Accrued interest payments	407	-	(6,640)	6,685	-	452
Total Financial liabilities	548,688	(60,805)	(6,640)	12,393	(591)	493,045

18. Trade payables and Other liabilities

a) Trade payables

The detail at December 31, 2020 and 2019 is as follows:

	Thousand euro	
	31/12/2020	31/12/2019
Suppliers	65,900	87,730
Payables	96,243	134,748
Total accounts payable short term	162,143	222,478

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b) Other current and non-current liabilities

The detail at December 31, 2020 and 2019 is as follows:

	Thousand euro				
	Current	Non-current			
		2022	2023	Subsequent years	Total
Research related loans	2,608	2,118	1,592	1,929	5,639
Payables on purchases of assets	3,818	-	-	-	-
Wages and salaries payable	29,693	1,579	2,353	3,343	7,275
Long term tax liabilities	-	-	-	6,519	6,519
Other liabilities	275	-	-	1	1
Total at 31 December 2020	36,394	3,697	3,945	11,792	19,434

	Thousand euro				
	Current	Non-current			
		2021	2022	Subsequent years	Total
Research related loans	3,655	2,243	2,048	2,544	6,835
Payables on purchases of assets	40,391	-	-	-	-
Wages and salaries payable	26,654	5,243	5,229	4,485	14,957
Long term tax liabilities	-	-	-	7,981	7,981
Other liabilities	667	-	-	1	1
Total at 31 December 2019	71,367	7,486	7,277	15,011	29,774

The research-related loans relate to the interest-free loans granted by the Ministry of Science and Technology to promote research. They are presented in accordance with Note 5-i. These loans are granted subject to the fulfilment of certain investments and levels of expenditure over the years that they are granted. They expire between 2021 and 2030.

Payables for non-current assets correspond, basically, to pending disbursements on the acquisition of goods, products and marketing licenses made in the year and before. The balance as of December 31, 2020 includes the amounts pending payment of investments in progress, mainly of the production plants. The amount as of December 31, 2019 included the part pending short-term disbursement for the agreement reached with AstraZeneca for the amount of EUR 35 million corresponding to the equivalent value in euros of the current value of the future pending payments for the purchase of the aforementioned license. This amount has been paid in March 2020.

At December 31, 2020 and 2019 the balance of "Wages and Salaries Payable" includes, mainly, the outstanding balances with the personnel corresponding to the accrued parts of the extra payments, as well as the bonus for the Group's objectives.

As a result of the application of IFRIC 23 "Uncertainty regarding income tax treatments" (Note 5-p), as of December 31, 2020 it is classified as "Long-term tax liabilities" EUR 6,519 thousand (EUR 7,981 thousand as of December 31, 2019).

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

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19. Provisions

The changes in 2020 and 2019 in “Provisions” in the accompanying consolidated balance sheets were as follows:

	Thousand Euros	
	2020	2019
Balance at 1 January	32,806	39,393
Additions or charge for the year	505	89
Disposals or transfers	2,588	(6,676)
Balance at 31 December	35,899	32,806

Relates mainly to the provision for non-current remunerations (see Note 5-v) and the estimate made by the Group of the future payments required by it to settle other liabilities arising as a result of the nature of its business.

20. Retirement benefit obligations

The changes in “Retirement Benefit Obligations” in the accompanying consolidated balance sheets in 2020 and 2019 are as follows:

	Thousands of Euros
Balance at 31 December 2018	70,645
Additions	11,713
Cancelations	(2,965)
Exchange differences	36
Balance at 31 December 2019	79,429
Additions	7,226
Cancelations	(1,014)
Exchange differences	-
Balance at 31 December 2020	85,641

The retirement benefit obligations correspond to the subsidiaries Almirall Hermal, GmbH, Almirall, AG and Polichem, S.A. and to non-financed plans (there are no plan assets), as described in Note 5-l.

The changes in the defined benefit obligations are as follows:

	2020	2019
At 1 January	79,429	70,645
Current service costs	79	74
Borrowing costs	769	1,201
Contributions of plan participants	58	(72)
Actuarial gains/(losses)	7,232	9,065
Benefits paid	(2,075)	(1,770)
Other changes	149	286
At 31 December	85,641	79,429

The actuarial losses recognized relate mainly to the effect of the variation in the discount rate used in the actuarial calculations in 2020 and 2019.

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

	2020	2019
Current service costs	79	74
Borrowing costs	769	1,201
Others	-	242
Total (included under staff costs)	848	1,517

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The sensitivity to changes in the main assumptions weighted as follows would not have a significant effect on the total pension liability.

	Changes in assumptions
Discount rate	Increase/Decrease of 0.5%
Inflation rate	Increase/Decrease of 0.5%
Salary increase rate	Increase/Decrease of 0.5%
Mortality rates	Increase after one year

Such variations in the assumptions are reasonable in light of those indicated in actuarial reports, additionally, the Group has assessed that the assumptions are reasonable for the Group companies affected (Almirall Hermal, GmbH, Almirall, AG and Polichem, S.A.).

21. Revenues and expenses

Net sales

The detail, by business line, of Net Sales in 2020 and 2019 is as follows:

	Euro Thousand	
	2020	2019
Sales through own network	634,585	717,799
Sales through licensees	146,638	110,984
Corporate management and revenue not allocated to other segments	26,204	26,556
Net sales	807,427	855,339

	Euro Thousand	
	2020	2019
Product sales income	723,332	808,052
Royalties income	12,052	9,108
Income from up-front payments (Note 16)	52,246	29,954
Income from other up-front payments	19,797	8,225
Net sales	807,427	855,339

The detail of Net Sales, by geographical area, in 2020 and 2019 is as follows:

	Euro Thousand	
	2020	2019
Spain	237,129	243,156
Europe and Middle East	394,500	357,417
America, Asia and Africa	149,594	228,210
Corporate management and revenue not allocated to other segments	26,204	26,556
Net sales	807,427	855,339

The main countries where Net Sales come, in 2020 and 2019 are:

	2020	2019
Spain	29%	28%
United States	11%	20%
Germany	20%	18%
Italy	6%	6%
France	2%	2%
United Kingdom	3%	3%
Other	29%	23%

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Total	100%	100%
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Other income

The detail of "Other Income" is as follows:

	Euro Thousand	
	2019	2020
Incomes coming from Astrazeneca agreement (Note 12)	5,013	51,829
Reinvoicing of services rendered to AstraZeneca	1,073	1,012
Other	976	2,477
Total Other income	7,062	55,318

Procurements

The detail of "Procurements" is as follows:

	Euro Thousand	
	2020	2019
Purchases	197,537	199,718
Stock variation for Finished Goods and Work in progress	(9,202)	(8,449)
Stock variation for Raw materials and Merchandises	(10,893)	1,197
Total Procurements	177,442	192,466

Staff costs

The detail of "Staff Costs" is as follows:

	Thousands of Euros	
	2020	2019
Wages and salaries	138,337	146,105
Social Security payable by the Company	24,860	24,090
Termination benefit costs	2,482	(669)
Other employee benefit costs	11,325	12,019
Total	177,004	181,545

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

	2020			2019		
	Men	Women	Total	Men	Women	Total
Board member	1	-	1	1	-	1
Senior management	33	13	46	32	13	45
Middle management	148	112	260	147	111	258
Technical personnel	469	589	1,058	473	585	1,058
Administrative personnel	186	234	420	167	243	410
Other	-	1	1	-	1	1
Total	837	949	1,786	820	953	1,773

The average number of employees in 2020 with a 33% or higher disability is 33 people (30 people in 2019).

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At the end of 2020 and 2019 the headcount is as follows:

	31 December 2020			31 December 2019		
	Men	Women	Total	Men	Women	Total
Board member	1	-	1	1	-	1
Senior management	30	14	44	32	13	45
Middle management	150	113	263	148	108	256
Technical personnel	471	595	1,066	472	587	1,059
Administrative personnel	186	226	412	169	236	405
Other	-	1	1	-	1	1
Total	838	949	1,787	822	945	1,767

The number of employees at the end of 2020 with a 33% or higher disability is 33 people (30 people in December 31 of 2019).

At December 31, 2020 and 2019, 248 and 259 Group employees, respectively, were engaged in research and development activities.

Other operating expenses

The detail of "Other operating expenses" is as follows:

	Thousands of Euros	
	2020	2019
R&D activities	44,135	47,715
Rental fees and royalties	21,116	16,602
Repair and upkeep expenses	19,219	18,579
Independent professional services	28,663	33,125
Transport	9,726	9,041
Insurance premiums	2,788	2,379
Banking and similar services	545	540
Congresses and other promotional activities	66,550	77,895
Utilities	3,776	4,288
Other services	31,026	42,551
Other taxes	1,461	1,802
Total	229,005	254,517

Within the heading "Other services" are included grants amounting to EUR 313 thousand in 2020 (EUR 788 thousand in 2019).

Net change in valuation adjustments

The detail of "Net Change in Valuation Adjustments" in the accompanying consolidated income statements and of the changes in the short-term provisions is as follows:

	Euro Thousand	
	2020	2019
Change in valuation adjustment for bad debts	(1,794)	1,658
Change in valuation adjustment of inventories	(892)	6,094
Change in other current provisions	(1,064)	321
Total	(3,750)	8,073

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Net gain (loss) on disposal of asset

The detail of the net gain (loss) on disposals of non-current assets in 2020 and 2019 is as follows:

	Thousand euro			
	2020		2019	
	Profit	Loss	Profit	Loss
Sale or write-off intangible assets	10	(404)	761	(8,097)
Sale or write-off property, plant and equipment	-	(255)	93	(48)
Sale of business units (Note 3-b)	-	-	-	(3,183)
	10	(659)	854	(11,328)
Net result from sale of assets	(649)		(10,474)	

The amount included under "Net Gain (Loss) on Disposals of Assets" relates to the amount resulting on the sale of the intangible assets described in Note 9 of these consolidated annual accounts.

Financial income and expense

The detail of net finance income and expense in 2020 and 2019 is as follows:

	Euro Thousand			
	2020		2019	
	Income	Expense	Income	Expense
Variation in the fair value of financial instruments	7,478	-	7,513	-
Financial expenses for bonds (Note 17)	-	(11,027)	-	(6,125)
Other financial income (expense)	1,579	(6,976)	853	(8,687)
Valuation adjustments on financial assets (Note 12)	-	(3,371)	-	(6,557)
Exchange differences	18,585	(19,328)	10,469	(19,100)
	27,642	(40,702)	18,835	(40,469)
Financial result	(13,060)		(21,634)	

During 2020 and 2019 expense recorded under the heading "Variation in the fair value of financial derivatives" relates mainly to the update of the fair value of the Equity swap and the derivative associated to the Convertible Bond explained in Note 17.

The caption "Other financial income (expense)" includes the financial expenses originated as a consequence of the bank loans and loans to other companies, also it is included the impact on the financial update for those liabilities that are booked at amortized cost, with the exception of the one corresponding to the convertible bond, which is included in the caption "Financial expenses for bonds" (EUR 10.4 and 5.5 million in 2020 and 2019 respectively).

Under the heading "Exchange differences", it has been booked an amount of EUR 3.3 million related to the dissolution of the affiliate company Almirall Aesthetics Inc., see Note 3-b.

Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill

In fiscal year 2020, the heading of "Impairment results of property, plant and equipment, intangible assets and goodwill" includes the impairment made on the portfolio acquired in the business combination of Aqua Pharmaceuticals, LLC in 2013 (now Almirall LLC) for of EUR 16.2 million, as explained in Note 9.

There were no impairments in the year ended December 31, 2019.

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Transactions carried out in foreign currency

The detail of the transactions carried out in foreign currency is:

	Amount in Euros (thousands)			
	Expense		Income	
	2020	2019	2020	2019
Australian Dollar	-	15	-	-
Canadian Dollar	-	1	23	165
Swiss Franc	3,221	2,906	10,161	12,976
Czech Koruna	44	22	1,129	1,389
Danish Krone	1,851	1,668	1,002	5,676
Pound Sterling	15,377	16,917	21,875	31,575
Hungarian Forint	30	52	469	577
Japanese Yen	6,151	426	3,821	4,111
Arab emirates dirham	-	17	-	-
Mexican Peso	3	13	-	-
Norwegian Krone	218	390	1,401	1,225
Polish Zloty	747	739	2,229	3,957
Renminbi	322	-	-	-
Swedish Krona	196	419	3,396	3,451
Russian ruble	15	-	-	-
US dollar	97,258	114,558	121,361	195,311

Auditors' remuneration

In 2020 and 2019 the fees for audit and other services provided by the Group's auditor, PricewaterhouseCoopers Auditores, S.L. or by other companies in the PwC network were as follows:

Entities (Thousands of Euro)	Year	Audit & related services		Tax services	Other services
		Audit services	Professional services related to audit		
PricewaterhouseCoopers Auditores. S.L.	2020	239	31	-	55
Other entities PwC's network		371	-	37	16
Total		610	31	37	71
PricewaterhouseCoopers Auditores. S.L.	2019	236	31	-	10
Other entities PwC's network		356	-	38	47
Total		592	31	38	57

The heading "Audit services" includes the fees corresponding to the audit of the individual and consolidated annual accounts of Almirall, SA, and of the companies that are part of its Group, the limited review of the Group's interim consolidated financial statements, as well as the review of the information related to the Group's Financial Information Internal Control System (SCIIF), whose work allows obtaining evidence for the audit.

The heading "Audit-related professional services" includes the verification of the non-financial information of the consolidated management report.

The heading "Other Services" mainly includes verifications for official bodies as well as reports on agreed procedures.

22. Tax situation

Consolidated tax group

Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VII of Legislative Royal Decree 4/2004 of 5 March, approving the Corporation Tax Law. The companies composing the tax group for 2020 and 2019 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas

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Almirall, S.L., Laboratorios TecnoBío, S.A., Ranke Química, S.A. and Almirall Europa Derma, S.A. (previously known as Almirall Aesthetics S.A.), the former acting as the parent company. Consequently, the consolidated corporate tax expense includes those advantages derived from the use of negative tax bases and deductions pending application that would not have been recorded in the case of individual taxation of the companies that make up the aforementioned tax group.

Income tax is calculated on the basis of accounting profit, determined by application of the applicable financial reporting framework, which does not necessarily coincide with the taxable profit.

The Group's other subsidiaries file separate tax returns in accordance with the tax legislation in force in each country.

Year subject to tax inspection

Parent Company and the Spanish tax group companies of which the Parent Company of the Group is headquarters, are open to inspection for the years 2015 to 2020 for the Corporate Tax and from the years 2016 to 2020 for the rest of taxes that are applicable to them. In this sense Almirall S.A. during 2019 received a notification related to a general inspection for 2014 which has finally concluded at the end of 2020 without any significant aspect having emerged.

During 2016 the following reviews started by the tax authorities with the foreign companies of the group, which at the date of preparation of these consolidated annual accounts are still ongoing:

- Almirall Hermal GmbH (Germany), for 2009, 2010, 2011, 2012 and 2013, in relation to Corporate Income Tax, Value Added Tax and Withholdings and advance tax payments on account of Personal Income Tax.

During 2018, the following inspection procedures were communicated in relation to the following foreign companies of the Group, which as of the date of formulation of these consolidated annual accounts are still ongoing:

- Almirall AG (Switzerland). Federal inspection in relation to the years 2013, 2014, 2015 and 2016.
- Almirall Inc. and investee companies (United States). In relation to the 2014, 2015 and 2017 fiscal years related to Corporation Tax.

During the year 2019, the following inspection procedures were communicated in relation to the following foreign companies of the Group:

- Almirall SAS (France) in relation to the 2016 and 2017 fiscal years, relating to Corporate Income Tax, Value Added Tax, as well as Withholdings and Income on account of the Income Tax of Individuals.
- Almirall LLC (USA) in relation to the period between January 2016 and March 2019 (both included), related to the Value Added Tax (Sales and Use Tax) of the State of Pennsylvania. This inspection was concluded at the end of 2020 without any significant aspect having emerged.

During the financial year 2020, no procedure has been initiated that is pending completion as of December 31, 2020.

For the Group's foreign companies, their applicable taxes for the corresponding years are open to inspection in each of the local jurisdictions.

Generally, in view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that are being or could be conducted by the tax authorities in the future could give rise to tax liabilities which cannot be objectively quantified at the present time. However, the directors of the Parent consider that the possibility of any material liability arising in this connection other than those already recognized is remote.

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Receivables and payables with Tax Authorities

The detail of the current tax receivables and payables at December 31, 2020 and 2019 is as follows:

	Thousand euro	
	31/12/2020	31/12/2019
VAT refundable	10,235	8,345
Corporate income tax refundable	62,385	31,546
Other receivables	26	(3)
Total receivables	72,646	39,888
VAT payable	7,429	3,493
Personal income tax withholdings payable	2,758	3,508
Social security payable	2,961	2,351
Corporate income tax payable	8,312	5,551
Total payables	21,460	14,903

The debit balances for corporate taxes are mainly due to the tax refund forecast for the Spanish consolidated perimeter for the current year.

Recognized Income Tax

The detail of the income tax recognized in the consolidated income statement and in equity in 2020 and 2019 is as follows:

	Thousand Euros	
	Expense / (Income)	
	2020	2019
Income Tax		
-Recognized in the income statement	4,958	22,370
-Recognized in equity	(2,025)	(2,538)
Total	2,933	19,832

Reconciliation of the accounting profit to the taxable profit-

The reconciliation of the income tax expense payable at the standard rate of tax in force in Spain and the income tax expense recognized is as follows:

	Euro Thousand	
	2020	2019
Consolidated profit (loss) before tax	79,238	128,279
Permanent differences:	-	-
- Of individual companies	-	-
Increase	204,391	39,186
Decrease	(121,332)	(461,766)
- Consolidation adjustments	-	-
Increase	96,207	263,035
Decrease	(206,879)	(22,686)
Adjusted accounting profit (loss)	51,625	(53,952)
Tax rate	25%	25%
Gross tax payable (refundable)	12,906	-
Tax credits:		
Tax credit used in the year and other consolidation adjustments	369	(310)
Income tax of Almirall, S.A. paid abroad	52	1,429
Deferred tax assets and liabilities variation	-	10,326
Credits for negative tax bases regularization	-	-
Income tax paid by Almirall S.A. subsidiaries	-	9,112
Other	-	400
Theoretical income tax expense	13,327	20,957

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Effect of different tax rates between countries	(6,028)	1,161
Other movements	(2,341)	252
Expense/ (Income) accrued for corporate income tax	4,958	22,370

The origin of the permanent differences in the individual companies in the years 2020 and 2019 mainly relates to the different tax treatment of certain expenses accrued in those years. The increase in the base for permanent differences in financial year 2020 is basically due the provision of impairment losses on US subsidiaries. The decrease in the base for permanent differences in financial year 2020 is basically due to the reduction in the tax base of income from the transfer of intangible assets, reversals of impairment losses on European subsidiaries and the distribution of dividends between Almirall S.A. and some of its subsidiaries. The decrease in the base for permanent differences in 2019 was basically due to the reduction in the tax base of income from the transfer of intangible assets, reversals of impairment losses on subsidiaries and the distribution of dividends between Almirall S.A. and some of its subsidiaries.

The increase in the permanent differences in 2020 and 2019 derived from the consolidation adjustments mainly relates to valuation adjustments on equity instruments of the European subsidiaries, as well as the elimination of dividends distributed between subsidiaries and the Parent company.

The decrease in the permanent differences for the year 2020 derived from the consolidation adjustments mainly correspond to valuation corrections on equity instruments of the US subsidiaries. The decrease in the permanent differences in 2019 derived from the consolidation adjustments mainly corresponded to certain valuation adjustments on equity instruments of the subsidiaries Almirall Aesthetics Inc. and ThermiGen, prior to their dissolution and disposal, respectively, as explained in the Note 3-b).

The amount of the deductions applied and / or adjusted during the years 2020 and 2019 correspond to the partial monetization of the deduction for research and development generated in the years 2019 and 2018, respectively.

The detail of the tax incentives recognized in 2020 and 2019 and the amounts not yet recognized at December 31, 2020 and 2019 and is as follows:

Nature	Year generated	Miles de Euros			
		2020		2019	
		Offset	Available to offset	Offset	Available to offset
Research and development	2007	216	25,260	-	25,550
	2008	-	34,841	-	34,841
	2009	-	26,883	-	26,883
	2010	-	34,628	-	34,628
	2011	-	35,845	-	35,845
	2012	-	32,841	-	32,841
	2013	-	28,660	-	28,660
	2014	-	23,685	-	23,685
	2015	-	14,840	-	14,840
	2016	-	12,259	-	12,259
	2017	-	10,209	-	10,209
	2018	-	9,230	5,219	9,230
2019	6,030	10,091	-	20,184	
2020	-	18,408	-	-	
		6,246	317,680	5,219	309,655
Innovations in technology	2012	-	1,077	-	1,077
	2013	-	1,439	-	1,439
	2014	-	701	-	701
		-	3,217	-	3,217
International double taxation	2019	431	482	-	913
	2020	-	79	-	-
		431	561	-	913

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Re-investment of extraordinary income	2012	-	55	-	55
	2013	-	2	-	2
	2014	-	10	-	10
		-	67	-	67
Donations	2019	35	-	-	35
	2020	37	-	-	-
		72	-	-	35
Temporary measures	2019	26	-	-	26
	2020	21	-	-	-
		47	-	-	26
Total tax incentives reported		6,796	321,525	5,219	313,913
Total deferred tax assets recognized in balance sheet			187,915		194,161

Currently the application of deductions to avoid double international taxation pending application has no temporary limit. However, the current Corporate Tax legislation establishes 50% of the full tax rate as the limit of application.

On the other hand, the time limit for the application of deductions for scientific research and technological innovation activities is 18 years since its generation, being subject to the limit of application to 50% of the tax rate in accordance with the legislation current, to the extent that it is foreseen that the deduction generated each year by the Parent will exceed 10% of the full installment.

However, this term is reduced to 15 immediate and successive years from its generation for those amounts not deducted corresponding to the rest of deductions.

Deferred taxes

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

	Thousand Euros	
	31/12/2020	31/12/2019
Deferred tax assets	256,476	269,317
Deferred tax liabilities	(117,382)	(127,540)
Deferred tax assets (net)	139,094	141,777

The gross changes in the deferred taxes are as follows:

	Thousand Euros	
	2020	2019
At January 1	141,777	145,527
Credit to profit or loss	(10,738)	(10,422)
Partial monetization R&D tax credits	6,030	4,134
Tax (charged) refunded directly to equity	2,025	2,538
At December 31	139,094	141,777

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In accordance with current tax legislation in the countries in which the consolidated entities are located, in 2020 and 2019 certain temporary differences have arisen which should be taken into account when quantifying the corresponding income tax expense. The detail of deferred taxes recognized in both years is as follows:

	Euro Thousand			
	31/12/2020		31/12/2019	
	Accumulated differences in taxable profit (tax loss)	Accumulated effect on tax payable	Accumulated differences in the taxable profit (tax loss)	Accumulated effect on tax payable
Deferred tax assets:				
Amortization and depreciation of non-current assets	99,825	23,768	140,287	33,536
Provisions	66,118	16,577	70,963	17,842
Retirement benefit obligations	54,268	15,878	48,645	14,265
Measurement of inventories	27,495	7,718	19,707	5,855
Other	3,909	1,072	4,124	1,059
	251,615	65,013	283,726	72,557
Tax credits:				
Tax loss carryforwards	14,044	3,548	8,739	2,599
Tax credit carryforwards	-	187,915	-	194,161
Total deferred tax assets and tax relief:	265,659	256,476	292,465	269,317
Deferred tax liabilities:				
Accelerated amortization/depreciation (Royal Decree 27/84, Royal Decree 2/85, Royal Decree 3/93)	20,865	5,215	23,341	5,834
Assets held under finance leases	3,667	917	4,171	1,043
Capitalization in intangible assets	195	160	2,222	559
Assignment of capital gains to assets in business combinations	249,485	67,244	293,581	78,855
Amortization of goodwill	125,042	33,031	115,438	30,630
Tax effect of reversal of subsidiary portfolio provisions	16,508	5,353	16,508	5,353
Other	21,216	5,462	20,429	5,266
Deferred tax liabilities	436,978	117,382	475,690	127,540

The deferred tax assets indicated above, totaling EUR 256,476 thousand, are mainly from Almirall, S.A., which reports a total of EUR 222,633 thousand in deferred tax assets in its annual accounts at 31 December 2019 (mainly due to the deductions pending application stated above). These deferred tax assets were recognized in the consolidated balance sheet the Parent company's directors consider that it is probable that these assets will be recovered in full within 10 years in line with their best estimates of future profit. The basis of the estimated future profit underpinning this analysis was as follows:

- Projections of estimated profit of the consolidated Spanish tax group over the next five years (extrapolated up to 10 years) based on the product portfolio and current group structure. This projection took into account sustained increases in future profit, the result mainly of expected growth in sales of the products in the Group's portfolio as well as significant synergies which are expected as a result of the restructuring of the Group.
- Estimated additional effects expected in profit or loss over the coming years as a result of the expected future investments/acquisitions at medium term and taking into account the relevant investments made in 2020 and before. Estimated target returns and the probability of achieving them were also considered.
- - Additionally, the sensitivity analysis carried out on the projected tax bases (in a range of + 5% / -5% variation) would not result in a significant impact on the annual accounts as of December 31, 2020.

At December 31, 2020, the Group has capitalized as deferred tax asset for temporary differences of Almirall LLC (formerly Aqua Pharmaceuticals, LLP) an amount of EUR 12,846 thousand (EUR 18,647

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thousand at December 31, 2019) as no doubts about its future recoverability arose, taking into account the projections of sales and results based on the events occurred during the year (see Note 9).

23. Business and geographical segments

Segmentation criteria

Set out below is a description of the main criteria used to separate the Group's segment reporting in the consolidated annual accounts for the years ended December 31, 2020 and 2019.

The business segments detailed in this note are those for which the financial information is available in the Group and on which the preparation of the reports is based and whose results are reviewed on a monthly basis by the Group Management (Management Committee) in order to the taking operational decisions, decide on the resources that should be allocated to each segment and evaluate their performance.

The business lines described below were established based on the organizational structure of the Group. They form the basis of primary segment reporting:

- Sales through own network.
- Sales through licensees.
- Research and development activities.
- Therapeutic dermatological products in the US.
- Corporate management and results not allocated to other segments.

The operating segments reported in these accompanying notes are those whose income, profit (loss) and/or assets exceed 10% of the corresponding figure for the Group. Therefore, "Corporate Management and Results not Allocated to Other Segments" includes income and expense not directly related which are allocated to lines of business and relate mainly to the Group's corporate assets and production centers.

In this sense, the professional judgments used by the Group to consider that the activity of "Research and development" and "Corporate Management and Results not Allocated assigned to Other Segments", are based on the fact that the expenses and income information of those segments are not taken in the decision making in the rest of the segments, they are analyzed separately by the highest authority of the Group in the decision-making process in order to decide on the resources to be allocated to said activity.

In the case of the segment called "Research and development activity", although revenue from ordinary activities does not normally occur, its breakdown is fundamental for the Group's understanding since said activity is considered absolutely key and strategic in the market in which the Group operates. On the other hand, the resources allocated to this component are based on an analysis that is totally independent from the rest of the Group's components.

On the other hand, the segment of "Corporate management and results not allocated to other segments" groups those revenues and expenses that, given their nature, are not directly related to the rest of the segments detailed and are not assignable to these, since they are not directly related to the business areas. The figures broken down in this segment are mainly derived from the corporate assets broken down below, from the expenses associated with the Group's production centers, as well as from all expenses not included in the operating result. In this sense, the Group considers that the effort that would be necessary in the event of disaggregating said expenses in the rest of the segments, would require absolutely arbitrary distribution guidelines and would not address the way in which the Group's organizational structure is established, which is the basis on which the financial information is broken down internally.

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Basis and methodology of segment reporting by business

The segment information reported below is based on the reports prepared by Group management and is generated through information based on the Group's consolidated accounting information.

For the purposes of calculating information by segment in the consolidated income statement, the consolidated balances of each segment have been taken into account, following the allocation of the pertinent consolidation adjustments to each segment. The allocation of consolidation adjustments has been taken into account for the purposes of segment reporting in the consolidated balance sheets.

Segment revenues, includes "Net Sales" and "Other Income" relate to those directly attributable to the segment.

The revenues received by the Group as a result of the agreements indicated in Note 7 have been assigned, if possible, on the basis of the business segment directly related to the territories or activity associated with those agreements, irrespective of whether they relate to amounts received for milestones or initial disbursements recognized on a deferred basis in the consolidated income statement, mainly in the own network sales and licensee segments and research and development activities. However, the change to fair value of the assets generated from the sale operation with AstraZeneca has been included in the segment "Corporate management and results not allocated to other segments" as it is an operation that is analyzed and monitored at a corporate level independently of the rest of the segments, as it is not related to the recurring business.

Net Sales recognized on the R&D segment relates to expenses re-invoiced to third parties for that activity.

The expenses of each segment are determined on the basis of the expenses deriving from its operating activities and which are directly attributable to it, including "Procurements", "Staff costs", "Amortization and Depreciation" and "Other Operating Costs". The amounts recognized as "Procurements" in each of the segments include, in addition to the acquisition cost of materials, the costs allocated to them by the Group in the manufacturing process (such as staff costs and amortization and depreciation, among others). These costs are included in the "Adjustments and reclassification" segment. Therefore, they are eliminated from the profit and loss of the Group companies for consolidation purposes.

The expenses taken into account in each of the segments, as described above, do not include amortization or depreciation, restructuring costs, impairment losses or general administrative expenses relating to general services that are not directly allocated to each business segment and, therefore, they have not been distributed.

As mentioned before the expenses that are not directly attributable to a business segment are not distributed and are assigned to the segment "Corporate management and results not assigned to other segments", because this is how Management does the decision-making of the Group analyzes the reporting information and makes decisions about the resources to invest in each segment.

The amortization assigned to the segment "Corporate management and results not allocated to other segments" is the one related to those assets linked to both the company's production centers and the Group's headquarters. These amortizations are considered non-assignable expenses to the business segments related to commercialization criteria, since they are not directly attributable to any of the established segments and therefore the Management does not take them into account in making decisions that affect them.

On the other hand, impairment losses are, in general terms, broken down into the segment in which the asset subject of the valuation adjustment is assigned.

With respect to the restructuring costs, being non-recurring expenses, being decided by the Management and having a marked strategic nature, it is not considered appropriate (and in fact it is not done in any of the internal analysis) to include them in any of the other segments given that they would invalidate the conclusions that any user of financial information would reach regarding their profitability.

With respect to the general and administrative expenses included in the segment "Corporate management and results not allocated to other segments", find below the causes that lead the Management not to impute them to the rest of segments:

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- Costs linked to the Group's production centers and which are not directly attributable to manufacturing.
- Costs linked to the head office, the shared services centers and support areas that mainly include the expenses of the Human Resources, Finance and General Operations departments ("Marketing", "Market Access" and "Global Medical Affairs"). These costs are difficult to attribute to the rest of the segments as they would be, on the one hand, under a totally subjective criterion and, on the other hand, would not be in accordance with the way that the Group Management evaluates the profitability of the other segments.

The Group does not disclose information on relevant clients by segment in the consolidated annual accounts or finance expense and the income tax expense by segment as this information is not used by the Board of Directors to make the Group's management decisions. Information on significant customers is not used as none of them individually accounts for more than 10% of the Group's revenue.

Tangible assets (property, plant and equipment, inventories, etc.) were assigned to segments on the basis of the end use of each segment, irrespective of their geographical location.

Intangible assets (goodwill, intangible assets, etc.) were allocated on the basis of the cash-generating unit, ensuring the recovery of the value of those assets, Goodwill was allocated as follows:

- Almirall, S.A.: allocated to the "Corporate Management and Results not allocated to Other Segments" segment given its structural nature in the Group's current make-up and the fact that it cannot be assigned to any segment in particular, as detailed in Note 8.
- Almirall Hermal, GmbH: allocated to the "Own Network Marketing" segment since the main cash-generating unit with respect to the aforementioned goodwill is this segment.
- Poli Group: The assets, income and expenses have been distributed between the segment "Sales by own network" and "Sales by license holders" in line with the Cash-Generating Units used for the purpose of the impairment tests stated in Note 5-d.
- Almirall LLC (formerly Aqua Pharmaceuticals LLP): has been assigned to the "Dermatology therapeutic area in the United States" segment since the main cash-generating unit of the related intangible assets is in this segment (Note 9).

The Group has no criteria in place for distributing equity or liabilities by segment and therefore there is no detail of that information, In addition, certain balance sheet items, including current and non-current financial assets held by the Group, cash and cash equivalents and other less significant items, are considered to be linked to the "Corporate management and results not allocated to other segments" segment.

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

- Almirall, S.A. Goodwill: originated in 1997 as a result of the merger with Prodesfarma S.A. As indicated in Note 8 of this consolidated report, given its structural nature in the current configuration of the Group and not being able to be assigned in an objective manner to any other specific segment, it was decided to include it in the segment "Corporate management and results not allocated to other segments".
- Intangible assets mainly related to the agreements with Dermira and Athenex for the licenses mentioned in Note 9 of the accompanying consolidated accounts, as well as other assets of lower value that correspond mainly to patents and computer software.
- Intangible assets mainly related to license is in progress acquired as a consequence of the control of Polichem Group as explained in Note 9 of the accompanying consolidated accounts.
- Property, plant and equipment linked to the Group's production centers, to Headquarters and to shared service centers, consistently with the allocation of expenses in the segmented profit and loss account.
- Financial assets related to the agreement with AstraZeneca as indicated in Note 12 of the attached consolidated report, in line with the allocation of the income in the segmented profit and loss account.

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- Deferred tax assets related to the Spanish tax consolidation Group as detailed in Note 22 of the attached consolidated annual accounts, as well as deferred tax assets generated in Almirall Hermal, GmbH, and Almirall LLC and the holding Almirall, Inc.

These assets have not been assigned to any other business segment since their analysis, being assets of holding companies or companies that are separated into several segments, is carried out according to the territories where the corresponding tax regulations are applicable and not such as the primary distribution of the segment note is broken down.

- Inventories whose references are not directly assignable to any business segment since they do not correspond to any finished product but mainly to raw materials, materials and semi-finished products whose destination is not yet known.
- Current financial investments and cash and other liquid assets correspond mainly to the amount of "Cash Pooling" to which all of the integrated companies are housed within the Group's consolidation perimeter, with the exception of Almirall LLC (formerly, Aqua Pharmaceuticals, LLC) (included in the segment US Dermatology) and the recent acquisitions of Poli Group and ThermiGen (included in the marketing segments through its own network and licensees to the corresponding extent). These assets derived from cash pooling are managed jointly from the central office.
- The breakdown of non-current assets referring to fixed assets located in foreign countries is detailed in Note 11.

Financial information by segment

Segmentation by business

Income statement for the year ended December 31, 2020 by segment:

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

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Assets at December 31, 2020 by segment:

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

Income statement for the year ended December 31, 2019 by segment:

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Adjustments and reclassifications	Total
Revenue	539,616	110,984	925	178,183	25,631	-	855,339
Other Income	-	-	1,012	687	53,619	-	55,318
Operating income	539,616	110,984	1,937	178,870	79,250	-	910,657
Procurements	(162,375)	(32,025)	(298)	(27,268)	(28,978)	58,478	(192,466)
Employee benefit expenses	(60,834)	(1,463)	(24,472)	(18,083)	(45,746)	(30,947)	(181,545)
Amortization and depreciation charge	(35,521)	(9,124)	(5,793)	(52,152)	(16,317)	(10,519)	(129,426)
Net change in provisions	-	-	-	-	1,979	6,094	8,073
Other operating expenses	(83,640)	(4,753)	(61,657)	(34,754)	(37,837)	(23,106)	(245,747)
Net gains/(losses) on disposals of assets	-	(800)	(500)	(17,200)	(744)	-	(19,244)
Other ordinary gains/(losses)	-	-	-	-	-	-	-
Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill	-	-	-	-	(389)	-	(389)
Operating profit	197,246	62,819	(90,783)	29,413	(48,782)	-	149,913
Financial income	-	-	-	-	853	-	853
Financial expense	-	-	-	(594)	(14,218)	-	(14,812)
Exchange differences	-	-	-	-	(8,631)	-	(8,631)
Profit/(loss) on the measurement of financial instruments	-	-	-	-	956	-	956
Profit/(loss) before taxes	197,246	62,819	(90,783)	28,819	(69,822)	-	128,279
Income tax	-	-	-	(7,398)	(14,972)	-	(22,370)
Net profit (loss) for the period attributable to the Parent Company	197,246	62,819	(90,783)	21,421	(84,794)	-	105,909

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Assets at December 31, 2020 by segment:

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
ASSETS						
Goodwill	227,743	52,816	-	-	35,407	315,966
Intangible assets	235,507	218,769	-	518,399	166,340	1,139,015
Rights-of-use assets	5,067	206	-	811	12,187	18,271
Property, plant and equipment	298	-	28,257	405	88,460	117,420
Financial assets	193	45,522	-	315	57,154	103,184
Deferred tax assets	3,368	8,261	-	18,647	239,041	269,317
NON-CURRENT ASSETS	472,176	325,574	28,257	538,577	598,589	1,963,173
Inventories	51,109	4,866	-	17,270	33,173	106,418
Trade and other receivables	35,122	26,645	-	97,241	44,107	203,115
Current tax assets	2,054	128	-	-	37,706	39,888
Other current assets	627	46	-	3,609	3,930	8,212
Current financial investments	-	-	-	-	1,769	1,769
Cash and other liquid assets	-	-	-	20,204	97,008	117,212
CURRENT ASSETS	88,912	31,685	-	138,324	225,193	476,614
TOTAL ASSETS	561,088	357,259	28,257	676,901	823,782	2,439,787

Additions to non-current assets by segment in the year ended December 31, 2020:

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

Additions to non-current assets by segment in the year ended December 31, 2019:

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Total additions to non-current assets	74,398	-	1,033	14,897	25,838	116,166

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Net Sales by therapeutic area

Set out below is a detail of the contribution to Net Sales of the Group's main therapeutic areas in 2020 and 2019:

	Euro Thousand	
	2020	2019
Respiratory	77,534	86,798
Gastrointestinal and Metabolism	116,010	117,109
Dermatology	320,619	381,519
CNS	65,897	65,563
Osteomuscular	28,751	30,879
Cardiovascular	62,100	61,115
Other specialist therapies	136,516	112,356
Total	807,427	855,339

Net Sales by geographical area in 2020 and 2019 is detailed in Note 21.

24. Dividends paid by the Parent Company

The dividends paid by the Parent company in 2020 and 2019, which related to the dividends approved out of profit earned in the previous year, are as follows:

	2020			2019		
	% of nominal amount	Euros per share	Amount (in € thousands)	% of nominal amount	% of nominal amount	% of nominal amount
Ordinary shares	169%	0.203	35,435	169%	0.203	35,292
Total dividends paid	169%	0.203	35,435	169%	0.203	35,292
Dividends charged against profit/(loss)	169%	0.203	35,435	169%	0.203	35,292

The dividend payment of 2020 was instrumented as a flexible dividend in which the shareholders were offered the right to choose between receiving new issued shares of Parent Company or the amount in cash equivalent to the dividend. The payment in cash was chosen for 6.2% of the rights (which has meant a disbursement of EUR 2.1 million) and the remaining 93.8% was opted to receive new shares at the nominal unit value that have been issued as capital increase (Note 15). The dividend payment of 2019 was also instrumented as a flexible dividend being the payment in cash a 70.2% of the rights (which meant a disbursement of EUR 24.1 million) and the remaining 29.8% opted to receive new shares at the nominal unit value that were issued as capital increase.

25. Earnings per share

Basic earnings per share are calculated by dividing net profit or loss attributable to the Parent company by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held during the year. Diluted earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted number of ordinary shares outstanding during the year, adjusted by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the potential ordinary shares into ordinary shares of the Parent company. For these purposes, conversion is deemed to take place at the start of the period or when the potentially dilutive ordinary shares are issued, where they have become outstanding during the period in question.

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For these purposes, it should be taken into account that the diluted profit per share considers the potential shares that the Parent Company should issue according to the exchange price of the convertible bond (see Note 17), that is, 13,753,191 shares, given that The bond has effectively become convertible on June 25, 2019. Accordingly:

	2020	2019
Net income for the period (euro thousands)	74,280	105,909
Average ordinary shares number available (*)	175,178	175,178
Weighted average diluted shares number (**)	188,931	188,931
Basic earnings per share (euros)	0.42	0.60
Diluted earnings per share (euros)	0.44	0.58

(*) Number of shares issued deducted from treasury shares (in thousands)

(**) Average number of ordinary shares available plus potential shares associated with derivative financial instruments convertible in shares (in thousands)

As described in Note 15, as a result of the capital increase released through which the flexible dividend program was implemented, 3,560,807 new shares of the Parent Company have been created and were admitted to trading on October 12, 2020. During the annual year ended December 31, 2019, 701,153 new shares of the Parent Company were created and were listed on June 12, 2019.

In accordance with the provisions of IAS 33, these capital increases have resulted in an adjustment of the profit per share corresponding to the 2019 financial year included in the consolidated annual accounts and have been taken into account in the calculation of the basic and diluted profit per share corresponding to the fiscal year ended December 31, 2020.

Finally, the calculation of the consolidated profit per diluted share considers the consolidated profit for the year attributable to the Parent Company, excluding the expense accrued by the financial instruments convertible into shares, net of their tax effect.

26. Commitments acquired, contingent liabilities and contingent assets

a) Commitments acquired

As a result of the research and development activities carried out by the Group, firm agreements for approximately EUR 40.2 million were entered into at December 31, 2020 (EUR 31.1 million in 2019) in relation to the performance of the above research and development activities which would be paid in future years.

At December 31, 2020, the Group formalized various guarantees against the public administration and third parties for an amount of EUR 14,874 thousand at December 31, 2020 (EUR 14,255 thousand at December 31, 2019).

There are no commitments to purchase property, plant and equipment for significant amounts at December 31, 2020 and 2019.

The Group's lease obligations are detailed in Note 10.

b) Contingent liabilities

There are no other contingent liabilities in addition to the ones included in this consolidated annual accounts (contingent payments for acquisition of intangible assets (See Note 9)).

c) Contingent assets

As a result of the operation with AstraZeneca described in Note 7-a, the Group is entitled to receive a payment of certain amounts for milestones related to certain regulatory and commercial events.

27. Related party transactions

Transactions between the Parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not therefore disclosed in this Note. Transactions between the Parent company and its subsidiaries are disclosed in the separate annual accounts.

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In 2020 and 2019 the Group companies performed the following related-party transactions. The balances in this respect at December 31, 2020 and 2019 were as follows:

Company	Related party	Description	Year	Thousand euro	
				Transactions - Income/(Expense)	Debtor/(Creditor) Balance
Almirall, S.A.	Grupo Corporativo Landon, S.L.	Leases	2020	(2,963)	-
			2019	(2,935)	-
Almirall, S.A.	Grupo Corporativo Landon, S.L.	Reinvoicing of works	2020	122	-
			2019	-	-
Almirall, S.A.	Grupo Corporativo Landon, S.L.	Other	2020	-	-
			2019	(55)	-

The Group's headquarters are leased to the Landon Corporate Group. S.L., through a contract tacitly renewed annually by both parties.

The related party transactions are carried out on an arm's-length basis.

28. Remuneration of the Board of Directors and Executives

In 2020 and 2019 the amount earned by the current and former members of the Parent company's Board of Directors for all types of remuneration (salaries, bonuses, per diems, remuneration in kind, life insurance plans, indemnities, incentive plans and social security contributions) amounted to EUR 3,000 thousand and EUR 3,968 thousand, respectively. The life insurance policies amount to EUR 23 thousand (EUR 17.8 thousand in 2019).

In 2020, insurance premiums for civil liability totaling EUR 151 thousand have been accrued (EUR 111 thousand at December 31, 2019), which cover possible damages caused whilst members of the Board of Directors and Top Management carried out the duties of their offices.

Additionally the remuneration earned, paid or not paid, to the Parent company's Board of Directors for multi-year incentive and loyalty plans, and SEUS plans has been null in 2020 while in 2019 it rose to EUR 971 thousand. The balance of the provision for these plans amount to EUR 302 thousand at the end of 2020 (EUR 3,544 thousand in 2019).

At December 31, 2020 and 2019, there were no other pension obligations to the current and former members of the Board of Directors of the Parent company.

The Group considers the members of the Management Committee who are not members of the Board of Directors as executives, for the purpose of the consolidated annual accounts.

In 2020 and 2019 the amounts earned by executives who are not members of the Parent's Board of Directors for all items (salaries, bonuses, per diems, remuneration in kind, compensation, incentive plans and social security contributions) totaled EUR 5,293 thousand and EUR 5,251 thousand, respectively.

For incentive and loyalty plans that cover more than one year and SEUS plans (see Note 5-x) the remuneration earned amounted to EUR 798 thousand and EUR 1,002 in 2020 and 2019, respectively. The ending balance of the provision for these plans amounts to EUR 2,322 thousand in 2020 (EUR 3,578 thousand in 2019).

At December 31, 2020 and 2019, the Group did not have any other pension obligations to executives.

The members of the Group's Board of Directors and Management Committee have not received any shares or share options in the year and they have not exercised any options and do not have any options which have not yet been exercised.

29. Other information about the Board of Directors

The Directors have a duty not to become involved in situations that constitute a conflict of the Parent company's interest, accordingly the directors on the Board met all the obligations foreseen in Article 228 of the consolidated Spanish Companies Law. The directors and any related parties thereto were

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not involved in any situations that constituted a conflict of interest envisaged in Article 229 of this law except where the relevant authorisation was obtained.

30. Information about environment

The Group companies adopted the relevant environmental measures in order to comply with prevailing legislation in this connection.

The Almirall Group's property, plant and equipment include certain environmentally friendly assets (smoke abatement, underfloor drainage, etc.). The carrying amount of the assets is approximately EUR 4.3 million and EUR 2.8 million at December 31, 2020 and 2019, respectively. Additionally during the year 2020 we have done investments amounting to EUR 0.9 million (EUR 0.6 million in 2019).

The consolidated income statements for 2020 and 2019 include expenses related to protection of the environment amounting to EUR 1.4 million and EUR 1.3 million, respectively.

The Group has not made investments related to photovoltaic panels intended for the production of electricity for self-consumption during 2020, whose net book value at December 31, 2020 amounts to 1,142 thousand euros (EUR 1,205 thousand at December 31, 2019). The income statement for fiscal year 20120 includes expenses related to the maintenance of said plates amounting to EUR 16 thousand (EUR 9 thousand in 2019), related amortization expenses amounting to EUR 63 thousand (EUR 32 thousand in 2019) and being zero taxes electricity (EUR 0,3 thousand in 2019).

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

31. Exposure to risk and capital management

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

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

Interest rate risk

During the first quarter of 2017, the parent company signed a new 4-year credit line, enabled for a maximum drawdown of EUR 250 million at a fixed interest rate, so the Group is not exposed to rate volatility of interest. Said policy has been canceled in 2020 and replaced by a new credit policy for the amount of EUR 275 million, for an initial term of 3 years with the possibility of an additional 1 year extension and intended for general corporate uses (as described in the Note 17). This policy accrues a variable interest rate referenced to Euribor, plus a variable that depends on the Group's Net Debt over EBITDA¹ ratio. At December 31, 2020, taking into account the current macroeconomic perspectives, the Group's Management does not consider that there is a relevant risk due to possible interest rate increases in the short / medium term, so it has not considered necessary to implement any hedging mechanism in this regard.

In September 2018, the parent company signed a temporary loan of EUR 400 million at a fixed interest rate of 1.25%. This loan was canceled in December 2018 and was refinanced, on the one hand, with a syndicated loan of EUR 150 million at a fixed rate of 2.1% and, on the other hand, with the issuance of Convertible Bonds (EUR 250 million), also at a fixed interest rate of 0.25%. Since it is all about financing at a fixed interest rate, the Group is not exposed to interest rate volatility.

Finally, in March 2019, the parent company formalized a loan with the European Investment Bank (EIB) for up to EUR 120 million, to finance its research and development efforts, with the aim of offering cutting-edge innovation and differentiated therapies in the area of medical dermatology. The first tranche of EUR 80 million was granted on April 17, 2019, at a fixed interest rate of 1.35%.

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Foreign currency risk

The Group is exposed to foreign currency risk on certain transactions arising from its business. The risk relates mainly to revenue received in US dollars for sales of finished goods, payments received for the operation carried out with AstraZeneca, payments in US dollars received as a result of the deal agreements with Athenex, Dermira or the recent option agreement with Bioniz, payments in US dollars for clinical trials, raw material purchases and royalty payments in yen and collections and payments made in local currency by the subsidiaries in the US, UK, Poland, Switzerland and Denmark. The most relevant currency which the Group is operating is the US dollar.

The Group analyzes quarterly the forecasts of collections and payments in currency as well as the evolution and trend of the same. During the last years, the Group has reduced its exposure to risk by exchange rate in those commercial transactions of greater volume, by contracting timely exchange insurance to cover payments in yen for the purchase of raw materials, and to cover cash receipts in USD for collections as well as the anticipated payment in USD for the purchase of Allergan's portfolio done in September 2018.

As of December 31, 2020, the Parent Company of the Group is the borrower of a loan between companies of the Group, with Almirall, Inc., in USD. Said loan has not been covered since since July 1, 2010 it is considered as more value 2020 has become part of the net investment abroad said company and, therefore, the exchange differences generated since then have been recorded in the section on conversion differences of equity, without having affected the consolidated profit and loss account. (Note 15).

Finally, there was another loan with the Almirall Aesthetics Inc. subsidiary that was considered a net investment abroad, accounting for such exchange differences against the Conversion differences heading. As a consequence of the dissolution of said subsidiary company in November 2019, the accumulated exchange differences have been reclassified to the heading of Exchange differences of the income statement, as explained in Note 21.

Liquidity risk

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

On the one hand, a one-year monthly cash budget based on the projected annual accounts for the current year, whose variations are analysed on a monthly basis. On the other, projections at 24 months, which are updated monthly.

Cash surpluses are generally invested in very short-term financial assets in reputable financial entities.

The financing instruments include a series of "covenants" that in case of default would imply the immediate enforceability of said financial liabilities. The Group periodically evaluates said compliance (as well as future compliance expectations in order to, where appropriate, be able to take corrective measures). As of December 31, 2020, all complied covenants are considered, as mentioned in Note 17.

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

Lastly, medium- and long-term liquidity planning and management is based on the Group's five-year Strategic Plan.

The forecast of the liquidity reserve at December 31,2020 would be as follows:

	2021	2022 and following years
Cash and other equivalent liquid assets	159,642	-
Current financial liabilities	6,025	-
Credit lines committed with bank entities not used	-	275,000
Total	165,667	275,000

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The following table presents an analysis of the Group's financial liabilities that are settled for a net amount grouped according to due dates, considering the remaining period at the balance sheet date until the contractual maturity date. The amounts shown in the table correspond to the contractual undiscounted cash flows. The payable within 12 months are equivalent to the book values of the same, given that the effect of the discount is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
At December 31, 2020				
Loans with credit institutions	5,686	10,000	179,345	35,000
Liabilities for derivative financial instruments	2,966	-	-	-
Obligations	239,648	-	-	-
Trade Payables	164,889	-	-	-
Total	413,189	10,000	179,345	35,000
At December 31, 2019				
Loans with credit institutions	452	20,133	30,000	194,133
Liabilities for derivative financial instruments	-	19,082	-	-
Obligations	-	229,245	-	-
Trade Payables	222,478	-	-	-
Total	222,930	268,460	30,000	194,133

Fair value measurement

Disclosure of measurement of assets and liabilities at fair value should use the hierarchy defined in IFRS 13:

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

The detail of the Group's assets and liabilities at fair value using the levels above at December 31, 2020 and 2019 is as follows (in thousands euros):

2020	Level 1	Level 2	Level 3
Assets			
Available-for-sale financial assets	-	-	-
Financial assets at fair value through profit or loss (*)	-	-	105,235
Total assets	-	-	105,235
Liabilities			
Financial liabilities at fair value with changes in the result (Note 17)	-	2,966	-
Total liabilities	-	2,966	-

(*) Includes amount at short and long term derived from the operation with AstraZeneca (Notes 12 and 14)

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2019	Level 1	Level 2	Level 3
Assets			
Available-for-sale financial assets	-	-	-
Financial assets at fair value through profit or loss (*)	-	1,687	152,229
Total assets	-	1,687	152,229
Liabilities			
Financial liabilities at fair value with changes in the result (Note 17)	-	19,082	-
Total liabilities	-	19,082	-

(*)Includes amount at short and long term derived from the operation with AstraZeneca (Notes 12 and 14)

Credit risk

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

Allowances are recognized for the total amounts that cannot be collected once all the relevant collection management efforts have been made. The balance of the allowance recognized in this connection at 31 December 2020 and 2019 were EUR 7,770 thousand and EUR 9,868 thousand, respectively (Note 14).

The Group mitigates the credit risk relating to financial assets by investing mainly in very short-term floating-rate instruments at banks with a high credit rating.

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

Capital management

The Group manages its capital to guarantee the continuity of the activities of the Group companies while maximizing shareholders' returns through an optimum debt-equity ratio.

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

At December 31, 2020 and 2019 the leverage ratios were as follows (in thousands of euros):

	31 December 2020	31 December 2019
Financial liabilities	472,645	493,045
Retirement benefit obligations	85,641	79,429
Cash and cash equivalents	(165,667)	(117,294)
Net debt	392,619	455,180
Equity	1,302,966	1,280,186
Share capital	21,374	20,947
Leverage ratio (1)	30.1%	35.6%

(1) On the basis of the calculation used by the Group to determine the leverage ratio (not including "Other Financial Liabilities" included in Note 18 neither lease liabilities included in Note 10),

32. Information on delays in payments to suppliers

The supplier payment periods in force at the Spanish companies in the Group complies with the boundaries established in Law 15/2010, of 5 July, on amendments to Law 3/2004 to combat non-payment in commercial transactions. The aforementioned law envisages a maximum payment period of 60 days.

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

	Number of days	
	2020	2019
	Days	Days
Average payment period	49	44
Ratio of paid operations	48	45
Ratio of outstanding operations	60	26
Total payments made	532,461	536,503
Total outstanding payments	41,712	49,719

This balance relates to the suppliers of the Spanish companies in the Group, specifically trade payables for goods and services received. The average payment period for these companies was 49 days in 2020 (44 days in 2019).

33. COVID-19 impacts

As a result of Royal Decree 463/2020, of March 14, by which the state of alarm was decreed in Spain (where the Group's headquarters is located), different measures were established to protect the health and safety of citizens, contain the disease progression and strengthening the public health system. Subsequently, on October 25, Royal Decree 926/2020 came into force, which is still in force on the date of formulation of these consolidated accounts and by which new measures have been adopted to contain the waves of infections that have occurred since the last quarter of 2020 and which continue to rise in early 2021.

Similar measures have been taken by other countries in which the Group operates, such as Germany, Italy or the United States.

Given the sector in which the Group operates, its activities are considered essential and therefore the activity has not been interrupted by the state of alarm or by the confinement, especially with regard to the production activity of both the productive centers of the Group (located in Spain and Germany) as well as by third-party manufacturers that supply certain products. There have been no shortages in this period, since the Group prior to the state of alarm had already established a contingency plan as a consequence of the expansion of the virus in China in early 2020, in order to avoid possible cuts in the supply chain. This plan was added to the one that had also been established by Brexit, as detailed in Note 2-e).

Despite not interrupting the production activity, the Group's sales have been negatively impacted as a consequence of the slowdown in the world economy and also as a consequence of the restriction of people mobility, which has impacted both delays and cancellations of product promotion activities as well as the reduction of global demand in the different countries in which the Group operates.

In this context, it should be noted that the impact of COVID-19 on EU countries has been lower than in the United States as a result of the type of product sold in each of these territories, with the EU market being particularly focused on chronic treatments that have been less impacted whereas in the United States the product portfolio is among the so-called non-essential ones where the falling sales has been more pronounced. It should be noted that the market share of the Group's main products has not been significantly impacted and that most of the decline in sales is in line with the reduction in global demand.

From the point of view of R&D activities, there have been delays in some activities linked to clinical studies given restrictions on access to hospitals that made difficult to recruit new patients. However, Management considers that there has been no significant delay that could affect the long term. The registration process for Tirbanibulin in the EU and the US is ongoing with expected approval and subsequent launch in early 2021. As for Lebrizumab's Phase III, the development schedule is maintained with submission to the EMA expected in 2022 and subsequent approval and release in early 2023.

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Promotional activities were the most affected by confinement and measures to prevent contagion. As a result, various activities such as congresses or medical visits have been cancelled and/or postponed, which has caused the slowdown in sales of some medicines, especially those that do not correspond to chronic diseases. In this sense, the Group has made an effort to advance in the digitization of certain processes and activities to maintain activity and, at the same time, comply with social distancing measures and restrictions on access to medical centers.

Finally, support and administration activities have continued to be carried out by adopting certain measures of labor flexibility in the different workplaces and in accordance with the exceptional measures established in each country. Telework has generally been chosen in all those functions that would allow it without significant disruption.

In this Note the Group Management proceeds to evaluate the impacts of the pandemic caused by the COVID-19 outbreak that may have affected the company's activities in the EU and the United States, regions where the Group has the greatest presence, as can be seen in the breakdown of the net amount of Net Sales (Note 21).

Impairment on non-financial assets

As of December 31, 2020, no significant risk has been identified except in the case of the portfolio acquired in the business combination of Aqua Pharmaceuticals, LLC in 2013 (now Almirall LLC), which already presented scenarios of potential deterioration in the analysis of sensitivity of Note 5-d) to the consolidated annual accounts report for the year ended December 31, 2019 and of which there has already been an impairment in the interim condensed financial statements for the 6-month period ended June 30, 2020, for an amount of EUR 16.2 million see Note 9. However, certain government measures to limit pharmaceutical spending in the different geographies in which the Group operates may require reconsidering new scenarios.

Note 5-d) includes a sensitivity analysis of the main intangible assets and cash-generating units. Said analysis contemplates scenarios of both income falls and increases in the discount rate derived from an increase in the cost of financing due to the rise in interest rates in the debt markets. Additionally, given the uncertainty generated by the pandemic, the low range of sensitivity has been extended as mentioned in that same note.

Regarding the intangible assets linked to products currently under development, no additional risk has been detected for possible delays in the various activities necessary for their completion, as mentioned in the previous section.

With respect to the tax credits recorded in the balance sheet, which mainly correspond to the Spanish perimeter (Note 22), Management has re-evaluated the asset recoverability plan without any indication of impairment as of December 31, 2020. However, future fiscal measures that the Spanish government could adopt as a consequence of the new macroeconomic environment, could significantly affect said plan.

With respect to the valuation of inventories, given that the sales of the products have been able to be carried out without interruptions, there has been no provision for slow rotation or expiration related to COVID-19 (Note 13).

Impairment on financial assets

In relation to accounts receivable, the Group has not seen an increase in the overdue debts during this first semester and no relevant balance has been provided for this purpose. The amounts receivable with hospitals is the one that could represent the greatest risk due to possible treasury tensions that the health administrations of the different countries may experience due to the increase in the deficit. In this sense, the Group's Management estimates that if there were any potential delay in payments, it would not have a significant impact on equity or on the Group's liquidity, since hospital receivable debt amounts to only 3.1% of the Group's accounts receivable at December 31, 2020 (Note 14).

With respect to the financial asset related to the fair value of future payments to be received in the long term by AstraZeneca (Note 12), the Group has updated the projections according to the methodology described in Note 7 of the report of the Consolidated annual accounts for the year ended December 31, 2020 without any significant impact with respect to COVID-19. However, when dealing with flows linked to the performance of products managed by a third party, the Group's visibility in the short term is

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limited, so the Group will perform future re-evaluations in order to quantify potential changes in estimates that could suppose and that would prospectively adjust the income statement.

Finally, with respect to the Group's liquidity position, no impairment was observed, mainly due to three factors:

- As indicated in Note 31 of the report to the consolidated annual accounts for the year ended December 31, 2020, the Group does not have relevant maturities of financial debt until December 14, 2021, that is the maturity date of the convertible bond described in Note 17. Additionally, the Group has a credit policy with a limit of up to 275 million euros to cover eventual short-term liquidity needs.
- With respect to collections, as mentioned above, there have been no delays, so cash generation has not been significant negatively affected.
- Given the slowdown in some activities due to confinement, the volume of payments have decreased slightly.

Significant uncertainties and risks associated with COVID-19

As mentioned in the previous sections, the main risks and uncertainties stem mainly from the new macroeconomic environment after the pandemic, as well as the possibility of a new outbreak in the second half of the year that would worsen the situation after the first wave.

In this regard, the main uncertainties that could significantly affect the estimates made as of December 31, 2020 are:

- Measures applied by the governments where the Group operates to contain pharmaceutical spending due to the increase in the deficit and public debt generated by exceptional measures to mitigate the effects of COVID-19. Such measures could come in the form of additional contributions to national health systems in the form of discounts, measures to favor the use of generic drugs to the detriment of brand name drugs, application of reference prices by groups of molecules, lower reimbursement prices for new releases, among others.
- Measures either applied by governments to maximize tax revenues, in the form of tax increases, or in the form of restrictions on the use or granting of tax incentives.
- Increase in debt in markets that hinder or limit the Group's activity and / or growth in certain geographies.
- New waves of virus spread could limit the growth and / or access of certain medications by patients and / or limitations to the sales network to make medical visits and promotion due to new restrictions on mobility; or budgetary limitations when choosing treatment by national health systems.
- Risk of cutting the supply chain of the relevant products due to new outbreaks that could cause a market shortage and the consequent loss of profit.

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

During the first weeks of the outbreak, the Group implemented an action plan valued in more than EUR 430 thousand that included a wide range of measures to respond to the pandemic, mitigate its adverse effects and provide health professionals with the appropriate tools to face it. Some of those measures are detailed below:

- More than 112,000 units of Blastoactiva and Balneum topical creams were donated to various hospitals in Spain, the United Kingdom, Poland and Germany to help health professionals treat dry and sore skin due to the prolonged use of facemasks and glasses, and repeated hand washing and hand disinfection. More than 30 thousand units of personal protective equipment, including face masks, gloves, goggles and Tyvek gowns, were also donated to various hospitals, health centers and institutions in and around Barcelona. More than 200 laboratory equipment and materials were also made available to the Spanish health authorities and research centers.

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- Several hospitals in Italy, Spain and Portugal were subsidized to ensure that health professionals had the necessary supplies and equipment.
- The initiative led by the Leitat Technology Center to design and develop the first industrialized and reusable 3D printed respirator with a financial contribution of 50 thousand euros was sponsored. Authorized by the Spanish Agency for Medicines and Health Products (AEMPS), it is helping to alleviate and support the work carried out by hospitals, especially that of the ICUs.
- We contributed to the financing for the creation of a field hospital in Sant Andreu de la Barca (Barcelona) to serve patients with COVID-19 and the facilities of our production plant in Reinbek (Germany) have been partially reused to manufacture 10,000 hand sanitizer gel dispensers for hospitals and health centers in Germany and Portugal.

Additionally, in the year ended December 31, 2020, certain expenses and investments have been incurred, linked both to the adaptation of the facilities to the new health requirements and to the management of personnel in the face of mobility restrictions, which have amounted to EUR 1,284 and 158 thousand, respectively.

The Group has not received any government aid due to exceptional measures of the COVID-19, and therefore no breakdown is applied in accordance with the provisions of IAS 20 "Accounting for government subsidies".

Likewise, all the lease agreements have been paid in a timely manner as agreed, without having agreed to any deferment with the lessors, and therefore no additional breakdown applies in relation to IFRS16 "Leases".

34. Subsequent events

At the formulation date of these consolidated annual accounts, the Board of Directors of Almirall, S.A. has agreed to propose in the Shareholders' meeting the distribution of a dividend, charged against reserves for an amount of EUR 33.8 million (equivalent to 0.19 euros per share). For the purpose of carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders called "Scrip dividend", already implemented in 2020. In this way, its shareholders are offered an alternative that allows them to receive shares issued by the parent company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend as explained in Note 4.

Additionally, on February 17, 2021, the Group acquired from MC2 Therapeutics the marketing rights in Europe of Wyzora® cream for the treatment of plaque psoriasis. Under the terms of this agreement, MC2 Therapeutics will receive up-front payments of € 15 million, in addition to milestone payments and double-digit royalties on sales in Europe. Wyzora® cream (50 µg / g calcipotriol and 0.5 mg / g betamethasone as dipropionate) received FDA approval in the US on July 20, 2020. The product is currently under review in Europe for which two phase 3 trials have been presented, including a head-to-head study against the active Dovobet / Daivobet® Gel. The marketing authorization application (MAA) has been submitted in Europe and its approval is expected in 2021.

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ANEX: INFORMATION ABOUT GROUP SUBSIDIARIES

Name	Thousands of Euros						
	Laboratorios Almirall S.L.	Laboratorios Tecnobio S.A.	Industrias Farmacéuticas Almirall S.A.	Ranke Química S.A.	Almirall Internacional. BV The Netherlands	Almirall. NV Belgium	Almirall - Productos Farmacéuticos. Lda. Portugal
Management	Spain	Spain	Spain	Spain			
Activity	Intermediary services	Intermediary services	Manufacture of specialties	Manufacture of Raw Materials	Holding	Pharmaceutical Laboratory	Pharmaceutical Laboratory
31 December 2020							
% Interest held							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	7,326	474	48,696	18,428	56,513	2,168	2,145
Net profit (loss) for the year	360	(3)	3,378	675	12,521	46	182
31 December 2019							
% Interest held							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	6,954	348	45,220	17,217	49,673	2,132	2,081
Net profit (loss) for the year	372	126	3,476	1,211	5,329	36	64

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

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ANEX: INFORMATION ABOUT GROUP SUBSIDIARIES

Name	Thousand of Euros						
	Almirall. BV	Almirall Europa Derma. S.A.(*)	Almirall Limited	Almirall. S.A.S.	Almirall SP. Z.O.O.	Almirall GmbH	Almirall. AG
Management	The Netherlands	Spain	United Kingdom	France	Poland	Austria	Switzerland
Activity	Pharmaceutical Laboratory	Marketing of aesthetics products	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Pharmaceutical Laboratory
31 December 2020							
% Interest held							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	4,000	61	571	12,527	12	36	901
Reserves	2,586	178	10,263	19,913	1,438	1,851	2,168
Net profit (loss) for the year	182	(5)	579	1,422	17	270	514
31 December 2019							
% Interest 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
Share capital	4,000	61	571	12,527	12	36	901
Reserves	2,221	178	10,165	18,349	1,445	1,653	2,463
Net profit (loss) for the year	365	-	705	1,564	96	198	64

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

(*) On January 31st 2020, this company changed its legal name to Almirall Europa Derma, S.A. before named Almirall Aesthetics, S.A.

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ANEX: INFORMATION ABOUT GROUP SUBSIDIARIES

Name	Thousand of Euros							
	Almirall SpA	Almirall Hermal. GmbH	Almirall Aps	Almirall Inc	Subgroup (*) Almirall US	Poli Group Holding S.R.L.	Polichem S.A.	Polichem S.R.L.
Management	Italy	Germany	Denmark	United States	United States	Italy	Luxembourg / Switzerland / China	Italy
Activity	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Holding	Pharmaceutical Laboratory	Holding	Pharmaceutical Laboratory	Pharmaceutical Laboratory
31 December 2020								
% Interest held								
- Directly	-	100%	100%	100%	-	100%	-	0.4%
- Indirectly	100%	-	-	-	100%	-	100%	99.6%
% voting rights	100%	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	8,640	25	17	-	-	31	1,351	540
Reserves	39,853	(7,516)	2,486	450,895	306,340	46,870	126,574	4,223
Net profit (loss) for the year	11,732	25,799	207	(80,549)	(19,426)	(78)	33,712	1,435
31 December 2019								
% Interest held								
- Directly	-	100%	100%	100%	-	100%	-	0.4%
- Indirectly	100%	-	-	-	100%	-	100%	99.6%
% voting rights	100%	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	8,640	25	17	-	-	31	1,351	540
Reserves	37,189	12,922	2,328	478,915	319,477	44,824	106,547	3,447
Net profit (loss) for the year	2,664	24,411	147	58,340	13,520	2,046	20,804	776

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

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