



The following information has not been translated:

- Corporate governance
- SCIIF
- Auditor report
- Report related to non-financial information

All those documents are available in the Spanish version of the accounts reported to the CNMV. 24th February 2020.

Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

ALMIRALL, S.A.

Annual Accounts for the year ended
31 December 2019 and
Directors' Report

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

Almirall, S.A.
Balance sheet for the year ended 31 December
(Thousand euro)

ASSETS	Note	31 December 2019	31 December 2018	LIABILITIES AND EQUITY	Note	31 December 2019	31 December 2018
NON-CURRENT ASSETS				EQUITY			
Intangible assets	5	255,870	191,088	Shareholders' funds		1,371,791	1,206,185
Property, plant and equipment	6	33,590	35,524	Share capital	12	20,947	20,862
Long-term investments in group companies and associates	8	1,576,414	1,592,236	Share premium	12	246,285	235,226
Long-term investments	9	98,931	137,206	Legal reserve	12	4,172	4,151
Deferred tax assets	18	222,633	228,978	Other reserves	12	1,069,621	1,104,913
				Own shares and equity instruments	12	(1,773)	-
				Prior-year results	12	(158,988)	(220,893)
				Profit/(loss) for the year		191,527	61,926
				Grants, donations and bequests received		43	86
				TOTAL EQUITY		1,371,834	1,206,271
TOTAL NON -CURRENT ASSETS		2,187,438	2,185,032	NON-CURRENT LIABILITIES			
				Long-term provisions	14	38,678	35,068
				Long-term payables		484,296	588,994
				Debentures and other marketable securities	15	229,245	223,745
				Bank borrowings	15	229,133	298,925
				Derivatives	15	19,082	23,400
				Other financial liabilities	16	6,836	42,924
				Deferred tax liabilities	18	25,481	24,124
				Accruals and deferred income	13	72,269	102,632
				NON-CURRENT LIABILITIES		620,724	750,818
CURRENT ASSETS				CURRENT LIABILITIES			
Inventories	10	56,489	51,527	Short- term provision		622	398
Trade and other receivables		100,920	86,207	Short-term payables		42,649	9,399
Trade receivables for sales and services rendered	11	22,399	23,982	Derivatives	15	-	2,211
Trade receivables, group companies and associates	11 and 20	48,069	30,162	Other financial liabilities	16	42,649	7,188
Sundry accounts receivable	11	151	208	Short-term payables to Group companies and associates	20	340,329	394,450
Personnel	11	85	1	Trade and other payables		118,055	106,406
Current tax assets	18	23,483	22,401	Trade payables		58,872	41,059
Other receivables with Public Administrations	18	6,733	9,453	Trade payables, Group companies and associates	20	18,354	21,371
Short-term investments in group companies and associates	8 and 20	872	210	Sundry payables		25,461	27,774
Short-term financial investments	9	55,540	88,299	Accrued wages and salaries		10,478	10,183
Prepayment and accrued income		3,666	796	Current tax liabilities	18	-	1,770
Cash and cash equivalents		89,288	55,671	Other payables with Public Administrations	18	4,890	4,249
TOTAL CURRENT ASSETS		306,775	282,710	TOTAL CURRENT LIABILITIES		501,655	510,653
TOTAL ASSETS		2,494,213	2,467,742	TOTAL LIABILITIES AND EQUITY		2,494,213	2,467,742

The accompanying Notes 1 to 26 and the Appendix are an integral part of the annual accounts for the year ended 31 December 2019.

ALMIRALL, S.A.
Income statement for the year ended 31 December
(Thousand euro)

	Note	Year 2019	Year 2018
Revenue	19	607,849	432,094
Changes in inventories of finished products and work in progress	10	3,834	5,752
Own work capitalised	19	-	-
Raw materials and consumables	19	(195,922)	(172,978)
Other operating income	19	107,116	97,991
Staff costs	19	(68,750)	(66,755)
Other operating expenses	19	(204,637)	(202,208)
Losses, impairment and variation in trade provisions	19	255	(537)
Fixed asset amortization/ depreciation	5 and 6	(28,239)	(24,799)
Release of non-financial asset grants and other		177	84
Other losses in ordinary course of business		-	-
Impairment and profit/(loss) on fixed asset disposals in group companies	19	(22,183)	7,401
Operating profit/(loss)		199,500	76,045
Financial income	19	724	167
Financial expenses	19	(13,866)	(5,591)
Exchange differences	19	1,548	(86)
Impairment, profit/(loss) on disposals and change in fair value of financial instruments		7,513	(1,232)
Financial income/(expense)		(4,081)	(6,742)
Profit/(loss) before taxes		195,419	69,303
Income taxes	18	(3,892)	(7,377)
Profit/(loss) for the year		191,527	61,926

The accompanying Notes 1 to 26 and the Appendix are an integral part of the annual accounts for the year ended 31 December 2019.

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

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

	Note	Year ended 31 December	
		2019	2018
RESULTS RECOGNISED IN THE INCOME STATEMENT (I)		191,527	61,926
Income and expenses taken directly to equity			
Grants, donations and bequests received	12	-	24
Tax effect	18	-	-
Total income and expenses taken directly to equity (II)		-	24
Transfers to the income statement:			
Measurement of financial instruments		-	194
Grants, donations and bequests received	12	(43)	(63)
Tax effect	18	-	(48)
Total transfers to the income statement (III)		(43)	83
Total recognised income and expense (I+II+III)		191,484	62,033

The accompanying Notes 1 to 26 and the Appendix are an integral part of the annual accounts for the year ended 31 December 2019.

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

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

	NOTE	Authorised capital	Share premium	Legal reserve	Other reserves	Own shares and equity instruments	Prior year results	Profit /(loss) for year	Value change adjustments	Grants, donations and bequests	Equity
Balance at 31 December 2017	12	20,754	225,163	4,151	1,137,774	-	-	(220,893)	(146)	125	1,166,929
Distribution of results		-	-	-	-	-	(220,893)	220,893	-	-	-
Dividends		108	10,063	-	(32,861)	-	-	-	-	-	(22,690)
Recognised income and expense		-	-	-	-	-	-	61,926	146	(39)	62,032
Balance at 31 December 2018	12	20,862	235,226	4,151	1,104,913	-	(220,893)	61,926	-	86	1,206,271
Distribution of results		-	-	21	-	-	61,905	61,926	-	-	-
Dividends		85	11,059	-	(35,292)	-	-	-	-	-	(24,149)
Recognised income and expense		-	-	-	-	-	-	191,527	-	(43)	191,484
Transactions with own shares and equity instruments		-	-	-	-	(1,773)	-	-	-	-	(1,773)
Balance at 31 December 2019	12	20,947	246,285	4,172	1,069,621	(1,773)	(158,988)	191,527	-	43	1,371,834

The accompanying Notes 1 to 26 and the Appendix are an integral part of the annual accounts for the year ended 31 December 2019.

ALMIRALL, S.A.
Cash flow statement for the year ended 31 December (Thousand euro)

	Note	Year ended 31 December	
		2019	2018
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit/ (loss) for the year before tax		195,419	69,303
2. Adjustments to results		(162,318)	(42,600)
Fixed asset amortization/ depreciation (+)	5 & 6	28,239	24,799
Value adjustments for impairment (+/-)	5,8,10 & 11	14,606	(9,224)
Change in allowances and provisions (+/-)	14 & 19	4,301	26,374
Release of grants (+/-)		(177)	(83)
Profit/ (loss) on write-offs and disposals of financial instruments (+/-)	19	8,064	-
Profit/loss on write-offs and disposals of fixed assets (+/-)	19	-	900
Financial income and dividends received (-)	19 & 20	(139,942)	(9,410)
Financial expenses (+)	19	13,866	5,591
Exchange differences (+/-)	19	(1,548)	86
Variation in the fair value of financial instruments (+/-)	19	(7,513)	1,232
Deferred income		(409)	(409)
Inclusion of deferred income on the AstraZeneca transaction	13	(29,954)	(31,376)
Recognition of financial asset value not collected	9	(51,849)	(51,079)
3. Changes in working capital		107,376	17,122
Inventories (+/-)	10	(5,204)	(12,308)
Debtors and other receivables (+/-)	11	(21,808)	(917)
Other current assets (+/-)		120,690	407
Creditors and other payables (+/-)		13,699	29,940
4. Other cash flows from operating activities		133,102	(2,014)
Interest paid (-)	19	(6,037)	(2,281)
Dividends and interests received (+)	20	139,218	-
Interest received (+)	19	-	-
Corporate income tax collections/payments (+/-)	18	970	8,354
Other non-current assets and liabilities (+/-)		(1,050)	(8,087)
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)		273,578	41,812
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6. Payments for investments (-)		(125,561)	(605,878)
Group companies and associates	8	(27,694)	(503,482)
Intangible assets	5	(95,134)	(82,258)
Property, plant and equipment	6	(2,744)	(2,609)
Business unit	16	-	(17,500)
Other financial assets	9	11	(29)
7. Collections from divestments (+)		45,037	1,014
Group companies and associates	8	45,037	-
Intangible assets	5 - 8	-	-
Property, plant and equipment	6	-	5
Other financial assets	9	-	1,009
8. Cash flows from investing activities (7-6)		(80,523)	(604,864)
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Receipts and payments equity instruments		(1,773)	-
Acquisition own equity instruments		(1,773)	-
10. Receipts and payments financial liability instruments		(134,069)	419,831
Issue		80,147	922,008
Debentures and other marketable securities (+)		-	247,145
Bank loans (+)	15	80,147	549,262
Payable to Group companies and associates (+)		-	125,508
Other debts		-	93
Return and repayment of:		(214,216)	(502,176)
Non-convertible bonds repaid (-)	15	-	-
Bank loans (-)		(150,000)	(500,000)
Payable to Group companies and associates (-)		(55,595)	-
Other payables (-)	16	(8,620)	(2,176)
11. Dividend payments and return on other equity instruments		(24,150)	(22,689)
Dividends (-)	3	(24,150)	(22,689)
12. Cash flows from financing activities (+/-9+/-10)		(159,992)	397,142
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		(446)	(2,055)
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-11+/-D)		32,617	(167,966)
Cash and cash equivalents at beginning of the year	4-e/ 9	56,671	224,637
Cash and cash equivalents at end of the year	4-e /9	89,288	56,671

The accompanying Notes 1 to 26 and the Appendix are an integral part of the annual accounts for the year ended 31 December 2019.

Almirall, S.A.
Notes to the annual accounts for 2019
(Expressed in thousand euro)

1. Company activities

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

The Company's corporate purpose also includes:

- a) 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.
- b) Research into chemical and pharmaceutical ingredients and products.
- c) 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.
- d) The provision of prevention services of the companies and companies participating in the company under the provisions of 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 provisions of article 21 of the aforementioned legal text. It is expressly stated that said activity is not subject to administrative authorization as established by law. Said activity may be subcontracted to other specialized entities under the provisions of article 15 of RD 39/1997.
- e) Direct and manage the participation of the Company in the social capital of other entities, through the corresponding organization of personal and material means.

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

Almirall, S.A. is the parent company of a corporate group and in accordance with current legislation is required to prepare consolidated annual accounts separately. The consolidated annual accounts for the year ended 31 December 2018 were prepared by the Directors on 22 February 2019. The consolidated annual accounts for the year ended 31 December 2018 were approved by the Company's shareholders at the General Meeting held on 8 May 2019. The operations of the Company and Group companies are managed on a consolidated basis. Therefore the Company's results and financial position should be assessed taking this relationship with Group companies into account (Notes 8 and 20).

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

Almirall, S.A.
Notes to the annual accounts for 2019
(Expressed in thousand euro)

2. Basis of presentation of the annual accounts

Applicable financial reporting legislation

The Company's annual accounts for the year ended 31 December 2019, which were obtained from the accounting records held by the Company, were formally prepared by the Company's directors on 21 February 2020.

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

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

Fair presentation

The accompanying annual accounts have been obtained from the Company's accounting records and are presented in accordance with the applicable financial reporting framework and, in particular, with accounting principles and methods contained therein, so as to present fairly the Company's equity, financial position, results, changes in equity and cash flows generated during the year.

Non-mandatory accounting principles applied

No non-mandatory accounting principles have been applied. The Company's Directors have prepared these annual accounts taking into account all applicable mandatory accounting principles and standards that have a significant effect on the same. All mandatory principles have been applied.

Critical measurement issues and estimates of uncertainty

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

- The useful life of intangible assets and property, plant and equipment (Notes 4-a and 4-b).
- The evaluation of possible impairment losses on certain items of property, plant and equipment and intangible assets as a result of not recovering the carrying amount of such assets (Note 4-c).
- Assessment of the recoverability of deferred tax assets (Note 18).
- Evaluation of the technical and economic viability of the development projects in the pipeline that have been capitalised (Note 4-a).
- The fair value of certain non-listed financial assets (Note 4-f and 9).
- The recoverable amount of interests held in Group companies and the fair value of certain listed and unlisted financial assets (Notes 4-f and 4-k).
- Assessment of lawsuits, obligations and contingent assets and liabilities at year-end (Notes 4-j and 17).
- Estimate of the appropriate write-downs for bad debts, inventory obsolescence and sales returns (Notes 4-f, 4-h and 4-j).
- Estimate of the liability relating to the cash-settled share-based payment arrangements (Note 4-r).

Although these estimates have been prepared based on the best information available at year-end 31 December 2019, events may take place in the future that make it necessary to revise them up or down in coming years. Such revision would in any event be carried out prospectively.

Almirall, S.A.
Notes to the annual accounts for 2019
(Expressed in thousand euro)

Negative working capital

The Company has a negative working capital as of December 31, 2019 for an amount of EUR 194,880 thousand (EUR 227,943 thousand positive in 2018). However, the Administrators have formulated these annual accounts under the principle of continuity business taking into account that there is the implicit commitment of the majority shareholders to continue providing the necessary support for the future development of the Company.

The Company carries out prudent management of liquidity risk, by maintaining sufficient cash and cash equivalents to have sufficient capacity to meet future obligations. In addition, the Company has loans with Group companies for an amount of EUR 340,329 thousand (EUR 394,450 thousand in 2018), as indicated in note 20 of the annual accounts, due to centralized management of the treasury, and which classifies short-term but not with an imminent enforceability. In addition, the Parent Company Group also has a positive Working Capital at this date and a good financial situation. All of the above suggests that despite the fact that the Company has a negative working capital as of December 31, 2019, the Company's Administrators ensure the functioning of the operating company based on expectations of the continuity of the results.

3. Distribution of results

The proposed presentation of results included in the Company's annual accounts for the year ended 31 December 2019 and the proposed distribution of results for 2018 approved by the Shareholders at the General Meeting held on 8 May 2019 are as follows:

	Thousands of Euros	
	2019	2018
Basis of distribution:		
Profit for year	191,527	61,926
Distribution:		
To legal reserve	17	21
To voluntary reserves	32,522	-
To dividends	-	-
To offset prior years' losses	158,988	61,905
Total	191,527	61,926

The dividends paid by the Company in 2019 and 2018, which related to the dividends approved out of profit earned in the previous year, are as follows:

	2019			2018		
	% of nominal value	Euro per share	Amount in thousand euro	% of nominal value	Euro per share	Amount in thousand euro
Ordinary shares	115%	0.14	24,150	109%	0.13	22,690
Total dividends paid	115%	0.14	24,150	109%	0.13	22,690

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 35.3 million euros (equivalent to 0.203 euro per share). For the purpose of carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders called "Script dividend", already implemented in 2018. In this way, its shareholders are offered an alternative that allows them to receive shares issued by the Company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend (Note 26).

Almirall, S.A.
Notes to the annual accounts for 2019
(Expressed in thousand euro)

4. Accounting policies

a) Intangible assets

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

Intangible assets with a finite useful life are amortised over their useful life, using methods similar to those used to depreciate property, plant and equipment. The amortisation rates, which were determined on the basis of the average years of estimated useful life of the assets, are basically as follows:

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

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

Development costs-

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

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

- I. It is technically possible to complete production of the drug so that it can be made available for use or for sale.
- II. There is an intention to finish developing the drugs in question for use or for sale.
- III. There is the capacity to use or sell the drug.
- IV. The asset will generate future economic benefits. There is evidence that there is a market for the drug which will result from the development or a market for its development. There is also evidence that its development will be useful to the Company in the event that it is going to be used in house.
- V. Adequate technical, financial and other resources are available to complete development and use or sell the drug resulting from the development in progress.
- VI. The ability to measure reliably the payment attributable to the aforementioned development up until its completion.

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

When the amount delivered in Exchange of an intangible asset includes a contingent component, it will be considered within the carrying amount the best estimation of the present value of the contingent payment,

Almirall, S.A.
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except in the case that it is linked with a future event which will increase the profit or the economic profitability that this asset will provide, related to facts or circumstance not existing in the acquisition date. Likewise, applying the same criteria as per property, plant and equipment, the contingent payments that are dependent on magnitudes linked with the development of the activity, such as sales or profit for the year, they will be accounted for as an expense on the income statement as the events occur.

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

No significant capitalisation of internal development costs has been made in 2019.

Intellectual property-

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

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

Computer software-

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

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

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

Merger goodwill-

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

b) Property, plant and equipment

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

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

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

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

The annual depreciation charge is recognised in the income statement and is basically based on the depreciation rates calculated over the years of estimated useful life. The land on which the buildings and other structures stand is considered to have an indefinite useful life and, therefore, it is not depreciated. Property,

Almirall, S.A.
Notes to the annual accounts for 2019
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plant and equipment is generally depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

	Estimated useful life
Buildings	33-50
Plant and machinery	8-12
Other fixtures and tools	8 - 12
Furniture and laboratory equipment	6-10
Computer processing equipment:	4-6
Vehicles	5-6.25

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

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

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

At the year-end, the Company reviews the amounts of its property, plant and equipment and intangible assets to determine whether there is any indication of impairment. If there is an indication of impairment, the recoverable amount of the asset is calculated in order to determine the extent of the impairment loss (if any). Where the asset itself does not generate cash flows that are independent from other assets, the Company calculates the recoverable amount of the cash-generating unit to which the asset belongs. Any intangible assets that have not been amortised are tested for impairment at least at the year-end and prior to year-end if there are indications of impairment.

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

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

Where an impairment loss subsequently reverses (a circumstance that is not permitted in the case of goodwill), the carrying amount of the asset (or, if applicable, the assets included in the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or, if applicable, assets included in the cash-generating unit) in prior years. Reversal of an impairment loss is recognised in the income statement immediately up to the above permitted limit.

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

The methodology used by the Company to carry out the impairment tests of development expenses (Note 5) that are not subject to amortization due to the non-commencement of commercialization by associated product are based on detailed financial projections ranging from 10 to 17 years (depending on the expected useful life of the asset) to which a probability of success of the project is applied and a residual income is estimated for

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the following years based on a growth rate based on the type and age of the products based on experience with these.

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

The main assumptions used in the impairment tests in the years ended 31 December 2019 and 2018 were as follows:

CGU	Assets 31 December 2019 (thousand euros)	Hypothesis 2019 (*)	Hypothesis 2018 (*)
Sun Pharma license	Intangible asset: 87,883	d,r,b,t.: 13.6% d,r,a,t.: 9.5% g,r,c,i.: (0%)	d,r,b,t.: 11.8% d,r,a,t.: 9.5% g,r,c,i.: (0%)
AstraZeneca license	Intangible asset: 47,328	d,r,b,t.: 11.8% d,r,a,t.: 9.5% g,r,c,i.: (0%)	d,r,b,t.: 12.6% d,r,a,t.: 9.5% g,r,c,i.: (0%)
Dermira license	Intangible asset: 84,800	d,r,b,t.: 11.8% d,r,a,t.: 9 % g,r,c,i.: (15%)	-
Athenex license	Intangible asset: 7,186	d,r,b,t.: 11.8% d,r,a,t.: 9% g,r,c,i.: (15%)	d,r,b,t.: 10.5% d,r,a,t.: 9.5% g,r,c,i.: (15%)

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

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

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

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

From the sensitivity analysis performed for each of the assets in the face of variations that are reasonably possible from the main key assumptions (increase / reduction of estimated net sales, probability of success and discount rate), no impact is derived.

d) Leases

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

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

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

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

The Company does not have any finance leases at 31 December 2019 and 2018.

e) Cash and cash equivalents

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

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

f) Financial instruments (excluding derivative financial instruments)

Financial assets and liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument.

In 2019 and 2018, the measurement bases applied by the Company to its financial instruments were as follows:

Financial assets-

Classification:

The financial assets held by the Company are classified as:

- Loans and receivables: financial assets arising on the sale of assets or the provision of services in relation to the company's business operations, or financial assets not arising from business transactions, that are not equity or derivative instruments, from which collections arise in fixed or determinable amounts, and are not traded in an active market.
- Held-to-maturity investments: debt securities having fixed maturities and determinable collections that are traded in an active market and that the Company intends and has the capacity to hold to maturity.
- Financial assets at fair value through profit or loss: financial assets whose returns are managed and evaluated in accordance with fair value criteria. They are initially recognised as such based on the specific characteristics of the asset (Note 9).
- Financial assets held for trading: acquired by the Company to generate a short-term benefit from fluctuations in their prices or from differences between their purchase and sale prices.
- Equity investments in group companies, associates and jointly-controlled entities: companies linked to the Company through a relationship of control are deemed to be Group companies; companies over which the Company exercises significant influence are associates. Additionally, jointly-controlled entities are companies controlled jointly under an agreement with one or more shareholders.
- Available for sale financial assets: this includes debt securities and equity instruments that are not classified in any of the above categories.

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Initial measurement:

Financial assets are initially recognised at the fair value of the consideration given plus any directly attributable transaction costs, except in the case of financial assets at fair value through profit or loss.

For investments in the equity of group companies that grant control over the subsidiary, fees paid to legal advisors or other professionals in relation to the acquisition of the investment are taken directly to the income statement.

Subsequent measurement and impairment losses

Held-for-trading financial assets and available-for-sale financial assets are carried at fair value on subsequent measurement dates. In the case of held-for-trading financial assets, gains and losses from changes in the fair value are recognised in profit or loss for the year. In the case of available-for-sale financial assets, gains and losses from changes in fair value are recognised directly in equity until the asset is disposed of or it is determined that it has become impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in net profit or loss for the year. For non-monetary financial assets classified as available for sale (i.e, equity instruments), gains and losses recognised directly in equity include any component related to exchange rate shifts.

Loans, receivables and investments held to maturity are measured at amortised cost. The effective interest rate is the discount rate that exactly matches the carrying amount of a financial instrument to all its estimated cash flows for every item over its residual life. For fixed-rate financial instruments, the effective rate of interest is the contractual interest rate at the date of acquisition plus any fees that, because of their nature, may be likened to an interest rate. In the case of floating-rate financial instruments, the effective interest rate is the rate of return prevailing for all items until the date of first review of the reference interest rate.

Investments in group companies, jointly-controlled companies and associates are measured at cost, less, if appropriate, accumulated valuation adjustments for impairment. These adjustments are calculated as the difference between the carrying amount and recoverable amount, understood as the higher of fair value less costs to sell and the present value of future cash flows from the investment. Unless better evidence is available of the recoverable amount, the investee's equity is taken into account, adjusted for any latent capital gains existing at the measurement date (including goodwill, if any).

At the year-end at least, the Company tests financial assets for impairment. Objective evidence of impairment is deemed to exist if the financial asset's recoverable amount is lower than its carrying amount. Impairment, when it arises, is recognised in the income statement.

Financial liabilities-

Financial liabilities are the Company's creditors and payables arising from the purchase of goods and services in the ordinary course of business, or financial liabilities not arising from business transactions that cannot be treated as derivative financial instruments.

Creditors and payables are initially carried at the fair value of the payment received, adjusted for directly attributable transaction costs. These liabilities are subsequently measured at amortised cost.

The loans with subsidised or zero interest rates are forms of government aid. These loans are recognised 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 described in Note 4-i).

Trade payables are payment obligations for goods or services that have been acquired from suppliers during the ordinary course of business. Payables are classified as current liabilities if the payments fall due in one year or less (or fall due in the normal operating cycle, if longer). Otherwise they are presented as non-current liabilities.

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

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

Commissions paid on the arrangement of credit lines are recognised as debt transaction costs provided that it is probable that part or all the facility will be used. Otherwise, the fees are deferred until funds are drawn down. Fees are capitalised as an advance for liquidity services and are amortised 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.

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

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

Loans due within twelve months but whose long-term refinancing is assured at the Company's discretion, through existing long-term credit facilities, are classified as non-current liabilities.

g) Derivative financial instruments and hedge accounting

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

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

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.

The accounting treatment of the hedges used by the Company is described below:

- Fair value hedges: Variations in the value of assets and liabilities due to shifts in prices, interest rates and/or exchange rates to which the position or balance to be hedged is subject. In this case, value changes in hedging instruments and hedged items attributable to the hedged risk, are recognised in the income statement.
- Cash flow hedges: Fluctuations in estimated cash flows arising on financial assets and liabilities, obligations and transactions forecast and highly probable that an entity is planning to carry out. In this case, the portion of the gain or loss on the hedging instrument classed as an effective hedge is recognised provisionally in equity and is taken to the income statement in the same year in which the hedged transaction affects results, unless the hedge relates to a forecast transaction that ends in the recognition of a non-financial asset or liability, in which case the amounts reflected in equity are included in the cost of the asset or liability when it is acquired or assumed.
- Hedges of a net investment in a foreign operation: this type of hedges are used to cover the exchange rate risk on investments in subsidiaries and associates and are treated as fair value hedges for the exchange rate component.

Hedging instruments cease to qualify for hedge accounting when they fall due or are sold, end or are exercised or cease to meet the relevant criteria. At that time, any accumulated gain or loss on the hedging instrument which has been reflected in equity continues to be recognised in equity until the forecast transaction takes place. When the transaction hedged is not expected to take place, any accumulated net gains or losses recognised in equity are transferred to net profit or loss for the year.

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The Company held no derivatives at 31 December 2019 and 2018.

h) Inventories

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

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

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

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

i) Grants, donations and bequests

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

- Non-repayable capital grants, donations and bequests: these are measured at the fair value of the amount or asset granted, depending on whether or not they are monetary in nature. They are initially recognised in equity and are subsequently released to the income statement in proportion to the depreciation charged during the period on the asset for which the grant is awarded or, if applicable, when the asset is sold or adjusted for impairment, except where they are received from shareholders or owners, in which case they are taken directly to equity without recognising any income.
- Repayable grants: while they are considered to be repayable, they are recognised as liabilities.
- Operating grants: operating grants are credited to the income statement when they are extended unless they are used to finance the operating shortfall in future years in which case they are allocated to those years. If they are granted to finance specific expenditure, they are released to income as the expenses financed accrue.

j) Provisions and contingencies

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

- Provisions: creditor balances that cover present obligations deriving from past events, the settlement of which is likely to trigger an outflow of funds the amount or timing of which cannot be determined, and
- Contingent liabilities: possible obligations resulting from past events, the crystallisation of which is contingent upon the occurrence or otherwise of one or more future events that are beyond the Company's control.

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

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

The consideration receivable from a third party when the obligation is settled is recognised as an asset, provided there are no doubts that the consideration will be received, except in the event that there is a legal

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relationship through which a part of the risk has been transferred out as a result of which the Company is not liable, In this case, the consideration will be taken into account to estimate the amount of the relevant provision.

On-going litigation and/or claims -

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

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

At year-end 2019 and 2018, a number of legal proceedings and claims had been initiated against the Company in the ordinary course of its business. The Company's legal advisers and directors consider that the provisions recognised are sufficient and that the outcome of litigation and claims will not have a material effect on the annual accounts for the years in which they are settled.

Provisions for product returns-

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

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

Provision for restructuring-

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

k) Income and expense

Income and expenses are recorded on an accruals basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned or incurred rather than the period in which the monetary or financial flow is actually received or disbursed. Revenue is recognised at the fair value of the consideration received less discounts and taxes.

Sales revenue is recognised at the time the significant risks and rewards inherent in ownership of the asset sold are transferred to the buyer and current management or effective control over the asset does not continue.

Revenues from services are recognised on a percentage-of-completion basis at the balance sheet date, provided that the result of the transaction may be reliably estimated.

The Company classifies as revenue the dividends and interest obtained in its capacity as the parent company since it carries out three different kinds of operations. In other words, it is understood that revenues from the Company's different activities are taken into account in the calculation of revenues insofar as they are obtained on a regular and periodic basis and derive from the Company's economic cycle of production, marketing and rendering of services. The impairment losses on Equity investments and loans to related parties are classified as operating income as well.

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

Recognition of licensing, joint development, joint promotion and other similar transactions-

The Company recognises the revenue received for the assignment of product licences, joint development, joint promotion and other similar transactions on the basis of the economic substance of the related agreements. These agreements generally include multiple items and the revenue associated therewith must match the costs and the consideration to be paid by the Company. When assessing the accounting treatment for these transactions, the Company's directors consider the following matters:

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

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

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

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

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

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

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

As a result of the operation with AstraZeneca UK Limited on 1 November 2014, the Company entered into an agreement with AstraZeneca UK Limited. Under the agreement it transferred the rights to part of its respiratory franchise, which included various components, and in exchange received some cash payments and other deferred payments based on certain future milestones. This operation has had the following effects in these annual accounts:

- Sale of Eklira (aclidinium) and Duaklir (aclidinium and formoterol combination): recorded in 2014 as a business sale (transfer of assets or rights, etc. together with the employees, which would form a business unit and not have any significant future commitments or obligations for Almirall). This operation was recognised at the fair value of the agreed considerations (the portion of the initial payment allocated plus

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the corresponding fair value of the potential future payments from milestones, sales and royalties), derecognising the existing assets from the consolidated balance sheet for the purpose of the business. The profit (loss) of the business was recognised under "Other Income" in the income statement for 2014.

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

- "Milestone events": events related to the first launches and to obtaining benchmark prices in certain countries with a 25-30% probability of occurring.
- "Sales-related payments": events related to reaching a certain level of sales. At 31 December 2019 there is a milestone pending to be collected amounting to 26 million euros. The most significant impact in financial year 2018 was the collection of a sales related milestone amounting to USD 35 million (EUR 31.5 million)
- "Potential payments": events related to the payment of royalties, which is linked to the sales obtained in each future year. Sales revenue is related to the sales variable based on sales reported by AstraZeneca at the end of the corresponding year.

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

The main assumptions and considerations used by the independent experts to value the financial asset at 31 December 2019 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 10.5%.
- 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 31 December 2019, the following should be taken into account:

- If the estimation of sales revenue for 2020 to 2035 is reduced/increased by 5% every year, the effect would be a reduction/increase of the financial asset by EUR (6.3)/6.3 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 3.8/(3.6) 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 (1.8)/1.8 million, respectively.
- Sales of licences for development and the subsequent marketing: of the components in the sales agreements which transferred certain rights for development and subsequent marketing, in which there is significant ongoing involvement over the development period by Almirall, the initial payment assigned to this component ("upfront payment") is recognised on a straight-line basis in the consolidated income statement over the expected development period (expected until 2021-2023, approximately) (see deferred income in Note 13), recognising, in addition, the income of future milestones in the development stage as they are achieved (which is the date from which they are expected to be collected). Once the product in

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question has been launched, the revenue recognition will be based on the future royalties, based on the real sales achieved.

l) Foreign Currency Transactions

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

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

m) Related-party transactions

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

n) Borrowing costs

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

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

Other borrowing costs are expensed currently in the income statement.

o) Corporate income tax

Corporate income tax expense or income is made up of current tax expense or income and deferred tax expense or income. Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VII of Legislative Royal Decree 4/2004 of 5 March, approving the Corporate Income Tax Law. The companies composing the tax group for 2019 and 2018 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas Almirall, S.A., Laboratorios Tecnobío, S.A., Ranke Química, S.L. and Almirall Aesthetics, S.A. being the first of them the head of the tax group.

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

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

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

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

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In calculating its deferred tax assets whose recoverability is reasonably assured, the Company establishes a time limit for their compensation based on best estimates. In addition, on the basis of estimates of the taxable profit of each of the companies, the Company has determined the expected period over which the deferred tax assets will be realised, also taking into account the timing of deduction of the tax credit and tax loss carry forwards by the legally established deadlines (see Note 18). However, as the likelihood of recovery of these deferred tax assets, the Company has considered a period of up to 10 years and therefore, in recognising the asset, it has not taken into account those tax credits which, on the basis of estimates of future taxable profit, need a longer period of time, even if it is permitted under tax legislation, considering that it will not be a likely case of recovery within the 10-year period.

p) Severance indemnities

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

q) Environmental disclosures

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

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

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

r) Share-based payment plans

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

Under the Plan, the Company undertakes to grant the executives long-term variable remuneration, settled in cash, tied to the price of the Company's shares, provided that certain requirements and conditions are met. The liability recognised in the accompanying balance sheet at 31 December 2019 and 2018 is detailed in Note 14.

s) Equity

Share capital consists of ordinary shares.

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

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

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5. Intangible assets

The movements in this heading on the balance sheet in 2019 and 2018 are as follows:

	Industrial property	Merger goodwill	Computer software	Advances and property, plant and equipment in the course of construction	Total
Cost					
At 31 December 2017	326,429	101,167	76,813	165,327	669,736
Additions	1,103	-	2,103	1,777	4,983
Disposals	(946)	-	-	(62,200)	(63,147)
Transfers	94,727	-	3,190	(97,918)	-
At 31 December 2018	421,313	101,167	82,106	6,986	611,572
Additions	704	-	1,201	94,437	96,342
Disposals	(8,679)	-	-	-	(8,679)
Transfers	-	-	1,497	(1,497)	-
At 31 December 2019	413,338	101,167	84,804	99,926	699,235
Accumulated amortisation					
At 31 December 2017	(180,050)	(101,167)	(58,543)	-	(339,760)
Amortisation	(11,238)	-	(8,317)	-	(19,555)
Disposals	641	-	-	-	641
At 31 December 2018	(190,647)	(101,167)	(66,860)	-	(358,674)
Amortisation	(17,004)	-	(6,490)	-	(23,494)
Disposals	614	-	-	-	614
At 31 December 2019	(207,037)	(101,167)	(73,350)	-	(381,555)
Impairment losses					
At 31 December 2017	(56,741)	-	(5,070)	(20,000)	(81,811)
Impairment losses recognised in the year	-	-	-	-	-
Write-off impairment losses	-	-	-	20,000	20,000
At 31 December 2018	(56,741)	-	(5,070)	-	(61,811)
Impairment losses recognised in the year	-	-	-	-	-
Write-off impairment losses	-	-	-	-	-
At 31 December 2019	(56,741)	-	(5,070)	-	(61,811)
Carrying amount					
At 31 December 2017	89,638	-	13,200	145,327	248,165
Cost	421,313	101,167	82,106	6,986	611,572
Accumulated amortisation	(190,647)	(101,167)	(66,860)	-	(358,674)
Impairment losses	(56,741)	-	(5,070)	-	(61,811)
At 31 December 2018	173,925	-	10,176	6,986	191,088
Cost	413,338	101,167	84,804	99,926	699,235
Accumulated amortisation	(207,037)	(101,167)	(73,350)	-	(381,554)
Impairment losses	(56,741)	-	(5,070)	-	(61,811)
At 31 December 2019	149,560	-	6,384	99,926	255,870

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

The main additions to intangible assets during the financial year ending 31 December 2019 amounted to Euro 96.3 million and mainly corresponded to:

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- On February 12, 2019 the Company signed an option agreement and license with Dermira to acquire the option of licensing exclusive rights for development and commercialization of Lebrikizumab for treatment of atopic dermatitis and other indications in Europe. As a consequence of said agreement, the Company made an up-front payment of USD 30 million (EUR 27 million). On June 25, 2019, the Company decided to exercise the option, and as a consequence paid USD 50 million (EUR 44 million) on July 9, 2019. Finally, in last quarter of 2019 the Company paid USD 15 million (EUR 13 million) following the observance of certain milestones related to phase III clinical trials.

Additionally, following said agreement, the Company will be committed to make additional payments when reaching certain future milestones, including USD 15 million related to certain phase III clinical trials, and up to USD 85 million when reaching regulatory milestones and first commercial sales of lebrikizumab in Europe and payments for royalties of net sales with percentages from low double digit to low range of twenty.

- As a consequence of the agreement signed with Athenex on December 11, 2017 that granted an exclusive license to research, develop and sell in the Europe, including Russia, first-in-class topical treatment, currently at stage III of development, there were certain subsequent payments linked to compliance of certain research milestones for the product. As of December 31, 2019 there have been payments for the observance of said milestones amounting to 2.9 million euros (3.3 million USD).

Disposals of the financial year correspond to termination of agreement signed with Symatase, under which the latter granted an exclusive licence to Almirall for the global sale of a new range of facial fillers with hyaluronic acid, under which the Company paid 7.5 million euros in 2017. The loss have been registered in caption "Profit/loss on disposal or derecognition of intangible assets" (Note 19).

At the beginning of the second half of 2016, the pre-conditions of the agreement signed with Sun Pharmaceutical Industries Ltd, (Sun Pharma), in accordance with which the company granted an exclusive licence to trade, develop, manufacture and sell a compound to treat chronic plaque psoriasis in 44 European countries to Almirall, S.A., were met. The Company has recognised a total intangible asset for EUR 156.9 thousand corresponding to the sum of the payment made for EUR 45.3 million and the current value of the future payments subject to different bureaucratic events and studies which are almost certain to occur (milestones marking the end of certain compulsory clinical trials and notification of the corresponding approvals by regulatory agencies, where it is highly likely that the approvals will be obtained as the project in question has had positive results at stage III), reviewed at their current value at its updated value at the date of acquisition, totalling EUR 111.6 million. This outstanding amount, modified by the interest accrued from the acquisition of this asset, was recognised under "Suppliers of assets" (Note 16), and includes the interest accrued up to year end. This licence was still in force as the licensed product is expected to be launched at the end of 2018 or the beginning of 2019 (at 31 December 2016 it was expected to be launched in 2018) following the notification received from the European Medicines Agency (EMA), after the corresponding permits for their sale have been obtained. In addition, based on the signed agreement, Sun Pharma had the right to receive future payments for regulatory, development and sales events as well as royalties for net sales based on certain milestones. A total of 30 million dollars (EUR 28.4 million) was paid in 2017.

As a result of the communication received by the European Medicines Agency (EMA) on November 14, 2017, by which the launch of the product tildrakizumab in the European markets was postponed to the end of 2018 due to an extension of the scope of the centers where the clinical trials that were being examined are carried out, the Company updated the analysis of the impairment test with the new business plan taking into account the new circumstances surrounding the launch of this product, which led to the recognition of an impairment loss of 20 million euros at 2017 year-end. Notwithstanding that, in August 2018 the Company reached an agreement with Sun Pharma to amend the conditions initially signed to adapt it to the new business plan taking into account the issues mentioned above, and modifying significantly the future payments to be made by the Company (mainly milestones and royalties). As a consequence, part of the cost recognized were canceled (62.2 million euros), that appear like disposals of the financial year 2018, with counterpart in "Asset suppliers" long and short term, amounting to 21.6 and 40.6 million euros respectively. Additionally, and after the approval by the European Medicines Agency (EMA) of the product launch on September 18, 2018 and review of the impairment test based on the new business plan taking into account the new value of the intangible asset adjusted and to the extent that the new business case allows the recovery of the value of the new asset, the impairment recorded in fiscal year 2017 (20 million euros) is reversed against the profit and loss account for the year 2018. The key assumptions and methodology of the test impairment are included in Note 4-c). During the fiscal year 2018 payments amounting to USD 27 million (EUR 22 million) were made by the Company. As of December 31, 2018, there are no outstanding amounts related to the acquisition of this license. The sensitivity analysis for this asset has no relevant impact.

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The transfers for the year 2018 correspond to the license mentioned above with Sun Pharma, which, after approval by the EMA, has been transferred to Intellectual Property for a gross value of EUR 94.7 million euros. The product was released to the market during the month of November 2018.

At 31 December 2019 and 2018, fully-amortised intangible assets in use amounted to approximately EUR 83.8 million and EUR 75.2 million (not including goodwill), respectively.

The aggregate amount of the research and development expenditure recognised as an expense in the accompanying income statement for 2019 and 2018 totals EUR 83.1 and EUR 67.6 million, respectively. These amounts include the depreciation of the assets associated with R&D activities and the amortisation of the expenses incurred by Company personnel and by third parties. No development expenses were capitalised during 2019 and 2018.

At 31 December 2019 and 2018, there are no capitalised development expenses not subject to amortisation with a significant carrying amount, and no intangible assets with a significant carrying amount have been identified presenting indications of impairment. Nevertheless, the Company has tested its main intangible assets for impairment on the basis of calculations of value in use, in accordance with Note 4-c, and there is no need to increase impairment.

At 31 December 2019 and 2018, the impairment of Industrial Property relates, mainly, to the development and marketing rights of a respiratory product deemed fully impaired in an EUR 45 million (EUR 45 million at 31 December 2018) due to the strategic decision made in 2016 to discontinue selling this product.

These impairment losses were recognised under "Impairment and profit/loss on fixed asset disposals" on the accompanying income statement for 2019 and 2018 (Note 19).

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6. Property, plant and equipment

The changes in 2019 and 2018 in "Property, plant and equipment" in the accompanying balance sheet and the most significant information affecting this heading were as follows:

	Land and buildings	Plant and machinery	Fixtures, fittings, tooling and furnishings	Other fixed assets	Payments on account and assets in course of construction	Total
Cost						
At 31 December 2017	26,449	7,019	123,403	15,127	829	172,827
Additions	3	570	1,598	633	682	3,483
Disposals	(745)	(641)	(6,140)	(37)	-	(7,563)
Transfers	-	-	323	474	(797)	-
At 31 December 2018	25,707	6,948	119,184	16,197	714	168,747
Additions	-	413	1,260	204	934	2,811
Disposals	-	-	(448)	-	-	(448)
Transfers	-	82	222	-	(312)	-
At 31 December 2019	25,707	7,443	120,215	16,409	1,336	171,110
Accumulated depreciation						
At 31 December 2017	(6,185)	(4,800)	(109,984)	(13,943)	-	(134,912)
Depreciation	(431)	(665)	(3,429)	(719)	-	(5,244)
Disposals	197	641	6,058	37	-	6,933
At 31 December 2018	(6,419)	(4,824)	(107,355)	(14,625)	-	(133,223)
Depreciation	(419)	(674)	(2,992)	(660)	-	(4,745)
Disposals	-	-	448	-	-	448
At 31 December 2019	(6,838)	(5,498)	(109,899)	(15,285)	-	(137,520)
Impairment losses						
At 31 December 2017	-	-	(34)	-	-	(34)
Impairment losses recognised in the year	-	-	34	-	-	34
At 31 December 2018	-	-	-	-	-	-
Impairment losses recognised in the year	-	-	-	-	-	-
At 31 December 2019	-	-	-	-	-	-
Carrying amount						
At 31 December 2017	20,264	2,219	13,385	1,184	829	37,881
Cost	25,707	6,948	119,181	16,197	714	168,747
Accumulated depreciation	(6,419)	(4,824)	(107,355)	(14,625)	-	(133,223)
Impairment losses	-	-	-	-	-	-
At 31 December 2018	19,288	2,124	11,826	1,572	714	35,524
Cost	25,707	7,443	120,215	16,409	1,336	171,110
Accumulated depreciation	(6,838)	(5,498)	(109,899)	(15,285)	-	(137,520)
Impairment losses	-	-	-	-	-	-
At 31 December 2019	18,869	1,945	10,316	1,124	1,336	33,590

Additions in 2019 and 2018 were due mainly to improvements at the production centres at chemical and pharmaceutical plants and at the Company's research and development facilities.

The disposals during 2018 corresponds mainly to the sale of a building owned by the Company with a net book value of 600 thousand euros, which generated a loss of 592 thousand euros.

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Fixed assets under construction at the 2019 and 2018 year-ends and transfers in those years relate mainly to investments in the aforementioned research facilities.

At 31 December 2019 and 2018 the Company does not have any impaired assets which are not in use.

Fully-depreciated property, plant and equipment at 31 December 2019 and 2018 amounted to approximately EUR 112 million and EUR 107 million, respectively.

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

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

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

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

7. Leases

At year-end 2019 and 2018, the Company has the following minimum lease liabilities under agreements currently in effect, excluding service charges, inflation and future rent reviews stipulated in the lease:

	Thousand euro	
	2019	2018
Within one year	13,411	9,298
2 to 5 years	3,523	2,260
Over 5 years	-	-

Operating lease instalments recognised under expenses in 2019 and 2018 are as follows:

	Thousand euro	
	2019	2018
Operating leases recognised in the income statement for the year	11,740	10,306

The most significant lease contracts relate to buildings, vehicles and data-processing equipment. These include the lease contract for the Company's head office which is leased from the related company Grupo Corporativo Landon, S.L. (Note 20).

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

The changes in 2019 and 2018 in "Property, plant and equipment" in the accompanying balance sheet and the most significant information affecting this heading were as follows:

	Thousand euro					
	Investments in Group companies	Impairment adjustments	Long-term loans to Group companies (Note 20)	Impairment adjustments	Total long-term	Short-term loans to group companies (Note 20)
Balance at 31 December 2017	1,115,961	(132,152)	217,922	(100,799)	1,100,932	1,860
Additions	235,175	(59,965)	13,621	(75,991)	112,840	257,581
Disposals	-	124,258	(5,898)	2,524	120,883	(1,650)
Transfers	188,894	(98,275)	68,687	98,275	257,581	(257,581)
Balance at 31 December 2018	1,540,030	(166,135)	294,332	(75,991)	1,592,236	210
Additions	39,051	(14,119)	23,491	-	48,424	872
Disposals	(169,844)	150,634	(45,037)	-	(64,246)	(210)
Transfers	95,200	(75,991)	(95,200)	75,991	-	-
Balance at 31 December 2019	1,504,439	(105,610)	177,586	-	1,576,414	872

The additions recorded under the heading "Participations in Group companies" during the year relates mainly to the partners contribution in the amount of USD 12.5 million to the investee Almirall Inc. (USA) dated December 18, 2019 and the Almirall Aesthetics Inc loan capitalization amounting to 14.5 million dollars.

On November 27, 2019, the capitalization of the loan maintained with Almirall Aesthetics, Inc. (USA), accrued interest and its corresponding impairment, and therefore its transfer to participation and its corresponding deterioration, prior to the liquidation of said agreement was agreed investee company on the same date. On November 21, 2019, the recoverable value of its assets was assigned to the investee Almirall Inc. (USA), generating an impairment that is explained in the "Impairment losses" section of this note.

The additions recorded during the year 2018 related to the contributions of partners to the investee company Almirall Inc. (USA) for the amount of 25 and 250 million dollars (20.3 and 214.9 million euros) made on February 22 and September 20, 2018, respectively. The transfers corresponded to the capitalization of loans granted to Almirall Inc. (USA) for amounts of 188.9 and 40 million dollars (153.8 and 35 million euros) and interest, as explained in the following section of this note.

The detail and changes by entity in this caption in financial years 2019 and 2018 is as follows:

Company	Thousand Euros					
	2019		2018		Additions / (Disposals)	
	Cost	Impairment	Cost	Impairment	Cost	Impairment
Laboratorios Almirall S,L	4,110	-	4,110	-	-	-
Laboratorios Tecnobio, S,A	127	-	127	-	-	-
Ranke Química, S,A	10,840	-	10,840	-	-	-
Industrias Farmacéuticas Almirall S,A	41,982	-	41,982	-	-	-
Almirall, A,G	10,628	-	10,628	-	-	-
Almirall, N,V,	9	-	9	-	-	-
Almirall International, B,V	144,203	(35,088)	144,203	(23,928)	-	(11,160)
Almirall Aesthetics, S,A	261	(22)	261	-	-	(22)
Almirall Hermal, GmbH	359,270	-	359,270	-	-	-
Almirall, GmbH	1,485	-	1,485	-	-	-
Almirall, ApS	17	-	17	-	-	-
Almirall, Spa	967	-	967	-	-	-
Almirall Inc,	550,269	(70,501)	525,895	(82,241)	24,374	11,740
Almirall Aesthetics Inc,	-	-	59,966	(59,966)	14,677	(14,677)
Poli Group Holding, SRL	380,270	-	380,270	-	-	-
TOTAL	1,504,438	(105,611)	1,540,030	(166,135)	39,051	(14,119)

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

The investments in Group companies and other relevant information at 31 December 2019 and 2018 in Almirall Aesthetics, S.A. (which was dormant) is as follows:

Name	Almirall Aesthetics, S.A.
Address	Spain (*)
Activity	Dormant
% interest	100%
Carrying amount of interest (Group)	
Cost	261
Measurement adjustments	-

(*) In January 31, 2020 the denomination has changed to Almirall Europa Derma, S.A.

Long term loans to Group companies -

The amount at 31 December 2019 and 2018 relates to:

- A loan granted on 16 December 2013 to the investee Almirall Inc. amounting to USD 201.5 million, maturing on 16 December 2020 which accrues interest at an annual rate of LIBOR at 1 year. During 2015 the conditions related to maturity of that contract were amended in order to provide stable and permanent long-term financing (forming part of the net investment in that investee) and a system of renewal at maturity was established, leading to its consideration as a net investment. The variation in the amount of the loan recognised in 2017 and 2016 is solely due to the effect of the updating of the exchange rate at the year-end (EUR 21.8 million) and the return of EUR 12.7 million (USD 14.9 million).

On February 22, 2018, the amount of 188.9 million dollars (153.8 million euros) was capitalized, transferring this amount to the "Investments in Group companies" caption. On September 20, 2018, the same company was granted the amount of 290 million dollars through a short-term bridge loan maturing in March 2019 to finance the purchase of assets to Allergan by Almirall LLC (USA). 100% owned by Almirall Inc., which accrued an annual interest rate of 2.49%. On December 13, 2018, it was refinanced by transferring the amount of 250 million dollars (220 million euros) as long-term credit with a maturity of December 13, 2025 and accruing annual interest of 7%. The rest was capitalized through a contribution of partners of 40 million dollars (35 million euros). The losses corresponded only to the effect of updating the credit exchange rate at the end of the year (5.9 million euros). In addition, in 2018 a transfer of the impairment of the credit was made, as explained in the section on impairment losses of this note.

During the financial year 2019 there have been returns of this credit for an amount of EUR 45 million, stated as disposals. Additions of the fiscal year correspond solely to the effect of the updating of the exchange rate at year-end (EUR 4.3 million).

- Loan granted on 26 January to the investee Almirall Aesthetics, Inc amounting to USD 62 million which accrues interest at an annual rate of 8%p.a. and matures on 16 January 2023 with an extension option of USD 18 million. On 18 November 2016 the loan contract signed in January 2016 was amended and extended to include an additional USD 12.5 million. The variation in the amount of the loan recognised during 2017 is solely due to the effect of the updating of the exchange rate at the year-end (EUR 8.6 million).

During the financial year 2018, amendments to this credit agreement were made, thus providing an additional 12.2 million dollars (10.7 million euros), and the effect of the exchange rate update at the end of the year is 2.9 million euros, corresponding to the amount shown as an addition. In addition, during 2018, an impairment of 75.9 million euros was carried out, as explained in the section on impairment losses in this note.

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During the financial year 2019 amendments to this credit agreement were made, thus providing an additional EUR 15.8 million. Rest of disposals of the financial year correspond solely to the effect of the updating of the Exchange rate at the year-end (EUR 3.4 million).

Transfers of the financial year 2019 correspond to the capitalization of the total credit and interests, previous to the dissolution of the investee Almirall Aesthetics, Inc., as explained in the current note.

Impairment losses-

- During the financial year 2017 the business activity of the US subsidiary Aqua Pharmaceuticals, LLC (wholly owned by Almirall, Inc.) was adversely affected mainly for three reasons: a rebalance of inventories in the distribution channel; an inappropriate award of the US Patient Care Programme (PCP) resulting in an impairment of the Gross Sales/Net Sales relationship, and the recent launching of an Acticlate generic on the US market. Even though the Almirall, S.A. took important steps to mitigate the impacts, these relevant events, which were impacting the profit and loss account during 2017, required a review of the business plan for the following years, which was the basis for the impairment test on intangible assets (including goodwill) generated from the purchase of this subsidiary in 2013 at the end of the previous year (as well as the first half of the year 2017). The plan showed a significant reduction related to expected gains (in sales and also in gross profit) for the future years. In addition to the investment in Almirall Inc, there were receivables related to a Long-term loan granted to Almirall Inc on December 16, 2013 and, therefore, the net position with Aqua Pharmaceutical LLC was evaluated. As a result of the update of the impairment test based on the business plan reviewed on this subsidiary at the end of 2017, and in accordance with the new assumptions, an impairment loss of the total investment in Almirall Inc amounting EUR 101.8 million was recognised and an additional partial impairment totalling USD 120.9 million (EUR 100.8 million) of the Long-term loans to Group companies. During 2018, as a result of the capitalization of the credit, the impairment of the credit for the amount of 120.9 million dollars (98.3 million euros as of December 31, 2018) was transferred to the "Investments in Group companies". The effect of the update of the exchange rate at the close of the 2018 fiscal year is 2.5 million euros, an amount shown as a disposal in the movement.

As of December 31, 2018, and following the acquisition of assets by Almirall LLC (previously called Aqua Pharmaceutical LLC), the impairment test was updated based on the new business plan of the subsidiary, including the expected sales of the new portfolio acquired from Allergan by Almirall LLC (previously called Aqua Pharmaceutical LLC) and a reversal of impairment of the stake was recorded an amount of 117.9 million euros.

As of December 31, 2019, impairment test was updated according to business plan of subsidiary Almirall LLC and registering a reversal of impairment of the stake amounting to 11.7 million euros (note 19).

- At the year-end 2018, as a result of the poor operating performance of the American subsidiary ThermiGen LLC (a wholly-owned subsidiary of Almirall Aesthetics, Inc.) below expectations as of the last quarter of the year and as a result of a Under the performance of the new products developed internally and launched at that date and the lack of synergies with the rest of the Group's business in the United States, the Company reviewed the business plan foreseen for the following years with respect to the one carried out in the closing of the previous fiscal year on which the impairment test of the Company's participation stemming from the purchase of said subsidiary in 2013 was based. As a result, the total value of the stake in Almirall Aesthetics Inc has deteriorated (59.9 million euros) and the impairment of the total value of the credit granted on 26 December 2016 for an amount of 87 million dollars (75.9 million euros).

As of March 4th, 2019, Almirall Aesthetics Inc reached an agreement with Celling Aesthetics LLC for selling the subsidiary ThermiGen, LLC. The conditions for considering active said agreement were achieved on March 29, 2019. Divestment has been made through the subsidiary Almirall Aesthetics, Inc. having an impact not significant in this annual accounts, considering that the main assets were already deteriorated as of December 31, 2018.

As of November 27th, 2019, the dissolution of the subsidiary Almirall Aesthetics, Inc. was agreed, and decided the assignation of the recoverable value of their assets to the subsidiary Almirall Inc. This agreement generated the transfer to Almirall Inc. of the accumulated value of Impairment of Loans to Impairment of the stake, and also additional impairment losses amounting to 14.7 million euros (Note 19).

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- Additionally relating to the valuation of the stake in Almirall International B.V., as of December 31, 2019, the company registered impairment losses amounting to 11.2 million euros (Note 19) following the dividend collected from said affiliate amounting to 18 million euros. As of December 31, 2018 the company reverted part of the impairment amounting to 6,398 thousand of euros.

In general, the methodology used by Almirall, S.A. to update the impairment test is based on detailed financial projections for a finite five year period. The cash flows from next years are extrapolated using the standard growth rates stated below.

The recoverable amount is determined as the higher of fair value less cost to sell and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

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

Cash-Generating Unit or Asset	Assumption 2019	Assumption 2018
Almirall, Inc	d.r.b.t.: 9.02%-11.8% d.r.a.t.: 7.5% g.r.c.i.: 0% - (15)%	d.r.b.t.: 9.6%-16.6% d.r.a.t.: 7.5% g.r.c.i.: (15)%-(20)%

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

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

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9. Long and short-term investments

Long-term investments

The detail of the balance of this heading in the balance sheets at 31 December 2019 and 2018 and of the changes therein in the years then ended is as follows:

	Thousand euro			
	Long-term investment portfolio	Long-term loans and other financial assets	Deposits and guarantees given	Total long-term
Balance at 31 December 2017	551	172,982	390	173,922
Additions	-	51,110	-	51,110
Decreases	(539)	-	(3)	(542)
Transfers	-	(87,286)	-	(87,286)
Balance at 31 December 2018	12	136,806	387	137,206
Additions	-	51,849	-	51,849
Decreases	-	(36,280)	(10)	(36,290)
Transfers	-	(53,834)	-	(53,834)
Balance at 31 December 2019	12	98,541	378	98,931

The caption "Financial assets - Long-term investment portfolio" on the accompanying balance sheet include the shareholding of 340,827 shares at 31 December 2017 (340,827 shares at 31 December 2016) in the Spanish biotechnology company AB-Biotics, S.A. listed on the Alternative Investment Market (AIM), representing 3.55% of the share capital. At 31 December 2017 the fair value amounts to EUR 539 thousand. During 2018 it was sold for an amount of 1 million euros. The result of said operation amounted to 276 thousands of euros.

The caption "Financial assets - Long-term loans and other financial assets" includes, mainly for the amount of 98,394 thousand euros (136,658 thousand euros as of December 31, 2018), the financial asset corresponding to the fair value of future payments to receive long-term payments from AstraZeneca as described in Note 4-k. The movement for fiscal year 2019 is mainly due, on the one hand, to the change in the fair value of the asset, assuming an increase of 51.9 million euros in said asset and (51.1 million at December 31, 2018), on the other hand, the decrease derived from the short-term transfer, based on the expectations of the time horizon of collection, of certain milestones receivable whose fair value at December 31, 2019 amounts to 53.8 million euros (87.3 million euros at December 31, 2018) and the decrease of the asset due to milestones and royalties collection amounting to 36.3 million euros (null in financial year 2018).

The revaluation of this financial asset at December 31, 2019 using the method used by the independent expert in the initial valuation, the asset has been estimated at EUR 152.2 million, recorded as non-current 98.4 million and as current 53.8 million (EUR 223.9 million at December 31, 2018 recorded as non-current 136.7 million and as current 87.3 million). The change in value of this financial asset during 2019 is due to the accrual of the discount rate used in the estimation totalling EUR 3.5 million (EUR 0.3 million at 31 December 2018), the Euro/US dollar exchange rate difference totalling EUR 2.5 million (EUR 1.5 million at 31 December 2018), the financial revaluation which has resulted in an income totalling EUR 37.5 million (EUR 28.7 million at 31 December 2018), the re-estimation of projected flows and probabilities assigned to the different future events totalling EUR 8.4 million (EUR 20.5 million at 31 December 2018), and the decrease of asset due to milestones and royalties collection amounting to EUR 123.5 million (see details in "Short-term financial investments" in current note). As a result, the total amount of EUR 51.9 million of change of fair value, is recognised in "Other revenue" of the consolidated income statement of the corresponding year (EUR 51.1 million during 2018) (Note 19).

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Short-term financial investments

The detail of this heading in the balance sheets at 31 December 2019 and 2018 is as follows:

	Thousand euro	
	2019	2018
Short-term investment portfolio	-	1,000
Short-term interest	18	13
Short-term credit	53,834	87,286
Derivatives financial assets (Note 15)	1,687	-
Total	55,540	88,299

For the purpose of preparing the cash flow statement, the Company considers cash equivalents all highly liquid short-term investments (Note 4-e) that are readily convertible into given amounts of cash and are subject to an insignificant risk of changes in value. Accordingly, when preparing the cash flow statement for the year all short-term investments were included as cash equivalents since short-term bank deposits can be liquidated immediately at the Company's discretion without incurring a penalty. In this regard, the preparation of the Statement of Cash Flows for the year includes cash equivalents of current financial investments, corresponding to bank deposits with short-term maturities, liquids can be made immediately at the discretion of the Company without penalty, which at December 31, 2019 is void (1,000 thousand euros at December 31, 2018).

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

"Short-term credits" relates to the fair value of future payments to be received by AstraZeneca in the short term in accordance with the above and in Note 4-k of these annual accounts that are expected to be collected in a Time horizon of less than one year.

In April 5, 2019, the completion of a milestone for sales achievement was announced. Consequently, the Company will receive a total of 65 million dollars divided into two payments: 35 million dollars in April 2019 (31.2 million euros at the time of collection) and 30 million dollars in March 2020. The Movement of the year 2019 is mainly due, on the one hand, to the collection of 123.5 million euros (87.2 million euros current and 36.3 million euros non-current) (corresponding to the milestone mentioned for 31.2 million euros, to the collection of another milestone related to the commercial launch of Duaklir in the United States (81.8 million euros) and the remaining amount as royalties), and on the other hand to the decrease caused by transfer from long to short term, based on expectations of collection timings, of certain milestones to be collected which fair value at December 31, 2019 amount to 53.834 thousand euros (87.286 thousand euros at December 31, 2018).

The heading of "Assets for financial derivatives" corresponds to the asset generated as a result of the "Equity Swap" mentioned in Note 15.

The Company's investments in financial instruments are classified as follows:

- Loans and receivables: this heading mainly includes loans granted, collection of which is for a fixed or determinable amount and which are not listed on an active market.
- Held-for-trading financial assets: the Company considers that this category includes financial investments restated through profit or loss and the financial derivatives that do not qualify for hedge accounting. The Company has no assets of this kind at year-end 2019 and 2018.
- Available-for-sale financial assets: these are considered to include the investments in fixed-income or equity funds since they do not form part of an investment portfolio with short-term profit-taking, and nor have they been acquired for such purpose, the above ownership interest acquired in AB-Biotics, S.A. (up to its sale, they also included the ownership interest in Ironwood Pharmaceuticals Inc.).
- Financial assets at fair value through profit or loss: this heading includes part of the non-current receivable for recognition of the business sale described in Note 4-k.
- Financial assets held to maturity: this category includes fixed-income investments mainly in Eurodeposits, foreign currency deposits and repos.

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

	Thousand euro	
	2019	2018
Loans and receivables	143	143
Held-to-maturity financial assets	412	1,418
Financial assets at fair value through profit or loss	153,916	223,944
Total	154,471	225,505

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

- Fixed income securities: where these are unlisted securities or mature within no more than six months, fair value is calculated on the basis of acquisition cost plus the related accrued interest, calculated using the internal rate of return.
- Other financial assets: The fair value of "Financial Assets at fair value through profit or loss" was calculated using the discounted cash flow method adjusted for the probability of success of certain risk at different stages of the products. The discounted cash flow method estimates the future cash flows of the asset (translated from dollars to euros at the exchange rate based on the range agreed in the agreement) and the cash flows during the estimated marketing period, taking into account the maturity of the patent adjusted for estimated probability of success. These probabilised cash flows are discounted at a rate which reflects the current returns required by the market and the specific risks of the asset (Note 6). At 31 December 2019, the Company has updated the calculation of the fair value, reviewing the estimated probability of success based on the latest information available on the market as well as the exchange rate fluctuation and the financial effect, which resulted in a EUR 51.9 million effect in the income statement (EUR 51.1 million at 31 December 2018) (Note 19).

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

In addition, the bank accounts included in the Cash headings have not been mostly remunerated during the annual years ended December 31, 2019 and 2018.

10. Inventories

At 31 December 2019 and 2018 this heading breaks down as follows:

	Thousand euro	
	2019	2018
Goods purchased for resale	13,136	10,445
Raw materials and packaging	14,414	16,267
Work in progress	5,424	4,833
Finished products	27,267	23,782
Advanced payment to suppliers	290	-
Measurement adjustment (Note 19)	(4,042)	(3,800)
Total	56,489	51,527

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

There were no commitments to purchase inventories involving significant amounts at 31 December 2019 and 2018.

No inventories have been pledged as security. Advanced payments to suppliers

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

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11. Trade and other receivables

At 31 December 2019 and 2018 this heading breaks down as follows:

	Thousand euro	
	2019	2018
Trade receivables for sales and services rendered	23,247	24,585
Trade receivables, group companies and associates (Note 20)	48,069	30,162
Sundry accounts receivable	151	208
Personnel	85	1
Current tax assets and other receivables with the public administrations (Note 18)	30,216	31,854
Measurement adjustment (Note 19)	(848)	(603)
Total	100,920	86,207

Total overdue balances provided at 31 December 2019 and 2018 amount to EUR 848 thousand and EUR 603 thousand, respectively.

The Company's large customer base means that there is no credit risk concentration with respect to trade receivables.

At 31 December 2019 the percentage of receivables from public administrations related to the hospital business as a percentage of the total trade receivable balance for sales and services stands at 13.2 % (9.4% at year-end 2018).

No trade receivable balances have been pledged as security.

The Company carries out individual analyses of overdue trade receivables to identify possible risks of insolvency. On the basis of this analysis, it establishes a provision for bad debts. The movement in the allowance for impairment of receivables is included in Note 19.

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

The trade receivable balance in foreign currency amounts to EUR 18.1 million in 2019 (EUR 11.3 million at year-end 2018).

12. Equity

Share capital

At 31 December 2019 the parent company's share capital consists of 174,554,820 shares with a nominal value of 0.12 euros each, fully subscribed and paid up (173,853,667 shares a nominal value as at 31 December 2018).

On June 12, 2019, 701,153 new shares of the Parent Company, from the scrip dividend, are admitted to trading on the stock exchanges of Barcelona, Madrid, Bilbao and Valencia. These shares are representative of the holders of 29.84% 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 84,138.36 euros, reaching 31 December 2019 to 20,946,578.40 euros (represented by 174,554,820 shares).

At 31 December 2019 and 2018, all the Company's shares were listed on the Spanish stock exchanges, there being no restrictions on their free transferability. Also, pre-emption rights and purchase and sale options have been granted to the Company's ultimate shareholders in respect of the shares of one of the shareholders in accordance with the agreement entered into on 28 May 2007.

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The shareholders with significant direct or indirect ownership interests in the share capital of Almirall, S.A., of more than 3% of the share capital, of which the Company is aware, in accordance with the information contained in the official records of the Spanish National Securities Market Commission (CNMV) at 31 December 2019 and 2018, are as follows:

<i>Name of direct holder of the ownership interest</i>	% interest 31/12/2019	% interest 31/12/2018
Grupo Plafin, S.A.	40.9%	41.1%
Grupo Corporativo Landon, S.L.	18.8%	25.2%
Scopia Capital	-	4.0%
Total	59.7%	70.3%

At 31 December 2019 and 2018 the Company is unaware of other ownership interests of 3% or more in the Company's share capital or voting rights or of interests lower than the established percentage but that permit significant influence to be exercised.

Legal Reserve

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

The balance of this item at 31 December 2019 and 2018 amounted to EUR 4,172 and EUR 4,151 thousand respectively.

Share premium

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

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

During 2019 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 11,058 thousand. The balance under this heading amounts to EUR 246,285 thousand at 31 December 2019 (EUR 235,226 at 31 December 2018).

Other reserves

The breakdown of this account for the years ended 31 December 2019 and 2018 is as follows:

	Thousand euro	
	2019	2018
Voluntary reserves	1,028,470	1,063,762
Canary Islands investment reserve	3,485	3,485
Redeemed capital reserve	30,539	30,539
Revaluation reserve	2,539	2,539
Merger reserve	4,588	4,588
Total other reserves	1,069,621	1,104,913

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Canary Islands investment reserve

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

At 31 December 2019 and 31 December 2018 the balance of this reserve included in "Other Reserves" is EUR 3,485 thousand.

Redeemed capital reserve

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

The balance of this reserve at 31 December 2019 and 2018 amounted to EUR 30,539 thousand.

Revaluation reserves

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

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

The balance of the Company's "Revaluation reserve" amounts to EUR 2,539 thousand at December 31, 2019 and is available.

Liquidity contract

The Company maintains a liquidity contract with a financial intermediary, effective as of March 4, 2019, with the objective of increase and stability in the share price of the Company, within the limits established by the General Meeting of Shareholders and by current regulations, in particular, Circular 1/2017, of April 26, of the National Securities Market Commission, on liquidity contracts. Said contract assumes that the Parent Company owns, at December 31, 2019, treasury stock representing 0.07% of the share capital (it did not have its own shares at December 31, 2018) and a global nominal value of EUR 13.7 thousand and which have been registered in accordance Spanish Gaaps. The average acquisition price of these shares has been 15.54 EUR per share. The shares of the Parent Company in its possession are intended to negotiate in the market.

13. Accruals and deferred income

At 31 December 2019 and 2018 the balance and movement in this heading are as follows:

	Thousand euro
Balance at 31 December 2017	134,417
Taken to results (Note 19)	(31,785)
Balance at 31 December 2018	102,632
Taken to results (Note 19)	(30,363)
Balance at 31 December 2019	72,269

The main component of the balances at 31 December 2019 and 31 December 2018 set out above consist of amounts of the initially non-reimbursable collections related to the operation with AstraZeneca described in Note 4-k not recognised in profit or loss, totalling EUR 69.6 million and EUR 99.6 million, respectively.

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During the years 2019 and 2018, the movement of the heading is mainly due to the imputation of the initial non-refundable charges of the said operation.

In 2019 and 2018, the Company has not signed any agreements which imply any deferred income in addition to the deferred income stated in Note 5 of these notes to the annual accounts.

14. Long-term provisions

The changes in 2019 and 2018 in "Provisions" in the accompanying balance sheet are as follows:

	2019			2018		
	Provision for returns	Other provisions	Total	Provision for returns	Other provisions	Total
Balance at 1 January	4,250	30,818	35,068	3,770	30,188	33,958
Additions for the year		7,525	7,525	480	6,331	6,811
Derecognition	(350)	(2,491)	(2,841)	-	(5,906)	(5,906)
Transfers		(1,074)	(1,074)	-	205	205
Balance at 31 December	3,900	34,778	38,678	4,250	30,818	35,068

Provision for returns

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

Other Provisions

The amount of other provisions relates mainly to the remuneration long-term (see note 4-r), and the additions for the year correspond mainly to allocations for said provision. Additionally, this heading includes the estimate made by the Company of the disbursements that it should make in the future to meet other liabilities arising from the nature of its activity. Withdrawals for the current fiscal year correspond mainly to payments made and reversals of said provision.

Additionally, the balance of other provisions includes the liabilities related to the restructuring processes and activities that the Company has carried out. Reversals of this provision include reversals of said provision.

15. Financial debts

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

	Limit	Amount drawn down	Current	Non-current		
				2021	Limit	
Credit lines	250,000	-	-	-	-	-
Bank loans (*)	270,000	229,133	-	5,000	224,133	229,133
Obligations (*)	250,000	229,245	-	229,245	-	229,245
Derivatives	-	19,082	-	19,082	-	19,082
Total at 31 December 2019	770,000	477,460	-	253,327	224,133	477,460

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The detail of the bank borrowings and other financial liabilities at 31 December 2018 is as follows:

	Limit	Amount drawn down	Current	Non-current		
				2020	Limit	
Credit lines	250,000	150,000	-	-	150,000	150,000
Bank loans (*)	150,000	148,925	-	-	148,925	148,925
Obligations (**)	250,000	223,745	-	-	223,745	223,745
Derivatives	-	25,611	2,211	-	23,400	23,400
Total at 31 December 2018	650,000	548,281	2,211	-	546,070	546,070

(*) Amount from the nominal amount of senior syndicated loan amounting to 150,000 thousand euros netted of the issuance costs pending to be recognized to profit and loss following effective interest rate method and 80,000 thousand euros coming from European Investment Bank (EIB) at December 31, 2019.

(**) Amount from nominal amount of senior level bond amounting to 250,000 thousand euros netted of the issuance costs pending to be recognized to profit and loss following effective interest rate method.

Debts with credit institutions

In 2017, the Parent company entered into an agreement for a revolving credit line for a maximum of EUR 250 million for four years, which accrues an average interest of less than 1%. Said credit line was totally repaid during 2019. At 31 December 2018 this was classified as non-current as the Company should not have the obligation to return the disposed amount of EUR 150 million since the due date (24 February 2021). Under the agreement, the Company is required to comply with various covenants including, mainly, the requirement to comply with a specific "Net financial Debt Ratio/EBITDA (from now on understood as the calculation of "Operating Profit" plus Profit and Loss statement epigraphs "Fixed asset amortization/ depreciation", "Losses, impairment and variation in trade provisions" and "Impairment and profit/(loss) on fixed asset disposals and in group companies")", which is considered as complied at December 31, 2019.

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 single maturity on December 14, 2023) and accruing interest 2.1% annual payable semi-annually. Within the contract of this credit line, the Parent Company is obliged to comply with a series of covenants, among which the fulfilment of a certain "Net Financial Debt / EBITDA Ratio" stands out. Said "covenant" has been considered fulfilled as of December 31, 2019.

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. Under the agreement, the Company is required to comply with various covenants including, mainly, the requirement to comply with a specific "Net financial Debt Ratio/EBITDA and "Indebtedness of subsidiaries/ consolidated EBITDA", that are considered as complied at December 31, 2019.

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

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nominal value of the Bonds, plus accrued interest, or (ii) 102% of the listed price of the Bonds, plus interest accrued. 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 interest accrued. 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 interest accrued, or the price of the Bonds, plus interest accrued.

For this bond issue, the fair value of the derivative financial instruments embedded in the host instrument (the financial liability for the bond) was first determined. The 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 actually announced before the CNMV on June 17, 2019), the bonds are convertible into Almirall shares at the option of the holders of the Bonds (this is a purchase option purchased by the holders of the bonds 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 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).

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 cancellation option anticipated 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 23.4 million euros, classified under the heading of "Liabilities for derivative financial instruments" of this same Note and remaining 226.6 million euros. remaining euros as a component of the host bonus. As of December 31, 2019, the fair value of these options amounts to 19.1 million euros.

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, 2019, the impact on the Company's income statement has amounted to 4.3 million euros in profit (Note 19). The Company has accounted for both options at their net worth.

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 Spanish Gaap.

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

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Financial derivative instruments

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

As a result, under the heading "Liabilities for derivative financial instruments", 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 1.4% of the share capital of the Parent Company) and the acquisition cost thereof for Banco Santander, which as of December 31, 2019 amounted to 1.7 million euros of capital gains (Note 9), while at December 31, 2018 it amounted to 2.2 million euros of latent capital loss. It is considered that the value of the derivative of the option that would imply the acquisition of the total of the maximum shares (EUR 50 million) would not be significant at the closing date. Said derivative, when it does not comply with the accounting coverage requirements, is recorded with changes in value in the profit and loss account (Note 19).

Additionally, under certain conditions in which the fair value is lower than 85% of the cost value, the Group must partially settle this debt with the bank (thereby reducing the fair value of the derivative). For this reason, the Group has chosen to classify this asset/liability as current.

At December 31, 2018 Almirall, S.A. maintained a liability of 0.7 million euros corresponding to a forward exchange rate hedge. This forward has been renewed several times during 2019, and settled on June 28, 2019 for 4.5 million euros. 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 19.

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

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

The detail at 31 December 2019 and 2018 is as follows:

	Thousand euro					
	Current	Non-Current				
		2021	2022	2023	Other	Total
Research-related loans	3,655	2,243	2,048	1,543	1,002	6,836
Payables for purchases of non-current assets	38,542	-	-	-	-	-
Accrued interest	452	-	-	-	-	-
Total at 31 December 2019	42,649	2,243	2,048	1,543	1,002	6,836

	Thousand euro					
	Current	Non-Current				
		2020	2021	2022	Other	Total
Research-related loans	3,259	2,467	2,243	2,026	2,737	9,473
Payables for purchases of non-current assets	2,196	33,451	-	-	-	33,451
Accrued interest	409	-	-	-	-	-
Other long-term payables	1,324	-	-	-	-	-
Total at 31 December 2018	7,188	35,918	2,243	2,026	2,736	42,924

The research-related loans relate to the interest-free loans granted by the Ministry of Science and Technology to promote research and are presented as described in Note 4-f. The grant of these loans is subject to

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compliance with certain conditions concerning investments and expenses. These loans mature in the period 2020 to 2026.

Payables for non-current asset purchases in 2019 and 2018 relate mainly to the outstanding payments for the acquisition of goods, products and marketing licences made in the year and in prior years. The balance at 31 December 2019 included the current payables for the agreement with AstraZeneca, for an amount of EUR 35 million (EUR 33.4 Million as at December 31, 2018) which correspond to the equivalent value in euros of the current value of future pending payments for the purchase of the aforementioned license that will be due in 2020.

Other long terms payable heading of as of December 31, 2018, as a result of the transaction with AstraZeneca described in Note 4-k, the Company had recorded an amount of 1.3 million euros for the amount payable for the expenses that the Company assumed in relation to development, launch and commercialization costs.

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

17. Commitments entered into, contingent liabilities and contingent assets

a) *Commitments entered into*

As a result of the research and development activities carried out by the Company, firm agreements for approximately EUR 29 million and EUR 3.5 million were entered into at 31 December 2019 and 2018 in relation to the performance of those activities which should be paid in future years. There were no commitments to purchase property, plant and equipment for significant amounts at 31 December 2019 and 2018.

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

The Company has arranged several guarantees with the public administration and third parties amounting to EUR 11,395 thousand at 31 December 2019 (EUR 12,095 thousand at 31 December 2018).

b) *Contingent liabilities*

There are no significant contingent liabilities at the date of preparation of these annual accounts that might result in significant cash outlays.

c) *Contingent assets*

As a result of the operation with AstraZeneca described in Note 4-k, the Company is entitled to receive a payment of certain amounts for milestones related to certain regulatory and commercial events.

18. Tax situation

Consolidated Tax Group

Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VI of Law 27/2014 of 27 November, for the Corporate Income Tax. The companies composing the tax group for 2019 and 2018 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas Almirall, S.A., Laboratorios Tecnobío, S.A., Ranke Química, S.L. and Almiral Aesthetics, S.A. being the first of them the head of the tax group. Consequently, Almirall, S.A. is the responsible in front of tax authorities for the declaration, payment and presentation of Corporate Income Tax.

Years open to tax inspections-

In July 2016, the tax authorities notified Almirall, S.A., in its capacity as the representative of the tax group, of the initiation of a review of Corporate Income Tax (tax consolidation regime) for 2011, 2012 and 2013 and Value Added Tax, Withholdings and advance tax payments on income from capital. Withholdings and advance tax payments on employment/professional income. Withholdings and advance tax payments on lease income and Withholdings and advance tax payments on non-residents for the period June 2012 to December 2013.

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The inspection actions ended with the signing of minutes in compliance on July 27, 2018, without deriving a significant amounts.

In May 2019, the tax authorities notified Almirall, S.A. the initiation of a review of verification and investigation of the Corporate Income Tax of the financial year 2014.

As a result of the inspection, the returns of the Parent and the companies in the Spanish tax group headed by it, are open to review by the tax authorities for the years 2014 to 2019 for corporate income tax and 2016 to 2019 for the other taxes applicable to them.

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

Tax refundable and payable

The detail of current tax refundable and payable at 31 December 2019 and 2018 is as follows:

	Thousand euro	
	31/12/2019	31/12/2018
VAT receivable	6,733	8,794
Income tax receivable	23,483	22,401
Sundry taxes receivable	-	659
Total balances receivable	30,216	31,854
VAT payable	-	497
Foreign VAT payable	2,049	2,059
Income tax payable	-	1,070
Personal income tax withholdings	1,970	1,398
Social security payable	862	1,006
Sundry taxes receivable	8	(11)
Total balances payable	4,890	6,019

"Corporate income tax receivable" includes tax refundable for 2019 and 2018.

Income tax recognised-

The reconciliation of the accounting results and tax base for 2019 and 2018 is as follows:

	Thousand euro	
	2019	2018
Profit /(loss) before taxes	195,419	69,303
Permanent differences:		
Increase	35,783	143,416
Decrease	(326,388)	(171,176)
Temporary differences		
Increase	6,630	32,445
Decrease	(16,123)	(44,830)
Gross taxable income	(104,678)	29,159
Offsetting of tax-loss carry forwards	-	(7,930)
Tax base	(104,678)	21,229

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The reduced taxable profit resulting from permanent differences in 2019 and 2018 is a result basically of the reduction of the taxable profit relating to proceeds from the disposal of intangible assets, to the exemption for double imposition of received dividend, and to the reversal of impairments, whilst the increase mainly corresponds to the different treatment for tax purposes of certain expenses arising in these years.

Additionally, the detail of income tax recognised in the income statement and in equity in 2019 and 2018 is as follows:

	Thousand euro	
	Expense /(income)	
	2019	2018
<i>Income tax:</i>		
- Recognised in the income statement	3,892	7,377
Current corporate income tax	-	1,170
Deferred corporate income tax	2,463	6,131
Foreign tax	1,429	76
- Recognised in equity	-	-
Total	3,892	7,377

Reconciliation of the accounting results to the tax base-

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

	Thousand euro	
	2019	2018
Profit /(loss) before taxes	195,419	69,303
Permanent differences:		
Increase	35,783	143,416
Decrease	(326,388)	(171,176)
Adjusted accounting results	(95,186)	41,543
Tax rate	25%	25%
Gross tax	-	10,386
Tax credits:		
-Tax credits and other consolidation adjustments	(310)	(1,458)
Income tax paid abroad	1,429	76
Regularisation of deferred tax assets and liabilities	-	-
Effect of tax consolidation	2,373	-
Offset of tax losses	-	(1,982)
Other	400	355
Income tax expense (income) accrued	3,892	7,377

The Corporate Income Tax expense is the result of applying the tax rate of 25% on the taxable base (it is null in 2019 due to a negative taxable base). No deductions were applied in financial year 2019 and the retentions and advance payments have amounted to 19,349 thousand euros (20,705 thousand euros in fiscal year 2018). The amount to be returned from tax authorities amount to 23,483 thousand euros at December 31, 2019 (22,401 at December 31, 2018). Said amount is the result from advance payments made during the financial year 2019 and the monetization of deductions according to art. 39.2 of LIS, amounting to 4,134 thousand euros (3,040 thousand euros in 2018).

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The detail, by nature and amount, of the tax incentives applied in 2018 and 2018 and of those not yet applied at 31 December 2019 and 2018 is as follows:

Nature	Year generated	Thousand euros			
		2019		2018	
		Offset	Available for offset	Offset	Available for offset
Research and development	2007		25,550	1,997	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	3,806	10,209
	2018	5,219	9,230		14,449
	2019		20,184		
		5,219	309,655	5,803	294,690
Technological innovation	2012	-	1,077	-	1,077
	2013	-	1,439	-	1,439
	2014	-	701	-	701
			-	3,217	-
International double taxation	2016	-	-	-	-
	2017	-	-	-	-
	2018	-	-	1,883	-
	2019	-	913	76	-
			-	913	1,960
Re-investment of extraordinary income	2012	-	55	-	55
	2013	-	2	-	2
	2014	-	10	-	10
			-	67	-
Donations	2016	-	-	-	-
	2017	-	-	98	-
	2018	-	-	56	-
	2019	-	35	-	-
			-	35	154
Temporary measures	2016	-	-	-	-
	2017	-	-	219	-
	2018	-	-	37	-
	2019	-	26	-	-
			-	26	257
Total tax incentives attested		5,219	313,913	8,174	297,974
			194,161		199,042

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

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Deferred tax

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

	2019		2018	
	Accumulated differences in tax bases	Accumulated effect tax payable	Accumulated differences in tax bases	Accumulated effect tax payable
Amortisation of intangible assets	95,644	23,911	93,913	23,478
Provisions	18,246	4,561	25,828	6,458
Deductions pending application	-	194,161	-	199,042
Total deferred tax assets		222,633		228,978
Unrestricted amortisation/depreciation R,D, 27/84, 2/85, 3/93	21,836	5,459	25,954	6,488
Amortisation of goodwill	80,030	20,007	70,426	17,607
Other	57	14	115	29
Deferred tax liabilities		25,481		24,124

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

	2019	2018
Deferred tax assets	222,633	228,978
Deferred tax liabilities	(25,481)	(24,124)
Deferred tax assets (net)	197,153	204,854

The gross movement in deferred tax is as follows:

	2019	2018
At 1 January	204,854	213,854
(Charged)/credited to income statement	(7,701)	(9,000)
Tax (charged)/ credited directly to equity	-	-
At 31 December	197,153	204,854

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

- Projections of estimated profit of the consolidated Spanish tax group over the next five years (extrapolated up to 10 years) based on the product portfolio and current group structure. This projection took into account sustained increases in future profit, the result mainly of expected growth in sales of the products in the Group's portfolio as well as significant synergies which are expected as a result of the Group's restructuring.
- Estimated additional effects expected in profit or loss over the coming years as a result of the expected future investments/acquisitions in the medium term. Estimated returns and the probability of achieving them were also considered.

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19. Income and expense

Revenue

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

	Thousand euro	
	2019	2018
Spain	243,867	244,134
Exports	224,764	178,717
Income from shareholdings in Group companies (Note 20)	139,218	9,243
Total	607,849	432,094

	Thousand euro	
	2019	2018
Sale through own network	402,838	365,905
Sale through licensees	45,943	35,499
Income from shareholdings in Group companies (Note 20)	139,218	9,243
Other	19,850	21,447
Total	607,849	432,094

Other operating income

	Thousand euro	
	2019	2018
Income from sales/product marketing licenses	3,125	1,001
Other income - Group companies (Note 20)	19,758	12,383
Other	84,234	84,607
Total	107,116	97,991

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

Other for 2019 mainly includes:

- Income amounting to EUR 30 million relating to the time-apportionment to results of the non-reimbursable amount initially received (Note 13) (EUR 31.4 million in 2018).
- Net income amounting to EUR 51.9 million due to the change in fair value of the financial asset deriving from the AstraZeneca transaction (Note 4-k) (EUR 51.1 million in 2018).

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Raw materials and consumables

This heading is analysed below:

	Thousand euro	
	2019	2018
Purchases	146,847	133,476
Changes in inventories of raw materials and other consumables	1,853	(5,810)
Changes in inventories of goods for resale	(2,690)	(745)
Inventory impairment	242	(881)
Subcontracted work	49,670	46,938
Total	195,922	172,978

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

	Thousand euro
	Inventory impairment (Note 10)
Balance at 31 December 2017	4,681
Appropriation	7,555
Application	(8,436)
Cancellation	-
Balance at 31 December 2018	3,800
Appropriation	5,925
Application	(5,683)
Cancellation	-
Balance at 31 December 2019	4,042

The detail, by origin, of the purchases made by the Company in 2019 and 2018 is as follows (thousand euro):

	2019			2018		
	Spain	Intra-Community	Imports	Spain	Intra-Community	Imports
Purchases	40,468	99,696	6,713	46,302	80,584	6,590
Total	146,847			133,476		

Staff costs

The detail of "Staff Costs" is as follows:

	Thousand euro	
	2019	2018
Wages and salaries	56,726	53,394
Employer's Social Security contributions	8,572	8,193
Severance payments	(395)	1,321
Other employee welfare expenses	3,847	3,847
Total	68,750	66,755

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

	2019			2018		
	Men	Women	Total	Men	Women	Total
Managing directors	1	-	1	1	-	1
Directors	21	11	32	22	9	31
Managers	62	59	122	61	56	117
Technicians	145	218	363	140	207	347
Administrative	23	45	68	22	53	75
Other	-	1	1	-	1	1
Total	253	334	587	246	326	572

The average of employees during 2019 with a 33% or higher disability is 1 people (one technical employee) (3 employees during 2018).

The number of employees at the year-end 2019 is as follows:

	2019		
	Men	Women	Total
Managing directors	1	-	1
Directors	21	11	32
Managers	65	58	123
Technicians	143	220	363
Administrative	23	44	67
Other	-	1	1
Total	253	334	587

The number of employees at the year-end 2018 is as follows:

	2018		
	Men	Women	Total
Managing directors	1	-	1
Directors	21	10	31
Managers	60	54	114
Technicians	140	219	359
Administrative	22	48	70
Other	-	1	1
Total	244	332	576

The number of employees at the end of 2019 with a 33% or higher disability is 1 people (one technical employee) (3 employees at year-end 2018).

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Other operating expenses

The detail of "Other Operating Expenses" is as follows:

	Thousand euro	
	2019	2018
R+D	38,930	26,815
Rent and charges	16,459	12,643
Repair and upkeep	8,743	8,773
Independent professional services	11,631	17,304
Services received from Group (Note 20)	69,652	62,606
Vehicles	2,471	3,153
Insurance premiums	1,364	1,442
Banking and similar services	279	1,744
Utilities	1,214	1,288
Other services	53,526	66,407
Other taxes	368	31
Total	204,637	202,208

Losses, impairment and variation in trade provisions

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

	Thousand euro	
	2019	2018
Change in measurement adjustment for bad debts (Note 11)	(245)	43
Change in other trade provisions	500	(580)
Total	255	(537)

The change in the bad debt allowance is as follows:

	Thousand euro
	Bad debt allowance (Note 11)
Balance at 31 December 2017	646
Change in measurement adjustments	-
Appropriation	(43)
Balance at 31 December 2018	603
Change in measurement adjustments	848
Appropriation	(603)
Balance at 31 December 2019	848

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

The detail of "Impairment and profit/loss on disposals of fixed assets and investments in group companies" in 2019 and 2018 is as follows:

	Thousand euro			
	2019		2018	
	Profit	Loss	Profit	Loss
Profit/loss on disposal or derecognition of intangible assets (Note 5)	-	(8,065)	-	(307)
Profit/loss on disposal or derecognition of property, plant and equipment	1	-	-	(592)
Impairment of intangible assets (Note 5)	-	-	20,000	-
Impairment Company Almirall Inc. (Note 8)	-	-	-	(75,991)
Impairment of investments in Group companies (Note 8)	11,740	(25,869)	124,258	(59,966)
	11,741	(33,934)	144,258	(136,857)
Impairment and profit/(loss) on disposals of fixed assets and investments in Group companies	(22,183)		7,401	

Impairment profits of investments in Group companies relates to the impairment reversal of the investee company Almirall Inc and the impairment losses relates to the deterioration made for Almirall Aesthetics, Inc. for an amount of 14.7 million euros and for Almirall International BV for 11,2 million euros (Note 8)

Financial income and expenses

The detail of "Financial income/(expense)", "Impairment and profit/loss on disposals and changes in the fair value of financial instruments" and "Exchange differences" in 2019 and 2018 is as follows:

	Thousands of Euros			
	2019		2018	
	Income	Expense	Income	Expense
Other income and similar interest	724	-	167	-
Change to fair value in financial instruments	7,513	-	276	(1,508)
Financial expenses for obligations (Note 15)	-	(6,125)	-	(75)
Finance and similar costs	-	(7,741)	-	(5,516)
Exchange differences	7,685	(6,137)	11,361	(11,447)
	15,922	(20,003)	11,804	(18,546)
	(4,081)		(6,742)	

Under the heading "Variation in the fair value of financial derivatives" corresponds to the update of the fair value of the Equity swap explained in Notes 15 and the result of the convertible bond impact described also in Note 15. In 2018 it was included the update of the fair value of the Equity swap and the sale of the shares of AB Biotics described in Note 9.

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

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Foreign Currency Transactions

During the years ended 2019 and 2018 the Company carried out the following transaction in foreign currency:

	Thousands of Euros			
	Expense		Income	
	2019	2018	2019	2018
Japanese Yen	5,028	3,243	4,111	2,321
US dollar	23,597	20,427	48,421	4,163
Mexican Peso	7	39	-	-
Danish Krone	5,910	3,771	5,298	5,031
Sterling Pounds	13,308	8,210	17,748	16,465
Swedish Krona	44	17	-	-
Polish Zloty	1,078	986	3,045	2,705
Swiss Franc	3,817	3,002	6,328	5,072
Hungarian Forint	20	4	(7)	(8)
Canadian Dollar	-	23	-	-
Austalian Dollar	13	-	-	-

Auditor fees

In 2019 and 2018 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 (thousand euro):

The detailed services provided by year are as follows:

Description	2019		
	Annual accounts audit	Tax consultancy	Other services
PricewaterhouseCoopers Auditores, S.L.	214	-	41
Other companies PwC network	-	-	31
	214	-	72

Description	2018		
	Annual accounts audit	Tax consultancy	Other services
PricewaterhouseCoopers Auditores, S.L.	246	-	36 (*)
Other companies PwC network	-	15	20
	246	15	56

(*) Other services rendered by PricewaterhouseCoopers Auditores, S.L. corresponds to Agreed procedures reports.

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20. Balances and transactions with related parties

Transactions-

During 2019 the Company carried out the following transactions with Group companies:

Revenues	Sales	Other operating income	Financial income (interests and dividends)	Total
Almirall, AG	6,328	1	-	6,330
Almiral ApS	5,298	2	-	5,300
Almirall Limited	17,748	112	-	17,860
Almirall, B,V,	7,469	2	-	2
Almirall International B,V,	-	-	18,000	25,469
Almirall S,A,S	9,714	321	-	10,035
Almirall SpA	28,387	192	-	28,579
Almirall Hermal GmbH	63,549	2,191	40,000	105,740
Almirall-Productos Farmacéuticos, Lda,	4,592	2	-	4,594
Almirall, N,V,	2,350	2	-	2,352
Almirall Sp, z o,o	-	1	-	1
Almirall Inc, (USA)	-	-	13,471	13,471
Industrias Farmacéuticas Almirall, S,A,	-	730	23,000	23,730
Ranke Química, S,A,	-	165	9,000	9,165
Laboratorios Almirall S,L,	-	1,015	7,000	8,015
Laboratorios Tecnobío, S,A,	-	4	1,000	1,004
Polichem S,A, (Suiaza-Lugano)	1,607	6,521	-	8,127
Almirall LLC	12,857	8,181	-	21,038
Almirall GmbH	-	-	2,000	2,000
Thermigen LLC (USA)	-	35	-	35
Poli Group Holding SRL	-	-	19,000	19,000
Polichem SRL	-	-	8	8
Almirall Aesthetics Inc (USA)	-	282	6,739	7,020
Total	159,898	19,758	139,218	318,875

Expenses	Purchases	Services received	Financial expenses	Total
Almirall, AG	-	3,470	3	3,473
Almirall ApS	-	4,284	-	4,284
Almirall Limited	-	4,086	82	4,168
Almirall B.V	-	1,639	-	1,639
Almirall S.A.S	-	(416)	-	(416)
Almirall SpA	-	7,999	-	7,999
Almirall Hermal, GmbH	16,332	25,483	-	41,815
Almirall-Productos Farmacéuticos, Lda.	-	1,123	-	1,123
Almirall Sp. Z.o.o	-	907	-	907
Almirall LLC (USA)	-	23	-	23
Industrias Farmacéuticas Almirall S.A	41,038	3,738	-	44,776
Ranke Química, S.A	17,398	867	-	18,265
Laboratorios Almirall S.L	-	14,653	-	14,653
Laboratorios Tecnobio, S.A	-	3	-	3
Polichem S.A (Suiaza-Lugano)	1,150	-	-	1,150
Almirall Aesthetics S.A	-	0	-	0
Almirall NV	-	1,795	-	1,795
Total	75,918	69,652	85	145,655

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During 2018 the Company carried out the following transactions with Group companies:

Revenues	Sales	Other operating income	Financial income	Total
Almirall, AG	15,175	10	-	15,185
Almiral ApS	5,031	-	-	5,031
Almirall Limited	16,465	166	-	16,631
Almirall, B,V,	1,950	-	-	1,950
Almirall S,A,S	10,559	2,421	-	9,176
Almirall SpA	26,243	27	-	26,270
Almirall Hermal GmbH	42,720	11	-	42,731
Almirall-Productos Farmacéuticos, Lda,	4,320	-	-	4,320
Almirall, N,V,	2,298	-	-	2,298
Almirall Inc, (USA)	-	-	3,786	3,786
Aqua Pharmaceuticals Holdings, Inc	-	4,514	-	4,514
Industrias Farmacéuticas Almirall, S,A,	-	685	-	685
Ranke Química, S,A,	-	158	-	158
Laboratorios Almirall S,L,	-	1,009	-	1,009
Laboratorios Tecnobío, S,A,	-	4	-	4
Polichem S,A, (Suiaza-Lugano)	9	3,263	-	3,272
Thermigen LLC (USA)	-	116	-	116
Almirall Aesthetics Inc (USA)	-	-	5,457	5,457
Total	124,770	12,383	9,243	142,593

Expenses	Purchases	Services received	Financial expenses	Total
Almirall, AG	-	2,708	10	2,718
Almirall ApS	-	3,627	-	3,627
Almirall Limited	-	2,803	58	2,861
Almirall B,V	-	1,779	-	1,779
Almirall S,A,S	-	1,777	-	(2,027)
Almirall SpA	-	8,497	-	8,497
Almirall Hermal, GmbH	15,346	21,466	-	36,812
Almirall-Productos Farmacéuticos, Lda,	-	1,045	-	1,045
Almirall Sp, Z,o,o	-	805	-	805
Industrias Farmacéuticas Almirall S,A	39,537	3,694	-	43,231
Ranke Química, S,A	18,817	(737)	-	18,080
Laboratorios Almirall S,L	-	14,315	-	14,315
Laboratorios Tecnobío, S,A	-	12	-	12
Polichem S,A (Suiaza-Lugano)	94	-	-	94
Thermigen LCC (USA)	-	63	-	63
Almirall NV	-	754	-	754
Total	73,794	62,606	68	132,666

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

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

As mentioned in Note 4-k the Company classifies dividends and interest obtained in its capacity as the parent company as revenues (interest amounting to EUR 20,210 thousand in 2019 and EUR 9,243 thousand in 2018). And EUR 119,008 thousand related to dividends in 2019. In 2018 no dividends were received.

Almirall, S.A.
Notes to the annual accounts for 2019
(Expressed in thousand euro)

Dividend income received in 2019 and 2018 relates to the distribution made by investees as follows:

Dividend income	Thousand euro	
	2019	2018
Almirall GmbH	2,000	-
Almirall International B.V	18,000	-
Almirall Hermal GmbH	40,000	-
Industrias Farmacéuticas Almirall, S.A.	23,000	-
Laboratorios Almirall, S.L.	7,000	-
Laboratorios Tecnobio, S.A.	1,000	-
Poli Group Holding SRL	19,000	-
Polichem SRL	8	-
Ranke Química, S.A.	9,000	-
Total	119,008	-

At 31 December 2019 and 2018 the balances of intercompany transactions break down as follows:

Debtor balances-

Group Companies	Thousands of Euros			
	2019		2018	
	Trade balance	Financial balance (Note 8)	Trade balance	Financial balance (Note 8)
Almirall N.V.	402	-	459	-
Almirall-Produtos Farmacéuticos, Lda.	804	-	196	-
Laboratorios Almirall S.L. (*)	-	-	-	210
Almirall, B.V. holandá	1,328	-	1,126	-
Almirall SpA Italia	4,559	-	3,866	-
Almirall S.A.S. francia	1,358	-	1,313	-
Almirall, AG	1,227	872	1,107	-
Almirall Limited UK	5,633	-	3,087	-
Almirall Hermal GmbH	16,419	-	9,024	-
Almirall Limited Canadá	-	-	-	-
Almirall ApS Nordics	732	-	516	-
Almirall Inc. (USA)	507	177,586	2,236	218,341
Aqua Pharmaceuticals Holdings, Inc	14,098	-	5,872	-
Almirall GmbH	-	-	-	-
Polichem S.A. (Suiza – Lugano)	1,002	-	390	-
Almirall Aesthetics Inc (USA)	-	-	204	-
Thermigen LLC (USA)	-	-	766	-
Total	48,069	178,457	30,162	218,551

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Creditor balances:

Group companies	Thousand euros			
	2019		2018	
	Comercial	Financial	Comercial	Financial
Laboratorio Almirall S.L.	-	13,206	-	19,911
Laboratorios Tecnobío, S.A.	-	1,405	-	2,408
Industrias Farmacéuticas Almirall, S.A.	5	18,671	-	37,373
Ranke Química, S.A.	-	3,591	-	11,709
Almirall N.V.	622	2,874	353	3,320
Almiral ApS	925	-	336	-
Almirall-Produtos Farmacéuticos, Lda.	227	4,016	4	3,814
Almirall, B.V.	305	7,426	1,302	6,027
Almirall GmbH	-	1,796	-	3,936
Almirall SpA	(280)	55,988	1,486	70,505
Almirall S.A.S.	3,377	34,849	2,193	34,573
Almirall, AG	1,771	-	373	3,711
Almirall Sp. z o.o	(111)	-	78	-
Almirall Limited	1,311	13,709	427	9,963
Almirall Hermal GmbH	10,125	82,394	10,031	88,073
Almirall Aesthetics S.A.	-	188	-	105
Thermigen LLC (USA)	77	-	63	-
Aqua Pharmaceuticals Holdings, Inc	-	-	4,706	-
Polichem S.A. (Suiza-Lugano)	-	95,236	19	75,343
Polichem SRL (Italia)	-	3,750	-	5,263
Poligroup Holding SRL (Italia)	-	1,229	-	18,416
Total	18,354	340,329	21,371	394,450

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Balances and transactions with other related parties

In 2019 and 2018 the Company performed the following related-party transactions, giving rise to the following balances at 31 December 2019 and 2018:

Other related parties	Concept	Year	Thousands of Euros	
			Transactions – Income/ (Expense)	Balances - Debit / (Credit)
Grupo Corporativo Landon, S.L.	Leases	2019	(2,935)	-
		2018	(2,843)	(4)
Grupo Corporativo Landon, S.L.	Rebilling works	2019	-	-
		2018	203	-
Grupo Corporativo Landon, S.L.	Others	2019	(55)	-
		2018	-	-

The Company's headquarters are rented from Grupo Corporativo Landon S.L. under a contract maturing in 2023 (Note 7).

21. Remuneration of the Board of Directors and Executives

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

In 2019 and 2018 the amounts accrued by executives who are not members of the Company's Board of Directors for all items (salaries, bonuses, per diems, benefits in kind, compensation, incentive plans and social security contributions) totalled EUR 4,859 thousand and EUR 3,938 thousand, respectively.

This includes the remuneration accrued by Company managers, paid and not paid, by the Company in 2019 and 2018 in respect of multi-year incentive and loyalty plans and the SEUS Plan (Note 4-r) amounting to EUR 1,002 thousand and EUR 1,446 thousand, respectively. The year-end balance of the provision for such plans amounts to EUR 3,578 thousand in 2019 (EUR 2,635 thousand in 2018).

At 31 December 2019 and 2018, there were no other pension commitments with Executives.

In 2019 and 2018 the amount accrued by the current and former members of the Board of Directors for all types of remuneration (salaries, bonuses, per diems, benefits in kind, life insurance plans, compensation, incentive plans and social security contributions) totalled EUR 3,968 thousand and EUR 2,117 thousand, respectively. There are life insurance policies accrued amounting to EUR 17.8 thousand (EUR 14.1 thousand in 2018).

In 2019 and 2018, insurance premiums for civil liability totalling EUR 111 thousand and EUR 104 thousand have accrued, which cover possible damages caused whilst members of the Board of Directors and Senior Management carried out the duties as such.

This includes the remuneration accrued by the Board of Directors, paid and not paid, by the Company in 2019 and 2018 in respect of multi-year incentive and loyalty plans and the SEUS Plan amounting to EUR 971 thousand and EUR 1,637 thousand, respectively. The year-end balance of the provision for such plans amounts to EUR 3,544 thousand in 2019 (EUR 2,366 thousand in 2018).

At 31 December 2019 and 2018, there were no other pension commitments with the current and former members of the Company's Board of Directors.

The members of the Company's Board of Directors and Senior Management have received no shares or options during the year and nor have they exercised any options and nor do they have options which have not yet been exercised.

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22. Other disclosures concerning the Board of Directors

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

23. Information regarding the environment

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

The Company's property, plant and equipment include certain environmentally friendly assets (smoke abatement, underfloor drainage, etc.). The carrying amount of the assets is approximately EUR 338 thousand and EUR 368 thousand at 31 December 2019 and 2018, respectively. Additionally the new additions of these assets during the year 2019 amount to EUR 61 thousand (EUR 0.8 million in 2018).

The income statements for 2019 and 2018 include expenses related to protection of the environment amounting to EUR 497 thousand and EUR 290 thousand, respectively.

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

24. Exposure to risk and capital management

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

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

Interest rate risk

During the first quarter of 2017, the company signed a new credit line for 4 years, enabled for a maximum amount of 250 million euros at a fixed interest rate, with the average of said rate of 0.81%, so the Company is not exposed to interest rate volatility. As of the closing date of 2019, the company had arranged the entire amount of this credit facility. At the closing date 2018, the company had 150 million euros disposed.

In September 2018, the parent company signed a temporary loan of 400 million euros with 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 150 million euros with a fixed rate of 2.1% and, on the other hand, with the issuance of convertible bonds (250 million euros). of euros), also at a fixed interest rate of 0.250%. When dealing with all types of financing with a fixed interest rate, the Company 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 120 million euros, 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 80 million euros was granted on April 17, 2019, at a fixed interest rate of 1.35%.

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Notes to the annual accounts for 2019
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Foreign currency risk

The Company is exposed to foreign currency risk on certain transactions arising from its business. The risk relates mainly to revenue received in US dollars for sales of finished goods, payments received for the operation carried out with AstraZeneca, payments in US dollars received as a result of the deal agreements with Athenex, Dermira 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.

During 2018, the loan that the Company had with the subsidiary Almirall, Inc in USD was cancelled, capitalizing the remaining amount to be returned. On the other hand, and to finance part of the purchase of the Allergan portfolio, a new loan was made with the subsidiary Almirall, Inc in USD. This loan has been covered with exchange insurance to minimize the exchange rate risk. As of December 31, 2019 there is no exchange insurance contracted.

Finally, the loan existing with the subsidiary Almirall Aesthetics, Inc. in USD was capitalized linked to the dissolution of said subsidiary in November 2019.

Liquidity risk

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

On the one hand, a one-year monthly cash budget 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 Company 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.

Credit risk

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

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

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

Capital management

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

Almirall, S.A.
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(Expressed in thousand euro)

The Company periodically reviews the capital structure on the basis of a five-year strategic plan that establishes the guidelines concerning investment and financing, At 31 December 2019 and 2018 the leverage ratios were as follows (thousand euro):

	31 December 2019	31 December 2018
Bank borrowings	229,133	298,925
Bonds and other negotiable securities	248,327	247,145
Cash and cash equivalents	(89,288)	(56,671)
Net debt	388,171	489,399
Equity	1,371,834	1,206,271
Share capital	20,947	20,862
Leveraging ratio⁽¹⁾	28%	41%

(1) 1) On the basis of the calculation used by the Company to determine the leverage ratio (not including "Other financial liabilities" included in Note 16).

25. Information on delays in payments to suppliers

The supplier payment periods in force at the Company comply with the limits established in Law 15/2010, of 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.

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

	Number of days	
	2019	2018
	Days	Days
Average supplier payment period	43	40
Ratio operations paid	45	40
Ratio operations pending payment	25	50
Total payments made	507,801	480,562
Total payments pending	46,188	48,193

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

The average payment period for 2019 and 2018 stood at 43 and 40 days, respectively.

Almirall, S.A.
Notes to the annual accounts for 2019
(Expressed in thousand euro)

26. Subsequent events

At the date of formulation of these annual accounts, the Board of Directors of the Company has agreed to propose to the General Shareholders' Meeting the distribution of a dividend charged to unrestricted reserves for an amount of 35.3 million euros (equivalent to 0.203 euro per share). For the purpose of realizing this dividend distribution, it is proposed to reuse the system of compensation for shareholders called "Flexible Dividend", already applied in 2018. In this way, its shareholders are offered an alternative that allows them to receive liberated shares. of the Company without limiting its possibility to receive in cash an amount equivalent to the payment of the dividend as indicated in Note 3.

APPENDIX: INFORMATION ON INVESTEES DIRECT AND INDIRECT

Name Managment Activity	Thousand euros						
	Laboratorios Almirall, S.L. España	Laboratorios Tecnobio, S.A. España	Industrias Farmacéuticas Almirall, S.A. España	Ranke Química, S.A. España	Almirall Internacional, BV Holanda	Almirall, NV Bélgica	Almirall - Productos Farmacêuticos, Lda. Portugal
	Servicios de mediación	Servicios de mediación	Fabricación de especialidades	Fabricación de materias primas	Holding internacional	Laboratorio farmacéutico	Laboratorio farmacéutico
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	Global	Global	Global	Global	Global	Global	Global
Share Capital	Integration	Integration	Global Integration	Integration	Integration	Integration	Global Integration
Reserves	120	61	1,200	1,200	52,602	1,203	1,500
Net profit (loss) for the year	6,954	348	45,220	17,217	49,673	2,132	2,081
Carrying amount of interest	372	126	3,476	1,211	5,329	36	64
- Cost	4,112	127	41,982	10,840	120,276	9	-
- Measurement adjustments	4,112	127	41,982	10,840	144,203	9	-
	-	-	-	-	(35,088)	-	-
31 December 2018							
% interest held							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Global	Global	Global	Global	Global	Global	Global
Share Capital	Integration	Integration	Global Integration	Integration	Integration	Integration	Global Integration
Reserves	120	61	1,200	1,200	52,602	1,203	1,500
Net profit (loss) for the year	13,540	1,348	64,740	25,151	61,275	2,031	1,813
Carrying amount of interest	414	0	3,480	1,066	6,905	101	267
- Cost	4,112	127	41,982	10,840	120,276	9	-
- Measurement adjustments	-	127	41,982	10,840	144,203	9	-
	-	-	-	-	(23,927)	-	-

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

APPENDIX: INFORMATION ON INVESTEES DIRECT AND INDIRECT

Name Management Activity	Thousand euros						
	Almirall, BV Holanda	Almirall Aesthetics S.A. España	Almirall Limited Reino Unido	Subgrupo Almirall, S.A.S. (**) Francia	Almirall SP, Z.O.O. Polonia Comercialización especialidades farmacéuticas	Almirall GmbH Austria	Almirall, AG Suiza Gestión de licencias y comercialización de materias primas.
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	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration
Share Capital	4,000	61	571	12,527	12	36	901
Reserves	2,221	178	10,165	18,349	1,445	1,653	2,463
Net profit (loss) for the year	365	-	705	1,564	96	198	64
Carrying amount of interest	-	261	-	-	-	1,485	10,628
- Cost	-	261	-	-	-	1,485	10,628
- Measurement adjustments	-	-	-	-	-	-	-
31 December 2018							
% interest held							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration
Share Capital	4,000	61	563	12,527	14	36	652
Reserves	2,102	113	8,401	16,314	1,476	3,443	2,037
Net profit (loss) for the year	119	44	1,228	1,301	2	210	1,163
Carrying amount of interest	-	261	-	-	-	1,485	10,628
- Cost	-	261	-	-	-	1,485	10,628
- Measurement adjustments	-	-	-	-	-	-	-

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 Almirall, SAS y Almirall Production SAS.

APPENDIX: INFORMATION ON INVESTEES DIRECT AND INDIRECT

Name Management Activity	Thousand euros				
	Almirall SpA Italia Laboratorio farmacéutico	Almirall Hermal, GmbH Alemania Laboratorio farmacéutico	Almirall Aps Dinamarca Laboratorio farmacéutico	Almirall Inc USA Laboratorio farmacéutico	Subgrupo (*) Almirall US USA Laboratorio farmacéutico
31 December 2019					
% interest held					
- Directly	-	100%	100%	100%	-
- Indirectly	100%	-	-	-	100%
% voting rights	100%	100%	100%	100%	100%
Consolidation method	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration
Share Capital	8,640	25	17	-	-
Reserves	37,189	12,922	2,328	478,915	319,477
Net profit (loss) for the year	2,664	24,411	147	58,340	13,520
Carrying amount of interest	967	359,270	17	479,766	-
- Cost	967	359,270	17	550,267	508,496
- Measurement adjustments	-	-	-	(70,501)	-
31 December 2018					
% interest held					
- Directly	-	100%	100%	100%	-
- Indirectly	100%	-	-	-	100%
% voting rights	100%	100%	100%	100%	100%
Consolidation method	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration
Share Capital	8,640	25	17	-	-
Reserves	52,632	60,999	2,193	362,778	286,680
Net profit (loss) for the year	3,557	22,098	136	82,374	27,584
Carrying amount of interest	967	359,270	17	443,652	-
- Cost	967	359,270	17	525,893	508,496
- Measurement adjustments	-	-	-	(82,241)	(70,427)

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

(*) Includes the Companies holding Aqua Pharmaceutical Holdings Inc and Almirall LLC (called Aqua Pharmaceuticals LLC).

APPENDIX: INFORMATION ON INVESTEEES DIRECT AND INDIRECT

	Thousand euros				
	ThermiGen LLC	Almirall Aesthetics Inc	Poli Group Holding, S.R.L.	Polichem, S.A.	Polichem, S.R.L.
Name Management	Estados Unidos	USA	Italia	Luxemburgo/Suiza/China	Italia
Activity	Estética	Holding	Holding	Laboratorio farmacéutico	Laboratorio farmacéutico
31 December 2018					
% interest held	-	-	100%	-	-
- Directly	-	-	-	100%	99,6%
- Indirectly	-	-	100%	100%	100%
% voting rights	-	-	100%	100%	100%
Consolidation method	-	-	Global Integration	Global Integration	Global Integration
Share Capital	-	-	31	1,351	540
Reserves	-	-	44,824	106,547	3,447
Net profit (loss) for the year	-	-	2,046	20,804	776
Carrying amount of interest	-	-	380,270	-	-
- Cost	-	-	380,270	-	-
- Measurement adjustments	-	-	-	-	-
31 December 2017					
% interest held	-	100%	100%	-	-
- Directly	100%	-	-	100%	99,6%
- Indirectly	100%	100%	100%	100%	100%
% voting rights	100%	100%	100%	100%	100%
Consolidation method	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration
Share Capital	28,386	226	31	1,374	540
Reserves	(32,662)	53,724	63,967	82,494	4,428
Net profit (loss) for the year	(20,925)	(122,803)	(143)	19,556	1,018
Carrying amount of interest	-	-	380,270	-	-
- Cost	-	59,966	380,270	-	-
- Measurement adjustments	-	(59,966)	-	-	-

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.

Almirall S.A.

Directors' report
(Year ended 31 December 2019)

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1. Summary of the year. Main achievements

The year 2019 was marked by the return to the growth path in Almirall Group's income (of which the Company is the Parent Company). This has been mainly due to:

- The acquisition, effective September 21, 2018, of a portfolio of five products from the Medical Dermatology division of Allergan in the United States, including a New Chemical Entity (NEQ), Seysara™ (sarecycline) for oral treatment of acne, and four mature and growing brands: Aczone® (dapsona), Tazorac® (tazarotene), Azelex® (azelaic acid) and Cordran® Tape (fludrocicortide). The launch of Seysara™ took place in January 2019.
- Skilarence® sales continue to grow in double digits thanks to the launches in Holland, Spain, Italy, Switzerland and Ireland and the good performance of the product in Germany, contributing about 33 million euros.
- The launch of Ilumetri® at the end of 2018 in Germany and in 2019 in Austria, the United Kingdom, Spain, Switzerland and Denmark providing sales of around 20 million euros.

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

Finally, the Company closed the year 2019 with a cash position amounting to 89.33 million euros (56.7 million as of December 31, 2018). This evolution is explained by:

- Solid cash flow from operating activities (+273.6 million euros), mainly as a consequence of the collection of the dividend from its subsidiaries for an amount of 119 million euros and the milestones and royalties related to the contract with AstraZeneca amounting to 123.6 million as explained in the attached annual accounts (Note 9).
- Net cash flows from investment activities (-80.5 million euros) resulting mainly from license agreements signed in previous years with Athenex, Dermira and Bioniz (the last year main impact was the Allergan portfolio acquisition).
- Net cash flows from financing activities (-160 million) as a result of the payment of the dividend and the return of 150 million euros of the credit policy, which are partially compensated by obtaining a loan of 80 million euros from the European Investment Bank.

2. Financial risk management and use of hedging instruments

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

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

Interest rate risk

During the first quarter of 2017, the Company signed a new 4-year line of credit, enabled for a maximum disposition of 250 million euros at a fixed interest rate, the average of said rate was 0.81%, so the Company is not exposed to interest rate volatility. At the closing date of 2019, the Company had no disposed amount of this financing, while at the end of 2018 150 million euros were arranged. Within the contract of this line of credit, the Group is obliged to comply with a series of covenants, among which the fulfillment of a certain ratio "Net Financial Debt / EBITDA (from now on understood as the calculation of "Operating Profit" plus Profit and Loss statement epigraphs "Fixed asset amortization/depreciation", "Losses, impairment and variation in trade provisions" and "Impairment and profit/(loss) on fixed asset disposals and in group companies") stands out. At the date of preparation of these annual accounts, the Directors consider that there has been no breach of the aforementioned obligations.

In September 2018, the Company signed a temporary loan of 400 million euros 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 150 million euros at a fixed rate of 2.1% and, on the other hand, with the issuance of Convertible Bonds (250 million euros), 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 Company formalized a loan with the European Investment Bank (EIB) for up to 120 million euros, 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 80 million euros was granted on April 17, 2019, at a fixed interest rate of 1.35%.

Foreign currency risk

The Company is exposed to foreign currency risk on certain transactions arising from its business. The risk relates mainly to revenue received in US dollars for sales of finished goods, payments received for the operation carried out with AstraZeneca, payments in US dollars received as a result of the deal agreements with Athenex, Dermira 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.

During 2018, the loan that the Company had with the subsidiary Almirall, Inc in USD was canceled, capitalizing the remaining amount to be repaid. On the other hand, and to finance part of the purchase of the Allergan portfolio, a new loan was made with the subsidiary Almirall, Inc in USD. This loan was covered with exchange insurance that was renewed on several occasions to minimize the exchange rate risk, being paid on June 28, 2019 for 4.5 million euros. As of December 31, 2019 there is no exchange insurance contracted.

Finally, the existing loan with the Almirall Aesthetics Inc subsidiary in USD was capitalized following the dissolution of said company in November 2019.

Liquidity risk

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

On the one hand, a one-year monthly cash budget based on the projected annual accounts for the current year, whose variations are analyzed 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 Company manages its liquidity risk prudently, maintaining sufficient cash and marketable securities and arranging credit facilities to cater for the projected needs.

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

Credit risk

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

Allowances are recognized, once all the relevant collection procedures have been made, are provisioned at 100%. In relation to the deterioration of financial assets due to credit risk, the Company invests mainly in very short-term variable rate instruments in entities with a high credit rating, in order to minimize any credit risk.

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

3. Staff costs

The Company's average headcount numbered 587 employees during 2019 and 572 during the previous year.

4. Average payment period

The Company's average payment period to suppliers and creditors during 2019 was 43 days.

5. Risk factors

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

- Price reductions or volume limitations for existing products and difficulties in obtaining the prices or reimbursement conditions requested for new releases by decisions of the health authorities, with the consequent impact on sales forecasts.
- Erosion of turnover and loss of market share due to the progressive entry of generics.
- Cyber-attacks or security incidents that may allow access to confidential information or cause a disruption of business activities.
- Impairment of intangible assets and goodwill due to income flows below those projected.
- Pipeline of R&D not sufficiently balanced and differentiated in its different phases to nourish the product portfolio.

6. Treasury stock

The Company maintains a liquidity contract with a financial intermediary, effective as of March 4, 2019, with the objective of increase and stability in the share price of the Company, within the limits established by the General Meeting of Shareholders and by current regulations, in particular, Circular 1/2017, of April 26, of the National Securities Market Commission, on liquidity contracts. Said contract assumes that the Parent Company owns, at December 31, 2019, treasury stock representing 0.07% of the share capital (it did not have its own shares at December 31, 2018) and a global nominal value of EUR 13.7 thousand and which have been registered in accordance with IFRS-EU. The average acquisition price of these shares has been 15.54 EUR per share. The shares of the Parent Company in its possession are intended to negotiate in the market.

7. Subsequent events

At the date of formulation of these annual accounts, the Board of Directors of the Company has agreed to propose to the General Shareholders' Meeting the distribution of a dividend charged to unrestricted reserves for an amount of 35.3 million euros (equivalent to 0,203 euro per share). For the purpose of realizing this dividend distribution, it is proposed to reuse the system of compensation for shareholders called "Flexible Dividend", already applied in 2018. In this way, its shareholders are offered an alternative that allows them to receive liberated shares. of the Company without limiting its possibility to receive in cash an amount equivalent to the payment of the dividend as indicated in Note 3.

8. Corporate Governance Report

The Corporate Governance report is attached hereto as Schedule I.

9. Capital structure. Significant ownership interests

At 31 December 2019, the Company's capital is represented by 174,554,820 shares with a par value of Euros 0.12 each, all fully subscribed and paid up.

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

Name or company name of direct holder of the ownership interest	% ownership interest in Almirall Group
Grupo Plafin, S.A.	40.9%
Grupo Corporativo Landon S.L.	18.8%

At 31 December 2019, the Company is unaware of there being other ownership interests of 3% or more in the share capital or voting rights of the Company, or other interests which, despite being less than this percentage, enable the holder to exercise a significant influence over the Company.

10. Side agreements and restrictions on transferability and voting rights

The Company has entered into one side agreements, which were reported to the CNMV and which may be consulted in full on the following web site www.almirall.com, subscribed by Mr. Antonio Gallardo Ballart and Mr. Jorge Gallardo Ballart, which regulates the concerted action of its signatories in Almirall, SA and the exercise of the voting rights inherent to its indirect participation in the Company through the company Grupo Plafin, S.A.U., on the one hand, and Todasa, S.A.U. (Today Corporate Group Landon, S.L.), of another.

The Articles of Association impose no restrictions on the transferability of the shares of the Company, and neither are there any restrictions on voting rights pursuant to the Articles of Association or regulations.

11. Governance bodies, Board of Directors

Appointment of directors

The directors are appointed (i) upon proposal by the Appointments and Remuneration Committee, in the case of independent directors, and (ii) following a report by said Committee in the case of other directors, by the General Shareholders' Meeting or by the Board of Directors in accordance with the provisions of the Spanish Companies Law.

Newly-appointed directors are required to complete the Company's orientation course for new directors so that they can rapidly build up sufficient knowledge of the Company and of its corporate governance rules.

As for the appointment of external directors, the Board of Directors seeks to ensure that the candidates chosen are persons of recognized solvency, competence and experience. Particular care is taken in relation to those called upon to fill the independent director positions envisaged in Article 6 of the Board Regulations.

Directors proposed for re-appointment must refrain from participating in the deliberations and voting procedures concerning them.

Directors hold office for the term stipulated by the General Meeting, which is equal for all and may not exceed four years, at the end of which they may be re-elected one or more times for periods of the same maximum duration.

Replacement of directors

Directors cease to hold office when the period for which they were appointed has elapsed and when a decision to this effect is adopted by the General Meeting, exercising the powers attributed to it by law or by the Articles of Association. In any event, the appointment of directors expires when, once its term has elapsed, the following General Meeting has been held, or the legal time limit for holding the General Meeting to approve the accounts for the previous year has passed.

The Board of Directors may only propose the removal of an independent director before the expiry of the statutory term when there is due cause, acknowledged by the Board following a report by the Appointments and Remuneration Committee. In particular, due cause is understood to exist when a director has breached the duties inherent to his/her position or has come to be in any of the circumstances which bar him/her from holding this office, as described in the definition of independent director contained in corporate governance recommendations applicable at the time.

Directors who are the subject of removal proposals must refrain from participating in the deliberations and voting procedures concerning them.

The directors are required to tender their resignation to the Board of Directors and formalize such resignation, where the Board considers this appropriate, in the following cases:

- a) Where they cease to hold the executive posts with which their appointment as directors was associated.
- b) Where they find themselves in any of the situations of incompatibility or barring from office stipulated by law.
- c) When seriously reprimanded by the Board of Directors for failing to discharge their obligations as directors.
- d) When their remaining on the Board could jeopardize or prove detrimental to the interests, credit or reputation of the Company or when the reasons for which they were appointed cease to apply (for example, when a nominee director sells their shareholding in the Company).
- e) In the case of independent directors, they may not remain in such positions continuously for more than 12 years; therefore, once this period has elapsed, they must tender their resignation to the Board of Directors and formally withdraw.
- f) In the case of nominee directors, (i) when the shareholder they represent sells its entire shareholding and, similarly, (ii) in the requisite number, when such shareholder reduces its shareholding to a level which requires the number of nominee directors to be reduced.

In the event that, due to resignation or for any other reason, a director leaves office before the end of their term, they are required to explain the reasons in a letter sent to all the Board members.

Amendment of the Company's bylaws

Amendments to the bylaws are a competence of the General Meeting and are regulated by Article 160 of the Spanish Companies Law and other related legislation. There are no special provisions of relevance in this respect in either the bylaws or the General Meeting Regulations.

Powers of the members of the Board of Directors

Certain powers pertaining to the Board of Directors are vested in the Chief Executive Officer of Almirall, S.A., pursuant to a public deed executed before the Barcelona Notary Mr. Enrique Viola Tarragona on 24 May 2018.

Similarly, powers have been granted to Mr. Jorge Gallardo Ballart in the public deed executed before the Barcelona Notary Mr. Enrique Viola Tarragona on 2 June 2011.

12. Significant agreements

There are no significant agreements with regard to changes in the control of the Company or between the Company and its Directors and Managers or Employees with respect to indemnities for dismissal, resignation, or public takeover bids.

13. Non-financial information

The non-financial information statement has been published within the consolidated annual accounts of Almirall, S.A. and dependent companies.

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

Consolidated annual accounts for the
year ended 31 December 2019, 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).*

(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 BALANCE SHEETS AT 31 DECEMBER
(Thousands of Euros)

ASSETS	Note	31 December 2019	31 December 2018	EQUITY AND LIABILITIES	Note	31 December 2019	31 December 2018
Goodwill	8	315,966	315,966	Issued capital	15	20,947	20,862
Intangible assets	9	1,139,015	1,121,215	Share premium	15	241,011	229,953
Right of use	10	18,271	-	Legal reserve	15	4,172	4,151
Property, plant and equipment	11	117,420	115,235	Other reserves	15	913,156	872,568
Financial assets	12	103,184	142,316	Valuation adjustments	15	(43,531)	(36,971)
Deferred tax assets	22	269,317	280,404	Translation differences	15	38,522	23,512
				Profit (Loss) for year		105,909	77,674
NON-CURRENT ASSETS		1,963,173	1,975,136	EQUITY		1,280,186	1,191,749
				Deferred income	16	69,652	98,992
				Financial liabilities	17	492,593	546,070
				Non-current lease liabilities	10	11,280	-
				Deferred tax liabilities	22	127,540	134,877
				Retirement benefit obligations	20	79,429	70,645
				Provisions	19	32,806	39,393
				Other non-current liabilities	18	29,774	63,712
				NON-CURRENT LIABILITIES		843,074	953,689
Inventories	13	106,418	92,333	Financial liabilities	17	452	2,618
Trade and other receivables	14	203,115	192,803	Current Lease liabilities	10	7,327	-
Current tax assets	22	39,888	38,878	Trade payables	18	222,478	191,019
Other current assets		8,212	4,086	Current tax liabilities	22	14,903	14,286
Current investments	12	1,769	1,080	Other current liabilities	18	71,367	36,145
Cash and cash equivalents		117,212	85,190				
CURRENT ASSETS		476,614	414,370	CURRENT LIABILITIES		316,527	244,068
TOTAL ASSETS		2,439,787	2,389,506	TOTAL LIABILITIES AND EQUITY		2,439,787	2,389,506

The accompanying Notes 1 to 33 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts as at 31 December 2019.

(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 31 DECEMBER
(Thousands of Euros)

	Note	2019	2018
Revenue	21	855,339	756,934
Other Income	21	55,318	54,047
Operating income		910,657	810,981
Procurements	21	(192,466)	(162,592)
Staff costs	21	(181,545)	(183,101)
Amortization and depreciation charge	9, 10 & 11	(129,426)	(90,180)
Net change in provisions	21	8,073	(14,452)
Other operating expenses		(254,517)	(251,470)
Net gains/(losses) on disposals of assets	21	(10,474)	441
Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill	9 & 11	(389)	(22,636)
Operating profit		149,913	86,991
Financial income	21	853	981
Financial expense	21	(14,812)	(5,563)
Exchange differences	21	(8,631)	(5,927)
Profit / Losses from financial instruments valuation	12 & 21	956	(1,508)
Profit /(loss) before taxes		128,279	74,974
Income tax	22	(22,370)	2,700
Net profit (loss) for the year attributable to the Parent Company		105,909	77,674
Earnings/(loss) per share (euro):	25		
A) Basic		0.61	0.45
B) Diluted		0.60	0.41

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(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 STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER
(Thousands of Euros)

	Note	2019	2018
Profit/(loss) for the period		105,909	77,674
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Retirement benefit obligations	20	(9,065)	(1,110)
Corporate income tax on items that will not be reclassified	22	2,538	311
Fair value changes on Equity instruments with fair value with change in other comprehensive income	12	-	(12,957)
Total items that will not be reclassified to profit or loss		(6,527)	(13,756)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Other changes in value		(33)	32
Exchange differences on translation of foreign currency	15	15,010	19,510
Total items that may be reclassified subsequently to profit or loss		14,977	19,542
Other comprehensive income for the period. net of taxes		8,450	5,786
Total comprehensive income for the period		114,359	83,460
Attributable to:			
- Owners of the parent		114,359	83,460
- Non-controlling interests		-	-
Total comprehensive income attributable to owners of the parent company arising on:			
Continuing operations		114,359	83,460
Discontinued operations		-	-

The accompanying Notes 1 to 33 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2019.

(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 STATEMENTS OF CHANGES IN EQUITY IN THE YEARS ENDED 31 DECEMBER
(Thousands of Euros)

	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 2017	15	20,754	219,890	4,151	1,209,391	(20,547)	4,002	(303,961)	1,133,680
Change in accounting policy		-	-	-	-	(2,700)	-	-	(2,700)
Total Net Equity restated at the beginning of the year	15	20,754	219,890	4,151	1,209,391	(23,247)	4,002	(303,961)	1,130,980
Distribution of profit		-	-	-	(303,961)	-	-	303,961	-
Dividends		108	10,063	-	(32,862)	-	-	-	(22,691)
Total comprehensive income for the period		-	-	-	-	(13,724)	19,510	77,674	83,460
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

The accompanying Notes 1 to 33 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2019.

(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 STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER
(Thousands of Euros)

	Note	Period 2019	Period 2018
Cash flow			
Profit before tax		128,279	74,974
Amortization and depreciation charge	9 & 10 & 11	129,426	90,180
Impairment adjustments	9 & 11	389	22,636
Net variation of current provisions		-	15,761
Net profit/(loss) on disposals of assets	21	10,474	(441)
Financial income	21	(853)	(981)
Financial expense	21	14,812	5,563
Exchange differences	21	8,631	5,927
Fair value variation of financial instruments	21	(940)	1,508
Impacts of the Astrazeneca transaction:			
Allocation of deferred income Astrazeneca transaction	16 & 21	(29,954)	(31,376)
Change in the fair value of Astrazeneca financial asset	12 & 21	(51,829)	(51,036)
		208,435	57,741
Adjustments to changes in working capital			
Change in inventories	13	(15,569)	(17,622)
Changes in trade and other receivables	14	80,659	(21,572)
Changes in trade payables	18	26,118	46,673
Changes in other current assets		(2,712)	(3,177)
Changes in other current liabilities		2,611	(2,373)
Adjustments to changes in other non-current items:			
Other non-current assets and liabilities		(4,774)	3,130
		86,333	5,059
Cash inflows/(outflows) for income tax:		(18,622)	5,435
Net cash flows from operating activities (I)		276,146	68,235
Cash flows from investing activities			
Interest received		205	427
Investments:			
Intangible assets	9 & 18	(115,375)	(585,510)
Property, plant and equipment	11	(19,712)	(13,375)
Financial assets	12	(11,593)	(29)
Business combinations	7	-	(17,500)
Disposals:			
Intangible assets and property, plant and equipment	9 & 11	1	407
Financial assets	12	684	7,584
Business unit	3-b	1,188	-
Net cash flows from investing activities (II)		(144,602)	(607,996)
Cash flows from financing activities:			
Interest paid	17	(6,640)	(2,549)
Equity instruments:			
Dividends paid	24	(24,149)	(22,690)
Treasury shares	15	(1,773)	-
		522	-
Financial Instruments:			
Funds (refunds) from bank borrowings	17	(55,000)	48,925
Funds (refunds) from bonds and other financial instruments	17	-	247,145
Payments from lease agreements	10	(7,543)	-
Other		(5,938)	-
Net cash flows from financing activities (III)		(100,521)	270,831
Net change in cash and cash equivalents (I+II+III)		31,023	(268,930)
Cash and cash equivalents at the beginning of the period		86,270	280,226
Cash and cash equivalents at the end of the period		117,293	86,270

The accompanying Notes 1 to 33 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2019,

(Translation of the notes to 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)**

Notes to the Consolidated Annual Accounts for the year ended
31 December 2019

1. Group activities

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 specialities and products and all manner of raw materials used to prepare the aforementioned pharmaceutical specialities and products,

The Parent company's corporate purpose also includes:

- a) 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.
- b) Research into chemical and pharmaceutical ingredients and products.
- c) 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.
- d) 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.
- e) 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).

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 2019, which were obtained from the accounting records held by the Parent company and by the other companies composing the Group, were formally prepared by the Parent company's directors on 21 February 2020.

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 31 December 2019 and the results of its operations, the changes in consolidated equity, the

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**Almirall, S.A.
and Subsidiaries (ALMIRALL GROUP)**

Notes to the Consolidated Annual Accounts for the year ended
31 December 2019

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 2019 may differ from those used by certain Group companies, the 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 2018 were approved by the Parent company's shareholders at the General Meeting held on 8 May 2019. The Group's consolidated annual accounts for 2019 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 31 December 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 19 July 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 2019 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 1 January 2019

IFRS 16 "Leases", IFRS 9 (Modification) "Advance payment component with negative compensation", IFRIC 23, "Uncertainty about the treatment of income tax", IAS 28 (Modification) "Long-term interests in associates and in joint ventures", IAS 19 (Modification) "Modification, reduction or liquidation of the plan", IAS 1 (Modification) and IAS 8 (Modification) "Definition of materiality (or relative importance)", IFRS Annual improvement plan. Cycle 2015 - 2017: IFRS 9 (Modification), IFRS 7 (Modification) and IAS 39 (Modification) "Reform on interest rate of reference".

These standards have been taken into account as of January 1, 2019, reflecting their impact on these consolidated annual accounts, which have not been significant except for:

IFRS 16 "Leases"

In January 2016, the IASB published this new standard, the result of a joint project with the FASB, which replaces IAS 17 "Leases".

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This standard is applicable to annual periods beginning on January 1, 2019.

The Group has adopted IFRS 16 since January 1, 2019 applying the simplified transition approach and has not restated the comparative figures for fiscal year 2018, as permitted under the standard. The reclassifications and adjustments arising from the new lease rules are therefore recognized in the initial balance sheet on January 1, 2019.

Recognized adjustments in IFRS 16 adoption's

With the adoption of IFRS 16, the Group recognized lease liabilities in relation to leases that had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were valued at the present value of the remaining lease payments, discounted using the incremental rate of indebtedness of the lessee as of January 1, 2019. The weighted average incremental rate of indebtedness of the lessee applied to the lease liabilities on January 1, 2019 was 2,1% for buildings and 2,9% for transport elements.

For leases previously classified as financial leases, the Group recognized the carrying amount of the leased asset and the lease liability immediately before the transition as the carrying amount of the right-of-use asset and the lease liability on the application date initial. The valuation principles of IFRS 16 apply only after that date. The new valuations of the lease liabilities were recognized as adjustments to the corresponding right-of-use assets immediately after the initial application date. There were no valuation adjustments for residual value guarantees or variable lease payments based on an index or rate.

	2019
	In thousand euros
Commitments for operating leases as at December 31st, 2018	24,386
(Less): Impact of the financial update of future payments on the date of initial application	(1,888)
Liability for leases booked as at January 1st, 2019	22,498
Of which:	
Liabilities for non-current leases	7,916
Liabilities for current leases	14,582
	22,498

The right-of-use for the assets were valued at an amount equal to the lease liability, adjusted by the amount of any advance payment or accrued in relation to that lease recognized in the balance sheet as of December 31, 2018. There were no onerous lease contracts that they would have required an adjustment to the assets by right of use on the date of initial application.

The recognized rights-of-use assets by types of assets are the following:

	31 December 2019 Thousand euros	1 January 2019 Thousand euros
Offices	12,166	16,285
Machinery	199	282
Vehicles	5,907	5,931
Total assets by right of use	18,271	22,498

Net profit after taxes has decreased by approximately 0.3 million euros in 2019 as a result of the adoption of the new rules. The EBITDA (from now on, understood as the calculation of the operating profit plus the headings of the consolidated profit and loss account of "Amortization", "Net change in provisions", "Net results from disposal of assets" and "Results from impairment of immobilized") of the Group has increased approximately 8 million euros, given that the operating lease payments were included in the EBITDA, but the amortization of the right-of-use assets and the interest

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on the lease liability are excluded from this measure. This impact has been assigned to the "Corporate management and results not allocated to other segments" segment, as it is not individually significant among the various segments of the Group.

Operating cash flows have increased and financing cash flows have decreased by approximately 7.5 million euros, since the reimbursement of the principal part of the lease liabilities is classified as cash flows from financing activities.

The Group's activities as lessor are not material and, therefore, there has not been a significant impact on the financial statements.

In applying IFRS 16 for the first time, the Group has used the following practical solutions allowed by the standard:

- the use of a discount rate for all lease portfolio with reasonably similar characteristics, mainly for transport elements
- previous assessments on whether leases are onerous
- the exclusion of the initial direct costs in the valuation of the asset by right of use on the date of initial application, and
- the retroactive action to determine the lease term when the contract contains options to extend or rescind the lease.

The Group has chosen not to re-evaluate whether a contract is, or contains, a lease on the date of initial application. Instead, for contracts signed before the transition date, the group relies on the evaluation it did applying IAS 17 and IFRIC 4 Determination of whether an Agreement Contains a Lease.

Group leasing activities and how they are accounted for

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

Until fiscal year 2018, rents of property, plant and equipment were classified as financial or operating leases. Payments made under operating leases (net of any incentive received from the lessor) were charged to the profit and loss on a straight-line basis over the term of the lease.

As of January 1, 2019, leases are recognized as an asset by right of use and the corresponding liability on the date on which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the financial expense. The financial expense is charged to the profit and loss 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, the smaller of the two, on a linear basis.

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

- fixed payments (including essentially fixed payments), minus any incentive for lease receivable
- variable lease payments that depend on an index or type, and
- payment of penalties for rescission 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 contract. If that rate cannot be determined, the incremental type of indebtedness is used, being the rate that the lessee would have to pay to borrow the necessary funds to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Given the nature of the assets by right of use, the initially recognized cost is essentially related to the initial valuation of the lease liability, generally not being the initial direct costs or restoration costs. Also, there are no variable lease payments other than those that depend on a type or rate,

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Payments associated with short-term leases and leases of low-value assets are recognized as an expense in profit and loss. 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.

IFRIC 23, "Uncertainty about the treatment of income tax"

This interpretation is applicable to annual periods beginning on or after January 1, 2019. The Group has adopted IFRIC 23 retroactively since January 1, 2019, restating the comparative figures for the 2018 financial year. Consequently, the reclassifications and adjustments that arise from said interpretation are therefore recognized in the balance sheet of December 31, 2018.

With the adoption of IFRIC 23, the Group has reclassified 8 million euros initially registered under "Long-term provisions" under "Other non-current liabilities" (Notes 18 and 19).

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 condensed consolidated interim financial statements, the IASB and the IFRS Interpretations Committee had published the standards, modifications and interpretations detailed below that are pending adoption by the European Union:

IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associates or joint ventures", IFRS 17 "Insurance contracts", IFRS 3 (Amendment) "Definition of a business", IFRS 9 (Amendment), IFRS 7 (Amendment) and IAS 39 (Amendment) "Reform of the reference interest rate".

As indicated above, the Group has not considered the anticipated application of the Standards and interpretations described 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, if adapted by the European Union.

c) Comparison of information

As indicated in section b) of this Note, effective January 1, 2019, the Group has adopted IFRS 16 Leases.

The Group has applied the simplified transition approach and has not restated the comparative figures for the year prior to the initial adoption. Additionally, as indicated in this Note, with effect January 1, 2019, the Group has adopted IFRIC 23 Uncertainty about the treatment of income tax by restating the comparative figures for the previous year. On the other hand, Almirall Group sold the subsidiary ThermiGen, LLC in March 2019.

All the above mentioned aspects should be taken into account when comparing the financial statements that are part of these consolidated annual accounts with those corresponding to the annual year ended December 31, 2018.

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 recognised 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 31 December 2019, estimates by the Group's executives and consolidated entities, which were later approved by the Parent company's directors, were used

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occasionally to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically 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 recognised 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 21).
- The fair value of certain unlisted financial assets (see Notes 5-j, 7-a and 11).
- Assessment of lawsuits, obligations and contingent assets and liabilities at year-end (see Notes 5-l and 25).
- 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: the United Kingdom formally left the European Union on January 31, 2020 and became an extra-EU country for the purposes of the European Union. A transition period has begun on February 1, 2020, that will end on December 31, 2020. Both parties (United Kingdom and EU) now have eleven months to negotiate the future relationship and trade agreements. The Group has carried out all the necessary actions to deal with a possible hard Brexit, so it is in a good position to make any possible agreement that is needed by January 1, 2021. Meanwhile, the pharmaceutical law of the EU as established in the "Acquis Communautaire" will continue to apply in the United Kingdom, which means that pharmaceutical companies can carry out their activities until the end of 2020. Additionally, as detailed in Note 21, the % of Group turnover in said market amounts to 3%.

Although these estimates were made on the basis of the best information available at 31 December 2019 on the events analysed, 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, recognising 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.

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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.

Almirall Group companies were fully consolidated because Almirall directly or indirectly holds more than 50% of the share capital of these companies and has effective control over them because it holds the majority of the voting power in their representation and decision-making bodies. Accordingly, all material balances and effects of the transactions between consolidated companies were eliminated on consolidation.

The results generated by the acquired entities in a year are consolidated by taking into consideration only results relating to the period between the date of acquisition and the year end. The results generated by entities disposed of during a year are only consolidated for the period running from the start of the year to the date of disposal.

When necessary, the financial statements of the subsidiaries are adjusted so that the accounting policies used are the same as those applied by the Group's Parent company.

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, recognising any gain or loss in profit or loss. The fair value is the initial carrying amount when subsequently recognising the remaining holding as an associate, joint venture or financial asset. Any amount recognised previously in other comprehensive income in relation to this entity is recognised as if the Group had directly sold the related assets or liabilities. This could mean that the amounts previously recognised 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 2019, the following changes were made to the Group's composition, which have not had a significant effect on these annual accounts:

- 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 has been 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, 2018, as indicated in Notes 8 and 9 of the Group's consolidated annual accounts for the annual year ended December 31, 2018. As a result 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.

In 2018, the following changes were made to the Group's composition, which have not had a significant effect on these consolidated annual accounts:

- Liquidation of the Almirall Production S.A.S. by its parent company Almirall S.A.S. on December 10, 2018.

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These transactions involve reorganizations within the Group that do not originate results within the Group, but rather maintain the previous value of the assets and liabilities indicated.

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 35.4 million (equivalent to 0.203 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 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.

5. Accounting standards

The Group's consolidated annual accounts for the year ended 31 December 2019 were prepared 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 principal 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.

Any excess of the cost of equity instruments representing the capital of acquired subsidiaries over their corresponding underlying carrying amounts, adjusted at the date of first time consolidation, is 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): amortisation and depreciation, accrual method of accounting, etc.
- If it is attributable to certain intangible assets: by recognising 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 recognised as goodwill, which is allocated to one or more specific cash-generating units.
- Goodwill acquired from 1 January 2004 onwards is carried at the consideration delivered while goodwill prior to that date is continued to be recognised 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 amortisation of goodwill. An impairment loss recognised 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.

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b) Intangible assets

Intangible assets are initially recognised at acquisition cost (separately or through a business combination) or production cost and are subsequently measured at cost less any accumulated amortisation 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 amortised, 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 finite useful lives are amortised over the useful life, using methods similar to those used to depreciate property, plant and equipment. The amortisation rates, which were determined on the basis of the average years of estimated useful life of the assets, are basically as follows:

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

The consolidated companies recognise any impairment loss on the carrying amount of these assets with a charge to “Impairment Losses on Property, Plant and Equipment, Intangible Assets and Goodwill” in the consolidated income statement. Impairment losses are recognised and reversed from prior years, where applicable, using methods similar to the ones used for property, plant and equipment (see Note 5-d).

Development costs-

a) In-house development

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

The expenditure incurred internally as a result of the development of new drugs by the Group is only capitalised 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.
- V. Adequate technical, financial and other resources are available to complete development and use or sell the medication resulting from the development in progress.

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- 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 capitalising development expenditure have been achieved.

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

No significant capitalisation of internal development costs have been made in 2019 and 2018.

b) Separate acquisition

A research and development project in progress acquired separately or through a business combination is always capitalised 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 amortised 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 recognised as an expense are not recognised as an asset in a subsequent period.

Intellectual property-

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

The expenses incurred in development of intellectual property that is not economically feasible are recognised in full in the income statement 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 recognised 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 recognised as property, plant and equipment if they constitute an integral part of the related tangible asset, which cannot operate without that specific software.

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

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c) Property, plant and equipment

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

Replacements or renewals of complete items that lead to a lengthening of the useful lives of the assets or to an increase in their economic capacity are recognised as additions to property, plant and equipment. The items replaced or renewed are derecognised 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 recognised in the consolidated income statement and is basically based on the depreciation rates calculated over the years of estimated useful life. The land on which the buildings and other structures stand is considered to have an indefinite useful life and, therefore, it is not depreciated. 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 recognised 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 amortised 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.

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

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Where an impairment loss subsequently reverses (not permitted for goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. Reversal of an impairment loss is recognised in the consolidated income statement immediately up to the above permitted limit.

Note 5-a states when goodwill is tested for impairment. The test is composed of three steps: Firstly, the recoverable amount of the goodwill specifically allocated to cash-generating units is assessed (wherever possible). Secondly, the loss attributable to the assets included in the cash-generating unit is assessed and any impairment thereon is recognised in accordance with the above. Thirdly the recoverable amount of unallocated goodwill is assessed, including all the associated cash-generating units. An impairment loss recognised for goodwill must not be reversed in a subsequent period (see Note 5-a).

In general, the methodology used by the 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 31 December 2019 and 2018 were as follows:

Cash generating Unit	Intangible assets as of December 31, 2019 (euro thousand)	Hipotesis 2019 (*)	Hipotesis 2018 (*)
Almirall LLC (formerly Aqua Pharmaceuticals, LLC)	Goodwill: - Intangible asset: 74,613	d.r.b.t.: 10.9% d.r.a.t.: 7.5% g.r.c.i.: (15)%	d.r.b.t.: 16.1% d.r.a.t.: 7.5% g.r.c.i.: (15)%
Almirall LLC ("Allergan portfolio")	Goodwill: - Intangible asset: 437,333	d.r.b.t.: 9.1% d.r.a.t.: 7.5% g.r.c.i.: (5)% - (15)%	d.r.b.t.: 9.6% d.r.a.t.: 7.5% g.r.c.i.: (20)%
Almirall Hermal GmbH	Goodwill: 227,743 Intangible asset: 4,757	d.r.b.t.: 10.9% d.r.a.t.: 7.5% g.r.c.i.: (2)%	d.r.b.t.: 11.1% d.r.a.t.: 7.5% g.r.c.i.: (2)%
Poli Group Pipeline	Intangible asset: P- 3058 1,116	d.r.b.t.: 12.6% d.r.a.t.: 9%	d.r.b.t.: 12.4% d.r.a.t.: 9%
Segment third parties	P- 3074 16,960	g.r.c.i.: (15)%	g.r.c.i.: (15)%
Poli Group Pipeline	Intangible asset: P- 3058 4,940	d.r.b.t.: 11.6% d.r.a.t.: 9%	d.r.b.t.: 11.2% d.r.a.t.: 9%
Segment own network	P- 3074 4,449	g.r.c.i.: (15)%	g.r.c.i.: (15)%
Poli Group Marketed	Goodwill: 45,416 Intangible asset: 218,769	d.r.b.t.: 9.3% d.r.a.t.: 7,5% g.r.c.i.: (1)%	d.r.b.t.: 12.2% d.r.a.t.: 7.5% g.r.c.i.: (1)%
Segment third parties			

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Poli Group Marketed	Goodwill: 7,400	d.r.b.t.: 10.0% d.r.a.t.: 7.5%	d.r.b.t.: 10.3% d.r.a.t.: 7.5%
Segment own network	Intangible asset: 48,278	g.r.c.i.: (-)%	g.r.c.i.: (-)%
Licence AstraZeneca	Intangible asset: 67,085	d.r.b.t.: 11.8% d.r.a.t.: 9.0% g.r.c.i.: (20)%	d.r.b.t.: 12.6% d.r.a.t.: 9.5% g.r.c.i.: (20)%
Licence Sun Pharma	Intangible asset: 87,883	d.r.b.t.: 13.6% d.r.a.t.: 9.0% g.r.c.i.: (-)%	d.r.b.t.: 11.8% d.r.a.t.: 9.5% g.r.c.i.: (-)%
Licence Athenex	Intangible asset: 44,275	d.r.b.t.: 11.8% d.r.a.t.: 9.0% g.r.c.i.: (15)%	d.r.b.t.: 10.5% d.r.a.t.: 9.5% g.r.c.i.: (15)%
Dermira	Intangible asset: 84,800	d.r.b.t.: 11.8% d.r.a.t.: 9.0% g.r.c.i.: (15)%	-
Other licenses	Intangible asset: 7,320	d.r.b.t.: 12.0% d.r.a.t.: 9.0% g.r.c.i.: (2)%	d.r.b.t.: 13.4% t.d.: 9.5% 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 59% and 95%.

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.

Cash generating unit	Sensibility analysis	Impact (million euros)
Almirall LLC (formerly, Aqua Pharmaceuticals, LLC)	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- 5 / (7) - 0 / (2) - 0 / (2)
Almirall LLC portfolio ("Allergan portfolio")	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- None - None - None
Poli Group Pipeline Segment sold by third parties	- Increase / Decrease estimated net sales by 10% - 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 / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate	- None - None

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	- Increase / Decrease by 1 point in the discount rate	- None
Poli Group Marketed Segment sold by third parties	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- None - None - None
Poli Group Marketed Internal network segment	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- None - None - None
Astrazeneca license	- Increase / Decrease estimated net sales by 10% - 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 / Decrease estimated net sales by 10% - 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 / Decrease estimated net sales by 10% - Increase / decrease by 5 points the probability of success - Increase / Decrease by 1 point in the discount rate	- None - None - None
Athenex license	- Increase / Decrease estimated net sales by 10% - Increase / decrease by 5 points the probability of success - Increase / Decrease by 1 point in the discount rate	- None - None - None
Dermira license	- Increase / Decrease estimated net sales by 10% - Increase / decrease by 5 points the probability of success - Increase / Decrease by 1 point in the discount rate	- None - None - None

e) Leases

The treatment of leases is detailed in Note 2-b), in the section of IFRS 16 "Leases", as well as in Note 10 their movements are detailed in the consolidated balance sheet.

The Group has applied IFRS 16 retroactively, but has chosen not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Accounting policy until December 31, 2018

Leases in which the Group acts as a lessee are classified as operating when they meet the conditions set forth in IAS 17, that is, when ownership of the leased asset and, substantially, all the risks and rewards that fall on the asset, are attributable to the landlord.

Payments for operating leases are charged to the profit and loss account on a linear basis during the lease period.

Leases of property, plant and equipment in which the lessee has substantially all the risks and rewards of ownership are classified as financial leases. Financial leases are capitalized, at the beginning of the lease, for the lower value between the fair value of the leased asset and the present value of the minimum lease payments.

Each payment for the lease is distributed between the liability and the financial burden. The corresponding lease obligations, net of financial charges, are included in long-term accounts payable. The part corresponding to the interest of the financial burden is charged to the profit and loss account during the lease period so that a constant periodic interest rate is obtained on the debt pending amortization in each period. Property, plant and equipment acquired through a financial lease is amortized during the shortest period between the useful life of the asset and the lease period.

As of December 31, 2018, the Group had no financial leases.

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f) Inventories

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

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

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

The Group assesses the net realisable value of the inventories at the end of each period and recognises 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 realisable value due to a change in economic circumstances, the valuation adjustment is reversed.

g) Receivables from sales and services

Trade receivable balances are initially recognised at fair value and subsequently measured at amortised 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 recognised 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 31 December 2019 and 2018, the measurement bases applied by the Group to its financial instruments were as follows:

Financial assets-

(i) Classification

As of January 1, 2018 and 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.

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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 or 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.

(ii) Recognition and derecognition 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 derecognised 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.

(iii) 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 (VRR), 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. There are three valuation categories in which the group classifies its debt instruments:

- 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.

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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.

(iv) Impairment losses

As of January 1, 2018, 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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are recognised initially at fair value less any transaction costs incurred. Financial liabilities are subsequently measured at amortised 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 recognised as transaction costs of the liability provided that it is probable that the credit line will be drawn down in part or in full. Otherwise, the fees are deferred until funds are drawn down. Fees are capitalised as an advance for liquidity services and are amortised over the period of the credit availability to the extent that it is not probable that the credit line will not 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.

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The loans with subsidised or zero interest rates are forms of government aid. These loans are recognised 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 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:

- Variations in the value of assets and liabilities due to shifts in prices, interest rates and/or exchange rates to which the position or balance to be hedged is subject ("fair value hedges").
- Fluctuations in estimated cash flows arising on financial assets and liabilities, obligations and transactions forecast and highly probable that an entity is planning to carry out ("cash flow hedges").
- The net investment in a foreign operation ("hedge of a net investment in a foreign operation").

(i) 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.

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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 affects 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.

(ii) 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.

(iii) 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),

At 2019 and 2018 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 is certain as to its nature but uncertain as to its amount and/or timing; and

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- Contingent liabilities: possible obligations resulting from past events, the future materialisation 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 recognised, 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 recognised. Provisions are fully or partially reversed when these risks cease to exist or are reduced.

Litigation 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 2019 and 2018, 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 recognised 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.

Provision for restructuring-

The Group recognises 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 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. (in the group since 2016) 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, a defined contribution plan with employer contributions and two 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

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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 recognised 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 actuarial valuations were calculated using the Projected Unit Credit method. Pension liabilities are measured on the basis of the present value of the benefits to which the employees are entitled, bearing in mind the employees' years of service and the time remaining until retirement.
- Actuarial assumptions: in 2019 and 2018 the main assumptions used in the actuarial valuation of the aforementioned obligations were as follows:

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%
Benefit increase rate	1,75%	1,00%	0,00%
Turnover rate	3,00%	8,22%	-
Retirement age	63	64 - 65	64 - 65

2018	Almirall Hermal, GmbH	Almirall, AG	Polichem, S.A.
Mortality tables	Heubeck 2018G	BVG 2015 GT	BVG 2015 GT
Discount rate	1,75%	0,90%	0,90%
Salary increase rate	2,25%	1,75%	1,50%
Benefit increase rate	1,75%	0,00%	0,00%
Turnover rate	3,00%	8,31%	-
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.

Past service costs result from the changes to the benefits offered under a defined benefit plan. This may entail an improvement or curtailment of the benefits covered by the plan.

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IAS 19 requires past service costs to be recognised directly in the consolidated income statement for the year in which the plan is amended. The entity recognises 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 included in a defined benefit plan has an immediate impact on the income statement. Benefit costs which have not yet accrued in the vesting period cannot be deferred.

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 recognised as an expense in this respect in 2019 and 2018 totals EUR 2.4 million and EUR 1.5 million, respectively.

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

m) Termination benefit costs

Termination benefits 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 recognises these benefits 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 termination benefits are measured on the basis of the number of employees that are expected to take the offer up. Benefits not falling due within 12 months of the balance sheet date are discounted to present value.

n) Government grants

Government grants to cover current costs are recognised 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 recognised in profit or loss over the expected useful lives of the assets concerned.

o) Recognition of income and expense

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:

- 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.

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- 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:
 - a) 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.
 - b) The Group's execution creates or improves an asset that the client controls as the asset is created or improved.
 - c) 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, that are included in the caption "Revenues" 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 "Revenue", 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 "Revenue" 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 "Revenue" 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 Spanish income tax expense and similar taxes applicable to the consolidated foreign operations are recognised in the consolidated income statement unless they arise from a transaction whose results are recognised directly in equity, in which case the related tax is also recognised in equity.

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 Corporate Income Tax Law. The companies composing the tax group for 2019 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas Almirall, S.A., Laboratorios TecnoBio, S.A., Ranke Química, S.A. y Almirall Aesthetics, S.A., the first of which is the head of the tax group. Consequently, the consolidated income tax expense includes the benefits arising from the application of tax loss and tax credit carry forwards that would not have been recognised had the companies that make up the aforementioned tax group filed individual tax returns.

The income tax expense represents the sum of the current tax expense and the changes in recognised 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 also 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 realised or the liability is settled. However, deferred taxes are not recognised 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 recognised 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 utilised. At each accounting close, deferred tax assets and liabilities are analysed to ensure that they remain valid. Any necessary adjustments arising out of the analyses are made accordingly.

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 time before they are ready

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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 capitalisation until it is used by the qualifying assets.

Other borrowing costs are expensed currently in the income statement.

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:

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

Foreign currencies transactions performed by consolidated companies are initially recognised 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.

2. 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 prevailing 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 recognised 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 recognised 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 on the 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.

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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.

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 recognised under "Current financial 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 14 February 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 9 May 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 31 December 2019 and 2018.

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w) Share capital

Ordinary shares are classified as equity.

The incremental costs directly attributable to the issue of new shares or options are recognised 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

a) IFRS 16 Leases

In January 2016, the IASB published this new standard, the result of a joint project with the FASB, which repeals IAS 17 "Leases". Said rule enters into force on January 1, 2019. In notes 2-b) and 10, the first application impacts as well as the movements occurred in the year ended December 31, 2019 are detailed.

b) IFRIC 23 Uncertainty about the treatment of income tax

This interpretation is applicable to annual periods beginning on January 1, 2019. The Group has adopted IFRIC 23 retroactively since January 1, 2019, restating the comparative figures for the 2018 financial year. Consequently, the reclassifications and adjustments that arising from this interpretation are therefore recognized in the balance sheet of December 31, 2018. With the adoption of IFRIC 23, the Group has reclassified 8 million euros initially registered under the heading of "Long-term provisions" under the heading of " Other non-current liabilities "(Notes 18 and 19).

7. Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the circumstances.

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 licences 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 recognise in profit or loss.

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As a result of the operation with AstraZeneca UK Limited on 1 November 2014, Almirall, S.A. entered into an agreement with AstraZeneca UK Limited. Under the agreement it transferred the rights to part of its respiratory franchise, which included various components, 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 recognised at the fair value of the agreed considerations (the portion of the initial payment allocated plus the corresponding fair value of the potential future payments from milestones, sales and royalties), derecognising the existing assets from the consolidated balance sheet for the purpose of the business. The profit (loss) of the business was recognised under "Other Income" in the income statement for 2014.
- As a result of this operation, a financial asset was generated, valued at fair value at year end with changes to the results, and formed by the following components of future collection established in the sale agreement in relation to the future development of the sales activity of the Eklira business unit:
 - "Milestone events": events related to the first launches and to obtaining benchmark prices in certain countries with a 25-30% probability of occurring.
 - "Sales-related payments": events related to reaching a certain level of sales. At 31 December 2019 there is a milestone pending to be collected amounting to 26 million euros (30 million dollars).
 - "Potential payments": events related to the payment of royalties, which is linked to the sales obtained in each future year. Sales revenue is related to the sales variable based on sales reported by AstraZeneca at the end of the corresponding year.

The fair value of this transaction was calculated by independent experts Ernst & Young. The fair value was calculated on the basis of discounted cash flows adjusted for the probable success of certain risks associated at different stages of the products. The discounted cash flow method estimates the future cash flows of the asset (translated from USD to euros at the exchange rate based on the range agreed in the agreement) and the cash flows during the estimated marketing period, taking into account the maturity of the patent, adjusted for estimated probability of success. These 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 main assumptions and considerations used by the independent experts to value the financial asset at 31 December 2019 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 10.5%.
- 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 31 December 2019, the following should be taken into account:

- If the estimation of sales revenue for 2020 to 2035 is reduced/increased by 5% every year, the effect would be a reduction/increase of the financial asset by EUR (6.3)/6.3 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 3.8/(3.8) million, respectively.

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- 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 (1.8)/1.8 million, respectively.
- Sales of licences for development and the subsequent marketing: of the components in the sales agreements which transferred certain rights for development and subsequent marketing, in which there is significant ongoing involvement over the development period by Almirall, the initial payment assigned to this component (“upfront payment”) is recognised on a straight-line basis in the consolidated income statement over the expected development period (expected until 2021-2023, approximately) (see deferred income in Note 15). Once the product in question has been launched, an analysis is conducted of recognition of future royalties based on the date from which the amount thereof can be estimated reliably,

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 capitalisation upon initial recognition under IFRS (see Note 5-b). These assets will be amortised 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 realisable 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.

Deferred payments, when considered certain, are recognized as a liability at fair value.

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

At 31 December 2019 and 31 December 2018, 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

In calculating its 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

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of the Group companies, the Group has determined the expected period over which the deferred tax assets will be realised, also taking into account the timing of deduction of the tax credit and tax loss carry forwards by the legally established deadlines (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 recognising the asset, it has not taken into account those tax credits which, on the basis of estimates of future taxable profit, need a longer period of time, even if it is permitted under tax legislation, considering that it will not be a likely case of recovery within the 10-year period.

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 analyse the recoverable amount of goodwill and intangible assets could give rise to other considerations in the impairment of them,

8. Goodwill

The changes in "Goodwill" in the consolidated balance sheets in 2019 and 2018 were as follows:

	Thousands of Euros						
	Balance at 31 December 2017	Additions	Exchange rate differences	Balance at 31 December 2018	Additions	Exchange rate differences	Balance at 31 December 2019
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
ThermiGen, LLC	25,849	(26,583)	734	-	-	-	-
Total	341,815	(26,583)	734	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 unrealised gains arising from property, plant and equipment and financial assets.

The goodwill on Almirall Hermal, GmbH arose in 2007 as a result of the difference between the acquisition cost of the shares of the Hermal Group companies and the underlying carrying amount thereof 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. This goodwill has been allocated to the cash-generating unit formed by Almirall Hermal, GmbH as a whole in accordance with the segmentation and follow-up financial reporting policies of Almirall Group management.

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 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.

The goodwill of ThermiGen arose as a result of the difference existing between the acquisition cost of this company's shares in February 2016 and the underlying carrying amount thereof at the acquisition date, with the difference between its fair value and carrying amount having been allocated to the identifiable assets and liabilities in the Group's financial statements. The translation differences movement corresponding to the 2018 financial year were a consequence of the exchange rate effect when converting the goodwill corresponding to ThermiGen, LLC registered at the level of the subsidiary Almirall Aesthetics, Inc., to the presentation currency of the annual accounts consolidated, with the impact

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of an increase of 0.7 million euros. Additionally, in 2018, an impairment was made due to the loss of value of the entire goodwill of ThermiGen LLC, as explained in the impairment loss section of this note. Finally, said company has been disposed of in fiscal year 2019, as explained in Note 3-b).

Impairment losses

At 31 December 2019, the recoverable amount of all goodwill tested for impairment has been estimated on the basis of calculations of value in use as described in Note 5-d. With respect to the cash generating units these calculations use five-year cash flow projections based on financial budgets approved by management. Cash flows for more than the five year period are extrapolated using the estimated growth rates indicated in Note 5-d.

On September 21, 2018, the Group announced the search for strategic options for its aesthetic business, which was carried out through the subsidiary ThermiGen, LLC. At the close of fiscal year 2018, as a consequence of the operating performance of said subsidiary below what was expected as of the last quarter of the year and as a result of a low performance of new products developed internally and launched at that date, and the lack of synergies with the rest of the Group's business in the United States, the Group decided to carry out a review of the business plan foreseen for the coming years with respect to the one carried out at the end of the previous year (as well as the closing of the first half of 2018) on which the impairment test was based on the intangible assets (including goodwill) arising from the purchase of said subsidiary in 2016. The new business plan contemplated a significant reduction of the financial perspectives (both sales and of margins) for the next future years. From the update of the impairment test of the recoverable value of the assets assigned to this CGU based on the revised business plan on this subsidiary at the end 2018, and in accordance with the key assumptions indicated in Note 5 d), an impairment loss of EUR 75.2 million was recognized, corresponding to EUR 26.6 million of impairment of goodwill, EUR 43.8 million of impairment of intangible assets (Note 9) , EUR 2.2 million of impairment of property, plant and equipment (Note 11) and EUR 2.6 million of the inventory as of December 31, 2018 (Note 13). As explained in Note 3-c) this affiliate was divested in March 2019.

The impairment losses are recorded in "Impairment Losses on Property, Plant and Equipment, Intangible Assets and Goodwill" in the accompanying consolidated income state (Note 21).

At 31 December 2019, 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 recognised.

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 31 December 2019 and 2018 and of the changes therein is as follows:

	Patents and trademarks	Development expenditure	Computer software	Prepayments and assets under construction	Total
Cost					
At 31 December 2017	1,371,361	82,781	87,056	186,686	1,727,884
Additions	497,469	-	2,222	-	499,691
Disposals	(11,224)	-	(20)	(62,199)	(73,443)
Transfers	94,733	-	3,616	(96,216)	2,133
Exchange differences	24,473	781	56	988	26,298
At 31 December 2018	1,976,812	83,562	92,930	29,259	2,182,563

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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
Accumulated amortization					
At 31 December 2017	(621,029)	(121)	(66,352)	-	(687,502)
Additions	(62,332)	-	(9,286)	-	(71,618)
Disposals	11,138	-	10	-	11,148
Transfers	-	-	-	-	-
Exchange differences	(1,393)	(355)	(44)	-	(1,792)
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)
Impairment losses					
At 31 December 2017	(232,178)	(52,816)	(5,072)	(20,000)	(310,066)
Impairment losses	(13,582)	-	-	20,000	6,418
Exchange differences	(7,936)	-	-	-	(7,936)
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)
Net book value					
Cost	1,976,812	83,562	92,930	29,259	2,182,563
Accumulated amortization	(673,616)	(476)	(75,672)	-	(749,764)
Impairment losses	(253,696)	(52,816)	(5,072)	-	(311,584)
At 31 December 2018	1,049,500	30,270	12,186	29,259	1,121,215
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

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.

In 2019, the main additions to intangible assets amounted to EUR 117 million mainly correspond to:

- As a result of the agreement signed with Athenex dated December 11, 2017, by which Almirall granted an exclusive license to investigate, develop and market 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, subsequent payments were derived associated with compliance with certain milestones of the product development phase. As of December 31, 2019, payments for the fulfillment of these milestones have been formalized in the amount of 17.3 million euros (20 million dollars).

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- In February 12, 2019 Almirall announced an option and license agreement with Dermira under which Almirall has acquired an option to exclusively license rights to develop and commercialize lebrikizumab for the treatment of atopic dermatitis and certain other indications in Europe. As a consequence of this agreement Almirall did a first payment of 30 million dollars (27 million euros). In June 25, 2019 Almirall decided to exercise the option and paid 50 million dollars (approximately 44 million euros) in July 9, 2019. Finally during the last quarter of 2019 Almirall paid 15 million dollars (approximately 13 million euros) as a consequence of the consequence of some milestones related to Phase III clinical studies.

Additionally in this agreement Almirall will be obligated to make additional payments to Dermira upon the achievement of certain milestones, including \$15 MM in connection with the initiation of certain Phase 3 clinical studies and up to \$85 million dollars upon the achievement of regulatory milestones and the first commercial sale of lebrikizumab in Europe. In addition, Dermira will be entitled to receive milestone payments upon the achievement of certain thresholds for net sales of lebrikizumab in Europe, as well as royalty payments representing percentages of net sales that range from the low double-digits to the low twenties.

- 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 immunoinflammatory 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, 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.

In 2018, the main additions to intangible assets amounted to EUR500 million mainly related to:

- Following the Group's criteria when acquiring intangible assets with contingent payments subject to future events, these are accounted for in accordance with the accumulated cost model. As a result, the Industrial Property heading was increased by the present value of future payments (EUR 24.7 million), related to the acquisition of an exclusive license to commercialize two products for the reduction of cholesterol on date 21 of December 2017, subject to different milestones re-estimated at December 31, 2018, based on the evolution of sales in Spain of both products during the year.
- Effective September 21, 2018, the Group acquired, through the subsidiary Almirall LLC, a portfolio of five products from the Medical Dermatology division in the United States (which belonged to Allergan Sales, LLC and Allergan Pharmaceuticals International Limited ("Allergan")) composed of four mature and growing products for acne and dermatosis, and a new innovative product (Seysara™ (sarecicline)), for the oral treatment of acne. The consideration for this transaction consisted of an initial cash payment of USD 550 million (EUR 472.7 million, of which EUR 460.7 million correspond to the acquired portfolio and the rest to acquired stocks (see Note 13)) carried out on September 21, 2018, together with a subsequent increase in the price of USD 12 million (EUR 10.3 million) after meeting the milestone related to the regulatory approval of the product "Seysara™ (sarecicline)" on 2 October of 2018 by the FDA and a contingent consideration ("earn-out") that can reach about USD 100 million payable in the first quarter of 2022, mainly based on compliance with a certain amount of sales of said portfolio acquired in 2021. The method used to determine the fair value of the contingent consideration (determined at EUR 0 million) has consisted of the deration of the possible payment scenarios to be performed in 2022, weighted by the probability of occurrence assigned for the future event considered to be close to zero. The fair value at the date of acquisition of the assets acquired has been determined basically using valuation techniques and has been carried out by an independent expert.

At the beginning of the second half of 2016, the pre-conditions of the agreement signed with Sun Pharmaceutical Industries Ltd, (Sun Pharma), in accordance with which the company granted an exclusive licence to trade, develop, manufacture and sell a compound to treat chronic plaque psoriasis in 44 European countries to Almirall, S.A., were met. The Group recognised a total intangible asset for EUR 156.9 million corresponding to the sum of the payment

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made for EUR 45.3 million and the current value of the future payments subject to different bureaucratic events and studies which are almost certain to occur (milestones marking the end of certain compulsory clinical trials and notification of the corresponding approvals by regulatory agencies, where it is highly likely that the approvals will be obtained as the project in question has had positive results at Phase III), reviewed at their update value at its updated value at the date of acquisition, totalling EUR 111.6 million. This outstanding amount, modified by the interest accrued from the acquisition of this asset, was recognised under "Suppliers of assets" (Note 17) and included the interest accrued up to year end. This licence was in course as it was expected to be launched at the end of 2018 or the beginning of 2019 (at 31 December 2016 it was expected to be launched in 2018) following the notification received from the European Medicines Agency (EMA), after the corresponding permits for their sale have been obtained. In addition, based on the signed agreement, Sun Pharma may receive future payments for regulatory, development and sales events as well as royalties for net sales based on certain milestones. A total of 30 million dollars (EUR 28.4 million) were paid in 2017.

As a result of the communication received by the European Medicines Agency (EMA) on November 14, 2017, by which the launch of the product tildrakizumab in the European markets was postponed to the end of 2018 due to an extension of the scope of the centers where the clinical trials that were being examined are carried out, the Company updated the analysis of the deterioration test with the new business plan taking into account the new circumstances surrounding the launch of this product, which led to the recognition of an impairment loss of 20 million euros. As a result of the postponement mentioned above and the departure of biosimilar products in the year 2018, a fact that has a negative impact on the generation of the value of the product, on August 23, 2018 an addendum to the initial contract signed in 2016 was signed, in which is agreed the change of the economic amount of several conditions initially established that imply a reduction of the amounts associated with the upfront payment (including future payments subject to compliance with certain bureaucratic milestones), and increase in the scaling of percentages on sales and milestones associated with future sales. As a result, the corresponding part of the cost of said intangible recognized in 2016 (EUR 62.2 million) was written off in line with the associated liability pending payment included under the heading of "Long and short-term fixed assets", amounting to EUR 21.6 and 40.6 million, respectively. Additionally, and after the approval by the European Medicines Agency (EMA) of the product launch on September 18, 2018 and review of the impairment test based on the new business plan taking into account the new value of the intangible asset adjusted and to the extent that the new business case allows the recovery of the value of the new asset, the impairment recorded in fiscal year 2017 is reversed against the profit and loss account for the year 2018. The key assumptions and methodology of the test impairment are included in Note 5 d). As of December 31, 2018, there were no outstanding amounts related to the acquisition of this license.

The impairment losses recognised in 2019 are mainly due to the termination of the agreement signed with Symatase, whereby it granted Almirall an exclusive license for the worldwide commercialization of a new range of facial fillers with hyaluronic acid, for which the Group paid EUR 7.5 million in 2017. The loss has been recorded in its entirety under the heading "Net results from disposal of assets" (Note 21).

The impacts recorded in "Business combinations" for the year 2019 are due to the sale of the investee company Thermigen LLC (Note 3-c).

The translation differences for 2019 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 471.2 million euros (equivalent to 548 million dollars).

The transfers for the year 2018 correspond to the license mentioned above with Sun Pharma, which, after approval by the EMA, has been transferred to Intellectual Property for a gross value of EUR 94.7 million. The product has been released to the market during the month of November 2018.

Impairment losses are recorded under "Impairment losses on property, plant and equipment, intangible assets and goodwill" in the accompanying consolidated income statement.

The key hypotheses and methodology of the impairment test are included in Note 5 d).

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

	2019	2018
Other acquired development costs	3,192	2,805
Development costs acquired as a result of the acquisition of control of Polichem Group,	27,465	27,465
Licences and other marketing rights as a result of the acquisition of control of Almirall Hermal, GmbH	4,757	6,215
Product technology a result of the acquisition of control of Almirall LLC (formerly, Aqua Pharmaceuticals, LLC)	74,613	81,339
Licences and other marketing rights as a result of the acquisition of control of Polichem Group	267,047	287,776
Licences and other marketing rights as a result of the sales agreement with AstraZeneca	67,085	75,474
Licences and other marketing rights as a result of the sales agreement with Sun Pharma	87,883	94,132
Licences and other marketing rights as a result of the sales agreement with Allergan	437,333	471,219
Other Licences and other marketing rights	17,065	33,345
Total Intellectual Property and Development Expenditure	986,440	1,079,770

The aggregate amount of the research and development expenditure recognised as an expense in the accompanying consolidated income statement for 2019 and 2018 was approximately EUR 92.2 million and EUR 87.6 million, respectively. These amounts include the depreciation of the assets associated with R&D activities and the amortisation of the expenses incurred by Group personnel and by third parties.

At 31 December 2019 and 31 December 2018, there are no internal capitalised R&D expenses.

"Intellectual Property" includes mainly the following intangible assets:

- Licences and other marketing rights resulting from the takeover of Almirall Hermal, GmbH for EUR 4.8 million at 31 December 2019 (EUR 6.2 million at 31 December 2018).
- 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 licences 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 amortisation of EUR 8.3 million in 2019 (EUR 5 million in 2018) and to the revaluation of EUR 1.6 million (EUR 9.8 million in 2018) for its translation to the presentation currency of the consolidated annual accounts. In addition, in 2018 there has been a reversal of part of the impairment recognised for the loss of value of this subsidiary's intangible assets in 2017, as explained in the section on impairment losses of this note.
- Intangible assets acquired from Poli Grupo 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. At December 31, 2019 the amount is EUR 267 million. The movement for the year corresponds to the amortization of the year 2019 for EUR 20.7 million (EUR 20.7 million in the year 2018), which net book value amounts to EUR 267 million as of December 31, 2019. 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

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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, 2019).

- Intangible assets acquired from Thermigen LLC in 2016 for an amount of EUR 64.2 million, mainly relating to "Intellectual Property" (EUR 46.0 million with an estimated useful life of 13 years), "Distribution Agreement exclusive" (EUR 12.7 million with an estimated useful life of 5 years) and "Relations with customers" for which consumable sales are made on a recurring basis, once they have purchased the medical equipment (EUR 5.1 million with an estimated useful life of 9 years). These assets were totally impaired in 2018 as a consequence of the loss of value of the intangible assets of said subsidiary for 43.8 million euros, as explained in Note 8.
- 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 useful life of 4-14 years. As explained in this same note, the net book value at the end of 2019 amounts to EUR 437.3 million (EUR 471,2 million in 2018). The movement of the year corresponds to the amortization of 2019 for the amount of EUR 42.8 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 9.8 million (EUR 7,6 million during 2018).

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 2019 and 2018 included in "Impairment Losses" in the above table and of the changes therein is as follows:

	Thousands of Euros								
	Balance at 31 December 2017	Additions	Disposals	Balance at 31 December 2018	Additions	Disposals	Business combinations	Translation differences	Balance at 31 December 2019
Intellectual property	232,178	13,582	7,936	253,696	262	(8,200)	(45,538)	3,608	203,828
Development expenditure	52,816	-	-	52,816	-	-	-	-	52,816
Computer applications	5,072	-	-	5,072	-	-	-	-	5,072
Intangible and non-current assets	20,000	(20,000)	-	-	-	-	-	-	-
Total impairment losses	310,066	(6,418)	7,936	311,584	262	(8,200)	(45,538)	3,608	261,716

The movements of the 2019 exercise correspond to:

- Withdrawals 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.

The movements in 2018 exercise correspond to:

- Reversal of impairment of technology acquired from Almirall LLC (formerly, Aqua Pharmaceuticals, LLC) for a total of EUR 29.9 million, based on the impairment test mentioned in Note 8. This reversal was derived from the improvement of the Indirect costs imputed in the projections made after incorporating the portfolio acquired from Allergan (since it is synergistic with the structure already existing in that subsidiary).

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- Impairment of intangible assets acquired from ThermiGen LLC in the amount of EUR 43.8 million, explained in Note 8.
- Reversal of impairment on intangible assets in progress linked to the license with Sun Pharma, as described in this note.

As of December 31, 2019 and as a result of the impairment tests carried out and indicated in Note 5 d), the amount of 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 2018) 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 totalling EUR 134.5 million (EUR 131.9 million in 2018).
- 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:
 - o P 3058 (Onicomicosis) impaired by an amount of 7 million euros
 - o P 3073 (Nail Psoriasis) impaired by an amount of 45.7 million euros

The impairment losses generated have been recognised under “Impairment Losses on Property, Plant and Equipment, Intangible Assets and Goodwill” in the accompanying consolidated income statements for 2019 and 2018.

10. Rights of use

The changes in “Rights of use” in the consolidated balance sheet in 2019 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
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)
Net carrying amount				
At 1 January 2019	16,285	282	5,931	22,498
Cost	16,470	299	8,896	25,665
Accumulated depreciation	(4,305)	(100)	(2,989)	(7,394)
At 31 December 2019	12,165	199	5,907	18,271

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As explained in Note 2-b), this heading arises as a result of the first application of IFRS 16 and includes the assets corresponding to the lease contracts that are mainly due to leases of offices and transport elements.

The additions for the year correspond mainly to the renewal of vehicle contracts of the Group's commercial networks.

The payments made in the year 2019 for leases amounted to 7,543 thousand euros.

The detail of the lease liabilities as of December 31, 2019 is as follows, along with their future maturities:

	Amount at 1 January 2019	Amount at 31 December 2019
Lease liabilities		
Current	7,916	7,327
Non current	14,582	11,280
Total	22,498	18,607

	Thousand Euros				
	Current	Non current			Total
		2021	2022	Rest	
Leases liabilities	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 2019 and 2018 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 2017	104,435	97,112	274,451	21,964	8,657	506,619
Additions	-	2,659	3,552	878	6,288	13,377
Disposals	(13,677)	(8,684)	(24,794)	(411)	-	(47,566)
Transfers	4,492	1,902	5,025	536	(10,187)	1,768
Exchange differences	96	(100)	262	80	1	339
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
Accumulated amortization						
At 31 December 2017	(46,133)	(64,506)	(244,406)	(19,507)	-	(374,552)
Additions	(2,127)	(3,235)	(9,633)	(3,567)	-	(18,562)
Disposals	7,530	8,421	21,907	386	-	38,244

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Transfers	(4,019)	-	-	-	-	(4,019)
Exchange differences	(49)	1	(129)	1,997	-	1,820
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)
Impairment losses						
At 31 December 2017	(3,750)	-	-	-	-	(3,750)
Impairment losses	3,750	-	(2,233)	-	-	1,517
Exchange differences	-	-	-	-	-	-
At 31 December 2018	-	-	(2,233)	-	-	(2,233)
Impairment losses	-	(3)	(110)	(15)	-	(128)
Disposals	-	-	2,233	-	-	2,233
Exchange differences	-	-	-	-	-	-
Business Combinations	-	-	-	-	-	-
At 31 December 2019	-	(3)	(110)	(15)	-	(128)
Net book value						
Cost	95,346	92,889	258,496	23,047	4,759	474,537
Accumulated amortization	(44,798)	(59,319)	(232,261)	(20,691)	-	(357,069)
Impairment losses	-	-	(2,233)	-	-	(2,233)
At 31 December 2018	50,548	33,570	24,002	2,356	4,759	115,235
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

The additions in 2019 and 2018 were due mainly to improvements at the production centres at chemical and pharmaceutical plants and at the Group's research and development centres.

At 31 December 2019 and 2018 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 31 December 2019 and 2018 relate mainly to the transfer of investment projects at the production centres that came into service during these years.

Disposals in 2018 related to the divestment of various non-strategic assets. On the one hand, in September 2018, the sale of the offices where the subsidiary Polichem S.A. was located, for a value of EUR 5.3 million became effective. On the other hand, in November 2018 the building where part of the productive facilities (currently in disuse) were located in the past was sold for a value of EUR 0.8 million. This last asset was impaired, which is why it has been canceled for an amount of EUR 3.8 million euros, taking into account in the net result of the sale of this fixed asset, with a charge under the heading "Net profits / (Losses)", by disposition of assets "in the consolidated income statement (Note 21). Additionally, the tangible assets where the subsidiary ThermiGen LLC was located, as explained in Note 8, were also impaired. During 2019, no impairment charges or reversals made on property, plant and equipment occurred.

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As of December 31, 2019 and 2018, the net book value of property, plant and equipment owned by subsidiaries located in foreign countries amounts to 20.3 and 20.9 million euros, respectively, of which 19 million are 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 impacts recorded in "Business combination" are due to the sale of the investee company Thermigen LLC as explained in Note 3-b.

The Group has formalised 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 security for a mortgage loan.

12. Non-current/current financial assets, other cash equivalents and other current assets

As detailed in Note 5 i), as of January 1, 2018, 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 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 is the case of the shares in AB-Biotics, S.A. and 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 31 December 2019 and 2018 and of the changes therein in the years then ended is as follows:

	Thousands of Euros			
	Long-term equity instruments	Deposits and guarantees	Non-current loans and other financial assets	Total

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Balance at 31 December 2017	12,969	6,567	172,423	191,959
Additions or allocations	-	4	241	245
Disposals	(539)	(750)	-	(1,289)
Transfers	-	-	(87,286)	(87,286)
Exchange differences	324	53	198	575
Value adjustments	(12,957)	-	-	(12,957)
Changes in fair value (Note 21)	-	-	51,036	51,036
Others	203	(390)	220	33
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 20)	-	-	51,829	51,829
Changes to the scope of consolidation	-	(75)	-	(75)
Balance at 30 June 2019	-	964	102,220	103,184

The caption "Financial assets – Non-current loans and other financial assets" includes, mainly for the amount of EUR 98,394 thousand (EUR 136,658 thousand as of December 31, 2018), the financial asset corresponding to the fair value of future payments to receive long-term payments from AstraZeneca as described in Note 7. On April 5, 2019, the achievement of a milestone for sales achievement was announced. Consequently, the Group will receive a total of 65 million dollars divided into two payments: 35 million dollars in April 2019 (EUR 31.2 million at the time of collection) and 30 million dollars in March 2020. The movement for fiscal year 2019 is mainly due, on the one hand, to the change in the fair value of the asset, assuming an increase of EUR 51,829 thousand in said asset and, on the other hand, the decrease derived from the short-term transfer, based on the expectations of the time horizon of collection for an amount EUR 90,093 thousand (of which at December 31, 2019 it was pending to be collected an amount of EUR 53.8 million (Note 14).

The fair value update of said financial asset as of December 31, 2019 was carried out using the same method used by the independent expert in the initial valuation, with an amount of EUR 53.8 million being registered in the short term and EUR 98.4 million (EUR 87.3 and 136.6 million, respectively, as of December 31, 2018). The change in value of this financial asset during the year ended December 31, 2019 is due on the one hand to the fluctuation of the Euro / US dollar exchange rate amounting to EUR 2.5 million, the update of the rate of discount used for an amount of EUR 3.5 million, the financial update that has led to an income of EUR 37.5 million, as well as the re-estimation of expected flows and probabilities assigned to the different future milestones for the amount of EUR 8.4 million and, finally, reduction of the asset for the collection of milestones and royalties for a total of EUR 123.5 million (which are due to the collection of the milestone mentioned above (EUR 31.2 million), the collection of another milestone related to the commercial launch of Duaklir in the United States (EUR 81.8 million) at December 31 2018 registered in the caption "Other debtors" (Note 14). As a consequence, the total amount of EUR 51.8 million of fair value change is recorded under the heading "Other income" of the consolidated income statement for the year ended December 31, 2019 (Note 21).

Additionally, "Non-current loans" includes the amounts to be received by the Group in relation to the loans granted to the buyer of Thermigen LLC, Celling Aesthetics LLC (and other related companies), as mentioned in note 3-b). These loans amounted to a total of 13 million dollars, accrue a market interest and have maturities no later than December 31, 2019. However, as a result of various delays in the initial payment schedule, the Group has proceeded to recognize a loss under the heading of "Credit impairment losses" (Note 21) for an amount of EUR 6.6 million (EUR 3.7 million long term loans and EUR 2.9 million short term) and has recognized the remaining amount (EUR 3.6 million) as non-current, which has been reclassified from current financial assets as of December 31, 2019.

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The movements of the "Financial assets - Long-term equity instruments" caption in the accompanying consolidated balance sheet mainly correspond to:

- Disposal of all the shares that the Group had of the Spanish biotechnology company AB-Biotics, S.A. (representing 3,55% of the share capital), a company that is listed on the Alternative Stock Market (MAB). This participation was valued at fair value (EUR 539 thousand at December 31, 2017), and it has been sold for an amount of EUR 1 million.
- Change in the fair value of the participation in the share capital through the subsidiary Almirall Inc., in 6,137 shares of the company Suneva Medical Inc. representing 0.01% of its share capital (5.49% at December 31) of 2017), for an acquisition cost of 15 million US dollars at the time of acquisition. At December 31, 2018, the Group valued this investment at fair value, based on the entry of new shareholders in the month of June 2018, so that Almirall's share has been practically diluted, resulting in a fair value close to zero, which meant a decrease in value amounting to EUR 8,551 thousand (equivalent to 10 million USD). In accordance with the provisions of IFRS 9 for this type of equity instruments, said loss of value has been recorded with a charge to Other comprehensive income.
- Change in the fair value of the participation in Dermelle LLC, which was generated on April 23, 2017 as a result of the conversion of a loan held by the subsidiary Almirall Inc. with that entity, representing 9% of its capital Social. In view of the impossibility for the Group to have access to the updated financial data of said entity and based on an assessment obtained from an independent third party, the Group has determined that its fair value is close to zero and has proceeded to record a loss of value for the entire investment. In accordance with the provisions of IFRS 9 for this type of equity instruments, the loss was recorded with a charge to other comprehensive income, amounting to EUR 4.4 million (equivalent to 5.2 million USD),

Current (financial assets and other cash equivalents)-

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

	Thousands of Euros	
	31/12/2019	31/12/2018
Short term investments	18	1,000
Short term deposits	-	-
Short term guarantees	64	80
Total equivalent to cash	82	1,080
Derivative financial instruments (Note 17)	1,687	-
Short term deposits	-	-
Total no equivalent to cash	1,687	-
Total current financial assets	1,769	1,080

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, 2019 amounts to EUR 82 thousand (EUR 1,080 thousand as of December 31, 2018).

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:

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	Thousands of Euros	
	31/12/2019	31/12/2018
Loans and receivables	4,790	5,484
Financial assets at fair value through profit or loss (Financial Assets with AZ)(*)	98,394	136,658
Financial assets at fair value through profit or loss (Note 17)	1,687	174
Held-to-maturity financial assets	82	1,080
Total	104,953	143,396

(*) Includes mainly the non-current part of the fair value of the future payments receivable from AstraZeneca, As of December 31, 2019 and 2018. As at December 31 2019 short term amounts were booked in "Other Debtors" by an amount of EUR 53.8 million (EUR 87.3 million at December 31, 2018), 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).

Additionally, the bank accounts included in the Cash captions have not been mostly remunerated during the annual periods ended December 31, 2019 and 2018.

Finally, as in the previous year, as of December 31, 2019, there are no companies that are inactive and / or outside the scope of the consolidation.

13. Inventories

The detail of "Inventories" at 31 December 2019 and 31 December 2018 is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Raw materials and packaging	35,656	36,853
Work in progress	15,297	12,875
Goods held for resale and finished products	70,030	64,003
Advances to suppliers	422	95
Write-downs of inventories	(14,987)	(21,493)
Total	106,418	92,333

The changes in the impairment allowance for Inventories is included in Note 21. None of the inventories have been pledged as security. There are no commitments to purchase inventories involving significant amounts at 31 December 2019 and 31 December 2018.

14. Trade and other receivables

The detail of "Trade and other receivables" at 31 December 2019 and 31 December 2018 is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Trade receivables for sales and services	156,280	125,111
Other receivables	56,703	90,351
Write-downs of accounts receivable	(9,868)	(22,659)
Total receivables	203,115	192,803

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The heading "Other debtors" as of December 31, 2019 mainly includes EUR 53.8 million corresponding to the fair value of future payments to be received in the short term by AstraZeneca, as described in Note 7-a Note 12 of these consolidated annual accounts (EUR 87.3 million at December 31, 2018 in the short term).

At 31 December 2019 and 31 December 2018 the overdue balances written down amount to EUR 9,868 thousand and EUR 22,659 thousand, respectively. The decrease is mainly due as the Group has performed a write off related to all the amounts due more than two years amounting to EUR 15,885 thousand. In addition, as a result of the first 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, 2019 (EUR 3,230 thousand as of December 31, 2018).

The Group's large customer base means that there is no credit risk concentration with respect to trade receivables.

At December 31, 2019 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 2.0% (1.9% at December 31 2018).

None of the 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 110,419 thousand at the end of 2019 and EUR 79,589 thousand at the end of 2018. 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 31 December 2019 the parent company's share capital consists of 174,554,820 shares with a nominal value of 0.12 euros each, fully subscribed and paid up (173,853,667 shares a nominal value as at 31 December 2018).

On June 12, 2019, 701,153 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 29.84% 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 84,138.36 euros, reaching 31 December 2019 to 20,946,578.40 euros (represented by 174,554,820 shares).

At 31 December 2019 and 2018, 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 31 December 2019 and 31 December 2018, are as follows:

<i>Name of direct holder of the ownership interest</i>	<i>% interest 31/12/2019</i>	<i>% interest 31/12/2018</i>
Grupo Plafin, S.A.	40.9%	41.1%
Grupo Corporativo Landon, S.L.	18.8%	25.2%
Scopia Capital	-	4.0%
Total	59.7%	70.3%

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At 31 December 2019 and 31 December 2018, 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, Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

EUR 4,172 thousand disclosed under this heading at 31 December 2019 relates to the balance of the legal reserve of the Parent company (EUR 4,151 thousand at 31 December 2018).

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 11,058 thousand. The balance under this heading amounts to EUR 241,011 thousand at 31 December 2019 (EUR 229,953 thousand at 31 December 2018).

Other reserves-

The detail is as follows:

	Thousand euro	
	31/12/2019	31/12/2018
Canary Islands investment reserves	3,485	3,485
Redeemed capital reserve	30,539	30,539
Merger reserve	4,588	4,588
Other reserves	876,317	833,956
Treasury shares	(1,773)	-
Total other reserves	913,156	872,568

The "Other reserves" caption includes the "Revaluation reserve" of the Parent Company as of December 31, 2019, which amounts to EUR 2,539 thousand (EUR 2,539 thousand as of December 31, 2018) and is available.

Canary Islands investment reserve-

Pursuant to Law 19/1994, the Parent 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 31 December 2019 and 31 December 2018 the balance of this reserve included in "Other Reserves of the Parent Company" is EUR 3,485 thousand.

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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 31 December 2019 and 31 December 2018 amounted to EUR 30,539 thousand.

Liquidity contract

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, 2019, treasury stock representing 0.07% of the share capital (it did not have its own shares at December 31, 2018) and a global nominal value of EUR 13.7 thousand and which have been registered in accordance with IFRS-EU. The average acquisition price of these shares has been 15.54 EUR per share. The shares of the Parent Company in its possession are intended to negotiate in the market.

Valuation adjustments and others-

The amount of this caption EUR (43,534) thousand at 31 December 2019 and EUR (36,971) thousand at 31 December 2018, mainly relates to:

- Net accumulated actuarial losses for recalculations of the valuations of retirement benefit obligations due to variations in the calculation hypotheses: EUR (30,776) thousand at 31 December 2019 and EUR (24,249) thousand at 31 December 2018.
- 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 31 december 2019 and 2018 is 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 2019 and 2018 is as follows:

	Thousand euro	
	31/12/2019	31/12/2018
Almirall Limited (UK)	(737)	(1,283)
Almirall, A.G.	225	100
Almirall SP, Z.O.O.	(79)	(95)
Almirall Aps	(5)	(4)
Almirall Inc / Almirall LLC (EEUU)	37,062	33,075
Almirall Aesthetics, Inc / ThermiGen	-	(6,011)
Polichem, S.A.	2,056	(2,270)
Total translation differences	38,522	23,512

The movement of the financial year ending 31 December 2019 and 2018 has been as follows:

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The movement of the translation differences generated in 2019 is due to the variation due to exchange rate differences 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). The movement of the translation differences generated in 2018 was entirely due to the variation due to exchange rate differences.

	Thousand euro
Balance at 31 December 2017	4,002
Exchange differences variation	19,510
Transfer to profit and loss account	-
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

16. Deferred income

At 31 December 2019 and 31 December 2018, the detail of "Deferred Income" is as follows:

	Thousand euro
Balance at 31 December 2017	130,368
Allocated to profit and loss (Note 21)	(31,376)
Other movements	-
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

The main component of the balances at 31 December 2019 and 2018 set out above consist of amounts of the initially non-reimbursable collections described in Note 7-a. The initial collections for the AstraZeneca rights transfer agreements yet to be taken to the income statement at 31 December 2019 are valued at EUR 69,7 million (EUR 99 million at 31 December 2018). Deferred income is taken to the income statement on a straight-line basis over the estimated time the development phase will last. At 31 December 2019, and in accordance with IFRS15 as detailed in Note 2, the "Revenues" caption in the income statement includes EUR 29,954 thousand relating to the allocation of the deferred income for the established development plan (EUR 31,376 thousand in December 31, 2018).

In 2019 and 2018, the Group has not signed any agreements which imply any deferred income in addition to the deferred income stated in Note 7 of these notes to the consolidated annual accounts.

17. Financial liabilities

As detailed in Note 5 i), as of January 1, 2018, in accordance with the application of IFRS 9, 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:

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- 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, 2019, 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, 2018, it maintained these same instruments and, in addition, a forward exchange rate hedge that was cancelled in June 2019.
- 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,

The detail of the bank borrowings and other financial liabilities at 31 December 2019 is 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

The detail of the bank borrowings and other financial liabilities at 31 December 2018 is as follows:

	Limit	Amount drawn down (*)	Current	Non-current			
				2020	2021	Subsequent years	Total
Credit lines	263,105	150,000	-	-	150,000	-	150,000
Loans with credit institutions	150,000	148,925	-	-	-	148,925	148,925
Obligations	250,000	223,745	-	-	223,745	-	223,745
Liabilities for derivative financial instruments	N/A	25,611	2,211	-	23,400	-	23,400
Accrued interest payable	N/A	407	407	-	-	-	-
Total at 31 December 2018	663,105	548,688	2,618	-	397,145	148,925	546,070

(*) Amount drawn down netted of the issuance costs

The average cost of the debt for the fiscal years ended on December 31, 2019 and 2018 was 0.98% and 0.87% respectively,

Debts with credit institutions-

In 2017, the Parent company entered into an agreement for a revolving credit line for a maximum of EUR 250 million for four years, which accrues an average interest of less than 1%. Unless the Group fails to comply with any covenants of the agreement, it is not required to return the amount drawn down, which, at 31 December 2019 and totals EUR 0 million (EUR 150 million in 2018), until the policy matures and therefore it has been classified as long term.

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 single maturity 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

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of covenants, among which the fulfillment of a certain “Net Financial Debt / EBITDA Ratio” stands out. Said “covenant” has been considered fulfilled as of December 31, 2019.

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.

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 interest accrued. 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 interest accrued. 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 interest accrued, or the price of the Bonds, plus interest accrued.

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 actually announced before the CNMV on June 17, 2019), the bonds are convertible into Almirall shares at the option of the holders of the Bonds (this is a purchase option purchased by the holders of the bonds 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.

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- 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 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).

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 cancellation option anticipated 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 23.4 million euros, classified under the heading of "Liabilities for derivative financial instruments" of this same Note and remaining 226.6 million euros. remaining euros as a component of the host bonus. As of December 31, 2019, the fair value of these options amounts to 19.1 million euros.

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, 2019, the impact on the Group's income statement has amounted to 4.3 million euros in profit (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 2.9 million euros), 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 2.95% of the share capital (5,102,058 shares) or EUR 50 million, and with a term of 24 months), to deliver the dividend received for its investment in Almirall S.A, and sell the shares of Almirall, S.A. to the company itself at expiration date.

As a result, under the heading "Liabilities for derivative financial instruments", 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 1.4% of the share capital of the Parent Company) and the acquisition cost thereof for Banco Santander, which as of December 31, 2018 amounted to 1.5 million euros. It is considered that the value of the derivative of the option that would imply the acquisition of the total of the maximum shares (EUR 50 million) would not be significant at the closing date. Said derivative, when it does not comply with the accounting coverage requirements, is recorded with changes in value in the profit and loss account (Note 21).

Additionally, under certain conditions in which the fair value is lower than 85% of the cost value, the Group must partially settle this debt with the bank (thereby reducing the fair value of the derivative). For this reason, the Group has chosen to classify this asset/liability as current.

At December 31, 2018 Almirall, S.A. maintained a liability of 0.7 million euros corresponding to a forward exchange rate hedge. This forward has been renewed several times during 2019, and settled on June 28, 2019 for 4.5 million

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euros. 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.

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

The accrued interest payable at 31 December 2019 amounts to EUR 407 thousand (EUR 407 thousand at 31 December 2018).

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 01.01.2019	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

	Balance 01.01.2018	Effective flows	Interest paid	Accrued interest	Changes in fair value	Balance 31.12.2018
Credit lines	250,000	(100,000)	-	-	-	150,000
Loans with credit institutions	-	148,925	-	-	-	148,925
Obligations	-	223,745	-	-	-	223,745
	250,000	272,670	-	-	-	522,670
Liabilities for derivative instruments	-	23,400	-	-	2,211	25,611
Accrued interest payments	72	-	(2,549)	2,884	-	407
Total Financial liabilities	250,072	296,070	(2,549)	2,884	2,211	548,688

18. Other liabilities

a) Trade payables

The detail at 31 December 2019 and 2018 is as follows:

	Thousand euro	
	31/12/2019	31/12/2018
Suppliers	87,730	68,927
Payables	134,748	122,092
Total accounts payable short term	222,478	191,019

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b) Other liabilities

The detail at 31 December 2019 and 2018 is as follows:

	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 (Note 2-b)	-	-	-	7,981	7,981
Other liabilities	667	-	-	1	1
Total at 31 December 2019	71,367	7,486	7,277	15,011	29,774

	Thousand euro				
	Current	Non-current			
		2020	2021	Subsequent years	Total
Research related loans	3,259	2,467	2,243	4,763	9,473
Payables on purchases of assets	3,584	33,451	-	-	33,451
Wages and salaries payable	27,883	286	921	7,309	8,516
Long term tax liabilities (Note 2-b)	-	-	-	7,905	7,905
Other liabilities	1,419	-	4,367	-	4,367
Total at 31 December 2018	36,145	36,204	7,531	19,977	63,712

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 mature between 2020 and 2026.

Payables for non-current asset purchases in 2019 and 2018 relate mainly to the outstanding payments for the acquisition of goods, products and marketing licences made in the year and in prior years. The balance at 31 December 2019 included the current payables for the agreement with AstraZeneca, for an amount of EUR 35 million (EUR 33.4 Million as at December 31, 2018) which correspond to the equivalent value in euros of the current value of future pending payments for the purchase of the aforementioned license.

At 31 December 2019 and 2018 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 2), as of December 31, 2019 it has been classified as "Long-term tax liabilities" EUR 7,981 thousand (EUR 7,905 thousand as of December 31, 2018).

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

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19. Provisions

The changes in 2019 and 2018 in "Provisions" in the accompanying consolidated balance sheets were as follows:

	Thousand Euros	
	2019	2018
Balance at 1 January	39,393	50,572
Additions or charge for the year	89	2,714
Disposals or transfers	(6,676)	(5,988)
First application CINIIF 23 (Note 2-b)	-	(7,905)
Saldo a 31 de diciembre	32,806	39,393

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 2019 and 2018 are as follows:

	Thousands of Euros
Balance at 31 December 2017	71,157
Additions	660
Cancelations	(1,172)
Balance at 31 December 2018	70,645
Additions	11,713
Cancelations	(2,965)
Translation differences	36
Balance at 31 December 2019	79,429

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),

The changes in the defined benefit obligations are as follows:

	2019	2018
At 1 January	70,645	71,157
Current service costs	74	380
Borrowing costs	1,201	884
Contributions of plan participants	(72)	(35)
Actuarial gains/(losses)	9,065	1,110
Benefits paid	(1,770)	(1,856)
Other changes	286	(995)
At 31 December	79,429	70,645

The actuarial losses recognised relate mainly to the effect of the variation in the discount rate used in the actuarial calculations in 2019 and 2018.

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

	2019	2018
Current service costs	74	380
Borrowing costs	1,201	884
Others	242	(441)
Total (included under staff costs)	1,517	823

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. **INCOME AND EXPENSE**

Revenue

The detail, by business line, of revenue in 2019 and 2018 is as follows:

	Thousands of Euros	
	2019	2018
Sales through own network	717,799	618,259
Sales through licensees	110,984	110,590
Corporate management and revenue not allocated to other segments	26,556	28,085
Total Revenue	855,339	756,934

	Thousands of Euros	
	2019	2018
Product sales income	808,052	714,895
Royalties income	9,108	6,035
Income from up-front payments (Note 16)	29,954	31,376
Income from other up-front payments	8,225	4,628
Total Revenue	855,339	756,934

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The detail of revenue, by geographical area, in 2019 and 2018 is as follows:

	Euro Thousand	
	Period 2019	Period 2018
Spain	243,156	244,856
Europe and Middle East	357,417	325,949
America, Asia and Africa	228,210	158,044
Corporate management and revenue not allocated to other segments	26,556	28,085
Revenue	855,339	756,934

The main countries where the revenues come, in 2019 and 2018 are:

	2019	2018
Spain	28%	32%
United States	20%	15%
Germany	18%	20%
Italy	6%	6%
France	2%	3%
United Kingdom	3%	3%
Other	23%	21%
Total Revenue	100%	100%

Other income-

	2019	2018
Income from AstraZeneca agreement (Note 12)	51,829	51,036
Re-invoicing of services rendered to AstraZeneca	1,012	1,589
Other	2,477	1,432
Total	55,318	54,047

Procurements-

The detail of "Procurements" is as follows:

	Thousands of Euros	
	31/12/2019	31/12/2018
Purchases	199,718	142,979
Changes in inventories of goods held for resale, finished products and work in progress	(8,449)	10,552
Changes in inventories of raw materials and other consumables	1,197	9,061
Total	192,466	162,592

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Staff costs

The detail of "Staff Costs" is as follows:

	Thousands of Euros	
	2019	2018
Wages and salaries	146,105	146,324
Social Security payable by the Company	24,090	22,828
Termination benefit costs	(669)	2,485
Other employee benefit costs	12,019	11,464
Total	181,545	183,101

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

	Period 2019			Period 2018		
	Male	Female	Total	Male	Female	Total
Board member	1	-	1	1	-	1
Senior management	32	13	45	35	11	46
Middle management	147	111	258	155	124	279
Technical personnel	473	585	1,058	481	575	1,056
Administrative personnel	167	243	410	150	258	408
Other	-	1	1	-	1	1
Total	820	953	1,773	822	969	1,791

The average number of employees in 2019 with a 33% or higher disability is 10 people (11 people in 2018).

At the end of 2019 and 2018 the headcount is as follows:

	31 December 2019			31 December 2018		
	Male	Female	Total	Male	Female	Total
Board member	1	-	1	1	-	1
Senior management	32	13	45	33	12	45
Middle management	148	108	256	151	119	270
Technical personnel	472	587	1,059	483	605	1,088
Administrative personnel	169	236	405	154	246	400
Other	-	1	1	-	1	1
Total	822	945	1,767	822	983	1,805

The number of employees at the end of 2019 with a 33% or higher disability is 10 people (11 people in December 31 of 2018).

At 31 December 2019 and 2018, 259 and 269 Group employees, respectively, were engaged in research and development activities.

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Other operating expenses-

The detail of "Other Operating Expenses" is as follows:

	Thousands of Euros	
	2019	2018
R&D activities	47,715	40,129
Rental fees and royalties	16,602	19,442
Repair and upkeep expenses	18,579	18,909
Independent professional services	33,125	42,563
Transport	9,041	20,634
Insurance premiums	2,379	3,236
Banking and similar services	540	2,381
Congresses and other promotional activities	77,895	65,681
Utilities	4,288	4,257
Other services	42,551	33,025
Other taxes	1,802	1,213
Total	254,517	251,470

Within the heading "Other services" are included grants amounting to EUR 788 thousand in 2019 (EUR 602 thousand in 2018).

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:

	Thousands of Euros	
	2019	2018
Change in valuation adjustment for bad debts	1,658	(3,104)
Change in valuation adjustment of inventories	6,094	(10,555)
Change in other current provisions	321	(793)
Total	8,073	(14,452)

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Net gain (loss) on asset disposals-

The detail of the net gain (loss) on disposals of non-current assets in 2019 and 2018 is as follows:

	Thousands of Euros			
	2019		2018	
	Profit	Loss	Profit	Loss
On disposal or de-recognition of intangible assets	761	(8,097)	-	(548)
On disposal or de-recognition of property, plant and equipment	93	(48)	2,424	(1,435)
Impact of Business combination	-	(3,183)		
	854	(11,328)	2,424	(1,983)
Net gain (loss) on disposals of assets	(10,474)		441	

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.

Finance income and expense-

The detail of net finance income and expense in 2019 and 2018 is as follows:

	Euro Thousand			
	Period 2019		Period 2018	
	Profit	Loss	Profit	Loss
Variation in the fair value of financial instruments	7,513	-	-	(1,508)
Financial expenses for bonds (Note 17)	-	(6,125)	-	(75)
Other financial income (expense)	853	(8,687)	442	(5,488)
Income for disposals of financial instruments (Note 12)	-	-	539	-
Valuation adjustments on financial assets (Note 12)	-	(6,557)	-	-
Exchange differences	10,469	(19,100)	11,025	(16,952)
	18,835	(40,469)	12,006	(24,023)
Financial result	(21,634)		(12,017)	

During 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 16. In 2018 this caption included the fair value of the Equity Swap and the result of the sale of the shares of AB Biotics described in Note 12.

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 5.5 million in 2019).

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.

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

In 2018, the heading "Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill " included the impairment related to the goodwill of ThermiGen LLC for an amount of 26.6 million euros (Note 8), the impairment of the industrial property acquired to ThermiGen LLC for the amount of 43.8 million (Note 9), the impairment of the fixed assets affected by the operation for an amount of 2.2 million euros (Note 11) and the impairment of the inventories of 2.6 million euros (Note 13), with the total amount in the consolidated income statement amounting to 75.2 million euros.

Additionally, it was also included the reversal of the impairment of certain technology acquired to Almirall LLC (formerly, Aqua Pharmaceuticals LLC) in the amount of 29.9 million euros (Note 9), and the reversal of the impairment of development rights and commercialization of a compound for the treatment of psoriasis for an amount of 20 million euros (Note 9).

Transactions denominated in foreign currency-

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

	Amount in Euros (thousands)			
	Expense		Income	
	2019	2018	2019	2018
Australian Dollar	15	23	-	-
Canadian Dollar	1	28	165	77
Swiss Franc	2,906	6,237	12,976	7,881
Czech Koruna	22	35	1,389	1,174
Danish Krone	1,668	2,855	5,676	960
Pound Sterling	16,917	13,419	31,575	25,959
Hungarian Forint	52	40	577	608
Japanese Yen	426	6,069	4,111	3,630
Kenyan Shilling	17	-	-	-
Mexican Peso	13	4	-	-
Norwegian Krone	390	429	1,225	1,216
Polish Zloty	739	890	3,957	2,950
Renminbi	-	235	-	-
Swedish Krona	419	693	3,451	3,331
US dollar	114,558	101,502	195,311	119,910

Auditors' remuneration-

In 2019 and 2018 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 (in thousands of euros):

Description	2019		
	Annual accounts audit	Tax advise	Other Services
PricewaterhouseCoopers Auditores, S,L,	236	-	41
Other PwC entities	356	167	47
	592	167	88

(*) Other services done by PricewaterhouseCoopers Auditores, S.L. related to agreed upon procedures,

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Description	2018		
	Annual accounts audit	Tax advise	Other Services
PricewaterhouseCoopers Auditores, S,L,	271	-	47
Other PwC entities	353	176	20
	624	176	67

(*) Other services done by PricewaterhouseCoopers Auditores, S.L. related to agreed upon 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 2019 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas Almirall, S.L., Laboratorios Tecnobío, S.A., Ranke Química, S.A. and Almirall Aesthetics, S.A., acting with Almirall, S.A. 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 2014 to 2019 for the Corporate Tax and from the years 2016 to 2019 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.

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 the year 2019, 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 in progress:

- 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.

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.

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- Almirall Inc and investee companies (United States). In relation to the 2014, 2015 and 2017 fiscal years related to Corporation Tax.

The following inspections were reported during fiscal year 2019 and have been completed without generating significant liabilities:

- Polichem S.A. branch in Switzerland, in relation to the 2014, 2015, 2016 and 2017 fiscal years, related to Value Added Tax.
- Almirall Inc and investee companies (United States). State inspection of the state of California in relation to fiscal years 2015, 2016 and 2017.

The following inspections that were reported during fiscal year 2018 have been completed without generating significant liabilities:

- Almirall AG (Switzerland). Cantonal inspection in relation to the years 2015, 2016 and 2017.
- Almirall AG (Switzerland). In relation to the 2014, 2015, 2016 and 2017 fiscal years related to Value Added Tax.
- Almirall Ltd (Great Britain). In relation to the periods from October 2014 to October 2018 relating to Value Added Tax.
- Almirall Aesthetics Inc and investee companies (United States). Federal inspection of a general nature in relation to 2016.
- Almirall NV (Belgium). General inspection in relation to the 2016 and 2017 fiscal years.

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 recognised is remote.

Tax receivables and payables-

The detail of the current tax receivables and payables at 31 December 2019 and 2018 is as follows:

	Thousand euro	
	31/12/2019	31/12/2018
VAT refundable	8,345	11,142
Corporate income tax refundable	31,546	27,726
Other receivables	(3)	10
Total receivables	39,888	38,878
VAT payable	3,493	3,823
Personal income tax withholdings payable	3,508	2,568
Social security payable	2,351	2,547
Corporate income tax payable	5,551	5,348
Total payables	14,903	14,286

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

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Income tax recognized-

The detail of the income tax recognised in the consolidated income statement and in equity in 2019 and 2018 is as follows:

	Thousands of Euro Expense/ (Income)	
	2019	2018
Income Tax:		
-Recognised in the income statement	22,370	(2,700)
-Recognised in equity	(2,538)	(311)
Total	19,832	(3,011)

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 to the income tax expense recognised is as follows:

	Thousands of Euros	
	2019	2018
Consolidated profit (loss) before tax	128,279	74,974
Permanent differences:		
- Of individual companies		
Increase	39,186	246,278
Decrease	(400,646)	(273,759)
- Consolidation adjustments		
Increase	197,127	192,666
Decrease	(22,686)	(207,787)
Adjusted accounting profit (loss)	(58,739)	32,372
Tax rate	25%	25%
Gross tax payable (refundable)	-	8,093
Tax credits:		
Tax credit used in the year and other consolidation adjustments	(310)	(1,500)
Income tax of Almirall, S.A, paid abroad	1,429	76
Deferred tax assets and liabilities regularization	10,326	(22,090)
Credits for negative tax bases regularization	-	(1,982)
Corporate Income tax from foreing affiliates	9,112	
Other	400	304
Theoretical income tax expense	20,957	(17,099)
Effect of different tax rates between countries	1,161	6,013
Other movements	252	8,386
Expense/ (Income) accrued for corporate income tax	22,370	(2,700)

The origin of the permanent differences in the individual companies of the 2019 and 2018 fiscal years relates mainly to the different tax treatment of certain expenses accrued in said fiscal years. The decrease in the base due to permanent differences in the year 2019 has its origin, basically, due to the reduction in the tax base of those income from the transfer of intangible assets, to reversals of impairment losses on subsidiaries and the distribution of dividends between Almirall S.A. and some of its subsidiaries. The decrease in the base due to permanent differences in the year 2018 were origin, basically, due to the reduction in the tax base of those income from the

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transfer of intangible assets as well as reversals of impairment losses, while the increases related basically to the different tax treatment of impairment losses.

The increase in the permanent differences of the year 2019 derived from the consolidation adjustments relates mainly to certain valuation corrections on equity instruments of the subsidiaries of the Parent Company and Almirall Inc as well as the elimination of dividends distributed between subsidiaries and the parent company. The increase for the year 2018 related mainly to certain valuation corrections on equity instruments of the subsidiaries of Almirall Inc as a result of the reversal of the impairments explained in Note 8.

The decrease in the permanent differences of the fiscal year 2019 derived from the consolidation adjustments correspond mainly to certain valuation corrections on equity instruments of the Almirall Aesthetics Inc and ThermiGen subsidiaries, prior to their dissolution and disposal, respectively, as explained in the Note 3-b. The decrease in fiscal year 2018 corresponded mainly to certain valuation adjustments on equity instruments of Almirall Aesthetics INC subsidiaries of the impairments explained in Note 8.

The amount of the deductions applied and / or adjusted during the year 2019 corresponds to the partial monetization of the deduction for research and development generated in the year 2018. The amount of 2018 corresponded to the application of 1,997 thousand euros of the deductions for activities of research and development pending application generated in fiscal year 2007 and partial monetization of the deduction for research and development generated in fiscal year 2017.

The detail of the tax incentives recognised in 2019 and 2018 and the amounts not yet recognised at 31 December 2019 and 2018 and is as follows:

Nature	Year earned	Miles de Euros			
		2019		2018	
		Offset	Available for offset	Offset	Available for offset
Research and development	2007	-	25,550	1,997	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	3,806	10,209
2018	5,219	9,230	-	14,449	
2019	-	20,184	-	-	
		5,219	309,655	5,803	294,690
Innovations in technology	2012	-	1,077	-	1,077
	2013	-	1,439	-	1,439
	2014	-	701	-	701
		-	3,217	-	3,217
International double taxation	2017	-	-	1,883	-
	2018	-	-	76	-
	2019	-	913	-	-
		-	913	1,959	-
Re-investment of extraordinary income	2012	-	55	-	55
	2013	-	2	-	2
	2014	-	10	-	10

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		-	67	-	67
Donations	2017	-	-	98	-
	2018	-	-	56	-
	2019	-	35	-	-
		-	35	154	-
Tempory measures	2017	-	-	219	-
	2018	-	-	37	-
	2019	-	26	-	-
		-	26	256	-
Total reported tax incentives		5,219	313,913	8,172	297,974
Total deferred tax assets recognised in balance sheet			194,161		199,042

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	
	31/12/2019	31/12/2018
Deferred tax assets	269,317	280,403
Deferred tax liabilities	(127,540)	(134,876)
Deferred tax assets (net)	141,777	145,527

The gross changes in the deferred taxes are as follows:

	Thousand Euros	
	2019	2018
At January 1st	145,527	128,512
Credit to profit or loss	(10,422)	13,664
Partial monetization R&D tax credits	4,134	3,040
Tax (charged) refunded directly to equity	2,538	311
A 31 de diciembre	141,777	145,527

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In accordance with current tax legislation in the countries in which the consolidated entities are located, in 2019 and 2018 certain temporary differences have arisen which should be taken into account when quantifying the corresponding income tax expense. The detail of deferred taxes recognised in both years is as follows:

	Miles de Euros			
	2019		2018	
	Accumulat ed differences in taxable profit (tax loss)	Accumulat ed effect on tax payable	Accumulat ed differences in the taxable profit (tax loss)	Accumulat ed effect on tax payable
Deferred tax assets:				
Amortisation and depreciation of non-current assets	140,287	33,536	146,796	32,329
Write-offs	70,963	17,842	95,495	23,932
Retirement benefit obligations	48,645	14,265	40,386	11,832
Measurement of inventories	19,707	5,855	30,047	8,966
Other	4,124	1,059	14,386	3,550
	283,726	72,557	327,110	80,609
Tax credits:				
Tax loss carryforwards	8,739	2,599	2,698	752
Tax credit carryforwards	-	194,161	-	199,042
Total deferred tax assets and tax relief:		269,317		280,403
Deferred tax liabilities:				
Accelerated amortisation/depreciation (Royal Decree 27/84, Royal Decree 2/85, Royal Decree 3/93)	23,341	5,834	28,066	6,988
Assets held under finance leases	4,171	1,043	4,673	1,168
Capitalisation in intangible assets	2,222	559	2,223	1,044
Assignment of capital gains to assets in business combinations	293,581	78,855	322,701	85,984
Amortisation of goodwill	115,438	30,630	105,835	28,229
Tax effect of reversal of subsidiary portfolio provisions	16,508	5,353	16,508	5,353
Other	20,429	5,266	32,475	6,110
Deferred tax liabilities		127,540		134,876

The deferred tax assets indicated above, totalling EUR 269,317 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 recognised 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 2019. Estimated target returns and the probability of achieving them were also considered.

During fiscal year 2018, an amount of Euros 23,221 thousand were capitalized as deferred tax assets due to temporary differences of Almirall LLC (formerly Aqua Pharmaceuticals, LLP) due that the Group has no doubts about its future

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recoverability, taking into account sales projections and results in based on the events that occurred during the year (see Note 9). As of December 31, 2019 EUR 18,647 thousand remains capitalized as those projections are still valid.

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 31 December 2019 and 2018.

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.

Business segments:

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

- a) Sales through own network.
- b) Sales through licensees.
- c) Research and development activities.
- d) Therapeutic dermatological products in the US.
- e) 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 centres.

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

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the Group's organizational structure is established, which is the basis on which the financial information is broken down internally.

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 "Revenue" 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 recognised 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.

Revenue recognised 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", "Amortisation and Depreciation" and "Other Operating Costs". The amounts recognised 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 amortisation 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 amortisation 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 analyzes)

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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 segments:

- 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.
- Almirall LLC (formerly, Aqua Pharmaceuticals LLC): allocated to the "Dermatology in the US" segment since the main cash-generating unit with respect to the aforementioned goodwill is this segment (Note 8).
- Poli Group: The assets, income and expenses have been distributed between the segment "Sales by own network" and "Sales by licence holders" in line with the Cash-Generating Units used for the purpose of the impairment tests stated in Note 5-d.
- ThermiGen: It was assigned to the segment of "Dermatology area in the USA".

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".

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- 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.
- 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 holding companies such as Almirall Aesthetics , Inc. and 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.

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Segment reporting-Segment reporting by business-

Income statement for the year ended 31 December 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
Procurements	(162,375)	(32,025)	(298)	(27,268)	(28,978)	58,478	(192,466)
Gross margin	377,241	78,959	627	150,915	(3,347)	58,478	662,873
Other income	-	-	1,012	687	53,619	-	55,318
Staff costs	(60,834)	(1,463)	(24,472)	(18,083)	(45,746)	(30,947)	(181,545)
Amortisation/depreciation	(35,521)	(9,124)	(5,793)	(52,152)	(16,317)	(10,519)	(129,426)
Net change in provisions, allowances and write-offs	-	-	-	-	1,979	6,094	8,073
Other operating costs	(83,640)	(4,753)	(61,657)	(34,754)	(37,837)	(23,106)	(245,747)
Profit from operations (*)	197,246	63,619	(90,283)	46,613	(47,649)	-	169,546
Gains (losses) on sales of non-current assets/other	-	(800)	(500)	(17,200)	(744)	-	(19,244)
Staff restructuring costs	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	(389)	-	(389)
Financial profit (loss)	-	-	-	(594)	(21,040)	-	(21,634)
Profit (loss) before tax	197,246	62,819	(90,783)	28,819	(69,822)	-	128,279
Income tax	-	-	-	(7,398)	(14,972)	-	(22,370)
Net results attributable to Parent company	197,246	62,819	(90,783)	21,421	(84,794)	-	105,909

(*) Before results for sale of assets/others, impairment and staff restructuring costs.

Assets at 31 December 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	Total
ACTIVO						
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	217,693	476,614
TOTAL ASSETS	561,088	357,259	28,257	676,901	816,282	2,439,787

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Income statement for the year ended 31 December 2018 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	Adjusted results	Total
Revenue	508,382	110,590	2,151	109,877	25,934	-	756,934
Procurements	(149,257)	(32,611)	-	(20,960)	(22,054)	62,290	(162,592)
Gross margin	359,125	77,979	2,151	88,917	3,880	62,290	594,342
Other income	216	421	-	589	52,821	-	54,047
Staff costs	(55,524)	(1,364)	(24,352)	(25,716)	(46,770)	(29,375)	(183,101)
Amortisation/depreciation	(30,987)	(10,096)	(7,190)	(22,624)	(9,145)	(10,138)	(90,180)
Net change in provisions, allowances and write-offs	-	-	-	(3,618)	(3,634)	(7,200)	(14,452)
Other operating costs	(80,813)	(6,170)	(56,018)	(48,522)	(44,370)	(15,577)	(251,470)
Profit from operations (*)	192,017	60,770	(85,409)	(10,974)	(47,218)	-	109,186
Gains (losses) on sales of non-current assets/other	-	-	-	-	441	-	441
Staff restructuring costs	-	-	-	-	-	-	-
Impairment losses	-	-	-	(42,636)	20,000	-	(22,636)
Financial profit (loss)	-	-	-	(2,003)	(10,014)	-	(12,017)
Profit (loss) before tax	192,017	60,770	(85,409)	(55,613)	(36,791)	-	74,974
Income tax	-	-	-	31,693	(28,993)	-	2,700
Net results attributable to Parent company	192,017	60,770	(85,409)	(23,920)	(65,784)	-	77,674

(*) Before results for sale of assets/others, impairment and staff restructuring costs.

Assets at 31 December 2018 by segment

ASSETS	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
Goodwill	235,143	45,416	-	-	35,407	315,966
Intangible assets	147,565	234,987	-	567,558	171,105	1,121,215
Property, plant and equipment	408	-	30,635	1,478	82,714	115,235
Financial assets	225	19	-	384	141,688	142,316
Deferred tax assets	3,548	9,262	-	23,236	244,358	280,404
NON-CURRENT ASSETS	386,889	289,684	30,635	592,656	675,272	1,975,136
Inventories	47,549	3,547	-	15,317	25,920	92,333
Trade and other receivables	30,219	22,482	-	53,211	86,891	192,803
Current tax assets	1,674	17	-	4,888	32,299	38,878
Other current assets	445	34	-	2,520	1,087	4,086
Current financial assets	-	-	-	-	1,080	1,080
Cash and cash equivalents	-	599	-	21,307	63,284	85,190
CURRENT ASSETS	79,887	26,679	-	97,243	210,560	414,370
TOTAL ASSETS	466,776	316,363	30,635	689,899	885,832	2,389,506

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The detail of non-current assets located abroad is included in Note 111,

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

Additions to non-current assets by segment in the year ended 31 December 2018

	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	24,773	-	4,543	471,045	12,707	513,068

Revenue by therapeutic area-

Set out below is a detail of the contribution to revenue of the Group's main therapeutic areas in 2019 and 2018:

	Thousands of Euros	
	2019	2018
Respiratory	86,798	83,221
Gastrointestinal and Metabolism	117,109	116,606
Dermatology	381,519	306,794
CNS	65,563	61,708
Osteomuscular	30,879	33,755
Cardiovascular	61,115	66,002
Other specialist therapies	112,356	88,848
Total	855,339	756,934

Revenue by geographical area in 2019 and 2018 is detailed in Note 21.

24. Dividends paid by the Parent company

The dividends paid by the Parent company in 2019 and 2018, which related to the dividends approved out of profit earned in the previous year, are as follows:

	2019	Euros per share	Amount (in € thousands)	2018	% of nominal amount	% of nominal amount
	% of nominal amount			% of nominal amount		
Ordinary shares	169%	0.203	35,292	158%	0.19	33,000
Total dividends paid	169%	0.203	35,292	158%	0.19	33,000
Dividends charged against profit/(loss)	169%	0.203	35,292	158%	0.19	33,000

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The dividend payment of 2019 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 70.2% of the rights (which has meant a disbursement of EUR 24.1 million) and the remaining 29.8% was opted to receive new shares at the nominal unit value that have been issued as capital increase (Note 15). The dividend payment of 2018 was also instrumented as a flexible dividend being the payment in cash a 71.3% of the rights (which meant a disbursement of EUR 22.7 million) and the remaining 28,7% opted to receive new shares at the nominal unit value that were issued as capital increase .

25. Earnings per share

Basic 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.

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:

	2019	2018
Net income for the year (euro thousands)	105,909	77,674
Average ordinary shares number available (*)	174,128	174,128
Weighted average diluted shares number (**)	187,881	187,881
Basic earnings per share (euros)	0.61	0.45
Diluted earnings per share (euros)	0.60	0.41

(*) 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, 701,153 new shares of the Parent Company have been created and were admitted to trading on June 12, 2019. During the annual year ended December 31, 2018, 902,547 new shares of the Parent Company were created and were listed on June 14, 2018.

In accordance with the provisions of IAS 33, these capital increases have resulted in an adjustment of the profit per share corresponding to the 2018 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, 2019.

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.

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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 31.1 million were entered into at 31 December 2019 (EUR 4.3 million in 2018) in relation to the performance of the above research and development activities which would be paid in future years.

There are no commitments to purchase property, plant and equipment for significant amounts at 31 December 2019 and 2018.

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

Balances and transactions with other related parties

In 2019 and 2018 the Group companies performed the following related-party transactions. The balances in this respect at 31 December 2019 and 2018 were as follows:

Related party	Description	Year	Thousand euro	
			Transactions - Income/(Expense)	Debtor/(Creditor) Balance
Grupo Corporativo Landon, S.L.	Leases	2019	(2,935)	-
		2018	(2,843)	(4)
Grupo Corporativo Landon, S.L.	Reinvoicing of works	2019	-	-
		2018	203	-
Grupo Corporativo Landon, S.L.	Other	2019	(55)	-
		2018	-	-

The Group's headquarters are leased to the Landon Corporate Group. S.L., through a contract expiring in 2017, which has been renewed under the same conditions in February 2018 and is tacitly renewed annually by both parties.

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

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28. Remuneration of the Board of Directors and Executives

In 2019 and 2018 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 3,968 thousand and EUR 2,117 thousand, respectively. The life insurance policies amount to EUR 17.8 thousand (EUR 14.1 thousand in 2018).

In 2019, insurance premiums for civil liability totalling EUR 111 thousand have been accrued (EUR 104 thousand at 31 December 2018), 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 amounting to EUR 971 thousand and EUR 1,637 thousand in 2019 and 2018, respectively. The ending balance of the provision for these plans amounts to EUR 3,544 thousand in 2019 (EUR 2,366 thousand in 2018).

At 31 December 2019 and 2018, 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 2019 and 2018 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) totalled EUR 5,251 thousand and EUR 3,938 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 1,002 thousand and EUR 1,446 in 2019 and 2018, respectively. The ending balance of the provision for these plans amounts to EUR 3,578 thousand in 2019 (EUR 2,635 thousand in 2018).

At 31 December 2019 and 2018, 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. Directors: other disclosures

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 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 on the 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 2.8 million and EUR 2 million at 31 December 2019 and 2018, respectively. Additionally during the year 2019 we have done investments amounting to EUR 0.6 million (EUR 0.8 million).

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The consolidated income statements for 2019 and 2018 include expenses related to protection of the environment amounting to EUR 1.3 million and EUR 0.9 million, respectively.

The Group has made investments in photovoltaic panels intended for the production of electricity for self-consumption amounting to 66 thousand euros, whose net book value at December 31, 2019 amounts to 859 thousand euros (825 thousand euros at December 31, 2018). The income statement for fiscal year 2019 includes expenses related to the maintenance of said plates amounting to 9 thousand euros (2 thousand euros in 2018), related amortization expenses amounting to 32 thousand euros (22 thousand euros in 2018) and expenses for electricity taxes amounting to 0.3 thousand euros (1 thousand euros in 2018).

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 line of credit, enabled for a maximum disposition of 250 million euros at a fixed interest rate, the average of said rate was 0.81%, so the Group is not exposed to interest rate volatility. At the closing date of 2019, the Group had no disposed amount of this financing, while at the end of 2018 150 million euros were arranged.

In September 2018, the parent company signed a temporary loan of 400 million euros 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 150 million euros at a fixed rate of 2.1% and, on the other hand, with the issuance of Convertible Bonds (250 million euros), 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 120 million euros, 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 80 million euros was granted on April 17, 2019, at a fixed interest rate of 1.35%.

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

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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.

The Parent Company of the Group was a borrower with the subsidiary Almirall, Inc., this loan was not covered because the forecasts of the evolution of the dollar were favourable and the coverage supposed a cash outflow of the amount of the revaluation.

On the other hand, and to finance part of the purchase of the Allergan portfolio, during 2018 a new loan was made with the subsidiary Almirall, Inc in USD. This loan was done to cover with exchange insurance in order to minimize the exchange rate risk by closing the position as explained in Note 17. As of December 31, 2019 there is no exchange insurance contracted.

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, 2019, 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 31,2019 would be as follows:

	2020	2021 and following years
Cash and other equivalent liquid assets	117,212	-
Current financial liabilities	82	-
Credit lines committed with bank entities not used	255,317	-
Total	372,611	-

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.

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	Menos de 1 año	Entre 1 y 2 años	Entre 2 y 5 años	Más de 5 años
A 31 de diciembre de 2019				
Préstamos con entidades de crédito	452	20,133	30,000	194,133
Derivados financieros de negociación	-	19,082	-	-
Obligaciones	-	229,245	-	-
Acreeedores comerciales y otras cuentas a pagar	222,478	-	-	-
Total	222,930	268,460	30,000	194,133
A 31 de diciembre de 2018				
Préstamos con entidades de crédito	407	-	546,270	-
Derivados financieros de negociación	2,221	-	23,400	-
Acreeedores comerciales y otras cuentas a pagar	191,019	-	-	-
Total	193,647	-	569,670	-

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 31 December 2019 and 2018 is as follows (in thousands of euros):

2019	Level 1	Level 2	Level 3
Assets			
Available-for-sale financial assets	-	-	-
Financial assets at fair value through profit or loss (*)	-	1,687	98,394
Total activos	-	1,687	98,394
Liabilities			
Financial liabilities at fair value with changes in the result (Note 17)	-	19,082	-
Total pasivos	-	19,082	-
2018	Nivel 1	Nivel 2	Nivel 3
Assets			
Available-for-sale financial assets	-	-	-
Financial assets at fair value through profit or loss (*)	-	-	136,658

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Total activos	-	-	136,658
Liabilities			
Financial liabilities at fair value with changes in the result (Note 17)	-	2,211	-
Total pasivos	-	2,211	-

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 recognised for the total amounts that cannot be collected once all the relevant collection management efforts have been made. The balance of the allowance recognised in this connection at 31 December 2019 and 2018 were EUR 9,868 thousand and EUR 22,659 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 maximising 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 31 December 2019 and 2018 the leverage ratios were as follows (in thousands of euros):

	31 December 2019	31 December 2018
Financial liabilities	493,045	548,688
Retirement benefit obligations	79,429	70,645
Cash and cash equivalents	(117,294)	(86,270)
Net debt	455,180	533,063
Equity	1,280,186	1,191,749
Share capital	20,947	20,862
Leverage ratio⁽¹⁾	35.6%	44.7%

(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),

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32. Information on delays in payments to suppliers

The supplier payment periods in force at the Spanish companies in the Group comply 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.

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	
	2019	2018
	Days	Days
Average payment period	44	41
Ratio of paid operations	45	40
Ratio of outstanding operations	26	49
Total payments made	536,503	506,092
Total outstanding payments	49,719	51,043

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 44 days in 2019 (41 days in 2018).

33. 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 35.4 million euros (equivalent to 0.203 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 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 as explained in Note 4.

APPENDIX: INFORMATION ON GROUP COMPANIES

Name	Thousands of Euros						
	Laboratorios Almirall, S.L.	Laboratorios Tecnobio, S.A.	Industrias Farmacéuticas Almirall, S.A.	Ranke Química, S.A.	Almirall International BV	Almirall NV	Almirall - Productos Farmacêuticos, Lda
Management	Spain	Spain	Spain	Spain	Holland	Belgium	Portugal
Activity	Intermediary services	Intermediary services	Manufacture of specialties	Manufacture of Raw Materials	Holding	Pharmaceutical Laboratory	Pharmaceutical Laboratory
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
31 December 2018							
% 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	13,540	1,348	64,740	25,151	61,275	2,031	1,813
Net profit (loss) for the year	414	-	3,480	1,066	6,905	101	267

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

APPENDIX: INFORMATION ON GROUP COMPANIES

Name Management Activity	Thousands of Euros						
	Almirall BV Holland Pharmaceutical Laboratory	Almirall Aesthetics S.A. (**) Spain Marketing of aesthetics products	Almirall Limited United Kingdom Pharmaceutical Laboratory	Subgrupo Almirall SAS (*) France Pharmaceutical Laboratory	Almirall SP ZOO Polland Pharmaceutical Laboratory	Almirall GmbH Austria Pharmaceutical Laboratory	Almirall AG Switzerland Pharmaceutical Laboratory
31 December 2019							
% interest held	-	-	-	-	-	100%	100%
- Directly	100%	100%	100%	100%	100%	-	-
- Indirectly	100%	100%	100%	100%	100%	100%	100%
% voting rights	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Consolidation method	4,000	61	571	12,527	12	36	901
Share capital	2,221	178	10,165	18,349	1,445	1,653	2,463
Reserves	365	-	705	1,564	96	198	64
Net profit (loss) for the year	31 December 2018						
% interest held	-	-	-	-	-	100%	100%
- Directly	100%	100%	100%	100%	100%	-	-
- Indirectly	100%	100%	100%	100%	100%	100%	100%
% voting rights	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Consolidation method	4,000	61	563	12,527	14	36	652
Share capital	2,102	113	8,401	16,314	1,476	3,443	2,037
Reserves	119	44	1,228	1,301	2	210	1,163
Net profit (loss) for the year							

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,

(*) Including subsidiaries Almirall SAS and Almirall Production SAS, this liquidated in December 2018

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

APPENDIX: INFORMATION ON GROUP COMPANIES

	Thousands of Euros		
	Polichem, S.A.	Polichem, S.R.L.	Almirall Aesthetics. Inc (Nota 2-b)
Name			
Management	Luxemburg/Switzerland/China	Italy	Estados Unidos
Activity	Pharmaceutical Laboratory	Pharmaceutical laboratory	Holding
31 December 2019			
% interest held			
- Directly	-	-	-
- Indirectly	100%	99,60%	-
% voting rights	100%	100%	-
Consolidation method	Full consolidation	Full consolidation	-
Share capital	1.351	540	-
Reserves	106.547	3.447	-
Net profit (loss) for the year	20.804	776	-
31 December 2018			
% interest held			
- Directly	-	-	100%
- Indirectly	100%	99,60%	-
% voting rights	100%	100,00%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation
Share capital	1,374	540	226
Reserves	82,494	4,428	53,724
Net profit (loss) for the year	19,556	1,018	(122,803)

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

APPENDIX: INFORMATION ON GROUP COMPANIES

Name Management Activity	Miles de Euros						
	Almirall SpA Italy Pharmaceutical Laboratory	Almirall Hermal, GmbH Germany Pharmaceutical Laboratory	Almirall Aps Denmark Pharmaceutical Laboratory	Almirall Inc United States Holding	Subgroup (*) Almirall US United States Pharmaceutical Laboratory	ThermiGen LLC United States Aesthetics	Poli Group Holding, S.R.L. Italy Holding
31 December 2019							
% interest held							
- Directly	-	100%	100%	100%	-	-	100%
- Indirectly	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	8,640	25	17	-	-	-	31
Reserves	37,189	12,922	2,328	478,915	319,477	-	44,824
Net profit (loss) for the year	2,664	24,411	147	58,340	13,520	-	2,046
31 December 2018							
% interest held							
- Directly	-	100%	100%	100%	-	-	100%
- Indirectly	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	8,640	25	17	-	-	28,386	31
Reserves	52,632	60,999	2,193	362,778	286,680	(32,662)	63,997
Net profit (loss) for the year	3,557	22,098	136	82,374	27,584	(20,925)	(143)

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 Aqua Pharmaceuticals Holding and Almirall LLC (formerly named Aqua Pharmaceuticals LLC).



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Directors' report
(Year ended 31 December 2019)

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14. Significant agreements
15. Non-financial information

1. Summary. Main achievements

The year 2019 has been characterized by the growth of the Group's operating income, which has been mainly due to:

- The acquisition, effective September 21, 2018, of a portfolio of five products from the Medical Dermatology division of Allergan in the United States, including a New Chemical Entity (NEQ), Seysara™ (sareciline) for oral treatment of acne, and four mature and growing brands: Aczone® (dapsone), Tazorac® (tazarotene), Azelex® (azelaic acid) and Cordran® Tape (fludoxicortide).
- Skilarence® sales continue to grow in double digits thanks to the launches in Holland, Spain, Italy, Switzerland and Ireland and the good performance of the product in Germany, contributing about 33 million euros.
- The launch of Ilumetri® at the end of 2018 in Germany and in 2019 in Austria, the United Kingdom, Spain, Switzerland and Denmark providing sales of around 20 million euros.

The dividend payment of 2019 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 70.2% of the rights (which has meant a disbursement of EUR 24.1 million) and the remaining 29.8% was opted to receive new shares at the nominal unit value that have been issued as capital increase.

Finally, the Group closed the year 2019 with a cash position amounting to 117.3 million euros (86.3 million as of December 31, 2018). This evolution is explained by:

- Solid cash flow from operating activities (+276 million euros), as a result of the new launches, the improved profitability of the Group and the collection of milestones and royalties coming from the AstraZeneca agreement.
- Net cash flows from investment activities (-144.6 million euros) resulting mainly from license agreements signed in previous years with Athenex, Dermira and Bioniz (the last two signed in 2019 as detailed in section 2 below).
- Net cash flows from financing activities (-100.5 million euros) as a result of the payment of the dividend and the return of 150 million euros of the credit policy, which are partially compensated by obtaining a loan of 80 million euros from the European Investment Bank.

2. Evolution of key figures in the consolidated income statement

- The Net Revenues amount to 910.7 million euros (+12.3%) due to:
 - Net Sales amount to 855.3 million euros (+13%), as a consequence of all the launches mentioned in section 1 above.
 - The "Other income" caption amount to 55.3 million euros (+2.4%), that mainly includes the income as a consequence of the agreement signed with Astrazeneca, in line with last year.
- The gross margin on sales has increased significantly as a result of the new releases, especially the product portfolio acquired from Allergan in September 2018.
- Personnel expenses have been reduced slightly mainly due to the exit of the ThermiGen perimeter, partially offset by the increase in staff linked to new releases.
- The R&D expenses for the year amounted to 92.2 million euros (+5.3%), mainly due to Phase IV studies related to the psoriasis franchise (Skilarence and Ilumetri).
- Amortization amounted to 129.4 million euros (+43.5%) as a consequence mainly of the portfolio acquired from Allergan and the launch of Ilumetri at the end of 2018.
- The "Net results from disposal of assets" section of the attached Consolidated Income Statement includes in 2019 mainly the loss derived from the termination agreement signed with Symatase.
- The financial expenses for the year 2019 amounted to 14.8 million euros, increasing significantly compared to the previous year as a result of the debt instruments issued in December 2018.
- As a result of the above, the result before tax has improved significantly, reaching a profit of 105.9 million euros (+36.3%).

3. Corporate development

In 2019 the following corporate development agreements were entered into:

- In February 12, 2019 the Group announced an option and license agreement with Dermira under which has acquired an option to exclusively license rights to develop and commercialize lebrikizumab for the treatment of atopic dermatitis and certain other indications in Europe. As a consequence of this agreement the Group did a first payment of 30 million dollars (27 million euros). After Phase IIb results, the Group had 45 days to exercise his option, in this case it should pay 50 million dollars an also additional payments upon the achievement fo certain milestones, including 30 million dollars in connection with the initiation of certain Phase 3 clinical studies and up to 85 million dollars upon the achievement of regulatory milestones and the first commercial sale of lebrikizumab in Europe. In June 25, 2019 Almirall exercise the option that was paid in July. Additionally in this agreement Almirall will be obligated to make additional payments to Dermira upon the achievement of certain milestones. In addition, Dermira will be entitled to receive milestone payments upon the achievement of certain thresholds for net sales of lebrikizumab in Europe, as well as royalty payments representing percentages of net sales that range from the low double-digits to the low twenties.
- On March 4, 2019, the Group reached an agreement with Celling Biosciences to divest ThermiGen. This operation was completed on March 29, 2019 without a significant economic impact 2019.
- On March 27, 2019, it was announced the signing of a loan with the European Investment Bank (EIB) for up to 120 million euros in order to finance research and development activities, with the aim of offering Innovative and Differentiated therapies in the medical dermatology area. The first tranche of 80 million euros has a fixed interest of 1.35% for 10 years.
- On March 29, approval was obtained from the US Food and Drug Administration (FDA). UU. of Duaklir® according to the positive results of the AMPLIFY study that demonstrate significant improvements in lung function of patients with COPD, moderate to severe, compared with each component individually (both aclidinium bromide and formoterol). The FDA has also approved to include in the Product Data Sheet of the United States of America that Tudorza® and Duaklir® reduce the annual rate of moderate or severe COPD exacerbations compared to placebo.
- On April 5, 2019, AstraZeneca notified the Group the payment of a milestone for sales, related to the agreement signed on November 1, 2014 and revised in April 2019, related to the aclidinium bromide franchise (bronchodilator for relieve symptoms of chronic obstructive pulmonary disease, COPD). This milestone represents an amount of 65 million dollars: 35 million were collected in cash on May 1, 2019 and the remaining 30 million will be collected on March 31, 2020.
- On June 17, it was reported that once the resolutions necessary for the transformation of the Bonds into convertible and / or exchangeable bonds into shares of the Issuer have been adopted by the general shareholders meeting of Almirall on May 8, 2019, it is communicated that the public deed by which the aforementioned agreements of the Board were made public and the public deed of the issuance of the Bonds was modified has been registered in the Mercantile Registry of Barcelona on June 11, 2019. The Bond has effectively become convertible on June 25, 2019.

Regarding the status about the products currently under development:

- On October 9, the phase 3 program of lebrikizumab began. This phase 3 program includes two identical, randomized, double-blind, placebo-controlled studies and parallel groups designed to confirm the safety and efficacy of lebrikizumab as monotherapy in patients with moderate to severe atopic dermatitis. For these studies it is planned to recruit a total of 800 adult and adolescent patients from 12 years of age with moderate to severe atopic dermatitis, from 200 centers in the United States, Europe and Asia.

The Group plans to announce the preliminary results of the induction phase in the first half of 2021. In addition to the two monotherapy studies, the Group plans to include a third study in the same program to assess the efficacy of lebrikizumab in combination with a topical corticosteroid. The impact of lebrikizumab treatment on the quality of life of patients will also be evaluated.

- As announced at the annual meeting of March 2, 2019 at the American Academy of Dermatology in Washington, DC, studies KX01-AK-003 and KX01-AK-004 met the primary assessment criteria, defined as the 100% disappearance of lesions treated with actinic keratosis at day 57 in the face or scalp areas. A complete disappearance of the lesions was observed in 44% and 54% of patients treated with tirbanibulin, respectively, while 5% and 13% were controlled by placebo.

These results represent the last piece of information to be sent to the New Drug Application (NDA) of the United States and to the Marketing Authorization Application (MAA) of Europe, whose launch is expected for the first quarter of 2021 and second quarter of 2021, respectively.

- On September 26, the Marketing Authorization Application (MAA) for finasteride (ALM12845) was presented. The product is a skin spray, a solution that has proven its safety and efficacy in topical treatment for adult men with hair loss (androgenetic alopecia). The product is subject to medical prescription. The approval in Europe is scheduled for 2020 or early 2021.
- On July 31, the Marketing Authorization Application (MAA) for terbinafine (ALM12834) was presented. The product is a medicinal nail lacquer indicated as a topical treatment of mild to moderate fungal infections in the nails, caused by dermatophytes and / or other yeasts and molds sensitive to terbinafine, without affecting the nail / lunula matrix. The approval in Europe is planned for 2020 or early 2021.

4. Consolidated balance sheet. Financial position

The main variations of the Balance as of December 31, 2019 with respect to the end of the 2018 fiscal year are described below:

- Intangible Assets increases mainly as a result of the agreement signed with Dermira and Bioniz, in addition to the effect of the exchange rate on foreign currency assets (mainly related to the US dollar).
- Financial assets have been reduced, mainly due to short-term reclassification and subsequent collection of certain milestones related to the Astrazeneca agreement.
- Non-current liabilities have been reduced mainly by the short-term transfer of a milestone to be paid linked to the license agreement for a product for hypertension with Astrazeneca in 2017, the reimbursement of 150 million euros of the credit policy and deferred income results under the agreement signed with Astrazeneca in 2014, partially offset by the 80 million euros received from the European Investment Bank.
- Current liabilities have increased mainly due to the short-term transfer of the milestone mentioned in the previous paragraph and the increase in commercial creditors, mainly due to the increase in activity of the US subsidiary Almirall LLC.

5. Financial risk management and use of hedging instruments

Interest rate risk

During the first quarter of 2017, the parent company signed a new 4-year line of credit, enabled for a maximum disposition of 250 million euros at a fixed interest rate, the average of said rate was 0.81%, so the Group is not exposed to interest rate volatility. At the closing date of 2019, the Group had no disposed amount of this financing, while at the end of 2018 150 million euros were arranged.

In September 2018, the parent company signed a temporary loan of 400 million euros 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 150 million euros at a fixed rate of 2.1% and, on the other hand, with the issuance of Convertible Bonds (250 million euros), 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 120 million euros, 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 80 million euros was granted on April 17, 2019, at a fixed interest rate of 1.35%.

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.

The Parent Company of the Group was a borrower with the subsidiary Almirall, Inc., this loan was not covered because the forecasts of the evolution of the dollar were favourable and the coverage supposed a cash outflow of the amount of the revaluation.

On the other hand, and to finance part of the purchase of the Allergan portfolio, during 2018 a new loan was made with the subsidiary Almirall, Inc in USD. This loan was done to cover with exchange insurance in order to minimize the exchange rate risk by closing the position as explained in Note 17. As of December 31, 2019 there is no exchange insurance contracted.

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 analyzed 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, 2019, 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.

6. Risk factors

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

- Price reductions or volume limitations for existing products and difficulties in obtaining the prices or reimbursement conditions requested for new releases by decisions of the health authorities, with the consequent impact on sales forecasts.
- Erosion of turnover and loss of market share due to the progressive entry of generics.
- Cyber-attacks or security incidents that may allow access to confidential information or cause a disruption of business activities.
- Impairment of intangible assets and goodwill due to income flows below those projected.
- Pipeline of R&D not sufficiently balanced and differentiated in its different phases to nourish the product portfolio.

7. Treasury stock

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, 2019, treasury stock representing 0.07% of the share capital (it did not have its own shares at December 31, 2018) and a global nominal value of EUR 13.7 thousand and which have been registered in accordance with IFRS-EU. The average acquisition price of these shares has been 15.54 EUR per share. The shares of the Parent Company in its possession are intended to negotiate in the market.

8. 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 35.4 million euros (equivalent to 0.203 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 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 as explained in Note 4.

9. Outlook for 2020

The year 2020 is expected to be the year of consolidation of the launches made in the last two years: Seysara in the United States and Skilarence and Ilumetri in Europe. On the other hand, the Group will have to face generic competition in both Europe and the United States for some of its more mature products.

Regarding the products currently under development, in 2020 it is expected to make the presentation to the registry before the EMA of tirbanibulina (license acquired from Athenex at the end of 2017) and continue with the Phase III studies of lebrizumab (license acquired from It will expire in 2019), which is expected to publish the results during the first half of 2021.

The Group Management continues to focus on inorganic growth opportunities that provide sustainable value for shareholders.

10. Corporate Governance Report

The Corporate Governance report is attached hereto as Schedule I.

11. Capital structure. Significant ownership interests

At 31 December 2019, the Parent Company's capital is represented by 174.554.820 shares with a par value of Euros 0.12 each, all fully subscribed and paid up.

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

Name or company name of direct holder of the ownership interest	% ownership interest in Almirall Group
Grupo Plafin, S.A.	40.9%
Grupo Corporativo Landon S.L.	18.8%

At 31 December 2019, the Parent Company is unaware of there being other ownership interests of 3% or more in the share capital or voting rights of the Parent Company, or other interests which, despite being less than this percentage, enable the holder to exercise a significant influence over the Parent Company.

12. Side agreements and restrictions on transferability and voting rights

The Group has entered into one side agreements, which were reported to the CNMV and which may be consulted in full on the following web site www.almirall.com, subscribed by Mr. Antonio Gallardo Ballart and Mr. Jorge Gallardo Ballart, which regulates the concerted action of its signatories in Almirall, SA and the exercise of the voting rights inherent to its indirect participation in the Company through the company Grupo Plafin, S.A.U., on the one hand, and Todasa, S.A.U. (Today Corporate Group Landon, S.L.), of another.

The Articles of Association impose no restrictions on the transferability of the shares of the Company, and neither are there any restrictions on voting rights pursuant to the Articles of Association or regulations.

13. Governance bodies, Board of Directors

Appointment of directors

The directors are appointed (i) upon proposal by the Appointments and Remuneration Committee, in the case of independent directors, and (ii) following a report by said Committee in the case of other directors, by the General Shareholders' Meeting or by the Board of Directors in accordance with the provisions of the Spanish Companies Law.

Newly-appointed directors are required to complete the Parent Company's orientation course for new directors so that they can rapidly build up sufficient knowledge of the Parent Company and of its corporate governance rules.

As for the appointment of external directors, the Board of Directors seeks to ensure that the candidates chosen are persons of recognized solvency, competence and experience. Particular care is taken in relation to those called upon to fill the independent director positions envisaged in Article 6 of the Board Regulations.

Directors proposed for re-appointment must refrain from participating in the deliberations and voting procedures concerning them.

Directors hold office for the term stipulated by the General Meeting, which is equal for all and may not exceed four years, at the end of which they may be re-elected one or more times for periods of the same maximum duration.

Replacement of directors

Directors cease to hold office when the period for which they were appointed has elapsed and when a decision to this effect is adopted by the General Meeting, exercising the powers attributed to it by law or by the Articles of Association. In any event, the appointment of directors expires when, once its term has elapsed, the following General Meeting has been held, or the legal time limit for holding the General Meeting to approve the accounts for the previous year has passed.

The Board of Directors may only propose the removal of an independent director before the expiry of the statutory term when there is due cause, acknowledged by the Board following a report by the Appointments and Remuneration Committee. In particular, due cause is understood to exist when a director has breached the duties inherent to his/her position or has come to be in any of the circumstances which bar him/her from holding this office, as described in the definition of independent director contained in corporate governance recommendations applicable at the time.

Directors who are the subject of removal proposals must refrain from participating in the deliberations and voting procedures concerning them.

The directors are required to tender their resignation to the Board of Directors and formalize such resignation, where the Board considers this appropriate, in the following cases:

- a) Where they cease to hold the executive posts with which their appointment as directors was associated.
- b) Where they find themselves in any of the situations of incompatibility or barring from office stipulated by law.
- c) When seriously reprimanded by the Board of Directors for failing to discharge their obligations as directors.
- d) When their remaining on the Board could jeopardize or prove detrimental to the interests, credit or reputation of the Parent Company or when the reasons for which they were appointed cease to apply (for example, when a nominee director sells their shareholding in the Parent Company).
- e) In the case of independent directors, they may not remain in such positions continuously for more than 12 years; therefore, once this period has elapsed, they must tender their resignation to the Board of Directors and formally withdraw.
- f) In the case of nominee directors, (i) when the shareholder they represent sells its entire shareholding and, similarly, (ii) in the requisite number, when such shareholder reduces its shareholding to a level which requires the number of nominee directors to be reduced.

In the event that, due to resignation or for any other reason, a director leaves office before the end of their term, they are required to explain the reasons in a letter sent to all the Board members.

Amendment of the Company's bylaws

Amendments to the bylaws are a competence of the General Meeting and are regulated by Article 160 of the Spanish Companies Law and other related legislation. There are no special provisions of relevance in this respect in either the bylaws or the General Meeting Regulations.

Powers of the members of the Board of Directors

Certain powers pertaining to the Board of Directors are vested in the Chief Executive Officer of Almirall, S.A., pursuant to a public deed executed before the Barcelona Notary Mr. Enrique Viola Tarragona on 24 May 2018.

Similarly, powers have been granted to Mr. Jorge Gallardo Ballart in the public deed executed before the Barcelona Notary Mr. Enrique Viola Tarragona on 2 June 2011.

14. Significant agreements

There are no significant agreements with regard to changes in the control of the Parent Company or between the Parent Company and its Directors and Managers or Employees with respect to indemnities for dismissal, resignation, or public takeover bids.

15. Non-financial information

1. BUSINESS MODEL

Environment description; Organization and structure; Markets; Objectives and strategy and Risks and future trends

Almirall is a leading global pharmaceutical company focused on skin health that collaborates with health professionals, applying Science to provide medical solutions to patients and future generations. Almirall's efforts are focused on fighting skin health diseases and helping people feel and look better, supporting health professionals in their continuous improvement, and providing innovative solutions wherever necessary.

The company is listed in the Spanish Stock Exchange Market and has become a key source of value creation for society, thanks to the commitment acquired with its main shareholders and its decision to help others, understanding their challenges and using Science to offer real life solutions.

Through its R&D and agreements and alliances with third parties, Almirall activity covers the entire value chain of the medicine, being a specialist company, which allows to achieve the purpose of bringing innovative products wherever they are needed.

The strategic focus of the company is focused on (i) **boosting growth in dermatology** while optimizing the value of our current portfolio; (ii) expanding the portfolio and pipeline in priority therapeutic areas through an **effective combination of R&D and corporate development**; (iii) achieving a selective **expansion in key countries**; (iv) increasing the competitiveness of the company through greater proximity to Almirall customers; and (v) promoting an organization with a culture based on the company's **corporate values: "caring", "dedicated", "dynamic" and "expert"**.

One of the key factors of Almirall business model is research and development (R&D), which has more than 40 years of history, and whose essential objective is to provide innovative solutions to address unmet medical needs. Almirall R&D focuses on those areas that can make a more significant contribution, with the aim of improving the health and quality of patients' life. Thanks to its three specialized research centers, together with international alliances, the company has products basically in all stages of development.

Almirall performs most of its R&D activities at its facilities in Sant Feliu de Llobregat (Barcelona), which was opened in 2006. With an area of more than 27,500 m², it is equipped with the most advanced technology and has highly qualified professionals in all disciplines involved in the process of research and development of new medicines. In addition to this center, Almirall also has a chemical plant in Sant Andreu de la Barca (also in the Barcelona area), which provides the necessary active ingredients for toxicological, preclinical and clinical studies.

Acquired by Almirall from Hermal in 2007, the center of Reinbek (Germany) is located on the outskirts of Hamburg and has a total area of 21,000 m². In these facilities, Almirall experts work on development programs to discover new formulations indicated for the treatment of skin diseases. Its more than 60 years of work in this area place the center as the leading Dermatological Center in Europe.

Finally, Polichem, with its base R&D center located in Mendrisio (Switzerland), was acquired in 2016. Its main activity is focused on Dermatology and Dermocosmetics, especially in relation to original formulations and pharmaceutical technologies applicable to a wide range of therapeutic areas. Polichem has patented development projects in various medical fields, with a special emphasis on specific skin problems.

Beyond R&D, Almirall is committed to strengthening the skills of health professionals. To that end, the company organizes and sponsors courses, conferences and medical meetings in each of the corresponding therapeutic areas. In addition, the articles and results of clinical trials of Almirall are published in scientific journals.

The exchange of knowledge with the medical community also extends to collaborative projects. Almirall enters into partnership with academic institutions, hospitals and scientific societies to increase knowledge about diseases.

In addition to its own R&D program, Almirall establishes agreements with public and private organizations, as well as academic research teams and biotechnology companies around the world, to create a knowledge exchange network and promote innovation for the benefit of the society. This allows generating new research programs that respond to the current needs of society and, in addition, have access to new technologies, thus accelerating the process of identifying new medicines.

Almirall Risk Management System is based on the existence of an annual Risk Map, which prioritizes the most relevant risks of the company's global risk map.

Said Risk Management System, coordinated by Internal Audit, is prepared based on the consolidation of the analysis and assessment of events, risks, controls and mitigation action plans carried out by the business and support units that make up the different areas of the company. For risks of a tax nature, there is also a Tax Committee for its control, management and minimization.

All risks that may have a significant impact on the achievement of the Company's objectives are subject to evaluation. Therefore, strategic, operational, financial, tax, technological, regulatory and reporting risks caused by both external and internal factors are considered.

The elaboration and execution of the Risk Management System is the responsibility of the Senior Management being the function of monitoring its effectiveness exercised by the Risk Management Committee, functionally linked to the Audit Commission and the Presidency, since it refers directly to an essential responsibility of the Board of Directors itself.

The Company operates in a sector characterized by a very high uncertainty about the result of disbursements for Research and Development, in a very competitive market in the therapeutic areas in which it is focused, very subject to the decisions of the Health Authorities for both the approval of the products as for the determination of the marketing

conditions and in a highly regulated industry in aspects related to pharmacovigilance, quality, environmental and codes of good practice in promotional activities.

These factors carry a nature of risks that are faced from a conservative position, being the company very selective in the allocation of resources and establishing very rigorous and efficient processes and controls in the development of operations.

The various risks are identified and evaluated by the Directors of the Company from the analysis of the possible events that may give rise to them. The valuation is carried out using metrics that measure the probability of occurrence and the impact - whose definition varies according to the type of risk - in the business objectives. Both inherent and residual risk are measured, so the existing controls to mitigate them are determined, as well as the necessary additional action plans if they are considered insufficient. For each of them, a person in charge of its management and implementation is established.

The Annual Corporate Governance Report contains additional detail regarding the Almirall Risk System.

2. ENVIRONMENTAL MANAGEMENT

2.1 Management approach

Almirall is strongly committed to promoting sustainable development, effective management of natural resources and pollution prevention.

Reaching their goals is as important to Almirall as the way they do it. Therefore, its commitment to society goes beyond offering scientific solutions to patients. It is also based on developing its own environmental policy that guarantees the responsible use of resources, thus working for a more sustainable planet.

Almirall has a global corporate prevention and environmental policy, which states that one of the priority and strategic objectives that drive the daily activity of the organization is the prevention of occupational risks and respect for the environment. For this, the following basic principles are established, among others:

- Commitment to the protection of the environment, enhancing its integration into the daily work processes of the Company.
- Efficient and sustainable management of resources, use of renewable energies, and commitment to mitigation and adaptation to climate change, through programs to reduce greenhouse gas emissions.
- Commitment to the continuous improvement of Almirall environmental management for the improvement of its performance, complying with the applicable legal requirements and other requirements that Almirall voluntarily subscribes to.
- Establishment of periodic programs, with objectives and goals in accordance with the applicable regulations, with the global corporate policy of prevention and environment, and with the risks and opportunities identified in the field of environmental protection.
- Training, involvement and participation of Almirall staff and collaborating companies in the application of the principles contained in the global corporate prevention and environmental policy.
- Ensuring the availability of the necessary information and resources, and proper planning of its use.
- Respect for the environment is an objective of the entire Company, so the responsibility for its achievement lies with all Almirall employees, whatever their level or function is.

Efforts in this area extend throughout the entire product life cycle: from its design in R&D and manufacturing, also covering the acquisition of raw materials and the end of life of the product.

Almirall has an integrated system for managing occupational safety and health, the environment and energy. In May 2019, Almirall successfully passed the TÜV Rheinland certification audit on the integrated management system, in accordance with international standards ISO 45001: 2018, ISO 14001: 2015 and ISO 50001: 2018, in all its centres in Spain and Germany.

With respect to environmental management, after achieving in 2018 the certificate of adaptation to the new ISO 14001: 2015, in this audit we have validated its effectiveness, having identified 0 nonconformities by the audit team. In Almirall we have the ISO 14001 certification since 2004.

With respect to energy management, after becoming one of the first pharmaceutical laboratories in 2013 to obtain the ISO 50001: 2011 certification, in 2019 we have managed to adapt and certify the system according to the new ISO 50001: 2018 standard, revalidating the effectiveness of the implanted system.



The scope of the prevention and environmental management system, including energy performance, is indicated in Table 1.

Alcance				OHSAS 18001	ISO 14001	ISO 50001
País	Tipo centro	Centro	Actividad			
España	Oficinas	Sede Central	Actividades de I+D, fabricación de principios activos, y fabricación y comercio al por mayor de productos farmacéuticos	X	X	X
		Red Comercial	Comercio al por mayor de productos farmacéuticos	X		
	Centro I+D	Sant Feliu	Actividades de I+D	X	X	X
	Planta Química	Sant Celoni	Fabricación de principios activos	X	X	X
	Planta Química	Sant Andreu	Fabricación de principios activos	X	X	X
	Planta Farmacéutica	Sant Andreu	Fabricación de productos farmacéuticos	X	X	X
Alemania	Mixto (Oficinas, Farma, I+D, Comercial)	Reinbek	Actividades de I+D, y fabricación y comercio al por mayor de productos farmacéuticos	X	X	X

Table 1. Scope of the prevention and environmental management system

Almirall has established, implemented and updated different due diligence processes and procedures, to ensure that the prevention and environmental management system is convenient, adequate and effective, on an ongoing basis. The most relevant are listed below:

- Prevention and Environment Manual.
- Risks and opportunities in prevention and environment.
- Evaluation of environmental aspects.
- Energy review.
- Legal requirements and other type of requirements.
- Training in prevention and environment.
- Communication, participation and consultation in prevention and environment.
- Management of prevention and environmental documentation.
- Change Control in prevention and environment.
- Industrial safety in equipment and facilities.
- Jobs with special risks control.
- Suppliers of works and services control.
- Wastewater discharges control.
- Atmospheric emissions control.
- Waste management.
- Noise pollution control.
- Road transport of dangerous goods.
- Emergency plans.
- Audits in prevention and environment.
- Review by the Directorate of the prevention and environment system.
- Incidents, nonconformities and corrective actions.

2.2 Pollution

2.2.1 Climate change and greenhouse gas emissions

Almirall is firmly committed with the fight against climate change, including as a significant aspect in its environmental strategy the reduction of greenhouse gas emissions. The answer against global warming is the reduction of emissions and adaptation to future effects. In that sense, Almirall has defined its environmental strategy in two pillars:

On the one hand, the reduction of its carbon footprint assuming business growth, where technology, energy efficiency and the replacement of fossil fuels are essential for the reduction of greenhouse gas emissions.

On the other hand, Almirall, as a pharmaceutical company, believes that it must play an important role in preventing and minimizing the damage that climate change can cause to people's health to build a better future.

The following are the main initiatives that Almirall is currently carrying out:

- Calculation and monitoring of greenhouse gas emissions.
- Management of the risks and opportunities of climate change.
- Energy efficiency.
- Use of renewable energy.
- It works to establish a voluntary objective of reducing greenhouse gas emissions in the medium-long term by achieving annual goals.
- Awareness of Almirall staff.

In order to reduce CO₂ emissions and improve worker safety on the way to work Almirall has developed a sustainable mobility plan that among other initiatives includes public transport in the flexible compensation plan for employees, the subsidy to purchase of hybrid and electric vehicles, training in sustainable driving, the installation of electric chargers in their centers in Spain for cars, parking areas for bicycles and electric scooters among others. In 2020, the launch of a carpooling program is planned to encourage the sharing of vehicles.

Greenhouse gas emissions scope 1 and 2

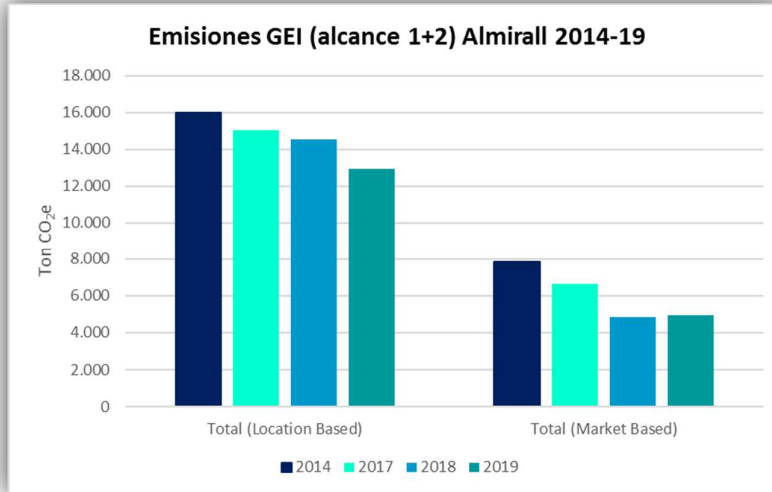
Almirall has set a goal of reducing greenhouse gas (GHG) emissions of scope 1 and 2 of 21% for the 2014-2025 period. The achievement of the objective is based on the reduction of energy consumption through energy efficiency projects and the company's commitment to self-generation of renewable energy. In 2016, Almirall installed a photovoltaic plant in its chemical plant in Sant Celoni with a power of 300 kW and in 2018, it installed in its pharmaceutical plant in Sant Andreu de la Barca the largest photovoltaic plant in Catalonia with a power of 800 kW which supposes a reduction of emissions of 515 t CO₂ per year between both plants.

Additionally, as part of its strategy against climate change, since 2013 in Spain and since 2018 in Germany, Almirall has purchased green electricity with a Guarantee of Origin (GdOs), promoting the increase of renewable energy in the energy mix of the mentioned countries.

In accordance with the above, scope 2 emissions are reported based on the country's energy (location based) and taking into account the purchase of green energy (market based).

CO ₂ (t)	2017	2018	2019
Scope 1	4,959	4,845	4,925
Scope 2 (market based)	1,694	0	0
Scope 2 (location based)	9,889	9,687	7,952

Table 2. GHG emissions, scope 1 and 2, of Almirall



Carbon Disclosure Project

As an exercise in transparency, since 2014 Almirall has responded to the Carbon Disclosure Project (CDP) questionnaire, which measures the transparency and performance of companies in Climate Change. This questionnaire helps us understand the best practices in our sector and incorporate them into our continuous improvement. Almirall's rating in the reporting of the year 2019 has been B-Management, improving from the C-awareness level. Among other aspects, it has been key to establish a GHG emission reduction target with a 2,025 horizon and progress towards obtaining it.

Almirall	2014	...	2017	2018	2019
CDP QUalification	60 D		C	C	B

Table 3. Evolution in Almirall CDP rating

2.2.2 Air pollution, noise and light pollution

In Almirall, the most significant impact on air pollution is the emission of volatile organic compounds from its industrial centers. For more than 15 years Almirall has been working to reduce these emissions through plans to eliminate the use of solvents in those industrial processes where possible, with special attention to solvents with risk to people and the environment, and the installation of technologies that mitigate the emission of these compounds.

Diffuse emissions	2017	2018	2019
COVs	154.3	56.5	40.0

The remaining emissions of air pollutants (particles, NOx, SOx, hydrochloric acid) are considered non-material for Almirall with emissions well below the legal limits.

Almirall centres are in industrial or urban areas, so the impact on noise and light pollution are considered non-material aspects.

2.3 Sustainable use of resources

2.3.1 Energy Consumption

Energy efficiency is part of the company's environmental strategy. Already in 2013, Almirall was a pioneer company in the chemical-pharmaceutical industry implemented and certifying its energy management system in accordance with the international standard ISO 50001: 2011 and also adapting itself to the standard ISO 50001:2018.

Since 2011, Almirall has achieved a 20% reduction in its total energy consumption. This has been possible thanks to the actions carried out within the framework of the development of energy improvement projects that aim to minimize the effects of climate change, promoting renewable energies in all centres, committed to seeking energy efficiency solutions to contribute to the construction of a more sustainable environment.

Almirall energy efficiency model is based on the iterative search for projects and new technologies that have been applied progressively, according to the needs of each of the centres.

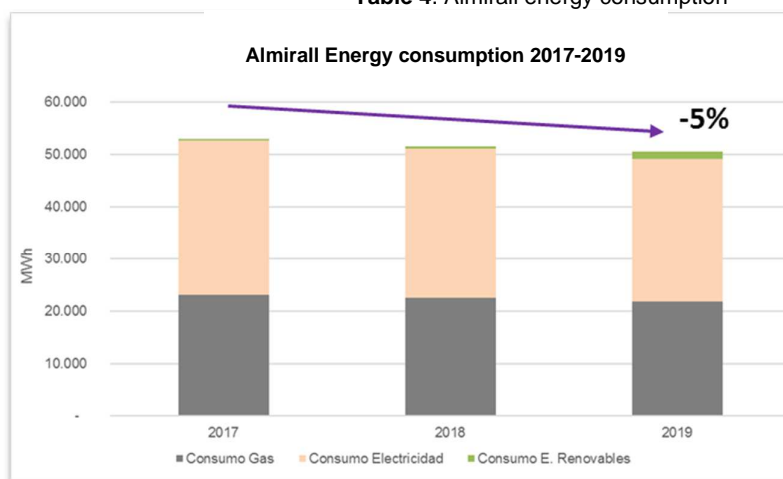
In this way, Almirall has managed to implement innovative technologies such as magnetic levitation and humidification by high-compression water mist, which allow reducing energy consumption in compressors of cold equipment and in the systems of resistance vaporization and / or electrolysis traditional, respectively.

Energy consumption

Almirall's main sources of energy consumption are gas and electricity. In relation to electricity consumption, Almirall bets not only for the purchase of green energy with Guarantee of Origin but also for the self-generation of renewable energy, with these facilities, in 2019 the dependence of the sub-minister of the company's electricity network has been reduced in 1,505 MWh, 5% of Almirall's electricity consumption.

Energy consumption (MWh)	2017	2018	2019
Gas	22,896	22,509	21,741
Electricity	29,750	28,615	27,358
Green energy	262	402	1,505

Table 4. Almirall energy consumption



2.3.2 Water consumption and wastewater discharge

In the production centres, industrial processes are designed in an appropriate way to contribute to the minimization of water consumption.

Table 5 details the water consumption in the different Almirall workplaces during 2019, compared to the same data for 2018.

Water consumption (m ³)	2017	2018	2019
Company water	97,532	84,915	77,141
Well water	22,330	32,506	65,811

Table 5. Almirall water consumption

Reducing the flow and pollutant load of liquid spills means acting on the pollutants generated in the processes themselves. In addition, wastewater treatment facilities are available. In all Almirall centers the average of the parameters is at least below 70% legal limit.

2.4 Circular economy and waste prevention and management

Almirall manages its waste responsibly, prioritizing minimization at source and the most sustainable and safe treatment for each type. Waste is broken down according to this classification:

- Valuable dangerous waste.
- Non valuable dangerous waste.
- Valuable non dangerous waste.
- Non valuable non dangerous waste.

Dangerous waste mostly corresponds to solvent waste in chemical plants, chemical waste and cleaning water in pharmaceutical plants, and laboratory waste in research and development centers. Non-dangerous waste basically consists of waste similar to urban waste and packaging waste from pharmaceutical plants.

Valuable waste is the one whose management is related to recycling, reuse, etc. and, the non-valuable waste is the one whose final destination is the disposal and/or elimination of waste.

Tables 6 and 7 show the waste evolution in recent years, both in the centers of Almirall Spain and in Almirall Germany.

TOTAL ALMIRALL SPAIN	2017	2018	2019
	Res. (t)	Res. (t)	Res. (t)
Valuable dangerous waste	1,873.2	1,826.9	2,030.9
Non valuable dangerous waste	210.9	473.0	336.2
Valuable non dangerous waste	393.7	380.6	426.2
Non valuable non dangerous waste	460.5	578.3	702.6
Total	2,938.3	3,258.9	3,495.8

Table 6. Waste Almirall Spain

TOTAL ALMIRALL GERMANY	2017	2018	2019
	Res. (t)	Res. (t)	Res. (t)
Valuable dangerous waste	15.6	16.7	23.0
Non valuable dangerous waste	35.5	24.0	22.0
Valuable non dangerous waste	153.5	146.5	156.4
Non valuable non dangerous waste	5,154.3	6,539.6	3,146.4
Total	5,358.8	6,726.7	3,347.8

Table 7. Waste Almirall Germany

Waste management of customers' medicines

In Spain, Almirall is adhered to the Integrated System of Packaging Management and Collection (SIGRE), in order to comply with Act 11/1997, of April 24, on packaging waste and RD 782/1998, of April 30, which approves the Regulation for the development and execution of Act 11/1997. In Germany, Almirall adheres to the *Dual System Deutschland (DSD)*, in order to comply with the state ministerial order on Packaging (*VeparckV*).

Through the inclusion of the SIGRE symbol in its packaging, Almirall guarantees that both the material of these packages and the remains of medicines that they may contain are managed in an environmentally responsible manner.

Below is the packaging material of Almirall products in the Spanish national market and in Germany:

Almirall Spain	2017	2018	2019
	(t)	(t)	(t)
Glass	59.6	46.4	43.7
Paper/cardboard	333.2	383.1	386.9
Aluminum	32.4	33.0	38.0
Plastic	60.7	58.5	56.4

Composite material	232.3	258.5	265,0
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Tabla 8. Material de envases de venta Almirall España

Almirall Germany	2017	2018	2019
	(t)	(t)	(t)
Glass	60.6	60.3	62.6
Paper/cardboard	80.1	73.5	68.9
Aluminum	23.4	23.3	22.3
Plastic	45.4	43.1	42.7
Composite material	13.8	15.7	17.0

Tabla 9. Material de envases de venta Almirall Alemania

Eco-design

Almirall corporate strategy identifies the need to integrate sustainability criteria in the design of our products, from the R&D phases to the end of the product's life, through its manufacture and distribution. There are several projects that incorporate the concept of "eco-design" in its development, as well as that of "eco-packaging" in relation to the conditioning of Almirall products, in order to reduce the environmental impact.

2.5 Biodiversity protection

All industrial and research centres are located in industrial estates and no significant impacts to biodiversity have been determined in nearby protected areas. In the event of an emergency with a potential environmental impact on the environment, emergency plans are available where actions are described to minimize negative impacts on people and the environment.

3- SOCIAL AND STAFF RELATED ISSUES

- Employment: number and distribution (gender, age, nationality, etc.)
- Work organization
- Health and safety
- Social relations
- Training
- Accessibility of disabled people
- Integration and equality (gender, harassment protocols, etc.)

At the end of 2019, Almirall has a total of 1,765 employees with 24 nationalities represented and with a percentage of 47% of men and 53% of women, an average seniority of 13.5 years, 62% of employees with a university degree and 70% of experts in the pharmaceutical industry.

94% of Almirall employees are concentrated in Europe and 6% in the US. The distribution in professional categories is as follows: 3% Directors, 14% Managers, 60% Specialist / Technicians and 23% Administrative / Operators.

The distribution by age of Almirall staff is as follows: 58% of employees are over 31 and under 50, 6% are under 30 and 36% are over 50.

The following table below details the distribution of employees by country, professional category, gender and age range.

Country	2018			2019		
	Female	Male	Total	Female	Male	Total
Austria	5	5	10	6	5	11
Belgium	2	4	6	4	4	8
China	2	0	2	1		1
Nordics	8	6	14	4	3	6
France	0	1	1	0	2	2
Germany	171	129	300	167	120	287
Italy	27	37	64	29	43	72
Netherlands	1	1	2	9	4	13
Poland	3	0	3	3	1	4
Portugal	4	2	6	5	2	7
Spain	618	521	1139	625	565	1190
Switzerland	10	9	19	9	8	17
UK	16	17	33	17	18	35
US	116	88	204	65	46	111
Total	983	820	1803	944	821	1765

(*) CEO & President are not included in Headcount

Category	2018			2019		
	Female	Male	Total	Female	Male	Total
Directors	12	32	44	13	31	44
Managers	119	151	270	108	149	257
Specialists	605	483	1088	587	472	1059
Adm/Op/Lab	247	154	401	236	169	405
Total	983	820	1803	944	821	1765

Age Range	2018			2019		
	Female	Male	Total	Female	Male	Total
Less than 30	70	49	119	63	53	116
31_50	642	431	1073	594	424	1018
More than 50	271	340	611	287	344	631
Total	983	820	1803	944	821	1765

The most commonly used type of recruitment in Almirall is the permanent / indefinite employment relation, with an incidence of 97%. Currently, Almirall does not have any part-time contract.

The table below details the distribution at the end of the year of permanent / indefinite and temporary contracting broken down by gender.

2018	2019
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Contract type	Female	Male	Total	Female	Male	Total
Permanent	938	804	1742	914	800	1714
Temporary	45	16	61	30	21	51
Total	983	820	1803	944	821	1765

Detail of the annual average distribution of contracts according to each type (indefinite / permanent or temporary) as well as age range, professional category and gender is as follows:

	2018				2019			
	Permanent		Temporary		Permanent		Temporary	
	Female	Male	Female	Male	Female	Male	Female	Male
<_30	50,7	40,7	17,7	4,5	41,7	39,1	17,0	8,2
31_50	607,1	418,8	19,3	9,8	575,9	409,0	16,5	8,4
>_50	272,1	344,8	1,8	1,4	299,6	352,8	1,9	0,8
Total	929,8	804,2	38,8	15,7	917,2	800,8	35,4	17,3

1734	54,5	1718	52,75
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	2018				2019			
	Permanent		Temporary		Fijos		Temporales	
	Female	Male	Female	Male	Female	Male	Female	Male
Directors	10,91	33,66	0	0	12,75	30,75	0	0
Managers	123,4	153,1	0,2	2,0	110,5	146,3	0,3	0,9
Specialists	553,3	473,9	22,2	7,1	562,8	465,2	22,8	7,6
Adm/Op/Lab	242,3	143,6	16,5	6,6	231,2	158,6	12,3	8,8
Total	929,8	804,2	38,8	15,7	917,2	800,8	35,4	17,3

1734	54,5	1718	52,75
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During 2019 there has been the following involuntary exits from Almirall. The following table shows the detail of its classification by territory, gender, age and professional category.

- Dismissals by gender, age range and professional category.

Category	2018			2019		
	Female	Male	Total	Female	Male	Total
Directors	0	1	1	1	1	2
Managers	7	4	11	8	7	15
Specialists	24	18	42	16	18	34
Adm/Op/Lab	9	2	11	6	3	9
Total	40	25	65	31	29	60

65	60
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Age range	2018			2019		
	Female	Male	Total	Female	Male	Total
<_30	4	0	4	0	2	2
31_50	22	13	35	19	14	33
>_50	14	12	26	12	13	25
Total	40	25	65	31	29	60

65

60

The absenteeism data obtained for the year 2019 includes the hours of illness, work accident, maternity and paternity:

Absenteeism	
Countries	Hours
UK	927
Spain	108.164
Nordics	201
Austria	1.129
Germany	38.694
Switzerland	1.107
Italy	9.094
Total	159.316

US Absenteeism hours are not reflected due to local legislation, which does not allow its registration. Total hours for 2018 were 124.161.

In Almirall, people are considered one of its greatest assets, so the goal is always to provide its staff with the best possible work environment, for which the Company has established the basic principles that allow to create the best work environment.

Almirall's commitment is to ensure the application of these principles to all working people without age, gender, race or religion discrimination.

Almirall has labour calendars that apply to all its staff and are in line with the legislation of each country. Calendars are shared with the work council to adapt the productive needs with the employees personal life.

To get an agile consultation by all the staff, the Company makes available to the employees the calendars of each year by publication on the Company's intranet. In addition, as soon as the calendar for the following year is agreed, Almirall publishes it on the Company's intranet for the knowledge of all staff. Since 2018, Almirall allows its employees to enjoy the holidays until March 31st of the following year.

In addition to the legally set vacation days, Almirall offers up to seven additional days out of the total to enjoy throughout the calendar year. In some countries, in order to get greater flexibility, employees can even enjoy these additional days in 4-hour days in half days.

Almirall is committed to the well-being of its employees. For this reason, the aim is to ensure that the conciliation between work life and personal life is balanced, including within its labour calendar a schedule with flexible hours to start and finish the work day. This flexibility includes that employees have the option of being able to enjoy the free Friday afternoon from January to the end of October, so they can adapt the weekly schedule to balance work and personal life.

As an example, Almirall Spain offers to its employee a flexible schedule system that allows to adapt the workday to the personal needs of each individual. For office staff, it is possible to start the work day from 7:30am to 9:30am. The midday break can be from 30 minutes to 1 hour and a half, and the end is from 4:15pm to 8pm. The extension of the day flexibility has allowed the majority of people who had reduced working hours, extending it and being able to balance the work with domestic life. In the same way, the employees that work by shifts in the industrial area can modify them in a rotating way, being available morning, afternoon and night shifts.

In 2019, due to the regulatory changes in Spain that establish the obligation to register the workday hours, Almirall is in negotiation with the work council of the conditions in which way this registration is executed. Within this negotiation, it has been established as a priority after the introduction of the registration system of the day, the implementation of the bases to begin a policy of work disconnection, which will give its development later as a result. In the same way, taking advantage of the situation, Almirall is managing the implementation of a new application for time registration, which allows all employees to check their time balance, holidays pending and days off requested by them.

In production plants, as in Reinbek or Sant Andreu de la Barca and Sant celini, there are 3 rotating shifts (morning, afternoon and night), as well as holidays set in the calendar, in order to ensure production. This is why in these areas above mentioned flexibility is not applicable.

In 2019, due to the obligation in Spain of register the working hours of the entire personnel, Almirall is negotiating with works council all conditions in which this registry will be done. Within this negotiation, it has been set as a priority after implementation of the new working hours registry system, implementation of the bases in which a new working disconnection policy will be set. At the same time, Almirall Spain is setting a new time schedule control app, which will allow all the employees check their working hours and holidays.

Almirall has opted in recent years to create a comfortable teamwork environment. For this, it has modernize its workspaces in order to be innovative and versatile to enhance collaboration and dynamism. In the previous years, the offices of Germany and the Sant Andreu de la Barca plant were adapted, and in 2019 Headquarters offices in Barcelona, which has started some works that will last approximately two years. These new facilities are committed to the removal of walls and the creation of new meeting and/or work rooms adapted to new ways of working: individual rooms for concentration when necessary, more creative and informal rooms for brainstorming meetings, high tables for quick meetings, etc. These new typologies of rooms, together with the fact that only the company's senior officials will have their own office, will further foster a comfortable atmosphere and more teamwork.

To ease the reconciliation, Almirall has launched a teleworking pilot in Spain and Germany in 2019. In Spain, it has been launched for the Project Management and Regulatory Affairs areas, within the R&D area that has been implemented for a total of 35 people. Within this pilot, the employees included has been able to make a weekly telework (to choose one day between Tuesday and Thursday) at his home. In addition, because of the works of the Headquarters offices, the employees of the Market Company Spain, located in this headquarters, in October were transferred to the offices of Sant Feliu and, in the same way, it received teleworking. On the other hand, Germany launched a pilot for all employees interested in teleworking, consisting of being able to work 2 days a month from a distance and, in the same way as in Spain, was very well received.

Almirall is not only committed to its employees, but also to their families. For this, it offers benefits for those employees who has children up to 18 years. Within this type of aid, there is special benefits to fathers and mothers with descendants with some type of disability or intellectual giftedness.

In the same way, the company offers an economic aid for employees in case of being married / unmarried partners and birth or adoption of children. Similarly, Almirall offers its employees two additional days of birth permit for children, both for mothers and fathers.

Almirall has work councils in all of its work places. Due to the presence of the Company in several countries of the European Union, a European Company Committee has been created in 2019, with the incorporation date of April 25th, 2019 that has met twice on May 5th and November 27th 2019. In the United States (US), Almirall does not have a work council, according to current legislation.

In Almirall Spain there are several commissions for tracking key issues within the organization, in which are presented, discussed and proposed improvements and changes that will be applied both within the Spain and in the group's affiliates.

In 2019, important progresses have been made in collective bargaining:

- The benefits commission carries out a permanent social benefits analysis that exist in the company, such as school aid, seniority awards, acquisition of a hybrid car aid, etc. Within it, possible improvements of benefits are discussed and valued. Any specific case is analysed to confirm if it is approved or not, so that it is recorded for possible future similar cases. In 2019, special assistance for descendants with intellectual giftedness has been consolidated, and a pilot project has been implemented in the industrial area of employee rejuvenation, accompanying older and senior employees until retirement, proposing ways like partial retirement .
- Through the equality commission, trainings for all employee on harassment have been initiated. Also, in 2019 the review of all sexual harassment protocols was completed, reviewing the composition of its members. Almirall, with the intention of being a pioneer in this type of improvements, has closed in 2019 the diagnoses, agreed with the work council, for the preparation of the new equality plan in Spain, whose monitoring will be carried out through this commission.
- In 2019, due to the obligation in Spain of register the working hours of the entire personnel, a commission has been created, destined to mark the guidelines under which the entries and exits of all personnel will be registered.

On the other hand, the Company applies the state and labour legislation of each country with employees, but also in countries such as Spain, Italy and Austria, 100% of its employees with a labour contract also apply the collective agreement.

Regarding the participation and consultation of employees, Almirall not only rigorously complies the commitments acquired in the different negotiation frameworks of each territory (e.g. in Spain, the XIX General Agreement of the Chemical Industry), but goes one step further by the continuous impulse of its continuous improvement system.

Almirall has several programs to identify talent and support its employees to grow and develop their potential to the fullest.

Almirall offers to all employees a performance program based on continuous feed-back, in order to establish strong, open and trusted relationships. Individualized development programs are also offered, where employees have the opportunity to lead their own growth and development within the company.

Almirall does Engagement Surveys with the aim to foster a stimulating and motivating environment in the workplace. They are done every two years to determine the level of commitment of our employees and to know the perceptions that motivate their behaviours. In this way, actions are identified and carried out that help foster a stimulating and motivating work environment in which professional talent is developed, strengthening the commitment to the Company and a culture based on the Company's values.

Almirall is a Company focused on continuous learning and entrepreneurial spirit. For this reason Almirall follows the 70/20/10 model: 70% of the required knowledge is obtained from work experience; 20% comes from interactions and collaborations with co-workers and mentors; 10% comes from formal educational sessions or training, on-site or digital. In addition, the Company has training policies appropriate to different needs, whether business or professional development such as mentoring, technology, languages and values.

Therefore, Almirall offers training to all its employees, providing opportunities to continue learning and developing their skills, a fact that facilitates the achievement of business and personal development objectives. To ensure the homogenization of the process in terms of identifying employee needs and the execution of training, Almirall has a training policy.

These training actions are linked to leadership values and competencies, business, languages and technological systems. Any training requirement must be aligned with the professional responsibilities of the employee, those current and future, as a potential for future development.

Almirall has a rigorous and fair process to guarantee the development of employees and teams according to the needs of the business strategy.

The number of training hours dedicated by country, broken down by professional category, is indicated below.

Category	Hours
Adm/Op/Lab	12.626,06
Directors	425,45
Managers	3.966,36
Tech/Spec.	17.664,62
TOTAL	34.682,49

Total hours along 2018 was 25.391.

Due to limitations of the systems, hours per professional category on 2018 could not be reported.

From Corporate Human Resources, specifically the Training Area, it ensures that there is a good integration of training data in order to have more reliable indicators that help us to better understand the investment we make in training and to be able to make decisions in order to continue strengthening and developing critical knowledge and skills for Almirall. Having different platforms and several people recording training data, possible gaps are detected to have all the training done in Almirall. In this sense, a Project is being made to create a Learning model that will have a well-defined governance and with clear responsibilities for each member of the it, as well as the identification of the platform that is able to integrate in a more systematized way all training. During the first quarter of this year the project will be presented to the management board to begin the implementation of the new model and the associated technology. This project will be developed in 2020.

Almirall is highly committed to the employment of people with disabilities. Currently there are different collaboration agreements with different Special Work Centers / Entities / Foundations, and also work proactively to enhance and / or facilitate the incorporation and integration of this group.

In 2019, several departmental solidarity actions, volunteering with foundations, as well as participation in several NGO campaigns, which have been very well received by the employees, have been carried out. Un example for these actions is the one carried out by HR Department with Nexe Fundació, a private entity which offers full resources (educational, sanitary and psychological) to families with kids with multiple disabilities. HR Department spent a couple of days with these kids and their families. For this reason, and due to the growing commitment of Almirall and its staff with the implementation of Corporate Social Responsibility projects, the company has appointed a CSR manager in 2019.

In compliance with the main legal general provisions designed to attend the rights of persons with disabilities, Almirall complies with the requirements established in those countries where it is present, both in compliance with reserve quotas

designated by law in those countries, or through certificates of exceptionality or application of alternative actions provided in these legal regulations, and depending on the different cases that happen in the companies that make up the Group.

At group level, Almirall employs the following group that has an accredited degree of disability:

	2018 (*)	2019 (**)
Total disabled employees	14	30

(*) Germany and US Information is not available due to confidentiality data legislation

(**) US information is not available due to confidentiality data legislation

Almirall has a highly qualified team composed of people of different nationalities and specialties, and opts for a culture of diversity. That is why it is committed to equality. For this reason, it has an Equality Plan since 2009, to guarantee real and effective equality of opportunities for men and women in Almirall. The objectives of this Plan include the promotion and improvement of access for women to senior positions, as well as the prevention of discrimination in hiring, compensation based on gender and sexual harassment at work.

In 2019, the Company has been working on the development of new diagnoses, which will lead, in 2020, to the renewal of the current Equality Plan of the group in Spain. This plan was born with the objective of guaranteeing equality between men and women in the company. For this, it analyses the situation of the Company and establishes measures, among which the right balance between personal and professional needs stands out.

The company's culture is based on the following values: Caring, Dedicated, Dynamic and Expert. That is why Almirall promotes these values through development programs and initiatives designed to create a pleasant environment of teamwork, individual progress, integrity and mutual respect. Consequently, the latest digital technologies are used and promoted to foster dynamic and fluid internal communications.

In 2019, a noble purpose has been implemented at Company level which, together with corporate values, has led to a greater awareness among all employees that Almirall's main objective is to achieve an improvement in the health of patients.

Almirall has opted in recent years to create a comfortable teamwork environment. For this, it has updated its workspaces in order to be innovative and versatile to enhance collaboration and dynamism.

Every year Almirall offers to its employees a learning plan. On 2019 the new global learning plan was launched, taking into consideration every kind of employees of the company. In addition to that, a new branding was launched called "My learning Plan", which included a wide variety of training action linked to the new noble purpose, strategy and values of the company. My learning plan is very important for the employee, as it helps him/her implementing actions identified in his/her individual development plan, known as My Development. This plan responds to individual needs as well as gives more learning opportunities to the employees, which was one of the point identified as key point in the last engagement survey. Results of the last engagement survey have been very positive, as it has reflected an important increase of the employee's perception about learning opportunities provided by the company.

Almirall promotes health and medical care with specific programs. That is why it encourages its employees to be part of the different initiatives that the Company promotes in health and well-being. In 2019 several campaigns have been carried out, of which the most outstanding has been *Take care, heart*, aimed at improving the cardiovascular health of the all employees. Linked to this point, from Human Resources, Feel Fit has been launched, a virtual team race in which all the staff can participate, with the intention of increasing the physical activity of the employees. In addition, the goal of Feel Fit is also to transform the kilometres travelled in money that will go to organizations / foundations of people with dermatological diseases.

Almirall's compensation programs pursue a high-performance culture, with compensation and benefit plans that align with normal market practice, and that take into account the degree of contribution of the position developed and the performance of each employee. That is why Almirall regularly evaluates the valuation of the different jobs, as well as the performance of each employee to recognize the performance of each of them through the process of annual salary increase. Likewise, the different benefit programs allow employees to adapt their compensation package to the specific needs of each individual and their families.

At the end of 2019, a project has been launched to build a global organizational structure of Almirall that is a solid base on which the Compensation and Benefits strategy and some of the key Human Resources processes are joined.

Below is a table with the breakdown of total remuneration received in 2018 in the Almirall group, broken down by gender and categories:

Average Total Compensation EUR - 2018			
Category	Female	Male	Total
Directors	190.807,39	294.544,78	266.881,47
Managers	108.981,77	121.371,33	115.870,00
Specialists	63.835,12	67.231,54	65.341,50
Operators / Lab /Admin	39.234,25	36.985,08	38.370,48
Total general	67.213,90	82.559,88	74.356,22

Average Total Compensation EUR - 2018			
Age range	Female	Male	Total
<_30	46.166,79	50.936,10	48.106,85
31_50	64.810,99	72.463,46	67.876,28
>_50	69.142,19	95.050,26	83.582,75
Total general	67.213,90	82.559,88	74.356,22

Average Total Compensation EUR			
Category	Female	Male	Total
Directors	211.746,50	276.823,29	257.596,06
Managers	110.717,25	128.375,46	120.954,89
Specialists	66.925,45	71.841,83	69.118,77
Operators / Lab /Admin	40.060,29	36.466,59	38.560,70
Total general	67.213,90	82.559,88	74.356,22

Average Total Compensation EUR - 2019			
Age range	Female	Male	Total
<_30	44.994,49	47.980,62	46.358,84
31_50	68.050,39	76.873,63	71.725,30
>_50	70.371,06	94.896,14	83.762,53
Total	67.213,90	82.559,88	74.356,22

According to Almirall's current salary information, the company's salary gap, calculated as the country-weighted ratio of the average salary of women versus men in equivalent jobs, provided there is a minimum representation of 1 employee per gender, represents 93.5%, while in 2018 it was 95.3%.

Almirall has recognition programs for employees, whose purpose is to promote a culture of recognition, in which all employees can formalize awards to their co-workers for a job well done. These are linked to corporate values (Caring, Dynamic, Expert and Dedicated). These and other programs are exclusively designed for our employees, taking into account their needs and interests and, of course, always in line with the strategy and values of the company.

Almirall has action protocols in case of psychological harassment and also of sexual or sex harassment in the workplace. In 2019 the protocols were reviewed and the personnel involved in the processes were updated. This information is public for the staff and is available on the company's intranet.

During 2019, through the Equality Commission, quarterly monitoring is carried out in this area and the progress of the diagnoses for the preparation of the new equality plan is monitored. In addition, training in diversity, equality and harassment protocols is initiated, and the sexual or sex harassment protocols have been reviewed and updated.

Almirall is fully committed to compliance and respect for labour legislation and practices, in an environment of constructive dialogue and respect for social agents. All employees must comply with ethical conduct standards related to the pharmaceutical industry, in addition to the Almirall Code of Ethics.

The company sets standards of ethical conduct to be met with, informing and properly training employees about them, as well as the responsibilities to ensure their acceptance and the mechanisms to manage their compliance.

In recognition of Almirall's continued success in relation to the working conditions of its employees, the company has been recognized since 2008 with the "Top Employers" certificate in Spain.

The following table shows average remuneration perceived on 2019 by management board members and directors of Almirall Group :

Average Remuneration 2019	Salaries, awards, travel&expenses allowances, benefits in kind, severances
Board of Directors – Women	132.500,00
Board of Directors – Men	267.309,01
Management Board – Women	334.812,50
Management Board – Men	475.824,86

➤ Health and safety

The prevention and environment management system is formally implemented and certified in the center and with the aforementioned activities. In the international subsidiaries, out of the reach of that system, the safety and occupational health are locally owned, in accordance with the legal requirements applicable in each case.

Table 1 below, summarizes the main statistical accident data of the different Almirall centers in the year 2018 and, in Table 2, for the year 2019.

Both in Table 1 for 2018, and in Table 2 for 2019, the accident data disaggregated by sex is also indicated, indicating both incidence rates, frequency and severity.

As you can see, in 2019 there has been a very significant reduction in accident rates with low labor: the incidence rate has fallen by 42% (6.7 vs. 11.6); the frequency index at 43% (3.5 vs. 6.1); and the severity index 53% (0.13 vs. 0.30).

If we take as reference the official accident data for the last period published by the Ministry of Labor, Migration and Social Security, the incidence rate of accidents with sick leave in 2019 has been 69% below the level of the Sector Industry, Pharmaceutical Products Manufacturing Division (6.7 vs. 21.9). Likewise, the severity index of accidents with low in labor in 2019 has been 85% below the level of the Industry Sector, Manufacturing Industry Division (0.14 vs. 0.96).

	Number of accidents		Number of workers				Number of lost days		
	Total	US	Total	US	Non-US	Total	Total	US	
Total									
US									
Non-US									
Incidence rate									
Frequency rate									
Severity Rate									

Tabla 1. Datos de accidentalidad en 2018

	Number of accidents		Number of workers				Number of lost days		
	Total	US	Total	US	Non-US	Total	Total	US	
Total									
US									
Non-US									
Incidence rate									
Frequency rate									
Severity Rate									

Tabla 2. Datos de accidentalidad en 2019

Notes:

- (1) N° workers: average number of workers in the period of time.
- (2) N° hours worked: number of theoretical hours worked + number of extra hours – number of absences.
- (3) Incidence rate: number of accidents per thousand workers.
- (4) Frequency rate: number of accidents per million worked hours.
- (5) Severity Rate: number of lost days per thousand worked hours.
- (6) US affiliate has been incorporated into the global information system on occupational safety and health in 2019.
- (7) All reported accidents were mild ones, that is, none are serious, very serious or fatal.
- (8) Through the safety and occupational health management system and identification, evaluation and control mechanisms, no worker with a high incidence or high risk of occupational diseases has been identified. In 2019 no occupational disease has been identified or declared.

Within Almirall commitment with society, one of the priority and strategy objectives which boost our daily activity is safety, health and welfare of our partners.

Almirall implements a global corporate prevention and environmental policy, which establishes as one of the priority and strategic objectives that boost the daily activity of the organization the prevention of occupational risks and the respect towards the environment. For this purpose, the following basic principles are established, among others:

- Safety, health and welfare commitment of the partners, boosting their integration in the daily work processes of the Company.
- Commitment to the continuous improvement of the safety and occupational health management in Almirall for the improvement of its performance, complying with the applicable legal requirements and others requirements that Almirall voluntarily subscribes.

- Establishment of periodic programs, with objectives and goals in accordance with the applicable regulations, with our own global corporate prevention and environmental policy, and with the identified risk and opportunities in the area of safety and occupational health.
- Training, and participation of Almirall workplace and collaborating companies, in the application of the principles contained in the global corporate prevention and environmental policy.
- Ensure the availability of the necessary information and resources, and the proper scheduling of its use.
- Safety and occupational health is an objective of the entire Company, so that the responsibility for its achievement concerns all Almirall partners, whatever their level or function is.

As mentioned in section 2, Almirall has an integrated system for managing occupational safety and health, the environment and energy. In May 2019, Almirall successfully passed the TÜV Rheinland certification audit on the integrated management system, in accordance with international standards ISO 45001: 2018, ISO 14001: 2015 and ISO 50001: 2018, in all its centers in Spain and Germany.

With regard to occupational safety and health, Almirall has been one of the first companies, in general, and one of the first chemical-pharmaceutical laboratories, in particular, to obtain the certification of its system according to the new ISO 45001: 2018 standard, which replaces the previous OHSAS 18001: 2007, which we had certified since 2007, currently in both the Almirall operating centers in Spain and in Germany.



In Table 1 of the Environment section, it is indicated the scope of the prevention and environmental management system.

Almirall has established, implemented and continuously updated different diligence processes and procedures, to ensure that the prevention and environment management system is convenient, adequate and effective, in a continuous way. Hereunder, the most relevant in safety and occupational health are disclosed:

- Prevention and Environment Guide.
- Risks and opportunities in prevention and environment.
- Occupational risk assessment.
- Legal and other requirements.
- Prevention and environment training.
- Communication, participation and consultation in prevention and environment.
- Management of prevention and environmental documentation.
- Exchange control in prevention and environment.
- Industrial safety in equipment and facilities.
- Special risks jobs control.
- Control of suppliers of works and services.
- Road transport of dangerous goods.
- Emergency plans.
- Audits in prevention and environment.
- Review by the Directorate of the prevention and environment system.
- Incidents, nonconformities and corrective actions.

During 2019 there have been multiple preventive activities and promotion of workers' health, among which the following basic indicators stand out:

- 6,868 hours of training (43% increase compared to 4,805 hours in 2018), with 2,577 assists by employees (18% increase compared to 2,191 assists in 2018).
- 476 corrective and improvement actions adequately managed in the different areas of the organization (48% increase compared to 321 actions in 2018).

- 313 occupational risk assessments in the field of occupational safety, industrial hygiene, ergonomics, and psychosociology at work (16% increase over the 269 assessments in 2018).
- 209 suppliers of works and services approved in the field of safety and health to carry out work in Almirall centers.
- 118 monitoring and control activities (audits, self-inspections, planned observations, etc.) (12% reduction compared to 134 activities in 2018).
- 117 incidents and 84 nonconformities, all adequately notified, investigated and evaluated (24% more incidents compared to 2018 and 42% more nonconformities compared to 2018).
- 1,192 medical exams to employees (11% increase compared to 1,070 exams in 2018).

In particular, they highlight the different health promotion campaigns that have been implemented during 2019 with the aim of promoting the health of employees, through training, communication, awareness and health surveillance initiatives that promote healthy lifestyle habits and your well-being, in and out of work. The level of participation in each of the campaigns is summarized below, from highest to lowest, with a total of 1,575 entries:

- Prevention of cardiovascular diseases: 742 participations.
- Detection of dermatological pathologies: 264 participations.
- Detection of thyroid pathologies: 202 participations.
- Prevention of prostate pathology: 171 participations.
- Blood donation: 105 participations.
- Influenza vaccination: 71 participations.
- Early detection of colorectal cancer: 20 participations.

Regarding the participation and consultation of workers, Almirall not only scrupulously fulfills the commitments made in the different negotiation frameworks of each territory (eg in Spain, the XIX General Agreement of the Chemical Industry), but goes one step further through the continuous impulse of its continuous improvement system.

In general, in the Almirall work centers in Spain that have 50 or more workers, a Health and Safety Committee has been set up as a joint and joint participation body for regular and periodic consultation of the company in matters of prevention of occupational hazards. The Health and Safety Committee is made up of the Delegates of Prevention, of a part, and of representatives of the company in equal number to that of the Delegates of Prevention.

On the other hand, in the center of Almirall Germany (Reinbek) the so-called Occupational Safety and Health Committee - Arbeitsschutzausschuss-) is constituted, in which both the company and the workers are represented (Work Council - Delegates of Prevention), In addition to the support of the Medical Service and various technical figures in Prevention.

In general, the participation and consultation of workers is formally carried out, through their representatives (Prevention Delegates) in the periodic meetings of the different Health and Safety Committees / ASA Committees. However, on a day-to-day basis, Prevention Delegates are informed and are made participants in the different processes managed in the PREVAL corporate application (incident investigations, exchange controls, audits, self-inspections, corrective and preventive actions, etc.), as well as in a timely manner through specific communications of information and consultation.

Table 3 below, lists the 6 Health and Safety Committees / ASA Committees that have operated Almirall centers during 2019, as well as the 31 meetings held during the year (9% reduction compared to the 34 meetings of the previous year) :

Center	2019 Meetings
St. Feliu R&D	3 meetings
St. Andreu Pharma Plant	5 meetings
Reinbek	8 meetings
St. Celoni Chemist Plant	5 meetings
St. Andreu Chemist Plant	5 meetings
Head Quarters	5 meetings

Tabla 3. Health and Safety Committees / ASA Committees

As a general assessment of what was discussed in the formal meetings of the different Health and Safety Committees / ASA Committees held during 2019, it can be concluded that no special issue has arisen that requires comments beyond what is described in the Minutes of said meetings and in the preventive actions that may have been managed.

4- HUMAN RIGHTS RESPECT

- "Due diligence" procedures in this area
- Management of linked risks and complaints
- Promotion and compliance with provisions of fundamental conventions (OIT)
- Elimination of discrimination in employment and occupation
- Elimination of forced work and abolition of children work

As it cannot be understood otherwise, in Almirall there is a strong commitment to ensure respect for human rights in all areas and levels of its business organization, which is achieved, on the one hand, through its recognition; and, on the other hand, by means of its promotion, through the implementation of appropriate business policies, which have been designed with strict observance of the fundamental principles and values promoted by the main international organizations in the field of human rights, especially the United Nations ("UN") and the International Labour Organization ("OIT").

The consequence of the above is that all the productive processes carried out in Almirall are developed in fair working environments, governed by values such as respect for human dignity and autonomy of persons, as well as equality, these being some of the main values that govern the company's business activity, as indicated in the previous section regarding Social and Staff related Issues.

Ensuring the right to a decent work is an essential part of the human rights field, as recognized by international organizations such as UN and OIT. In this sense, the policies governing the Company's action in this area rest on the compliance with the labour regulations in force at all times, for which due diligence procedures that ensure compliance with these regulations have been implemented. These procedures are concretized in the design and implementation of policies, plans and programs that allow the Company to verify its compliance and proper observance of human rights within Almirall.

More specifically, through these procedures, Almirall guarantees, among others, the:

- Respect for regulations on recruitment and working conditions, which excludes that in any of the Group's companies, situations of abusive, forced or illegal labour –in particular child labour- take place.
- Observance of the provisions on non-discrimination and equality, with plans and programmes to ensure gender non-discrimination (Equality Plans), as well as to prevent the infringement of the rights of groups at risk of social exclusion;
- Compliance with the rights of syndication and assembly of its employees, through the utmost respect of the provisions of Act 11/1985, of 2 August, on Freedom of Association; as well as the rights and guarantees provided for in the labour regulations for members of the Legal Representation of Employees of all Almirall centres;
- The Company takes care of the safety and health of its employees, implementing preventive plans and complying with the regulations on risk prevention and occupational health and safety.

Finally, it should be noted that Almirall also has whistleblowing channels available to all of its employees, through which any action deemed to constitute or that may constitute or result in a violation of human rights can be made aware. The existence of such a reporting tool is known by the employees and, as it can be used by any employee, it is an excellent mechanism to ensure compliance with human rights at all levels. The whistleblowing channel is highly useful because, in addition to enabling Almirall to become aware of possible violations of fundamental rights, it also allows the Company to fight the facts that constitute violations and to preventively act to avoid those which entail a threat of violation, which enables to promote and respect fundamental rights. During 2019 no claim was received.

5- FIGHT AGAINST CORRUPTION AND BRIBERY

Prevention; Anti-money laundering and Contributions to foundations and non-profit entities control

In the course of its activities, Almirall is governed by a strong sense of corporate responsibility, integrity and transparency, as well as strict and faithful compliance with current legislation.

Therefore, the Company has a number of ethical principles and values that govern the actions of all its employees and managers. All these principles, values and behavioural guidelines are reflected in Almirall "Code of Ethics" and are developed by the Company's Global Corporate Rules, contained in the Global Corporate Policies and its development of Standard Operational Procedures.

Likewise, the Company complies practically with all the recommendations that apply with it contained in the Codes of Good Corporate Governance, as reflected in the Corporate Governance Annual Reports that are made available to the CNMV, shareholders and the general public.

Almirall has in particular a "Global Corporate Legal Risk Control Policy (Compliance)" that has a threefold purpose: (i) preventing the potential risks that may entail legal liability to both the Company and its directors, proxies and/or legal representatives, (ii) anticipating the management of such risks and (iii) verifying the compliance of the regulatory framework applicable to the Company, both internal and external.

Almirall also has a "Risk Management System" based on the creation of an annual Risk Map and the development and implementation of a series of specific Action Plans for the identified risks, which also define the roles and responsibilities of the various bodies involved in the management of the risks to which the Company is exposed.

Almirall Board of Directors approved in July 2015 a "Model of prevention and management of criminal risks" that determines the system of organization, prevention, management and control of criminal risks of Almirall and its affiliates.

This "Model" develops a plan for the prevention of the commission of offences by the Company, and compiles the procedures and controls that currently exist for the effective prevention and mitigation of criminal risks, based on a detailed analysis of the criminal risks that can hypothetically arise in the different areas of Almirall, taking into account, on the one hand, the existing policies and controls, and on the other hand, the sensitivity to the criminal risks detected in the specific processes, depending on the sector and the activities that Almirall carries out.

The Company's Board of Directors approved in February 2017 a "Corporate Social Responsibility Policy"(CSR) in which, in order to facilitate the tasks of control, supervision and monitoring of this policy, the " Corporate Compliance Committee" is appointed as the committee responsible for overseeing the coordination of all activities related to Corporate Social Responsibility and, in particular, proposing the strategy lines and corporate programs, establishing management and control measures and reviewing the relevant programmes and initiatives.

In this regard, a Corporate Social Responsibility Committee was created to lead and coordinate all the existing group activities and initiatives in this regard.

Almirall understands Corporate Social Responsibility as the company's responsibility for its impact on society and the environment.

To fulfil this responsibility, Almirall is committed in integrating ethical, social and environmental concerns into its business strategy and deals in close collaboration with its *stakeholders* in order to (i) maximize the creation of shared value for its shareholders and other *stakeholders* and for society in general; (ii) encourage a culture of ethical conduct that increases corporate transparency; (iii) strengthen the company's reputation and external recognition, and (iv) identify, prevent and mitigate potential adverse effects caused by its activity

In order to fulfil the above objectives, the Company adopts the following general principles:

- Align their behaviour with the principles contained in the Code of Ethics and the remaining Corporate Governance Standards, which regulate the behaviour to be followed by Almirall employees in the execution of their activities.
- Encourage communication and dialogue with its main stakeholders through various communication channels, promoting relationships based on mutual trust.
- Encourage the transparency of information disclosed about Almirall actions and activities and adopting responsible communication practices to prevent information manipulation and protect the integrity of Almirall reputation.
- Proactively manage non-financial risks and opportunities arising from markets and the context of business transactions.
- Ensure the creation of shared value for shareholders and other stakeholders in the long term.
- Reduce the environmental impact of its activities in the areas where the company operates.
- Comply with applicable laws and regulations in the countries where it operates.

Almirall only makes donations, contributions and sponsorship mainly for institutions, organizations or associations that are composed of Healthcare Professionals and/or that provide healthcare or conduct research activities, provided that the following requirements are met:

- They are made to support healthcare or research;
- They are validated internally, properly documented (a previous contract must be signed) and kept in the donor or grantor's records;
- They do not induce to recommend, prescribe, acquire, dispense, sell or administrate specific medicines;
- They do not violate local regulations.

Almirall does not allow donations and grants that only benefit Healthcare Professionals individually.

The total amount granted in 2019 and 2018 is indicated in the official annual financial statements (footnote 21 of the report).

6- SOCIETY

➤ *Commitments to sustainable development*

In our daily activity, Almirall is closely related to all those stakeholders involved in the fields of research and healthcare. We strive to maintain a fluid relationship with all of them, from patients, doctors and suppliers to partners, investors and NGOs.

Patients

We strive to provide treatments that improve patients' health and quality of life. We develop innovative medicines that satisfy unmet needs; we also foster greater knowledge of little-known pathologies with a significant impact on patients' lives, such as Psoriasis.

Healthcare Professionals

Almirall is in contact with healthcare professionals in order to know their needs and offer them the most updated information about our products. We also maintain open channels of communication with academic institutions, hospitals and scientific societies to promote joint programmes that contribute to health improvement.

Strategic Partners

At Almirall we believe that agreements with other companies help us to offer a balanced and competitive product portfolio, and also to increase our business growth. Our strategic partnerships cover the entire medical value chain.

Non-governmental Organizations

We work with several non-profit organizations to promote activities, provide services and finance projects that we consider fundamental to the social development of the most disadvantaged populations and regions.

Healthcare associations and authorities

Almirall complies with all legal and administrative processes required by the health authorities in all activity areas. Furthermore, we collaborate with associations to develop health-related projects. Almirall is a member of the European Federation of Pharmaceutical Industries and Associations (EFPIA) and the International Federation of Pharmaceutical Manufacturers & Association (IFPMA), among others.

➤ *Outsourcing & Suppliers*

Respect for the law, the commitments assumed, the quality of the service and the good contractual faith are the basis of the relations between Almirall and its suppliers. We demand quality, rigor, commitment and excellence to all our suppliers, which are a source of support for our activity. We consider relations with our main suppliers one of Almirall's assets and we base our relations with them on the principle of good contractual faith, demanding reciprocity and transparency in services provided and information on their technical and financial solvency.

In order to ensure that the supply chain of our products is stable and sustainable, Almirall has approval processes for suppliers that, depending on the service provided or goods supplied, guarantee that they meet the requirements established by Almirall and the regulatory environment in terms of quality, environment (ISO Certification, Ecological Criteria), occupational health and safety and labor practices.

During the last years, Almirall has been increasing and strengthening these processes. Specifically, during 2016 a diagnosis of Corporate Social Responsibility was made in Almirall to detect areas of improvement that concluded with different action plans, including the realization of a Purchase Sustainability Plan by the Purchasing Department of Almirall.

In this regard, the Purchasing Department promoted – during 2017 and 2018 - an audit of non-financial risks of the main suppliers of services and goods that affected 110 suppliers with a higher annual turnover at 100,000 euros, and which was carried out by an external provider that is a reference in the market, whose results were positive given that no supplier was detected that presented a social, environmental or ethical risk. During 2019, the collaboration with this external advisor that carried out the aforementioned audits, was renewed to keep the source of information on the data of the suppliers that were audited.

Also, during 2018, a presentation was made to the Corporate Compliance Committee in which the situation analysis, identification of improvement aspects and definition of next steps were exposed. During the first semester of 2019, an update was made to the Steering Committee from which a specific action plan on Sustainable Procurement was derived, taking into account different initiatives.

During the second half of 2019, the following actions have been carried out to reinforce the consideration in the relations with suppliers and subcontractors related to their social and environmental responsibility, not only during the process of selection and evaluation of suppliers but also during the contractual relationship:

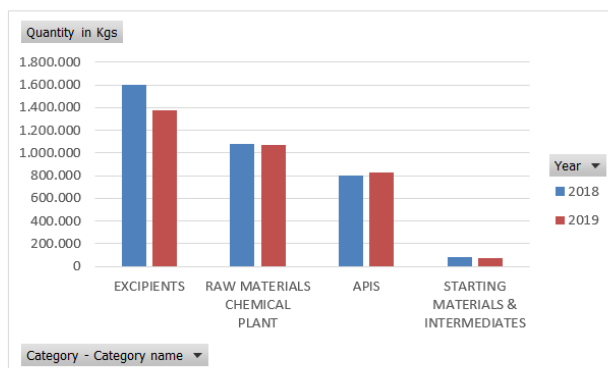
- The policy of the Almirall Global Procurement Department has been updated to reinforce corporate social responsibility issues (including social, gender equality and environmental aspects) during the bidding and approval processes of suppliers. In this sense, the new mission of the Global Procurement Department is to offer an exquisite and efficient provision of goods and services that is accompanied by quantifiable savings, and that facilitates innovation through greater knowledge of the markets and greater influence. of our purchasing capacity, without neglecting the quality, continuity and sustainability of supplies. Likewise, sustainability has been specifically included as one of the categories of risks to be quantified and measured as part of the process of supplying goods and services. The dimensions contemplated are: ethics, sustainable purchases, environment and work and human rights.
- A new resource has been incorporated to develop and implement a Supplier Risk and Relationship Management Program with an important focus on sustainable purchases.
- With the aim of reinforcing our commitment to sustainability and communicating to our suppliers our expectations regarding corporate social responsibility, the implementation of the Almirall Supplier Code of Conduct, already available on the corporate website, has been approved and must be accepted by the suppliers that work with us onwards. The Almirall Supplier Code of Conduct consists of five blocks (ethical principles, human rights, health and safety in the work environment, respect for the environment and quality). The knowledge and acceptance of the Almirall Supplier Code of Conduct, during the bidding and approval process, is an important element in the evaluation and selection of a supplier, along with other criteria, to ensure that our suppliers are aligned with our commitments ethical and in social and environmental matters. During the approval process the supplier must accept it and commit to its compliance (and undertakes to enforce its subcontractors as well).
- Issues related to corporate social responsibility and sustainability actions have been included in the request for information (RFI) questionnaires to suppliers, and also during the approval process that are evaluated by technicians of purchases when analyzing the suitability of a supplier.
- Specific training has been given to the Global Procurement Department in terms of sustainable purchasing and sustainability.

As part of a continuous improvement process, the development of a supplier risk management program that may include any of the following initiatives is contemplated during the next fiscal year:

- Segmentation, prioritization and evaluation of suppliers in matters of risk (financial and non-financial) during the bidding process, approval and commercial relationship with the supplier, with special attention to suppliers of direct materials (APIs, excipients, packaging, etc.) and CMOs.
- Periodic and planned audits of suppliers according to the segmentation and prioritization criteria indicated, and monitoring of action plans, if applicable.
- Review of contractual practices regarding corporate social responsibility in Almirall's commercial contracts with its suppliers.

For information purposes, the 2018 and 2019 consumption in physical unit (kg) of the raw materials is displayed below:

Quantity in Kgs	Year		
Categories	2018	2019	Total
EXCIPIENTS	1.596.591	1.373.054	2.969.644
RAW MATERIALS CHEMICAL PLANT	1.076.237	1.066.429	2.142.666
APIS	803.435	826.696	1.630.130
STARTING MATERIALS & INTERMEDIATES	80.316	71.197	151.513
Total	3.556.579	3.337.375	6.893.953



Kg consumption 2018- 2019 raw materials

Tax Group Information

With respect to the net profit obtained per country, the information is as follows:

In thousand euros	Net earnings before taxes 2019	Net earnings before taxes 2018
Spain	253,422	75,854
Netherlands	5,756	7,045
Belgium	112	154
Portugal	163	387
UK	869	1,530
France	2,236	2,544
Poland	98	26
Germany	34,682	31,683
Austria	262	1,079
Italy	7,212	6,744
Denmark	218	225
USA	66,810	-59,591
Switzerland	26,346	24,558

With respect to the taxes on paid profits, the information is as follows:

In thousand Euros	Company tax payments made in 2019 related to previous years.	Advances company tax payments related to 2019
Spain	20,9	-19,3
Germany	-1,5	-9,6
Italy	0	-2,6
Switzerland	0,7	-3,1
USA	0	-3,4
Other countries	-0,2	-0,5

In thousand Euros	Company tax payments made in 2018 related to previous years.	Advances company tax payments related to 2018
Spain	29,2	-20,7
Germany	-4,3	-8,1
Italy	0	-2,9
Switzerland	0	-3,5
USA	0,4	8,9
Other countries	0,9	-0,7

With regard to the aid received by the public administration, we refer to the information provided in footnote 18 of the consolidated financial statements of 2019.

Measures for the health and safety of consumers: Complaint systems, complaints received and resolution thereof.

Almirall, as the holder of medicines commercializing authorization as well as manufacturer of healthcare products, complies with the legislation in force in the countries where its products are available. In the field of medicines and healthcare products, the responsibilities of the pharmaceutical industry are clearly detailed.

Almirall has a Quality department and Pharmacovigilance quality system where the roles, responsibilities and procedures to be followed with the ultimate goal of ensuring the safety of patients/clients are defined. In the territories where Almirall commercializes its products, it has appointed people responsible for local Quality compliance and Pharmacovigilance. The functions of the Quality department, among others, include the collection of information on market quality claims, their processing with the plant and / or the manufacturer for evaluation and investigation, as well as contact persons with the National health authorities of each country. The functions of the Pharmacovigilance department include the collection of information on possible adverse reactions (side effects), their processing to the central for their evaluation, as well as the contact persons with the national authorities of each country.

At corporate level, within the area of Quality, a multidisciplinary team of health sciences professionals (including mostly chemistries and pharmacists) evaluates the collected information, conducts the relevant research in each case, is responsible for making reports of research, issue conclusions and respond to the customer who has initiated the quality claim. This team is also responsible for establishing preventive and corrective action plans to prevent their recurrence, as well as informing the national Health Authorities, in the cases provided for in the sanitary regulations. This activity is continuous throughout the life cycle of each medication.

There is also a Quality Operating Committee, chaired by the Director of Quality Assurance that has the active participation of the Group's industrial and commercial operations areas, to guarantee the necessary coordination on quality issues, as well as sustain and evolve an Effective quality system, permanently aligned with the sanitary regulations in force.

The data on market claims of the last two years are as follows:

	2018	2019
Number of claims over medicines (ppm)	5.7	5.1
Medicines released (units)	105.140.891	104.209.910

	2018	2019
Number of claims over active principles (ppm)	0	0
Active principles released (Kg)	135.227	124.465

Number of quality inquiries received	
2018	2019
1497	1268

At the date of issuance of this document, more than 94% of the inquiries received in 2019 were timely answered, and the rest, are in the process of management, with the aim of being closed within the planned deadlines.

In addition to the management of quality claims, Almirall has teams responsible for the management of Pharmacovigilance. In the event that the Almirall Quality Assurance department was informed that a product defect could be associated with an adverse reaction, by company procedure, the Quality Assurance department would notify the Pharmacovigilance department for subsequent management, and vice versa.

At corporate level in Pharmacovigilance department, within the R&D area, there is a team of health sciences professionals (including doctors, pharmacists ...) that evaluates the information collected, carries out follow-up activities if necessary to know more details on the reaction notified as well as preparing and distributing safety reports to health authorities according to current guidelines. This team is also responsible for ensuring that the safety information available in the prospects is updated at all times regarding adverse reactions. This activity is continuous from the first authorization of the product until its commercialization is canceled and suspended.

In relation to the Pharmacovigilance area, there is a corporate drug safety committee, the body responsible for making relevant decisions regarding safety matters, as well as ensuring compliance with the legislation and ensuring patient / client safety.

According to a report generated as of January 31, 2020, a total of 3,160 reports of adverse reactions were received and processed in Almirall from January 1 to December 31, 2019. 1,407 of those reports were notified to the health authorities according to require by current legislation. The safety information collected during 2019 does not modify the benefit / risk profile of Almirall products nor has it been a reason for regulatory action on safety by competent health authorities. Likewise, according to a report generated as of January 31, 2020, a total of 2,888 reports of adverse reactions were received and processed in Almirall from January 1 to December 31, 2018. Of all the reports received 1,034 were notified at health authorities as required by current legislation.

MR. JORGE GALLARDO BALLART, Board member of ALMIRALL, S.A.

DECLARES

That, to his knowledge, the annual accounts of 2019 prepared in accordance with the applicable accounting principles show a true and fair view of the wealth, the financial situation and the results of ALMIRALL, S.A. and the companies comprised in the consolidation group, and that the management report includes a true and fair analysis of the evolution and the results and position of ALMIRALL, S.A. and the companies comprised in the consolidated group, together with the description of the main risks and uncertainties that they face.

In witness thereof the present declaration is signed in Barcelona, on 21 February 2020.



Mr. Jorge Gallardo Ballart

MS. KARIN DORREPAAL, Board member of ALMIRALL, S.A.

DECLARES

That, to her knowledge, the annual accounts of 2019 prepared in accordance with the applicable accounting principles show a true and fair view of the wealth, the financial situation and the results of ALMIRALL, S.A. and the companies comprised in the consolidation group, and that the management report includes a true and fair analysis of the evolution and the results and position of ALMIRALL, S.A. and the companies comprised in the consolidated group, together with the description of the main risks and uncertainties that they face.

In witness thereof the present declaration is signed in Barcelona, on 21 February 2020.



Ms. Karin Dorrepaal

MR. ENRIQUE DE LEYVA PÉREZ, Board member of ALMIRALL, S.A.

DECLARES

That, to his knowledge, the annual accounts of 2019 prepared in accordance with the applicable accounting principles show a true and fair view of the wealth, the financial situation and the results of ALMIRALL, S.A. and the companies comprised in the consolidation group, and that the management report includes a true and fair analysis of the evolution and the results and position of ALMIRALL, S.A. and the companies comprised in the consolidated group, together with the description of the main risks and uncertainties that they face.

In witness thereof the present declaration is signed in Barcelona, on 21 February 2020.



Mr. Enrique De Leyva Pérez

SIR TOM McKILLOP, Board member of ALMIRALL, S.A.

DECLARES

That, to his knowledge, the annual accounts of 2019 prepared in accordance with the applicable accounting principles show a true and fair view of the wealth, the financial situation and the results of ALMIRALL, S.A. and the companies comprised in the consolidation group, and that the management report includes a true and fair analysis of the evolution and the results and position of ALMIRALL, S.A. and the companies comprised in the consolidated group, together with the description of the main risks and uncertainties that they face.

In witness thereof the present declaration is signed in Barcelona, on 21 February 2020.

Sir Tom McKillop

A handwritten signature in black ink, appearing to be 'Tom McKillop', written over a horizontal line.

MS. GEORGIA GARINOIS-MELENIKIOTOU, Board member of ALMIRALL, S.A.

DECLARES

That, to her knowledge, the annual accounts of 2019 prepared in accordance with the applicable accounting principles show a true and fair view of the wealth, the financial situation and the results of ALMIRALL, S.A. and the companies comprised in the consolidation group, and that the management report includes a true and fair analysis of the evolution and the results and position of ALMIRALL, S.A. and the companies comprised in the consolidated group, together with the description of the main risks and uncertainties that they face.

In witness thereof the present declaration is signed in Barcelona, on 21 February 2020.

Ms. Georgia Garinois-Melenikiotou

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

MR. ANTONIO GALLARDO TORREDEDÍA, Board member of ALMIRALL, S.A.

DECLARES

That, to his knowledge, the annual accounts of 2019 prepared in accordance with the applicable accounting principles show a true and fair view of the wealth, the financial situation and the results of ALMIRALL, S.A. and the companies comprised in the consolidation group, and that the management report includes a true and fair analysis of the evolution and the results and position of ALMIRALL, S.A. and the companies comprised in the consolidated group, together with the description of the main risks and uncertainties that they face.

In witness thereof the present declaration is signed in Barcelona, on 21 February 2020.

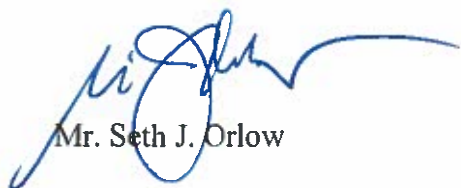

Mr. Antonio Gallardo Torrededía

MR. SETH J. ORLOW, Board member of ALMIRALL, S.A.

DECLARES

That, to his knowledge, the annual accounts of 2019 prepared in accordance with the applicable accounting principles show a true and fair view of the wealth, the financial situation and the results of ALMIRALL, S.A. and the companies comprised in the consolidation group, and that the management report includes a true and fair analysis of the evolution and the results and position of ALMIRALL, S.A. and the companies comprised in the consolidated group, together with the description of the main risks and uncertainties that they face.

In witness thereof the present declaration is signed in Barcelona, on 21 February 2020.



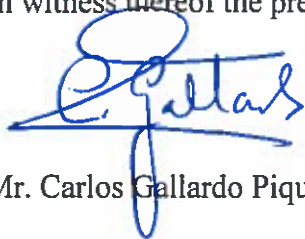
Mr. Seth J. Orlow

MR. CARLOS GALLARDO PIQUÉ, Board member of ALMIRALL, S.A.

DECLARES

That, to his knowledge, the annual accounts of 2019 prepared in accordance with the applicable accounting principles show a true and fair view of the wealth, the financial situation and the results of ALMIRALL, S.A. and the companies comprised in the consolidation group, and that the management report includes a true and fair analysis of the evolution and the results and position of ALMIRALL, S.A. and the companies comprised in the consolidated group, together with the description of the main risks and uncertainties that they face.

In witness thereof the present declaration is signed in Barcelona, on 21 February 2020.



Mr. Carlos Gallardo Piqué

MR. PETER GUENTER, Board member of ALMIRALL, S.A.

DECLARES

That, to his knowledge, the annual accounts of 2019 prepared in accordance with the applicable accounting principles show a true and fair view of the wealth, the financial situation and the results of ALMIRALL, S.A. and the companies comprised in the consolidation group, and that the management report includes a true and fair analysis of the evolution and the results and position of ALMIRALL, S.A. and the companies comprised in the consolidated group, together with the description of the main risks and uncertainties that they face.

In witness thereof the present declaration is signed in Barcelona, on 21 February 2020.

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke, positioned above the name Mr. Peter Guenter.

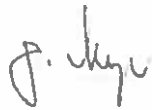
Mr. Peter Guenter

MR. GERHARD MAYR, Board member of ALMIRALL, S.A.

DECLARES

That, to his knowledge, the annual accounts of 2019 prepared in accordance with the applicable accounting principles show a true and fair view of the wealth, the financial situation and the results of ALMIRALL, S.A. and the companies comprised in the consolidation group, and that the management report includes a true and fair analysis of the evolution and the results and position of ALMIRALL, S.A. and the companies comprised in the consolidated group, together with the description of the main risks and uncertainties that they face.

In witness thereof the present declaration is signed in Barcelona, on 21 February 2020.



Mr. Gerhard Mayr