The following information has not been translated:

- IAGC
- SCIIF
- Auditor report
- Informe de verificación independiente del EINF

All those documents are available in the Spanish version of the accounts reported to the CNMV. 22nd February 2021.

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
December 31, 2020 and
Directors' Report

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

Almirall, S.A.

Balance sheet for the year ended December 31

(Thousand euro)

ASSETS	Note	December 31 2020	December 31 2019
NON-CURRENT ASSETS			
Intangible assets	5	257,913	255,870
Property, plant and equipment	6	33,679	33,590
Long-term investments in group companies and associates	8	1,474,939	1,576,414
Long-term investments	9	85,474	98,931
Deferred tax assets	18	210,274	222,633
TOTAL NON -CURRENT ASSETS		**2,062,279**	**2,187,438**
CURRENT ASSETS			
Inventories	10	**75,807**	**56,489**
Trade and other receivables		**119,078**	**100,920**
Trade receivables for sales and services rendered	11	21,680	22,399
Trade receivables, group companies and associates	11 and 20	50,879	48,069
Sundry accounts receivable	11	98	151
Personnel		129	85
Current tax assets	18	39,437	23,483
Other receivables with Public Administrations	18	6,855	6,733
Short-term investments in group companies and associates	8 and 20	**264**	**872**
Short-term financial investments	9	**26,148**	**55,540**
Prepayment and accrued income		**4,882**	**3,666**
Cash and cash equivalents		**127,755**	**89,288**
TOTAL CURRENT ASSETS		**353,934**	**306,775**
TOTAL ASSETS		**2,416,213**	**2,494,213**

LIABILITIES AND EQUITY	Note	December 31 2020	December 31 2019
EQUITY			
Shareholders' funds		**1,378,883**	**1,371,791**
Share capital	12	21,374	20,947
Share premium	12	279,162	246,285
Legal reserve	12	4,189	4,172
Other reserves	12	1,066,708	1,069,621
Own shares and equity instruments	12	(2,261)	(1,773)
Prior-year results	12	-	(158,988)
Profit/(loss) for the year		9,711	191,527
Grants, donations and bequests received		**-**	**43**
TOTAL EQUITY		**1,378,883**	**1,371,834**
NON-CURRENT LIABILITIES			
Long-term provisions	14	**34,474**	**38,678**
Long-term payables		**229,984**	**484,296**
Debentures and other marketable securities	15	-	229,245
Bank borrowings	15	224,345	229,133
Derivatives	15	-	19,082
Other financial liabilities	16	5,639	6,836
Deferred tax liabilities	18	**27,412**	**25,481**
Accruals and deferred income	13	**19,613**	**72,269**
NON-CURRENT LIABILITIES		**311,483**	**620,724**
CURRENT LIABILITIES			
Short- term provision		**5,791**	**622**
Short-term payables		**253,476**	**42,649**
Debentures and other marketable securities	15	239,647	-
Bank borrowings	15	5,000	-
Derivatives	15	2,967	-
Other financial liabilities	16	5,862	42,649
Short-term payables to Group companies and associates	20	**366,111**	**340,329**
Trade and other payables		**100,268**	**118,055**
Trade payables		39,362	58,872
Trade payables, Group companies and associates	20	15,163	18,354
Sundry payables		27,523	25,461
Accrued wages and salaries		10,566	10,478
Current tax liabilities	18	88	-
Other payables with Public Administrations	18	7,566	4,890
Accruals and deferred income		201	-
TOTAL CURRENT LIABILITIES		**725,847**	**501,655**
TOTAL LIABILITIES AND EQUITY		**2,416,213**	**2,494,213**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended December 31, 2020.

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

	Note	Year 2020	Year 2019
Net Sales	19	519,672	607,849
Changes in inventories of finished products and work in progress	10	10,027	3,834
Own work capitalised		3,315	-
Raw materials and consumables	19	(197,264)	(195,922)
Other operating income	19	77,813	107,116
Staff costs	19	(64,699)	(68,750)
Other operating expenses	19	(192,556)	(204,637)
Losses, impairment and variation in trade provisions	19	(639)	255
Fixed asset amortization/ depreciation	5 and 6	(26,960)	(28,239)
Release of non-financial asset grants and other		65	177
Other losses in ordinary course of business		-	-
Impairment and profit/(loss) on fixed asset disposals in group companies	19	(86,851)	(22,183)
Operating profit/(loss)		**41,923**	**199,500**
Financial income	19	1,365	724
Financial expenses	19	(17,496)	(13,866)
Exchange differences	19	(15,184)	1,548
Impairment, profit /(loss) on disposals and change in fair value of financial instruments	19	7,478	7,513
Financial income/(expense)		**(23,837)**	**(4,081)**
Profit /(loss) before taxes		**18,086**	**195,419**
Income taxes	18	(8,375)	(3,892)
Profit/(loss) for the year		**9,711**	**191,527**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended December 31, 2020.

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

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

	Note	Year ended December 31	
		2020	**2019**
RESULTS RECOGNISED IN THE INCOME STATEMENT (I)		**9,711**	**191,527**
Income and expenses taken directly to equity			
Grants, donations and bequests received		-	-
Tax effect		-	-
Total income and expenses taken directly to equity (II)		**-**	**-**
Transfers to the income statement:			
Measurement of financial instruments		-	-
Grants, donations and bequests received	12	(43)	(43)
Tax effect		-	-
Total transfers to the income statement (III)		**(43)**	**(43)**
Total recognised income and expense (I+II+III)		**9,668**	**191,484**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended December 31, 2020.

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

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

	NOTE	Authorised capital	Share premium	Legal reserve	Other reserves	Own shares and equity instruments	Prior year results	Profit /(loss) for year	Value change adjustments	Grants, donations and bequests	Equity
Balance at December 31, 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 December 31, 2019	**12**	**20,947**	**246,285**	**4,172**	**1,069,621**	**(1,773)**	**(158,988)**	**191,527**	**-**	**43**	**1,371,834**
Distribution of results		-	-	17	32,522	-	158,988	(191,527)	-	-	-
Dividends		427	32,877		(35,435)	-	-	-	-	-	(2,130)
Recognised income and expense		-	-	-	-	-	-	9,711	-	(43)	9,668
Transactions with own shares and equity instruments		-	-	-	-	(488)	-	-	-	-	(488)
Balance at December 31, 2020	**12**	**21,374**	**279,162**	**4,189**	**1,066,708**	**(2,261)**	**-**	**9,711**	**-**	**-**	**1,378,883**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended December 31, 2020.

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

	Note	Year ended December 2020	2019
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit/ (loss) for the year before tax		**18,086**	**195,419**
2. Adjustments to results		**26,369**	**(162,318)**
Fixed asset amortization/ depreciation (+)	5 & 6	26,960	28,239
Value adjustments for impairment (+/-)	5,8,10 & 11	86,450	14,606
Change in allowances and provisions (+/-)	14 & 19	(1,482)	4,301
Release of grants (+/-)		(65)	(177)
Profit/ (loss) on write-offs and disposals of financial instruments (+/-)	19	-	8,064
Profit//loss) on write-offs and disposals of fixed assets (+/-)	19	385	-
Financial income and dividends received (-)	19 & 20	(53,412)	(139,942)
Financial expenses (+)	19	17,496	13,866
Exchange differences (+/-)	19	15,184	(1,548)
Variation in the fair value of financial instruments (+/-)	19	(7,478)	(7,513)
Deferred income	13	(410)	(409)
Inclusion of deferred income on the AstraZeneca transaction	13	(52,246)	(29,954)
Recognition of financial asset value not collected	9	(5,013)	(51,849)
3. Changes in working capital		**16,053**	**107,376**
Inventories (+/-)	10	(19,425)	(5,204)
Debtors and other receivables (+/-)	11	(964)	(21,808)
Other current assets (+/-)		50,583	120,690
Creditors and other payables (+/-)		(14,342)	13,699
Other current liabilities (+/-)		201	-
4. Other cash flows from operating activities		**35,012**	**133,102**
Interest paid (-)	19	(6,153)	(6,037)
Dividends and interests received (+)	20	52,047	139,218
Corporate income tax collections/payments (+/-)	18	(9,927)	970
Other non-current assets and liabilities (+/-)		(955)	(1,050)
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)		**95,520**	**273,578**
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6. Payments for investments (-)		**(65,428)**	**(125,561)**
Group companies and associates	8	-	(27,694)
Intangible assets	5	(62,009)	(95,134)
Property, plant and equipment	6	(3,419)	(2,744)
Other financial assets	9	-	11
7. Collections from divestments (+)		**721**	**45,037**
Group companies and associates	8	608	45,037
Property, plant and equipment	6	113	-
8. Cash flows from investing activities (7-6)		**(64,707)**	**(80,523)**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9. Receipts and payments equity instruments		**(488)**	**(1,773)**
Acquisition own equity instruments		(488)	(1,773)
10. Receipts and payments financial liability instruments		**16,349**	**(134,069)**
Issue		25,995	80,147
Bank loans (+)	15	213	80,147
Payable to Group companies and associates (+)	15	25,782	-
Return and repayment of:		(9,646)	(214,216)
Bank loans (-)		-	(150,000)
Payable to Group companies and associates (-)		-	(55,595)
Other payables (-)	16	(9,646)	(8,620)
11. Dividend payments and return on other equity instruments	3	**(2,130)**	**(24,150)**
Dividends (-)	3	(2,130)	(24,150)
12. Cash flows from financing activities (+/-9+/-10)		**13,731**	**(159,992)**
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		(118)	**(446)**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-11+/-D)		**44,426**	**32,617**
Cash and cash equivalents at beginning of the year	4-e/ 9	**89,288**	**56,671**
Cash and cash equivalents at end of the year	4-e /9	**133,714**	**89,288**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended December 31, 2020.

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 Royal Decree 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 December 31, 2019 were formally prepared by the Group's directors on February 21, 2020 and approved by the Shareholders' meeting on July 24, 2020. 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).

2. Basis of presentation of the annual accounts

a. Applicable financial reporting legislation

The Company's annual accounts for the year ended December 31, 2020, which were obtained from the accounting records held by the Company, were formally prepared by the Company's directors on February 18, 2021.

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

- The Code of Commerce, the Spanish Companies Act and other commercial legislation.

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

b. 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.

c. 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.

d. 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).
- Brexit: On January 1, 2021, the transition period given by the EU and the United Kingdom to negotiate the future relationship ended with the positive result of the signing of a Trade Agreement that avoided a chaotic rupture and, although this Trade Agreement was agreed Later than initially planned, it laid the foundations to allow Almirall to continue developing the operational and commercial activities between the two markets as the main take-up actions were implemented. The Company closely monitors its operations throughout the supply chain to ensure that all required contingency actions are properly implemented and that no negative impacts arise.

Although these estimates have been prepared based on the best information available at year-end December 31, 2020, 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.

e. Negative working capital

The Company has a negative working capital as of December 31, 2020 for an amount of EUR 371,913 thousand (EUR 194,880 thousand negative in 2019). 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 366,111 thousand (EUR 340,329 thousand in 2019), as indicated in Note 20 of the annual accounts, due to centralized management of the treasury, and which classifies short-term but not with an imminent enforceability. In addition, the Company has a non-disposed revolving credit facility with a limit of EUR 275 million (Note 15) (EUR 250 million as of December 31, 2019), and 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, 2020, the Company's Administrators ensure the functioning of the operating company based on expectations of the continuity of the results.

3. Distribution of results

The proposed presentation of results included in the Company's annual accounts for the year ended December 31, 2020 and the proposed distribution of results for 2019 approved by the Shareholders at the General Meeting held on 24 July 2020 are as follows:

	Thousands of Euros	
	2020	2019
Basis of distribution:		
Profit for year	9,711	191,527
Distribution:		
To legal reserve	85	17
To voluntary reserves	9,626	32,522
To dividends	-	-
To offset prior years' losses	-	158,988
Total	**9,711**	**191,527**

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

	2020			2019		
	% of nominal value	Euro per share	Amount in thousand euro	% of nominal value	Euro per share	Amount in thousand euro
Ordinary shares	169%	0.203	35,435	169%	0.203	35,292
Total dividends paid	**169%**	**0.203**	**35,435**	**169%**	**0.203**	**35,292**

At the formulation date of these annual accounts, the Board of Directors of Almirall, S.A. has agreed to propose in the Shareholders' meeting the distribution of a dividend, charged against reserves for an amount of 33.8 million euros (equivalent to 0.19 euro per share). For the purpose of carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders called "Scrip dividend", already implemented in 2019. In this way, its shareholders are offered an alternative that allows them to receive shares issued by the Company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend (Note 27).

4. Accounting policies

a. Intangible assets

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

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

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

During 2020 development costs have been capitalized amounting to EUR 3.3 million related to a project related with a product currently being commercialized in different markets (Note 5). 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 4c.

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

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

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

The annual depreciation charge is recognised in the income statement and is basically based on the depreciation rates calculated over the years of estimated useful life. The land on which the buildings and other structures stand is considered to have an indefinite useful life and, therefore, it is not depreciated. Property, plant and equipment is generally depreciated on a straight-line basis over the estimated useful lives of the assets as follows:

	Estimated useful life
Buildings	33-50
Plant and machinery	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 the following years based on a growth rate based on the type and age of the products based on experience with these.

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

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

CGU	Assets December 31, 2020 *(thousand euros)*	Hypothesis 2020 (*)	Hypothesis 2019 (*)
Sun Pharma license	Intangible asset: 81,600	d,r,b,t,: 11.3% d,r,a,t,: 9.0% g,r,c,i,: n/a	d,r,b,t,: 13.6% d,r,a,t,: 9.0% g,r,c,i,: n/a
AstraZeneca license	Intangible asset: 41,412	d,r,b,t,: 11.9% d,r,a,t,: 9.0% g,r,c,i,: (20%)	d,r,b,t,: 11.8% d,r,a,t,: 9.0% g,r,c,i,: (20%)
Athenex license	Intangible Asset in progress: 7,924	d,r,b,t,: 11.7% d,r,a,t,: 9% g,r,c,i,: (15%)	d,r,b,t,: 11.8% d,r,a,t,: 9% g,r,c,i,: (15%)
Dermira license	Intangible asset in progress: 98,190	d,r,b,t,: 12.1% d,r,a,t,: 9 % g,r,c,i,: (15%)	d,r,b,t,: 11.8% d,r,a,t,: 9 % g,r,c,i,: (15%)

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

Management calculates the budgeted gross margin based on past performance and how they expect the market will perform. The average gross margin for projected periods of these CGU's range between 53% and 92%.

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

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

From the sensitivity analysis performed for each of the assets in the face of variations that are reasonably possible from the main key assumptions (increase / reduction of estimated net sales, probability of success and discount rate), no impact is derived. Due to the uncertainty generated by COVID-19, as of December 31, 2020, the Management has deemed it appropriate to increase the sensitivity in the low range of the sales estimate, expanding it to 20% instead of the usual -10%.

d. Leases

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

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

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

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

The Company does not have any finance leases at December 31, 2020 and 2019.

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 2020 and 2019, 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.

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.

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.

The Company held no derivatives at 31 December 2020 and 2019 that can be considered as hedging instruments.

h. Inventories

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

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

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

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

i. Grants, donations and bequests

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

- Non-repayable capital grants, donations and bequests: these are measured at the fair value of the amount or asset granted, depending on whether or not they are monetary in nature. They are initially recognised in equity and are subsequently released to the income statement in proportion to the depreciation charged during the period on the asset for which the grant is awarded or, if applicable, when the asset is sold or adjusted for impairment, except where they are received from shareholders or owners, in which case they are taken directly to equity without recognising any income.

- Repayable grants: while they are considered to be repayable, they are recognised as liabilities.

- Operating grants: operating grants are credited to the income statement when they are extended unless they are used to finance the operating shortfall in future years in which case they are allocated to those years, If they are granted to finance specific expenditure, they are released to income as the expenses financed accrue.

j. Provisions and contingencies

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

- Provisions: creditor balances that cover present obligations deriving from past events, the settlement of which is likely to trigger an outflow of funds the amount or timing of which cannot be determined, and

- Contingent liabilities: possible obligations resulting from past events, the crystallisation of which is contingent upon the occurrence or otherwise of one or more future events that are beyond the Company's control.

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

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

The consideration receivable from a third party when the obligation is settled is recognised as an asset, provided there are no doubts that the consideration will be received, except in the event that there is a legal relationship through which a part of the risk has been transferred out as a result of which the Company is not liable, In this case, the consideration will be taken into account to estimate the amount of the relevant provision.

On-going litigation and/or claims -

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

The claims and lawsuits to which the Company is subject are, in general, complex and, therefore, they are subject to a high degree of uncertainty, both in relation to an outcome detrimental to the Company's interests and to the estimated future disbursements that the Comp0any might have to make. Consequently, it is necessary to use judgements and estimates with the assistance of the relevant legal advisers.

At year-end 2020 and 2019, 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. Net Sales are 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.

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

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

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

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

- “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 December 31, 2019 there was a milestone pending to be collected amounting to EUR 26 million (30 million USD), that was collected in March 2020. As of December 31, 2020 there is no amount pending.

- “Potential payments”: events related to the payment of royalties, which is linked to the sales obtained in each future year. Sales revenue is related to the sales variable based on sales reported by AstraZeneca at the end of the corresponding 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 probabilised cash flows are discounted at a rate which reflects the current returns required by the market and the specific risks of the asset.

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

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

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

- If the estimation of sales revenue for 2020 to 2035 is reduced/increased by 5% every year, the effect would be a reduction/increase of the financial asset by EUR (4.5)/4.5 million, respectively.

- If the discount rate used is reduced/increased by one percentage point, the effect would be an increase/reduction of the financial asset by EUR 3.1/(2.9) million, respectively.

- If the probabilities assigned to “milestone events” are reduced/increased by five percentage points, the effect would be a reduction/increase of the financial asset by EUR (2)/2 million, respectively.

2) Sales of licences for development and the subsequent marketing: of the components in the sales agreements which transferred certain rights for development and subsequent marketing, in which there is significant ongoing involvement over the development period by Almirall, the initial payment assigned to this component (“upfront payment”) is recognised on a straight-line basis in the consolidated income statement over the expected development period (expected until 2021) (see deferred income in Note 13), recognising, in addition, the income of future milestones in the development stage as they are achieved (which is the date from which they are expected to be collected). Once the product in question has been launched, the revenue recognition will be based on the future royalties, based on the real sales achieved.

l. Foreign Currency Transactions

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

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

m. Related-party transactions

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

n. Borrowing costs

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

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

Other borrowing costs are expensed currently in the income statement.

o. Corporate income tax

Corporate income tax expense or income is made up of current tax expense or income and deferred tax expense or income. Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VI of Law 27/2014 of November 27, regarding Corporate Income Tax. The companies composing the tax group for 2020 and 2019 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas Almirall, S.A., Laboratorios Tecnobío, S.A., Ranke Química, S.L. and Almirall Europa Derma, S.A. being the first of them the head of the tax group.

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.

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.

Additionally, the Company incurred certain expenses related to activities to protect the environment, as explained in Note 23.

r. Share-based payment plans

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

Under the Plan, the Company undertakes to grant the executives long-term variable remuneration, settled in cash, tied to the price of the Company's shares, provided that certain requirements and conditions are met. The liability recognised in the accompanying balance sheet at December 31, 2020 and 2019 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.

(Expressed in thousand euro)

5. **Intangible assets**

The movements in this heading on the balance sheet in 2020 and 2019 are as follows:

	Industrial property	Development expenses	Merger goodwill	Computer software	Intangible assets in progress	Total
Cost						
At December 31, 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 December 31, 2019	**413,338**	**-**	**101,167**	**84,804**	**99,926**	**699,235**
Additions	1,080	3,315	-	4,219	16,158	24,772
Disposals	(4,443)	-	-	(43)	-	(4,486)
Transfers	1,819	-	-	5,305	(7,124)	-
At December 31, 2020	**411,794**	**3,315**	**101,167**	**94,285**	**108,960**	**719,521**
Accumulated amortisation						
At December 31, 2018	**(190,647)**	**-**	**(101,167)**	**(66,860)**	**-**	**(358,674)**
Amortisation	(17,004)	-	-	(6,490)	-	(23,494)
Disposals	614	-	-	-	-	614
At December 31, 2019	**(207,037)**	**-**	**(101,167)**	**(73,350)**	**-**	**(381,554)**
Amortisation	(16,895)	-	-	(5,476)	-	(22,371)
Disposals	3,845	-	-	42	-	3,887
At December 31, 2020	**(220,087)**	**-**	**(101,167)**	**(78,784)**	**-**	**(400,038)**
Impairment losses						
At December 31, 2018	**(56,741)**	**-**	**-**	**(5,070)**	**-**	**(61,811)**
Impairment losses recognised in the year	-	-	-	-	-	-
Write-off impairment losses	-	-	-	-	-	-
At December 31, 2019	**(56,741)**	**-**	**-**	**(5,070)**	**-**	**(61,811)**
Impairment losses recognised in the year	-	-	-	-	-	-
Write-off impairment losses	241	-	-	-	-	241
At December 31, 2020	**(56,500)**	**-**	**-**	**(5,070)**	**-**	**(61,570)**
Carrying amount						
At December 31, 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 December 31, 2019	**149,560**	**-**	**-**	**6,384**	**99,926**	**255,870**
Cost	411,794	3,315	101,167	94,285	108,960	719,521
Accumulated amortisation	(220,087)	-	(101,167)	(78,784)	-	(400,038)
Impairment losses	(56,500)	-	-	(5,070)	-	(61,570)
At December 31, 2020	**135,207**	**3,315**	**-**	**10,431**	**108,960**	**257,913**

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

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. By virtue of this agreement, the Company has made various payments in 2019 and 2020 (as detailed later in this note) and will be obliged to make additional payments upon reaching certain future milestones, up to a total of $ 85 million upon reaching the regulatory milestones and the first commercial sale of lebrikizumab in Europe. In addition, the Company must make payments once certain thresholds for net sales of lebrikizumab in Europe have been reached, as well as payments for net sales royalties on percentages from the low double digits to the low range of twenty.

On December 11, 2017 the Company signed an agreement with Athenex, under which the latter granted an exclusive licence to Almirall to research, develop and sell in the Europe, including Russia, first-in-class topical treatment for actinic queratosis, in that moment at stage III of development. Athenex is also entitled to receive certain payments for milestones related to launches and additional indications. Likewise, the contract also contemplates payments for the attainment of certain sales milestones. The contract also contemplates the payment of additional staggered royalties from 15% based on annual net sales, which will increase in case of higher sales. In this sense, the regulatory approval of the FDA for the USA (for which the Group which the Company is parent also holds exclusive licence) was obtained on December 14, 2020, being pending to obtain at year-end closing date regulatory approval of the EMA for the European Union.

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

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

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

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

- As a consequence of the agreement signed with Dermira, 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.

- As a consequence of the agreement signed with Athenex, as of December 31, 2019 there were payments for the observance of certain milestones amounting to 2.9 million euros (3.3 million USD).

There are no disposals in 2020 with a significant net book value. Disposals of the financial year 2019 correspond to termination of agreement signed with Symatese, 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 EUR 7.5 million in 2017. The loss was registered in caption “Profit/loss on disposal or derecognition of intangible assets” (Note 19).

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

At December 31, 2020 and 2019, fully-amortised intangible assets in use amounted to approximately EUR 87.9 million and EUR 83.8 million (not including goodwill), respectively.

The aggregate amount of the research and development expenditure recognised as an expense in the accompanying income statement for 2020 and 2019 totals EUR 87.9 and EUR 83.1 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.

At December 31, 2020 capitalised R&D expenses amounted to EUR 3.3 million (null at December 31, 2019).

(Expressed in thousand euro)

At December 31, 2020 and 2019, 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 December 31, 2020 and 2019, 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 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 2020 and 2019 (Note 19).

6. Property, plant and equipment

The changes in 2020 and 2019 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 progresss	Total
Cost						
At December 31, 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 December 31, 2019	**25,707**	**7,443**	**120,215**	**16,409**	**1,336**	**171,110**
Additions	-	153	2,603	847	1,102	4,705
Disposals	-	(79)	(5,176)	(44)		(5,299)
Transfers	-	93	816	275	(1,184)	-
At December 31, 2020	**25,707**	**7,610**	**118,458**	**17,487**	**1,254**	**170,516**
Accumulated depreciation						
At December 31, 2018	**(6,419)**	**(4,824)**	**(107,355)**	**(14,625)**	**-**	**(133,223)**
Depreciation	(419)	(674)	(2,992)	(660)	-	(4,745)
Disposals	-	-	448	-	-	448
At December 31, 2019	**(6,838)**	**(5,498)**	**(109,899)**	**(15,285)**	**-**	**(137,520)**
Depreciation	(419)	(688)	(2,799)	(683)	-	(4,589)
Disposals	-	79	5,149	44	-	5,272
At December 31, 2020	**(7,257)**	**(6,107)**	**(107,549)**	**(15,924)**	**-**	**(136,837)**
Carrying amount						
At December 31, 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)
At December 31, 2019	**18,869**	**1,945**	**10,316**	**1,124**	**1,336**	**33,590**
Cost	25,707	7,610	118,458	17,487	1,254	170,516
Accumulated depreciation	(7,257)	(6,107)	(107,549)	(15,924)	-	(136,837)
At December 31, 2020	**18,450**	**1,503**	**10,909**	**1,563**	**1,254**	**33,679**

Additions in 2020 and 2019 were due mainly to improvements at the production centres at chemical and pharmaceutical plants and at the Company's research and development facilities.

Fixed assets under construction at the 2020 and 2019 year-ends and transfers in those years relate mainly to investments in the aforementioned research facilities.

There are no disposals with a significant net book value in fiscal years 2020 and 2019.

(Expressed in thousand euro)

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

Fully-depreciated property, plant and equipment at December 31, 2020 and 2019 amounted to approximately EUR 111 million and EUR 112 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 2020 and 2019, 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	
	2020	2019
Within one year	6,631	13,411
2 to 5 years	3,692	3,523
Over 5 years	-	-

Operating lease instalments recognised under expenses in 2020 and 2019 are as follows:

	Thousand euro	
	2020	2019
Operating leases recognised in the income statement for the year	13,115	11,740

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).

(Expressed in thousand euro)

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

The changes in 2020 and 2019 in "Property, plant and equipment" in the accompanying balance sheet and the most significant information affecting this heading were as follows:

	Thousand euro					
	Investments in Group companies	Impairment adjustments	Long-term loans to Group companies (Note 20)	Impairment adjustments	Total long-term	Short-term loans to group companies (Note 20)
Balance at December 31, 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 December 31, 2019	**1,504,439**	**(105,611)**	**177,586**	**-**	**1,576,413**	**872**
Additions	-	(98,987)	-	-	(98,987)	-
Disposals	-	12,521	(15,008)	-	(2,487)	(608)
Transfers	-	-	-	-	-	-
Balance at December 31, 2020	**1,504,439**	**(192,077)**	**162,578**	**-**	**1,474,939**	**264**

Investments in Group companies

The additions recorded under the heading "Participations in Group companies" during 2019 related 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, it was agreed 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 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 detail and changes by entity in this caption in financial years 2020 and 2019 is as follows:

	Thousand Euros					
	2020		2019		Additions / (Disposals)	
Company	Cost	Impairment	Cost	Impairment	Cost	Impairment
Laboratorios Almirall S,L	4,112	-	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	(22,566)	144,203	(35,088)	-	12,521
Almirall Aesthetics, S,A	261	(27)	261	(22)	-	(5)
Almirall Hermal, GmbH	359,270	-	359,270	-	-	-
Almirall, GmbH	1,485	-	1,485	-	-	-
Almirall, ApS	17	-	17	-	-	-
Almirall, Spa	967	-	967	-	-	-
Almirall Inc,	550,267	(169,484)	550,269	(70,501)	-	(98,982)
Poli Group Holding, SRL	380,270	-	380,270	-	-	-
TOTAL	**1,504,439**	**(192,077)**	1,504,438	(105,611)	**-**	**(86,466)**

(Expressed in thousand euro)

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 December 31, 2020 and 2019 in Almirall Europa Derma, S.A. (which was dormant) is as follows:

Name Address	Almirall Europa Derma, S.A. Spain (*)
Activity	Dormant
% interest	100%
Carrying amount of interest (Group)	
Cost	261
Measurement adjustments	(27)

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

Long term loans to Group companies -

The amount of that caption relates to a loan granted on December 13, 2018 to the investee Almirall Inc. amounting to USD 250 million, maturing on December 13, 2025 which accrues interest at an annual rate of 7%. Said contract is aimed to provide stable and permanent long-term financing as it is not expected to be repaid. The amounts as of December 31, 2020 and 2019 are EUR 162,578 thousand and EUR 177,586 thousand respectively.

During the financial year 2019 there was a return of this credit for an amount of USD 50,5 million (EUR 45 million), stated as disposals. The disposals of 2020 correspond solely to the effect of exchange rate update at closing date (EUR 15 million).

The rest of additions, disposals and transfers of the fiscal year 2019 corresponded to the loan granted on January 26 to the investee Almirall Aesthetics, Inc,, that was dissolved in November, 2019 as explained in the current Note. 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 corresponded to the capitalization of the total credit and interests, previous to the dissolution of the company.

Impairment losses-

The additions in this caption during fiscal year 2020 correspond mainly to the impairment loss of EUR 98,982 thousand related to the subsidiary Almirall, Inc., according to the impairment test update based on the reviewed business plan of the American subsidiary Almirall LLC (company owned 100% by Almirall, Inc.). The value correction has been motivated by the COVID-19 impact and by the negative impact derived from the evolution of the American dollar. During fiscal year 2019 on the contrary, an impairment reversal was registered related to that investment amounting to EUR 11.7 million.

The disposals of 2020 correspond to an impairment reversal related to the investment in Almirall International, B.V., amounting to EUR 12.5 million. During 2019 an impairment loss was registered related to the same investment amounting to EUR 11.2 million caused by the dividend distribution made by the affiliate amounting to 18 million euros.

During the fiscal year 2019 other additional additions, reversals and transfers took place related to the dissolution of the subsidiary Almirall Aesthetics, Inc. on November 27, 2019 (following the agreement for selling its subsidiary 100% owned ThermiGen, LLC), and 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 EUR 14.7 million (the rest of value of the stake and loan have been previously impaired during fiscal year 2018)

(Expressed in thousand euro)

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:

Investment	Assumption 2020	Assumption 2019
Almirall, Inc	d.r.b.t.: 7%-7.3% d.r.a.t.: 7% g.r.c.i.: (5)% - (15)%	d.r.b.t.: 9.1%-10.9% d.r.a.t.: 7.5% g.r.c.i.: (5)%-(15)%

Due to the uncertainty generated by Covid-19, as of December 31, 2020, the Management has deemed it appropriate to increase the sensitivity in the low range of the sales estimate, expanding it to 20% instead of the usual -10%. From the sensitivity analysis performed, it has been identified a maximum impact for the cash generating unit of the USA of -17 million euros.

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

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

(Expressed in thousand euro)

9. Long and short-term investments

Long-term investments

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

	Thousand euro			
	Long-term investment portfolio	Long-term loans and other financial assets	Deposits and guarantees given	Total long-term
Balance at December 31, 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 December 31, 2019	**12**	**98,541**	**378**	**98,931**
Additions	-	5,013	-	5,013
Decreases	-	(114)	-	(114)
Transfers	-	(18,357)	-	(18,357)
Balance at December 31, 2020	**12**	**85,083**	**378**	**85,474**

The caption "Financial assets - Long-term loans and other financial assets" includes, mainly for the amount of EUR 85,050 thousand (EUR 98,394 thousand as of December 31, 2019), the financial asset corresponding to the fair value of future payments to receive long-term payments from AstraZeneca as described in Note 4-k. The movement for fiscal year 2020 is mainly due, on the one hand, to the change in the fair value of the asset, assuming an increase of EUR 5,013 thousand in said asset (EUR 51,829 thousand at December 31, 2019), 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, 2020 amounts to EUR 18,357 thousand (EUR 53,834 thousand at December 31, 2019). Additionally, during 2019 there was a decrease of the asset due to milestones and royalties collection amounting to EUR 36,280 thousand.

The revaluation of this financial asset at December 31, 2020 using the method used by the independent expert in the initial valuation, being recorded as current EUR 20.2 million and as non-current EUR 85 million (EUR 53.8 and EUR 98.4 million respectively at December 31, 2019). The change in value of this financial asset during 2020 is due to fluctuation of the Euro/US dollar exchange rate amounting to EUR -3.6 million, the update of the rate of discount used for an amount of EUR 2.6 million, the financial update that has led to an income of EUR 13.3 million, as well as the re-estimation of expected flows and probabilities assigned to the different future milestones amounting to EUR -7.3 million, and finally, reduction of the asset due to collection of milestones and royalties amounting to EUR 52 million (which are due to the collection of the milestone mentioned below (EUR 27.5 million), and the remaining amount as royalties (see details in “Short-term financial investments” in current note). As a result, the total amount of EUR 5 million of change of fair value, is recognised in “Other Income” of the consolidated income statement of the corresponding year (EUR 51.9 million during 2019) (Note 19).

(Expressed in thousand euro)

Short-term financial investments

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

	Thousand euro	
	2020	2019
Short-term interest	4	18
Short-term credit	20,185	53,834
Derivatives financial assets (Note 15)	-	1,687
Deposits and warrants	5,959	-
Total	**26,148**	**55,540**

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, 2020 is EUR 5,959 thousand (null at December 31, 2019).

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.

The movement in fiscal year 2020 corresponds to the collections received by the Company as royalties and milestones and to the transfers explained in previous section. Mainly, on March 31, 2020 the Company collected 20 million American dollars (EUR 27.5 million at the date of collection), corresponding to the second part of the milestone amounting to 65 million dollars met on April 5, 2019, which first part was collected in April 2019 (35 million dollars, EUR 31.2 million at the date of collection).

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.

- 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.

- Financial assets held to maturity: this category includes fixed-income investments mainly in Eurodeposits, foreign currency deposits and repos.

(Expressed in thousand euro)

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

	Thousand euro	
	2020	2019
Loans and receivables	31	143
Held-to-maturity financial assets	6,356	412
Financial assets at fair value through profit or loss	105,235	153,916
Total	**111,622**	**154,471**

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

- Fixed income securities: where these are unlisted securities or mature within no more than six months, fair value is calculated on the basis of acquisition cost plus the related accrued interest, calculated using the internal rate of return.

- Other financial assets: The fair value of "Financial Assets at fair value through profit or loss" was calculated using the discounted cash flow method adjusted for the probability of success of certain risk at different stages of the products. The discounted cash flow method estimates the future cash flows of the asset (translated from dollars to euros at the exchange rate based on the range agreed in the agreement) and the cash flows during the estimated marketing period, taking into account the maturity of the patent adjusted for estimated probability of success. These probabilised cash flows are discounted at a rate which reflects the current returns required by the market and the specific risks of the asset (Note 6).

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

In addition, the bank accounts included in the Cash headings have not been mostly remunerated during the annual years ended December 31, 2020 and 2019.

10. Inventories

At December 31, 2020 and 2019 this heading breaks down as follows:

	Thousand euro	
	2020	2019
Goods purchased for resale	10,124	13,136
Raw materials and packaging	26,129	14,414
Work in progress	6,344	5,424
Finished products	36,374	27,267
Advanced payment to suppliers	7	290
Measurement adjustment (Note 19)	(3,170)	(4,042)
Total	**75,807**	**56,489**

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

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

No inventories have been pledged as security.

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

(Expressed in thousand euro)

11. Trade and other receivables

At December 31, 2020 and 2019 this heading breaks down as follows:

	Thousand euro	
	2020	2019
Trade receivables for sales and services rendered	22,405	23,247
Trade receivables, group companies and associates (Note 20)	50,879	48,069
Sundry accounts receivable	98	151
Personnel	129	85
Current tax assets and other receivables with the public administrations (Note 18)	46,292	30,216
Measurement adjustment (Note 19)	(725)	(848)
Total	**119,078**	**100,920**

Total overdue balances provided at December 31, 2020 and 2019 amount to EUR 725 thousand and EUR 848 thousand, respectively.

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

At December 31, 2020 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 11 % (13.2% at year-end 2019).

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 21.6 million in 2020 (EUR 18.1 million at year-end 2019).

12. Equity

Share capital

At December 31, 2020 the parent company's share capital consists of 178,115,627 shares with a nominal value of 0.12 euros each, fully subscribed and paid up (174,554,820 shares at 0,12 euros nominal value as at December 31, 2019).

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

At June 12, 2019, 701,153 new shares of the Company, from the scrip dividend, were admitted to trading on the stock exchanges of Barcelona, Madrid, Bilbao and Valencia. These shares were representative of the holders of 29.84% of the free allocation rights that chose to receive new shares instead of cash. As a consequence, the share capital of the Company after the capital increase was increased by 84,138.36 euros, reaching December 31, 2019 to 20,946,578.40 euros (represented by 174,554,820 shares).

(Expressed in thousand euro)

At December 31, 2020 and 2019, all the Company's shares were listed on the Spanish stock exchanges, there being no restrictions on their free transferability. Also, pre-emption rights and purchase and sale options have been granted to the Company's ultimate shareholders in respect of the shares of one of the shareholders in accordance with the agreement entered into on May 28, 2007.

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

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

At December 31, 2020 and 2019 the Company is unaware of other ownership interests of 3% or more in the Company's share capital or voting rights or of interests lower than the established percentage but that permit significant influence to be exercised.

Legal Reserve

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

The balance of this item at December 31, 2020 and 2019 amounted to EUR 4,189 and EUR 4,172 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 2020 as a result of the increase in capital due to the flexible dividend, this reserve has increased by the difference between the nominal value of the shares and the equivalent value to the dividend, which amounts to EUR 32,877 thousand. The balance under this heading amounts to EUR 279,162 thousand at December 31, 2020 (EUR 246,285 at December 31, 2019).

(Expressed in thousand euro)

Other reserves

The breakdown of this account for the years ended December 31, 2020 and 2019 is as follows:

	Thousand euro	
	2020	2019
Voluntary reserves	1,025,557	1,028,470
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	**1,066,708**	**1,069,621**

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

Redeemed capital reserve

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

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

Revaluation reserves

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

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

The balance of the Company’s "Revaluation reserve" amounts to EUR 2,539 thousand at December 31, 2020 and 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 Company owns, at December 31, 2020, treasury stock representing 0.09% of the share capital (0.07% at December 31, 2019) and a global nominal value of EUR 18.6 thousand (13.7 thousand euros at December 31, 2019) and which have been registered in accordance Spanish Gaaps. The average acquisition price of these shares has been

(Expressed in thousand euro)

11.07 EUR per share (15.54 EUR per share as of December 31,2019). The shares of the Company in its possession are intended to negotiate in the market.

13. Accruals and deferred income

At December 31, 2020 and 2019 the balance and movement in this heading are as follows:

	Thousand euro
Balance at December 31, 2018	**102,632**
Taken to results (Note 19)	(30,363)
Balance at December 31, 2019	**72,269**
Taken to results (Note 19)	(52,656)
Balance at December 31, 2020	**19,613**

The main component of the balances at December 31, 2020 and 31 December 2019 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 17.4 million and EUR 69.6 million, respectively. Deferred income is allocated to results on a straight-line basis throughout the estimated duration of the development phase.

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

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

During the years 2020 and 2019, the movement of the heading is mainly due to the imputation of the initial non-refundable charges of the said operation.

In 2020 and 2019, 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 2020 and 2019 in "Provisions" in the accompanying balance sheet are as follows:

	2020			2019		
	Provision for returns	Other provisions	Total	Provision for returns	Other provisions	Total
Balance at January 1	**3,900**	**34,778**	**38,678**	**4,250**	**30,818**	**35,068**
Additions for the year	914	584	1,498		7,525	7,525
Derecognition	-	(3,914)	(3,914)	(350)	(2,491)	(2,841)
Transfers	-	(1,788)	(1,788)		(1,074)	(1,074)
Balance at December 31	**4,814**	**29,660**	**34,474**	**3,900**	**34,778**	**38,678**

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.

(Expressed in thousand euro)

Other Provisions

The amount of other provisions relates mainly to the remuneration long-term (see note 4-r) and the estimate made by the Company of the disbursements that it should make in the future to meet other liabilities arising from the nature of its activity. Withdrawals for the current fiscal year correspond mainly to reversals of that provisions and the transfers relates to short-term reclassifications.

15. Financial debts

The detail of the bank borrowings and other financial liabilities at December 31, 2020 and 2019 is as follows:

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

	Limit	Amount drawn down	Current	Non-current		
				2021	Rest	Total
Credit lines	250,000	-	-	-	-	-
Bank loans (*)	230,000	229,133	-	5,000	224,133	229,133
Obligations (**)	250,000	229,245	-	229,245	-	229,245
Derivatives	N/A	19,082	-	19,082	-	19,082
Total at December 31, 2019	**730,000**	**477,460**	**-**	**253,327**	**224,133**	**477,460**

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

(**) 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 (maturity February 24, 2021), which accrues an average interest of less than 1%. As of December 31, 2019 there were no balances drown down. On July 17, 2020, the Company signed a new credit policy that replaces it, for an amount of 275 million euros, for an initial term of 3 years with the possibility of extension of 1 year additional and intended for general corporate uses. The BBVA entity has acted as coordinator of the operation, in which Santander, CaixaBank, BNP Paribas and Banca March have also participated. This policy accrues a variable interest rate referenced to Euribor. 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, 2020.

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

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

Convertible Bond

On December 4, 2018 a simple unsecured senior-level bond issue with final maturity on December 14, 2021 was also formalized for an aggregate nominal amount of 250 million euros, eventually convertible into or exchangeable for ordinary shares of the parent company to be approved by the General Shareholders' Meeting before June 30, 2019. The Bonds bear a fixed annual interest of 0.25% payable semiannually. Once the convertibility conditions have been met, the Bonds have become convertible bonds at the option of the Noteholders at a conversion price set at 18.1776 Euros per share, after applying a conversion premium of 27.5% on the weighted average price of the ordinary shares of the Parent during the period between the opening and closing of the market on the day of the prospectus. This conversion price is subject to customary adjustment formulas in accordance with the terms and conditions of the Bonds. The Parent Company will deliver newly issued or existing shares (decision that will correspond to the Parent Company) each time the bondholders exercise their conversion rights. In the event that the Board Agreements have been proposed but not approved by the General Meeting before June 30, 2019 or the Board Agreements have been proposed and approved by the General Meeting before June 30, 2019 but the rest of the Convertibility Conditions were not fulfilled within the terms indicated in the terms and conditions, subject to prior notification to the bondholders, the company could have decided to amortize in full, but not in part, the Bonds, for the greater value between (i) 102% of the nominal value of the Bonds, plus accrued interest, or (ii) 102% of the listed price of the Bonds, plus 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 Company.

- Cancellation option: the 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). At the date of formulation of this Annual Accounts, said condition has not been met so the due date of the convertible Bond is maintained as initially stated (December 14, 2021).

With respect to this option purchased by Almirall, given that the nominal value of the bonds (plus their respective accrued interest) would not be "approximately equal" to the amortized cost plus the value of the derivative financial instrument mentioned above, this 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 EUR 23.4 million, classified under the heading of "Liabilities for derivative financial instruments" of this same Note and remaining EUR 226.6 million. remaining euros as a component of the host bonus. As of December 31, 2020, the fair value of these options amounts to EUR 2.3 million (EUR 19.1 million as of December 31, 2019).

The change in the fair value of these options is recorded in the income statement between the time of initial recognition and the valuation made at the time of closing, until they expire. For the annual year ended on December 31, 2019, the impact on the Company's income statement has amounted to EUR 16.8 million profit (EUR 4.3 million in profit as of December 31, 2019) (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.

Financial derivative instruments

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

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

As a result, under the heading “Assets for derivative financial instruments” (in the case of latent capital gains) or “Liabilities for derivative financial instruments” (in case of latent losses), the fair value of the derivative corresponding to the difference between the fair value of the underlying asset (2,510,952 shares equivalent to EUR 35.1 million, corresponding 1.4% of the share capital of the Company) and the acquisition cost thereof for Banco Santander, which as of December 31, 2020 amounts a capital loss of EUR 9.3 million, of which EUR 6.9 million have been settled in favour of the bank, therefore the liability at the end of the year amounts to EUR 0.7 million (Note 9). As of December 31, 2019, it amounted to EUR 1.7 million of latent capital gain (Note 9). 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). For the year ended December 31, 2020, the impact on the Company's income statement amounted to EUR 9.3 million of loss (EUR 3.2 million of profit for the year ended December 31, 2019).

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

(Expressed in thousand euro)

5.9 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 December 31, 2020 and 2019 is as follows:

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

	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 December 31, 2019	**42,649**	**2,243**	**2,048**	**1,543**	**1,002**	**6,836**

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

Payables for non-current asset purchases in 2020 and 2019 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 euros, for the exclusive license of commercialization in Spain of two products for reduction of cholesterol, paid in March, 2020.

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 32 million and EUR 29 million were entered into at December 31, 2020 and 2019 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 December 31, 2020 and 2019.

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 9,501 thousand at December 31, 2020 (EUR 11,395 thousand at December 31, 2019).

(Expressed in thousand euro)

b. *Contingent liabilities*

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

c. *Contingent assets*

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

18. Tax situation

Consolidated Tax Group

Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VI of Law 27/2014 of 27 November, for the Corporate Income Tax. The companies composing the tax group for 2020 and 2019 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas Almirall, S.A., Laboratorios Tecnobío, S.A., Ranke Química, S.L. and Almirall Europa Derma S.A. being the first of them the head of the tax group. Consequently, Almirall, S.A. is the responsible in front of tax authorities for the declaration, payment and presentation of Corporate Income Tax.

Years open to tax inspections

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, that finally has concluded in 2020 without any significant issue.

As a result of the inspection, the returns of the companies in the Spanish tax group, are open to review by the tax authorities for the years 2016 to 2020 in addition of 2014 for corporate income tax and 2017 to 2020 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 December 31, 2020 and 2019 is as follows:

	Thousand euro	
	31/12/2020	31/12/2019
VAT receivable	5,788	6,733
Income tax receivable	39,437	23,483
Sundry taxes receivable	1,067	-
Total balances receivable	**46,292**	**30,216**
VAT payable	-	-
Foreign VAT payable	5,364	2,049
Income tax payable	88	-
Personal income tax withholdings	1,338	1,970
Social security payable	864	862
Sundry taxes receivable	-	8
Total balances payable	**7,654**	**4,890**

"Corporate income tax receivable" includes tax refundable for 2020 and 2019.

(Expressed in thousand euro)

Income tax recognised

The reconciliation of the accounting results and tax base for 2020 and 2019 is as follows:

	Thousand euro	
	2020	2019
Profit /(loss) before taxes	18,086	195,419
Permanent differences:		
Increase	99,473	35,783
Decrease	(85,743)	(326,388)
Temporary differences		
Increase	6,916	6,630
Decrease	(39,152)	(16,123)
Gross taxable income	**(419)**	**(104,678)**
Offsetting of tax-loss carry forwards	-	-
Tax base	**(419)**	**(104,678)**

The reduced taxable profit resulting from permanent differences in 2020 and 2019 is a result basically of the reduction of the taxable profit from the disposal of intangible assets, to the exemption for double imposition of received dividend, and to the reversal of impairments, whilst the increase mainly corresponds to the different treatment for tax purposes of certain expenses arising in these years.

Additionally, the detail of income tax recognised in the income statement and in equity in 2020 and 2019 is as follows:

	Thousand euro	
	Expense /(income)	
	2020	2019
Income tax:		
- Recognised in the income statement	**8,375**	**3,892**
Current corporate income tax	-	-
Deferred corporate income tax	8,323	2,463
Foreign tax	52	1,429
- Recognised in equity	-	-
Total	**8,375**	**3,892**

(Expressed in thousand euro)

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	
	2020	2019
Profit /(loss) before taxes	18,086	195,419
Permanent differences:		
Increase	99,473	35,783
Decrease	(85,743)	(326,388)
Adjusted accounting results	31,816	(95,186)
Tax rate	25%	25%
Gross tax	**7,954**	**-**
Tax credits:		
-Tax credits and other consolidation adjustments	369	(310)
Income tax paid abroad	52	1,429
Regularisation of deferred tax assets and liabilities	-	-
Effect of tax consolidation	-	2,373
Offset of tax losses	-	-
Other	-	400
Income tax expense (income) accrued	**8,375**	**3,892**

The Corporate Income Tax expense of Almirall, S.A. is the result of applying the tax rate of 25% on the tax group taxable base (null in 2019 due to a negative taxable base). The retentions and advance payments have amounted to EUR 11,227 thousand (EUR 19,349 thousand in fiscal year 2019). The amount to be returned from tax authorities amount to EUR 15,954 thousand at December 31, 2020 (EUR 23,483 thousand at December 31, 2019). Said amount is the result from advance payments made during the financial year 2020 and the monetization of deductions according to art. 39.2 of LIS, amounting to EUR 4,824 thousand (EUR 4,134 thousand in 2019).

(Expressed in thousand euro)

The detail, by nature and amount, of the tax incentives applied in 2020 and 2019 and of those not yet applied at 31 December 2020 and 2019 is as follows:

Nature	Year generated	Thousand euros			
		2020		2019	
		Offset	Available for offset	Offset	Available for offset
Research and development					
	2007	216	25,260	-	25,476
	2008	-	34,841	-	34,841
	2009	-	26,883	-	26,883
	2010	-	34,628	-	34,628
	2011	-	35,845	-	35,845
	2012	-	32,841	-	32,841
	2013	-	28,660	-	28,660
	2014	-	23,685	-	23,685
	2015	-	14,840	-	14,840
	2016	-	12,259	-	12,259
	2017	-	10,209	-	10,209
	2018	-	9,230	5,219	9,230
	2019	6,031	10,091	-	16,121
	2020	-	18,408	-	-
		6,246	**317,680**	**5,219**	**305,518**
Technological innovation	2012	-	1,077	-	1,077
	2013	-	1,439	-	1,439
	2014	-	701	-	701
		-	**3,217**	**-**	**3,217**
International double taxation	2017	-	-	-	-
	2018	-	-	-	-
	2019	431	482	-	913
	2020	-	79	-	-
		431	**561**	**-**	**913**
Re-investment of extraordinary income	2012	-	55	-	55
	2013	-	2	-	2
	2014	-	10	-	10
		-	**67**	**-**	**67**
Donations	2016	-	-	-	-
	2017	-	-	-	-
	2018	-	-	-	-
	2019	35	-	-	35
	2020	37	-	-	-
		72	**-**	**-**	**35**
Temporary measures	2016	-	-	-	-
	2017	-	-	-	-
	2018	-	-	-	-
	2019	26	-	-	26
	2020	21	-	-	-
		46	**-**	**-**	**26**
Total tax incentives attested		**6,796**	**321,525**	**5,219**	**313,913**
Total deferred tax assets recognized on the balance sheet			**187,915**		**194,161**

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.

(Expressed in thousand euro)

Deferred tax

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

	2020		2019	
	Accumulated differences in tax bases	Accumulated effect tax payable	Accumulated differences in tax bases	Accumulated effect tax payable
Amortisation of intangible assets	69,594	17,398	95,644	23,911
Provisions	19,843	4,961	18,246	4,561
Deductions pending application	-	187,915	-	194,161
Total deferred tax assets		**210,274**		**222,633**
Unrestricted amortisation/depreciation R,D, 27/84, 2/85, 3/93	20,014	5,004	21,836	5,459
Amortisation of goodwill	89,633	22,408	80,030	20,007
Other			57	14
Deferred tax liabilities		**27,412**		**25,481**

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

	2020	**2019**
Deferred tax assets	210,274	222,633
Deferred tax liabilities	(27,412)	(25,481)
Deferred tax assets (net)	**182,862**	**197,153**

The gross movement in deferred tax is as follows:

	2020	**2019**
At January 1	197,153	204,854
(Charged)/credited to income statement	(8,261)	(2,533)
Partial monetization of R&D deductions	(6,030)	(5,168)
Tax (charged)/ credited directly to equity	-	-
At December 31	**182,862**	**197,153**

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.

(Expressed in thousand euro)

19. Income and expense

Net Sales

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

	Thousand euro	
	2020	**2019**
Spain	239,676	243,867
Exports	227,949	224,764
Income from shareholdings in Group companies (Note 20)	52,047	139,218
Total	**519,672**	**607,849**

	Thousand euro	
	2020	**2019**
Sale through own network	407,753	402,838
Sale through licensees	44,050	45,943
Income from shareholdings in Group companies (Note 20)	52,047	139,218
Other	15,822	19,850
Total	**519,672**	**607,849**

Other operating income

	Thousand euro	
	2020	**2019**
Income from sales/product marketing licenses	410	3,125
Other income - Group companies (Note 20)	17,909	19,758
Other	59,494	84,234
Total	**77,813**	**107,116**

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 2020 mainly includes:

- Income amounting to EUR 52 million relating to the time-apportionment to results of the non-reimbursable amount initially received (Note 13) (EUR 30 million in 2019).
- Net income amounting to EUR 5,013 thousand due to the change in fair value of the financial asset deriving from the AstraZeneca transaction (Note 4-k) (EUR 51.9 million in 2019).

Raw materials and consumables

This heading is analysed below:

	Thousand euro	
	2020	**2019**
Purchases	155,008	146,847
Changes in inventories of raw materials and other consumables	(11,714)	1,853
Changes in inventories of goods for resale	3,012	(2,690)
Inventory impairment	107	242
Subcontracted work	50,851	49,670
Total	**197,264**	**195,922**

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

	Thousand euro
	Inventory impairment (Note 10)
Balance at December 31, 2018	**3,800**
Appropriation	5,925
Application	(5,683)
Balance at December 31, 2019	**4,042**
Appropriation	6,096
Application	(5,989)
Cancellation	(979)
Balance at December 31, 2020	**3,170**

The detail, by origin, of the purchases made by the Company in 2020 and 2019 is as follows (thousand euro):

	2020			2019		
	Spain	Intra-Community	Imports	Spain	Intra-Community	Imports
Purchases	38,289	108,159	8,560	40,468	99,696	6,713
Total	**155,008**			**146,847**		

Staff costs

The detail of “Staff Costs” is as follows:

	Thousand euro	
	2020	2019
Wages and salaries	49,531	56,726
Employer’s Social Security contributions	8,805	8,572
Severance payments	2,584	(395)
Other employee welfare expenses	3,777	3,847
Total	**64,699**	**68,750**

(Expressed in thousand euro)

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

	2020			2019		
	Men	Women	Total	Men	Women	Total
Managing directors	1	-	1	1	-	1
Directors	23	11	34	21	11	32
Managers	64	60	124	62	59	122
Technicians	144	220	365	145	218	363
Administrative	23	46	68	23	45	68
Other	-	1	1	-	1	1
Total	**254**	**338**	**592**	**253**	**334**	**587**

The average of employees during 2020 with a 33% or higher disability is 1 person (one technical employee) (1 employee during 2019).

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

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

The number of employees at the 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 end of 2020 with a 33% or higher disability is 1 person (one technical employee) (1 employee at year-end 2019).

(Expressed in thousand euro)

Other operating expenses

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

	Thousand euro	
	2020	2019
R+D	31,611	38,930
Rent and charges	21,723	16,459
Repair and upkeep	8,642	8,743
Independent professional services	9,144	11,631
Services received from Group (Note 20)	67,626	69,652
Vehicles	3,064	2,471
Insurance premiums	1,536	1,364
Banking and similar services	257	279
Utilities	1,166	1,214
Other services	47,603	53,526
Other taxes	184	368
Total	**192,556**	**204,637**

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	
	2020	2019
Change in measurement adjustment for bad debts (Note 11)	123	(245)
Change in other trade provisions	(762)	500
Total	**(639)**	**255**

The change in the bad debt allowance is as follows:

	Thousand euro
	Bad debt allowance (Note 11)
Balance at December 31, 2018	**603**
Change in measurement adjustments	848
Appropriation	(603)
Balance at December 31, 2019	**848**
Change in measurement adjustments	749
Appropriation	(872)
Balance at December 31, 2020	**725**

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 2020 and 2019 is as follows:

	Thousand euro			
	2020		2019	
	Profit	Loss	Profit	Loss
Profit/loss on disposal or derecognition of intangible assets (Note 5)	-	(358)	-	(8,065)
Profit/loss on disposal or derecognition of property, plant and equipment	-	(27)	1	-
Impairment of investments in Group companies (Note 8)	12,521	(98,987)	11,740	(25,859)
	12,521	**(99,613)**	**11,741**	**(33,924)**
Impairment and profit/(loss) on disposals of fixed assets and investments in Group companies	**(86,851)**		**(22,183)**	

Impairment profits of investments in group companies in fiscal year 2020 relate to the impairment reversal of the investee Almirall International BV and the impairment losses relates to Almirall Inc. (Note 8). Impairment losses on investments in group companies in year 2019 related to the impairment reversal of the investee Almirall Inc and impairment losses corresponded to the provisions made for Almirall Aesthetics, Inc. in the amount of EUR 14.7 million and for Almirall International B.V. amounted to EUR 11.2 million (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 2020 and 2019 is as follows:

	Thousands of Euros			
	2020		2019	
	Income	Income	Income	Expense
Other income and similar interest	1,365	-	724	-
Change to fair value in financial instruments	7,478	-	7,513	-
Financial expenses for obligations (Note 15)	-	(11,027)	-	(6,125)
Finance and similar costs	-	(6,469)	-	(7,741)
Exchange differences	11,172	(26,356)	7,685	(6,137)
	20,015	**(43,852)**	**15,922**	**(20,003)**
	(23,837)		**(4,081)**	

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

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

Foreign Currency Transactions

During the years ended 2020 and 2019 the Company carried out the following transaction in foreign currency:

	Thousands of Euros			
	Expense		Income	
	2020	2019	2020	2019
Japanese Yen	5,206	5,028	3,824	4,111
US dollar	55,763	23,597	7,859	48,421
Mexican Peso	4	7		-
Danish Krone	2,349	5,910	5,791	5,298
Sterling Pounds	10,386	13,308	27,437	17,748
Swedish Krona	50	44		-
Polish Zloty	933	1,078	2,221	3,045
Swiss Franc	4,862	3,817	7,559	6,328
Hungarian Forint	11	20	(8)	(7)
Dirham UAE	1	13	-	-
Russian Ruble	13	-	-	-
	79,578	**52,824**	**54,683**	**84,943**

Auditor fees

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

The detailed services provided by year are as follows:

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

Description	2019			
	Audit and related services		Tax services	Other services
	Audit services	Audit related services		
PricewaterhouseCoopers Auditores, S.L.	214	31	-	41
Other companies of Group PwC	-	-	-	-
	214	**31**	**-**	**41**

The caption “audit services” includes fees corresponding to individual and consolidated Annual Acounts audit of Almirall, S.A. and the companies part of its Group, the limited review of the consolidated resumed financial statements of the Group, as well as the revision of the information related to Internal Control System of the Financial Information of the Group (SCIIF), which work allow to get evidence for audit purposes.

(Expressed in thousand euro)

The caption "Audit related services" includes the verification of the non-financial information included in the Consolidated Director's Report of the Group of which the Company is parent.

The caption "Other services" include, mainly, verifications for official bodies as well as the agreed processes report.

20. Balances and transactions with related parties

Transactions

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

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

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

(Expressed in thousand euro)

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

Revenues	Sales	Other operating income	Financial income	Total
Almirall, AG	6,328	1	-	6,330
Almirall ApS	5,298	2	-	5,300
Almirall Limited	17,748	112	-	17,860
Almirall B.V	7,469	2	-	7.471
Almirall International, B.V	-	-	18,000	18.000
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 Tecnobio, S.A	-	4	1,000	1,004
Polichem S.A (Suiza-Lugano)	1,607	6,521	-	8,127
Almirall LLC	12,857	8,181	-	21,038
Almirall Gmbh	-	-	2,000	2,000
Thermigen LCC (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**

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 12,047 thousand in 2020 and EUR 20,210 thousand in 2019). And EUR 40,000 thousand related to dividends in 2020 (EUR 119,008 thousand in 2019).

Dividend income received in 2020 and 2019 relates to the distribution made by investees as follows:

	Thousand euro	
Dividend income	2020	2019
Almirall Gmbh	-	2,000
Almirall International B.V	-	18,000
Almirall Hermal Gmbh	40,000	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	**40,000**	**119,008**

At December 31, 2020 and 2019 the balances of intercompany transactions break down as follows:

Debtor balances

Group Companies	Thousands of Euros			
	2020		2019	
	Trade balance	Financial balance (Note 8)	Trade balance	Financial balance (Note 8)
Almirall N.V.	416	-	402	-
Almirall-Produtos Farmacéuticos, Lda.	652	-	804	-
Almirall, B.V. holanda	844	-	1,328	-
Almirall SpA Italia	4,875	-	4,559	-
Almirall S.A.S. francia	1,166	-	1,358	-
Almirall, AG	1,757	264	1,227	872
Almirall Limited UK	15,022	-	5,633	-
Almirall Hermal GmbH	16,542	-	16,419	-
Almirall ApS Nordics	1,140	-	732	-
Almirall Inc. (USA)	4,544	162,578	507	177,586
Almirall LLC	2,200	-	14,098	-
Polichem S.A. (Suiza – Lugano)	1,721	-	1,002	-
Total	**50,879**	**162,842**	**48,069**	**178,457**

(Expressed in thousand euro)

Creditor balances:

Group companies	Thousand euros			
	2020		2019	
	Comercial	Financial	Comercial	Financial
Laboratorio Almirall S.L.	-	13,294	-	13,206
Laboratorios Tecnobío, S.A.	-	1,346	-	1,405
Industrias Farmacéuticas Almirall, S.A.	-	21,985	5	18,671
Ranke Química, S.A.	-	2,066	-	3,591
Almirall N.V.	360	3,387	622	2,874
Almiral ApS	719	-	925	-
Almirall-Produtos Farmacéuticos, Lda.	146	4,069	227	4,016
Almirall, B.V.	798	6,663	305	7,426
Almirall GmbH	-	2,092	-	1,796
Almirall SpA	25	71,739	(280)	55,988
Almirall S.A.S.	1,798	33,455	3,377	34,849
Almirall, AG	1,818	-	1,771	-
Almirall Sp. z o.o	(53)	-	(111)	-
Almirall Limited	644	9,497	1,311	13,709
Almirall Hermal GmbH	8,894	56,149	10,125	82,394
Almirall Aestethics S.A.	-	196	-	188
Thermigen LLC (USA)	77	-	77	-
Aqua Pharmaceuticals Holdings, Inc	14	-	-	-
Polichem S.A. (Suiza-Lugano)	-	132,974	-	95,236
Polichem SRL (Italia)	-	6,067	-	3,750
Poligroup Holding SRL (Italia)	-	1,130	-	1,229
Total	**15,163**	**366,111**	**18,354**	**340,329**

Balances and transactions with other related parties

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

			Thousands of Euros	
Other related parties	Concept	Year	Transactions – Income/ (Expense)	Balances - Debit / (Credit)
Grupo Corporativo Landon, S.L.	Leases	2020	(2,963)	-
		2019	(2,935)	-
Grupo Corporativo Landon, S.L.	Rebilling works	2020	122	-
		2019	-	-
Grupo Corporativo Landon, S.L.	Others	2020	-	-
		2019	(55)	-

The Company's headquarters are rented from Grupo Corporativo Landon S.L. under a contract maturing in 2022 (Note 7).

21. Remuneration of the Board of Directors and Executives

In 2020 and 2019 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 3,000 thousand and EUR 3,968 thousand, respectively. There are life insurance policies accrued amounting to EUR 23 thousand (EUR 17.8 thousand in 2019).

In 2020 and 2019, insurance premiums for civil liability totalling EUR 151 thousand and EUR 111 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 2020 and 2019 in respect of multi-year incentive and loyalty plans and the SEUS Plan amounting to EUR 0 and EUR 971 thousand, respectively. The year-end balance of the provision for such plans amounts to EUR 302 thousand in 2020 (EUR 3,544 thousand in 2019).

At December 31, 2020 and 2019, 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.

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 2020 and 2019 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 5,017 thousand and EUR 4,859 thousand, respectively.

This includes the remuneration accrued by Company managers, paid and not paid, by the Company in 2020 and 2019 in respect of multi-year incentive and loyalty plans and the SEUS Plan (Note 4-r) amounting to EUR 740 thousand and EUR 1,002 thousand, respectively. The year-end balance of the provision for such plans amounts to EUR 1,999 thousand in 2020 (EUR 3,578 thousand in 2019).

At December 31, 2020 and 2019, there were no other pension commitments with Executives.

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

22. Other disclosures concerning the Board of Directors

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

23. Information regarding the environment

The Company 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 350 thousand and EUR 338 thousand at December 31, 2020 and 2019, respectively. Additionally the new additions of these assets during the year 2020 amount to EUR 94 thousand (EUR 61 thousand in 2019).

The income statements for 2020 and 2019 include expenses related to protection of the environment amounting to EUR 478 thousand and EUR 497 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 EUR 250 million at a fixed interest rate, with the average of said rate of 0.81%, so the Company is not exposed to interest rate volatility. This credit line was cancelled in 2020 and replaced by a new credit line of EUR 275 million for 3 years with the possibility of 1 additional year and designated to general corporate issues (as described In Note 15). This policy accrues a variable referenced to the Euribor, plus a variable that depends on the Company's Net Debt over EBITDA ratio. Within the contract of this credit line, the Company was obliged to comply with a number of covenants among which stands out the fulfillment of a certain "Net Financial Debt Ratio / EBITDA". As of December 31, 2020, given the current economic perspectives, the Company's directors does not consider that a relevant risk of interest rate increases exist in the short/mid term, and so no hedging mechanism has been implemented.

In September 2018, the 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 EUR 150 million with a fixed rate of 2.1% and, on the other hand, with the issuance of convertible bonds (EUR 250 million), also at a fixed interest rate of 0.250%. 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 Company formalized a loan with the European Investment Bank (EIB) for up to EUR 120 million, to finance its research and development efforts, with the aim of offering cutting-edge innovation and differentiated therapies in the area of medical dermatology. The first tranche of EUR 80 million was granted on April 17, 2019, at a fixed interest rate of 1.35%.

Foreign currency risk

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

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

In December 2020, the Company is the borrower of an intercompany loan with Almirall Inc. in US dollar. Such loan has not been covered since as of July 1, 2010 it is considered as more value of the net investment abroad.

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 is prepared based on the projected annual accounts for the current year, whose variations are analysed on a monthly basis.

On the other hand, medium- and long-term liquidity planning and management is based on the Group's (for what the Company is parent) five-year Strategic Plan.

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

The financing instruments include a series of covenants that in case of non-compliance, would imply the immediate enforceability of said financial liabilities. Periodically, the Company assesses such compliance (as well as future compliance expectations in order, if appropriate, to be able to take corrective measures. As of December 31, 2020 all the covenants were accomplished as mentioned in Note 15.

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

Credit risk

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

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

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

Capital management

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

The Company periodically reviews the capital structure on the basis of a five-year strategic plan that establishes the guidelines concerning investment and financing, At December 31, 2020 and 2019 the leverage ratios were as follows (thousand euro):

	December 31 2020	December 31 2019
Bank borrowings	229,345	229,133
Bonds and other negotiable securities	242,614	248,327
Cash and cash equivalents	(133,714)	(89,288)
Net debt	**338,245**	**388,171**
Equity	1,378,883	1,371,834
Share capital	21,374	20,947
Leveraging ratio[(1)]	**25%**	**28%**

(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 July 5, on amendments to Law 3/2004 to combat non-payment in commercial transactions. The aforementioned law envisages a maximum payment period of 60 days.

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

	Number of days	
	2020	**2019**
	Days	**Days**
Average supplier payment period	48	43
Ratio operations paid	47	45
Ratio operations pending payment	63	25
Total payments made	**501,907**	**507,801**
Total payments pending	**37,868**	**46,188**

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

The average payment period for 2020 and 2019 stood at 48 and 43 days, respectively.

26. Covid-19 impacts

As a result of Law 463/2020, of March 14, which decreed the state of alarm in Spain, different measures were established to protect the health and safety of citizens, contain the progression of the disease and reinforce the system of public health. Subsequently, on October 25, Law 926/2020 came into force, which is still in force on the date of formulation of these annual accounts and by which new measures have been adopted to contain the waves of infections that have occurred since the last quarter of 2020 and which continue to rise in early 2021.

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

Despite not having interrupted productive activity, the Company's sales have been negatively impacted as a result of the global economic downturn, as well as the restriction on the mobility of people, which has impacted both in terms of delays and cancellation of product promotion activities, as well as in the reduction of global demand in the different countries in which the Company operates.

In this context, it should be noted that the impact of COVID-19 in EU countries has been less than in the United States as a result of the type of product sold in each of these territories, being in the EU market and especially in products related to chronic treatments that have been less impacted and in the United States where the product portfolio is one of the so-called non-essentials where the fall in sales has been most pronounced. It should be noted that the market share of the Company's main products has not been significantly impacted and that most of the decrease in sales is in line with the reduction in global demand.

From the point of view of R&D activities, there have been delays and not cancellations, in some activities linked to clinical studies given the restrictions on access to hospitals that hindered the recruitment of new patients. However, Management estimates that there have been no significant delays that may affect the medium-long term. The registration process for Tirbanibulin in the EU and the United States has continued and in the case of the United States the FDA approved the drug on December 14 while for Europe it expects its approval in the first half of 2021. As for the Phase III of Lebrikizumab, the development schedule is maintained with the registration with the EMA in 2022 and subsequent approval and launch in 2023.

Promotional activities are the most affected due to lockdown and measures imposed to prevent infection. Due to this, various activities such as conferences or medical visits have been cancelled and / or postponed, which has led to a slowdown in sales of some drugs, especially those that do not correspond to chronic diseases. In this sense, the Company has made an effort to advance in the digitalization of certain processes and activities to maintain the activity and, at the same time, comply with the measures of social distancing and restrictions on access to medical centres.

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

In this Note, the Company's Management proceeds to assess the impacts of the pandemic caused by the COVID-19 outbreak that may have affected the company's activities in the EU and the United States, regions where the Company has a greater presence, directly or through its investees.

a. Impairment of non-financial assets

As of December 31, 2020, no significant risk has been identified except for the portfolio acquired in 2013 in the business combination of Almirall LLC (formerly Aqua Pharmaceuticals, LLC), through the company Almirall, Inc. However, certain government measures to limit pharmaceutical spending in the different geographies in which the Company operates could force new scenarios to be reconsidered in the future. Additionally, as explained in Note 8, an impairment loss of 98,982 thousand euros has been recognized related to the subsidiary Almirall, Inc., according to the impairment test update based on the reviewed business plan of the American subsidiary Almirall LLC (company owned 100% by Almirall, Inc.). The value correction has been motivated by the COVID-19 impact and by the negative impact derived from the evolution of the American dollar.

A sensitivity analysis of major intangible assets and cash-generating units has been included in Notes 8 and 4c. The analysis includes scenarios of both falling revenues and increases in the discount rate resulting from an increase in the cost of financing due to the rise in interest rates in the debt markets. Additionally, given the uncertainty generated by the pandemic, the low range of sensitivity as mentioned in those Notes has been extended.

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

According to the tax credits recorded in the balance sheet (Note 18), Management has reassessed the asset recovery plan without any indication of impairment as of December 31, 2020. However, future tax measures that may be adopted by the Spanish government in the face of the new macroeconomic environment could significantly affect this plan.

Concerning the valuation of inventories, since sales of the products have been able to be carried out without interruption, no provision has been made for slow rotation or expiration linked to COVID-19 (Note 10).

b. Impairment of financial assets

In relation to the accounts receivable, the Company has not seen an increase in arrears in this year and no relevant provision has been registered for this purpose. The debt with hospitals is the one that could represent greater risk by possible tensions of treasury that can experience the administrations of health of the different countries before the increase of the deficit. In this sense, the Company's Management estimates that any delay in payments would not have a significant impact on equity or liquidity, since the hospital debt amounts to only 11% of the Company's accounts receivable as of December 31, 2020 (Note 11).

As for the financial asset corresponding to the fair value of future long-term payments to be received by AstraZeneca (Note 9), the Company's Management has updated the projections according to the methodology described in Note 4-k, without no significant impact has arisen in relation to COVID-19. However, as these are flows linked to the performance of products managed by a third party, the Company's visibility in the short term is limited, so that future revaluations of this asset could lead to changes in estimates that would be adjusted in the income statement prospectively.

Finally, according the Company’s liquidity position, no deterioration has been observed, mainly due to three factors:
- As stated in Note 24, the Company does not have relevant maturities of financial debt until December 14, 2021, the date on which the convertible bond described in Note 15 expires. In addition, the Company has a credit policy with a limit of up to EUR 275 million to cover any short-term liquidity needs.

- With regard to collections, as mentioned above, there have been no delays so that cash generation has not been adversely affected.

- Finally, given the slowdown in some activities due to lockdown, the volume of payments has decreased slightly due to the decline in the general activity of the Company.

c. Relevant uncertainties and risks associated to COVID-19

As discussed in the previous sections, the main risks and uncertainties derive mainly from the new macroeconomic environment after the pandemic, as well as the possibility of a new outbreak in the second half of the year that could aggravate the situation after the first wave.

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

- Measures applied by the Government to contain pharmaceutical spending due to the increase in the deficit and public debt generated by the exceptional measures to mitigate the effects of COVID-19. Such measures could come in the form of additional contributions to the national health system in the form of a discount, measures to encourage the use of generic drugs to the detriment of branded ones, application of reference prices by groups of molecules, lower reimbursement prices for new releases, among others.
- Measures applied by the Government to maximize tax revenues, either in the form of tax increases or in the form of restrictions on the use or granting of tax incentives.
- Rising debt in the markets that hinder or limit the activity and / or growth of the Company in certain geographies.

- New waves of virus spread that could limit the growth and / or access of certain drugs by patients and / or limitations on the sales network to make medical visits due to new restrictions on mobility; or budgetary limits on choosing treatment by national health systems.
- Risk of cutting the supply chain of the relevant products due to new outbreaks that could cause a shortage of the market and the consequent loss of profit.

d. Breakdown of ítems related to COVID-19 in the Income statement

During the first weeks of the outbreak, the Company implemented an action plan valued at more than 320 thousand euros that included a wide range of measures to respond to the pandemic, mitigate its adverse effects and provide health professionals with the right tools. Among them:

- More than 27,000 units of Blastoactiva and Balneum topical creams were donated to several hospitals in Spain to help health professionals treat dry and sore skin due to prolonged use of masks and glasses, repeated hand washing and disinfection. More than 30,000 units of personal protective equipment, including masks, gloves, glasses and Tyvek gowns, were also donated to various hospitals, health centres and institutions in and around Barcelona. More than 200 equipment and laboratory material were also made available to the Spanish health authorities and research centers.
- Several hospitals in Spain were subsidized to ensure that health professionals had the necessary supplies and equipment to carry out their work.
- The initiative led by the Leitat Technology Center was sponsored to design and develop the first industrialized and reusable respirator printed in 3D with a financial contribution of 50,000 euros. Authorized by the Spanish Agency for Medicines and Health Products (AEMPS), it is helping to alleviate and support the work done by hospitals, especially that of ICUs.
- Contributed to funding for the creation of a field hospital in Sant Andreu de la Barca (Barcelona) to care for patients with COVID-19.

Additionally, in year ended December 31, 2020, certain expenses and investments related to the adaptation of the facilities to the new health requirements and to the management of staff in the face of mobility restriction, which amounted to 1,002 and 158 thousand euros, respectively.

The Company, on the other hand, has not received any government assistance for exceptional measures of COVID-19, so it does not apply any breakdown in accordance with IAS 20 “Accounting for Government Grants”.

In addition to this, all leases have been paid on time as agreed, without having settled any deferral with the leaseholder.

27. 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 EUR 33.8 million (equivalent to 0.19 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 2020. 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.

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

APPENDIX: INFORMATION ON INVESTEES DIRECT AND INDIRECT

	Thousand euros						
Name	Laboratorios Almirall, S.L.	Laboratorios Tecnobio, S.A.	Industrias Farmacéuticas Almirall, S.A.	Ranke Química, S.A.	Almirall Internacional, BV	Almirall, NV	Almirall - Productos Farmacêuticos, Lda.
Managment	España	España	España	España	Holanda	Bélgica	Portugal
Activity	Mediation services	Mediation services	Specialty manufacturing	Raw material manufacturing	Holding internacional	Pharmaceutical Laboratoy	Pharmaceutical Laboratoy
31 December 2020							
% interest held							
- Directly	100%	100%	100%	100%	100%	0,01%	-
- Indirectly	-	-	-	-	-	99,99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration
Share Capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	7,325	486	48,696	18,428	56,513	2,172	2,145
Net profit (loss) for the year	360	3	3,378	675	12,521	48	182
Carrying amount of interest	4,112	127	41,982	10,840	121,637	9	-
- Cost	4,112	127	41,982	10,840	144,203	9	-
- Measurement adjustments	-	-	-	-	(22,566)	-	-
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 Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration
Share Capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	13,540	1,348	64,740	25,151	49,673	2,031	1,813
Net profit (loss) for the year	414	0	3,480	1,066	5,329	101	267
Carrying amount of interest	4,112	127	41,982	10,840	120,276	9	-
- Cost	4,112	127	41,982	10,840	144,203	9	-
- Measurement adjustments	-	-	-	-	(35,088)	-	-

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

	Thousand euros						
Name	Almirall, BV	Almirall Europa Derma S.A.	Almirall Limited	Almirall, S.A.S.	Almirall SP, Z.O.O.	Almirall GmbH	Almirall, AG
Management	Holanda	España	Reino Unido	Francia	Polonia	Austria	Suiza
Activity	Mediation services	Mediation services	Pharmaceutical Laboratoy	Pharmaceutical Laboratoy	Marketing pharmaceutical specialties	Pharmaceutical Laboratoy	License management and marketing of raw materials
31 December 2020							
% interest held							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration
Share Capital	4,000	61	556	12,527	11	36	926
Reserves	2,587	177	10,279	19,938	1,439	1,851	2,612
Net profit (loss) for the year	185	5	578	1,436	17	264	475
Carrying amount of interest	-	234	-	-	-	1,485	10,628
- Cost	-	261	-	-	-	1,485	10,628
- Measurement adjustments	-	(27)	-	-	-	-	-
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	-	-	-	-	-	-	-

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

APPENDIX: INFORMATION ON INVESTEES DIRECT AND INDIRECT

	Thousand euros					
Name	Almirall SpA	Almirall Hermal, GmbH	Almirall Aps	Almirall Inc	Subgrupo (*) Almirall LLC	Poli Group Holding, S.R.L.
Management	Italia	Alemania	Dinamarca	USA	USA	Italia
Activity	Pharmaceutical Laboratoy	Pharmaceutical Laboratoy	Pharmaceutical Laboratoy	Pharmaceutical Laboratoy	Pharmaceutical Laboratoy	Holding
31 December 2020						
% interest held						
- Directly	-	100%	100%	100%	-	100%
- Indirectly	100%	-	-	-	100%	-
% voting rights	100%	100%	100%	100%	100%	100%
Consolidation method	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration
Share Capital	8,640	25	18	-	-	31
Reserves	39,863	(8,227)	2,490	444,740	303,522	46,870
Net profit (loss) for the year	11,744	25,784	204	(82,468)	(20,102)	(78)
Carrying amount of interest	967	359,270	17	380,783	-	380,270
- Cost	967	359,270	17	550,267	-	380,270
- Measurement adjustments	-	-	-	(169,484)	-	-
31 December 2019						
% interest held						
- Directly	-	100%	100%	100%	-	100%
- Indirectly	100%	-	-	-	100%	-
% voting rights	100%	100%	100%	100%	100%	100%
Consolidation method	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration	Global Integration
Share Capital	8,640	25	17	-	-	31
Reserves	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
Carrying amount of interest	967	359,270	17	479,766	-	380,270
- Cost	967	359,270	17	550,267	508,496	380,270
- Measurement adjustments	-	-	-	(70,501)	-	-

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

	Thousand euros	
Name	Polichem, S.A.	Polichem, S.R.L.
Management	Luxemburgo/ Suiza/China	Italia
Activity	Pharmaceutical Laboratoy	Pharmaceutical Laboratoy
31 December 2019		
% interest held		
- Directly	-	-
- Indirectly	100%	99,6%
% voting rights	100%	100%
Consolidation method	Global Integration	Global Integration
Share Capital	1,389	540
Reserves	114,552	4,224
Net profit (loss) for the year	30,631	1,435
Carrying amount of interest	-	-
- Cost	-	-
- Measurement adjustments	-	-
31 December 2020		
% interest held		
- Directly	-	-
- Indirectly	100%	99,6%
% voting rights	100%	100%
Consolidation method	Global Integration	Global Integration
Share Capital	1,351	540
Reserves	106,547	3,447
Net profit (loss) for the year	20,804	776
Carrying amount of interest	-	-
- Cost	-	-
- Measurement adjustments	-	-

Almirall S.A.

Directors' report

(Year ended December 31, 2020)

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

CONTENTS

1. Summary. Main achievements

The 2020 financial year was characterized by the impact of the COVID-19 pandemic on the world, and in particular as far as the Company's operations are concerned, the impact it has had on the EU and the United States. The Company's production activities have not been disrupted during the pandemic and the supply of medicines has been carried out as normal. Despite not disrupting production activity, the Company's sales have been negatively impacted as a result of the global economy, as well as by the restriction of people mobility, which has caused both delays and cancellations of product promotion activities, as well as the reduction of global demand from the different countries in which the Company operates.

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

From the point of view of R&D activities, there have been delays in some activities linked to clinical studies given restrictions on access to hospitals that made difficult to recruit new patients. However, Management considers that there has been no significant delay that could affect the long term. The registration process for Tirbanibulin (to be marketed under the brand name Klisyri®) in the EU is ongoing, while in the United States, FDA approval was obtained on December 14, 2020 (launch in early 2021). As for Lebrikizumab's Phase III, the development schedule is maintained with submission to the EMA expected in 2022 and subsequent approval and release in early 2023.

Promotion activities are the ones that have been most affected due to confinement and the measures imposed to prevent contagion. Due to this, various activities such as congresses or medical visits have been canceled and / or postponed, which has caused a slowdown in the sales of some medicines, especially those that do not correspond to chronic diseases. This has been alleviated by the digitization of various processes and activities, which has allowed us to continue interacting with doctors and patients despite the restrictions.

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

The dividend proposed by the Board of Directors on February 21, 2020 was finally approved on July 24, 2020, as the General Meeting of Shareholders initially scheduled for May 6, 2020 due to COVID-19 was canceled. The instrumentalization as a Script dividend was maintained and the cash payment amounted to EUR 2.1 million (93.8% of the voting rights chose to collect it in shares).

From a liquidity point of view, COVID-19 has not had a significant impact on the Company. The year ended with a cash position amounting to EUR 133.7 million (EUR 89.3 million as of December 31, 2019). This evolution is explained by:

- Solid cash flow from operating activities (EUR +95.5 million), mainly as a result from the collection of dividends from its subsidiaries for the amount of EUR 40 million and the collections related to the contract with AstraZeneca for the amount of EUR 52 million, as explained in the accompanying annual accounts (Note 9).
- Net payments from investment activities (EUR -64.7 million) mainly resulting from the license agreement signed with Dermira (payment of two milestones linked to Phase III of Lebrikizumab), the deferred payment linked to the agreement reached with AstraZeneca in 2017, for an amount of EUR 35 million and investments in the production center of Spain.
- Net payments from financing activities (EUR +13.7million) as a result of the collections of short-term debts with group companies, partially offset by payments for derivative financial instruments and the payment of dividends.

2. COVID-19 impacts

Note 26 of the accompanying Annual Accounts summarizes the main impacts of COVID-19 in year 2020.

3. Corporate development

During the year ended December 31, 2020, the following corporate development agreements and relevant facts have taken place:

- On March 2, 2020, it was announced that the European Medicines Agency (EMA) had accepted the submission of the application for a marketing authorization and the application for a new medicinal product for Tirbanibulin, also known as ALM14789 (license acquired to Athenex), as a treatment for actinic keratosis.
- On March 9, 2020, it was announced that the U.S. Food and Drug Administration (FDA) had accepted the submission of the application for marketing authorization and the application for a new drug for Tirbanibulin, also known as ALM14789 (license acquired to Athenex), as a treatment for actinic keratosis.
- On October 10, 2020, the price and reimbursement approval of Ilumetri® (tildrakizumab) was obtained in France for the treatment of adult patients with severe chronic plaque psoriasis.

4. Evolution of key figures in the income statement

- Net sales amounted to EUR 519.7 million (-15%), mainly due to the lower contribution of income from dividends and interests from Group companies, which amounted to EUR 139 million in the previous year (52 million in the current year) as explained in Note 19 of the attached Annual Accounts.
- Other Income decrease to EUR 77.8 million (-27%) due to the achievement of a milestone for reaching sales levels in the first half of 2019 resulting from the agreement with AstraZeneca as explained in Note 9 of the attached Annual Accounts.
- Operating expenses have been reduced by savings generated due to the cancellation and delay of some promotional events and activities as a result of the impact of COVID-19.
- Personnel expenses decreased slightly to EUR 64.7 million (-6%) mainly as a consequence of the decrease in the provision for long-term remuneration, as explained in Note 14 of the attached Annual Accounts.
- Depreciation decreases slightly to EUR 26.9 million (-5%) as a result of the completion of the depreciation of some assets mainly related to software.
- The heading "Impairment results from disposals of fixed assets and investments in Group companies" in the accompanying Income Statement includes in 2020 the partial impairment of the stake in Almirall, Inc, as explained in Note 8 of the attached Annual Accounts.
- The financial result has fallen to EUR 23.8 million due to negative exchange differences mainly caused by the fluctuation of the US dollar.
- As a consequence of the aforementioned, the operating profit has decreased to EUR 41.9 million (-79%) and the net result to EUR 9.7 million (-95%).

5. Balance sheet. Financial position

The main variations of the Balance sheet as of December 31, 2020 compared to December 31, 2019 are described below:

- The Intangible Assets heading (intangible assets and investments in group companies) has decreased mainly as a consequence of the amortization of the yearpartially offset by the payments to Dermira in relation to some milestones regarding the Phase III development of Lebrikizumab.
- Inventories have increased due to new launches and the construction of safety inventories as a result of the reorganization of production between the different Group centers. There have been no significant impacts on the supply chain and products have continued to be supplied normally.
- Accounts receivable have increased mainly due to tax assets due to the incorporation of the Corporation Tax receivable for fiscal years 2020 and 2019, as explained in Note 18 of the attached Annual Accounts.

- Non-current liabilities have decreased mainly due to the allocation to the income statement of deferred income, as mentioned in Note 13 of the attached Annual Accounts, and to the short-term transfer of the convertible bond since its date of expiration date is December 14, 2021.

- Current liabilities have increased due to the aforementioned transfer of the convertible bond, partially offset by the payment of EUR 35 million corresponding to the deferred payment for the agreement reached with AstraZeneca in 2017 and the reduction in commercial creditors due to the lower activity in the second quarter as a result of the disruption caused by COVID-19.

6. 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 credit line, enabled for a maximum drawdown of EUR 250 million at a fixed interest rate, with the average of said rate of 0.81%, so the Company is not exposed to interest rate volatility. Said policy has been canceled in 2020 and replaced by a new credit policy for the amount of EUR 275 million, for an initial term of 3 years with the possibility of an additional 1 year extension and intended for general corporate uses (as described in the Note 15). This policy accrues a variable interest rate referenced to Euribor, plus a variable that depends on the Company's Net Debt to EBITDA ratio. Within the contract of this credit line, the Company was obliged to comply with a number of covenants among which stands out the fulfillment of a certain "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, 2020. At December 31, 2020, taking into account the current macroeconomic perspectives, the Company's Management does not consider that there is a relevant risk due to possible interest rate increases in the short / medium term, so it has not considered necessary to implement any hedging mechanism in this regard.

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

In March 2019, the Company formalized a loan with the European Investment Bank (EIB) up to EUR 120 million, to finance its research and development efforts, with the aim of offering cutting-edge innovation and differentiated therapies in the area of medical dermatology. The first tranche of EUR 80 million was granted on 17 April 2019, at a fixed interest of 1.35%. Within the contract for this loan, the Company is obliged to comply with a series of covenants, among which the fulfilment of a certain "Consolidated Net Financial Debt / Consolidated EBITDA Ratio" and another certain "Financial Leverage Ratio of the companies stand out. subsidiaries / consolidated EBITDA ". Both covenants are considered fulfilled as of December 31, 2020.

Exchange rate risk

The Company is exposed to the exchange rate risk in certain transactions arising from its activity. These are basically dollar charges for finished product sales, collections and payments arising from the operation with AstraZeneca, dollar payments derived from the licensing agreements with Athenex, Dermira or the recent option agreement with Bioniz, dollar payments for clinical trials, purchases of raw materials and royalty payments in yen and dollars, as well as collections and payments made by subsidiaries in the United States, United Kingdom, Poland, Switzerland and Denmark in their local currency. The most relevant currency with which the Company operates is the US dollar.

The Company analyses quarterly the forecasts of collections and payments in currency, as well as the evolution and trend of them. During the last years, the Company has reduced its exposure to exchange rate risk in those higher volume business transactions, by hiring one-off exchange insurance to cover payments in yen for purchases of raw materials, and to cover cash in cash in USD for collections.

As of December 31, 2020, the Company is the borrower of a loan between companies of the group, with Almirall, Inc., in USD. Said loan has not been hedged since July 1, 2010 it has been considered as more value of the net investment abroad and, therefore, the exchange differences generated from that moment have been recorded in the translation differences section of the equity, without having affected the consolidated profit and loss account.

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

Liquidity risk

The Company determines cash requirements using two fundamental forecasting tools that vary in terms of their time horizon.

On the one hand, a one-year monthly cash budget is established based on the forecast financial statements for the current year, from which the variances are analyzed monthly.

On the other hand, medium- and long-term liquidity planning and management is based on the Company's Strategic Plan covering a five-year time horizon.

Cash surpluses in foreign currency are invested in deposits in those cases where there is a provision to make payments in that currency, mainly US dollars.

The financing instruments include a series of "covenants" which in the event of non-compliance would imply the immediate enforceability of such financial liabilities. The Company periodically evaluates such compliance (as well as future expectations of compliance in order, where appropriate, to be able to take corrective action). As of December 31, 2020, all "covenants" are fulfilled.

The Company performs prudent liquidity risk management, maintaining sufficient cash and marketable securities, as well as the hiring of credit facilities committed enough to meet the intended needs.

Credit risk

The Company manages credit risk through an individual analysis of the items that make up the accounts receivable. As preventive measures, credit limits are established for sales made to wholesalers, pharmacies and local licensees. With regard to hospital sales, given its reduced weight, the subsequent collection management is carried out directly, once the debt is due.

The amounts that are considered uncollectible, once all the relevant collection procedures have been carried out, 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 significant credit risk, both treasury placements and, where appropriate, contracting derivatives with highly solvent financial institutions.

7. 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.
- Prolonged and higher than expected impact of COVID-19.

Additionally, Note 26 of the attached Annual Accounts details additional risks related to COVID-19. In the Non-financial Information Statement attached to the Consolidated Annual Accounts of Almirall, SA and dependent companies, the risk management system of the Group of which the Company is the head is explained in section 1.5.

8. *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 Company owns, at December 31, 2020, treasury stock representing 0.09% of the share capital (0.07% at December 31, 2019) and a global nominal value of EUR 18.6 thousand and which have been registered in accordance with Spanish local regulation. The average acquisition price of these shares has been 11.07 EUR per share. The shares of the Company in its possession are intended to negotiate in the market.

9. *Staff costs*

The Company's average headcount numbered 592 employees during 2020 and 587 during the previous year.

10. *Average payment period*

The Company's average payment period to suppliers and creditors during 2020 was 48 days.

11. *Outlook for 2021*

Financial year 2021 will continue to be conditioned by the evolution of the pandemic in the different territories where the Company operates, as well as its effects on the global economy. In Note 26 of the accompanying Annual Accounts and in this management report the main impacts of the 2020 financial year are described as well as the risks and uncertainties that the Company faces.

With regard to new products, Klisyri is expected to be launched in the United States during the first quarter of 2021, while in the EU it is expected to obtain approval from the EMA in the second quarter and its subsequent launch in mid-2021.

In terms of R&D activities, Phase III of Lebrikizumab (license acquired from Dermira in 2019) is ongoing and the forecast is to present the registration in 2022 for Europe and launch in 2023.

Finally, Company’s Management continues to focus on inorganic growth opportunities that provide sustainable value for shareholders.

12. *Corporate Governance Report*

The Corporate Governance report is attached hereto as Annex I.

13. *Capital structure. Significant ownership interests*

The share capital of the Company as of December 31, 2020 is represented by 178,115,627 shares with a par value of EUR 0.12, fully subscribed and paid up (174,554,820 shares as of December 31, 2019).

In Note 12 of the attached Annual Accounts the movement of capital during the year is detailed, the increase of which is due to the flexible dividend paid in the year.

Shareholders with significant ownership in the capital stock of Almirall, S.A. both direct and indirect, greater than 3% of the share capital, of which the Company is aware, according to the information contained in the official records of the National Securities Market Commission as of December 31, 2020 and December 31 of 2019, are the following:

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

At December 31, 2020, 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.

14. Side agreements and restrictions on transferability and voting rights

The Company has entered into one side agreement, which was 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.

15. 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 were 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 May 24, 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 June 2, 2011.

16. 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.

17. Subsequent events

At the date of formulation of these annual accounts, the Almirall Board of Directors. S.A. has agreed to propose to the General Shareholders' Meeting the distribution of a dividend charged to freely available reserves for an amount of EUR 33.8 million (equivalent to EUR 0.19 euros per share). For the purposes of carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders known as "Scrip Dividend", already applied in 2020. In this way, its shareholders are offered an alternative that allows them to receive redeemed shares of the Company without limiting its possibility of receiving in cash an amount equivalent to the payment of the dividend as indicated in Note 4.

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

18. Non-financial information report

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 December 31, 2020, prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union

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

(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 SHEET AT DECEMBER 31

(Thousands of Euro)

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

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

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

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

CONSOLIDATED INCOME STATEMENTS AT DECEMBER 31

(Thousands of Euro)

	Note	2020	2019
Revenue	21	807,427	855,339
Other Income	21	7,062	55,318
Operating income		**814,489**	**910,657**
Works for own fixed assets	9	4,941	-
Procurements	21	(177,442)	(192,466)
Staff costs	21	(177,004)	(181,545)
Amortization and depreciation charge	9, 10 & 11	(123,085)	(129,426)
Net change in provisions	21	(3,750)	8,073
Other operating expenses		(229,005)	(254,517)
Net gains/(losses) on disposals of assets	21	(649)	(10,474)
Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill	9 & 11	(16,197)	(389)
Operating profit		**87,357**	**149,913**
Financial income	21	1,579	853
Financial expense	21	(18,003)	(14,812)
Exchange differences	21	(742)	(8,631)
Profit / Losses from financial instruments valuation	12 & 21	4,106	956
Profit /(loss) before taxes		**74,297**	**128,279**
Income tax		(4,958)	(22,370)
Net profit (loss) for the year attributable to the Parent Company		**69,339**	**105,909**
Earnings/(loss) per share (euro):	25		
Basic		0.42	0.60
Diluted		0.44	0.58

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31

(Thousands of Euro)

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

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

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

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

(Thousands of Euro)

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31

(Thousands of Euro)

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

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

1. Group activity

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

The Parent company's corporate purpose also includes:

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

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

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

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

a) Regulatory financial reporting framework applicable to the Group

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

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

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

However, since the accounting, standards and measurement bases used to prepare the Group's consolidated annual accounts for 2020 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify them and to bring them into line with International Financial Reporting Standards.

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

b) Adoption of International Financial Reporting Standards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

c) Comparison of information

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

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

d) Functional currency

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

e) Estimates

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

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

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

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

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

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

a) Basis of consolidation

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

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

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

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

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

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

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

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

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

b) Changes in the scope of consolidation

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

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

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

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

4. Scrip dividend

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

5. Accounting principles

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

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

a) Goodwill

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

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

- If it is attributable to specific assets and liabilities of the companies acquired: by increasing the value of the assets (or reducing the value of the liabilities) that have a higher (lower) market value than the respective carrying amounts and have a similar method of recognition to the methods used for the Group's same assets (liabilities): amortization and depreciation, accrual method of accounting, etc.

- If it is attributable to certain intangible assets: by recognizing it explicitly in the consolidated balance sheet provided that the fair value at the date of acquisition can be measured reliably.

- The remaining amount is recognized as goodwill, which is allocated to one or more specific cash-generating units.

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

b) Intangible assets

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

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

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

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

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

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

Development costs

- Internal development

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

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

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

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

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

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

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

- Separate acquisition

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

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

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

Intellectual property

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

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

Computer software

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

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

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

c) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

e) Leases

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

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

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

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

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

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

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

f) Inventories

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

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

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

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

g) Receivables from sales and services

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

h) Cash and cash equivalents

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

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

i) Financial instruments (excluding derivative financial instruments)

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

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

Financial assets

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

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

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

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

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

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

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

Debt instruments

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

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

Equity instruments

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

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

Impairment losses

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

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

Financial liabilities

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

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

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

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

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

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

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

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

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

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

j) Derivative financial instruments and hedge accounting

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

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

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

Derivatives are initially recognized at fair value on the date on which the derivative contract is signed and subsequently they are revalued at their fair value on the date of each balance. The accounting for subsequent changes in fair value depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item being hedged. The Group designates certain derivatives such as:

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

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

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

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

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

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

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

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

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

(i) Net investment hedges

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

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

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

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in income and included in other gains/(losses).

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

k) Provisions and contingencies

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

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

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

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

(i) Litigations and/or claims in process

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

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

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

(ii) Provision for restructuring

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

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

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

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

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

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

The amount of the obligations assumed was calculated as follows:

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

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

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

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

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

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

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

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

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

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

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

m) Severance costs

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

n) Government grants

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

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

o) Revenue recognition

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

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

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

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

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

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

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

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

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

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

- Sales, either raw material or any product that has been modified in a production process. Given that this income component is differentiated from other components of the contracts, and that the price at which these transactions are made is a market price, similar to the way in which they were recorded under IAS 18. This income is recorded under the caption "Net Sales", in line with previous years.

- Royalties to be collected linked to "partners" (business partners). The registration criteria followed under IAS 18 of recognition of them has been maintained. This income is recorded under the “Net Sales" caption.

- Milestones related to the achievement of certain levels of sales. In general terms, the milestones associated to a contingent event, and as such, the registration is made on the date of achievement of the contingent milestone and related to sales already occurred. This income is recorded under the “Net Sales" caption.

- Collections for assignments or sales of brands or intellectual property assimilable to products, either for a specific period or perpetually.

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

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

p) Corporate income tax and deferred tax assets and liabilities

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

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

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

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

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

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

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

q) Borrowing costs

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

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

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

r) Foreign currency transactions

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

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

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

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

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

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

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

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

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

s) Information about environment

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

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

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

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

t) Earnings per share

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

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

u) Consolidated statement of cash flows

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

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

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

v) Share-based payment systems for listed shares

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

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

w) Share capital

Ordinary shares are classified as equity.

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

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

6. Changes in accounting policies

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

7. Critical accounting judgements and estimates

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

a) Revenue recognition and fair value of outstanding revenue

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

d) Deferred tax assets

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

e) Impairment of goodwill and intangible assets

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

8. Goodwill

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

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

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

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

The goodwill of the Poli Group arose as a result of the difference existing between the acquisition cost of the shares of the Poli Group companies in February 2016 and the underlying carrying amount thereof at the acquisition date, having allocated the identifiable assets and liabilities a difference between their fair value and their carrying amount in the annual accounts of the companies acquired.

Impairment losses

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

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

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

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

The sensibility tests are detailed in Note 5 d).

9. Intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

"Intellectual Property" includes mainly the following intangible assets:

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

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

Impairment losses

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

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

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

The movements of the 2020 exercise correspond to:

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

The movements of the 2019 exercise correspond to:

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

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

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

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

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

10. Rights of use

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

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

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

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

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

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

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

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

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

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

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

11. Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In this sense, this classification is distributed as follows:

- Financial assets measured at fair value through profit or loss: these assets do not meet the criteria to be classified at amortized cost in accordance with IFRS 9 because their cash flows do not only represent principal and interest payments. As a result, this heading includes the balances receivable derived from the recognition of the sale of business to Astrazeneca described in Note 7, as well as those derivative financial instruments that do not meet the necessary requirements to be considered hedges.

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

Non-current

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

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

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

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

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

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

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

Current financial assets

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

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

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

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

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

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

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

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

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

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

13. Inventories

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

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

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

No inventories have been pledged as security.

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

14. Trade and other receivables

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

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

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

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

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

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

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

No trade receivable balances have been pledged as security.

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

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

15. Equity

Share capital

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

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

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

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

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

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

Legal reserve

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

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

Share premium

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

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

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

Other reserves

The detail is as follows:

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

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

- Canary Islands investment reserve

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

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

- Redeemed capital reserves

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

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

- Liquidity contract and Treasury shares

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

- Valuation adjustments and others

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

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

Translation differences

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

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

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

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

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

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

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

16. Deferred income

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

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

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

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

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

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

17. Financial liabilities

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

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

In this sense the classification is as follows:

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

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

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

(*) Amount drawn down netted of the issuance costs

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

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

(*) Amount drawn down netted of the issuance costs

Bank debts

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

On December 4, 2018, the Parent Company formalized an unsecured senior syndicated loan "Club Bank Deal" led by BBVA for EUR 150 million (with a maturity date on December 14, 2023) and accruing interest 2.1% annual payable semiannually. Within the contract of this credit line, the Parent Company is obliged to comply with a series of covenants, among which the fulfillment of a certain "Consolidated Net Financial Debt / Consolidated EBITDA[1] Ratio" stands out. Said "covenant" has been considered fulfilled as of December 31, 2020.

On March 27, 2019, the Parent Company formalized a loan with the European Investment Bank (EIB) for an amount of up to 120 million euros, to finance its research and development efforts, with the aim of offering cutting-edge innovation and therapies differentiated in the area of medical dermatology. The first tranche of 80 million euros was granted on April 17, 2019, with a fixed interest of 1.35% and 32 equal capital amortizations between April 17, 2021 and April 17, 2029, this being the maturity latest. Within the contract for this loan, the Company is obliged to comply with a series of covenants, among which the fulfillment of a certain "Consolidated Net Financial Debt / Consolidated EBITDA[1] Ratio" and another certain "Financial Leverage of subsidiaries / consolidated EBITDA[1] Ratio". Both covenants are

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

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

Convertible bond

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

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

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

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

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

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

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

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

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

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

Financial derivative instruments

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

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

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

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

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

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

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

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

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

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

18. Trade payables and Other liabilities

a) Trade payables

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

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

b) Other current and non-current liabilities

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

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

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

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

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

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

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

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

19. Provisions

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

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

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

20. Retirement benefit obligations

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

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

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

The changes in the defined benefit obligations are as follows:

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

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

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

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

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

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

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

21. Revenues and expenses

Net sales

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

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

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

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

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

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

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

Total	**100%**	**100%**

Other income

The detail of "Other Income" is as follows:

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

Procurements

The detail of "Procurements" is as follows:

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

Staff costs

The detail of “Staff Costs” is as follows:

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

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

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

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

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

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

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

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

Other operating expenses

The detail of “Other operating expenses” is as follows:

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

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

Net change in valuation adjustments

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

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

Net gain (loss) on disposal of asset

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

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

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

Financial income and expense

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

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

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

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

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

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

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

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

Transactions carried out in foreign currency

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

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

Auditors' remuneration

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

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

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

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

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

22. Tax situation

Consolidated tax group

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

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

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

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

Year subject to tax inspection

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

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

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

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

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

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

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

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

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

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

Receivables and payables with Tax Authorities

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

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

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

Recognized Income Tax

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

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

Reconciliation of the accounting profit to the taxable profit-

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

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

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

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

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

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

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

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

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

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

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

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

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

Deferred taxes

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

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

The gross changes in the deferred taxes are as follows:

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

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

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

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

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

At December 31, 2020, the Group has capitalized as deferred tax asset for temporary differences of Almirall LLC (formerly Aqua Pharmaceuticals, LLP) an amount of EUR 12,846 thousand (EUR 18,647 thousand at December 31, 2019) as no doubts about its future recoverability arose, taking into account the projections of sales and results based on the events occurred during the year (see Note 9).

23. Business and geographical segments

Segmentation criteria

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

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

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

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

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

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

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

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

Basis and methodology of segment reporting by business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Inventories whose references are not directly assignable to any business segment since they do not correspond to any finished product but mainly to raw materials, materials and semi-finished products whose destination is not yet known.

- Current financial investments and cash and other liquid assets correspond mainly to the amount of "Cash Pooling" to which all of the integrated companies are housed within the Group's consolidation perimeter, with the exception of Almirall LLC (formerly, Aqua Pharmaceuticals, LLC) (included in the segment US Dermatology) and the recent acquisitions of Poli Group and ThermiGen (included in the marketing segments through its own network and licensees to the corresponding extent). These assets derived from cash pooling are managed jointly from the central office.

- The breakdown of non-current assets referring to fixed assets located in foreign countries is detailed in Note 11.

Financial information by segment

Segmentation by business

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

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

Assets at December 31, 2020 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	227,743	52,816	-	-	35,407	315,966
Intangible assets	212,325	202,550	-	411,665	182,996	1,009,536
Rights-of-use assets	3,965	100	-	498	14,757	19,320
Property, plant and equipment	178	24	33,790	231	79,325	113,548
Financial assets	163	45,522	-	795	40,038	86,518
Deferred tax assets	2,843	7,217	-	12,846	233,570	256,476
NON-CURRENT ASSETS	**447,217**	**308,229**	**33,790**	**426,035**	**586,093**	**1,801,364**
Inventories	74,970	2,496	-	13,626	39,059	130,151
Trade and other receivables	30,220	22,340	-	38,557	20,178	111,295
Current tax assets	3,034	112	-	24,077	45,423	72,646
Other current assets	632	125	-	2,717	6,517	9,991
Current financial investments	-	-	-	-	6,025	6,025
Cash and other liquid assets	-	-	-	13,738	145,904	159,642
CURRENT ASSETS	**108,856**	**25,073**	**-**	**92,715**	**263,106**	**489,750**
TOTAL ASSETS	**556,073**	**333,302**	**33,790**	**518,750**	**849,199**	**2,291,114**

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

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

Assets at December 31, 2020 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	227,743	52,816	-	-	35,407	315,966
Intangible assets	235,507	218,769	-	518,399	166,340	1,139,015
Rights-of-use assets	5,067	206	-	811	12,187	18,271
Property, plant and equipment	298	-	28,257	405	88,460	117,420
Financial assets	193	45,522		315	57,154	103,184
Deferred tax assets	3,368	8,261	-	18,647	239,041	269,317
NON-CURRENT ASSETS	**472,176**	**325,574**	**28,257**	**538,577**	**598,589**	**1,963,173**
Inventories	51,109	4,866	-	17,270	33,173	106,418
Trade and other receivables	35,122	26,645	-	97,241	44,107	203,115
Current tax assets	2,054	128	-	-	37,706	39,888
Other current assets	627	46	-	3,609	3,930	8,212
Current financial investments	-	-	-	-	1,769	1,769
Cash and other liquid assets	-	-	-	20,204	97,008	117,212
CURRENT ASSETS	**88,912**	**31,685**	**-**	**138,324**	**225,193**	**476,614**
TOTAL ASSETS	**561,088**	**357,259**	**28,257**	**676,901**	**823,782**	**2,439,787**

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

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

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

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

Net Sales by therapeutic area

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

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

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

24. Dividends paid by the Parent Company

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

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

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

25. Earnings per share

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

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

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

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

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

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

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

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

26. Commitments acquired, contingent liabilities and contingent assets

a) Commitments acquired

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

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

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

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

b) Contingent liabilities

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

c) Contingent assets

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

27. Related party transactions

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

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

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

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

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

28. Remuneration of the Board of Directors and Executives

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

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

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

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

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

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

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

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

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

29. Other information about the Board of Directors

The Directors have a duty not to become involved in situations that constitute a conflict of the Parent company's interest, accordingly the directors on the Board met all the obligations foreseen in Article 228 of the consolidated Spanish Companies Law. The directors and any related parties thereto were not involved in any situations that constituted a conflict of interest envisaged in Article 229 of this law except where the relevant authorisation was obtained.

30. Information about environment

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

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

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

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

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

31. Exposure to risk and capital management

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

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

Interest rate risk

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

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

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

Foreing currency risk

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

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

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

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

Liquidity risk

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

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

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

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

Credit risk

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

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

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

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

Capital management

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

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

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

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

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

32. Information on delays in payments to suppliers

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

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

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

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

33. COVID-19 impacts

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

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

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

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

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

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

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

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

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

Impairment on non-financial assets

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

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

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

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

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

Impairment on financial assets

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

With respect to the financial asset related to the fair value of future payments to be received in the long term by AstraZeneca (Note 12), the Group has updated the projections according to the methodology described in Note 7 of the report of the Consolidated annual accounts for the year ended December 31, 2020 without any significant impact with respect to COVID-19. However, when dealing with flows linked to the performance of products managed by a third party, the Group's visibility in the short term is limited, so the Group will perform future re-evaluations in order to quantify potential changes in estimates that could suppose and that would prospectively adjust the income statement.

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

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

Significant uncertainties and risks associated with COVID-19

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

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

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

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

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

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

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

Additionally, in the year ended December 31, 2020, certain expenses and investments have been incurred, linked both to the adaptation of the facilities to the new health requirements and to the management of personnel in the face of mobility restrictions, which have amounted to EUR 1,284 and 158 thousand, respectively.

The Group has not received any government aid due to exceptional measures of the COVID-19, and therefore no breakdown is applied in accordance with the provisions of IAS 20 "Accounting for government subsidies".

Likewise, all the lease agreements have been paid in a timely manner as agreed, without having agreed to any deferment with the lessors, and therefore no additional breakdown applies in relation to IFRS16 “Leases”.

34. Subsequent events

At the formulation date of these consolidated annual accounts, the Board of Directors of Almirall, S.A. has agreed to propose in the Shareholders’ meeting the distribution of a dividend, charged against reserves for an amount of EUR 33.8 million (equivalent to 0.19 euros per share). For the purpose of carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders called "Scrip dividend", already implemented in 2020. In this way, its shareholders are offered an alternative that allows them to receive shares issued by the parent company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend as explained in Note 4.

Additionally, on February 17, 2021, the Group acquired from MC2 Therapeutics the marketing rights in Europe of Wynzora® cream for the treatment of plaque psoriasis. Under the terms of this agreement, MC2 Therapeutics will receive up-front payments of € 15 million, in addition to milestone payments and double-digit royalties on sales in Europe. Wynzora® cream (50 µg / g calcipotriol and 0.5 mg / g betamethasone as dipropionate) received FDA approval in the US on July 20, 2020. The product is currently under review in Europe for which two phase 3 trials have been presented, including a head-to-head study against the active Dovobet / Daivobet® Gel. The marketing authorization application (MAA) has been submitted in Europe and its approval is expected in 2021.

ANEX: INFORMATION ABOUT GROUP SUBSIDIARIES

	Thousands of Euros						
Name	Laboratorios Almirall S.L.	Laboratorios Tecnobio S.A.	Industrias Farmacéuticas Almirall S.A.	Ranke Química S.A.	Almirall Internacional. BV	Almirall. NV	Almirall - Productos Farmacêuticos. Lda.
Management	Spain	Spain	Spain	Spain	The Netherlands	Belgium	Portugal
Activity	Intermediary services	Intermediary services	Manufacture of specialties	Manufacture of Raw Materials	Holding	Pharmaceutical Laboratory	Pharmaceutical Laboratory
31 December 2020							
% Interest held							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	7,326	474	48,696	18,428	56,513	2,168	2,145
Net profit (loss) for the year	360	(3)	3,378	675	12,521	46	182
31 December 2019							
% Interest held							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	6,954	348	45,220	17,217	49,673	2,132	2,081
Net profit (loss) for the year	372	126	3,476	1,211	5,329	36	64

Note: All information on the companies has been obtained from their separate annual accounts, Therefore it does not reflect the effect that would apply from consolidating the investments, Excluding unconsolidated dormant companies.

ANEX: INFORMATION ABOUT GROUP SUBSIDIARIES

	Thousand of Euros						
Name	Almirall. BV	Almirall Europa Derma. S.A.(*)	Almirall Limited	Almirall. S.A.S.	Almirall SP. Z.O.O.	Almirall GmbH	Almirall. AG
Management	The Netherlands	Spain	United Kingdom	France	Poland	Austria	Switzerland
Activity	Pharmaceutical Laboratory	Marketing of aesthetics products	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Pharmaceutical Laboratory
31 December 2020							
% Interest held							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	4,000	61	571	12,527	12	36	901
Reserves	2,586	178	10,263	19,913	1,438	1,851	2,168
Net profit (loss) for the year	182	(5)	579	1,422	17	270	514
31 December 2019							
% Interest held							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	4,000	61	571	12,527	12	36	901
Reserves	2,221	178	10,165	18,349	1,445	1,653	2,463
Net profit (loss) for the year	365	-	705	1,564	96	198	64

Note: All information on the companies has been obtained from their separate annual accounts, Therefore it does not reflect the effect that would apply from consolidating the investments, Excluding unconsolidated dormant companies.

(*) On January 31st 2020, this company changed its legal name to Almirall Europa Derma, S.A. before named Almirall Aesthetics, S.A.

ANEX: INFORMATION ABOUT GROUP SUBSIDIARIES

	Thousand of Euros							
Name	Almirall SpA	Almirall Hermal. GmbH	Almirall Aps	Almirall Inc	Subgroup (*) Almirall US	Poli Group Holding S.R.L.	Polichem S.A.	Polichem S.R.L.
Management	Italy	Germany	Denmark	United States	United States	Italy	Luxembourg / Switzerland / China	Italy
Activity	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Holding	Pharmaceutical Laboratory	Holding	Pharmaceutical Laboratory	Pharmaceutical Laboratory
31 December 2020								
% Interest held								
- Directly	-	100%	100%	100%	-	100%	-	0.4%
- Indirectly	100%	-	-	-	100%	-	100%	99.6%
% voting rights	100%	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	8,640	25	17	-	-	31	1,351	540
Reserves	39,853	(7,516)	2,486	450,895	306,340	46,870	126,574	4,223
Net profit (loss) for the year	11,732	25,799	207	(80,549)	(19,426)	(78)	33,712	1,435
31 December 2019								
% Interest held								
- Directly	-	100%	100%	100%	-	100%	-	0.4%
- Indirectly	100%	-	-	-	100%	-	100%	99.6%
% voting rights	100%	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	8,640	25	17	-	-	31	1,351	540
Reserves	37,189	12,922	2,328	478,915	319,477	44,824	106,547	3,447
Net profit (loss) for the year	2,664	24,411	147	58,340	13,520	2,046	20,804	776

Note: All information on the companies has been obtained from their separate annual accounts, Therefore it does not reflect the effect that would apply from consolidating the investments, Excluding unconsolidated dormant companies.

(*) Includes the companies holding Aqua Pharmaceutical Holdings Inc. and Almirall LLC.

Almirall S.A. and Subsidiaries
(Almirall Group)

Directors' report
(Year ended December 31, 2020)

(Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails)

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1. ***Fiscal year summary: main achievements***

FY 2020 was characterized by the impact of the COVID-19 pandemic on the world, and in particular as far as the Group's operations are concerned, the impact it has had on the EU and the United States. The Group's production activities have not been disrupted during the pandemic and the supply of medicines has been carried out as normal. Despite not disrupting production activity, the Group's sales have been negatively impacted as a result of the global economy, as well as by the restriction of people mobility, which has caused both delays and cancellations of product promotion activities, as well as the reduction of global demand from the different countries in which the Group operates.

In this context, it should be noted that the impact of COVID-19 on EU countries has been lower than in the United States as a result of the type of product sold in each of these territories, with the EU market being particularly focused on chronic treatments that have been less impacted whereas in the United States the product portfolio is among the so-called non-essential ones where the falling sales has been more pronounced. It should be noted that the market share of the Group's main products has not been significantly impacted and that most of the decline in sales is in line with the reduction in global demand.

From the point of view of R&D activities, there have been delays in some activities linked to clinical studies given restrictions on access to hospitals that made difficult to recruit new patients. However, Management considers that there has been no significant delay that could affect the long term. The registration process for Tirbanibulin (to be marketed under the brand name Klisyri®) in the EU is ongoing, while in the United States, FDA approval was obtained on December 14, 2020 (launch in early 2021). As for Lebrikizumab's Phase III, the development schedule is maintained with submission to the EMA expected in 2022 and subsequent approval and release in early 2023.

Promotion activities are the ones that have been most affected due to confinement and the measures imposed to prevent contagion. Due to this, various activities such as congresses or medical visits have been canceled and / or postponed, which has caused a slowdown in the sales of some medicines, especially those that do not correspond to chronic diseases. This has been alleviated by the digitization of various processes and activities, which has allowed us to continue interacting with doctors and patients despite the restrictions.

Finally, support and administration activities have continued to be carried out by adopting certain measures of labor flexibility in the different workplaces and in accordance with the exceptional measures established in each country. Telework has generally been chosen in all those functions that would allow it without significant disruption.

The dividend proposed by the Board of Directors on February 21 was finally approved on July 24, 2020, as the General Meeting of Shareholders initially scheduled for May 6, 2020 due to COVID-19 was canceled. The instrumentalization as a Script dividend was maintained and the cash payment amounted to 2.1 million euros (93.8% of the voting rights chose to collect it in shares).

From a liquidity point of view, COVID-19 has not had a significant impact on the Group. The year ended with a cash position amounting to EUR 165.7 million (EUR 117.3 million as of December 31, 2019). This evolution is explained by:

- Solid cash flow from operating activities (EUR +164.2 million), in line with operating profit and collection of a sales milestone resulting from the AstraZeneca agreement, partially offset by the increase in inventories as a result of the various Group launches (Ilumetri, Seysara and the imminent Klisyri®) and the reorganization of production between production centers, for which a safety inventory has been built.
- Net payments from investment activities (EUR -75.7 million) mainly resulting from the license agreement signed with Dermira (payment of two milestones linked to Phase III of Lebrikizumab), the deferred payment linked to the agreement reached with AstraZeneca in 2017, for an amount of EUR 35 million and investments mainly in the production centers of Spain and Germany.
- Net payments from financing activities (EUR -40.9 million) as a result of the repayment of the credit policy of the dependent company Almirall LLC, the payments for interest and derivative financial instruments and the payments for financial leasing.

2. ***COVID-19 impacts***

Note 33 of the accompanying Consolidated Annual Financial Statements summarizes the main impacts of COVID-19 in year 2020.

3. *Corporate development*

During the year ended December 31, 2020, the following corporate development agreements and relevant facts have taken place:

- On March 2, 2020, it was announced that the European Medicines Agency (EMA) had accepted the submission of the application for a marketing authorization and the application for a new medicinal product for Tirbanibulin, also known as ALM14789 (license acquired to Athenex), as a treatment for actinic keratosis.
- On March 9, 2020, it was announced that the U.S. Food and Drug Administration (FDA) had accepted the submission of the application for marketing authorization and the application for a new drug for Tirbanibulin, also known as ALM14789 (license acquired to Athenex), as a treatment for actinic keratosis.
- On June 25, 2020, Ansiolin® (diazepam) divestment to Neuraxpharm in Italy was announced. The agreement between Neuraxpharm Italia and Almirall includes the two formats marketed in Ansiolin®: Ansiolin® 5 mg tablets and Ansiolin® 5 mg/ml in drops, both marketed in Italy. The conditions for such a transaction to be completed are expected to occur in the second half of 2020.
- On October 10, 2020, the price and reimbursement approval of Ilumetri® (Tildrakizumab) was obtained in France for the treatment of adult patients with severe chronic plaque psoriasis.

4. *Evolution of key figures in the consolidated income statement*

- Operating income amounted to EUR 814.5 million (-10.6%) due to:
  - Net sales amounted to EUR 807.4 million (-5.6%), as the erosion in sales caused by generics (mainly Aczone in the United States and Solaraze in the EU) and the impact on demand caused by COVID-19 that has been offset by Ilumetri's growth and the allocation of deferred income explained in Note 17 of the accompanying Consolidated annual accounts and the Neuraxpharm signed agreement.
  - Other income fell to 7.1 million euros (-87.2%) due to the achievement of a milestone for reaching sales levels in the first half of 2019 resulting from the agreement with AstraZeneca.
- Gross margin on sales has declined mainly due to the impact of generics.
- R&D costs in the year 2020 amounted to EUR 78.9 million (-14.4%), decreasing slightly due to the increased number of Phase IV studies related to the psoriasis allowance (Skilarence and Ilumetri) that were taking place in 2019, to which we must add delays in some activities due to COVID-19.
- Operating expenses have been reduced by savings generated due to the cancellation and delay of some promotional events and activities as a result of the impact of COVID-19.
- Depreciation decreases slightly to EUR 123.1 million (-4.9%) as a result of the completion of the depreciation of some assets related to the business combination of Almirall Hermal, GmbH.
- The heading " Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill" in the accompanying consolidated Income Statement includes in 2020 the partial impairment of intangible assets associated with the portfolio acquired in the business combination of Aqua Pharmaceuticals, LLC in 2013 (now Almirall LLC), as explained in Note 10 of the accompanying Consolidated annual accounts.
- As a result of the above, the Profit before taxes has decreased to EUR 79.2 million (-38.2%).
- Finally, the effective corporate tax rate has decreased in 2020, mainly due to the use of tax credits, mainly in the United States.

5. *Consolidated balance sheet. Financial position*

The main variations of the Balance sheet as of December 31, 2020 compared to December 31, 2019 are described below:

- The Intangible Assets heading has decreased mainly as a consequence of the amortization of the period, the impairment of the assets related to the portfolio acquired in the business combination of Aqua Pharmaceuticals, LLC in 2013 and the negative impact of the US dollar foreign exchange rate on the assets of the United States, partially offset by the payments to Dermira in relation to some milestones regarding the Phase III development of Lebrikizumab.
- Inventories have increased due to new launches and the construction of safety inventories as a result of the reorganization of production between the different Group centers. There have been no significant impacts on the supply chain and products have continued to be supplied normally.
- Accounts receivable have decreased mainly due to the collection of the AstraZeneca milestone in March 2020 (EUR 27.5 million) and lower sales in the United States due to the Aczone generic.

- Financial debt has decreased mainly due to the cancellation of the credit policy of the subsidiary Almirall LLC (EUR 15 million at December 31, 2019). On the other hand, during the year, a new credit policy was contracted by the Parent company)to replace the previous one that had also the Parent company at December 31, 2019, as explained in Note 17 of the attached Consolidated Annual Accounts), none was available at the end of 2020 or 2019.
- Non-current liabilities have decreased mainly due to the allocation to the income statement of deferred income, as mentioned in Note 16 of the attached Consolidated Annual Accounts, and to the short-term transfer of the convertible bond since its date of expiration date is December 14, 2021.
- Current liabilities have increased due to the aforementioned transfer of the convertible bond, partially offset by the payment of EUR 35 million corresponding to the deferred payment for the agreement reached with AstraZeneca in 2017 and the reduction in commercial creditors due to the lower activity in the second quarter as a result of the disruption caused by COVID-19.

6. 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 credit line, enabled for a maximum drawdown of EUR 250 million at a fixed interest rate, so the Group is not exposed to rate volatility of interest. Said policy has been canceled in 2020 and replaced by a new credit policy for the amount of EUR 275 million, for an initial term of 3 years with the possibility of an additional 1 year extension and intended for general corporate uses (as described in the Note 17). This policy accrues a variable interest rate referenced to Euribor, plus a variable that depends on the Group's Net Debt to EBITDA[1] ratio. At December 31, 2020, taking into account the current macroeconomic perspectives, the Group's Management does not consider that there is a relevant risk due to possible interest rate increases in the short / medium term, so it has not considered necessary to implement any hedging mechanism in this regard.

In September 2018, the Parent Company signed a temporary loan of EUR 400 million at a fixed interest rate of 1.25%. That loan was cancelled in December 2018 and refined, on the one hand, with a syndicated loan of EUR 150 million at a fixed rate of 2.1% and, on the other hand, with the issuance of Convertible Bonds (EUR 250 million), also at a fixed interest rate of 0.25%. Since it is all fixed-rate financing, the Group is not exposed to interest rate volatility.

In March 2019, the Parent Company formalized a loan with the European Investment Bank (EIB) 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 EUR 80 million was granted on April 17, 2019, at a fixed interest of 1.35%.

Foreign currency risk

The Group is exposed to the exchange rate risk in certain transactions arising from its activity. These are basically dollar charges for finished product sales, collections and payments arising from the operation with AstraZeneca, dollar payments derived from the licensing agreements with Athenex, Dermira or the recent option agreement with Bioniz, dollar payments for clinical trials, purchases of raw materials and royalty payments in yen and dollars, as well as collections and payments made by subsidiaries in the United States, United Kingdom, Poland, Switzerland and Denmark in their local currency. The most relevant currency with which the Group operates is the US dollar.

The Group analyses quarterly the forecasts of collections and payments in currency, as well as the evolution and trend of them. During the last years, the Group has reduced its exposure to exchange rate risk in those higher volume business transactions, by hiring one-off exchange insurance to cover payments in yen for purchases of raw materials, and to cover cash in cash in USD for collections.

As of December 31, 2020, the Parent Company of the Group is the borrower of a loan between companies of the group, with Almirall, Inc., in USD. Said loan has not been hedged since July 1, 2020 it has been considered as more value of the investment and, therefore, the exchange differences generated from that moment have been recorded in the translation differences section of the equity (see Note 15).

[1] EBITDA is defined as “Operating profit excluding the headings “Net gains/(losses) on disposals of assets”, “Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill” and “Amortization and depreciation charge”.

Liquidity risk

The Group determines cash requirements using two fundamental forecasting tools that vary in terms of their time horizon.

On the one hand, a one-year monthly cash budget is established based on the forecast financial statements for the current year, from which the variances are analyzed monthly. On the other hand, 24-month forecasts are set up, which are updated monthly.

On the other hand, medium and long-term liquidity planning and management is based on the Group's Strategic Plan covering a five-year time horizon.

Cash surpluses in foreign currency are invested in deposits in those cases where there is a provision to make payments in that currency, mainly US dollars.

The financing instruments include a series of "covenants" which in the event of non-compliance would imply the immediate enforceability of such financial liabilities. The Group periodically evaluates such compliance (as well as future expectations of compliance in order, where appropriate, to be able to take corrective action). As of December 31, 2020, all "covenants" are fulfilled, as mentioned in Note 17.

The Group performs prudent liquidity risk management, maintaining sufficient cash and marketable securities, as well as the hiring of credit facilities committed enough to meet the intended needs.

7. 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.
- Prolonged and higher than expected impact of COVID-19.

Additionally, in Note 33 of the accompanying Consolidated Annual Accounts, additional risks related to COVID-19 are detailed, as well as in section 1.5 of the Non-financial Information Report where the Group's risk management system is explained.

8. Treasury shares

The Parent Company maintains a liquidity contract with a financial intermediary, effective as of March 4, 2019, with the objective of increase and stability in the share price of the Company, within the limits established by the General Meeting of Shareholders and by current regulations, in particular, Circular 1/2017, of April 26, of the National Securities Market Commission, on liquidity contracts. Said contract assumes that the Parent Company owns, at December 31, 2020, treasury stock representing 0.09% of the share capital (0.07% at December 31, 2019) and a global nominal value of EUR 18.6 thousand and which have been registered in accordance with IFRS-EU. The average acquisition price of these shares has been 11.07 EUR per share. The shares of the Parent Company in its possession are intended to negotiate in the market.

9. Outlook for 2021

Financial year 2021 will continue to be conditioned by the evolution of the pandemic in the different territories where the Group operates, as well as its effects on the global economy. In Note 33 of the accompanying Consolidated Annual Accounts and in this management report the main impacts of the 2020 financial year are described as well as the risks and uncertainties that the Group faces.

With regard to new products, Klisyri is expected to be launched in the United States during the first quarter of 2021, while in the EU it is expected to obtain approval from the EMA in the second quarter and its subsequent launch in mid-2021.

In terms of R&D activities, Phase III of Lebrikizumab (license acquired from Dermira in 2019) is ongoing and the forecast is to present the registration in 2022 for Europe and launch in 2023.

Finally, 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 Annex II.

11. *Capital structure. Significant ownership interests*

The share capital of the Parent Company as of December 31, 2020 is represented by 178,115,627 shares with a par value of EUR 0.12, fully subscribed and paid up (174,554,820 shares as of December 31, 2019).

In Note 15 of the attached Consolidated Annual Accounts the movement of capital during the year is detailed, the increase of which is due to the flexible dividend paid in the year.

Shareholders with significant ownership in the capital stock of Almirall, S.A. both direct and indirect, greater than 3% of the share capital, of which the Parent Company is aware, according to the information contained in the official records of the National Securities Market Commission as of December 31, 2020 and December 31 of 2019, are the following:

Name of direct holder of the ownership interest	% interest 31/12/2020	% interest 31/12/2019
Grupo Plafin, S.A.	40.9%	40.9%
Grupo Corporativo Landon, S.L.	18.8%	18.8%
Total	**59.7%**	**59.7%**

At December 31, 2020 and 2019, the Parent 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 agreement, which was 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, S.A. 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 were 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 May 24, 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 June 2, 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. Subsequent events

At the formulation date of these consolidated annual accounts, the Board of Directors of Almirall, S.A. has agreed to propose in the Shareholders' meeting the distribution of a dividend, charged against reserves for an amount of EUR 33.8 million (equivalent to 0.19 euros per share). For the purpose of carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders called "Scrip dividend", already implemented in 2020. In this way, its shareholders are offered an alternative that allows them to receive shares issued by the parent company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend as explained in Note 4.

Additionally, on February 17, 2021, the Group acquired from MC2 Therapeutics the marketing rights in Europe of Wynzora® cream for the treatment of plaque psoriasis. Under the terms of this agreement, MC2 Therapeutics will receive up-front payments of € 15 million, in addition to milestone payments and double-digit royalties on sales in Europe. Wynzora® cream (50 µg / g calcipotriol and 0.5 mg / g betamethasone as dipropionate) received FDA approval in the US on July 20, 2020. The product is currently under review in Europe for which two phase 3 trials have been presented, including a head-to-head study against the active Dovobet / Daivobet® Gel. The marketing authorization application (MAA) has been submitted in Europe and its approval is expected in 2021.

16. <u>Non-Financial Information Statement</u>

The Non-financial Information Statement is attached in Annex I of this document.

Appendix I. Statement of non-financial information. Summary of contents

1. Business Model

1.1. Introduction to the company

Almirall is a leading global pharmaceutical company, focused on medical dermatology, which collaborates with healthcare professionals by applying science to deliver medical solutions and improve the quality of life of patients and future generations. Almirall's focuses its efforts on fighting dermatological diseases, thereby supporting healthcare professionals, its key partners, in their continuous improvement, with the aim of bringing effective and innovative solutions and transforming the world of patients with skin conditions.

The company achieves innovation by investing in and researching treatments that address unmet patient needs, which can also entail a significant emotional burden. Based on its experience, Almirall provides effective, real-world solutions that work across all phases of clinical development, including trials, approvals, launches, and physician and patient care.

One of its differentiating factors is its focus on the patient's well-being and its great ability to understand and meet their needs. To this end, Almirall puts all its scientific knowledge at the disposal of others and continuously invests in R&D to ensure a balanced portfolio that helps patients and also reinforces its leadership in dermatology. Almirall's commitment to patients, however, goes beyond the dermatological area. The company successfully produces and markets treatments in other strategic areas such as the central nervous system, the cardiovascular system and the gastrointestinal tract, among others.

Part of the company's success lies in the active relationship it has with both patients and key partners. Activities with partners such as healthcare professionals (HCPs), patient organisations (POs), patient advocacy groups (PAGs) and healthcare organisations and medical societies (HCOs) provide Almirall with a valuable opportunity to listen, understand and share. For this reason, the company has taken an active role in significant congresses and conferences such as those of the European Academy of Dermatology and Venereology (EADV) and the American Academy of Dermatology (AAD).

Almirall is listed on the Spanish Stock Exchange and has become a key source of value creation for society, thanks to its commitment to its main shareholders and its decision to help others by understanding their challenges and using science to offer solutions applicable to real life.

Through its R&D efforts and agreements and partnerships with third parties, Almirall's operations cover the entire drug value chain, making it a specialist company, which enables it to achieve its goal of bringing the most innovative products to wherever they are needed.

1.2. Corporate Governance

Corporate governance at Almirall is guided by the Group's Noble Purpose (defined as 'Transforming the world of patients by helping them realise their hopes and dreams for a healthy life', see section 3.1 for further details) which reflects the company's mission and unchanging essence. The aim is to ensure that the management model and the decisions taken by the Board of Directors and its committees uphold the long-term interests of the different stakeholders and guarantee the company's sustainability.

The critical elements are authority, transparency, shareholder protection and clear accountability.

The Noble Purpose and the company's corporate values are guaranteed not only through the systems established to comply with existing laws and regulations applicable to Almirall but also by leading with levels of transparency that allow us to gain the trust of patients and healthcare professionals, as well as other stakeholders, shareholders, investors, regulatory authorities, the sector as a whole and the media, etc.

1.2.1. <u>Board of Directors</u>

The Board of Directors carries out its duties with unity of purpose and independence, treating Almirall's shareholders equally and always guided by the interests of the company, with an absolute commitment to maintaining and protecting its value. It also ensures full compliance with laws and regulations, as well as compliance in good faith with its obligations and contracts, fully respecting the good practices of the sectors and territories where Almirall operates, and always complying with the principles of sustainability and social responsibility that the company has voluntarily integrated into its strategic objectives.

In 2020, twelve directors (seven independent directors, three proprietary directors, one external director and one executive director), the non-director Secretary (José Juan Pintó Sala) and the non-director Vice-Secretary (Joan Figueras Carreras) made up the Board of Directors of the company.

The members of the Board were: Jorge Gallardo Ballart (Chairman and Proprietary Director), Tom McKillop (First Vice-Chairman and External Director), Carlos Gallardo Piqué (Second Vice-Chairman and Proprietary Director), Gerhard Mayr (Independent Director), Karin Louise Dorrepaal (Independent Director), Seth J. Orlow (Independent Director), Georgia Garinois-Melenikiotou (Independent Director), Enrique De Leyva Pérez (Independent Director), Alexa B. Kimball (Independent Director), Eva-Lotta Coulter (Independent Director), Antonio Gallardo Torredededía (Proprietary Director) and Peter Guenter (Executive Director and CEO).

Director Peter Guenter left Almirall on 31 December 2020 to pursue new career opportunities. The Company initiated the succession process to identify the new CEO.

The Annual Corporate Governance Report and the Annual Report on Directors' Remuneration contain additional details regarding Almirall's Board of Directors.

Board Commissions

There are three Board Commissions: the Audit Commission, the Nominations and Remuneration Commission, and the Dermatology Commission. Each of them operates with clear and defined roles, and their activity is regularly reviewed to ensure that the proposed objectives are achieved.

The committees meet quarterly and report their activities to the Board of Directors at each meeting.

1.2.2. <u>Audit Commission</u>

The Audit Commission is responsible for reviewing the company's regularly published financial and non-financial information, ensuring compliance with all legal requirements and the correct application of applicable accounting standards. It also supervises the internal audit system, internal control systems and activities related to risk control and management, in addition to constant interaction with the external auditors.

The Audit Commission and its Chairman, in particular, assume the functions relating to the overall supervision of all matters relating to Sustainability and ESG.

Almirall implements both an internal audit function and an annual external audit process to ensure the integrity and accuracy of all the information it publishes. Similarly, an important function of the Commission is management of the company's risks, which it does by supervising a management project that has been in place for many years, on the basis of which all operational risks are fully assessed and other risks, such as reputational, sustainability and information security risks, are fully managed.

The Audit Commission is composed of three directors, all of whom are non-executive directors, two of whom are independent directors and one of whom is an external proprietary director. The Commission Chairman is elected from among the independent directors. This director must be replaced every four years and may be re-elected after a period of one (1) year has elapsed since leaving office. The Secretary is appointed by the Commission members. The Commission normally meets on a quarterly basis to review the periodic financial information to be submitted to stock market authorities and the information the Board of Directors must approve and include in its annual public documentation. It also meets at the request of any of its members and whenever convened by its Chairman, who must do so whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever it is appropriate for the proper performance of its functions.

The functions of the Audit Commission include:

- Giving an account of its activities and reporting on its work to the first plenary session of the Board of Directors following its meetings.
- Taking minutes of its meetings, copies of which it must send to all the members of the Board.
- Preparing an annual report on its activities, highlighting any relevant incidents that may have arisen in relation to its duties. In addition, when it deems it appropriate, it includes in this report proposals for improving the company's governance rules.
- Calling on, or even ordering, any of the members of the Company's management team or staff to appear without the presence of any other manager. Likewise, it may require the attendance of the auditors at its meetings.
- Seeking the advice of external experts when it deems it necessary for the proper performance of its duties.

In 2020, the Commission, among other matters, reviewed the company's regular financial reporting and discussed the appointment of the external auditors, the transactions with the most significant financial impact, corporate governance issues, the outcome of the ICFR testing, and the supervision of the internal audit function.

1.2.3. Nominations and Remuneration Commission

The Nominations and Remuneration Commission oversees the selection process and the remuneration policy for members of the Board of Directors and senior management of the company and its subsidiaries, in addition to supervising and coordinating the global strategic activities of Almirall's Human Resources area.

The Nominations and Remuneration Commission is responsible for formulating and reviewing the criteria to be followed regarding the composition of the management team of the company and its subsidiaries. Its responsibilities also include selection of candidates and evaluation of their skills and knowledge and of the experience required for the members of the Board of Directors and the company's management team, ensuring compliance with the remuneration policy established in this respect, as well as the review of potential conflicts of interest.

The Nominations and Remuneration Commission is made up of three external directors, two of whom are independent. The members of the Nominations and Remuneration Commission are appointed taking into account their knowledge, skills and experience, as well as the duties of the Commission. The Chairman of the Nominations and Remuneration Commission is an independent director elected from among these external directors. The Secretary of the Commission is appointed by its members. The Nominations and Remuneration Commission normally meets quarterly. It also meets whenever convened by its Chairman, who must do so whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever it is advisable for the proper performance of its duties. The Commission must report on its activities and be accountable for its work to the first plenary session of the Board of Directors following its meetings. Likewise, the Commission must take minutes of its meetings, copies of which it must send to all the members of the Board. The Commission must consult with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior executives. The Nominations and Remuneration Commission may seek the advice of external experts when it deems it necessary for the proper performance of its duties.

Notwithstanding other duties that may be assigned to it by the Board of Directors, the Nominations and Remuneration Commission has the following basic responsibilities:

- Formulating and reviewing the criteria to be followed for the composition of the management team of the Company and its subsidiaries, as well as for selection of candidates.
- Reporting and submitting to the Board of Directors the proposed appointments of directors, senior executives and managers so that the Board may proceed with their appointment.
- Reporting to the Board regarding issues of gender diversity and director qualifications.
- Proposing to the Board of Directors the remuneration policy for directors and general managers or for those who perform their senior management duties under the direct supervision of the Board, executive committees or managing directors, as well as the individual remuneration and other contractual conditions for executive directors, ensuring that they are complied with.

Among other matters, during the 2020 financial year, the Commission debated and approved the reports evaluating the Chairman of the Board and Chief Executive and the functioning of the Nominations and Remuneration Commission to be submitted to the Board of Directors of the company for the corresponding purposes. The Commission also discussed the updating of the human resources plan, the composition of the Board and the re-election of directors. In addition, the SEUS evaluation and the proposal for 2020 were discussed.

1.2.4. Dermatology Commission

The Dermatology Commission verifies and discusses Almirall's medical dermatology strategy and oversees activities related to implementation of this strategy, as well as relevant R&D and business development projects before the Board of Directors decides on them.

The Dermatology Commission usually meets quarterly. It must also meet whenever convened by its Chairman, who must do so whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever it is advisable for the proper performance of its duties. The Commission must take minutes of its meetings, copies of which it must send to all the members of the Board. The Board of Directors deliberates on the proposals and reports submitted to it by the Commission. The Dermatology Commission may seek the advice of external experts when it deems it necessary for the proper performance of its duties.

Its most important activities during the 2020 financial year were related to the review of potential business development operations, as well as the evaluation of R&D projects, always in the area of dermatology.

1.2.5. Corporate Governance Committee

The Corporate Governance Committee is an internal committee chaired by the Chairman of the Board, and its functional scope includes corporate governance, corporate defence, risk management and internal audit, as well as oversight in matters of compliance and sustainability.

The Committee is composed of Almirall's Chairman (who also chairs the Committee), the Chief Executive Officer, the Executive Vice President of Global Business Operations, the Executive Vice President of Finance and Chief Financial Officer, the Vice President of Human Resources, the Vice President of Legal Affairs, the Internal Audit Director and the General Counsel, who also acts as Secretary of the Committee.

The company also has an established Risk Management Committee, which reports to the Chairman of the company and to the Corporate Governance Committee and, through the Internal Audit Director, to the Audit Commission of the Board of Directors.

1.2.6. Management Board

Almirall's Management Board is the internal committee that leads the company's governance, reporting to the Chief Executive Officer, and it represents the most important areas of the organisation, defining the company's long-term objectives and strategies, establishing the principles and approving the contents of the various Almirall internal corporate policies.

The mission of the Management Board encompasses the following responsibilities:

- Directing all strategy and strategic decisions of the company not expressly reserved for the Board of Directors, in accordance with the general responsibilities and guidelines established by the Board of Directors and/or delegated by it to the Chief Executive Officer;
- Taking all extraordinary organisational decisions not expressly reserved for the Board of Directors or delegated to another committee, body or person;
- Managing the organisation in accordance with the general responsibilities and guidelines established by the Board of Directors and/or delegated by it to the Chief Executive Officer;
- Taking all day-to-day management decisions for the organisation not expressly reserved for the Board of Directors or delegated to another committee, body or individual; and
- Maximising the strategic value of Almirall's personnel management policies and working environment.

The members of the Management Board include the Chief Executive Officer, who chairs the Committee, the Executive Vice President of Global Commercial Operations, the Executive Vice President of Finance, the CFO, the Senior Vice President of Manufacturing & Technical Services, the Senior Vice President of Legal Affairs, the Senior Vice President of Human Resources, the Chief Digital Officer, the Chief Medical Officer and the General Counsel, who also acts as the Secretary of the Committee.

There are also other internal committees which report to the Management Board, including the Pipeline Committee, the Tax Committee, the Drug Safety Committee and the ESG Committee.

1.2.7. COVID-19

In February 2020, and as the internal 'Crisis Management' policy establishes, the company formed a 'Crisis Committee' to manage all issues and aspects related to the pandemic and its related effects. This Committee, made up of all the members of the Management Board plus the individuals responsible for IT, External Communications and Corporate Social Responsibility, has been meeting systematically since then and, in particular, during the critical phase of the pandemic.

Similarly, and also since March 2020, the meetings of most of the company's internal committees, especially the Management Board, have been held virtually. This is also true of the meetings of the Board of Directors and the Board Committees, including the company's Annual General Meeting which, initially called for May, was cancelled for security reasons and subsequently rescheduled to be held virtually in July 2020.

1.3. Objectives and strategy

The company's strategic focus is on (i) driving growth in dermatology while optimising the value of its current portfolio; (ii) expanding the portfolio and pipeline in priority therapeutic areas through an effective combination of R&D and corporate development; (iii) achieving selective expansion in key countries; (iv) increasing the company's competitiveness through greater proximity to Almirall's patients; and (v) promoting an organisation with a culture based on the company's corporate values.

1.3.1. Noble Purpose and Corporate Values

Almirall's Noble Purpose is patient-centred and guides the Group's strategy, leadership, culture and mentality. It focuses on a unique patient experience, with solutions that offer the greatest possible benefit to the patient. The emphasis is on the patient's well-being, and therefore every effort is made to offer effective solutions. There is also active engagement with patients and the medical community to better understand their needs. Almirall's operating model, from scientific innovation to clinical development and marketing, is based on understanding the patient's environment in order to add value.

The millions of patients who use Almirall's treatments around the world place their trust in the company and expect it to be able to provide them with medical solutions that improve their well-being and quality of life.

The company offers medical solutions based on science. It undertakes research and invests in order to provide innovative treatments to the healthcare professionals who address their needs in the field of dermatology. Patients are seen first and foremost as people, with concern for their quality of life. This promotes greater understanding and social awareness of diseases that involve emotional distress, such as psoriasis.

Relationships with patients and other stakeholders depend to a large extent on awareness of the disease, and thus all the Group's activities are aligned with the strategy of raising awareness of these diseases, their symptoms and consequences, and of possible solutions.

Almirall is focused on delivering innovative, patient-centred solutions through science.

The entire organisation strives to reinforce its commitment to remain a leading, transparent and responsible company and to share the following values:

- *'Caring':* Patients are always at the centre. The company listens to and empathises with patients, and they work with them to achieve success.
- *'Dedicated':* The company's professionals never throw in the towel. They are committed, passionate, responsible and bold.
- *Dynamic:* The team is agile and tries to simplify, challenging the status quo and empowering the entrepreneurial mindset.
- *'Expert':* In addition, the company always tries to be one step ahead, acting rigorously in everything it does and daring to try and to learn.

1.3.2. Research and Development

One of the key factors in Almirall's business model is its research and development (R&D) activities, which go back more than 40 years, the essential objective of which is to provide innovative solutions to address unmet medical needs. Almirall's R&D focuses on areas where it can make a more significant contribution, with the aim of improving patients' health and quality of life. Thanks to its three specialised research centres, together with international partnerships, the company has products at almost all stages of development.

Almirall carries out most of its R&D activities at its facility in Sant Feliu de Llobregat (Barcelona), which opened in 2006. With over 27,500 m^2 of space, it is equipped with the most advanced technology and staffed with highly qualified professionals in all the disciplines involved in the research and development of new drugs. In addition to this facility, Almirall also has a chemical plant in Sant Andreu de la Barca (also in the Barcelona area), which provides the active ingredients needed for toxicological, preclinical and clinical studies.

Acquired by Almirall from Hermal in 2007, the research centre in Reinbek (Germany) is located on the outskirts of Hamburg and has a total surface area of 21,000 m^2. At this facility, Almirall's experts work on development programmes to discover new formulations indicated for the treatment of skin diseases. Its more than 60 years of experience in this area make it the leading dermatology centre in Europe.

Lastly, Polichem, with its R&D centre located in Mendrisio (Switzerland), was acquired in 2016. Its main activity is focused on medical dermatology and dermocosmetics, especially in relation to original formulations and pharmaceutical technologies with a wide range of therapeutic applications. 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 healthcare professionals. To this end, the company organises and sponsors courses, conferences and medical meetings in each of the corresponding therapeutic areas. In addition, Almirall's articles and clinical trial results are published in international scientific journals.

Knowledge sharing with the medical community also extends to collaborative projects. Almirall partners with academic institutions, hospitals and scientific societies to increase knowledge about diseases.

In addition to its own R&D programme, Almirall establishes agreements with public and private organisations, as well as with academic research teams and biotechnology companies around the world, to create a knowledge exchange network and promote innovation for the benefit of society. This enables the creation of new research programmes that respond to the current needs of society and, additionally, provides access to new technologies, thereby accelerating the process of identifying new drugs.

In 2020, Almirall continued to consolidate its strategy and business model, which is focused on the development and supply of life-saving therapies for well-defined subsets of patients and therapeutic indications. Based on this experience, the aim is to develop innovative solutions that work in all phases of clinical development, such as trials, approvals, launches and care for doctors and patients. In addition, the company continues to identify opportunities for acquisitions and partnerships to further improve its competitiveness in the market and the positive impact on the well-being of patients. Skin diseases are complex pathologies with debilitating symptoms that negatively affect patients' quality of life and have significant psychological implications. Innovation is achieved by working on patients' unmet needs and increasing engagement with them, as well as with health professionals, in search of better solutions for their pathologies. Almirall applies science where it is most needed.

1.3.3. Digital Transformation

Like many other industries, the pharmaceutical industry is undergoing a major transformation. For this reason, and in order to remain a competitive industry over the long term, Almirall must include innovation in all the processes in its value chain and establish new approaches and strategies for launching new products.

In addition, the company is increasingly incorporating digital resources into its activities to establish more efficient processes, as well as to increase the reliability and speed of diagnosis of skin conditions, enabling it to develop solutions that go beyond medication. Almirall is harnessing the great potential of digitalisation and technology with the aim of transforming medicine, research and the way it interacts with its patients in a way that brings them value.

The company is pursuing this digital transformation by implementing new approaches based on four pillars:

- Commercial innovation: Thanks to the development of innovative actions, Almirall is able to differentiate its products and support healthcare professionals and patients.
- Innovation in R&D and production: Through the use of real-world data, the company is improving efficiency in drug production and decision-making processes in terms of time, cost and impact.
- External communications and digital outreach: The company generates a positive impact on its communications by promoting new digital business models with which it accesses new value niches.
- Data and analytics: Almirall is building a solid and complete database to provide a realistic view of the business.

As medicines and healthcare become more complex, digitalisation is progressing rapidly and is increasingly being incorporated at all levels of healthcare. Given the need for digital transformation, applications have been developed that enable healthcare professionals to diagnose and prescribe medicines to patients much more quickly and safely, while allowing them to monitor treatments and evaluate their effectiveness.

1.4. Sustainability and ESG

1.4.1. Context

Recently, given its commitment to increasing its contribution to society, Almirall approved a new Sustainability/ESG strategy, continuing with the integration of environmental, social and ethical issues in the decision-making process. ESG (environmental, social and governance) criteria are present in the day-to-day activities of the company and at all levels of the company, from the Board of Directors, the Audit Commission and the Management Board, to its professional teams and including all its relationships with stakeholders.

This new sustainability strategy meets a number of objectives, of which the most important are to (i) maximise value creation for patients and various stakeholders, (ii) promote ethical behaviour by increasing corporate transparency and strengthening the company's reputation, and (iii) identify and mitigate any risks caused by the company's activities. Almirall's Chief Executive Officer is responsible for internal oversight of all sustainability-related activities and for establishing control and management measures, as well as for reviewing ESG initiatives and programmes, the internal committee for which reports directly to him. The Audit Commission and, in particular, its Chairman assume the functions related to oversight of all matters relating to sustainability and ESG.

In addition, integrity and transparency are fundamental pieces in the sustainability of the company and are integrated into all its processes and activities. In keeping with its commitment to transparency, Almirall gathers, builds and provides, clearly and consistently, factual, complete and accessible information to all its stakeholders in order to generate trust in the company and credibility. Furthermore, the company and all its European subsidiaries adhere to the Code of Practice of the European Federation of Pharmaceutical Industries and Associations (EFPIA), as well as those of the corresponding local associations in the European countries where Almirall operates, such as Farmaindustria in Spain, always complying with the applicable legislation in force in each country. In this regard, the company publishes information on payments and value transfers to healthcare professionals or organisations for activities such as consultancy, meetings and advice, in accordance with the corresponding legal provisions, as well as with these healthcare professionals and organisations.

1.4.2. Sustainability Policy

In February 2020, Almirall's Board of Directors approved a modification of the Corporate Social Responsibility Policy (hereinafter CSR), renaming it the Sustainability Policy and assigning responsibility for internal oversight in this area to the Chief Executive Officer. In accordance with this approval, a new Corporate ESG Committee was formed in 2020, reporting to the Management Board, with the mission of managing and leading the plans, programmes, projects and initiatives related to the ESG strategy approved by the Board of Directors.

Almirall understands sustainability as the company's responsibility for its impact on society and the environment. To fulfil this responsibility, Almirall is committed to integrating ethical, social and environmental concerns into its business and operational strategy in close collaboration with its stakeholders in order to (i) maximise the creation of shared value for its shareholders and other stakeholders and for society in general; (ii) foster a culture of ethical conduct that increases corporate transparency; (iii) strengthen the company's reputation and external recognition, and (iv) identify, prevent and mitigate possible adverse effects caused by its activity.

In order to achieve the aforementioned objectives, the Company adopts the following general principles:

- Align its conduct with the principles contained in the Code of Ethics and the other Corporate Governance Rules, which regulate the conduct expected of Almirall employees in the performance of their activities.
- Foster communication and dialogue with its main stakeholders through various communication channels, promoting relationships based on mutual trust.
- Promote transparency in the information released regarding Almirall's actions and activities, and to adopt responsible communication practices to prevent manipulation of information and protect the integrity of Almirall's reputation.
- Proactively manage non-financial risks and opportunities arising from the markets and the context of business transactions.
- Ensure the creation of shared value for shareholders and other stakeholders over the long term.
- Reduce the environmental impact of its activities in the areas where it operates.
- Strictly comply with the applicable laws and regulations in the countries where it operates

1.4.3. New ESG Strategy

During the months of April and May 2020, Almirall carried out a new internal and external ESG diagnosis, as well as a materiality analysis of the different aspects analysed, thereby identifying which were the most important for the different stakeholders. The result of this exercise led to the formulation and confirmation by the Board of Directors, in July, of a new ESG Strategy.

The internal diagnosis was carried out through:

i. review and assessment of all existing internal ESG documentation by a specialised consulting firm; and
ii. direct consultation with Almirall's Senior Management through structured interviews.

In contrast, the external diagnosis was carried out through:

i. benchmarking with leading companies in the sector and with companies similar to Almirall;
ii. consultation of public information from different sectoral opinion leaders;
iii. consultation of public information from different ESG opinion leaders; and
iv. direct consultation through structured interviews with representatives of the most relevant stakeholders.

Thirty-nine ESG aspects were identified for evaluation, both internally and externally, and their prioritisation is reflected in the corresponding materiality matrix.

As a summary of the materiality analysis carried out, the following 22 aspects have been identified as material: Research, development and innovation, Compliance and anti-corruption, Business model and strategy, Product quality, Employee health and safety, Corporate governance, Risk and opportunity management, Pharmacovigilance, Patient-centred care, Talent development and retention, Strategic alliances, Responsible supply chain, Employee well-being, Customer relations, Corporate information availability, Talent attraction, Financial performance, Drug safety, Efficient energy management, Inclusion and diversity, Human rights, and Climate action.

The ESG Strategy is being implemented through 15 working areas grouped into four top-level strategic lines, as shown below:

Environment

(1) Continue to develop the strategy for combating climate change.
(2) Detail the calculation and improvement of the carbon footprint.
(3) Increase energy efficiency management.

Social

(4) Increase the visibility of social actions by establishing a corporate framework.
(5) Continue with deployment of the supplier risk management model.
(6) Increase the detail of the patient engagement plan in alignment with the Noble Purpose.
(7) Update and extend the equality and diversity programme to include all types of diversity.
(8) Involve employees in social impact initiatives.
(9) Develop a holistic approach to occupational health and safety through an employee wellness programme.

Government

(10) Develop and implement an anti-corruption and anti-bribery policy.
(11) Reinforce the detailed revision of the Code of Ethics and the whistleblowing channels, extending them to all stakeholders.
(12) Expand the breadth and quantification of ESG risks, in the medium to long term, on the company's risk map.

Management and communication

(13) Extend the definition of the governance model, performance objectives and scorecard of the ESG Policy.
(14) Expand adherence to external initiatives aligned with ESG priorities and evaluation by ESG indices.
(15) Accelerate and improve internal and external communication on ESG.

1.5. Risks and future trends

Almirall's Risk Management System is based on the existence of an annual Risk Map, which prioritises the most significant risks on the company's global risk map. This system, coordinated by Internal Audit, is based on consolidation of the analysis and assessment of events, risks, controls and action plans to mitigate them, carried out by the business and support units that make up the different company areas. For risks related to taxation, there is also a Tax Committee for controlling, managing and minimising them.

Preparation and implementation of the Risk Management System is the responsibility of the company's Senior Management, and the function of overseeing its effectiveness is carried out by the Risk Management Board, which is functionally linked to the Audit Commission and the Chairman's Office, given that it refers directly to an essential responsibility of the Board of Directors itself.

The company operates in a sector characterised by great uncertainty about the outcome of R&D expenditures and in a highly competitive market in the therapeutic areas on which it is focused. The pharmaceutical industry is an industry subject to the decisions of health authorities for both approval of products and determination of marketing conditions, as well as being a highly regulated industry in terms of the environment and aspects related to pharmacovigilance, quality and codes of good practice in promotional activities.

These factors result in a nature of risks that are addressed by taking a conservative stance, being very selective in resource allocation and establishing very rigorous and effective processes and controls in operations.

All risks that could have a significant impact on the achievement of company objectives are assessed. Risk factors to which Almirall is subject include:

- Regulatory risks, arising from regulatory changes established by the various regulators, or from changes in social, environmental or tax regulations. Examples include price reductions or volume limitations for existing products and difficulties in obtaining requested prices or reimbursement conditions for new launches due to decisions by health authorities, with the concomitant impact on sales forecasts.
- Market risks, related to the exposure of Almirall's earnings and equity to changes in prices and other market variables, such as exchange rates, interest rates, commodity prices, financial asset prices and others.
- Credit risk, in the event that a counterparty does not comply with its contractual obligations and produces an economic or financial loss for the company.

- Business risks, established as the uncertainty as to the behaviour of the variables inherent to Almirall's business, such as the characteristics of demand, the supply of raw materials and the appearance of new products. Examples include revenue erosion and loss of market share due to the progressive entry of generics, deterioration of intangible assets due to a lower-than-expected net revenue stream in some businesses or an R&D pipeline that is not sufficiently balanced and differentiated in its different phases to nourish the product portfolio.
- Operational risks, referring to direct or indirect economic losses caused by inadequate internal processes, technological failures, human error or as a consequence of certain external events. Operational risks also include legal and fraud risks and ones associated with information technology and cybersecurity (cyber-attacks or security incidents that allow access to confidential information or disrupt business activities).
- Reputational risks, which include the potential negative impact associated with changes in the perception of Almirall by its different stakeholders.

The company also takes into account sustainability risks, including environmental, social and governance (ESG) risks, and pays close attention to those associated with climate change, human resources and talent recruitment, among others:

- Environmental risks: Almirall's environmental policy aims, among other things, to minimise the environmental impact of new products and developments, ensure compliance with applicable legal requirements and other principles to which the organisation subscribes, and apply pollution prevention techniques. Section 2, 'Environmental management', describes the main actions taken in relation to the environment.
- Risks to society: With respect to potential risks with social impact, Almirall's quality system covers the entire production process, from procurement of raw materials to the release of the finished product, in order to minimise the risk of releasing a product onto the market with compromised quality, efficacy or safety.
  The company has a complaint control and pharmacovigilance system for rapid detection of possible problems of product quality, efficacy or safety and the adoption of corrective measures. In addition, product traceability control systems would enable a quick and effective recall of any batch of product from the market. Section 4.5, 'Quality Systems and Pharmacovigilance as tools to ensure product quality, health and consumer safety', discusses these aspects in greater detail.
  Employee safety standards are more rigorous than required by law and thoroughly documented. Product liabilities and potential incidents at facilities are covered by global risk management policies and insurance programmes.
- Governance risk: The company has policies established for corporate social responsibility, communication with financial markets and compliance with good practices in tax matters.

In November 2020, the company's Board of Directors approved a Risk Management Policy that confirms the guidelines and framework for Almirall's entire risk management system, with regard to the prolonged and worse than expected impact from COVID-19.

As indicated in Almirall's consolidated annual accounts, the sales turnover was impacted more than anticipated by COVID-19. Since the start of the pandemic, numerous initiatives have been carried out so that the interaction activities with doctors, medical centres and patients have not been significantly affected.

1.6. Prevention, Anti-money laundering and Control of contributions to foundations and non-profit organisations

In pursuing its activities, Almirall is governed by a strong sense of corporate responsibility, integrity and transparency, as well as by strict and faithful compliance with current legislation.

For this reason, the company, in addition to the various policies approved by the Board of Directors and published on the Almirall corporate website, has a series of ethical principles and values that govern the actions of all its employees and executives. All these principles, values and conduct guidelines are reflected in Almirall's 'Code of Ethics' and in the 'Supplier Code of Conduct', and they are implemented in the company's Global Corporate Rules, contained in the Global Corporate Policies and its Standard Operating Procedures.

Almirall has Corporate Risk Control and Risk Management Policies with a threefold purpose:

i. Prevent potential risks that may entail legal liability both for the company and its administrators, attorneys-in-fact and/or legal representatives;
ii. Anticipate the management of such risks; and
iii. Verify compliance with the corresponding regulatory framework applicable to the company, both internal and external.

Years ago, Almirall's Board of Directors approved a 'Model of Prevention and Management of Criminal Risks' which determines the system of organisation, prevention, management and control of the criminal risks of Almirall and its subsidiaries.

This 'Model' develops a plan for prevention of the commission of crimes by the company, and compiles the procedures and controls that currently exist for effective prevention and mitigation of criminal risks, based on a detailed analysis of those that could hypothetically arise in Almirall's different areas, taking into account, on the one hand, the policies and controls already in place, and on the other, the sensitivity to criminal risks detected in the specific processes, depending on the sector and the activities that Almirall engages in.

Almirall only makes donations, contributions and sponsorships to institutions, organisations or associations that are made up of healthcare professionals and/or provide healthcare or conduct research, subject in all cases to the following requirements:

- They must be made for the purpose of supporting healthcare or research;
- They must be validated and authorised internally beforehand, correctly documented on the basis of the corresponding prior contract, and the data of the corresponding beneficiaries duly identified and recorded;
- They must not be intended to induce the recommendation, prescription, purchase, dispensing, sale or administration of specific drugs; and
- They do not violate either the applicable local regulations or the ethical commitments assumed by the sector.

Almirall does not allow donations and grants that benefit individual medical professionals.

2. Environmental management

2.1. Management approach

In addition, we are fully committed to promoting sustainable development, efficient management of natural resources and pollution prevention.

Achieving its goals is as important to the company as how this is accomplished. Accordingly, its commitment to society goes beyond offering scientific solutions to patients and compliance with environmental legislation and regulations. It is also based on developing its own environmental policy that guarantees the responsible use of resources, thereby working towards a more sustainable planet.

Almirall has a Global Corporate Health, Safety and Environmental Policy, which establishes that one of the priority and strategic objectives that drive the daily activity of the organisation is occupational health and safety and environmental protection, which includes energy performance. To this end, the following basic principles, among others, are established:

- A commitment to environmental protection by promoting its integration into the company's daily work processes.
- Efficient and sustainable management of resources, use of renewable energies, and commitment to mitigating and adapting to climate change through programmes to reduce greenhouse gas emissions.
- A commitment to support the procurement of energy efficiency products and services that impact energy performance, as well as support for design activities that consider energy performance improvement.
- A commitment to continuous improvement of Almirall's environmental management to improve its performance, complying with the applicable legal requirements and other requirements to which Almirall voluntarily subscribes.
- Establishment of periodic programmes, with objectives and targets in line with the applicable regulations, with the Global Corporate Health, Safety and Environmental Policy itself, and with the risks and opportunities identified in terms of environmental protection.
- Training, involvement and participation of Almirall's staff and partner companies in the application of the principles contained in the Global Corporate Health, Safety and Environmental Policy.
- A commitment to consultation and participation of workers and, where they exist, workers' representatives.
- To ensure the availability of the necessary information and resources, and proper planning for their use.

- Respect for the environment is an objective of the company as a whole, and therefore responsibility for its achievement is shared by all Almirall's employees, regardless of their level or role.

Efforts in this area extend through the entire product life cycle, from design in R&D to manufacturing, and also encompass procurement of raw materials and the end of life of the product.

Almirall has an integrated occupational health and safety, environmental and energy management system. In 2019, Almirall successfully passed the TÜV Rheinland certification audit of the integrated management system, in accordance with international standards ISO 45001:2018, ISO 14001:2015 and ISO 50001:2018, at all its centres in Spain and Germany. In 2020, the first annual follow-up audit was performed by TÜV Rheinland. Due to the extraordinary conditions of the COVID-19 pandemic, the first phase of the audit was performed remotely before the summer, and the second phase was closed in September with site visits to the centres in Spain and Germany selected by the audit team. The result was very positive, with zero non-conformities identified.

Almirall has held ISO 14001 certification since 2004 and obtained the certification according to the most recent version of the standard (ISO 14001:2015) in 2018.

Likewise, in relation to energy management, after becoming, in 2013, one of the first pharmaceutical laboratories to obtain ISO 50001:2011 certification, in 2019 the system was adapted and certified in accordance with the new ISO 50001:2018 standard, revalidating the effectiveness of the system put in place.

The scope of the health, safety and environmental management system, including energy performance, is as shown in the table below:

Country	Type of centre	Centre:	Activity	ISO 45001	ISO 14001	ISO 50001
Spain	Offices	Headquarters	R&D activities, manufacture of active ingredients, manufacture and marketing of pharmaceutical specialities	X	X	X
		Sales network	Marketing of pharmaceutical specialities	X		
	R&D Centre	Sant Feliu	R&D activities	X	X	X
	Chemical Plant	Sant Celoni	Manufacture of active ingredients	X	X	X
	Chemical Plant	Sant Andreu	Manufacture of active ingredients	X	X	X
	Pharmaceutical Plant	Sant Andreu	Manufacture of pharmaceutical specialities	X	X	X
Germany	Mixed (Offices, Pharma, Sales)	Reinbek	Manufacture and marketing of pharmaceutical specialities	X	X	X

Table 1 – Scope of the health, safety and environmental management system

Almirall has a series of established and implemented due diligence processes and procedures, which it continuously updates, to ensure that the health, safety and environmental management system is appropriate, adequate and effective. The most important of these are listed below:

- Health, Safety and Environmental Manual.
- Risks and opportunities in health, safety and environment.
- Evaluation of environmental aspects.
- Energy review.
- Legal and other requirements.
- Training in health, safety and environment.
- Communication, participation and consultation in health, safety and environment.
- Management of health, safety and environmental documentation.
- Change control in health, safety and environment.
- Industrial safety in equipment and installations.
- Monitoring of work with special risks.
- Monitoring of suppliers of works and services.

- Monitoring of wastewater discharges.
- Monitoring of air emissions.
- Waste management.
- Monitoring of noise pollution.
- Road transport of hazardous goods.
- Emergency plans.
- Health, safety and environmental audits.
- Management review of the health, safety and environmental system.
- Incidents, non-conformities, opportunities for improvement and corrective actions.

At the corporate level, Almirall has an Environmental Team, which reports to the Head of Corporate Social Responsibility, who, in turn, reports to the Vice President of Human Resources.

Almirall has not received any fine or sanction for non-compliance with environmental regulations in 2020.

2.2. Pollution

2.2.1. Climate change and greenhouse gas emissions

Climate change is probably the greatest challenge facing humanity today. Almirall's operations emit a certain volume of greenhouse gases. For this reason, the company wants to be part of the solution and is doing everything it can to limit the average global temperature increase to much less than 2°C above pre-industrial levels. Almirall is firmly committed to the fight against climate change, including the reduction of greenhouse gas emissions, as a significant aspect of its environmental strategy. The answer to global warming is reduced emissions and adaptation to its future effects. In this regard, in 2018, the company approved a strategy against climate change defined in two pillars on which it develops its action plan:

- On the one hand, reduction of its carbon footprint, assuming business growth, where technology, energy efficiency and the substitution of fossil fuels are fundamental for the reduction of greenhouse gas emissions.
- On the other hand, Almirall, as a pharmaceutical company, believes that in order to build a better future, it must assume an important role in preventing and minimising the harm that climate change may cause to people's health.

The impact of climate change on Almirall is determined by identifying and assessing the risks and opportunities inherent in climate change that could have a material impact on the company's business. Almirall has an integrated multidisciplinary risk management process throughout the company where environmental impacts, including climate change risks, are identified and assessed on the corporate risk map. This Risk Management System, coordinated by Internal Audit, is based on consolidation of the analysis and evaluation of events, risks, controls and mitigation action plans carried out by the business and support units that make up the company's different areas. All risks (including climate-related ones) that might have a significant impact on the achievement of the company's objectives are subject to assessment. As a result of the process described above, the following significant risks have been identified:

- Transitional risks: in relation to climate-related transitional risks, with the implementation of ISO 50001, Almirall has been working systematically since 2013 on energy efficiency in order to reduce costs and its carbon footprint. Since then, a number of energy efficiency regulations have been approved and, more recently, in 2019, the European Commission presented the 'European Green Deal', the roadmap for making the EU economy more sustainable. This framework includes the European Climate Law in order to achieve the target of climate neutrality by 2050, and in December 2020 a new target was approved to reduce emissions by 55% with respect to 1990. Key EU legislation and policies to achieve this goal, e.g. the EU Emissions Trading System (ETS), could lead to higher electricity prices. This new regulation will affect Almirall indirectly, through its energy supply, with a potential increase in operating costs.

  To address this risk, Almirall has an 'Energy Master Plan' which identifies key investments for coming years, including a five-year capital expenditure forecast (capex). For example, for the 2019-2024 period, the installation of photovoltaic plants at the Sant Feliu (R&D) and Reinbek (pharmaceutical plant) sites is planned, with an estimated cost of €600,000. In 2020, capital expenditure with an impact on energy efficiency was €780,000. The new boiler in Sant Celoni, much more efficient and with an investment cost of €150,000, is noteworthy.

  In July 2020, the European Council agreed to a massive €750 billion recovery fund branded as Next Generation EU to support member states hit by the COVID-19 pandemic. The solid work carried out by Almirall in recent years in relation to climate change positions the company well for taking advantage of the opportunity to receive these European funds for projects related to climate change.

- Physical risks: with regard to climate-related physical risks, the risk of flooding at the Sant Celoni chemical plant, located next to the Tordera river on a flood plain according to the flood maps of the Catalonian

Water Agency (ACA), should be noted. Furthermore, geographically it is located in the Mediterranean area where intense storms (DANA-isolated depression at high levels) occur periodically, which can cause episodes of heavy rain with a potential impact on production due to damage to the plant's facilities or to the roads surrounding the plant. Almirall currently has a back-up plant in Sant Andreu de la Barca for part of the APIs produced in Sant Celoni.

The following are the main initiatives that Almirall is currently pursuing:

- Calculation and monitoring of greenhouse gas emissions: reported annually in CDP's climate change questionnaire.
- Greenhouse emission reduction targets for the medium-long term through the achievement of annual targets: scope 1 and 2 targets currently exist, and work is under way to define scope 3 targets.
- Management of climate change risks and opportunities: addressing climate risks and opportunities as recommended by the TCFD is planned in the next two years.
- Energy efficiency: Establishment of the ISO 50001 energy management system in Spain and Germany.
- Proprietary renewable energy installations: Almirall installed a 300kW photovoltaic plant at its chemical plant in Sant Celoni in 2016, and, in 2018, it installed an 800kW photovoltaic plant at its pharmaceutical plant in Sant Andreu de la Barca, which represents a reduction in emissions of 515 t CO_2 per year between the two plants.
- Purchase of renewable energy: Since 2013 in Spain and 2018 in Germany, Almirall has purchased green electricity with Guarantee of Origin (GdOs), thereby promoting an increase of renewable energy in the energy mixes of these countries.
- Raising awareness among Almirall employees and collaboration with the Fundación Empresa&Clima, a non-profit organisation that works for business leadership and commitment in the fight against climate change.

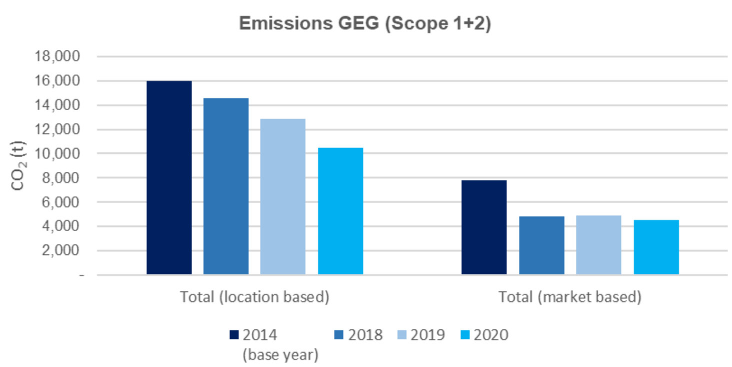
Greenhouse gas emissions scope 1 and 2

Almirall has set a target of a 21% reduction in greenhouse gas (GHG) emissions (Scope 1 and 2 location-based) for the 2014-2025 period. This target was based on the company's Energy Master Plan included in the financial plan (investments) and will be reached by reducing gas and electricity consumption with energy efficiency projects and the commitment to self-generation of renewable energy. As of January 2021, the target has been met and exceeded with a reduction in GHG emissions in the 2014-2020 period of 34%, 13% above the target. This is the result of the energy improvements made, although the target was achieved and exceeded ahead of schedule due to the impact of the strong increase in renewable energy in the electricity mixes of Spain and Germany. It should be noted that the COVID-19 pandemic also played a role in the decreased energy consumption at Almirall's office facilities, although it is not considered to be significant in terms of overall emissions. The target will be reassessed in 2021 to adapt it to the current circumstances as well as new opportunities arising from Next Gen EU.

Table 2 shows the evolution of GHG emissions for Scope 1 and Scope 2 according to the country's energy mix (location-based) and Scope 2 taking into account the purchase of green energy (market-based), where emissions are zero thanks to the purchase of green electricity.

CO_2 (t)	2014 (base year)	2018	2019	2020
Scope 1	5,910	4,840	4,925	4,502
Scope 2 (market based)	1,906	-	-	-
Scope 2 (location based)	10,068	9,687	7,952	5,977
Total 1+2 (location based)	**15,978**	**14,527**	**12,877**	**10,479**

Table 2 – Almirall's scope 1 and 2 GHG emissions



Scope 3 greenhouse gas emissions

A preliminary assessment of Scope 3 indirect emissions was conducted in 2018 to identify the main categories. The tool used for the assessment was Quantis Suite 2.0. Total Scope 3 emissions are 10 times greater than the sum of Scope 1 and 2, with category 1 accounting for 81% of total calculated emissions.

		Scope 3 Categories	CO_2 (t)
Scope 3 Emissions Upstream	1	Purchased goods and services	125,504
	2	Capital goods	12,168
	3	Fuel and energy-related activities (not included in Scope 1 or Scope 2)	3,620
	4	Upstream transportation and distribution	3,370
	5	Waste generated in operations	2,794
	6	Business travel	2,548
	7	Employee commuting	2,975
	8	Upstream leased assets	2,188
Scope 3 Downstream Emissions	9	Downstream transportation and distribution	Distribution up to the logistics operator is included in the calculation of category 4, and no data is available from the logistics operator onwards.
	10	Processing of sold products	The tool does not allow this calculation. In any case, it is considered insignificant.
	11	Use of sold products	No emissions are identified from use of the products sold by Almirall.
	12	End-of-life treatment of sold products	This category has not been calculated due to the limitations of the software used. It is not considered to be one of the most important categories of the activity.
	13	Downstream leased assets	Not applicable
	14	Franchises	Not applicable
	15	Investments	Not applicable
		TOTAL	**155,167**

Table 2.1 – Almirall's scope 3 GHG emissions

For 2021, a more detailed calculation is planned for categories 3, 4, 5 and 9 in order to develop a tool that will allow calculation of this in a systematic way, the establishment of a medium-long term reduction target and an associated action plan.

In relation to category 1 'Purchased goods and services', since 2020, new suppliers shall adhere to the Almirall Supplier Code of Conduct on the Group's electronic portal for their qualification. Almirall expects its suppliers to agree to defined standards, which include suppliers progressively measuring their greenhouse gas emissions and committing to voluntary reductions. In the short-medium term, the company's strategic plan contemplates measuring emissions in this category and ensuring that main suppliers over which it can exercise influence to reduce their emissions as well.

<u>Mobility of workers</u>

COVID-19 has had a significant impact on the mobility of Almirall's office workers and, to a lesser extent, on the production centres and some R&D activities which, being essential activities, have not been affected in terms of direct staff.

In order to reduce CO_2 emissions and ensure the safety of employees in their commutes to work, since 2015 Almirall has been developing a sustainable mobility plan which, among other initiatives, includes public transportation in the flexible compensation plan for employees, subsidies for the purchase of hybrid and electric vehicles, training in sustainable driving, installation of electric chargers in its car parks, and the creation of parking areas for bicycles and electric scooters, among others. In 2020, charging spaces for electric vehicles were expanded at the Barcelona headquarters (four rapid charging spaces for cars and two for motorcycles), the Reinbek pharmaceutical plant (two spaces for company vehicles) and the Sant Celoni chemical plant (two rapid charging spaces).

In 2020, a carpooling pilot programme was launched with the company Jojob at the Sant Feliu R&D centre to encourage carpooling for commuting to/from work. Shared trips and trips made by bike or on foot are certified and allow calculation of the reduction of CO_2 emissions. As of November 2020, the reduction of 417 kg of CO_2 and a total of 310 trips were certified. This programme has been severely affected by the pandemic, greatly reducing the expected impact and thus in 2021 has been put on hold.

Carbon Disclosure

As an exercise in transparency, since 2014, Almirall has reported its environmental performance on climate change to CDP. CDP assesses climate change performance through a form and classifies it into 4 levels, from the most basic of Disclosure D to the maximum level of Leadership A. Likewise, each level is broken down into two sublevels, indicating with a "-" the lower category (as seen in the following image):

It has managed to improve from level C, Awareness, in 2017 and 2018, having passed through level B, Management, in 2019, to achieve the milestone of reaching level A-, Leadership, in 2020. Almirall is among the 38% of large companies in the Biotech and Pharma sector that have achieved the Leadership level, which is higher than the C level of the average European company. Among other aspects, establishing a GHG emissions reduction target, demonstrating year-on-year improvement and planning to achieve the target were essential as well as the boost in the last two years of the sustainable purchasing program.

Almirall	2014	…	2017	2018	2019	2020
CDP score	60 D		C	C	B	A-

Table 3 – Evolution of Almirall's CDP score

2.2.2. Air, noise and light pollution

Emissions of Volatile Organic Compounds (VOCs)

At Almirall, the most significant impact on air pollution is the diffuse emission of volatile organic compounds (VOCs) from its industrial sites. Almirall has been working for over 15 years to reduce these emissions through plans to eliminate the use of solvents in all industrial processes, where possible, with special attention to solvents that pose a risk to people and the environment, and the installation of technologies to mitigate the emission of these compounds.

Since 2007, eight production processes have been modified in order to reduce solvent consumption during manufacturing, including reducing the use of methylene chloride, a solvent with a H351 hazard label. Some of the processes are currently pending regulatory approval in several countries.

The diffuse emissions table shows the reduction of diffuse solvent emissions since 2008 of 80%. Emissions remain without significant changes compared to last year, the slight increase of 4% is due to the different workload between the two chemical plants

Diffuse emissions (t)	2008	…	2018	2019	2020
VOCs	207.5		56.5	40.0	41.6

Emissions of SOx, NOx and Particles

The rest of the emissions of atmospheric pollutants (particles, NOx, SOx, hydrochloric acid) are considered non-material for Almirall, with emissions that are far below the legal limits.

Specifically, no SOx emissions are produced in any Almirall process.

Regarding NOx emissions, they are only produced in the combustion processes of boilers at the different centers and in the regenerative thermal oxidizer for the treatment of VOCs. In the 2018-20 period, new boilers were installed in the Sant Andreu pharmaceutical plant and in the Sant Celoni chemical plant that consume 56% of Almirall's natural gas (data from 2019), replacing the previous ones with a technology that certifies some NOx emissions less than 100 mg / Nm3.

The emission sources with a potential emission of particles have high-efficiency HEPA filters, aqueous scrubbers, or both systems combined to reduce emissions.

Potential hydrochloric acid emissions are reduced with a basic aqueous scrubbing system.

Noise and light pollution

Almirall's centres are located in industrial or urban areas, so noise and light pollution impacts are considered non-material aspects.

2.3. Sustainable use of resources

2.3.1. Power consumption

Energy efficiency is part of the company's environmental strategy. By 2013, Almirall was already a pioneer in the chemical-pharmaceutical industry for having implemented and certified its energy management system in accordance with the international standard ISO 50001:2011. In 2019, it adapted to the revision of the ISO50001:2018 standard.

Compared to 2011, Almirall has achieved a 22.8% reduction in its total energy consumption. This has been possible thanks to the energy improvement actions carried out to improve energy performance and committed to seeking energy efficiency solutions to contribute to climate change mitigation.

Almirall's energy efficiency model is based on an iterative search for projects and new technologies, which have been applied progressively according to the needs of each of the centres.

Accordingly, the company has successfully implemented the latest technologies, such as magnetic levitation and humidification by high-pressure water misting, which make it possible to reduce energy consumption in compressors of refrigeration equipment and in traditional resistance vaporisation and/or electrolysis systems, respectively, or photovoltaic panels for the self-generation of renewable electricity.

Energy consumption

Almirall's main sources of energy consumption are electricity (56%) and gas (44%). In relation to electricity consumption, Almirall is committed not only to the purchase of green energy with Guarantee of Origin but also to self-generation of renewable energy. With these installations, in 2020 the dependence on the company's electricity grid supply was reduced by 1,524 MWh, 5.6% of Almirall's electricity consumption.

Energy consumption for electricity in 2020 was down 4.4% from the previous year, 2019, and natural gas was down 2.0%, a reduction of 1,264 MWh from 2019. The COVID-19 pandemic had an impact on the reduction of energy consumption due to the closure of offices in the months of March (partial), April and May (partial) and with the policy of teleworking as a preventive measure from May to December.

Over the last four years, in the 2017-2020 period, energy consumption was reduced by 8.0%.

Energy consumption (MWh)	2018	2019	2020
Natural gas	22,509	21,741	21,315
Company electricity	28,615	27,142	25,859
Renewable electric energy produced	402	1,505	1,524
Total energy	**51,526**	**50,388**	**48,698**
% renewable energy	56%	57%	56%

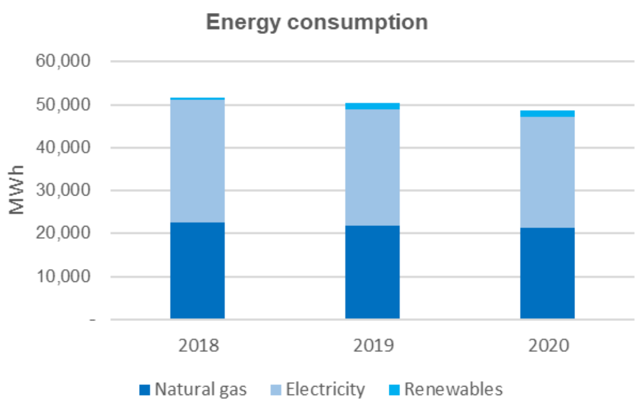


Table 4 – Almirall's energy consumption

2.3.2. Water consumption and wastewater discharges

At production centres, industrial processes are designed to comply with Good Manufacturing Practices (GMP) and contribute to minimising water consumption. In 2020, COVID-19 did not significantly impact Almirall's water extraction, as 82% is used in the production centres, which continued in operation during the pandemic.

The downward trend in the extraction of utility-supplied water in the 2018-20 period (20% decrease) and, in contrast, the upward trend in well-water extraction in the same period (44% increase) are the result of the project to use proprietary water resources (wells) at the Sant Andreu pharmaceutical plant to produce industrial and sanitary water. Although the total amount of water extracted was 9% higher in 2020 compared to 2018, taking into account the water cycle, local extraction from wells is considered to be environmentally more efficient even if it increases extraction, as water treatment is specific to the end use and it avoids water transport and additional treatment.

Table 5 details water extraction at Almirall according to the source of supply:

Water extraction (m3)	2018	2019	2020
Utility-supplied water	84,915	77,141	70,917
Well water	32,506	65,811	57,912
Total Water Extraction	**117,421**	**142,952**	**128,829**

Table 5 – Water extraction at Almirall

Water reuse

In 2020, a water reuse action was implemented at the Sant Andreu pharmaceutical plant. In the process of production of purified water from utility-supplied water, the osmosis treatment rejects some water that is introduced into the industrial water production circuit. An estimated 10,000 m^3 of reject water can be reused. The Sant Feliu R&D centre reuses the reject from continuous analysis of the production treatment of purified water for irrigation and fire-fighting, with an estimated saving of 1,300 m^3 per year. In total, a reuse rate of 9% is estimated.

Water reuse rate (*)	2019	2020
Water reused/Total water extraction	-	9%

Table 5.1 – Water reuse rate at Almirall

Actions for improvement

In 2020 at the Sant Andreu pharmaceutical plant, the centre that consumes the most water (58% of Almirall's total), four internal meters were installed to enable better control of consumption. At this same centre, an action to reduce irrigation water use by 37% is planned for 2021 thanks to the reduction of grass in the landscaped area. In 2021, new internal control meters will also be installed at the Sant Celoni chemical plant.

Wastewater discharges

Reducing the flow and pollutant load of liquid discharges entails acting on the pollutants generated in the processes themselves. Accordingly, Almirall's operating centres have wastewater treatment facilities, and the chemical plants in particular have physical-chemical and biological wastewater treatment plants. At all its centres, the average of the parameters is, at least, below 70% of the legal limit.

2.4. Waste management, eco-design and biodiversity

Almirall manages its waste responsibly, prioritising minimisation and the most sustainable and safe treatment for each type. In the following tables, waste is broken down by type (hazardous/non-hazardous) and treatment (recoverable/non-recoverable).

Hazardous waste corresponds mainly to solvent waste at chemical plants, chemical waste and cleaning water at pharmaceutical plants, and laboratory waste at research and development centres. Non-hazardous waste consists basically of waste similar to urban waste and packaging waste from pharmaceutical plants. Recoverable waste is waste that can be recycled, reused, etc., and non-recoverable waste is waste that must be disposed of and/or eliminated.

Tables 6 to 8 show the evolution of waste for the 2018-20 period for Almirall and the breakdown by country. A significant decrease of 44% in waste generated in Almirall should be noted. This was mainly due to the reduction of non-hazardous, non-recoverable waste in Germany resulting from the transfer of a production line to Spain, which substantially reduced the volume of waste generated by increasing the batch size and optimising waste water collection.

The volume of waste produced at Almirall has not been significantly affected by the COVID-19 pandemic, as most of it is generated at the Group's industrial centres and these have not modified their production activity. However, although not observed in the total waste generated, some environmental improvements in waste reduction have been reversed due to preventive measures. For example, in 2018, Almirall Spain's canteens installed fountains that served water in reusable glass bottles, replacing the 1.5 L plastic bottles used previously; now individual 0.5 L plastic water bottles are provided, as well as cutlery in individual plastic wrappers, with a consequent increase in plastic waste. The pandemic has also generated new waste derived from management of the pandemic, as in 2020 Almirall provided to its workers and suppliers more than 193,000 surgical masks, the equivalent of 4.8 tonnes of waste after use.

Total Waste Almirall Group (t)	2018	2019	2020
Hazardous waste	**2,340.6**	**2,412.1**	**2,191.7**
Recycled/ reused	1,843.6	2,053.9	2,003.5
Incinerated/disposed	497.0	358.2	188.2
Non Hazardous waste	**7,645.0**	**4,431.6**	**3,419.3**
Recycled/ reused	527.1	582.6	555.3
Incinerated/disposed	7,117.9	3,849.0	2,864.0
Total waste	**9,985.6**	**6,843.7**	**5,611.0**
% Hazardous	**23%**	**35%**	**39%**
% Recycled/reused	**24%**	**39%**	**46%**

Table 6 – Almirall Group Waste

Waste in Spain (t)	2018	2019	2020
Hazardous waste	**2,299.9**	**2,367.1**	**2,145.2**
Recycled/ reused	1,826.9	2,030.9	1,981.9
Incinerated/disposed	473.0	336.2	163.3
Non Hazardous waste	**958.9**	**1,128.8**	**1,020.8**
Recycled/ reused	380.6	426.2	440.6
Incinerated/disposed	578.3	702.6	580.2
Total waste	**3,258.8**	**3,495.9**	**3,166.0**
% Hazardous	**71%**	**68%**	**68%**
% Recycled/reused	**68%**	**70%**	**77%**

Table 7 – Almirall Spain Waste

Waste in Germany (t)	2018	2019	2020
Hazardous waste	**40.7**	**45.0**	**46.5**
Recycled/ reused	16.7	23.0	21.6
Incinerated/disposed	24.0	22.0	24.9
Non Hazardous waste	**6,686.1**	**3,302.8**	**2,398.5**
Recycled/ reused	146.5	156.4	114.7
Incinerated/disposed	6,539.6	3,146.4	2,283.8
Total waste	**6,726.8**	**3,347.8**	**2,445.0**
% Hazardous	**1%**	**1%**	**2%**
% Recycled/reused	**2%**	**5%**	**6%**

Table 8 – Almirall Germany Waste

Actions for improvement

In 2020, the reduction of 863 tonnes of non-hazardous, non-recoverable waste from Germany, thanks to the optimisation of the cleaning water washing cycles, is noteworthy.

In 2021, it is planned to study in the Sant Andreu pharmaceutical plant a production wastewater treatment facility that is currently being managed as waste, which may allow the minimization of waste or on-site treatment.

Management of users' medicine waste

In Spain, Almirall adheres to the Integrated Packaging Management and Collection System (SIGRE in its Spanish acronym) in order to comply with Law 11/1997, of 24 April, on packaging and packaging waste and Royal Legislative Decree 782/1998, of 30 April, approving the Regulation for the development and implementation of Law

11/1997. In Germany, Almirall adheres to the Duale System Deutschland (DSD) in order to comply with the Packaging Ordinance (VerpackV) issued by the Federal Ministry for the Environment.

By including the SIGRE symbol on its packaging, Almirall guarantees that both the material of the containers and any leftover medicine they may contain are managed in an environmentally responsible manner, recycling mainly the paper/cardboard and glass.

The packaging materials of Almirall's products in the Spanish domestic market and in Germany are shown below. The sum of both accounts for 44% of the total units sold by Almirall. In both markets, the material with the highest percentage is paper/cardboard, corresponding mainly to cases with 48% of the total in Spain and 36% in Germany.

Packaging material in Spain (t)	2018	2019	2020
Glass	46.4	43.7	46.7
Paper/Cardboard	383.1	386.9	351.1
Aluminium	33.0	38.0	36.5
Plastic	58.5	56.4	49.0
Composite material	258.5	265.0	251.5
Total materials	**779.5**	**790.0**	**734.8**

Table 9 – Almirall Spain sales packaging material

Packaging material in Germany (t)	2018	2019	2020
Glass	60.3	62.6	63.0
Paper/Cardboard	73.5	68.9	71.1
Aluminium	23.3	22.3	23.8
Plastic	43.1	42.7	43.0
Composite material	15.7	17.0	18.0
Total materials	**215.9**	**213.5**	**218.9**

Table 10 – Almirall Germany sales packaging material

In all other countries, the specific regulations of the country are complied with.

Eco-design

Almirall's corporate strategy identifies the need to integrate sustainability criteria in the design of its products from the R&D phases to the end of life of the product, including its manufacture and distribution. There are several projects that incorporate the concept of 'eco-design' in their development, as well as 'eco-packaging' in relation to the packaging of Almirall's products, with the aim of reducing the environmental impact.

In relation to eco-packaging or sustainable packaging, Almirall developed the following initiatives during 2020:

- Formalise the processes of incorporating environmental criteria in the choice of primary packaging from the early stages of product development in R&D.
- Identification of two plastic reduction initiatives in the packaging of certain products of Almirall:
    - Blastoactiva: This specialty had planned a change in the color of the cap and this was used to also assess the decrease in its size. There is a proposal to reduce the current plastic by 20%, this proposal must be tested at the plant.
    - Betalfatrus Lima Tray: remove the EVA rubber material tray with a cardboard tray. This change has been approved and is pending new productions to be implemented.
- Drafting of sustainable packaging guidelines with recommendations for sustainable packaging design.
- Incorporation of life cycle analysis tools for evaluation of the environmental impact of the packaging of new products or changes in existing products. Specifically, a license for the COMPASS® (Comparative Packaging Assessment) program has been contracted, which will allow for rigorous and systematic environmental evaluations of packaging.
- Use of FSC-certified cardboard in product packaging boxes of Almirall's products.

Biodiversity

All industrial and research centres are located in industrial estates, and no significant impacts on biodiversity in nearby protected areas have been identified. In the event of an emergency with a potential environmental impact on the surrounding area, emergency plans are available that describe the actions to be taken to minimise the negative impact on people and the environment. Almirall currently has a non-mandatory environmental risk insurance policy with a cover of 10 million euros.

2.5. Subcontracting and suppliers

Respect for the law, the commitments assumed, the quality of service and contractual good faith form the basis of the relationship between Almirall and its suppliers. Quality, rigour, commitment and excellence are demanded of all suppliers, who represent a source of support for the Group's activity. The commercial relationship with the main suppliers is considered one of Almirall's most important assets and is based on the principle of good contractual faith. Suppliers are required to be reciprocal and transparent in the provision of services and in the information they provide to us regarding their technical and financial solvency.

In order to ensure that the product supply chain is stable and sustainable, Almirall has supplier approval processes which, depending on the service provided or goods supplied and the geography from which they operate, guarantee that they comply with the requirements established by Almirall and the regulatory framework in terms of quality, the environment (ISO certification, ecological criteria), occupational health and safety, and labour practices.

In recent financial years, Almirall has been working to increase and strengthen these processes. Specifically, to detect areas for improvement, a diagnosis of Corporate Social Responsibility was carried out at Almirall in 2016, which concluded with various action plans, including the implementation of a Sustainable Purchasing Programme by Almirall's Purchasing Department. This diagnosis was repeated in 2020 and, as a result, a series of initiatives were identified, including continuous improvement of the Purchasing Sustainability Programme based on a three-year roadmap (2021 to 2023).

As part of the Purchasing Sustainability Programme, the Purchasing Department has promoted the following actions over the last four years:

- In the 2017 and 2018 financial years, a non-financial risk audit of the main suppliers of services and goods was carried out. This affected 110 suppliers with an annual turnover of over 100,000 euros and was conducted by a benchmark external supplier in the market. The results were positive in that no supplier was detected that posed a high social, environmental or ethical risk. Likewise, in 2018, a presentation was made to the Corporate Environment and Occupational Health and Safety Committee which analysed the situation, identified aspects for improvement and defined the next steps. In the first half of 2019, an update was given to the Management Board, which resulted in a specific action plan in the area of sustainable purchasing, including various initiatives.
- In 2019, the following actions were carried out to strengthen consideration of social and environmental responsibility in relations with suppliers and subcontractors not only during the supplier selection and evaluation process but also during the contractual relationship:
    - Renewal of the collaboration with the external supplier that performed the aforementioned audits in order to keep the source of information on the data for the audited suppliers active.
    - Updating of Almirall's Purchasing Department policy to reinforce corporate social responsibility issues (including social, gender equality and environmental aspects) during the supplier bidding and approval processes. In this regard, sustainability was included as part of the department's mission as well as one of the risk categories to be quantified and measured as part of the process of procuring goods and services. The dimensions covered are: ethics, sustainable purchasing, environment and labour, and human rights.
    - A new resource was added to develop and implement a Supplier Risk and Relationship Management Programme with a strong focus on sustainable purchasing.
    - In order to reinforce the Group's commitment to sustainability and communicate expectations related to corporate social responsibility to suppliers, implementation of the Almirall Supplier Code of Conduct was approved. It is available on the corporate website and must be accepted by suppliers during the approval process. Almirall's Supplier Code of Conduct is made up of five blocks (ethical principles, human rights, occupational health and safety, respect for the environment, and quality). Knowledge and acceptance of Almirall's 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 they are aligned with Almirall's ethical, social and environmental commitments. During the approval process, the supplier must accept and commit to compliance with it (and commit to requiring its subcontractors to do the same).
    - Questions related to corporate social responsibility and sustainability actions were included in the Request for Information (RFI) questionnaires to suppliers, as well as during the approval process, which are evaluated by the purchasing specialists when analysing a supplier's suitability.
    - Specific training was given to the Purchasing Department on sustainable purchasing and sustainability.

- As part of a continuous improvement process and the roadmap defined for 2019 and 2020, the following actions were carried out in 2020:

  - *Objectives and alignment:*

    In the definition of employee objectives for 2020, a cross-cutting objective was included for the Purchasing team related to support for the Sustainable Purchasing programme, as part of the Supplier Relationship Management programme, with various associated behaviours.

  - *Audits:*

    In 2020, the collaboration with the external supplier that provides auditing services in the area of corporate social responsibility was renewed for the 2020, 2021 and 2022 financial years.

    A screening of the global supplier base managed by the Purchasing and External Site Operations teams (the latter department is responsible for suppliers that manufacture finished products) was also done based on predefined criteria (determined by the type of service, the criticality of the service, the level of expenditure in the twelve months prior to the screening and the geography from which the suppliers operate) to segment and determine which suppliers should be asked to undergo a sustainability and corporate social responsibility audit.

    After the mass screening, over 190 suppliers were identified and asked to undergo a corporate social responsibility audit in three successive campaigns during the months of July, October and December.

    At the close of this report, and based on the results received from more than 130 suppliers, no suppliers were identified as high-risk, and only 26 were identified as medium-risk in accordance with the established methodology. At the close of each campaign, these medium-risk suppliers are asked to take the corrective actions identified as areas for improvement in the audits based on an established action plan. They are also asked to undergo a re-evaluation within the following twelve months. In 2020, suppliers that had already been audited in previous years were re-evaluated and a significant improvement trend was demonstrated in the evaluations.

    Likewise, as part of the process, at the close of the campaigns, the suppliers participating in the audits are asked to accept the Code of Conduct (if they have not already done so) through the supplier portal.

  - *Training and communication materials:*

    In 2020, the Purchasing and External Sites Operations teams received specific training on the following topics:

    - Presentation of the Sustainable Purchasing Programme and demo on the platform of the external supplier responsible for managing the audits.
    - Specific training in sustainability, corporate social responsibility and corrective action plans, as well as training in the management of sustainable purchasing programmes.

    In addition, specific communication materials were prepared for suppliers covering the objectives and expectations of the programme, and post-assessment feedback was provided along with resources and assistance for improving the score and implementing the requested corrective actions, with the aim of ensuring alignment with expectations, commitment to sustainability and continuous improvement on the part of the Group's suppliers.

  - *Selection and contracting of suppliers:*

    In 2020, the following actions were carried out:

    - Work was done on a new action protocol related to supplier selection, available starting in 2021, which includes financial and non-financial risk assessment criteria with a weighting of between 5-10%.
    - Clauses relating to compliance with social, ethical and environmental commitments were included in the standard contract for the supply of raw materials (APIs, excipients, packaging, etc.) with specific mention of the Almirall Supplier Code of Conduct and corporate social responsibility audits.

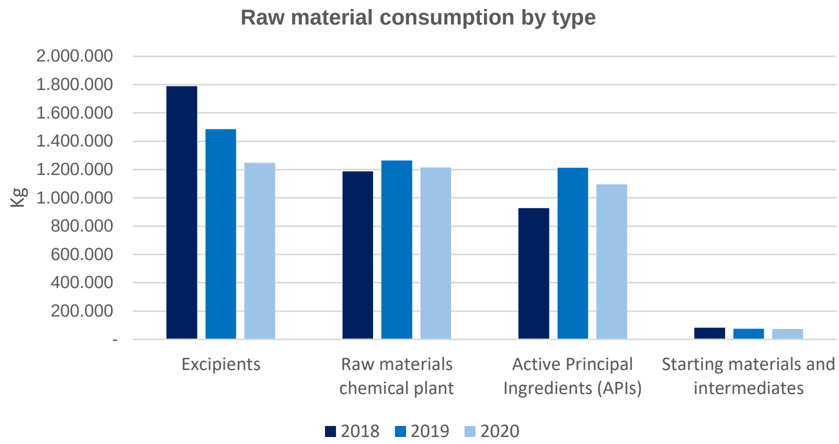
  - *Monitoring. KPIs:*

    In order to monitor the management of the risks associated with the Group's suppliers, in addition to the audit platform, the key performance indicators (KPIs) that will measure the Sustainable Purchasing Programme are being worked on and defined.

In order to continue improving and promoting sustainability and the criteria of social, ethical and environmental responsibility in supplier contracting, in the next financial year, actions in addition to those indicated above are planned in accordance with the aforementioned three-year roadmap.

For information purposes, the 2018, 2019 and 2020 consumption in physical unit (kgs) of raw materials is shown below:

Raw material type	2018	2019	2020
Excipients	1,789,080	1,484,673	1,246,807
Raw materials chemical plant	1,187,226	1,263,604	1,214,070
Active Principal Ingredients (APIs)	927,152	1,212,566	1,096,436
Starting materials and intermediates	81,616	74,460	72,363
Total	**3,985,074**	**4,035,303**	**3,629,676**



Almirall implemented a new tool in 2019 to manage and analyse supplier purchasing data from SAP. The data on raw materials consumption reported in the non-financial information statement for the financial year 2019 were extracted from this new tool.

In the second quarter of 2020, an error was detected which kept some of the data coming from SAP from being extracted and loaded correctly in the new tool.

Therefore, in this statement of non-financial information for the 2020 financial year, the data related to 2018 and 2019 have been restated, resulting in higher figures than those contained in the report for the year ended 31 December 2019.

3. Employees

3.1. The Almirall Culture

Almirall is committed to its employees and their talent. All of them are key to the company's success, and it aims to attract and retain exceptional professionals aligned with the Noble Purpose and corporate values that underpin how we want to collaborate and be perceived by society.

It is also committed to the development of its employees and their professional growth within the organisation, which was demonstrated once again by the awarding of the prestigious Top Employers certificate in Spain, for the thirteenth consecutive year, in 2020.

The culture at Almirall is continually reinforced by its Noble Purpose, which puts patients at the centre of everything it does. The Noble Purpose not only inspires employees to do their best, it is also what gives meaning to their efforts and daily work. It has been shared with all employees through workshops to help them better understand its meaning and by listening to numerous personal testimonials and experiences of patients on how they live with their disease. This regular awareness-raising activity with employees is the driving force behind new efforts to find solutions that help transform patients' lives.

Almirall works constantly to continue developing a working environment where employees feel they are an active part of a Noble Purpose and have a direct impact on society. In addition, so that they feel supported, recognised and empowered, and to give meaning to their daily work, their overall well-being is cared for.

For Almirall, values are a guide for all employees that enable them to achieve company objectives with the appropriate behaviours, and they signal how we want to be perceived by society. They are the lever for continuing to strengthen the company and for seeing how we want to collaborate and work, and thereby affirm an agile, collaborative, entrepreneurial and courageous culture.

Likewise, an effort is made to ensure that the corporate culture is based on the principles of compliance, continuous improvement and accountability. This conduct is underpinned by integrity, and everyone at Almirall is required to comply with the Code of Ethics.

Almirall has a highly qualified team made up of people of different nationalities and specialities, with a clear commitment to diversity. In 2020, the diagnoses of Almirall S.A., Industrias Farmacéuticas Almirall, S.A. and Ranke Química S.A. were signed for the new equality plan, which was presented in September 2020. The company has appointed an equality officer who will monitor all the positive actions proposed in the equality plan. The Legal Representation of Workers has appointed an equality delegate for each work centre. Lastly, as part of the equality plan, the need to periodically review the protocol for sexual or gender-based harassment, as well as its functioning and content, has been established.

In addition, Almirall wants its employees to feel committed, and therefore different listening channels exist to find out their concerns and needs in order to adapt policies, programmes and processes to them. For this reason, Engagement and Culture surveys are conducted in order to proactively define and implement initiatives that reinforce their sense of belonging and willingness to contribute to Almirall’s objectives and Noble Purpose.

Following the 2018 Engagement Survey, an action plan was defined and implemented. A year later, in 2019, the survey was repeated in order to measure the impact of the plan, with very positive results. The results showed an increase in the level of employee engagement of 12 percentage points. This increase was much higher than that obtained in a composite benchmark involving many companies from different industries, which showed that such an improvement in just one year was very difficult to achieve. Only 10% of the companies had achieved this. In 2020, we continued to implement the initiatives arising from this survey, in addition to strengthening the talent development programmes.

Internal communication is key for transmitting and fostering a culture based on the Noble Purpose and its values. The priorities for internal communication are:

- Business: Bring employees closer to the business so that they understand how they contribute to the Noble Purpose, and share with them the milestones of the different projects underway.
- People: Share all initiatives that have an impact on employees, these being initiatives that are focused by and for them.
- Foster spaces where all employees can learn, share and feel a sense of ownership.

Different channels exist for achieving these priorities. In 2020, communication was essential in providing support to employees throughout the pandemic process, as well as in transmitting the continuity of the business and giving the teams peace of mind. During the pandemic, the ‘Closer to You’ site was created on the corporate Intranet to centralise all communications and to accompany employees during the pandemic (more details on this initiative in section 3.3.2, ‘Management of training during COVID-19’).

Promoting health and well-being

As one would expect in a company whose mission is to improve people’s health and well-being, various initiatives have been implemented to promote employee health and create healthy working environments. This includes access to gyms and medical services in the Group’s facilities, as well as restaurants and cafeterias with special menus. At the main workplaces, there is an onsite canteen that offers a variety of alternative menus to promote healthy nutrition.

At the end of the 2019 financial year, the +YOUFEELFIT Challenge programme was launched to promote collaboration and team spirit, with all Almirall employees encouraged to participate. It was a global challenge, supported by a social web app where employees could voluntarily choose to walk, run, cycle or swim, individually or on teams, for a period of time. While practising these sports, employees accumulated Almirometers (the unit of measure of the challenge) which would be converted to money at the end of the challenge. The top performers would be rewarded with attractive and sports-related prizes, and the money from the Almirometers would be donated to NGOs. In short, +YOUFEELFIT Challenge is one that increases all employees’ commitment to the company by creating a culture of physical, emotional and nutritional well-being through a variety of activities.

Participation in +YOUFEELFIT Challenge was very high as was the level of satisfaction, and it successfully generated a very strong commitment among all employees, resulting in new relationships between colleagues and teams, promoting healthy lifestyle habits and increasing positivity and work-life balance among employees.

Due to the pandemic, the conclusion of the +YOUFEELFIT Challenge was postponed until the situation stabilised. For this reason, as an alternative to the challenge, employees were offered a mobile and web application to do exercises at home with different routines that the employees themselves could choose, taking into account their specific needs (for example: Pilates, strength-building exercises, family exercises, prenatal exercises, among many others).

Taking into account the emotional impact of the pandemic, a support plan was also defined for all employees in order to stay close to them and give them all the necessary assistance. Employees received personalised support from the Human Resources teams to resolve doubts and concerns (Human Resources Partners, Health and Safety, Medical Services), and psychological support was provided to all those who needed it.

3.2. Talent recruitment

Almirall insourced the recruitment model by building a highly skilled team of headhunters and recruiters. The role of the headhunter is to identify passive candidates and interact with them, while the role of the recruiter is to attract and evaluate candidates for different positions. This proactive approach to recruiting ensures the existence of a pool of talented candidates and helps simplify applicant tracking to make it possible to hire the best candidate for each position.

A Referral Programme was developed to identify candidates. This programme allows employees to recommend their best contacts for Almirall vacancies. As an incentive, if a recommended candidate is ultimately hired, the employee who made the recommendation receives a financial reward. It is a good way of reaching candidates who fit the company's needs, in terms of both objectives and organisational culture. Moreover, having the employees themselves recommend the company as a good place to develop professionally is also a good letter of introduction that makes highly talented individuals interested in participating in the Group's hiring processes.

The hiring process is robust and consists of several steps according to the level of the organisation. These steps guarantee quality hiring that aligns with Almirall's corporate culture and values. And when it comes to evaluating candidates, there are three assessment levels: Basic, Silver and Gold, coordinated by the Global Talent Acquisition team:

- The Basic assessment is used when hiring specialists and entry-level positions and consists of a personality test, a behavioural interview, a technical interview, a practical job-related test (optional in this case), and lastly a language test, plus a reference check.
- The Silver assessment is used when recruiting for mid-level positions and consists of a personality test, a behavioural interview, a case study or presentation on a specific topic, a role-play, a language test and a reference check. In this case, the case study is mandatory.
- Lastly, the Gold assessment is used when hiring executive-level positions and consists of an advanced personality test, a behavioural interview, a case study or presentation on a specific topic, a role-play, an English test and a reference check. The case study enables assessment of competencies such as entrepreneurial vision, communication, influence, innovation and strategic vision. The role-play, on the other hand, makes it possible to evaluate leadership skills and results orientation, among other qualities.

Internal employees are a priority

When selecting candidates, meritocracy and cultural diversity are advocated in all hiring processes, as diversity and inclusion are part of Almirall's DNA. For example, there are employees of 26 different nationalities, which allows the company, among other things, to be more innovative and productive and to benefit from different points of view that ultimately impact business results.

Furthermore, Almirall firmly believes in giving employees the opportunity to progress in their careers within the company. Thus, when a new vacancy opens up, the existence of internal candidates who might be suitable for the position, relying on the Talent Review processes described below, is always taken into account before it is published externally. In this way, priority is given to employees so that they can enjoy a long career and professional development within the company.

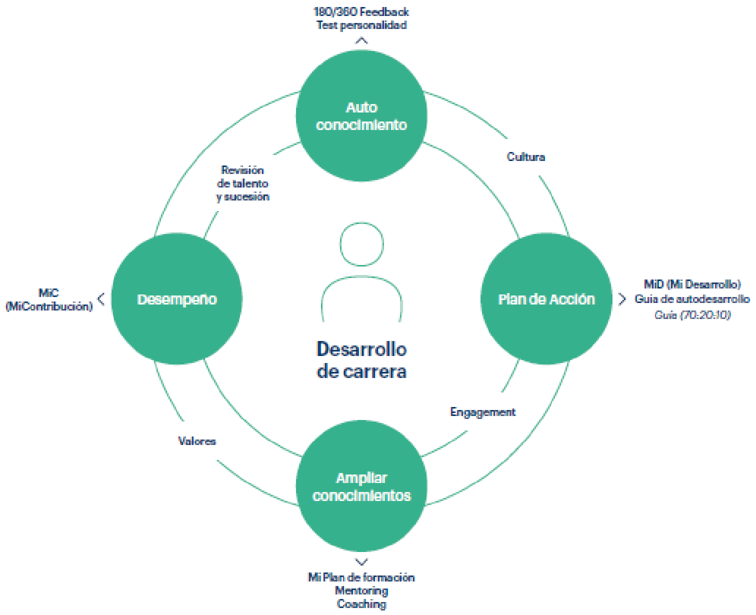
3.3. Training and talent development

As seen above, Almirall's culture is based on corporate values and the Noble Purpose. This is why employee training and development play such an important role in daily operations, representing a strategic and priority focus in the company's corporate agenda. This strategy, as well as the resulting impacts on the employees' experience over the course of their employment at Almirall, accompany them as they develop their careers, help them to achieve success in their role, and allow them to absorb the corporate culture that is desired at Almirall.

The training offered at Almirall is a fundamental resource for ensuring that employees are prepared and have the necessary tools and skills to give the best of themselves in the different areas of their professional field, generating a clear return on investment for the company.

Training and development at Almirall for years has been based on the learning model known as ‘70:20:10’. This model indicates that 70% of learning is experience-based, which is learned in the job on a daily basis. 20% refers to interaction and learning with colleagues and/or participation in collaborative processes such as mentoring or shadowing. The remaining 10% of the learning process consists of structured, academic or traditional training, either face-to-face or in virtual format.

Employees are primarily responsible for their own development and growth. Thus, they are given access to a wide range of tools and programmes to facilitate their development experience at Almirall.



Self-knowledge is a key driver and the starting point of any development path. As a first step in the employee’s professional growth, a self-development programme is provided that makes employees aware of their strengths and growth opportunities through tools such as 180/360 feedback and personality tests.

Once employees have a vision of what they need to strengthen and develop, they set their development goals in an individual action plan agreed with their Manager following the 70:20:10 model. Every employee has at their disposal a virtual ‘Self-Development Guide’ which offers advice and self-development content to help all employees define and monitor their own development action plan, known internally as MiD (MyDevelopment). MiD is a continuous development process that allows every employee to develop their strengths and opportunities for improvement in order to focus on learning proactively from the defined development actions.

The emphasis on continuous learning and development for career advancement and Almirall’s success is essential for achieving the best results. For this reason, there is a performance evaluation process in the company that helps define the path required to achieve the employee’s objectives. These objectives combine business needs and corporate values with strengths, and they represent a challenge for us as a team. Employees and managers hold frequent meetings over the course of the year, which are essential to reinforcing the culture of continuous feedback in the organisation.

Team members identify their training needs and share them with their manager in order to be in alignment and then include them as development actions in their MiD.

The development and training model at Almirall has a clear aim: to foster a culture of continuous learning by providing a positive experience and preparing employees to be efficient in carrying out their tasks and achieving their objectives.

With these bases, Almirall’s training and development strategy this year has been based on three fundamental pillars, which are described below.

3.3.1. The online/offline training plan

In January 2020, Almirall's Training Plan was announced to all company employees. The training plan aims to offer a variety of training courses to help prepare employees for the different stages of their professional careers. This plan is directly aligned with Almirall's strategy, values and competencies.

Employees also have a very proactive role in adapting this plan to themselves over the course of the year, as it serves to align the training offer with their individual development plans. As a first step in professional growth, and as mentioned above, Almirall offers a self-awareness programme that makes employees aware of their strengths as well as their development opportunities.

This training plan is presented to the entire company in four categories to facilitate the search for training courses and to organise the offer. These categories are: Culture and Values, Business, Technological Tools and Languages.

i. **Culture and Values:** Training focused on developing Almirall's values and behaviours, including:

- Capacity/skills building: The main purpose of this training is to develop critical skills to ensure the success of Almirall's results, such as Feedback, Change Management, Innovation, and Diversity Development and Inclusion. In this category, there is also training on how to make the most out of the My Contribution and My Development processes.
- Training in critical leadership skills: This leadership programme, known as 'Leadership Path', is based on five programmes adapted to the different career stages. Each training programme is aligned with personal competencies as well as technical business subjects. The base programme is attended by all employees who are individual contributors. This is followed by another specific programme for managers who need to develop the foundations of Almirall leadership, and a third programme aimed at managers who have been leading teams for a minimum of two years. Lastly, there are two programmes: one for senior leaders and another for key global talent identified in Almirall.

Leaders are essential in developing talent within their teams, while fostering internal talent and providing new opportunities for their teams to grow.

ii. **Business:** Training focused on developing technical skills.

- Functional specialisation training: Training focused on increasing the technical and specific skills necessary to fulfil the responsibilities in each of the functional areas of the company. This category contains specific training for finance specialists, product training for sales teams, as well as training related to scientific topics for R&D professionals, among many others.
- Technical training for non-experts: Training focused on broadening business knowledge for non-experts, such as Finance for Non-Financial Staff, Almirall Strategic Products and Project Management.
- Training on basic principles: Critical and essential training that all employees must undertake. Some of these topics also have a direct impact on Almirall's culture, such as training on the Code of Ethics, Information Security, Pharmacovigilance and Promotional Compliance.

iii. **Technological Tools:** Training focused on developing the necessary technological skills to be able to operate the new tools available with greater efficiency and agility. Some examples are: Modern Workplace, to support the Flexible WorkPlace project; Windows 10, Outlook Mail & Calendar; and the Teams application, which has proved essential for holding virtual meetings, which have increased substantially this year due to Covid-19.

iv. **Languages:** Training programme to develop Almirall's official languages (English and Spanish).

It should be noted that many of the training courses in the training plan are given by internal trainers. These are experts in their area of knowledge. Having internal trainers serves a threefold purpose:

- To develop internal trainers in critical and necessary skills for sharing their knowledge (presentation, listening, feedback, teaching and others).
- To recognise their knowledge and make it visible to the teams.
- To capitalise on internal knowledge and extend it to the rest of the employees, thereby increasing collaboration and synergies between teams.

COVID-19 has had a significant impact on the learning plan. In just a few weeks, it had to be redefined to incorporate many of the courses previously offered only in face-to-face mode into virtual mode. One noteworthy example is the 'On Stage' course, which has been adapted to an innovative virtual reality format which allows self-learning through a unique experience where participants can feel what it is like to present to a real audience from a real stage.

3.3.2. Management of training during COVID-19

The overall management of the training area in response to COVID-19 deserves special mention. The training strategy had to be adapted to continue offering an efficient service in line with the objectives set at the beginning of the year. The following is a summary of the actions taken to meet the challenges created by COVID-19 in this area:

- A virtual platform, 'Close to You', was created, where new training content is launched weekly related to well-being and the health crisis. This content is important for keeping employees informed about the COVID-19 crisis, centralising all the information and memos published to date and providing quick access to all updates as quickly as possible.
- The content was made available in a variety of formats: articles, online courses, podcasts, challenges, live virtual classes and downloadable guides, among others. The training and well-being content ranged from topics related to teleworking, stress management and skill-building during the pandemic to content also considered relevant at a strategic level for the company, such as topics related to Almirall products and sales, and also highlighting topics related to emotional, physical and nutritional well-being.

These launches were carried out within a very intensive communication framework in which several memos were sent out weekly to make employees feel accompanied and nurtured at all times, despite the pandemic.

These training actions were very well-received and, as a result, many people increased their training time and attention to their own well-being based on this special content.

In summary, through all the initiatives and training programmes implemented this year, it can be highlighted that the results were particularly positive, enabling achievement of the established objectives. Some of the most relevant data from the comparison between 2019 and 2020 is the increase in the number of participants and the decrease in hours due to the impact of e-learning training, short content capsules, compared to the face-to-face training with more dedication in hours:

		2019			2020		
Category	**Gender**	**Participants**	**Hours**	**Average**	**Participants**	**Hours**	**Average**
Directors	Women	43.0	210.6	4.9	27.0	340.5	12.6
	Men	90.0	214.9	2.4	87.0	271.5	3.1
Managers	Women	537.0	1,915.0	3.6	385.0	1,388.4	3.6
	Men	573.0	2,051.4	3.6	643.0	1,988.1	3.1
Specialists / Technicians	Women	2,880.0	10,837.7	3.8	3,359.0	7,118.8	2.1
	Men	1,925.0	6,826.9	3.5	2,674.0	6,049.3	2.3
Administratives / Operators	Women	1,328.0	5,771.5	4.3	1,533.0	7,263.5	4.7
	Men	1,218.0	6,854.6	5.6	1,288.0	8,468.5	6.6
Total Group		**8,594.0**	**34,682.5**	**4.0**	**9,996.0**	**32,888.7**	**3.3**

(*) 2018 data is not available as per changes in software and categorization introduced in 2019

3.3.3. The future of training - +YOUniversity

We are working on a strategic training project that will provide Almirall with a single platform from which employees will be able to consult all available training and take the courses on the same platform, which will also be collaborative and provide the opportunity to create learning communities. It will have cutting-edge technology (artificial intelligence) to identify courses according to development needs, roles and training previously completed by employees. This will further promote a culture of learning across the company, democratising training for all employees.

3.3.4. Talent Review and Succession Planning

In 2020, as every year, one of the most important processes for employee development and professional growth was carried out: the talent review and succession planning process whereby the following pillars are strategically analysed, department by department:

- Business challenges and organisational needs.
- Key positions and possible future successors (Succession Plan).
- Identification of employees with high potential (High Potentials) or who are essential to the company for their knowledge (Key Contributors), as well as emerging talent to continue developing as future high potentials in the organisation (Emerging Talent).

The goal of the Talent and Leadership Development strategy is to build a diverse, multi-skilled team to meet the challenges of creating optimal and innovative solutions for patients.

3.4. Remuneration, integration and equality

Almirall's compensation programmes pursue a culture of high performance, with compensation and benefit plans that are aligned with standard market practice and take into consideration the degree of contribution of the position and the performance of each employee. For this reason, Almirall regularly analyses the valuation of the different job positions, as well as the performance of each employee, in order to recognise the performance of each one of them through the annual salary increase process. In addition, the various benefit programmes allow employees to tailor their compensation package to the specific needs of each individual and their families.

In 2020, work was done on a project aimed at building a global organisational structure for the company based on the value of the position as a solid base on which to unify the Compensation and Benefits strategy with certain key Human Resources processes. In 2021 the outcome of the project will be consolidated and communicated, and compensation policies will be adjusted to take this new structure into account.

This project for the correct valuation of jobs is in line with the new legislation in Spain (Royal Decree 902/2020) on equal pay for men and women, and is further evidence of the company's commitment to equality. This commitment is also demonstrated in the Equality Plan that Almirall has had in place since 2009, updated in 2020, as well as in the appointment of an equality agent who will monitor all the positive actions proposed within it. The objectives of the plan include promoting and improving access to senior positions by women, as well as preventing discrimination in hiring and gender-based pay.

Below is a table with a breakdown of the total remuneration received in 2018, 2019 and 2020 in the Group, broken down by gender, category and age:

Category	Gender	2018	2019	2020
Directors	Women	190,807	211,747	221,309
	Men	294,545	276,823	270,599
	Average	266,881	257,596	254,551
Middle management	Women	108,982	110,717	112,251
	Men	121,371	128,375	129,751
	Average	115,870	120,955	122,260
Specialists/Technicians	Women	63,835	66,925	66,418
	Men	67,232	71,842	70,695
	Average	65,342	69,119	68,301
Administrative staff/Workers	Women	39,234	40,060	40,846
	Men	36,985	36,467	37,041
	Average	38,370	38,561	39,122
Group Total	**Women**	**64,672**	**67,214**	**68,044**
	Men	**80,618**	**82,560**	**80,728**
	Average	**71,917**	**74,356**	**73,984**

Age	Gender	2018	2019	2020
< 30	Women	46,167	44,994	40,794
	Men	50,936	47,981	42,259
	Average	48,107	46,359	41,580
30 – 50	Women	64,811	68,050	68,429
	Men	72,463	76,874	71,936
	Average	67,876	71,725	69,877
> 50	Women	69,142	70,371	71,681
	Men	95,050	94,896	96,467
	Average	83,583	83,763	84,969
Group Total	**Women**	**64,672**	**67,214**	**68,044**
	Men	**80,618**	**82,560**	**80,728**
	Average	**71,917**	**74,356**	**73,984**

At year-end 2020, Almirall's unadjusted pay gap (without taking into account job characteristics) averaged 84.3%, i.e. on average, women were paid 15.7% less than men in Total Compensation (Fixed Compensation + Short-Term Variable Compensation).

The calculation formula used was:

$$\text{Average wage gap} = \frac{\text{Average women wage} - \text{Average men wage}}{\text{Average men wage}}$$

In terms of wages, the most representative statistical parameter is the median, and so the gap between the median wages of women and men has also been calculated. The formula used was:

$$\text{Median wage gap} = \frac{\text{Median women wage} - \text{Median men wage}}{\text{Median men wage}}$$

In this case, overall, the gap is reduced by 46%, from 84.3% (average) to a gap of 91.5% (median).

Almirall reduced its unadjusted average pay gap by 15.5% compared to 2019, and by 20.6% compared to 2018.

On the other hand, the company's weighted pay gap, following the previous year's criteria of calculating this as the country-weighted ratio of the average target salary of women versus men in equivalent jobs whenever there is a minimum representation of one employee per gender, is 94.8%. In 2019, it was 93.5%. Almirall reduced the weighted salary gap with respect to 2019 by 1.4%.

This improvement in the unadjusted gap, both the weighted and the average, is mainly due to the increase in women in the Management category (management/leadership positions), either by internal promotion or by hiring in 2020 (see section 3.7, 'Employment: headcount and distribution').

Lastly, in accordance with the new legislation in Spain (Royal Decree 902/2020) on equal pay for women and men, in the first quarter of 2021 Almirall has been working to calculate the adjusted gap broken down by positions of equal value (positions that are truly equivalent taking into account four valuation factors: contribution, context, requirements and scope). A tool (JET from OMD Consulting) is used to carry out this job evaluation, which offers an adequate, complete and objective evaluation. The valuations resulting from this project will be audited by an external and independent third party to ensure their objectivity and coherence, also providing a report justifying the application of the valuation factors to the positions (in accordance with Article 4 of Royal Decree 902/2020).

With this information, the average and median salary gap will be calculated for the groupings (levels) that are established according to the value of the positions. Subsequently, with econometric and statistical models, salary practices will be modelled in order to identify and quantify the factors responsible for the difference between men and women (organisational, cultural, labour market aspects, etc.) to thus rule out the existence of discriminatory factors in terms of remuneration. The result will be reflected in the adjusted pay gap. By mid-2021 this information will be shared in the remuneration register and in the equality plan that the company is updating for Spain.

The following table shows the average gross remuneration received in 2019 and 2020 by the members of the Board of Directors and members of the Management Board of the Almirall Group:

	2019		2020	
Board (€)	Women	Men	Women	Men
Board of Directors (1)	132,500	267,309	98,125	319,755
Management Board (2)	334,813	475,825	376,929	474,483

1) Are included remunerations for the Board of Directors, remunerations associated with the position of each member of the board plus the amounts associated with the commissions they perform during the year. The board of directors includes the CEO of the company.
2) The remuneration of the Steering Committee includes the base salary received during the year, the short term incentives (STI) and long term incentives (LTI) paid in March of the year and all salary supplements (seniority, school assignments, rental allowances, car supplement and other extraordinary compensations). No payments are included for termination of employment.

3.5. Work organisation

Almirall has working calendars that are applicable to all employees and compatible with the legislation in force in each country. The calendars are shared with the Legal Representation of Workers to try to align, as far as possible, the productive needs of the company with personal life. For easy consultation by all employees, the company makes the aforementioned calendars available for each year and posts them on the corporate Intranet in the month of December.

In addition to the legally stipulated annual leave, depending on the country, Almirall offers up to seven additional days off to be taken over the course of the calendar year. For a better adaptability to the needs of the employee, these additional rest days can be taken in up to 14 half days.

The company is committed to the well-being of its employees and, for this reason, with the aim of ensuring work-life balance, the work calendar includes a flexible work schedule, for both entering and leaving, which allows weekly working hours to be adapted to reconcile work and personal life.

In Spain, we offer a flexible scheduling system called Turn it Flex, which makes it possible to adapt the working day to the personal needs of each employee. For offices, it is possible to start the day at any time between 7:30 am and 9:30 am. The midday break can be from 30 minutes to one hour and a half, and the end of the work day can be between 4:15 pm and 8:00 pm. Expansion of the flexibility of the working day has allowed the majority of people who had reduced working hours to extend them, making it possible to balance work and family life. In the same way, employees who work shifts in the industrial area can change them on a rotating basis, with the possibility of morning, afternoon and night shifts. As for the industrial plants, there are rotating morning, afternoon and evening schedules, and annual leave and public holidays are pre-established in the calendar in order to ensure the pace of production.

In order to promote and encourage a more collaborative and innovative environment that allows for greater agility, efficiency and flexibility, a new model of office space has been defined. The Flexible Work Place project has been implemented in the Sant Andreu de la Barca offices and is currently being implemented in the headquarters building.

Due to the exceptional global situation caused by COVID-19, full-time and/or part-time teleworking was promoted for the entire workforce, except for those functions for which, by their nature, this was impossible. In the latter case, all the necessary measures were taken to guarantee the safety and health of employees.

In order to respond to business needs, exceptional measures for flexible working hours, work organisation and annual leave management were negotiated and promoted, thereby ensuring the continuity of business objectives and sustaining the Group's operating models, which ultimately demonstrated the Group's ability to adapt and manage without a major disruption in this exceptional situation.

Almirall, faced with this uncertain situation, constantly evaluates the most appropriate measures to adapt to and address both the health and safety of employees and the business, as indicated in the section 3.11.3, 'COVID-19-related health promotion and management'.

3.6. Social relationships

In relation to employee participation and consultation, Almirall not only scrupulously complies with the commitments acquired in the different negotiation frameworks in each territory (for example, in Spain, the 19th General Chemical Industry Agreement), but also goes one step further by promoting its continuous improvement system. This is done through committees within the organisation that address key issues in the company, such as benefits, equality, occupational health and safety, or any other issues that may affect the day-to-day work of company employees.

Almirall is committed to compliance with and adherence to legislation and labour practices in an environment of constructive dialogue and respect for social agents. Employees must comply with the rules of ethical conduct applicable to the pharmaceutical industry, in addition to the provisions of Almirall's Code of Ethics.

Almirall has legal workers' representatives at all its work centres. Due to the company's presence in several countries of the European Union, in 2019 the European Works Council was established, and in 2020 it held an annual meeting with two working sessions, on 20 and 21 October, where issues of common and transversal interest for several countries were addressed. These included the status of production in the company's plants, news on R&D, updates on occupational health and safety, improvements and new developments in computer applications, latest acquisitions and the economic situation of the Group and anticipated headcounts by country. Additionally, the company applies the state and labor legislation of each country in which it has employees, but also in countries such as Spain, Italy and Austria, 100% of its employees with a labor contract are also subject to the correspondent collective agreement.

Benefit Committees

In Spain, there are several monitoring committees for strategic issues within the organisation. These committees present, discuss and propose improvements and changes to be applied both in Spain and in the Group's subsidiaries, if applicable.

One of these is the benefits committee (which carries out an ongoing analysis of the social benefits provided by the company), which this year met to analyse the granting of school and special aid for the 2019-2020 academic year, as well as to review the life insurance policies offered by Almirall. It also reviewed current social benefits which, within the framework of the Collective Agreement signed in 2017, affect Almirall in Spain.

The benefits were agreed upon at this committee meeting include a marriage bonus and a maternity or paternity bonus. Similarly, Almirall offers two additional days of leave to fathers and mothers, which can be extended by two more days in the case of caesarean delivery and hospitalisation.

Record of Hours Worked

As a result of the regulatory change published in Spain regarding the mandatory recording of hours worked, Almirall, after negotiation with the workers' representatives, agreed to a Working Hours Recording Regulation and developed and implemented a computerised recording tool that allows employees to consult the hours they have worked.

As a result, Almirall employees are better able to see the time invested in carrying out their activities, which allows them to improve the efficiency of their working time and enjoy greater autonomy.

3.7. Employment: headcount and distribution

At the close of the 2020 financial year, Almirall had a total of 1,785 employees, with 26 nationalities represented, 47% men and 53% women, an average length of employment of 13.5 years, 65% with a university degree and 70% experts on the pharmaceutical industry.

Almirall's employees are concentrated in Europe (94%) and the United States (6%). The distribution in professional categories is as follows: 2% Directors, 15% Middle Management, 60% Technical Specialists and 23% Administrative staff/Workers.

The age distribution of Almirall's workforce is as follows: 56% of employees are over 31 and under 50, 7% are under 30, and 37% are over 50.

The distribution of employees by country, professional category, gender and age is detailed below.

	2018			2019			2020		
Country	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Spain	618	521	**1,139**	625	565	**1,190**	624	574	**1,198**
Germany	171	129	**300**	167	120	**287**	169	127	**296**
United States	116	88	**204**	65	46	**111**	55	43	**98**
Italy	27	37	**64**	29	43	**72**	33	45	**78**
United Kingdom	16	17	**33**	17	18	**35**	18	16	**34**
Switzerland	10	9	**19**	9	8	**17**	11	8	**19**
Netherlands	1	1	**2**	9	4	**13**	9	2	**11**
Austria	5	5	**10**	6	5	**11**	10	5	**15**
Belgium	2	4	**6**	4	4	**8**	7	4	**11**
Nordic countries	8	6	**14**	4	3	**7**	-	3	**3**
Portugal	4	2	**6**	5	2	**7**	5	2	**7**
Poland	3	-	**3**	3	1	**4**	3	-	**3**
France	-	1	**1**	-	2	**2**	3	7	**10**
China	2	-	**2**	1	-	**1**	2	-	**2**
Group Total	**983**	**820**	**1,803**	**944**	**821**	**1,765**	**949**	**836**	**1,785**

(*) CEO and President not included in the headcount

	2018			2019			2020		
Professional category	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Directors	12	32	**44**	13	31	**44**	14	29	**43**
Middle management	119	151	**270**	108	149	**257**	113	150	**263**
Specialists/Technicians	605	483	**1,088**	587	472	**1,059**	595	471	**1,066**
Administrative staff/Workers	247	154	**401**	236	169	**405**	227	186	**413**
Group Total	**983**	**820**	**1,803**	**944**	**821**	**1,765**	**949**	**836**	**1,785**

(*) CEO and President not included in the headcount

The presence of women in the Directors category shows an upward trend. At the end of 2020, the gender ratio in this category was approximately 33:67 (women to men). This is a significant improvement over 2019 in terms of the preponderance of men (approximately 30:70) in that category. This reflects Almirall's ongoing effort with respect to achieving gender-parity in the organisational pipeline.

	2018			2019			2020		
Age	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
< 30	70	49	**119**	63	53	**116**	58	62	**120**
30 - 50	642	431	**1,073**	594	424	**1,018**	585	417	**1,002**
> 50	271	340	**611**	287	344	**631**	306	357	**663**
Group Total	**983**	**820**	**1,803**	**944**	**821**	**1,765**	**949**	**836**	**1,785**

The most common type of hiring at Almirall is permanent/indefinite contracts, with an incidence of 98%.

The table below shows the distribution at year-end of permanent/indefinite or temporary contracts, broken down by gender.

	2018			2019			2020		
Type of contract	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Permanent	938	804	**1,742**	914	800	**1,714**	929	821	**1,750**
Temporary	45	16	**61**	30	21	**51**	20	15	**35**
Group Total	**983**	**820**	**1,803**	**944**	**821**	**1,765**	**949**	**836**	**1,785**

The breakdown of the average annual distribution of contracts by duration (indefinite/permanent or temporary) according to age, professional category and gender is as follows:

		2018		2019		2020	
Age	Gender	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
< 30	Women	50.7	17.7	41.7	17.0	42.5	13.2
	Men	40.7	4.5	39.1	8.2	43.1	11.2
30 - 50	Women	607.1	19.3	575.9	16.5	567.2	11.9
	Men	418.8	9.8	409.0	8.4	409.3	6.4
> 50	Women	272.1	1.8	299.6	1.9	313.5	1.3
	Men	344.8	1.4	352.8	0.8	363.8	0.6
Group Total		**1,734.2**	**54.5**	**1,718.1**	**52.8**	**1,739.4**	**44.6**

		2018		2019		2020	
Category	Gender	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary
Directors	Women	10.9	-	12.8	-	13.2	-
	Men	33.7	-	30.8	-	32.2	-
Middle management	Women	123.4	0.2	110.5	0.3	112.0	-
	Men	153.1	2.0	146.3	0.9	147.8	-
Specialists/Technicians	Women	553.3	22.2	562.8	22.8	574.0	15.6
	Men	473.9	7.1	465.2	7.6	458.5	10.3
Administrative staff/Workers	Women	242.3	16.5	231.2	12.3	223.9	10.8
	Men	143.6	6.5	158.5	8.9	177.8	7.9
Group Total		**1,734.2**	**54.5**	**1,718.1**	**52.8**	**1,739.4**	**44.6**

3.8. Layoffs by gender, age and occupational classification/country

The following involuntary severances at Almirall occurred during the 2018, 2019 and 2020 financial years. The following table shows the details of their classification by territory, gender, age and professional classification.

	2018			2019			2020		
Professional category	Women	Men	Total	Women	Men	Total	Women	Men	Total
Directors	-	1	**1**	1	1	**2**	-	6	**6**
Middle management	7	4	**11**	8	7	**15**	6	7	**13**
Specialists/Technicians	24	18	**42**	16	18	**34**	29	14	**43**
Administrative staff/Workers	9	2	**11**	6	3	**9**	4	5	**9**
Group Total	**40**	**25**	**65**	**31**	**29**	**60**	**39**	**32**	**71**

	2018			2019			2020		
Age	Women	Men	Total	Women	Men	Total	Women	Men	Total
< 30	4	-	**4**	-	2	**2**	1	3	**4**
30 - 50	22	13	**35**	19	14	**33**	21	17	**38**
> 50	14	12	**26**	12	13	**25**	17	12	**29**
Total Group	**40**	**25**	**65**	**31**	**29**	**60**	**39**	**32**	**71**

During the 2020 financial year, the Group did not avail itself of any measures related to the suspension of contracts as a result of COVID-19 (ERTE, for example), as most of its activities continued to operate.

3.9. Access for people with disabilities

Almirall is highly committed to employing people with disabilities. At present there are different collaboration agreements in effect with different special work centres/entities/foundations, and we also work proactively to promote and/or facilitate the hiring and integration of this group.

In accordance with the main general legal provisions in force intended to address the rights of people with disabilities, Almirall meets the compliance requirements through the reserve quotas established by law in each of the countries where it has a work centre, or through exception certificates and according to the different circumstances that arise in the Group's companies.

At Group level, Almirall employs the following group with an accredited degree of disability:

	2018 (1)	2019 (2)	2020 (2)
Total disabled employees	14	30	33

(1) Information for Germany and USA not available due to data privacy regulations
(2) Information for USA not available due to data confidentiality regulations.

3.10. Absenteeism

The absenteeism data for the 2019 and 2020 financial years include both hours lost due to sickness and work-related accidents, as well as maternity and paternity leave. The breakdown by country is as follows.

Country/Hours (*)	2019	2020
Spain	108,164	117,075
Germany	38,694	39,622
Italy	9,094	2,691
Austria	1,129	881
Switzerland	1,107	266
United Kingdom	927	1,318
Nordic countries	201	-
Group Total	**159,316**	**161,853**

(*) Absence hours are not reported in the USA since local legislation does not allow them to be recorded.

3.11. Health and safety

3.11.1. <u>Management approach</u>

The occupational health, safety and environmental management system is formally implemented and certified at the centres and with the activities indicated above in section 2.1 of this report. At international subsidiaries beyond the scope of this certified system, occupational health and safety is managed locally, in accordance with the legal requirements applicable in each case.

At the corporate level, Almirall has a Health and Safety Team, which reports to the Head of Corporate Social Responsibility, who, in turn, reports to the Vice President of Human Resources.

As part of Almirall's commitment to society, one of the priority and strategic objectives that drive our daily activities is the safety, health and well-being of our employees.

Almirall has a Global Corporate Health, Safety and Environmental Policy, which establishes that one of the priority and strategic objectives that drive the daily activity of the organisation is occupational health and safety and environmental protection, including energy performance. To this end, the following basic principles, among others, are established:

- A commitment to the safety, health and well-being of employees, promoting integration of the same into the Company's daily work processes.
- A commitment to eliminating hazards and reducing risks to occupational health and safety.
- A commitment to continuous improvement of occupational health and safety management at Almirall in order to improve its performance, in compliance with the applicable legal requirements and other requirements to which Almirall voluntarily subscribes.
- Establishment of periodic programmes, with objectives and targets in accordance with the applicable regulations, the Global Corporate Prevention and Environment Policy itself and the risks and opportunities identified in the area of occupational health and safety.
- Training, involvement and participation of Almirall's staff and partner companies in the application of the principles contained in the Global Corporate Prevention and Environment Policy.
- A commitment to consultation and participation of workers and, where they exist, workers' representatives.
- To ensure the availability of the necessary information and resources, and proper planning for their use.
- Occupational health and safety is an objective of the Company as a whole, and therefore responsibility for achieving it is shared by all Almirall's employees, regardless of their level or role.

As mentioned in section 2, Almirall has an integrated occupational health and safety, environmental and energy management system. In 2019, Almirall successfully passed the TÜV Rheinland certification audit of the integrated management system, in accordance with international standards ISO 45001:2018, ISO 14001:2015 and ISO 50001:2018, at all its centres in Spain and Germany. In 2020, the first annual follow-up audit was performed by TÜV Rheinland. Due to the extraordinary conditions of the COVID-19 pandemic, the first phase of the audit was performed remotely before the summer, and the second phase was closed in September with site visits to the centres in Spain and Germany selected by the audit team. The result was very positive, with zero non-conformities identified.

With regard to occupational health and safety, Almirall was one of the first companies, in general, and one of the first chemical-pharmaceutical laboratories, in particular, to obtain certification of its system according to the new ISO 45001:2018 standard (which replaces the previous OHSAS 18001:2007, for which it has held certification since 2007). This certification is currently held by Almirall's operating centres in both Spain and in Germany.

Almirall has a series of established and implemented due diligence processes and procedures, which it continuously updates, to ensure that the prevention and environmental management system is appropriate, adequate and effective. The following is a list of the most important ones in terms of occupational health and safety:

- Occupational health, safety and environment Manual.
- Risks and opportunities in occupational health, safety and environment.
- Evaluation of occupational risks.
- Legal and other requirements.
- Training in occupational health, safety and environment.
- Communication, participation and consultation in occupational health, safety and environment.
- Management of occupational health, safety and environmental documentation.
- Change control in occupational health, safety and environment.
- Industrial safety in equipment and installations.
- Monitoring of work with special risks.
- Monitoring of suppliers of works and services.
- Road transport of hazardous goods.
- Emergency plans.
- Occupational health, safety and environmental audits.
- Management review of the occupational health, safety and environmental system.
- Incidents, non-conformities and corrective actions.

In 2020, many preventive and employee-health promotion activities were carried out, among which the following basic indicators stand out:

- 13,739 hours of training (up 100% from 6,867 hours in 2019), attended by 2,359 employees (down 8.5% from 2,577 in 2019).
- 230 corrective and improvement actions properly managed in the different areas of the organisation (52% decrease compared to 476 actions in 2019).
- 145 occupational risk assessments related to occupational safety, industrial hygiene, ergonomics, and psycho-sociology at work (down 54% from 313 assessments in 2019).
- 289 suppliers of works and services approved in terms of health and safety to carry out work at Almirall centres (38% increase compared to 209 suppliers in 2019).
- 140 monitoring and control activities (audits, self-inspections, planned observations, etc.) (19% increase compared to 118 activities in 2019).
- 87 incidents and 32 non-conformities, all properly reported, investigated and evaluated (26% fewer incidents compared to 2019 and 62% fewer non-conformities compared to 2019).
- 601 medical check-ups of employees (50% decrease compared to 1,192 check-ups in 2019).

It should be noted here that, due to the appearance at the beginning of 2020 of the COVID-19 health crisis and direct involvement Almirall's health and safety professionals in managing it internally, in 2020 operational activities in this area had to be re-prioritised. This explains the decrease, with respect to the previous year, in the following activity indicators: number of corrective and improvement actions, number of occupational risk assessments, and number of medical check-ups of employees, to highlight the most important ones.

3.11.2. Accidents at work

The tables in this section summarise the main statistical data on accidents at the different Almirall centres for the 2018, 2019 and 2020 financial years.

As can be seen, overall, in 2020, there was a slight uptick in accidents involving disability leave, compared to the data for 2019, a year with extraordinarily low accident levels: 1) Incidence rate: this increased in 2020 by 31% compared to 2019 (8.8 vs 6.7), but a reduction of 24% compared to 2018 was maintained (8.8 vs 11.6); 2); Frequency rate: this increased in 2020 by 29% compared to 2019 (4.5 vs 3.5), but a 26% reduction compared to 2018 was maintained (4.5 vs 6.1); 3); Severity index: this increased in 2020 by 36% compared to 2019 (0.19 vs 0.14), but a 37% reduction compared to 2018 was maintained (0.19 vs 0.3).

This increase is mainly due to a higher accident rate at the Sant Andreu Pharmaceutical Plant, which in 2020 accounted for 10 of the 16 accidents that occurred overall. A plan has been formulated for 2021 to improve the accident rate at this work centre. With regard to the rest of the company's centres, it should be noted that in 2020 there were zero accidents at the headquarters, the Sant Feliu R&D Centre and at all the commercial subsidiaries except Switzerland, where there was one minor accident.

It is important to note that, taking as a reference the official accident rate data for the last period published by the Ministry of Labour, Migration and Social Security, the incidence rate of accidents with disability leave in 2020 was 60% below the level of the Industry Sector, Pharmaceutical Products Manufacturing Division (8.8 vs 22.1). Likewise, the severity rate of accidents resulting in disability leave in 2019 was 80% below the level of the Industry Sector, Manufacturing Industry Division (0.19 vs 0.94).

Tables 1, 2 and 3 also show the accident rate data broken down by gender, with an indication of the incidence, frequency and severity rates.

	General data		Disability leave				
Centre:	Average workforce (1)	Hours worked (2)	Accid.	Days lost	I_I (3)	I_F (4)	I_G (5)
Headquarters	305	580,536	-	-	-	-	-
Sant Feliu R&D Centre	223	424,265	2	535	9.0	4.7	1.26
Sant Andreu Pharmaceutical Plant	384	729,912	4	38	10.4	5.5	0.05
Reinbek Pharmaceutical Plant	112	254,363	2	26	179.0	7.9	0.10
Chemical plants	70	133,496	3	13	42.9	22.5	0.10
Commercial subsidiaries	541	1,008,872	8	325	14.8	7.9	0.32
2018 Total	**1,635**	**3,131,444**	**19**	**937**	**11.6**	**6.1**	**0.30**
Women	882	1,690,979	9	528	5.5	2.9	0.17
Men	753	1,440,465	10	409	6.1	3.2	0.13

Table 1. Accident data in 2018

	General data		Disability leave				
Centre:	Average workforce (1)	Hours worked (2)	Accid.	Days lost	I_I (3)	I_F (4)	I_G (5)
Headquarters	303	585,616	-	-	-	-	-
Sant Feliu R&D Centre	235	450,736	-	41	-	-	0.09
Sant Andreu Pharmaceutical Plant	423	814,776	5	164	11.9	6.2	0.20
Reinbek Pharmaceutical Plant	118	268,787	3	63	25.4	11.2	0.23
Chemical plants	68	131,816	-	-	-	-	-
Commercial subsidiaries	644	1,235,261	4	226	6.2	3.2	0.18
2019 Total	**1,791**	**3,486,992**	**12**	**494**	**6.7**	**3.5**	**0.14**
Women	958	1,864,997	9	335	5.0	2.6	0.10
Men	833	1,621,995	3	159	1.7	0.9	0.05

Table 2. Accident data in 2019

	General data		Disability leave				
Centre:	Average workforce (1)	Hours worked (2)	Accid.	Days lost	I_I (3)	I_F (4)	I_G (5)
Headquarters	269	521,736	-	-	-	-	-
Sant Feliu R&D Centre	272	513,240	-	-	-	-	-
Sant Andreu Pharmaceutical Plant	448	866,456	10	522	22.3	11.5	0.60
Reinbek Pharmaceutical Plant	72	138,944	2	9	27.9	14.4	0.06
Chemical plants	118	260,113	3	33	25.4	11.5	0.13
Commercial subsidiaries	650	1,248,213	1	107	1.5	0.8	0.09
2020 Total	**1,829**	**3,548,702**	**16**	**671**	**8.8**	**4.5**	**0.19**
Women	978	1,898,003	6	505	6.1	3.2	0.27
Men	851	1,650,699	10	166	11.8	6.1	0.10

Table 3. Accident data in 2020

Notes:

(1) No. of workers: average number of workers in the period.
(2) No. hours worked: number of planned hours worked + number of overtime hours – number of absence hours.
(3) Incidence rate: number of accidents per thousand workers.
(4) Frequency rate: number of accidents per million hours worked.
(5) Severity rate: number of days lost per thousand hours worked.
(6) The U.S. subsidiary joined the global occupational safety and health reporting system in 2019.
(7) All reported accidents are of a minor nature, i.e. none are serious, very serious or fatal.
(8) Through the occupational health and safety management system and the identification, evaluation and control mechanisms, no workers with a high incidence or high risk of occupational diseases have been identified. No occupational diseases were identified and reported in 2020.

3.11.3. COVID-19-related health promotion and management

Almirall is firmly committed to promoting good health, with the aim of contributing to the health of its employees through training, communication, awareness-raising and health monitoring initiatives that encourage healthy lifestyles and well-being, both inside and outside the workplace. In 2019, an ambitious health promotion programme was implemented with a total of 1,575 participations in campaigns for the prevention of cardiovascular pathologies, detection of dermatological pathologies, detection of thyroid pathologies, prevention of prostate pathology, among others. In 2020, with the onset of the health crisis caused by COVID-19, the planned programme of health promotion campaigns had to be halted, and all the efforts of the Health and Safety Team and its Medical Services had to be focused on defining preventive measures and intensive monitoring of workers' health.

The following is a summary of some of the main preventive measures implemented in the organisation and at its work centres aimed at protecting the health of Almirall employees from COVID-19:

- Creation of a Corporate Crisis Committee, led by the CEO.
- Organisational measures: private taxi services and childcare services during confinement, teleworking, flexible working hours and calendars.
- Individual measures: social distancing, respiratory protection and hand disinfection.
- Information to employees: continuous and systematic information, close collaboration with workers' representatives, physical signposting of health and safety measures.
- Health and safety: risk assessment in workplaces with potential exposure to COVID-19, protection of vulnerable workers, specific monitoring of workers' health, individualised psychological support, assurance of the provision and control of personal protective equipment.
- Cleaning and disinfection: reinforcement of cleaning and disinfection programmes, provision of hand-sanitising gel, specific waste management measures.
- Use of spaces: physical assurance of a minimum interpersonal distance of two meters, cancelling the use of some workstations, limiting the maximum allowable capacity of meeting rooms, break rooms, canteens and other common spaces. Physical separation measures: monitoring of incoming and outgoing flows in each centre.
- Organisation: minimising the exchange of documents, avoiding face-to-face meetings, favouring the use of video conferencing, eliminating face-to-face training and travel activities, limiting lifts to one person, extending meal times, hygiene measures in company canteens, reinforcing control measures for external personnel.
- Other measures: suspension of the fitness service and other value-added services.

- Monitoring of compliance with standards: active monitoring of the level of compliance with the prevention rules implemented.

In addition, some of the activities carried out in the area of worker health monitoring during the management of the COVID-19 health crisis are listed below:

- Proactive case management of infection and investigation of close contacts: a total of 49 confirmed cases of COVID-19, as well as 101 possible or suspected cases, were managed in 2020. In addition, 244 close contacts were identified, mostly from contacts outside the workplace.
- Serological testing of workers to detect asymptomatic positive cases: 1,370 serological tests were performed in 2020.
- Contingency measures with PCR diagnostic tests to ensure business continuity in the event of local infections: 165 PCR tests were performed in 2020.
- Temperature control at the entrances to the work centres.
- Daily provision and mandatory use of surgical masks in the workplace and during work.
- Campaign to reinforce the need for flu vaccinations this year.

Given that Almirall's activities are considered essential, throughout the health crisis all the necessary activities were carried out to ensure business continuity, that is, to guarantee the continuity of the essential activities that cannot be paralysed due to the pandemic, both in the industrial and R&D centres:

- Employees: protection of workers' health, adopting the necessary preventive measures and monitoring all cases.
- Supply chain: in the industrial area, a Crisis Group was set up to closely assess the status of the different production centres and the impact on the supply chain, and how this could affect the availability of Almirall's products. It reacted when necessary from the following perspectives: a) products for sale in key markets and risk areas; b) continuity of operations in industrial centres (internal and external), as well as disruptive effects in the event of a lack of components; c) impact on current product launch projects.
- It should be noted that in 2020, expenses of €1,284,000 and investments of €158,000 have been quantified, linked to both adaptation of the facilities to the new healthcare requirements and management of personnel in view of the mobility restriction.

The general management of the information and training area in response to COVID-19 is worth mentioning in this strategy. It has had to be adapted to continue offering an efficient service in keeping with the objectives set at the beginning of the year. The following is a summary of the actions taken to meet the challenges set by COVID-19 in this area:

- A virtual platform, 'Close to you', was created on which new content is launched periodically, related to both training and well-being, as well as relevant news on the health crisis to keep employees informed about the COVID-19 crisis, to centralise all the information and memos published and to provide quick access to all updates as soon as they have been shared.
- This information was made available in a variety of formats: articles, online courses, podcasts, challenges, live virtual classes and downloadable guides, among others. The training and well-being content ranged from topics related to teleworking, stress management and skill-building during the pandemic to content also considered relevant at a strategic level for the company, such as topics related to Almirall products and sales, and also highlighting topics related to emotional, physical and nutritional well-being.
- Also in relation to well-being, a support plan was defined for all employees in order to be close to them and to give them all the necessary assistance. Employees received personalised support from the Human Resources teams to resolve doubts and concerns (Human Resources Partners, Health and Safety, Medical Services), and psychological support was provided to all those who needed it.
- It should also be noted that in the area of physical well-being, the +YOUFEELFIT Challenge mentioned above was transformed to adapt to the health situation and now offers an app so that employees can exercise from home with different routines that they can choose themselves, taking into account their specific needs (for example: Pilates, strength-building exercises, family exercises, prenatal exercises, among many others).

These launches were carried out within a very intensive communication framework in which several memos were sent out weekly to make employees feel accompanied and nurtured at all times, event in times of a pandemic.

The feedback received about these impacts was very positive and many people were able to stay informed, get training and think about their well-being.

3.11.4. Worker participation and consultation

With regard to employee participation and consultation, Almirall not only scrupulously complies with the commitments assumed in the different negotiation frameworks in each territory (for example, in Spain, the 19th General Chemical Industry Agreement) but also goes one step further by further developing its continuous improvement system.

In general, at Almirall's work centres in Spain with 50 or more employees, a Health and Safety Committee has been established as a joint and collegiate participation body for regular and periodic consultation of the company in matters of occupational risk prevention. The Health and Safety Committee is formed by the Prevention Delegates, on the one hand, and by representatives of the company in a number equal to that of the Prevention Delegates.

On the other hand, at the Almirall Germany centre (Reinbek) the so-called ASA Committee (Occupational Safety and Health Committee - *Arbeitsschutzausschuss*) has been established, in which both the company and the workers (Work Council - Prevention Delegates) are represented, in addition to the support of the Medical Service and various technical figures in Prevention.

At a general level, the participation and consultation of workers takes place formally, through their representatives (Prevention Delegates), in the periodic meetings of the different Health and Safety Committees/ASA Committees. Nonetheless, on a day-to-day basis, the Prevention Delegates are informed and included as participants in the different processes managed in the PREVAL corporate application (incident investigations, change controls, audits, self-inspections, corrective and preventive actions, etc.), as well as on an occasional basis by means of specific information and consultation memos.

Table 4 lists the nine Health and Safety Committees/ASA Committees in operation at Almirall's centres in 2020, as well as the 78 meetings held during the year (152% increase compared to the 31 meetings held the previous year).

Health and Safety committee meetings were disrupted in 2020 by the COVID-19 pandemic. For this reason, meetings focused exclusively on monitoring the management of the pandemic were held at the different centres, with this taking precedence over the ordinary issues existing at that time.

Centre:	2019	2020
Headquarters	5	20
Sant Feliu R&D Centre	3	17
Sant Andreu Pharmaceutical Plant	5	9
Reinbek Pharmaceutical Plant	8	3
Sant Andreu Chemical Plant	5	4
Sant Celoni Chemical Plant	5	5
Almirall, S.A. Spanish Subsidiary	-	2
Laboratorios Almirall, S.L. Spanish Subsidiary	-	2
Industrial Area - COVID-19 Committee	-	16

Table 4 – 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 2020, it can be concluded that, the COVID-19 crisis apart, no special issues arose that required comments beyond what is described in the minutes of these meetings and in any corrective and improvement actions that may have been managed through PREVAL.

4. Community and Society

4.1. Respect for human rights

As could not be otherwise, Almirall is strongly committed to guaranteeing respect for human rights in all areas and at all levels of its business organisation. This commitment is realised, on the one hand, by recognising them and, on the other, by promoting them. This takes place through the implementation of appropriate corporate policies designed to ensure strict observance of the fundamental principles and values promoted by the main international human rights organisations, most notably the United Nations (UN) and the International Labour Organisation (ILO).

Accordingly, all production processes at Almirall are carried out in fair working environments, governed by values such as respect for human dignity and the autonomy of the individual, as well as equality, these being just a few of the core values that govern the company's business activity.

Guaranteeing the right to decent work is an essential part of the human rights sphere, as has been recognised by international organisations such as the UN and the ILO. In this regard, the policies that govern Almirall's actions in this area (equality, diversity and harassment protocols, as well as the Code of Ethics) are based on compliance with the labour regulations/legislation in force at all times. To this end, due diligence procedures have been implemented to ensure compliance with these regulations. These procedures materialise in the design and implementation of policies, plans and programmes that allow the company to verify compliance and proper observance of human rights within Almirall.

More specifically, through these procedures, Almirall guarantees, among others:

- Compliance with regulations on hiring and working conditions, which exclude abusive, forced or illegal labour situations, specifically child labour, from occurring in any of the Group's companies.
- Observance of non-discrimination and equality provisions by having plans and programmes in place to guarantee non-discrimination in terms of gender (Equality Plans), as well as to prevent the violation of the rights of groups at risk of social exclusion;
- Respect for its workers' rights of unionisation and free assembly through maximum compliance with the provisions of Organic Law 11/1985, of 2 August, on Trade Union Freedom, as well as for the rights and guarantees stipulated in the labour regulations for the members of the Legal Representation of Workers at all Almirall centres;
- Support for its workers' health and safety by implementing prevention plans and complying with the regulations on risk prevention and occupational health and safety.

Lastly, it should be noted that Almirall also has whistleblowing channels available to all its employees, through which they can report any action that they believe constitutes or may constitute or result in a human rights violation. The existence of these reporting tools is widely known and, as they can be used by any worker, they represent an excellent mechanism for ensuring compliance with human rights at all levels. The whistleblowing channels are highly useful because, in addition to bringing possible violations of fundamental rights to Almirall's attention, they also allow the company to combat the violations and act proactively to prevent potential violations, thereby ensuring that human rights are promoted and respected. In 2020, three complaints were submitted through the whistleblowing channel in the United States and handled in accordance with the Group's internal procedures. No complaints have been submitted in Europe.

4.2. Commitments to sustainable development

In its daily activity, Almirall has close ties with all the stakeholders involved in the fields of research and healthcare. It seeks to maintain a fluid relationship with all of them, from patients, doctors and suppliers to partners, investors and NGOs.

Patients

Benefiting patients is at the heart of all Almirall's activities. The company strives to provide effective treatments that improve the health and quality of life of patients and offer them the greatest possible benefit. The entire operating model, from scientific innovation to product marketing, is based primarily on understanding patients and their environment in order to provide them with the greatest possible value. The Group develops innovative medicines that address unmet needs that can have psychological implications; it likewise fosters greater awareness of little-known pathologies, such as psoriasis, that have a significant impact on patients' lives. Almirall focuses on seeking patient-centred solutions through science.

Health professionals

Almirall and health professionals share the goal of improving patients' quality of life. Healthcare professionals' experience provides the company with a wealth of knowledge about possible therapeutic solutions, areas of unmet medical needs, as well as patient responses to different treatments. The company is therefore in constant contact with healthcare professionals and, consequently, able to meet their needs and offer them the most up-to-date information about its products. It also maintains open channels of communication with academic institutions, hospitals and scientific societies to promote joint programmes that contribute to improving health.

Partners such as healthcare professionals (HCPs), healthcare organisations (HCOs) and medical societies, patient organisations (POs) and patient advocacy groups (PAGs) play a key role in the work of improving skin health. These activities provide Almirall with an invaluable opportunity to listen, learn and share.

These are some of the most relevant medical societies and patient organisations with which we have worked in recent years:

- International Psoriasis Council (IPC)
- The International League of Dermatological Societies (ILDS)
- Psoriasis from Gene to Clinic (Psoriasis G2C)
- International Federation of Psoriasis Associations (IFPA)

- The American Acne and Rosacea Society (AARS)

In 2020, we collaborated with a wide range of patient organisations (POs) that support skin disease sufferers and patients in other areas of strategic focus for Almirall. This direct contact with patient advocacy is in line with the commitment to build mutual respect and trust among the company's stakeholders.

This year, collaboration continued with the Healthy Habits Project in partnership with Acción Psoriasis to address the need for guidance and support for psoriasis patients in terms of diet, nutrition, physical activity and emotional well-being. By the end of 2020, nearly 1,500 patients had completed a detailed nutrition survey. The results are being analysed at the same time as the first personalised healthy nutrition pyramid for psoriasis patients is being developed.

In addition to the above, we have also collaborated with Acción Psoriasis in Spain on the 24th Psoriasis Day on 20 May and World Psoriasis Day on 29 October 2020.

In the area of multiple sclerosis (MS), through Sativex®, an innovative treatment for muscle spasticity, the company is collaborating with national organisations such as the Multiple Sclerosis Association of Spain, through the fifth edition of linkEM from 25 to 27 November, a forum for sharing information and tools to spur the creation of new research projects and studies that address quality of life issues for people with MS.

Other projects carried out during the 2020 financial year included: the MOUT-TE race, with more than 2,000 runners; the Apple campaign, which raised money and gave visibility to the 9,000 families of patients with multiple sclerosis in Catalonia; and finally the *Mulla't (Get Wet)* campaign, an event held at 650 swimming pools in Catalonia that attracted 100,000 participants, which made a significant impact in the press with the generation of 400 news items. In addition to the above, the company also participated in World Multiple Sclerosis Day under the theme "Connections", addressing the social barriers faced by people with multiple sclerosis and advocating for better services and care for these patients.

In terms of collaboration with healthcare institutions and patients, the company participated in the FHarmaconectados initiative of the *ProPatiens* Institute, a study that analyses how hospital pharmacies can better meet the needs of patients. In 2020, 24 hospitals across Spain took part, and it included 500 patients to whom hospital medication was being administered. The goal is to connect hospital pharmacists with the voice of the patient and to align and redesign supply, care and activities to better meet their most pressing needs.

Lastly, the association with the Acne and Rosacea Society of America was maintained to increase understanding of the disease among dermatologists and patients.

Strategic partners

The company believes that agreements with other companies help them to offer a balanced and competitive product portfolio and also serve to enhance their business growth. Almirall is, therefore, continuously looking for collaborations and associations that will enhance its R&D capabilities, expand the pipeline and help it achieve its objectives. Its strategic partnerships cover the entire drug value chain and allow it to share efforts, resources and risks for the purpose of discovering innovative treatments in the dermatology field. The most important strategic partners during the 2020 financial year were the following:

- 23andMe
- Bioniz Therapeutics, Inc.
- WuXi Biologics
- Dermira

Non-Governmental organisations

Almirall works with several non-profit organisations to promote activities, offer services and fund projects that they consider fundamental for the social development of the most disadvantaged populations and regions. For example, the company maintains close relationships with patient organisations and patient advocacy groups, collaborating on projects and placing the company's expertise at their disposal. This provides a complete picture of their needs, the conditions surrounding their diseases and the emotional and social barriers they face, allowing Almirall to empathise with their situation and detect new areas of research.

Since 2017, Almirall has participated as a founding member of the Access Accelerated programme, an initiative that is developing scalable and sustainable solutions to save lives and improve people's health. The programme brings together more than 20 biopharmaceutical companies and numerous implementing partners to address the growing number of non-communicable diseases (NCDs) in low- and middle-income countries. The initiative directly addresses the Sustainable Development Goals (SDGs) identified in the United Nations 2030 Agenda, which aims to reduce premature mortality by one third by that year. NCDs are considered a global health crisis: Each year, 41 million people die from NCDs, making it the leading cause of death and disability worldwide, and 32 million of these deaths disproportionately affect people in low- and middle-income countries.

In 2020, the COVID-19 pandemic brought to the forefront the critical need for strong and resilient health systems that can rapidly respond to and balance the demands and challenges of both chronic and infectious diseases. In 2020, Access Accelerated joined forces with PATH, a global NGO, to work together in Kenya, Ghana and Vietnam to transform the response to NCDs using a data-driven approach that strengthens primary health care and supply chain activities. This involves working closely with each country's ministry of health and local stakeholders to create patient-centred solutions that can be leveraged and scaled to maximise Access Accelerated's core investment in different countries and regions.

Almirall is proud to collaborate on this project to collectively work towards a better future, one in which premature deaths from treatable diseases are a thing of the past and people living with or at risk of non-communicable diseases have access to quality and affordable preventive measures, treatment and care.

Associations and health authorities

Almirall complies with all legal and administrative processes required by the health authorities in all areas of activity. Moreover, it collaborates 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 & Associations (IFPMA), among others.

In all of these relationships, the information provided to the associations, along with the company's scientific knowledge, are used to obtain products with the highest degree of safety and effectiveness to maximise patient well-being. The Group seeks to extend its commitment to all its partners and suppliers in the value chain in order to form solid relationships based on integrity, trust and transparency.

In addition, Almirall develops several awareness campaigns for various pathologies focused on contemporary society. This helps patients learn how to manage the symptoms of the diseases they suffer from and raises awareness in the general public regarding the impact these diseases have on patients. The company works with different organisations to promote healthy habits and study the impact of diseases, as well as to increase participation in other global initiatives in multiple countries.

In Spain, several collaboration agreements have been entered into with national and regional health administrations, as well as with hospital pharmacy departments. The main projects in 2020 were in the area of telepharmacy, telecare, home delivery and external distribution, as a result of the specific health situation that has spurred a series of changes at these levels, in addition to teledermatology projects with the participation of dermatologists.

Also in Spain, it has been working with the residency programme for doctors (MIR) and Fundación Galatea since 2009 to promote healthy lifestyles for health professionals and encourage preventive care for health professionals through workshops targeted to their needs. In 2020, in light of the intense stress and unprecedented working conditions faced by health professionals, Almirall joined Fundación Galatea's initiative to provide a platform offering free psychological help and support to health professionals by telephone and video-conference, reaching hundreds of health professionals.

4.3. Social action plan to mitigate the impact of COVID-19

The year 2020 was a year marked by the global health crisis caused by the COVID-19 pandemic. In these exceptional times of uncertainty, Almirall continued its activities to care for the health of patients and joined the fight to provide a unified global response to the COVID-19 pandemic.

It also implemented an action plan valued at over €430,000 that included a wide range of measures to respond to the COVID-19 pandemic, mitigate its adverse effects and provide health professionals with the appropriate tools.

Over the course of 2020, Almirall launched several initiatives around the world:

- Donation of more than 112,000 units of Blastoactiva and Balneum topical creams to several hospitals in Spain, the UK, Poland and Germany to help healthcare professionals treat dry and irritated skin due to prolonged mask and goggle use and repeated hand washing and hand disinfection.
- Sponsorship of the initiative led by Centro Tecnológico Leitat to design and develop the first industrialised and reusable 3D printed respirator with a financial contribution of €50,000. Authorised by the Spanish Agency of Medicines and Health Products (AEMPS), it helped to lighten and support the workload of hospitals, especially in the ICU.
- Grants to several hospitals in Italy, Spain and Portugal to ensure that health professionals have the necessary supplies and equipment.

- Donation of more than 30,000 units of personal protective equipment, including masks, gloves, goggles and Tyvek gowns, to several hospitals, health centres and institutions in Barcelona and its surrounding areas. Delivery of more than 200 items of laboratory equipment and materials to Spanish health authorities and research centres.
- Contribution of €10,000 to finance the creation of a field hospital in Sant Andreu de la Barca (Barcelona) to care for patients with COVID-19.
- Partial reuse of the facilities of the production plant in Reinbek (Germany) to manufacture 10,000 hand sanitiser gel dispensers, which were delivered to hospitals and health centres in Germany and Portugal.

Almirall expressed its solidarity, responsibility and commitment to all the professionals who fight day after day to stop the spread of the pandemic, actively participating in this struggle by using its own resources to facilitate the work of all members of the community.

4.4. Group tax information

4.4.1. Almirall's tax policy

The fundamental objective of Almirall's tax strategy is to guarantee strict compliance with the applicable tax regulations and ensure adequate supervision of the tax policy implemented by its subsidiaries in all the territories where it currently operates: Spain, Germany, the United States, Italy, Switzerland, France, Austria, Luxembourg, Portugal, the United Kingdom, Denmark, Sweden, the Netherlands, Belgium, Poland and China. It does this while seeking maximum legal certainty, contributing to the fulfilment of the business strategy in the short, medium and long term, and maintaining a position of collaboration and transparency with the respective tax authorities.

Almirall has no presence in territories classified as tax havens, and its commercial transactions with third parties located in these or in any other territories are within the framework of its ordinary industrial and commercial activity. Furthermore, it rejects artificial transfers of earnings to these territories and the opacity provided by the lack of transparency of these territories, in accordance with the international taxation principles and recommendations of the OECD's Committee on Fiscal Affairs. Accordingly, it does not use structures of an artificial nature, unrelated to its activity, for the purpose of reducing its tax burden or transferring earnings.

Transparency of information on tax matters is considered essential to Almirall's tax policy. For this reason, it acts by providing, in the most complete manner, the information and documentation with fiscal significance requested by the competent tax authorities in the shortest possible time. Likewise, it develops and promotes a cooperative and fluid relationship with tax authorities based on respect for the law, trust, good faith, reciprocity and cooperation.

In May 2014, Almirall's Board of Directors agreed to adhere to the Code of Good Tax Practices, which includes a series of recommendations aimed at achieving application of the tax system through cooperation between the public administration and companies. This adhesion is aligned with the principles and guidelines for action in tax matters established in Almirall's tax strategy.

Almirall is also sensitive to and aware of its responsibility in the economic development of the territories in which it operates, contributing to the creation of economic value through the payment of taxes.

Almirall's tax policy is based on a prudent and reasonable interpretation of the tax regulations in force in each jurisdiction. The Group avoids significant tax risks by implementing internal information and control systems that enable it to manage tax matters in an orderly and expert manner. Likewise, it uses the services of independent tax experts of recognised and proven reputation before adopting any business decision with potential tax implications. If necessary, it collaborates with the competent tax authorities in seeking solutions to achieve certainty and stability in the tax criteria to be applied by the administration and to give priority to non-litigious means of dispute resolution.

Almirall has established a transfer pricing policy for all transactions with related parties that is aligned with the principles established by the main competent international bodies. This policy is reviewed annually to avoid any deviation from these principles. With the aim of achieving legal certainty and increasing transparency and cooperation, since 2007, Almirall, S.A. has been periodically signing Preliminary Agreements for the Valuation of related transactions with the Spanish Tax Agency in relation to the distribution of its products by the Group's international subsidiaries. The latest Agreement was signed in 2019 and is valid until 2022.

4.4.2. Tax contribution

The Total Tax Contribution measures the total impact of a company's tax payments. This assessment is made from the standpoint of the total contribution of taxes paid directly or indirectly to the different administrations as a result of the Company's economic activity.

A distinction is drawn between the taxes that represent a cost to Almirall and the taxes it collects:

- The taxes borne are those taxes that Almirall has paid to the administrations of the different states in which it operates. These are taxes that have represented an effective cost for Almirall, and they basically include payments for income tax, local taxes, miscellaneous taxes and Social Security contributions payable by the company.
- These are taxes that have been paid as a result of Almirall's economic activity without entailing a cost to the company other than that involved in managing them. They basically include net value added tax, withholdings for employees and third parties, and social security contributions payable by employees.

With regard to taxes paid, and specifically in relation to income taxes paid or collected, the information for the last three financial years is as follows:

Millions of euros	2018			2019			2020		
Payments/(Charges) by location	Relating to prior years	Payments on account for the year	Total	Relating to prior years	Payments on account for the year	Total	Relating to prior years	Payments on account for the year	Total
Spain	(29.2)	20.7	**(8.5)**	(20.9)	19.3	**(1.6)**	-	11.2	**11.2**
Germany	4.3	8.1	**12.4**	1.5	9.6	**11.1**	0.8	10.7	**11.5**
Italy	-	2.9	**2.9**	-	2.6	**2.6**	-	0.9	**0.9**
Switzerland	-	3.5	**3.5**	-	3.1	**3.1**	-	3.2	**3.2**
United States	0.4	(8.9)	**(8.5)**	(0.7)	3.4	**2.7**	-	(1.4)	**(1.4)**
Other countries	0.9	0.7	**1.6**	0.2	0.5	**0.7**	0.1	0.8	**0.9**
Group Total	**(23.6)**	**27.0**	**3.4**	**(19.9)**	**38.5**	**18.6**	**0.9**	**25.4**	**26.3**

4.4.1. Pre-tax net profit by country.

Below is a detail of the pre-tax net profit generated in each of the countries included in the Almirall Group's consolidated group. This net profit has been calculated on the basis of IFRS accounting principles at the individual level, in each of the countries indicated, before incorporating consolidation adjustments:

Net income before taxes (euro thousand)	2018	2019	2020
Spain	253,422	75,854	24,927
The Netherlands	5,756	7,045	12,724
Belgium	112	154	117
Portugal	163	387	282
United Kingdom	869	1,530	727
France	2,236	2,544	2,091
Poland	98	26	24
Germany	34,682	31,683	36,406
Austria	262	1,079	367
Italy	7,212	6,744	17,876
Denmark	218	225	269
USA	66,810	(59,591)	(118,921)
Switzerland	26,346	24,558	41,523

Note 22 to the consolidated annual accounts also details the reconciliation between accounting and tax profits. In general, the origin of permanent differences in individual companies mainly corresponds to the different tax treatment of certain expenses accrued in those years:

- The increase in the base for permanent differences in 2020 is mainly due to the allocation of impairment losses on US subsidiaries. The decrease in the base for permanent differences in financial year 2020 is basically due to the reduction in the tax base of income from the transfer of intangible assets, to reversals of impairment losses on certain European companies subsidiaries and to the distribution of dividends between Almirall SA and some of its subsidiaries.
- The decrease in the base for permanent differences in fiscal year 2019 was basically due to the reduction in the tax base of income from the transfer of intangible assets, to reversals of impairment losses on subsidiaries and to distribution dividend between Almirall SA and some of its subsidiaries.
- The decrease in the base for permanent differences in 2018 was basically due to the reduction in the tax base of income from the transfer of intangible assets as well as to reversals of impairment losses, while the increases basically correspond to the different tax treatment of impairment losses.

In relation to government subsidies, the information can be found in note 18 of the consolidated annual accounts at the close of the 2020 financial year.

4.5. Quality Systems and Pharmacovigilance as tools to ensure product quality, health and consumer safety

Almirall has a Quality Assurance and Pharmacovigilance system which defines the roles, responsibilities and procedures to be followed, with the ultimate goal of ensuring the quality of the products and the safety of patients/customers. For the territories where Almirall sells its products, there are designated persons in charge of local Quality Assurance and Pharmacovigilance. The functions of the Quality Assurance department include collection of information on market quality complaints, the processing of these with the head office and/or manufacturer for evaluation and investigation, in addition to being the contact persons with the national health authorities in each country. On the other hand, the functions of the Pharmacovigilance department include collection of information on possible adverse reactions (side effects), the processing of these with the head office for evaluation, in addition to being the contact persons with the national authorities of each country.

4.5.1. Quality Systems

Almirall is a global pharmaceutical company dedicated to the supply of products through its own R&D efforts and agreements and partnerships aimed at providing products to improve the health and quality of life of patients, in accordance with international quality standards in the sector and in compliance with all legal and regulatory requirements in force.

Almirall has a direct presence in most European Union countries through its own well-established subsidiaries, whose purpose is the direct marketing of Almirall products in each territory. In addition, licensing of products to external partners allows Almirall to market products in other countries around the world.

Almirall, as the holder of manufacturing, storage, transport, distribution and marketing authorisation for medicines and medicinal products, complies with the legislation in force in the countries where it markets its products. In the field of medicines and medicinal products, the responsibilities of the pharmaceutical industry are clearly detailed by the applicable pharmaceutical legislation in force.

Almirall has a global quality system that pursues continuous quality improvement and covers active ingredient manufacturing plant processes, finished product, subcontracted manufacturers, suppliers of starting materials, storage and distribution services.

A significant number of international health authorities conduct regular inspections at manufacturing plants to verify that they comply with the established quality standards. The favourable results of external audits and inspections by health authorities, international bodies and customers in 2020 demonstrate Almirall's commitment to the quality and safety of its products.

Evolution in the number of external audits and inspections:

Inspection body	2019	2020
Health Authorities	19	14
External inspections by partners	4	4

A total of 18 quality inspections were managed in 2020. The inspections covered different types of products (pharmaceuticals, medical devices and cosmetics) and were conducted by inspectors from different countries, using various local and international regulations as a reference. 14 inspections were managed by different health authorities and/or certification entities and the rest by external partners. The inspectors came from at least 8 different countries and focused on 11 different manufacturing sites (from the Almirall group and/or subcontracted manufacturers).

Almirall has a Quality Assurance and Pharmacovigilance system that defines the roles, responsibilities and procedures to be followed, with the ultimate goal of ensuring the quality of products and ensuring the safety of patients/customers in the supply, manufacturing and distribution chain of its products.

Almirall works with suppliers of starting materials and services that impact the quality of the product, all of them previously approved by Quality Assurance. Within the processes of approval and continuous verification of the quality of suppliers, annual audit plans are established for their facilities. As a reference, 63 audits were conducted in 2020 with the following distribution:

Area	Supplier type	Results			
		Fiscal year	Number of quality audits	Favorable	Unfavorable
Manufacturing	Starting materials & services	2019	120	120	-
		2020 (*)	60	60	-
Commercial	Distributors & transport companies	2019	12	12	-
		2020 (*)	3	3	-

(*) Due to the context of the COVID19 pandemic, inspections initially planned for 2020 were re-planned to 2021 according to the action criteria established by the Health Authorities during 2020.

For the territories where Almirall distributes and markets its products, procedures exist that describe the quality system associated with local distribution, and there are people designated to be responsible for local Quality Assurance and Pharmacovigilance in each subsidiary.

The functions of the Quality Assurance department, among others, include the collection of information on market quality claims, their processing with the central and / or the manufacturer for their evaluation and investigation, as well as being the 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 at the central office for evaluation, as well as the contact persons with the national authorities of each country.

At the corporate level, within the Quality Assurance area, a multidisciplinary team of health science professionals (mostly pharmacists and chemists) evaluates the information collected, performs the relevant investigation in each case and takes responsibility for producing investigation reports, issuing conclusions and responding to the customer who submitted the quality complaint. This team is also responsible for establishing preventive and corrective action plans to avoid their recurrence, as well as for informing the national health authorities, in the cases foreseen in the health regulations. This activity is ongoing throughout the life cycle of each drug.

There is also a Quality Operating Committee, chaired by the Corporate Quality Assurance Director, with the active participation of the Group's industrial and business operations areas, to guarantee the necessary coordination on quality issues, as well as to sustain and develop an effective quality system in perfect alignment with the health regulations in force.

The market complaint data for the last two years are as follows:

	2018	2019	2020
Number of drugs complaints (ppm)	5.7	5.1	4.6
Medicines released (units)	105,140,891	104,209,910	102,328,984
Number of complaints about APIs (ppm)	-	-	-
APIs released (kg)	135,227	124,465	129,943
Number of quality inquiries received	1,497	1,268	1,052

As of the date this document was issued, more than 96% of the inquiries received in 2020 had been answered promptly, and the rest are being processed, with the objective of closing them on schedule.

4.5.2. Pharmacovigilance Systems

In addition to the management of quality complaints, Almirall has dedicated staff in charge of the management of Pharmacovigilance activities. In the event that Almirall's Quality Assurance department is informed that a product defect may be associated with an adverse reaction, by company procedure, the Quality Assurance department will notify the Pharmacovigilance department for further management of the adverse reaction, and vice versa.

The corporate pharmacovigilance department, part of the R&D organisation, is composed by staff with background and experience in live sciences (includes physicians, pharmacists, etc.) . Main activities include the evaluation of the safety information collected, carry out follow-up activities if necessary to find out more details about the reported reaction as well as the preparation and distribution of safety reports to the health authorities in accordance with current guidelines. This team is also responsible for ensuring that the safety information available in the package leaflets is up to date at all times with regard to adverse reactions. This activity is ongoing throughout the whole life-cycle for the product (ie. from the first authorisation of the product until its marketing authorisation is cancelled.

In addition at Almirall there is a corporate committee devoted to safety, the drug safety committee, which is the governance body responsible for endorsing relevant decisions on safety matters as well as for ensuring compliance with legislation and patient/consumer safety.

In order to guarantee the continuity of the Pharmacovigilance activities, there is a business continuity plan, which was activated due to the COVID-19 pandemic in 2020, the most noteworthy feature of which was the implementation of home base working as well as the implementation of pharmacovigilance measures and recommendations from the European Medicines Agency (EMA) specific to business continuity during the pandemic. The pandemic has had no impact on the Pharmacovigilance system and its performance.

Key adverse reaction metrics for the last three years are as follows:

	2018	2019	2020
No. of adverse reactions received and processed at Almirall	3,797	4,291	3,518
No. of adverse reactions reported to European Health Authorities (EMA) as required by current legislation	1,034	1,269	1,330

The safety information collected in 2020 does not alter the benefit/risk profile of Almirall products and has not been the subject of safety-related regulatory action by the competent health authorities.

5. About this report

5.1. Scope of the report

This report covers the period from 1 January to 31 December 2020, corresponding to Almirall's financial year. In the sections where historical data appears, figures for the last three financial years (2018-2020) have been included.

For the purposes of this report, Almirall S.A. and all its subsidiaries are referred to as "Almirall" or "the Group". The information reported includes all the Group's subsidiaries. A list of Almirall's subsidiaries can be found in the Appendix to the Consolidated Financial Statements for the year ended 31 December 2020.

The financial information included in this report is derived from the Consolidated Financial Statements for the year ended 31 December 2020.

The indicators included in this report have been compiled by Almirall. The system used to obtain information guarantees methodological rigour and allows for historical comparisons.

Almirall incorporates the content of this non-financial information in this Management Report. Additionally, it prepares an Annual Report, a document in which it accounts for its social and environmental policies, as well as its commitment and performance in sustainability and ESG matters. In it, the Group offers detailed information about the actions performed related to the matters described above.

5.2. Principles of preparation

Almirall has defined the content of this report using the GRI standards and the selected GRI option.

- Inclusion of stakeholders: Almirall maintains a constant dialogue with all its stakeholders. The company is able to anticipate their concerns to meet their expectations and interests.
- Sustainability context: Almirall aspires to contribute to economic, environmental and social progress at local, regional and global levels. The 2020 performance information is contextualised within the framework of the regions where it operates.
- Materiality: Almirall focuses the content of this report on issues on which it has a significant economic, environmental and social impact, as well as those that could substantially influence the decisions and assessments of its stakeholders.
- Completeness: The significant issues included in this report sufficiently reflect the most significant social, economic and environmental impacts of the group to enable stakeholders to assess its performance over the course of the financial year.

5.3. Index of contents required by Law 11/2018 of 28 December

Area	Content	Related GRI Standards	Reference to Statement of Non-Financial Information (page no.)
Business model	Brief description of the group's business model, including: 1) its business environment, 2) its organisation and structure, 3) the markets in which it operates, 4) its objectives and strategies, 5) the main factors and trends that may affect its future development.	102-1, 102-2, 102-3, 102-4, 102-6, 102-7	1 "Business Model" (p. 3)
Policies	A description of the group's policies with respect to these matters, including: 1) due diligence procedures applied for identification, assessment, prevention and mitigation of significant risks and impacts 2) verification and control procedures, including the measures adopted.	103	2 "Environmental management" (p. 12) 4"Community and Society" (p. 36) 3 "Employees" (p. 24) 1.6 "Prevention, Anti-money laundering and Control of contributions to foundations and non-profit organisations" (p. 11)
Short-, medium- and long-term risks	The principal risks associated with the group's activities in relation to these issues, including, where relevant and proportionate, any of its business relationships, products or services that might have an adverse impact in the group's activities in relation to those areas; and - how the group manages said risks, - explaining the procedures used to detect and assess them in accordance with the national, European or international reference frameworks for each matter. - Information should be included on the impacts that have been identified, providing a breakdown of these impacts, in particular the main short-, medium- and long-term risks.	103 (102-15)	2 "Environmental management" (p. 12) 4"Community and Society" (p. 36) 3 "Employees" (p. 24) 1.6 "Prevention, Anti-money laundering and Control of contributions to foundations and non-profit organisations" (p. 11) 4.2 "Commitments to sustainable development" (p. 42) 2.5 "Subcontracting and suppliers" (p. 22)
KPIs	Non-financial key performance indicators relevant to the specific business activity and that meet the criteria of comparability, materiality, relevance and reliability. - In order to facilitate the comparison of information, both over time and between entities, non-financial key indicator standards that can be generally applied and that comply with the European Commission's guidelines on this matter and the Global Reporting Initiative standards shall be used, and the national, European or international framework used for each matter shall be mentioned in the report. - The non-financial key performance indicators should be applied to each of the sections of the statement of non-financial information. - These indicators should be useful, taking into account the specific circumstances, and consistent with the parameters used in its internal risk management and assessment procedures. - In any case, the information submitted must be accurate, comparable and verifiable	102-8, 201-4, 301-1, 302-1, 302-4, 303-1, 304-2, 305-1, 305-2, 306-2, 401-1, 403-1, 403-2, 403-3, 405-1, 405-2, 406-1, 407-1, 408-1, 409-1, 413-1	2 "Environmental management" (p. 12) 4"Community and Society" (p. 36) 3 "Employees" (p. 24)
Environmental issues	**Global environment**		
	1) Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety, environmental assessment or certification procedures; 2) Resources dedicated to the prevention of environmental risks; 3) The application of the precautionary principle, the amount of provisions and guarantees for environmental risks. (e.g. derived from the environmental liability law)	103 (102-11)	2 "Environmental management" (p. 12)
	Pollution		
	Measures to prevent, reduce or remediate carbon emissions that seriously affect the environment, taking into account any form of activity-specific atmospheric pollution, including noise and light pollution.	103	2.2" Pollution" (p. 14)
	Circular economy and waste prevention and management		
	Circular economy	103	2.4 "Waste management, eco-design and biodiversity" (p. 19)
	Waste: Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste;	103 (306-2)	
	Actions to combat food waste.	103	Not applicable
	Sustainable use of resources		
	Water consumption and water supply according to local constraints;	303-1	2.3.2 "Water consumption and wastewater discharges" (p. 19)
	Consumption of raw materials and measures taken to improve the efficiency of their use;	301-1	2.5 "Subcontracting and suppliers" (p. 22)
	Direct and indirect energy consumption, measures taken to improve energy efficiency and the use of renewable energies.	103, 302-1, 302-4	2.3.1 "Power consumption" (p. 18)

Area	Content	Related GRI Standards	Reference to Statement of Non-Financial Information (page no.)
	Climate Change		
	The significant elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces;	103, 305-1, 305-2	2.2.1 "Climate change and greenhouse gas emissions" (p. 14)
	Measures taken to adapt to the consequences of climate change;	103	
	The reduction targets voluntarily established in the medium and long term to reduce greenhouse gas emissions and the means implemented for this purpose.	103	
	Biodiversity protection		
	Measures taken to preserve or restore biodiversity;	103	2.4 "Waste management, eco-design and biodiversity" (p. 19)
	Impacts caused by activities or operations in protected areas.	304-2	
Social issues and concerning personnel	**Employment**		
	Total number and distribution of employees by gender, age, country and job classification;	103, 102-8, 405-1	3.7 "Employment: headcount and distribution (p. 33)
	Total number and distribution of employment contracts,	102-8	3.7 "Employment: headcount and distribution (p. 33)
	Average annual number of permanent contracts, temporary contracts and part-time contracts by gender, age and professional classification,	102-8, 405-1	3.7 "Employment: headcount and distribution " (p. 33)
	Number of dismissals by gender, age and professional classification;	401-1	3.8 "Layoffs by gender, age and occupational classification/country" (p. 35)
	Average remunerations and their evolution disaggregated by gender, age and professional classification or equal value; Wage gap, the remuneration of equal or average jobs in society,	405-2	3.4 "Remuneration, integration and equality (p. 30)
	The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payments to long-term savings schemes and any other payments broken down by gender,	103	3.4 "Remuneration, integration and equality (p. 30)
	Implementation of work disconnection policies,	103	3.5 "Work organisation" (page 32)
	Employees with disabilities.	405-1	3.9 "Access for people with disabilities" (p. 35)
	Work organisation		
	Organisation of working time	103	3.5 "Work organisation" (p. 32)
	Number of absence hours	403-2	3.10 "Absenteeism" (p. 36)
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Area	Content	Related GRI Standards	Reference to Statement of Non-Financial Information (page no.)
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Appendix I. Statement of non-financial information. Summary of contents

1. Business Model

1.1. Introduction to the company

Almirall is a leading global pharmaceutical company, focused on medical dermatology, which collaborates with healthcare professionals by applying science to deliver medical solutions and improve the quality of life of patients and future generations. Almirall's focuses its efforts on fighting dermatological diseases, thereby supporting healthcare professionals, its key partners, in their continuous improvement, with the aim of bringing effective and innovative solutions and transforming the world of patients with skin conditions.

The company achieves innovation by investing in and researching treatments that address unmet patient needs, which can also entail a significant emotional burden. Based on its experience, Almirall provides effective, real-world solutions that work across all phases of clinical development, including trials, approvals, launches, and physician and patient care.

One of its differentiating factors is its focus on the patient's well-being and its great ability to understand and meet their needs. To this end, Almirall puts all its scientific knowledge at the disposal of others and continuously invests in R&D to ensure a balanced portfolio that helps patients and also reinforces its leadership in dermatology. Almirall's commitment to patients, however, goes beyond the dermatological area. The company successfully produces and markets treatments in other strategic areas such as the central nervous system, the cardiovascular system and the gastrointestinal tract, among others.

Part of the company's success lies in the active relationship it has with both patients and key partners. Activities with partners such as healthcare professionals (HCPs), patient organisations (POs), patient advocacy groups (PAGs) and healthcare organisations and medical societies (HCOs) provide Almirall with a valuable opportunity to listen, understand and share. For this reason, the company has taken an active role in significant congresses and conferences such as those of the European Academy of Dermatology and Venereology (EADV) and the American Academy of Dermatology (AAD).

Almirall is listed on the Spanish Stock Exchange and has become a key source of value creation for society, thanks to its commitment to its main shareholders and its decision to help others by understanding their challenges and using science to offer solutions applicable to real life.

Through its R&D efforts and agreements and partnerships with third parties, Almirall's operations cover the entire drug value chain, making it a specialist company, which enables it to achieve its goal of bringing the most innovative products to wherever they are needed.

1.2. Corporate Governance

Corporate governance at Almirall is guided by the Group's Noble Purpose (defined as 'Transforming the world of patients by helping them realise their hopes and dreams for a healthy life', see section 3.1 for further details) which reflects the company's mission and unchanging essence. The aim is to ensure that the management model and the decisions taken by the Board of Directors and its committees uphold the long-term interests of the different stakeholders and guarantee the company's sustainability.

The critical elements are authority, transparency, shareholder protection and clear accountability.

The Noble Purpose and the company's corporate values are guaranteed not only through the systems established to comply with existing laws and regulations applicable to Almirall but also by leading with levels of transparency that allow us to gain the trust of patients and healthcare professionals, as well as other stakeholders, shareholders, investors, regulatory authorities, the sector as a whole and the media, etc.

1.2.1. Board of Directors

The Board of Directors carries out its duties with unity of purpose and independence, treating Almirall's shareholders equally and always guided by the interests of the company, with an absolute commitment to maintaining and protecting its value. It also ensures full compliance with laws and regulations, as well as compliance in good faith with its obligations and contracts, fully respecting the good practices of the sectors and territories where Almirall operates, and always complying with the principles of sustainability and social responsibility that the company has voluntarily integrated into its strategic objectives.

In 2020, twelve directors (seven independent directors, three proprietary directors, one external director and one executive director), the non-director Secretary (José Juan Pintó Sala) and the non-director Vice-Secretary (Joan Figueras Carreras) made up the Board of Directors of the company.

The members of the Board were: Jorge Gallardo Ballart (Chairman and Proprietary Director), Tom McKillop (First Vice-Chairman and External Director), Carlos Gallardo Piqué (Second Vice-Chairman and Proprietary Director), Gerhard Mayr (Independent Director), Karin Louise Dorrepaal (Independent Director), Seth J. Orlow (Independent Director), Georgia Garinois-Melenikiotou (Independent Director), Enrique De Leyva Pérez (Independent Director), Alexa B. Kimball (Independent Director), Eva-Lotta Coulter (Independent Director), Antonio Gallardo Torredededía (Proprietary Director) and Peter Guenter (Executive Director and CEO).

Director Peter Guenter left Almirall on 31 December 2020 to pursue new career opportunities. The Company initiated the succession process to identify the new CEO.

The Annual Corporate Governance Report and the Annual Report on Directors' Remuneration contain additional details regarding Almirall's Board of Directors.

Board Commissions

There are three Board Commissions: the Audit Commission, the Nominations and Remuneration Commission, and the Dermatology Commission. Each of them operates with clear and defined roles, and their activity is regularly reviewed to ensure that the proposed objectives are achieved.

The committees meet quarterly and report their activities to the Board of Directors at each meeting.

1.2.2. <u>Audit Commission</u>

The Audit Commission is responsible for reviewing the company's regularly published financial and non-financial information, ensuring compliance with all legal requirements and the correct application of applicable accounting standards. It also supervises the internal audit system, internal control systems and activities related to risk control and management, in addition to constant interaction with the external auditors.

The Audit Commission and its Chairman, in particular, assume the functions relating to the overall supervision of all matters relating to Sustainability and ESG.

Almirall implements both an internal audit function and an annual external audit process to ensure the integrity and accuracy of all the information it publishes. Similarly, an important function of the Commission is management of the company's risks, which it does by supervising a management project that has been in place for many years, on the basis of which all operational risks are fully assessed and other risks, such as reputational, sustainability and information security risks, are fully managed.

The Audit Commission is composed of three directors, all of whom are non-executive directors, two of whom are independent directors and one of whom is an external proprietary director. The Commission Chairman is elected from among the independent directors. This director must be replaced every four years and may be re-elected after a period of one (1) year has elapsed since leaving office. The Secretary is appointed by the Commission members. The Commission normally meets on a quarterly basis to review the periodic financial information to be submitted to stock market authorities and the information the Board of Directors must approve and include in its annual public documentation. It also meets at the request of any of its members and whenever convened by its Chairman, who must do so whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever it is appropriate for the proper performance of its functions.

The functions of the Audit Commission include:

- Giving an account of its activities and reporting on its work to the first plenary session of the Board of Directors following its meetings.
- Taking minutes of its meetings, copies of which it must send to all the members of the Board.
- Preparing an annual report on its activities, highlighting any relevant incidents that may have arisen in relation to its duties. In addition, when it deems it appropriate, it includes in this report proposals for improving the company's governance rules.
- Calling on, or even ordering, any of the members of the Company's management team or staff to appear without the presence of any other manager. Likewise, it may require the attendance of the auditors at its meetings.
- Seeking the advice of external experts when it deems it necessary for the proper performance of its duties.

In 2020, the Commission, among other matters, reviewed the company's regular financial reporting and discussed the appointment of the external auditors, the transactions with the most significant financial impact, corporate governance issues, the outcome of the ICFR testing, and the supervision of the internal audit function.

1.2.3. Nominations and Remuneration Commission

The Nominations and Remuneration Commission oversees the selection process and the remuneration policy for members of the Board of Directors and senior management of the company and its subsidiaries, in addition to supervising and coordinating the global strategic activities of Almirall's Human Resources area.

The Nominations and Remuneration Commission is responsible for formulating and reviewing the criteria to be followed regarding the composition of the management team of the company and its subsidiaries. Its responsibilities also include selection of candidates and evaluation of their skills and knowledge and of the experience required for the members of the Board of Directors and the company's management team, ensuring compliance with the remuneration policy established in this respect, as well as the review of potential conflicts of interest.

The Nominations and Remuneration Commission is made up of three external directors, two of whom are independent. The members of the Nominations and Remuneration Commission are appointed taking into account their knowledge, skills and experience, as well as the duties of the Commission. The Chairman of the Nominations and Remuneration Commission is an independent director elected from among these external directors. The Secretary of the Commission is appointed by its members. The Nominations and Remuneration Commission normally meets quarterly. It also meets whenever convened by its Chairman, who must do so whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever it is advisable for the proper performance of its duties. The Commission must report on its activities and be accountable for its work to the first plenary session of the Board of Directors following its meetings. Likewise, the Commission must take minutes of its meetings, copies of which it must send to all the members of the Board. The Commission must consult with the Chairman and chief executive of the Company, especially on matters relating to executive directors and senior executives. The Nominations and Remuneration Commission may seek the advice of external experts when it deems it necessary for the proper performance of its duties.

Notwithstanding other duties that may be assigned to it by the Board of Directors, the Nominations and Remuneration Commission has the following basic responsibilities:

- Formulating and reviewing the criteria to be followed for the composition of the management team of the Company and its subsidiaries, as well as for selection of candidates.
- Reporting and submitting to the Board of Directors the proposed appointments of directors, senior executives and managers so that the Board may proceed with their appointment.
- Reporting to the Board regarding issues of gender diversity and director qualifications.
- Proposing to the Board of Directors the remuneration policy for directors and general managers or for those who perform their senior management duties under the direct supervision of the Board, executive committees or managing directors, as well as the individual remuneration and other contractual conditions for executive directors, ensuring that they are complied with.

Among other matters, during the 2020 financial year, the Commission debated and approved the reports evaluating the Chairman of the Board and Chief Executive and the functioning of the Nominations and Remuneration Commission to be submitted to the Board of Directors of the company for the corresponding purposes. The Commission also discussed the updating of the human resources plan, the composition of the Board and the re-election of directors. In addition, the SEUS evaluation and the proposal for 2020 were discussed.

1.2.4. Dermatology Commission

The Dermatology Commission verifies and discusses Almirall's medical dermatology strategy and oversees activities related to implementation of this strategy, as well as relevant R&D and business development projects before the Board of Directors decides on them.

The Dermatology Commission usually meets quarterly. It must also meet whenever convened by its Chairman, who must do so whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever it is advisable for the proper performance of its duties. The Commission must take minutes of its meetings, copies of which it must send to all the members of the Board. The Board of Directors deliberates on the proposals and reports submitted to it by the Commission. The Dermatology Commission may seek the advice of external experts when it deems it necessary for the proper performance of its duties.

Its most important activities during the 2020 financial year were related to the review of potential business development operations, as well as the evaluation of R&D projects, always in the area of dermatology.

1.2.5. Corporate Governance Committee

The Corporate Governance Committee is an internal committee chaired by the Chairman of the Board, and its functional scope includes corporate governance, corporate defence, risk management and internal audit, as well as oversight in matters of compliance and sustainability.

The Committee is composed of Almirall's Chairman (who also chairs the Committee), the Chief Executive Officer, the Executive Vice President of Global Business Operations, the Executive Vice President of Finance and Chief Financial Officer, the Vice President of Human Resources, the Vice President of Legal Affairs, the Internal Audit Director and the General Counsel, who also acts as Secretary of the Committee.

The company also has an established Risk Management Committee, which reports to the Chairman of the company and to the Corporate Governance Committee and, through the Internal Audit Director, to the Audit Commission of the Board of Directors.

1.2.6. Management Board

Almirall's Management Board is the internal committee that leads the company's governance, reporting to the Chief Executive Officer, and it represents the most important areas of the organisation, defining the company's long-term objectives and strategies, establishing the principles and approving the contents of the various Almirall internal corporate policies.

The mission of the Management Board encompasses the following responsibilities:

- Directing all strategy and strategic decisions of the company not expressly reserved for the Board of Directors, in accordance with the general responsibilities and guidelines established by the Board of Directors and/or delegated by it to the Chief Executive Officer;
- Taking all extraordinary organisational decisions not expressly reserved for the Board of Directors or delegated to another committee, body or person;
- Managing the organisation in accordance with the general responsibilities and guidelines established by the Board of Directors and/or delegated by it to the Chief Executive Officer;
- Taking all day-to-day management decisions for the organisation not expressly reserved for the Board of Directors or delegated to another committee, body or individual; and
- Maximising the strategic value of Almirall's personnel management policies and working environment.

The members of the Management Board include the Chief Executive Officer, who chairs the Committee, the Executive Vice President of Global Commercial Operations, the Executive Vice President of Finance, the CFO, the Senior Vice President of Manufacturing & Technical Services, the Senior Vice President of Legal Affairs, the Senior Vice President of Human Resources, the Chief Digital Officer, the Chief Medical Officer and the General Counsel, who also acts as the Secretary of the Committee.

There are also other internal committees which report to the Management Board, including the Pipeline Committee, the Tax Committee, the Drug Safety Committee and the ESG Committee.

1.2.7. COVID-19

In February 2020, and as the internal 'Crisis Management' policy establishes, the company formed a 'Crisis Committee' to manage all issues and aspects related to the pandemic and its related effects. This Committee, made up of all the members of the Management Board plus the individuals responsible for IT, External Communications and Corporate Social Responsibility, has been meeting systematically since then and, in particular, during the critical phase of the pandemic.

Similarly, and also since March 2020, the meetings of most of the company's internal committees, especially the Management Board, have been held virtually. This is also true of the meetings of the Board of Directors and the Board Committees, including the company's Annual General Meeting which, initially called for May, was cancelled for security reasons and subsequently rescheduled to be held virtually in July 2020.

1.3. Objectives and strategy

The company's strategic focus is on (i) driving growth in dermatology while optimising the value of its current portfolio; (ii) expanding the portfolio and pipeline in priority therapeutic areas through an effective combination of R&D and corporate development; (iii) achieving selective expansion in key countries; (iv) increasing the company's competitiveness through greater proximity to Almirall's patients; and (v) promoting an organisation with a culture based on the company's corporate values.

1.3.1. Noble Purpose and Corporate Values

Almirall's Noble Purpose is patient-centred and guides the Group's strategy, leadership, culture and mentality. It focuses on a unique patient experience, with solutions that offer the greatest possible benefit to the patient. The emphasis is on the patient's well-being, and therefore every effort is made to offer effective solutions. There is also active engagement with patients and the medical community to better understand their needs. Almirall's operating model, from scientific innovation to clinical development and marketing, is based on understanding the patient's environment in order to add value.

The millions of patients who use Almirall's treatments around the world place their trust in the company and expect it to be able to provide them with medical solutions that improve their well-being and quality of life.

The company offers medical solutions based on science. It undertakes research and invests in order to provide innovative treatments to the healthcare professionals who address their needs in the field of dermatology. Patients are seen first and foremost as people, with concern for their quality of life. This promotes greater understanding and social awareness of diseases that involve emotional distress, such as psoriasis.

Relationships with patients and other stakeholders depend to a large extent on awareness of the disease, and thus all the Group's activities are aligned with the strategy of raising awareness of these diseases, their symptoms and consequences, and of possible solutions.

Almirall is focused on delivering innovative, patient-centred solutions through science.

The entire organisation strives to reinforce its commitment to remain a leading, transparent and responsible company and to share the following values:

- *'Caring':* Patients are always at the centre. The company listens to and empathises with patients, and they work with them to achieve success.
- *'Dedicated':* The company's professionals never throw in the towel. They are committed, passionate, responsible and bold.
- *Dynamic:* The team is agile and tries to simplify, challenging the status quo and empowering the entrepreneurial mindset.
- *'Expert':* In addition, the company always tries to be one step ahead, acting rigorously in everything it does and daring to try and to learn.

1.3.2. Research and Development

One of the key factors in Almirall's business model is its research and development (R&D) activities, which go back more than 40 years, the essential objective of which is to provide innovative solutions to address unmet medical needs. Almirall's R&D focuses on areas where it can make a more significant contribution, with the aim of improving patients' health and quality of life. Thanks to its three specialised research centres, together with international partnerships, the company has products at almost all stages of development.

Almirall carries out most of its R&D activities at its facility in Sant Feliu de Llobregat (Barcelona), which opened in 2006. With over 27,500 m^2 of space, it is equipped with the most advanced technology and staffed with highly qualified professionals in all the disciplines involved in the research and development of new drugs. In addition to this facility, Almirall also has a chemical plant in Sant Andreu de la Barca (also in the Barcelona area), which provides the active ingredients needed for toxicological, preclinical and clinical studies.

Acquired by Almirall from Hermal in 2007, the research centre in Reinbek (Germany) is located on the outskirts of Hamburg and has a total surface area of 21,000 m^2. At this facility, Almirall's experts work on development programmes to discover new formulations indicated for the treatment of skin diseases. Its more than 60 years of experience in this area make it the leading dermatology centre in Europe.

Lastly, Polichem, with its R&D centre located in Mendrisio (Switzerland), was acquired in 2016. Its main activity is focused on medical dermatology and dermocosmetics, especially in relation to original formulations and pharmaceutical technologies with a wide range of therapeutic applications. 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 healthcare professionals. To this end, the company organises and sponsors courses, conferences and medical meetings in each of the corresponding therapeutic areas. In addition, Almirall's articles and clinical trial results are published in international scientific journals.

Knowledge sharing with the medical community also extends to collaborative projects. Almirall partners with academic institutions, hospitals and scientific societies to increase knowledge about diseases.

In addition to its own R&D programme, Almirall establishes agreements with public and private organisations, as well as with academic research teams and biotechnology companies around the world, to create a knowledge exchange network and promote innovation for the benefit of society. This enables the creation of new research programmes that respond to the current needs of society and, additionally, provides access to new technologies, thereby accelerating the process of identifying new drugs.

In 2020, Almirall continued to consolidate its strategy and business model, which is focused on the development and supply of life-saving therapies for well-defined subsets of patients and therapeutic indications. Based on this experience, the aim is to develop innovative solutions that work in all phases of clinical development, such as trials, approvals, launches and care for doctors and patients. In addition, the company continues to identify opportunities for acquisitions and partnerships to further improve its competitiveness in the market and the positive impact on the well-being of patients. Skin diseases are complex pathologies with debilitating symptoms that negatively affect patients' quality of life and have significant psychological implications. Innovation is achieved by working on patients' unmet needs and increasing engagement with them, as well as with health professionals, in search of better solutions for their pathologies. Almirall applies science where it is most needed.

1.3.3. Digital Transformation

Like many other industries, the pharmaceutical industry is undergoing a major transformation. For this reason, and in order to remain a competitive industry over the long term, Almirall must include innovation in all the processes in its value chain and establish new approaches and strategies for launching new products.

In addition, the company is increasingly incorporating digital resources into its activities to establish more efficient processes, as well as to increase the reliability and speed of diagnosis of skin conditions, enabling it to develop solutions that go beyond medication. Almirall is harnessing the great potential of digitalisation and technology with the aim of transforming medicine, research and the way it interacts with its patients in a way that brings them value.

The company is pursuing this digital transformation by implementing new approaches based on four pillars:

- Commercial innovation: Thanks to the development of innovative actions, Almirall is able to differentiate its products and support healthcare professionals and patients.
- Innovation in R&D and production: Through the use of real-world data, the company is improving efficiency in drug production and decision-making processes in terms of time, cost and impact.
- External communications and digital outreach: The company generates a positive impact on its communications by promoting new digital business models with which it accesses new value niches.
- Data and analytics: Almirall is building a solid and complete database to provide a realistic view of the business.

As medicines and healthcare become more complex, digitalisation is progressing rapidly and is increasingly being incorporated at all levels of healthcare. Given the need for digital transformation, applications have been developed that enable healthcare professionals to diagnose and prescribe medicines to patients much more quickly and safely, while allowing them to monitor treatments and evaluate their effectiveness.

1.4. Sustainability and ESG

1.4.1. Context

Recently, given its commitment to increasing its contribution to society, Almirall approved a new Sustainability/ESG strategy, continuing with the integration of environmental, social and ethical issues in the decision-making process. ESG (environmental, social and governance) criteria are present in the day-to-day activities of the company and at all levels of the company, from the Board of Directors, the Audit Commission and the Management Board, to its professional teams and including all its relationships with stakeholders.

This new sustainability strategy meets a number of objectives, of which the most important are to (i) maximise value creation for patients and various stakeholders, (ii) promote ethical behaviour by increasing corporate transparency and strengthening the company's reputation, and (iii) identify and mitigate any risks caused by the company's activities. Almirall's Chief Executive Officer is responsible for internal oversight of all sustainability-related activities and for establishing control and management measures, as well as for reviewing ESG initiatives and programmes, the internal committee for which reports directly to him. The Audit Commission and, in particular, its Chairman assume the functions related to oversight of all matters relating to sustainability and ESG.

In addition, integrity and transparency are fundamental pieces in the sustainability of the company and are integrated into all its processes and activities. In keeping with its commitment to transparency, Almirall gathers, builds and provides, clearly and consistently, factual, complete and accessible information to all its stakeholders in order to generate trust in the company and credibility. Furthermore, the company and all its European subsidiaries adhere to the Code of Practice of the European Federation of Pharmaceutical Industries and Associations (EFPIA), as well as those of the corresponding local associations in the European countries where Almirall operates, such as Farmaindustria in Spain, always complying with the applicable legislation in force in each country. In this regard, the company publishes information on payments and value transfers to healthcare professionals or organisations for activities such as consultancy, meetings and advice, in accordance with the corresponding legal provisions, as well as with these healthcare professionals and organisations.

1.4.2. Sustainability Policy

In February 2020, Almirall's Board of Directors approved a modification of the Corporate Social Responsibility Policy (hereinafter CSR), renaming it the Sustainability Policy and assigning responsibility for internal oversight in this area to the Chief Executive Officer. In accordance with this approval, a new Corporate ESG Committee was formed in 2020, reporting to the Management Board, with the mission of managing and leading the plans, programmes, projects and initiatives related to the ESG strategy approved by the Board of Directors.

Almirall understands sustainability as the company's responsibility for its impact on society and the environment. To fulfil this responsibility, Almirall is committed to integrating ethical, social and environmental concerns into its business and operational strategy in close collaboration with its stakeholders in order to (i) maximise the creation of shared value for its shareholders and other stakeholders and for society in general; (ii) foster a culture of ethical conduct that increases corporate transparency; (iii) strengthen the company's reputation and external recognition, and (iv) identify, prevent and mitigate possible adverse effects caused by its activity.

In order to achieve the aforementioned objectives, the Company adopts the following general principles:

- Align its conduct with the principles contained in the Code of Ethics and the other Corporate Governance Rules, which regulate the conduct expected of Almirall employees in the performance of their activities.
- Foster communication and dialogue with its main stakeholders through various communication channels, promoting relationships based on mutual trust.
- Promote transparency in the information released regarding Almirall's actions and activities, and to adopt responsible communication practices to prevent manipulation of information and protect the integrity of Almirall's reputation.
- Proactively manage non-financial risks and opportunities arising from the markets and the context of business transactions.
- Ensure the creation of shared value for shareholders and other stakeholders over the long term.
- Reduce the environmental impact of its activities in the areas where it operates.
- Strictly comply with the applicable laws and regulations in the countries where it operates

1.4.3. New ESG Strategy

During the months of April and May 2020, Almirall carried out a new internal and external ESG diagnosis, as well as a materiality analysis of the different aspects analysed, thereby identifying which were the most important for the different stakeholders. The result of this exercise led to the formulation and confirmation by the Board of Directors, in July, of a new ESG Strategy.

The internal diagnosis was carried out through:

i. review and assessment of all existing internal ESG documentation by a specialised consulting firm; and
ii. direct consultation with Almirall's Senior Management through structured interviews.

In contrast, the external diagnosis was carried out through:

i. benchmarking with leading companies in the sector and with companies similar to Almirall;
ii. consultation of public information from different sectoral opinion leaders;
iii. consultation of public information from different ESG opinion leaders; and
iv. direct consultation through structured interviews with representatives of the most relevant stakeholders.

Thirty-nine ESG aspects were identified for evaluation, both internally and externally, and their prioritisation is reflected in the corresponding materiality matrix.

As a summary of the materiality analysis carried out, the following 22 aspects have been identified as material: Research, development and innovation, Compliance and anti-corruption, Business model and strategy, Product quality, Employee health and safety, Corporate governance, Risk and opportunity management, Pharmacovigilance, Patient-centred care, Talent development and retention, Strategic alliances, Responsible supply chain, Employee well-being, Customer relations, Corporate information availability, Talent attraction, Financial performance, Drug safety, Efficient energy management, Inclusion and diversity, Human rights, and Climate action.

The ESG Strategy is being implemented through 15 working areas grouped into four top-level strategic lines, as shown below:

Environment

(1) Continue to develop the strategy for combating climate change.
(2) Detail the calculation and improvement of the carbon footprint.
(3) Increase energy efficiency management.

Social

(4) Increase the visibility of social actions by establishing a corporate framework.
(5) Continue with deployment of the supplier risk management model.
(6) Increase the detail of the patient engagement plan in alignment with the Noble Purpose.
(7) Update and extend the equality and diversity programme to include all types of diversity.
(8) Involve employees in social impact initiatives.
(9) Develop a holistic approach to occupational health and safety through an employee wellness programme.

Government

(10) Develop and implement an anti-corruption and anti-bribery policy.
(11) Reinforce the detailed revision of the Code of Ethics and the whistleblowing channels, extending them to all stakeholders.
(12) Expand the breadth and quantification of ESG risks, in the medium to long term, on the company's risk map.

Management and communication

(13) Extend the definition of the governance model, performance objectives and scorecard of the ESG Policy.
(14) Expand adherence to external initiatives aligned with ESG priorities and evaluation by ESG indices.
(15) Accelerate and improve internal and external communication on ESG.

1.5. Risks and future trends

Almirall's Risk Management System is based on the existence of an annual Risk Map, which prioritises the most significant risks on the company's global risk map. This system, coordinated by Internal Audit, is based on consolidation of the analysis and assessment of events, risks, controls and action plans to mitigate them, carried out by the business and support units that make up the different company areas. For risks related to taxation, there is also a Tax Committee for controlling, managing and minimising them.

Preparation and implementation of the Risk Management System is the responsibility of the company's Senior Management, and the function of overseeing its effectiveness is carried out by the Risk Management Board, which is functionally linked to the Audit Commission and the Chairman's Office, given that it refers directly to an essential responsibility of the Board of Directors itself.

The company operates in a sector characterised by great uncertainty about the outcome of R&D expenditures and in a highly competitive market in the therapeutic areas on which it is focused. The pharmaceutical industry is an industry subject to the decisions of health authorities for both approval of products and determination of marketing conditions, as well as being a highly regulated industry in terms of the environment and aspects related to pharmacovigilance, quality and codes of good practice in promotional activities.

These factors result in a nature of risks that are addressed by taking a conservative stance, being very selective in resource allocation and establishing very rigorous and effective processes and controls in operations.

All risks that could have a significant impact on the achievement of company objectives are assessed. Risk factors to which Almirall is subject include:

- Regulatory risks, arising from regulatory changes established by the various regulators, or from changes in social, environmental or tax regulations. Examples include price reductions or volume limitations for existing products and difficulties in obtaining requested prices or reimbursement conditions for new launches due to decisions by health authorities, with the concomitant impact on sales forecasts.
- Market risks, related to the exposure of Almirall's earnings and equity to changes in prices and other market variables, such as exchange rates, interest rates, commodity prices, financial asset prices and others.
- Credit risk, in the event that a counterparty does not comply with its contractual obligations and produces an economic or financial loss for the company.

- Business risks, established as the uncertainty as to the behaviour of the variables inherent to Almirall's business, such as the characteristics of demand, the supply of raw materials and the appearance of new products. Examples include revenue erosion and loss of market share due to the progressive entry of generics, deterioration of intangible assets due to a lower-than-expected net revenue stream in some businesses or an R&D pipeline that is not sufficiently balanced and differentiated in its different phases to nourish the product portfolio.
- Operational risks, referring to direct or indirect economic losses caused by inadequate internal processes, technological failures, human error or as a consequence of certain external events. Operational risks also include legal and fraud risks and ones associated with information technology and cybersecurity (cyber-attacks or security incidents that allow access to confidential information or disrupt business activities).
- Reputational risks, which include the potential negative impact associated with changes in the perception of Almirall by its different stakeholders.

The company also takes into account sustainability risks, including environmental, social and governance (ESG) risks, and pays close attention to those associated with climate change, human resources and talent recruitment, among others:

- Environmental risks: Almirall's environmental policy aims, among other things, to minimise the environmental impact of new products and developments, ensure compliance with applicable legal requirements and other principles to which the organisation subscribes, and apply pollution prevention techniques. Section 2, 'Environmental management', describes the main actions taken in relation to the environment.
- Risks to society: With respect to potential risks with social impact, Almirall's quality system covers the entire production process, from procurement of raw materials to the release of the finished product, in order to minimise the risk of releasing a product onto the market with compromised quality, efficacy or safety.
  The company has a complaint control and pharmacovigilance system for rapid detection of possible problems of product quality, efficacy or safety and the adoption of corrective measures. In addition, product traceability control systems would enable a quick and effective recall of any batch of product from the market. Section 4.5, 'Quality Systems and Pharmacovigilance as tools to ensure product quality, health and consumer safety', discusses these aspects in greater detail.
  Employee safety standards are more rigorous than required by law and thoroughly documented. Product liabilities and potential incidents at facilities are covered by global risk management policies and insurance programmes.
- Governance risk: The company has policies established for corporate social responsibility, communication with financial markets and compliance with good practices in tax matters.

In November 2020, the company's Board of Directors approved a Risk Management Policy that confirms the guidelines and framework for Almirall's entire risk management system, with regard to the prolonged and worse than expected impact from COVID-19.

As indicated in Almirall's consolidated annual accounts, the sales turnover was impacted more than anticipated by COVID-19. Since the start of the pandemic, numerous initiatives have been carried out so that the interaction activities with doctors, medical centres and patients have not been significantly affected.

1.6. Prevention, Anti-money laundering and Control of contributions to foundations and non-profit organisations

In pursuing its activities, Almirall is governed by a strong sense of corporate responsibility, integrity and transparency, as well as by strict and faithful compliance with current legislation.

For this reason, the company, in addition to the various policies approved by the Board of Directors and published on the Almirall corporate website, has a series of ethical principles and values that govern the actions of all its employees and executives. All these principles, values and conduct guidelines are reflected in Almirall's 'Code of Ethics' and in the 'Supplier Code of Conduct', and they are implemented in the company's Global Corporate Rules, contained in the Global Corporate Policies and its Standard Operating Procedures.

Almirall has Corporate Risk Control and Risk Management Policies with a threefold purpose:

i. Prevent potential risks that may entail legal liability both for the company and its administrators, attorneys-in-fact and/or legal representatives;
ii. Anticipate the management of such risks; and
iii. Verify compliance with the corresponding regulatory framework applicable to the company, both internal and external.

Years ago, Almirall's Board of Directors approved a 'Model of Prevention and Management of Criminal Risks' which determines the system of organisation, prevention, management and control of the criminal risks of Almirall and its subsidiaries.

This 'Model' develops a plan for prevention of the commission of crimes by the company, and compiles the procedures and controls that currently exist for effective prevention and mitigation of criminal risks, based on a detailed analysis of those that could hypothetically arise in Almirall's different areas, taking into account, on the one hand, the policies and controls already in place, and on the other, the sensitivity to criminal risks detected in the specific processes, depending on the sector and the activities that Almirall engages in.

Almirall only makes donations, contributions and sponsorships to institutions, organisations or associations that are made up of healthcare professionals and/or provide healthcare or conduct research, subject in all cases to the following requirements:

- They must be made for the purpose of supporting healthcare or research;
- They must be validated and authorised internally beforehand, correctly documented on the basis of the corresponding prior contract, and the data of the corresponding beneficiaries duly identified and recorded;
- They must not be intended to induce the recommendation, prescription, purchase, dispensing, sale or administration of specific drugs; and
- They do not violate either the applicable local regulations or the ethical commitments assumed by the sector.

Almirall does not allow donations and grants that benefit individual medical professionals.

2. Environmental management

2.1. Management approach

In addition, we are fully committed to promoting sustainable development, efficient management of natural resources and pollution prevention.

Achieving its goals is as important to the company as how this is accomplished. Accordingly, its commitment to society goes beyond offering scientific solutions to patients and compliance with environmental legislation and regulations. It is also based on developing its own environmental policy that guarantees the responsible use of resources, thereby working towards a more sustainable planet.

Almirall has a Global Corporate Health, Safety and Environmental Policy, which establishes that one of the priority and strategic objectives that drive the daily activity of the organisation is occupational health and safety and environmental protection, which includes energy performance. To this end, the following basic principles, among others, are established:

- A commitment to environmental protection by promoting its integration into the company's daily work processes.
- Efficient and sustainable management of resources, use of renewable energies, and commitment to mitigating and adapting to climate change through programmes to reduce greenhouse gas emissions.
- A commitment to support the procurement of energy efficiency products and services that impact energy performance, as well as support for design activities that consider energy performance improvement.
- A commitment to continuous improvement of Almirall's environmental management to improve its performance, complying with the applicable legal requirements and other requirements to which Almirall voluntarily subscribes.
- Establishment of periodic programmes, with objectives and targets in line with the applicable regulations, with the Global Corporate Health, Safety and Environmental Policy itself, and with the risks and opportunities identified in terms of environmental protection.
- Training, involvement and participation of Almirall's staff and partner companies in the application of the principles contained in the Global Corporate Health, Safety and Environmental Policy.
- A commitment to consultation and participation of workers and, where they exist, workers' representatives.
- To ensure the availability of the necessary information and resources, and proper planning for their use.

- Respect for the environment is an objective of the company as a whole, and therefore responsibility for its achievement is shared by all Almirall's employees, regardless of their level or role.

Efforts in this area extend through the entire product life cycle, from design in R&D to manufacturing, and also encompass procurement of raw materials and the end of life of the product.

Almirall has an integrated occupational health and safety, environmental and energy management system. In 2019, Almirall successfully passed the TÜV Rheinland certification audit of the integrated management system, in accordance with international standards ISO 45001:2018, ISO 14001:2015 and ISO 50001:2018, at all its centres in Spain and Germany. In 2020, the first annual follow-up audit was performed by TÜV Rheinland. Due to the extraordinary conditions of the COVID-19 pandemic, the first phase of the audit was performed remotely before the summer, and the second phase was closed in September with site visits to the centres in Spain and Germany selected by the audit team. The result was very positive, with zero non-conformities identified.

Almirall has held ISO 14001 certification since 2004 and obtained the certification according to the most recent version of the standard (ISO 14001:2015) in 2018.

Likewise, in relation to energy management, after becoming, in 2013, one of the first pharmaceutical laboratories to obtain ISO 50001:2011 certification, in 2019 the system was adapted and certified in accordance with the new ISO 50001:2018 standard, revalidating the effectiveness of the system put in place.

The scope of the health, safety and environmental management system, including energy performance, is as shown in the table below:

Country	Type of centre	Centre:	Activity	ISO 45001	ISO 14001	ISO 50001
Spain	Offices	Headquarters	R&D activities, manufacture of active ingredients, manufacture and marketing of pharmaceutical specialities	X	X	X
		Sales network	Marketing of pharmaceutical specialities	X		
	R&D Centre	Sant Feliu	R&D activities	X	X	X
	Chemical Plant	Sant Celoni	Manufacture of active ingredients	X	X	X
	Chemical Plant	Sant Andreu	Manufacture of active ingredients	X	X	X
	Pharmaceutical Plant	Sant Andreu	Manufacture of pharmaceutical specialities	X	X	X
Germany	Mixed (Offices, Pharma, Sales)	Reinbek	Manufacture and marketing of pharmaceutical specialities	X	X	X

Table 1 – Scope of the health, safety and environmental management system

Almirall has a series of established and implemented due diligence processes and procedures, which it continuously updates, to ensure that the health, safety and environmental management system is appropriate, adequate and effective. The most important of these are listed below:

- Health, Safety and Environmental Manual.
- Risks and opportunities in health, safety and environment.
- Evaluation of environmental aspects.
- Energy review.
- Legal and other requirements.
- Training in health, safety and environment.
- Communication, participation and consultation in health, safety and environment.
- Management of health, safety and environmental documentation.
- Change control in health, safety and environment.
- Industrial safety in equipment and installations.
- Monitoring of work with special risks.
- Monitoring of suppliers of works and services.

- Monitoring of wastewater discharges.
- Monitoring of air emissions.
- Waste management.
- Monitoring of noise pollution.
- Road transport of hazardous goods.
- Emergency plans.
- Health, safety and environmental audits.
- Management review of the health, safety and environmental system.
- Incidents, non-conformities, opportunities for improvement and corrective actions.

At the corporate level, Almirall has an Environmental Team, which reports to the Head of Corporate Social Responsibility, who, in turn, reports to the Vice President of Human Resources.

Almirall has not received any fine or sanction for non-compliance with environmental regulations in 2020.

2.2. Pollution

2.2.1. Climate change and greenhouse gas emissions

Climate change is probably the greatest challenge facing humanity today. Almirall's operations emit a certain volume of greenhouse gases. For this reason, the company wants to be part of the solution and is doing everything it can to limit the average global temperature increase to much less than 2°C above pre-industrial levels. Almirall is firmly committed to the fight against climate change, including the reduction of greenhouse gas emissions, as a significant aspect of its environmental strategy. The answer to global warming is reduced emissions and adaptation to its future effects. In this regard, in 2018, the company approved a strategy against climate change defined in two pillars on which it develops its action plan:

- On the one hand, reduction of its carbon footprint, assuming business growth, where technology, energy efficiency and the substitution of fossil fuels are fundamental for the reduction of greenhouse gas emissions.
- On the other hand, Almirall, as a pharmaceutical company, believes that in order to build a better future, it must assume an important role in preventing and minimising the harm that climate change may cause to people's health.

The impact of climate change on Almirall is determined by identifying and assessing the risks and opportunities inherent in climate change that could have a material impact on the company's business. Almirall has an integrated multidisciplinary risk management process throughout the company where environmental impacts, including climate change risks, are identified and assessed on the corporate risk map. This Risk Management System, coordinated by Internal Audit, is based on consolidation of the analysis and evaluation of events, risks, controls and mitigation action plans carried out by the business and support units that make up the company's different areas. All risks (including climate-related ones) that might have a significant impact on the achievement of the company's objectives are subject to assessment. As a result of the process described above, the following significant risks have been identified:

- Transitional risks: in relation to climate-related transitional risks, with the implementation of ISO 50001, Almirall has been working systematically since 2013 on energy efficiency in order to reduce costs and its carbon footprint. Since then, a number of energy efficiency regulations have been approved and, more recently, in 2019, the European Commission presented the 'European Green Deal', the roadmap for making the EU economy more sustainable. This framework includes the European Climate Law in order to achieve the target of climate neutrality by 2050, and in December 2020 a new target was approved to reduce emissions by 55% with respect to 1990. Key EU legislation and policies to achieve this goal, e.g. the EU Emissions Trading System (ETS), could lead to higher electricity prices. This new regulation will affect Almirall indirectly, through its energy supply, with a potential increase in operating costs.

  To address this risk, Almirall has an 'Energy Master Plan' which identifies key investments for coming years, including a five-year capital expenditure forecast (capex). For example, for the 2019-2024 period, the installation of photovoltaic plants at the Sant Feliu (R&D) and Reinbek (pharmaceutical plant) sites is planned, with an estimated cost of €600,000. In 2020, capital expenditure with an impact on energy efficiency was €780,000. The new boiler in Sant Celoni, much more efficient and with an investment cost of €150,000, is noteworthy.

  In July 2020, the European Council agreed to a massive €750 billion recovery fund branded as Next Generation EU to support member states hit by the COVID-19 pandemic. The solid work carried out by Almirall in recent years in relation to climate change positions the company well for taking advantage of the opportunity to receive these European funds for projects related to climate change.

- Physical risks: with regard to climate-related physical risks, the risk of flooding at the Sant Celoni chemical plant, located next to the Tordera river on a flood plain according to the flood maps of the Catalonian

Water Agency (ACA), should be noted. Furthermore, geographically it is located in the Mediterranean area where intense storms (DANA-isolated depression at high levels) occur periodically, which can cause episodes of heavy rain with a potential impact on production due to damage to the plant's facilities or to the roads surrounding the plant. Almirall currently has a back-up plant in Sant Andreu de la Barca for part of the APIs produced in Sant Celoni.

The following are the main initiatives that Almirall is currently pursuing:

- Calculation and monitoring of greenhouse gas emissions: reported annually in CDP's climate change questionnaire.
- Greenhouse emission reduction targets for the medium-long term through the achievement of annual targets: scope 1 and 2 targets currently exist, and work is under way to define scope 3 targets.
- Management of climate change risks and opportunities: addressing climate risks and opportunities as recommended by the TCFD is planned in the next two years.
- Energy efficiency: Establishment of the ISO 50001 energy management system in Spain and Germany.
- Proprietary renewable energy installations: Almirall installed a 300kW photovoltaic plant at its chemical plant in Sant Celoni in 2016, and, in 2018, it installed an 800kW photovoltaic plant at its pharmaceutical plant in Sant Andreu de la Barca, which represents a reduction in emissions of 515 t CO_2 per year between the two plants.
- Purchase of renewable energy: Since 2013 in Spain and 2018 in Germany, Almirall has purchased green electricity with Guarantee of Origin (GdOs), thereby promoting an increase of renewable energy in the energy mixes of these countries.
- Raising awareness among Almirall employees and collaboration with the Fundación Empresa&Clima, a non-profit organisation that works for business leadership and commitment in the fight against climate change.

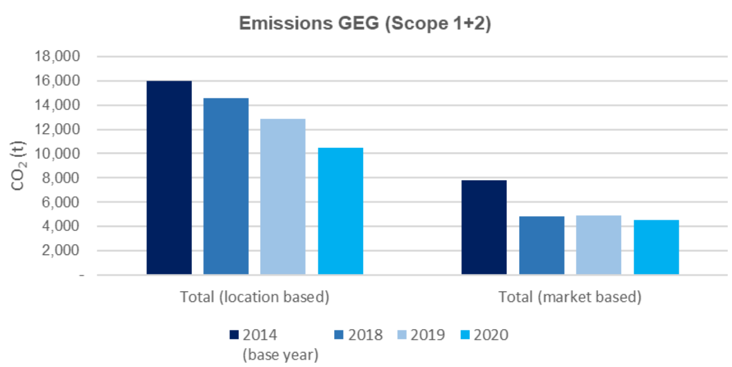
Greenhouse gas emissions scope 1 and 2

Almirall has set a target of a 21% reduction in greenhouse gas (GHG) emissions (Scope 1 and 2 location-based) for the 2014-2025 period. This target was based on the company's Energy Master Plan included in the financial plan (investments) and will be reached by reducing gas and electricity consumption with energy efficiency projects and the commitment to self-generation of renewable energy. As of January 2021, the target has been met and exceeded with a reduction in GHG emissions in the 2014-2020 period of 34%, 13% above the target. This is the result of the energy improvements made, although the target was achieved and exceeded ahead of schedule due to the impact of the strong increase in renewable energy in the electricity mixes of Spain and Germany. It should be noted that the COVID-19 pandemic also played a role in the decreased energy consumption at Almirall's office facilities, although it is not considered to be significant in terms of overall emissions. The target will be reassessed in 2021 to adapt it to the current circumstances as well as new opportunities arising from Next Gen EU.

Table 2 shows the evolution of GHG emissions for Scope 1 and Scope 2 according to the country's energy mix (location-based) and Scope 2 taking into account the purchase of green energy (market-based), where emissions are zero thanks to the purchase of green electricity.

CO_2 (t)	2014 (base year)	2018	2019	2020
Scope 1	5,910	4,840	4,925	4,502
Scope 2 (market based)	1,906	-	-	-
Scope 2 (location based)	10,068	9,687	7,952	5,977
Total 1+2 (location based)	**15,978**	**14,527**	**12,877**	**10,479**

Table 2 – Almirall's scope 1 and 2 GHG emissions



Scope 3 greenhouse gas emissions

A preliminary assessment of Scope 3 indirect emissions was conducted in 2018 to identify the main categories. The tool used for the assessment was Quantis Suite 2.0. Total Scope 3 emissions are 10 times greater than the sum of Scope 1 and 2, with category 1 accounting for 81% of total calculated emissions.

		Scope 3 Categories	CO_2 (t)
Scope 3 Emissions Upstream	1	Purchased goods and services	125,504
	2	Capital goods	12,168
	3	Fuel and energy-related activities (not included in Scope 1 or Scope 2)	3,620
	4	Upstream transportation and distribution	3,370
	5	Waste generated in operations	2,794
	6	Business travel	2,548
	7	Employee commuting	2,975
	8	Upstream leased assets	2,188
Scope 3 Downstream Emissions	9	Downstream transportation and distribution	Distribution up to the logistics operator is included in the calculation of category 4, and no data is available from the logistics operator onwards.
	10	Processing of sold products	The tool does not allow this calculation. In any case, it is considered insignificant.
	11	Use of sold products	No emissions are identified from use of the products sold by Almirall.
	12	End-of-life treatment of sold products	This category has not been calculated due to the limitations of the software used. It is not considered to be one of the most important categories of the activity.
	13	Downstream leased assets	Not applicable
	14	Franchises	Not applicable
	15	Investments	Not applicable
		TOTAL	**155,167**

Table 2.1 – Almirall's scope 3 GHG emissions

For 2021, a more detailed calculation is planned for categories 3, 4, 5 and 9 in order to develop a tool that will allow calculation of this in a systematic way, the establishment of a medium-long term reduction target and an associated action plan.

In relation to category 1 'Purchased goods and services', since 2020, new suppliers shall adhere to the Almirall Supplier Code of Conduct on the Group's electronic portal for their qualification. Almirall expects its suppliers to agree to defined standards, which include suppliers progressively measuring their greenhouse gas emissions and committing to voluntary reductions. In the short-medium term, the company's strategic plan contemplates measuring emissions in this category and ensuring that main suppliers over which it can exercise influence to reduce their emissions as well.

<u>Mobility of workers</u>

COVID-19 has had a significant impact on the mobility of Almirall's office workers and, to a lesser extent, on the production centres and some R&D activities which, being essential activities, have not been affected in terms of direct staff.

In order to reduce CO_2 emissions and ensure the safety of employees in their commutes to work, since 2015 Almirall has been developing a sustainable mobility plan which, among other initiatives, includes public transportation in the flexible compensation plan for employees, subsidies for the purchase of hybrid and electric vehicles, training in sustainable driving, installation of electric chargers in its car parks, and the creation of parking areas for bicycles and electric scooters, among others. In 2020, charging spaces for electric vehicles were expanded at the Barcelona headquarters (four rapid charging spaces for cars and two for motorcycles), the Reinbek pharmaceutical plant (two spaces for company vehicles) and the Sant Celoni chemical plant (two rapid charging spaces).

In 2020, a carpooling pilot programme was launched with the company Jojob at the Sant Feliu R&D centre to encourage carpooling for commuting to/from work. Shared trips and trips made by bike or on foot are certified and allow calculation of the reduction of CO_2 emissions. As of November 2020, the reduction of 417 kg of CO_2 and a total of 310 trips were certified. This programme has been severely affected by the pandemic, greatly reducing the expected impact and thus in 2021 has been put on hold.

Carbon Disclosure

As an exercise in transparency, since 2014, Almirall has reported its environmental performance on climate change to CDP. CDP assesses climate change performance through a form and classifies it into 4 levels, from the most basic of Disclosure D to the maximum level of Leadership A. Likewise, each level is broken down into two sublevels, indicating with a "-" the lower category (as seen in the following image):

It has managed to improve from level C, Awareness, in 2017 and 2018, having passed through level B, Management, in 2019, to achieve the milestone of reaching level A-, Leadership, in 2020. Almirall is among the 38% of large companies in the Biotech and Pharma sector that have achieved the Leadership level, which is higher than the C level of the average European company. Among other aspects, establishing a GHG emissions reduction target, demonstrating year-on-year improvement and planning to achieve the target were essential as well as the boost in the last two years of the sustainable purchasing program.

Almirall	2014	…	2017	2018	2019	2020
CDP score	60 D		C	C	B	A-

Table 3 – Evolution of Almirall's CDP score

2.2.2. <u>Air, noise and light pollution</u>

Emissions of Volatile Organic Compounds (VOCs)

At Almirall, the most significant impact on air pollution is the diffuse emission of volatile organic compounds (VOCs) from its industrial sites. Almirall has been working for over 15 years to reduce these emissions through plans to eliminate the use of solvents in all industrial processes, where possible, with special attention to solvents that pose a risk to people and the environment, and the installation of technologies to mitigate the emission of these compounds.

Since 2007, eight production processes have been modified in order to reduce solvent consumption during manufacturing, including reducing the use of methylene chloride, a solvent with a H351 hazard label. Some of the processes are currently pending regulatory approval in several countries.

The diffuse emissions table shows the reduction of diffuse solvent emissions since 2008 of 80%. Emissions remain without significant changes compared to last year, the slight increase of 4% is due to the different workload between the two chemical plants

Diffuse emissions (t)	2008	…	2018	2019	2020
VOCs	207.5		56.5	40.0	41.6

Emissions of SOx, NOx and Particles

The rest of the emissions of atmospheric pollutants (particles, NOx, SOx, hydrochloric acid) are considered non-material for Almirall, with emissions that are far below the legal limits.

Specifically, no SOx emissions are produced in any Almirall process.

Regarding NOx emissions, they are only produced in the combustion processes of boilers at the different centers and in the regenerative thermal oxidizer for the treatment of VOCs. In the 2018-20 period, new boilers were installed in the Sant Andreu pharmaceutical plant and in the Sant Celoni chemical plant that consume 56% of Almirall's natural gas (data from 2019), replacing the previous ones with a technology that certifies some NOx emissions less than 100 mg / Nm3.

The emission sources with a potential emission of particles have high-efficiency HEPA filters, aqueous scrubbers, or both systems combined to reduce emissions.

Potential hydrochloric acid emissions are reduced with a basic aqueous scrubbing system.

Noise and light pollution

Almirall's centres are located in industrial or urban areas, so noise and light pollution impacts are considered non-material aspects.

2.3. Sustainable use of resources

2.3.1. Power consumption

Energy efficiency is part of the company's environmental strategy. By 2013, Almirall was already a pioneer in the chemical-pharmaceutical industry for having implemented and certified its energy management system in accordance with the international standard ISO 50001:2011. In 2019, it adapted to the revision of the ISO50001:2018 standard.

Compared to 2011, Almirall has achieved a 22.8% reduction in its total energy consumption. This has been possible thanks to the energy improvement actions carried out to improve energy performance and committed to seeking energy efficiency solutions to contribute to climate change mitigation.

Almirall's energy efficiency model is based on an iterative search for projects and new technologies, which have been applied progressively according to the needs of each of the centres.

Accordingly, the company has successfully implemented the latest technologies, such as magnetic levitation and humidification by high-pressure water misting, which make it possible to reduce energy consumption in compressors of refrigeration equipment and in traditional resistance vaporisation and/or electrolysis systems, respectively, or photovoltaic panels for the self-generation of renewable electricity.

Energy consumption

Almirall's main sources of energy consumption are electricity (56%) and gas (44%). In relation to electricity consumption, Almirall is committed not only to the purchase of green energy with Guarantee of Origin but also to self-generation of renewable energy. With these installations, in 2020 the dependence on the company's electricity grid supply was reduced by 1,524 MWh, 5.6% of Almirall's electricity consumption.

Energy consumption for electricity in 2020 was down 4.4% from the previous year, 2019, and natural gas was down 2.0%, a reduction of 1,264 MWh from 2019. The COVID-19 pandemic had an impact on the reduction of energy consumption due to the closure of offices in the months of March (partial), April and May (partial) and with the policy of teleworking as a preventive measure from May to December.

Over the last four years, in the 2017-2020 period, energy consumption was reduced by 8.0%.

Energy consumption (MWh)	2018	2019	2020
Natural gas	22,509	21,741	21,315
Company electricity	28,615	27,142	25,859
Renewable electric energy produced	402	1,505	1,524
Total energy	**51,526**	**50,388**	**48,698**
% renewable energy	56%	57%	56%

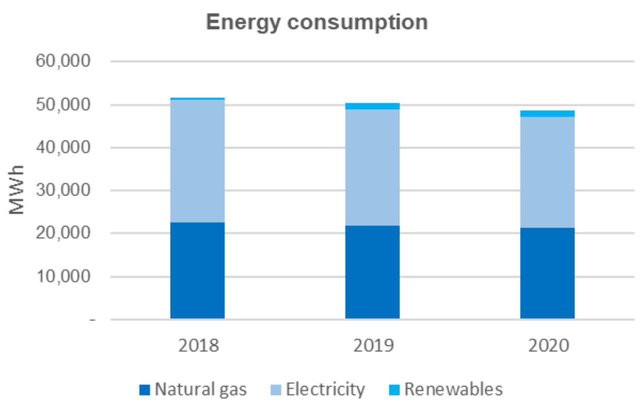


Table 4 – Almirall's energy consumption

2.3.2. Water consumption and wastewater discharges

At production centres, industrial processes are designed to comply with Good Manufacturing Practices (GMP) and contribute to minimising water consumption. In 2020, COVID-19 did not significantly impact Almirall's water extraction, as 82% is used in the production centres, which continued in operation during the pandemic.

The downward trend in the extraction of utility-supplied water in the 2018-20 period (20% decrease) and, in contrast, the upward trend in well-water extraction in the same period (44% increase) are the result of the project to use proprietary water resources (wells) at the Sant Andreu pharmaceutical plant to produce industrial and sanitary water. Although the total amount of water extracted was 9% higher in 2020 compared to 2018, taking into account the water cycle, local extraction from wells is considered to be environmentally more efficient even if it increases extraction, as water treatment is specific to the end use and it avoids water transport and additional treatment.

Table 5 details water extraction at Almirall according to the source of supply:

Water extraction (m3)	2018	2019	2020
Utility-supplied water	84,915	77,141	70,917
Well water	32,506	65,811	57,912
Total Water Extraction	**117,421**	**142,952**	**128,829**

Table 5 – Water extraction at Almirall

Water reuse

In 2020, a water reuse action was implemented at the Sant Andreu pharmaceutical plant. In the process of production of purified water from utility-supplied water, the osmosis treatment rejects some water that is introduced into the industrial water production circuit. An estimated 10,000 m^3 of reject water can be reused. The Sant Feliu R&D centre reuses the reject from continuous analysis of the production treatment of purified water for irrigation and fire-fighting, with an estimated saving of 1,300 m^3 per year. In total, a reuse rate of 9% is estimated.

Water reuse rate (*)	2019	2020
Water reused/Total water extraction	-	9%

Table 5.1 – Water reuse rate at Almirall

Actions for improvement

In 2020 at the Sant Andreu pharmaceutical plant, the centre that consumes the most water (58% of Almirall's total), four internal meters were installed to enable better control of consumption. At this same centre, an action to reduce irrigation water use by 37% is planned for 2021 thanks to the reduction of grass in the landscaped area. In 2021, new internal control meters will also be installed at the Sant Celoni chemical plant.

Wastewater discharges

Reducing the flow and pollutant load of liquid discharges entails acting on the pollutants generated in the processes themselves. Accordingly, Almirall's operating centres have wastewater treatment facilities, and the chemical plants in particular have physical-chemical and biological wastewater treatment plants. At all its centres, the average of the parameters is, at least, below 70% of the legal limit.

2.4. Waste management, eco-design and biodiversity

Almirall manages its waste responsibly, prioritising minimisation and the most sustainable and safe treatment for each type. In the following tables, waste is broken down by type (hazardous/non-hazardous) and treatment (recoverable/non-recoverable).

Hazardous waste corresponds mainly to solvent waste at chemical plants, chemical waste and cleaning water at pharmaceutical plants, and laboratory waste at research and development centres. Non-hazardous waste consists basically of waste similar to urban waste and packaging waste from pharmaceutical plants. Recoverable waste is waste that can be recycled, reused, etc., and non-recoverable waste is waste that must be disposed of and/or eliminated.

Tables 6 to 8 show the evolution of waste for the 2018-20 period for Almirall and the breakdown by country. A significant decrease of 44% in waste generated in Almirall should be noted. This was mainly due to the reduction of non-hazardous, non-recoverable waste in Germany resulting from the transfer of a production line to Spain, which substantially reduced the volume of waste generated by increasing the batch size and optimising waste water collection.

The volume of waste produced at Almirall has not been significantly affected by the COVID-19 pandemic, as most of it is generated at the Group's industrial centres and these have not modified their production activity. However, although not observed in the total waste generated, some environmental improvements in waste reduction have been reversed due to preventive measures. For example, in 2018, Almirall Spain's canteens installed fountains that served water in reusable glass bottles, replacing the 1.5 L plastic bottles used previously; now individual 0.5 L plastic water bottles are provided, as well as cutlery in individual plastic wrappers, with a consequent increase in plastic waste. The pandemic has also generated new waste derived from management of the pandemic, as in 2020 Almirall provided to its workers and suppliers more than 193,000 surgical masks, the equivalent of 4.8 tonnes of waste after use.

Total Waste Almirall Group (t)	2018	2019	2020
Hazardous waste	**2,340.6**	**2,412.1**	**2,191.7**
Recycled/ reused	1,843.6	2,053.9	2,003.5
Incinerated/disposed	497.0	358.2	188.2
Non Hazardous waste	**7,645.0**	**4,431.6**	**3,419.3**
Recycled/ reused	527.1	582.6	555.3
Incinerated/disposed	7,117.9	3,849.0	2,864.0
Total waste	**9,985.6**	**6,843.7**	**5,611.0**
% Hazardous	**23%**	**35%**	**39%**
% Recycled/reused	**24%**	**39%**	**46%**

Table 6 – Almirall Group Waste

Waste in Spain (t)	2018	2019	2020
Hazardous waste	**2,299.9**	**2,367.1**	**2,145.2**
Recycled/ reused	1,826.9	2,030.9	1,981.9
Incinerated/disposed	473.0	336.2	163.3
Non Hazardous waste	**958.9**	**1,128.8**	**1,020.8**
Recycled/ reused	380.6	426.2	440.6
Incinerated/disposed	578.3	702.6	580.2
Total waste	**3,258.8**	**3,495.9**	**3,166.0**
% Hazardous	**71%**	**68%**	**68%**
% Recycled/reused	**68%**	**70%**	**77%**

Table 7 – Almirall Spain Waste

Waste in Germany (t)	2018	2019	2020
Hazardous waste	**40.7**	**45.0**	**46.5**
Recycled/ reused	16.7	23.0	21.6
Incinerated/disposed	24.0	22.0	24.9
Non Hazardous waste	**6,686.1**	**3,302.8**	**2,398.5**
Recycled/ reused	146.5	156.4	114.7
Incinerated/disposed	6,539.6	3,146.4	2,283.8
Total waste	**6,726.8**	**3,347.8**	**2,445.0**
% Hazardous	**1%**	**1%**	**2%**
% Recycled/reused	**2%**	**5%**	**6%**

Table 8 – Almirall Germany Waste

Actions for improvement

In 2020, the reduction of 863 tonnes of non-hazardous, non-recoverable waste from Germany, thanks to the optimisation of the cleaning water washing cycles, is noteworthy.

In 2021, it is planned to study in the Sant Andreu pharmaceutical plant a production wastewater treatment facility that is currently being managed as waste, which may allow the minimization of waste or on-site treatment.

Management of users' medicine waste

In Spain, Almirall adheres to the Integrated Packaging Management and Collection System (SIGRE in its Spanish acronym) in order to comply with Law 11/1997, of 24 April, on packaging and packaging waste and Royal Legislative Decree 782/1998, of 30 April, approving the Regulation for the development and implementation of Law

11/1997. In Germany, Almirall adheres to the Duale System Deutschland (DSD) in order to comply with the Packaging Ordinance (VerpackV) issued by the Federal Ministry for the Environment.

By including the SIGRE symbol on its packaging, Almirall guarantees that both the material of the containers and any leftover medicine they may contain are managed in an environmentally responsible manner, recycling mainly the paper/cardboard and glass.

The packaging materials of Almirall's products in the Spanish domestic market and in Germany are shown below. The sum of both accounts for 44% of the total units sold by Almirall. In both markets, the material with the highest percentage is paper/cardboard, corresponding mainly to cases with 48% of the total in Spain and 36% in Germany.

Packaging material in Spain (t)	2018	2019	2020
Glass	46.4	43.7	46.7
Paper/Cardboard	383.1	386.9	351.1
Aluminium	33.0	38.0	36.5
Plastic	58.5	56.4	49.0
Composite material	258.5	265.0	251.5
Total materials	**779.5**	**790.0**	**734.8**

Table 9 – Almirall Spain sales packaging material

Packaging material in Germany (t)	2018	2019	2020
Glass	60.3	62.6	63.0
Paper/Cardboard	73.5	68.9	71.1
Aluminium	23.3	22.3	23.8
Plastic	43.1	42.7	43.0
Composite material	15.7	17.0	18.0
Total materials	**215.9**	**213.5**	**218.9**

Table 10 – Almirall Germany sales packaging material

In all other countries, the specific regulations of the country are complied with.

Eco-design

Almirall's corporate strategy identifies the need to integrate sustainability criteria in the design of its products from the R&D phases to the end of life of the product, including its manufacture and distribution. There are several projects that incorporate the concept of 'eco-design' in their development, as well as 'eco-packaging' in relation to the packaging of Almirall's products, with the aim of reducing the environmental impact.

In relation to eco-packaging or sustainable packaging, Almirall developed the following initiatives during 2020:

- Formalise the processes of incorporating environmental criteria in the choice of primary packaging from the early stages of product development in R&D.
- Identification of two plastic reduction initiatives in the packaging of certain products of Almirall:
    - Blastoactiva: This specialty had planned a change in the color of the cap and this was used to also assess the decrease in its size. There is a proposal to reduce the current plastic by 20%, this proposal must be tested at the plant.
    - Betalfatrus Lima Tray: remove the EVA rubber material tray with a cardboard tray. This change has been approved and is pending new productions to be implemented.
- Drafting of sustainable packaging guidelines with recommendations for sustainable packaging design.
- Incorporation of life cycle analysis tools for evaluation of the environmental impact of the packaging of new products or changes in existing products. Specifically, a license for the COMPASS® (Comparative Packaging Assessment) program has been contracted, which will allow for rigorous and systematic environmental evaluations of packaging.
- Use of FSC-certified cardboard in product packaging boxes of Almirall's products.

Biodiversity

All industrial and research centres are located in industrial estates, and no significant impacts on biodiversity in nearby protected areas have been identified. In the event of an emergency with a potential environmental impact on the surrounding area, emergency plans are available that describe the actions to be taken to minimise the negative impact on people and the environment. Almirall currently has a non-mandatory environmental risk insurance policy with a cover of 10 million euros.

2.5. Subcontracting and suppliers

Respect for the law, the commitments assumed, the quality of service and contractual good faith form the basis of the relationship between Almirall and its suppliers. Quality, rigour, commitment and excellence are demanded of all suppliers, who represent a source of support for the Group's activity. The commercial relationship with the main suppliers is considered one of Almirall's most important assets and is based on the principle of good contractual faith. Suppliers are required to be reciprocal and transparent in the provision of services and in the information they provide to us regarding their technical and financial solvency.

In order to ensure that the product supply chain is stable and sustainable, Almirall has supplier approval processes which, depending on the service provided or goods supplied and the geography from which they operate, guarantee that they comply with the requirements established by Almirall and the regulatory framework in terms of quality, the environment (ISO certification, ecological criteria), occupational health and safety, and labour practices.

In recent financial years, Almirall has been working to increase and strengthen these processes. Specifically, to detect areas for improvement, a diagnosis of Corporate Social Responsibility was carried out at Almirall in 2016, which concluded with various action plans, including the implementation of a Sustainable Purchasing Programme by Almirall's Purchasing Department. This diagnosis was repeated in 2020 and, as a result, a series of initiatives were identified, including continuous improvement of the Purchasing Sustainability Programme based on a three-year roadmap (2021 to 2023).

As part of the Purchasing Sustainability Programme, the Purchasing Department has promoted the following actions over the last four years:

- In the 2017 and 2018 financial years, a non-financial risk audit of the main suppliers of services and goods was carried out. This affected 110 suppliers with an annual turnover of over 100,000 euros and was conducted by a benchmark external supplier in the market. The results were positive in that no supplier was detected that posed a high social, environmental or ethical risk. Likewise, in 2018, a presentation was made to the Corporate Environment and Occupational Health and Safety Committee which analysed the situation, identified aspects for improvement and defined the next steps. In the first half of 2019, an update was given to the Management Board, which resulted in a specific action plan in the area of sustainable purchasing, including various initiatives.
- In 2019, the following actions were carried out to strengthen consideration of social and environmental responsibility in relations with suppliers and subcontractors not only during the supplier selection and evaluation process but also during the contractual relationship:
    - Renewal of the collaboration with the external supplier that performed the aforementioned audits in order to keep the source of information on the data for the audited suppliers active.
    - Updating of Almirall's Purchasing Department policy to reinforce corporate social responsibility issues (including social, gender equality and environmental aspects) during the supplier bidding and approval processes. In this regard, sustainability was included as part of the department's mission as well as one of the risk categories to be quantified and measured as part of the process of procuring goods and services. The dimensions covered are: ethics, sustainable purchasing, environment and labour, and human rights.
    - A new resource was added to develop and implement a Supplier Risk and Relationship Management Programme with a strong focus on sustainable purchasing.
    - In order to reinforce the Group's commitment to sustainability and communicate expectations related to corporate social responsibility to suppliers, implementation of the Almirall Supplier Code of Conduct was approved. It is available on the corporate website and must be accepted by suppliers during the approval process. Almirall's Supplier Code of Conduct is made up of five blocks (ethical principles, human rights, occupational health and safety, respect for the environment, and quality). Knowledge and acceptance of Almirall's 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 they are aligned with Almirall's ethical, social and environmental commitments. During the approval process, the supplier must accept and commit to compliance with it (and commit to requiring its subcontractors to do the same).
    - Questions related to corporate social responsibility and sustainability actions were included in the Request for Information (RFI) questionnaires to suppliers, as well as during the approval process, which are evaluated by the purchasing specialists when analysing a supplier's suitability.
    - Specific training was given to the Purchasing Department on sustainable purchasing and sustainability.

- As part of a continuous improvement process and the roadmap defined for 2019 and 2020, the following actions were carried out in 2020:

  - *Objectives and alignment:*

    In the definition of employee objectives for 2020, a cross-cutting objective was included for the Purchasing team related to support for the Sustainable Purchasing programme, as part of the Supplier Relationship Management programme, with various associated behaviours.

  - *Audits:*

    In 2020, the collaboration with the external supplier that provides auditing services in the area of corporate social responsibility was renewed for the 2020, 2021 and 2022 financial years.

    A screening of the global supplier base managed by the Purchasing and External Site Operations teams (the latter department is responsible for suppliers that manufacture finished products) was also done based on predefined criteria (determined by the type of service, the criticality of the service, the level of expenditure in the twelve months prior to the screening and the geography from which the suppliers operate) to segment and determine which suppliers should be asked to undergo a sustainability and corporate social responsibility audit.

    After the mass screening, over 190 suppliers were identified and asked to undergo a corporate social responsibility audit in three successive campaigns during the months of July, October and December.

    At the close of this report, and based on the results received from more than 130 suppliers, no suppliers were identified as high-risk, and only 26 were identified as medium-risk in accordance with the established methodology. At the close of each campaign, these medium-risk suppliers are asked to take the corrective actions identified as areas for improvement in the audits based on an established action plan. They are also asked to undergo a re-evaluation within the following twelve months. In 2020, suppliers that had already been audited in previous years were re-evaluated and a significant improvement trend was demonstrated in the evaluations.

    Likewise, as part of the process, at the close of the campaigns, the suppliers participating in the audits are asked to accept the Code of Conduct (if they have not already done so) through the supplier portal.

  - *Training and communication materials:*

    In 2020, the Purchasing and External Sites Operations teams received specific training on the following topics:

    - Presentation of the Sustainable Purchasing Programme and demo on the platform of the external supplier responsible for managing the audits.

    - Specific training in sustainability, corporate social responsibility and corrective action plans, as well as training in the management of sustainable purchasing programmes.

    In addition, specific communication materials were prepared for suppliers covering the objectives and expectations of the programme, and post-assessment feedback was provided along with resources and assistance for improving the score and implementing the requested corrective actions, with the aim of ensuring alignment with expectations, commitment to sustainability and continuous improvement on the part of the Group's suppliers.

  - *Selection and contracting of suppliers:*

    In 2020, the following actions were carried out:

    - Work was done on a new action protocol related to supplier selection, available starting in 2021, which includes financial and non-financial risk assessment criteria with a weighting of between 5-10%.

    - Clauses relating to compliance with social, ethical and environmental commitments were included in the standard contract for the supply of raw materials (APIs, excipients, packaging, etc.) with specific mention of the Almirall Supplier Code of Conduct and corporate social responsibility audits.

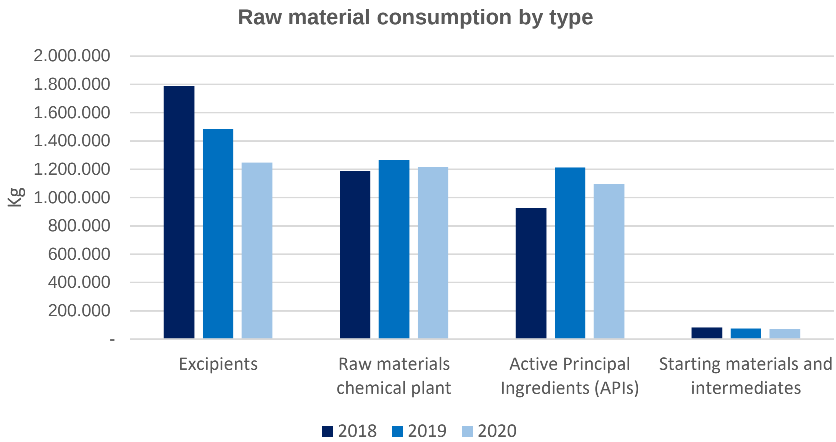
  - *Monitoring. KPIs:*

    In order to monitor the management of the risks associated with the Group's suppliers, in addition to the audit platform, the key performance indicators (KPIs) that will measure the Sustainable Purchasing Programme are being worked on and defined.

In order to continue improving and promoting sustainability and the criteria of social, ethical and environmental responsibility in supplier contracting, in the next financial year, actions in addition to those indicated above are planned in accordance with the aforementioned three-year roadmap.

For information purposes, the 2018, 2019 and 2020 consumption in physical unit (kgs) of raw materials is shown below:

Raw material type	2018	2019	2020
Excipients	1,789,080	1,484,673	1,246,807
Raw materials chemical plant	1,187,226	1,263,604	1,214,070
Active Principal Ingredients (APIs)	927,152	1,212,566	1,096,436
Starting materials and intermediates	81,616	74,460	72,363
Total	**3,985,074**	**4,035,303**	**3,629,676**



Almirall implemented a new tool in 2019 to manage and analyse supplier purchasing data from SAP. The data on raw materials consumption reported in the non-financial information statement for the financial year 2019 were extracted from this new tool.

In the second quarter of 2020, an error was detected which kept some of the data coming from SAP from being extracted and loaded correctly in the new tool.

Therefore, in this statement of non-financial information for the 2020 financial year, the data related to 2018 and 2019 have been restated, resulting in higher figures than those contained in the report for the year ended 31 December 2019.

3. Employees

3.1. The Almirall Culture

Almirall is committed to its employees and their talent. All of them are key to the company's success, and it aims to attract and retain exceptional professionals aligned with the Noble Purpose and corporate values that underpin how we want to collaborate and be perceived by society.

It is also committed to the development of its employees and their professional growth within the organisation, which was demonstrated once again by the awarding of the prestigious Top Employers certificate in Spain, for the thirteenth consecutive year, in 2020.

The culture at Almirall is continually reinforced by its Noble Purpose, which puts patients at the centre of everything it does. The Noble Purpose not only inspires employees to do their best, it is also what gives meaning to their efforts and daily work. It has been shared with all employees through workshops to help them better understand its meaning and by listening to numerous personal testimonials and experiences of patients on how they live with their disease. This regular awareness-raising activity with employees is the driving force behind new efforts to find solutions that help transform patients' lives.

Almirall works constantly to continue developing a working environment where employees feel they are an active part of a Noble Purpose and have a direct impact on society. In addition, so that they feel supported, recognised and empowered, and to give meaning to their daily work, their overall well-being is cared for.

For Almirall, values are a guide for all employees that enable them to achieve company objectives with the appropriate behaviours, and they signal how we want to be perceived by society. They are the lever for continuing to strengthen the company and for seeing how we want to collaborate and work, and thereby affirm an agile, collaborative, entrepreneurial and courageous culture.

Likewise, an effort is made to ensure that the corporate culture is based on the principles of compliance, continuous improvement and accountability. This conduct is underpinned by integrity, and everyone at Almirall is required to comply with the Code of Ethics.

Almirall has a highly qualified team made up of people of different nationalities and specialities, with a clear commitment to diversity. In 2020, the diagnoses of Almirall S.A., Industrias Farmacéuticas Almirall, S.A. and Ranke Química S.A. were signed for the new equality plan, which was presented in September 2020. The company has appointed an equality officer who will monitor all the positive actions proposed in the equality plan. The Legal Representation of Workers has appointed an equality delegate for each work centre. Lastly, as part of the equality plan, the need to periodically review the protocol for sexual or gender-based harassment, as well as its functioning and content, has been established.

In addition, Almirall wants its employees to feel committed, and therefore different listening channels exist to find out their concerns and needs in order to adapt policies, programmes and processes to them. For this reason, Engagement and Culture surveys are conducted in order to proactively define and implement initiatives that reinforce their sense of belonging and willingness to contribute to Almirall's objectives and Noble Purpose.

Following the 2018 Engagement Survey, an action plan was defined and implemented. A year later, in 2019, the survey was repeated in order to measure the impact of the plan, with very positive results. The results showed an increase in the level of employee engagement of 12 percentage points. This increase was much higher than that obtained in a composite benchmark involving many companies from different industries, which showed that such an improvement in just one year was very difficult to achieve. Only 10% of the companies had achieved this. In 2020, we continued to implement the initiatives arising from this survey, in addition to strengthening the talent development programmes.

Internal communication is key for transmitting and fostering a culture based on the Noble Purpose and its values. The priorities for internal communication are:

- Business: Bring employees closer to the business so that they understand how they contribute to the Noble Purpose, and share with them the milestones of the different projects underway.
- People: Share all initiatives that have an impact on employees, these being initiatives that are focused by and for them.
- Foster spaces where all employees can learn, share and feel a sense of ownership.

Different channels exist for achieving these priorities. In 2020, communication was essential in providing support to employees throughout the pandemic process, as well as in transmitting the continuity of the business and giving the teams peace of mind. During the pandemic, the 'Closer to You' site was created on the corporate Intranet to centralise all communications and to accompany employees during the pandemic (more details on this initiative in section 3.3.2, 'Management of training during COVID-19').

Promoting health and well-being

As one would expect in a company whose mission is to improve people's health and well-being, various initiatives have been implemented to promote employee health and create healthy working environments. This includes access to gyms and medical services in the Group's facilities, as well as restaurants and cafeterias with special menus. At the main workplaces, there is an onsite canteen that offers a variety of alternative menus to promote healthy nutrition.

At the end of the 2019 financial year, the +YOUFEELFIT Challenge programme was launched to promote collaboration and team spirit, with all Almirall employees encouraged to participate. It was a global challenge, supported by a social web app where employees could voluntarily choose to walk, run, cycle or swim, individually or on teams, for a period of time. While practising these sports, employees accumulated Almirometers (the unit of measure of the challenge) which would be converted to money at the end of the challenge. The top performers would be rewarded with attractive and sports-related prizes, and the money from the Almirometers would be donated to NGOs. In short, +YOUFEELFIT Challenge is one that increases all employees' commitment to the company by creating a culture of physical, emotional and nutritional well-being through a variety of activities.

Participation in +YOUFEELFIT Challenge was very high as was the level of satisfaction, and it successfully generated a very strong commitment among all employees, resulting in new relationships between colleagues and teams, promoting healthy lifestyle habits and increasing positivity and work-life balance among employees.

Due to the pandemic, the conclusion of the +YOUFEELFIT Challenge was postponed until the situation stabilised. For this reason, as an alternative to the challenge, employees were offered a mobile and web application to do exercises at home with different routines that the employees themselves could choose, taking into account their specific needs (for example: Pilates, strength-building exercises, family exercises, prenatal exercises, among many others).

Taking into account the emotional impact of the pandemic, a support plan was also defined for all employees in order to stay close to them and give them all the necessary assistance. Employees received personalised support from the Human Resources teams to resolve doubts and concerns (Human Resources Partners, Health and Safety, Medical Services), and psychological support was provided to all those who needed it.

3.2. Talent recruitment

Almirall insourced the recruitment model by building a highly skilled team of headhunters and recruiters. The role of the headhunter is to identify passive candidates and interact with them, while the role of the recruiter is to attract and evaluate candidates for different positions. This proactive approach to recruiting ensures the existence of a pool of talented candidates and helps simplify applicant tracking to make it possible to hire the best candidate for each position.

A Referral Programme was developed to identify candidates. This programme allows employees to recommend their best contacts for Almirall vacancies. As an incentive, if a recommended candidate is ultimately hired, the employee who made the recommendation receives a financial reward. It is a good way of reaching candidates who fit the company's needs, in terms of both objectives and organisational culture. Moreover, having the employees themselves recommend the company as a good place to develop professionally is also a good letter of introduction that makes highly talented individuals interested in participating in the Group's hiring processes.

The hiring process is robust and consists of several steps according to the level of the organisation. These steps guarantee quality hiring that aligns with Almirall's corporate culture and values. And when it comes to evaluating candidates, there are three assessment levels: Basic, Silver and Gold, coordinated by the Global Talent Acquisition team:

- The Basic assessment is used when hiring specialists and entry-level positions and consists of a personality test, a behavioural interview, a technical interview, a practical job-related test (optional in this case), and lastly a language test, plus a reference check.
- The Silver assessment is used when recruiting for mid-level positions and consists of a personality test, a behavioural interview, a case study or presentation on a specific topic, a role-play, a language test and a reference check. In this case, the case study is mandatory.
- Lastly, the Gold assessment is used when hiring executive-level positions and consists of an advanced personality test, a behavioural interview, a case study or presentation on a specific topic, a role-play, an English test and a reference check. The case study enables assessment of competencies such as entrepreneurial vision, communication, influence, innovation and strategic vision. The role-play, on the other hand, makes it possible to evaluate leadership skills and results orientation, among other qualities.

Internal employees are a priority

When selecting candidates, meritocracy and cultural diversity are advocated in all hiring processes, as diversity and inclusion are part of Almirall's DNA. For example, there are employees of 26 different nationalities, which allows the company, among other things, to be more innovative and productive and to benefit from different points of view that ultimately impact business results.

Furthermore, Almirall firmly believes in giving employees the opportunity to progress in their careers within the company. Thus, when a new vacancy opens up, the existence of internal candidates who might be suitable for the position, relying on the Talent Review processes described below, is always taken into account before it is published externally. In this way, priority is given to employees so that they can enjoy a long career and professional development within the company.

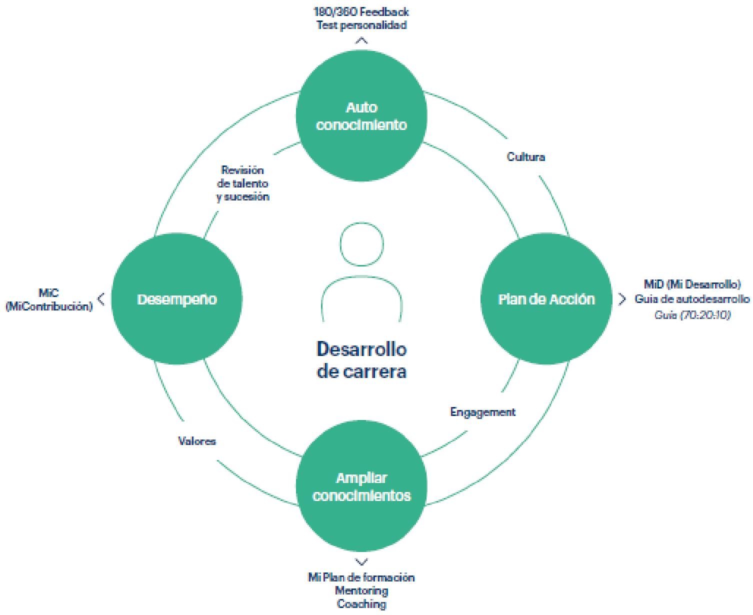
3.3. Training and talent development

As seen above, Almirall's culture is based on corporate values and the Noble Purpose. This is why employee training and development play such an important role in daily operations, representing a strategic and priority focus in the company's corporate agenda. This strategy, as well as the resulting impacts on the employees' experience over the course of their employment at Almirall, accompany them as they develop their careers, help them to achieve success in their role, and allow them to absorb the corporate culture that is desired at Almirall.

The training offered at Almirall is a fundamental resource for ensuring that employees are prepared and have the necessary tools and skills to give the best of themselves in the different areas of their professional field, generating a clear return on investment for the company.

Training and development at Almirall for years has been based on the learning model known as '70:20:10'. This model indicates that 70% of learning is experience-based, which is learned in the job on a daily basis. 20% refers to interaction and learning with colleagues and/or participation in collaborative processes such as mentoring or shadowing. The remaining 10% of the learning process consists of structured, academic or traditional training, either face-to-face or in virtual format.

Employees are primarily responsible for their own development and growth. Thus, they are given access to a wide range of tools and programmes to facilitate their development experience at Almirall.



Self-knowledge is a key driver and the starting point of any development path. As a first step in the employee's professional growth, a self-development programme is provided that makes employees aware of their strengths and growth opportunities through tools such as 180/360 feedback and personality tests.

Once employees have a vision of what they need to strengthen and develop, they set their development goals in an individual action plan agreed with their Manager following the 70:20:10 model. Every employee has at their disposal a virtual 'Self-Development Guide' which offers advice and self-development content to help all employees define and monitor their own development action plan, known internally as MiD (MyDevelopment). MiD is a continuous development process that allows every employee to develop their strengths and opportunities for improvement in order to focus on learning proactively from the defined development actions.

The emphasis on continuous learning and development for career advancement and Almirall's success is essential for achieving the best results. For this reason, there is a performance evaluation process in the company that helps define the path required to achieve the employee's objectives. These objectives combine business needs and corporate values with strengths, and they represent a challenge for us as a team. Employees and managers hold frequent meetings over the course of the year, which are essential to reinforcing the culture of continuous feedback in the organisation.

Team members identify their training needs and share them with their manager in order to be in alignment and then include them as development actions in their MiD.

The development and training model at Almirall has a clear aim: to foster a culture of continuous learning by providing a positive experience and preparing employees to be efficient in carrying out their tasks and achieving their objectives.

With these bases, Almirall's training and development strategy this year has been based on three fundamental pillars, which are described below.

3.3.1. The online/offline training plan

In January 2020, Almirall's Training Plan was announced to all company employees. The training plan aims to offer a variety of training courses to help prepare employees for the different stages of their professional careers. This plan is directly aligned with Almirall's strategy, values and competencies.

Employees also have a very proactive role in adapting this plan to themselves over the course of the year, as it serves to align the training offer with their individual development plans. As a first step in professional growth, and as mentioned above, Almirall offers a self-awareness programme that makes employees aware of their strengths as well as their development opportunities.

This training plan is presented to the entire company in four categories to facilitate the search for training courses and to organise the offer. These categories are: Culture and Values, Business, Technological Tools and Languages.

i. **Culture and Values:** Training focused on developing Almirall's values and behaviours, including:

- Capacity/skills building: The main purpose of this training is to develop critical skills to ensure the success of Almirall's results, such as Feedback, Change Management, Innovation, and Diversity Development and Inclusion. In this category, there is also training on how to make the most out of the My Contribution and My Development processes.
- Training in critical leadership skills: This leadership programme, known as 'Leadership Path', is based on five programmes adapted to the different career stages. Each training programme is aligned with personal competencies as well as technical business subjects. The base programme is attended by all employees who are individual contributors. This is followed by another specific programme for managers who need to develop the foundations of Almirall leadership, and a third programme aimed at managers who have been leading teams for a minimum of two years. Lastly, there are two programmes: one for senior leaders and another for key global talent identified in Almirall.

Leaders are essential in developing talent within their teams, while fostering internal talent and providing new opportunities for their teams to grow.

ii. **Business:** Training focused on developing technical skills.

- Functional specialisation training: Training focused on increasing the technical and specific skills necessary to fulfil the responsibilities in each of the functional areas of the company. This category contains specific training for finance specialists, product training for sales teams, as well as training related to scientific topics for R&D professionals, among many others.
- Technical training for non-experts: Training focused on broadening business knowledge for non-experts, such as Finance for Non-Financial Staff, Almirall Strategic Products and Project Management.
- Training on basic principles: Critical and essential training that all employees must undertake. Some of these topics also have a direct impact on Almirall's culture, such as training on the Code of Ethics, Information Security, Pharmacovigilance and Promotional Compliance.

iii. **Technological Tools:** Training focused on developing the necessary technological skills to be able to operate the new tools available with greater efficiency and agility. Some examples are: Modern Workplace, to support the Flexible WorkPlace project; Windows 10, Outlook Mail & Calendar; and the Teams application, which has proved essential for holding virtual meetings, which have increased substantially this year due to Covid-19.

iv. **Languages:** Training programme to develop Almirall's official languages (English and Spanish).

It should be noted that many of the training courses in the training plan are given by internal trainers. These are experts in their area of knowledge. Having internal trainers serves a threefold purpose:

- To develop internal trainers in critical and necessary skills for sharing their knowledge (presentation, listening, feedback, teaching and others).
- To recognise their knowledge and make it visible to the teams.
- To capitalise on internal knowledge and extend it to the rest of the employees, thereby increasing collaboration and synergies between teams.

COVID-19 has had a significant impact on the learning plan. In just a few weeks, it had to be redefined to incorporate many of the courses previously offered only in face-to-face mode into virtual mode. One noteworthy example is the 'On Stage' course, which has been adapted to an innovative virtual reality format which allows self-learning through a unique experience where participants can feel what it is like to present to a real audience from a real stage.

3.3.2. Management of training during COVID-19

The overall management of the training area in response to COVID-19 deserves special mention. The training strategy had to be adapted to continue offering an efficient service in line with the objectives set at the beginning of the year. The following is a summary of the actions taken to meet the challenges created by COVID-19 in this area:

- A virtual platform, 'Close to You', was created, where new training content is launched weekly related to well-being and the health crisis. This content is important for keeping employees informed about the COVID-19 crisis, centralising all the information and memos published to date and providing quick access to all updates as quickly as possible.
- The content was made available in a variety of formats: articles, online courses, podcasts, challenges, live virtual classes and downloadable guides, among others. The training and well-being content ranged from topics related to teleworking, stress management and skill-building during the pandemic to content also considered relevant at a strategic level for the company, such as topics related to Almirall products and sales, and also highlighting topics related to emotional, physical and nutritional well-being.

These launches were carried out within a very intensive communication framework in which several memos were sent out weekly to make employees feel accompanied and nurtured at all times, despite the pandemic.

These training actions were very well-received and, as a result, many people increased their training time and attention to their own well-being based on this special content.

In summary, through all the initiatives and training programmes implemented this year, it can be highlighted that the results were particularly positive, enabling achievement of the established objectives. Some of the most relevant data from the comparison between 2019 and 2020 is the increase in the number of participants and the decrease in hours due to the impact of e-learning training, short content capsules, compared to the face-to-face training with more dedication in hours:

		2019			2020		
Category	**Gender**	**Participants**	**Hours**	**Average**	**Participants**	**Hours**	**Average**
Directors	Women	43.0	210.6	4.9	27.0	340.5	12.6
	Men	90.0	214.9	2.4	87.0	271.5	3.1
Managers	Women	537.0	1,915.0	3.6	385.0	1,388.4	3.6
	Men	573.0	2,051.4	3.6	643.0	1,988.1	3.1
Specialists / Technicians	Women	2,880.0	10,837.7	3.8	3,359.0	7,118.8	2.1
	Men	1,925.0	6,826.9	3.5	2,674.0	6,049.3	2.3
Administratives / Operators	Women	1,328.0	5,771.5	4.3	1,533.0	7,263.5	4.7
	Men	1,218.0	6,854.6	5.6	1,288.0	8,468.5	6.6
Total Group		**8,594.0**	**34,682.5**	**4.0**	**9,996.0**	**32,888.7**	**3.3**

(*) 2018 data is not available as per changes in software and categorization introduced in 2019

3.3.3. The future of training - +YOUniversity

We are working on a strategic training project that will provide Almirall with a single platform from which employees will be able to consult all available training and take the courses on the same platform, which will also be collaborative and provide the opportunity to create learning communities. It will have cutting-edge technology (artificial intelligence) to identify courses according to development needs, roles and training previously completed by employees. This will further promote a culture of learning across the company, democratising training for all employees.

3.3.4. Talent Review and Succession Planning

In 2020, as every year, one of the most important processes for employee development and professional growth was carried out: the talent review and succession planning process whereby the following pillars are strategically analysed, department by department:

- Business challenges and organisational needs.
- Key positions and possible future successors (Succession Plan).
- Identification of employees with high potential (High Potentials) or who are essential to the company for their knowledge (Key Contributors), as well as emerging talent to continue developing as future high potentials in the organisation (Emerging Talent).

The goal of the Talent and Leadership Development strategy is to build a diverse, multi-skilled team to meet the challenges of creating optimal and innovative solutions for patients.

3.4. Remuneration, integration and equality

Almirall's compensation programmes pursue a culture of high performance, with compensation and benefit plans that are aligned with standard market practice and take into consideration the degree of contribution of the position and the performance of each employee. For this reason, Almirall regularly analyses the valuation of the different job positions, as well as the performance of each employee, in order to recognise the performance of each one of them through the annual salary increase process. In addition, the various benefit programmes allow employees to tailor their compensation package to the specific needs of each individual and their families.

In 2020, work was done on a project aimed at building a global organisational structure for the company based on the value of the position as a solid base on which to unify the Compensation and Benefits strategy with certain key Human Resources processes. In 2021 the outcome of the project will be consolidated and communicated, and compensation policies will be adjusted to take this new structure into account.

This project for the correct valuation of jobs is in line with the new legislation in Spain (Royal Decree 902/2020) on equal pay for men and women, and is further evidence of the company's commitment to equality. This commitment is also demonstrated in the Equality Plan that Almirall has had in place since 2009, updated in 2020, as well as in the appointment of an equality agent who will monitor all the positive actions proposed within it. The objectives of the plan include promoting and improving access to senior positions by women, as well as preventing discrimination in hiring and gender-based pay.

Below is a table with a breakdown of the total remuneration received in 2018, 2019 and 2020 in the Group, broken down by gender, category and age:

Category	Gender	2018	2019	2020
Directors	Women	190,807	211,747	221,309
	Men	294,545	276,823	270,599
	Average	266,881	257,596	254,551
Middle management	Women	108,982	110,717	112,251
	Men	121,371	128,375	129,751
	Average	115,870	120,955	122,260
Specialists/Technicians	Women	63,835	66,925	66,418
	Men	67,232	71,842	70,695
	Average	65,342	69,119	68,301
Administrative staff/Workers	Women	39,234	40,060	40,846
	Men	36,985	36,467	37,041
	Average	38,370	38,561	39,122
Group Total	**Women**	**64,672**	**67,214**	**68,044**
	Men	**80,618**	**82,560**	**80,728**
	Average	**71,917**	**74,356**	**73,984**

Age	Gender	2018	2019	2020
< 30	Women	46,167	44,994	40,794
	Men	50,936	47,981	42,259
	Average	48,107	46,359	41,580
30 – 50	Women	64,811	68,050	68,429
	Men	72,463	76,874	71,936
	Average	67,876	71,725	69,877
> 50	Women	69,142	70,371	71,681
	Men	95,050	94,896	96,467
	Average	83,583	83,763	84,969
Group Total	**Women**	**64,672**	**67,214**	**68,044**
	Men	**80,618**	**82,560**	**80,728**
	Average	**71,917**	**74,356**	**73,984**

At year-end 2020, Almirall's unadjusted pay gap (without taking into account job characteristics) averaged 84.3%, i.e. on average, women were paid 15.7% less than men in Total Compensation (Fixed Compensation + Short-Term Variable Compensation).

The calculation formula used was:

$$\text{Average wage gap} = \frac{\text{Average women wage} - \text{Average men wage}}{\text{Average men wage}}$$

In terms of wages, the most representative statistical parameter is the median, and so the gap between the median wages of women and men has also been calculated. The formula used was:

$$\text{Median wage gap} = \frac{\text{Median women wage} - \text{Median men wage}}{\text{Median men wage}}$$

In this case, overall, the gap is reduced by 46%, from 84.3% (average) to a gap of 91.5% (median).

Almirall reduced its unadjusted average pay gap by 15.5% compared to 2019, and by 20.6% compared to 2018.

On the other hand, the company's weighted pay gap, following the previous year's criteria of calculating this as the country-weighted ratio of the average target salary of women versus men in equivalent jobs whenever there is a minimum representation of one employee per gender, is 94.8%. In 2019, it was 93.5%. Almirall reduced the weighted salary gap with respect to 2019 by 1.4%.

This improvement in the unadjusted gap, both the weighted and the average, is mainly due to the increase in women in the Management category (management/leadership positions), either by internal promotion or by hiring in 2020 (see section 3.7, 'Employment: headcount and distribution').

Lastly, in accordance with the new legislation in Spain (Royal Decree 902/2020) on equal pay for women and men, in the first quarter of 2021 Almirall has been working to calculate the adjusted gap broken down by positions of equal value (positions that are truly equivalent taking into account four valuation factors: contribution, context, requirements and scope). A tool (JET from OMD Consulting) is used to carry out this job evaluation, which offers an adequate, complete and objective evaluation. The valuations resulting from this project will be audited by an external and independent third party to ensure their objectivity and coherence, also providing a report justifying the application of the valuation factors to the positions (in accordance with Article 4 of Royal Decree 902/2020).

With this information, the average and median salary gap will be calculated for the groupings (levels) that are established according to the value of the positions. Subsequently, with econometric and statistical models, salary practices will be modelled in order to identify and quantify the factors responsible for the difference between men and women (organisational, cultural, labour market aspects, etc.) to thus rule out the existence of discriminatory factors in terms of remuneration. The result will be reflected in the adjusted pay gap. By mid-2021 this information will be shared in the remuneration register and in the equality plan that the company is updating for Spain.

The following table shows the average gross remuneration received in 2019 and 2020 by the members of the Board of Directors and members of the Management Board of the Almirall Group:

	2019		2020	
Board (€)	Women	Men	Women	Men
Board of Directors (1)	132,500	267,309	98,125	319,755
Management Board (2)	334,813	475,825	376,929	474,483

1) Are included remunerations for the Board of Directors, remunerations associated with the position of each member of the board plus the amounts associated with the commissions they perform during the year. The board of directors includes the CEO of the company.
2) The remuneration of the Steering Committee includes the base salary received during the year, the short term incentives (STI) and long term incentives (LTI) paid in March of the year and all salary supplements (seniority, school assignments, rental allowances, car supplement and other extraordinary compensations). No payments are included for termination of employment.

3.5. Work organisation

Almirall has working calendars that are applicable to all employees and compatible with the legislation in force in each country. The calendars are shared with the Legal Representation of Workers to try to align, as far as possible, the productive needs of the company with personal life. For easy consultation by all employees, the company makes the aforementioned calendars available for each year and posts them on the corporate Intranet in the month of December.

In addition to the legally stipulated annual leave, depending on the country, Almirall offers up to seven additional days off to be taken over the course of the calendar year. For a better adaptability to the needs of the employee, these additional rest days can be taken in up to 14 half days.

The company is committed to the well-being of its employees and, for this reason, with the aim of ensuring work-life balance, the work calendar includes a flexible work schedule, for both entering and leaving, which allows weekly working hours to be adapted to reconcile work and personal life.

In Spain, we offer a flexible scheduling system called Turn it Flex, which makes it possible to adapt the working day to the personal needs of each employee. For offices, it is possible to start the day at any time between 7:30 am and 9:30 am. The midday break can be from 30 minutes to one hour and a half, and the end of the work day can be between 4:15 pm and 8:00 pm. Expansion of the flexibility of the working day has allowed the majority of people who had reduced working hours to extend them, making it possible to balance work and family life. In the same way, employees who work shifts in the industrial area can change them on a rotating basis, with the possibility of morning, afternoon and night shifts. As for the industrial plants, there are rotating morning, afternoon and evening schedules, and annual leave and public holidays are pre-established in the calendar in order to ensure the pace of production.

In order to promote and encourage a more collaborative and innovative environment that allows for greater agility, efficiency and flexibility, a new model of office space has been defined. The Flexible Work Place project has been implemented in the Sant Andreu de la Barca offices and is currently being implemented in the headquarters building.

Due to the exceptional global situation caused by COVID-19, full-time and/or part-time teleworking was promoted for the entire workforce, except for those functions for which, by their nature, this was impossible. In the latter case, all the necessary measures were taken to guarantee the safety and health of employees.

In order to respond to business needs, exceptional measures for flexible working hours, work organisation and annual leave management were negotiated and promoted, thereby ensuring the continuity of business objectives and sustaining the Group’s operating models, which ultimately demonstrated the Group’s ability to adapt and manage without a major disruption in this exceptional situation.

Almirall, faced with this uncertain situation, constantly evaluates the most appropriate measures to adapt to and address both the health and safety of employees and the business, as indicated in the section 3.11.3, ‘COVID-19-related health promotion and management’.

3.6. Social relationships

In relation to employee participation and consultation, Almirall not only scrupulously complies with the commitments acquired in the different negotiation frameworks in each territory (for example, in Spain, the 19th General Chemical Industry Agreement), but also goes one step further by promoting its continuous improvement system. This is done through committees within the organisation that address key issues in the company, such as benefits, equality, occupational health and safety, or any other issues that may affect the day-to-day work of company employees.

Almirall is committed to compliance with and adherence to legislation and labour practices in an environment of constructive dialogue and respect for social agents. Employees must comply with the rules of ethical conduct applicable to the pharmaceutical industry, in addition to the provisions of Almirall's Code of Ethics.

Almirall has legal workers' representatives at all its work centres. Due to the company's presence in several countries of the European Union, in 2019 the European Works Council was established, and in 2020 it held an annual meeting with two working sessions, on 20 and 21 October, where issues of common and transversal interest for several countries were addressed. These included the status of production in the company's plants, news on R&D, updates on occupational health and safety, improvements and new developments in computer applications, latest acquisitions and the economic situation of the Group and anticipated headcounts by country. Additionally, the company applies the state and labor legislation of each country in which it has employees, but also in countries such as Spain, Italy and Austria, 100% of its employees with a labor contract are also subject to the correspondent collective agreement.

Benefit Committees

In Spain, there are several monitoring committees for strategic issues within the organisation. These committees present, discuss and propose improvements and changes to be applied both in Spain and in the Group's subsidiaries, if applicable.

One of these is the benefits committee (which carries out an ongoing analysis of the social benefits provided by the company), which this year met to analyse the granting of school and special aid for the 2019-2020 academic year, as well as to review the life insurance policies offered by Almirall. It also reviewed current social benefits which, within the framework of the Collective Agreement signed in 2017, affect Almirall in Spain.

The benefits were agreed upon at this committee meeting include a marriage bonus and a maternity or paternity bonus. Similarly, Almirall offers two additional days of leave to fathers and mothers, which can be extended by two more days in the case of caesarean delivery and hospitalisation.

Record of Hours Worked

As a result of the regulatory change published in Spain regarding the mandatory recording of hours worked, Almirall, after negotiation with the workers' representatives, agreed to a Working Hours Recording Regulation and developed and implemented a computerised recording tool that allows employees to consult the hours they have worked.

As a result, Almirall employees are better able to see the time invested in carrying out their activities, which allows them to improve the efficiency of their working time and enjoy greater autonomy.

3.7. Employment: headcount and distribution

At the close of the 2020 financial year, Almirall had a total of 1,785 employees, with 26 nationalities represented, 47% men and 53% women, an average length of employment of 13.5 years, 65% with a university degree and 70% experts on the pharmaceutical industry.

Almirall's employees are concentrated in Europe (94%) and the United States (6%). The distribution in professional categories is as follows: 2% Directors, 15% Middle Management, 60% Technical Specialists and 23% Administrative staff/Workers.

The age distribution of Almirall's workforce is as follows: 56% of employees are over 31 and under 50, 7% are under 30, and 37% are over 50.

The distribution of employees by country, professional category, gender and age is detailed below.

	2018			2019			2020		
Country	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Spain	618	521	**1,139**	625	565	**1,190**	624	574	**1,198**
Germany	171	129	**300**	167	120	**287**	169	127	**296**
United States	116	88	**204**	65	46	**111**	55	43	**98**
Italy	27	37	**64**	29	43	**72**	33	45	**78**
United Kingdom	16	17	**33**	17	18	**35**	18	16	**34**
Switzerland	10	9	**19**	9	8	**17**	11	8	**19**
Netherlands	1	1	**2**	9	4	**13**	9	2	**11**
Austria	5	5	**10**	6	5	**11**	10	5	**15**
Belgium	2	4	**6**	4	4	**8**	7	4	**11**
Nordic countries	8	6	**14**	4	3	**7**	-	3	**3**
Portugal	4	2	**6**	5	2	**7**	5	2	**7**
Poland	3	-	**3**	3	1	**4**	3	-	**3**
France	-	1	**1**	-	2	**2**	3	7	**10**
China	2	-	**2**	1	-	**1**	2	-	**2**
Group Total	**983**	**820**	**1,803**	**944**	**821**	**1,765**	**949**	**836**	**1,785**

(*) CEO and President not included in the headcount

	2018			2019			2020		
Professional category	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Directors	12	32	**44**	13	31	**44**	14	29	**43**
Middle management	119	151	**270**	108	149	**257**	113	150	**263**
Specialists/Technicians	605	483	**1,088**	587	472	**1,059**	595	471	**1,066**
Administrative staff/Workers	247	154	**401**	236	169	**405**	227	186	**413**
Group Total	**983**	**820**	**1,803**	**944**	**821**	**1,765**	**949**	**836**	**1,785**

(*) CEO and President not included in the headcount

The presence of women in the Directors category shows an upward trend. At the end of 2020, the gender ratio in this category was approximately 33:67 (women to men). This is a significant improvement over 2019 in terms of the preponderance of men (approximately 30:70) in that category. This reflects Almirall's ongoing effort with respect to achieving gender-parity in the organisational pipeline.

	2018			2019			2020		
Age	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
< 30	70	49	**119**	63	53	**116**	58	62	**120**
30 - 50	642	431	**1,073**	594	424	**1,018**	585	417	**1,002**
> 50	271	340	**611**	287	344	**631**	306	357	**663**
Group Total	**983**	**820**	**1,803**	**944**	**821**	**1,765**	**949**	**836**	**1,785**

The most common type of hiring at Almirall is permanent/indefinite contracts, with an incidence of 98%.

The table below shows the distribution at year-end of permanent/indefinite or temporary contracts, broken down by gender.

	2018			2019			2020		
Type of contract	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Permanent	938	804	**1,742**	914	800	**1,714**	929	821	**1,750**
Temporary	45	16	**61**	30	21	**51**	20	15	**35**
Group Total	**983**	**820**	**1,803**	**944**	**821**	**1,765**	**949**	**836**	**1,785**

The breakdown of the average annual distribution of contracts by duration (indefinite/permanent or temporary) according to age, professional category and gender is as follows:

		2018		2019		2020	
Age	**Gender**	**Permanent**	**Temporary**	**Permanent**	**Temporary**	**Permanent**	**Temporary**
< 30	Women	50.7	17.7	41.7	17.0	42.5	13.2
	Men	40.7	4.5	39.1	8.2	43.1	11.2
30 - 50	Women	607.1	19.3	575.9	16.5	567.2	11.9
	Men	418.8	9.8	409.0	8.4	409.3	6.4
> 50	Women	272.1	1.8	299.6	1.9	313.5	1.3
	Men	344.8	1.4	352.8	0.8	363.8	0.6
Group Total		**1,734.2**	**54.5**	**1,718.1**	**52.8**	**1,739.4**	**44.6**

		2018		2019		2020	
Category	**Gender**	**Permanent**	**Temporary**	**Permanent**	**Temporary**	**Permanent**	**Temporary**
Directors	Women	10.9	-	12.8	-	13.2	-
	Men	33.7	-	30.8	-	32.2	-
Middle management	Women	123.4	0.2	110.5	0.3	112.0	-
	Men	153.1	2.0	146.3	0.9	147.8	-
Specialists/Technicians	Women	553.3	22.2	562.8	22.8	574.0	15.6
	Men	473.9	7.1	465.2	7.6	458.5	10.3
Administrative staff/Workers	Women	242.3	16.5	231.2	12.3	223.9	10.8
	Men	143.6	6.5	158.5	8.9	177.8	7.9
Group Total		**1,734.2**	**54.5**	**1,718.1**	**52.8**	**1,739.4**	**44.6**

3.8. Layoffs by gender, age and occupational classification/country

The following involuntary severances at Almirall occurred during the 2018, 2019 and 2020 financial years. The following table shows the details of their classification by territory, gender, age and professional classification.

	2018			2019			2020		
Professional category	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
Directors	-	1	**1**	1	1	**2**	-	6	**6**
Middle management	7	4	**11**	8	7	**15**	6	7	**13**
Specialists/Technicians	24	18	**42**	16	18	**34**	29	14	**43**
Administrative staff/Workers	9	2	**11**	6	3	**9**	4	5	**9**
Group Total	**40**	**25**	**65**	**31**	**29**	**60**	**39**	**32**	**71**

	2018			2019			2020		
Age	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**	**Women**	**Men**	**Total**
< 30	4	-	**4**	-	2	**2**	1	3	**4**
30 - 50	22	13	**35**	19	14	**33**	21	17	**38**
> 50	14	12	**26**	12	13	**25**	17	12	**29**
Total Group	**40**	**25**	**65**	**31**	**29**	**60**	**39**	**32**	**71**

During the 2020 financial year, the Group did not avail itself of any measures related to the suspension of contracts as a result of COVID-19 (ERTE, for example), as most of its activities continued to operate.

3.9. Access for people with disabilities

Almirall is highly committed to employing people with disabilities. At present there are different collaboration agreements in effect with different special work centres/entities/foundations, and we also work proactively to promote and/or facilitate the hiring and integration of this group.

In accordance with the main general legal provisions in force intended to address the rights of people with disabilities, Almirall meets the compliance requirements through the reserve quotas established by law in each of the countries where it has a work centre, or through exception certificates and according to the different circumstances that arise in the Group's companies.

At Group level, Almirall employs the following group with an accredited degree of disability:

	2018 (1)	2019 (2)	2020 (2)
Total disabled employees	14	30	33

(1) Information for Germany and USA not available due to data privacy regulations
(2) Information for USA not available due to data confidentiality regulations.

3.10. Absenteeism

The absenteeism data for the 2019 and 2020 financial years include both hours lost due to sickness and work-related accidents, as well as maternity and paternity leave. The breakdown by country is as follows.

Country/Hours (*)	2019	2020
Spain	108,164	117,075
Germany	38,694	39,622
Italy	9,094	2,691
Austria	1,129	881
Switzerland	1,107	266
United Kingdom	927	1,318
Nordic countries	201	-
Group Total	**159,316**	**161,853**

(*) Absence hours are not reported in the USA since local legislation does not allow them to be recorded.

3.11. Health and safety

3.11.1. Management approach

The occupational health, safety and environmental management system is formally implemented and certified at the centres and with the activities indicated above in section 2.1 of this report. At international subsidiaries beyond the scope of this certified system, occupational health and safety is managed locally, in accordance with the legal requirements applicable in each case.

At the corporate level, Almirall has a Health and Safety Team, which reports to the Head of Corporate Social Responsibility, who, in turn, reports to the Vice President of Human Resources.

As part of Almirall's commitment to society, one of the priority and strategic objectives that drive our daily activities is the safety, health and well-being of our employees.

Almirall has a Global Corporate Health, Safety and Environmental Policy, which establishes that one of the priority and strategic objectives that drive the daily activity of the organisation is occupational health and safety and environmental protection, including energy performance. To this end, the following basic principles, among others, are established:

- A commitment to the safety, health and well-being of employees, promoting integration of the same into the Company's daily work processes.
- A commitment to eliminating hazards and reducing risks to occupational health and safety.
- A commitment to continuous improvement of occupational health and safety management at Almirall in order to improve its performance, in compliance with the applicable legal requirements and other requirements to which Almirall voluntarily subscribes.
- Establishment of periodic programmes, with objectives and targets in accordance with the applicable regulations, the Global Corporate Prevention and Environment Policy itself and the risks and opportunities identified in the area of occupational health and safety.
- Training, involvement and participation of Almirall's staff and partner companies in the application of the principles contained in the Global Corporate Prevention and Environment Policy.
- A commitment to consultation and participation of workers and, where they exist, workers' representatives.
- To ensure the availability of the necessary information and resources, and proper planning for their use.
- Occupational health and safety is an objective of the Company as a whole, and therefore responsibility for achieving it is shared by all Almirall's employees, regardless of their level or role.

As mentioned in section 2, Almirall has an integrated occupational health and safety, environmental and energy management system. In 2019, Almirall successfully passed the TÜV Rheinland certification audit of the integrated management system, in accordance with international standards ISO 45001:2018, ISO 14001:2015 and ISO 50001:2018, at all its centres in Spain and Germany. In 2020, the first annual follow-up audit was performed by TÜV Rheinland. Due to the extraordinary conditions of the COVID-19 pandemic, the first phase of the audit was performed remotely before the summer, and the second phase was closed in September with site visits to the centres in Spain and Germany selected by the audit team. The result was very positive, with zero non-conformities identified.

With regard to occupational health and safety, Almirall was one of the first companies, in general, and one of the first chemical-pharmaceutical laboratories, in particular, to obtain certification of its system according to the new ISO 45001:2018 standard (which replaces the previous OHSAS 18001:2007, for which it has held certification since 2007). This certification is currently held by Almirall's operating centres in both Spain and in Germany.

Almirall has a series of established and implemented due diligence processes and procedures, which it continuously updates, to ensure that the prevention and environmental management system is appropriate, adequate and effective. The following is a list of the most important ones in terms of occupational health and safety:

- Occupational health, safety and environment Manual.
- Risks and opportunities in occupational health, safety and environment.
- Evaluation of occupational risks.
- Legal and other requirements.
- Training in occupational health, safety and environment.
- Communication, participation and consultation in occupational health, safety and environment.
- Management of occupational health, safety and environmental documentation.
- Change control in occupational health, safety and environment.
- Industrial safety in equipment and installations.
- Monitoring of work with special risks.
- Monitoring of suppliers of works and services.
- Road transport of hazardous goods.
- Emergency plans.
- Occupational health, safety and environmental audits.
- Management review of the occupational health, safety and environmental system.
- Incidents, non-conformities and corrective actions.

In 2020, many preventive and employee-health promotion activities were carried out, among which the following basic indicators stand out:

- 13,739 hours of training (up 100% from 6,867 hours in 2019), attended by 2,359 employees (down 8.5% from 2,577 in 2019).
- 230 corrective and improvement actions properly managed in the different areas of the organisation (52% decrease compared to 476 actions in 2019).
- 145 occupational risk assessments related to occupational safety, industrial hygiene, ergonomics, and psycho-sociology at work (down 54% from 313 assessments in 2019).
- 289 suppliers of works and services approved in terms of health and safety to carry out work at Almirall centres (38% increase compared to 209 suppliers in 2019).
- 140 monitoring and control activities (audits, self-inspections, planned observations, etc.) (19% increase compared to 118 activities in 2019).
- 87 incidents and 32 non-conformities, all properly reported, investigated and evaluated (26% fewer incidents compared to 2019 and 62% fewer non-conformities compared to 2019).
- 601 medical check-ups of employees (50% decrease compared to 1,192 check-ups in 2019).

It should be noted here that, due to the appearance at the beginning of 2020 of the COVID-19 health crisis and direct involvement Almirall's health and safety professionals in managing it internally, in 2020 operational activities in this area had to be re-prioritised. This explains the decrease, with respect to the previous year, in the following activity indicators: number of corrective and improvement actions, number of occupational risk assessments, and number of medical check-ups of employees, to highlight the most important ones.

3.11.2. <u>Accidents at work</u>

The tables in this section summarise the main statistical data on accidents at the different Almirall centres for the 2018, 2019 and 2020 financial years.

As can be seen, overall, in 2020, there was a slight uptick in accidents involving disability leave, compared to the data for 2019, a year with extraordinarily low accident levels: 1) Incidence rate: this increased in 2020 by 31% compared to 2019 (8.8 vs 6.7), but a reduction of 24% compared to 2018 was maintained (8.8 vs 11.6); 2); Frequency rate: this increased in 2020 by 29% compared to 2019 (4.5 vs 3.5), but a 26% reduction compared to 2018 was maintained (4.5 vs 6.1); 3); Severity index: this increased in 2020 by 36% compared to 2019 (0.19 vs 0.14), but a 37% reduction compared to 2018 was maintained (0.19 vs 0.3).

This increase is mainly due to a higher accident rate at the Sant Andreu Pharmaceutical Plant, which in 2020 accounted for 10 of the 16 accidents that occurred overall. A plan has been formulated for 2021 to improve the accident rate at this work centre. With regard to the rest of the company's centres, it should be noted that in 2020 there were zero accidents at the headquarters, the Sant Feliu R&D Centre and at all the commercial subsidiaries except Switzerland, where there was one minor accident.

It is important to note that, taking as a reference the official accident rate data for the last period published by the Ministry of Labour, Migration and Social Security, the incidence rate of accidents with disability leave in 2020 was 60% below the level of the Industry Sector, Pharmaceutical Products Manufacturing Division (8.8 vs 22.1). Likewise, the severity rate of accidents resulting in disability leave in 2019 was 80% below the level of the Industry Sector, Manufacturing Industry Division (0.19 vs 0.94).

Tables 1, 2 and 3 also show the accident rate data broken down by gender, with an indication of the incidence, frequency and severity rates.

	General data		Disability leave				
Centre:	**Average workforce (1)**	**Hours worked (2)**	**Accid.**	**Days lost**	**I_I (3)**	**I_F (4)**	**I_G (5)**
Headquarters	305	580,536	-	-	-	-	-
Sant Feliu R&D Centre	223	424,265	2	535	9.0	4.7	1.26
Sant Andreu Pharmaceutical Plant	384	729,912	4	38	10.4	5.5	0.05
Reinbek Pharmaceutical Plant	112	254,363	2	26	179.0	7.9	0.10
Chemical plants	70	133,496	3	13	42.9	22.5	0.10
Commercial subsidiaries	541	1,008,872	8	325	14.8	7.9	0.32
2018 Total	**1,635**	**3,131,444**	**19**	**937**	**11.6**	**6.1**	**0.30**
Women	882	1,690,979	9	528	5.5	2.9	0.17
Men	753	1,440,465	10	409	6.1	3.2	0.13

Table 1. Accident data in 2018

	General data		Disability leave				
Centre:	**Average workforce (1)**	**Hours worked (2)**	**Accid.**	**Days lost**	**I_I (3)**	**I_F (4)**	**I_G (5)**
Headquarters	303	585,616	-	-	-	-	-
Sant Feliu R&D Centre	235	450,736	-	41	-	-	0.09
Sant Andreu Pharmaceutical Plant	423	814,776	5	164	11.9	6.2	0.20
Reinbek Pharmaceutical Plant	118	268,787	3	63	25.4	11.2	0.23
Chemical plants	68	131,816	-	-	-	-	-
Commercial subsidiaries	644	1,235,261	4	226	6.2	3.2	0.18
2019 Total	**1,791**	**3,486,992**	**12**	**494**	**6.7**	**3.5**	**0.14**
Women	958	1,864,997	9	335	5.0	2.6	0.10
Men	833	1,621,995	3	159	1.7	0.9	0.05

Table 2. Accident data in 2019

	General data		Disability leave				
Centre:	**Average workforce (1)**	**Hours worked (2)**	**Accid.**	**Days lost**	**I_I (3)**	**I_F (4)**	**I_G (5)**
Headquarters	269	521,736	-	-	-	-	-
Sant Feliu R&D Centre	272	513,240	-	-	-	-	-
Sant Andreu Pharmaceutical Plant	448	866,456	10	522	22.3	11.5	0.60
Reinbek Pharmaceutical Plant	72	138,944	2	9	27.9	14.4	0.06
Chemical plants	118	260,113	3	33	25.4	11.5	0.13
Commercial subsidiaries	650	1,248,213	1	107	1.5	0.8	0.09
2020 Total	**1,829**	**3,548,702**	**16**	**671**	**8.8**	**4.5**	**0.19**
Women	978	1,898,003	6	505	6.1	3.2	0.27
Men	851	1,650,699	10	166	11.8	6.1	0.10

Table 3. Accident data in 2020

Notes:

(1) No. of workers: average number of workers in the period.
(2) No. hours worked: number of planned hours worked + number of overtime hours – number of absence hours.
(3) Incidence rate: number of accidents per thousand workers.
(4) Frequency rate: number of accidents per million hours worked.
(5) Severity rate: number of days lost per thousand hours worked.
(6) The U.S. subsidiary joined the global occupational safety and health reporting system in 2019.
(7) All reported accidents are of a minor nature, i.e. none are serious, very serious or fatal.
(8) Through the occupational health and safety management system and the identification, evaluation and control mechanisms, no workers with a high incidence or high risk of occupational diseases have been identified. No occupational diseases were identified and reported in 2020.

3.11.3. COVID-19-related health promotion and management

Almirall is firmly committed to promoting good health, with the aim of contributing to the health of its employees through training, communication, awareness-raising and health monitoring initiatives that encourage healthy lifestyles and well-being, both inside and outside the workplace. In 2019, an ambitious health promotion programme was implemented with a total of 1,575 participations in campaigns for the prevention of cardiovascular pathologies, detection of dermatological pathologies, detection of thyroid pathologies, prevention of prostate pathology, among others. In 2020, with the onset of the health crisis caused by COVID-19, the planned programme of health promotion campaigns had to be halted, and all the efforts of the Health and Safety Team and its Medical Services had to be focused on defining preventive measures and intensive monitoring of workers' health.

The following is a summary of some of the main preventive measures implemented in the organisation and at its work centres aimed at protecting the health of Almirall employees from COVID-19:

- Creation of a Corporate Crisis Committee, led by the CEO.
- Organisational measures: private taxi services and childcare services during confinement, teleworking, flexible working hours and calendars.
- Individual measures: social distancing, respiratory protection and hand disinfection.
- Information to employees: continuous and systematic information, close collaboration with workers' representatives, physical signposting of health and safety measures.
- Health and safety: risk assessment in workplaces with potential exposure to COVID-19, protection of vulnerable workers, specific monitoring of workers' health, individualised psychological support, assurance of the provision and control of personal protective equipment.
- Cleaning and disinfection: reinforcement of cleaning and disinfection programmes, provision of hand-sanitising gel, specific waste management measures.
- Use of spaces: physical assurance of a minimum interpersonal distance of two meters, cancelling the use of some workstations, limiting the maximum allowable capacity of meeting rooms, break rooms, canteens and other common spaces. Physical separation measures: monitoring of incoming and outgoing flows in each centre.
- Organisation: minimising the exchange of documents, avoiding face-to-face meetings, favouring the use of video conferencing, eliminating face-to-face training and travel activities, limiting lifts to one person, extending meal times, hygiene measures in company canteens, reinforcing control measures for external personnel.
- Other measures: suspension of the fitness service and other value-added services.

- Monitoring of compliance with standards: active monitoring of the level of compliance with the prevention rules implemented.

In addition, some of the activities carried out in the area of worker health monitoring during the management of the COVID-19 health crisis are listed below:

- Proactive case management of infection and investigation of close contacts: a total of 49 confirmed cases of COVID-19, as well as 101 possible or suspected cases, were managed in 2020. In addition, 244 close contacts were identified, mostly from contacts outside the workplace.
- Serological testing of workers to detect asymptomatic positive cases: 1,370 serological tests were performed in 2020.
- Contingency measures with PCR diagnostic tests to ensure business continuity in the event of local infections: 165 PCR tests were performed in 2020.
- Temperature control at the entrances to the work centres.
- Daily provision and mandatory use of surgical masks in the workplace and during work.
- Campaign to reinforce the need for flu vaccinations this year.

Given that Almirall's activities are considered essential, throughout the health crisis all the necessary activities were carried out to ensure business continuity, that is, to guarantee the continuity of the essential activities that cannot be paralysed due to the pandemic, both in the industrial and R&D centres:

- Employees: protection of workers' health, adopting the necessary preventive measures and monitoring all cases.
- Supply chain: in the industrial area, a Crisis Group was set up to closely assess the status of the different production centres and the impact on the supply chain, and how this could affect the availability of Almirall's products. It reacted when necessary from the following perspectives: a) products for sale in key markets and risk areas; b) continuity of operations in industrial centres (internal and external), as well as disruptive effects in the event of a lack of components; c) impact on current product launch projects.
- It should be noted that in 2020, expenses of €1,284,000 and investments of €158,000 have been quantified, linked to both adaptation of the facilities to the new healthcare requirements and management of personnel in view of the mobility restriction.

The general management of the information and training area in response to COVID-19 is worth mentioning in this strategy. It has had to be adapted to continue offering an efficient service in keeping with the objectives set at the beginning of the year. The following is a summary of the actions taken to meet the challenges set by COVID-19 in this area:

- A virtual platform, 'Close to you', was created on which new content is launched periodically, related to both training and well-being, as well as relevant news on the health crisis to keep employees informed about the COVID-19 crisis, to centralise all the information and memos published and to provide quick access to all updates as soon as they have been shared.
- This information was made available in a variety of formats: articles, online courses, podcasts, challenges, live virtual classes and downloadable guides, among others. The training and well-being content ranged from topics related to teleworking, stress management and skill-building during the pandemic to content also considered relevant at a strategic level for the company, such as topics related to Almirall products and sales, and also highlighting topics related to emotional, physical and nutritional well-being.
- Also in relation to well-being, a support plan was defined for all employees in order to be close to them and to give them all the necessary assistance. Employees received personalised support from the Human Resources teams to resolve doubts and concerns (Human Resources Partners, Health and Safety, Medical Services), and psychological support was provided to all those who needed it.
- It should also be noted that in the area of physical well-being, the +YOUFEELFIT Challenge mentioned above was transformed to adapt to the health situation and now offers an app so that employees can exercise from home with different routines that they can choose themselves, taking into account their specific needs (for example: Pilates, strength-building exercises, family exercises, prenatal exercises, among many others).

These launches were carried out within a very intensive communication framework in which several memos were sent out weekly to make employees feel accompanied and nurtured at all times, event in times of a pandemic.

The feedback received about these impacts was very positive and many people were able to stay informed, get training and think about their well-being.

3.11.4. Worker participation and consultation

With regard to employee participation and consultation, Almirall not only scrupulously complies with the commitments assumed in the different negotiation frameworks in each territory (for example, in Spain, the 19th General Chemical Industry Agreement) but also goes one step further by further developing its continuous improvement system.

In general, at Almirall's work centres in Spain with 50 or more employees, a Health and Safety Committee has been established as a joint and collegiate participation body for regular and periodic consultation of the company in matters of occupational risk prevention. The Health and Safety Committee is formed by the Prevention Delegates, on the one hand, and by representatives of the company in a number equal to that of the Prevention Delegates.

On the other hand, at the Almirall Germany centre (Reinbek) the so-called ASA Committee (Occupational Safety and Health Committee - *Arbeitsschutzausschuss*) has been established, in which both the company and the workers (Work Council - Prevention Delegates) are represented, in addition to the support of the Medical Service and various technical figures in Prevention.

At a general level, the participation and consultation of workers takes place formally, through their representatives (Prevention Delegates), in the periodic meetings of the different Health and Safety Committees/ASA Committees. Nonetheless, on a day-to-day basis, the Prevention Delegates are informed and included as participants in the different processes managed in the PREVAL corporate application (incident investigations, change controls, audits, self-inspections, corrective and preventive actions, etc.), as well as on an occasional basis by means of specific information and consultation memos.

Table 4 lists the nine Health and Safety Committees/ASA Committees in operation at Almirall's centres in 2020, as well as the 78 meetings held during the year (152% increase compared to the 31 meetings held the previous year).

Health and Safety committee meetings were disrupted in 2020 by the COVID-19 pandemic. For this reason, meetings focused exclusively on monitoring the management of the pandemic were held at the different centres, with this taking precedence over the ordinary issues existing at that time.

Centre:	2019	2020
Headquarters	5	20
Sant Feliu R&D Centre	3	17
Sant Andreu Pharmaceutical Plant	5	9
Reinbek Pharmaceutical Plant	8	3
Sant Andreu Chemical Plant	5	4
Sant Celoni Chemical Plant	5	5
Almirall, S.A. Spanish Subsidiary	-	2
Laboratorios Almirall, S.L. Spanish Subsidiary	-	2
Industrial Area - COVID-19 Committee	-	16

Table 4 – 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 2020, it can be concluded that, the COVID-19 crisis apart, no special issues arose that required comments beyond what is described in the minutes of these meetings and in any corrective and improvement actions that may have been managed through PREVAL.

4. Community and Society

4.1. Respect for human rights

As could not be otherwise, Almirall is strongly committed to guaranteeing respect for human rights in all areas and at all levels of its business organisation. This commitment is realised, on the one hand, by recognising them and, on the other, by promoting them. This takes place through the implementation of appropriate corporate policies designed to ensure strict observance of the fundamental principles and values promoted by the main international human rights organisations, most notably the United Nations (UN) and the International Labour Organisation (ILO).

Accordingly, all production processes at Almirall are carried out in fair working environments, governed by values such as respect for human dignity and the autonomy of the individual, as well as equality, these being just a few of the core values that govern the company's business activity.

Guaranteeing the right to decent work is an essential part of the human rights sphere, as has been recognised by international organisations such as the UN and the ILO. In this regard, the policies that govern Almirall's actions in this area (equality, diversity and harassment protocols, as well as the Code of Ethics) are based on compliance with the labour regulations/legislation in force at all times. To this end, due diligence procedures have been implemented to ensure compliance with these regulations. These procedures materialise in the design and implementation of policies, plans and programmes that allow the company to verify compliance and proper observance of human rights within Almirall.

More specifically, through these procedures, Almirall guarantees, among others:

- Compliance with regulations on hiring and working conditions, which exclude abusive, forced or illegal labour situations, specifically child labour, from occurring in any of the Group's companies.
- Observance of non-discrimination and equality provisions by having plans and programmes in place to guarantee non-discrimination in terms of gender (Equality Plans), as well as to prevent the violation of the rights of groups at risk of social exclusion;
- Respect for its workers' rights of unionisation and free assembly through maximum compliance with the provisions of Organic Law 11/1985, of 2 August, on Trade Union Freedom, as well as for the rights and guarantees stipulated in the labour regulations for the members of the Legal Representation of Workers at all Almirall centres;
- Support for its workers' health and safety by implementing prevention plans and complying with the regulations on risk prevention and occupational health and safety.

Lastly, it should be noted that Almirall also has whistleblowing channels available to all its employees, through which they can report any action that they believe constitutes or may constitute or result in a human rights violation. The existence of these reporting tools is widely known and, as they can be used by any worker, they represent an excellent mechanism for ensuring compliance with human rights at all levels. The whistleblowing channels are highly useful because, in addition to bringing possible violations of fundamental rights to Almirall's attention, they also allow the company to combat the violations and act proactively to prevent potential violations, thereby ensuring that human rights are promoted and respected. In 2020, three complaints were submitted through the whistleblowing channel in the United States and handled in accordance with the Group's internal procedures. No complaints have been submitted in Europe.

4.2. Commitments to sustainable development

In its daily activity, Almirall has close ties with all the stakeholders involved in the fields of research and healthcare. It seeks to maintain a fluid relationship with all of them, from patients, doctors and suppliers to partners, investors and NGOs.

Patients

Benefiting patients is at the heart of all Almirall's activities. The company strives to provide effective treatments that improve the health and quality of life of patients and offer them the greatest possible benefit. The entire operating model, from scientific innovation to product marketing, is based primarily on understanding patients and their environment in order to provide them with the greatest possible value. The Group develops innovative medicines that address unmet needs that can have psychological implications; it likewise fosters greater awareness of little-known pathologies, such as psoriasis, that have a significant impact on patients' lives. Almirall focuses on seeking patient-centred solutions through science.

Health professionals

Almirall and health professionals share the goal of improving patients' quality of life. Healthcare professionals' experience provides the company with a wealth of knowledge about possible therapeutic solutions, areas of unmet medical needs, as well as patient responses to different treatments. The company is therefore in constant contact with healthcare professionals and, consequently, able to meet their needs and offer them the most up-to-date information about its products. It also maintains open channels of communication with academic institutions, hospitals and scientific societies to promote joint programmes that contribute to improving health.

Partners such as healthcare professionals (HCPs), healthcare organisations (HCOs) and medical societies, patient organisations (POs) and patient advocacy groups (PAGs) play a key role in the work of improving skin health. These activities provide Almirall with an invaluable opportunity to listen, learn and share.

These are some of the most relevant medical societies and patient organisations with which we have worked in recent years:

- International Psoriasis Council (IPC)
- The International League of Dermatological Societies (ILDS)
- Psoriasis from Gene to Clinic (Psoriasis G2C)
- International Federation of Psoriasis Associations (IFPA)

- The American Acne and Rosacea Society (AARS)

In 2020, we collaborated with a wide range of patient organisations (POs) that support skin disease sufferers and patients in other areas of strategic focus for Almirall. This direct contact with patient advocacy is in line with the commitment to build mutual respect and trust among the company's stakeholders.

This year, collaboration continued with the Healthy Habits Project in partnership with Acción Psoriasis to address the need for guidance and support for psoriasis patients in terms of diet, nutrition, physical activity and emotional well-being. By the end of 2020, nearly 1,500 patients had completed a detailed nutrition survey. The results are being analysed at the same time as the first personalised healthy nutrition pyramid for psoriasis patients is being developed.

In addition to the above, we have also collaborated with Acción Psoriasis in Spain on the 24th Psoriasis Day on 20 May and World Psoriasis Day on 29 October 2020.

In the area of multiple sclerosis (MS), through Sativex®, an innovative treatment for muscle spasticity, the company is collaborating with national organisations such as the Multiple Sclerosis Association of Spain, through the fifth edition of linkEM from 25 to 27 November, a forum for sharing information and tools to spur the creation of new research projects and studies that address quality of life issues for people with MS.

Other projects carried out during the 2020 financial year included: the MOUT-TE race, with more than 2,000 runners; the Apple campaign, which raised money and gave visibility to the 9,000 families of patients with multiple sclerosis in Catalonia; and finally the *Mulla't (Get Wet)* campaign, an event held at 650 swimming pools in Catalonia that attracted 100,000 participants, which made a significant impact in the press with the generation of 400 news items. In addition to the above, the company also participated in World Multiple Sclerosis Day under the theme "Connections", addressing the social barriers faced by people with multiple sclerosis and advocating for better services and care for these patients.

In terms of collaboration with healthcare institutions and patients, the company participated in the FHarmaconectados initiative of the *ProPatiens* Institute, a study that analyses how hospital pharmacies can better meet the needs of patients. In 2020, 24 hospitals across Spain took part, and it included 500 patients to whom hospital medication was being administered. The goal is to connect hospital pharmacists with the voice of the patient and to align and redesign supply, care and activities to better meet their most pressing needs.

Lastly, the association with the Acne and Rosacea Society of America was maintained to increase understanding of the disease among dermatologists and patients.

Strategic partners

The company believes that agreements with other companies help them to offer a balanced and competitive product portfolio and also serve to enhance their business growth. Almirall is, therefore, continuously looking for collaborations and associations that will enhance its R&D capabilities, expand the pipeline and help it achieve its objectives. Its strategic partnerships cover the entire drug value chain and allow it to share efforts, resources and risks for the purpose of discovering innovative treatments in the dermatology field. The most important strategic partners during the 2020 financial year were the following:

- 23andMe
- Bioniz Therapeutics, Inc.
- WuXi Biologics
- Dermira

Non-Governmental organisations

Almirall works with several non-profit organisations to promote activities, offer services and fund projects that they consider fundamental for the social development of the most disadvantaged populations and regions. For example, the company maintains close relationships with patient organisations and patient advocacy groups, collaborating on projects and placing the company's expertise at their disposal. This provides a complete picture of their needs, the conditions surrounding their diseases and the emotional and social barriers they face, allowing Almirall to empathise with their situation and detect new areas of research.

Since 2017, Almirall has participated as a founding member of the Access Accelerated programme, an initiative that is developing scalable and sustainable solutions to save lives and improve people's health. The programme brings together more than 20 biopharmaceutical companies and numerous implementing partners to address the growing number of non-communicable diseases (NCDs) in low- and middle-income countries. The initiative directly addresses the Sustainable Development Goals (SDGs) identified in the United Nations 2030 Agenda, which aims to reduce premature mortality by one third by that year. NCDs are considered a global health crisis: Each year, 41 million people die from NCDs, making it the leading cause of death and disability worldwide, and 32 million of these deaths disproportionately affect people in low- and middle-income countries.

In 2020, the COVID-19 pandemic brought to the forefront the critical need for strong and resilient health systems that can rapidly respond to and balance the demands and challenges of both chronic and infectious diseases. In 2020, Access Accelerated joined forces with PATH, a global NGO, to work together in Kenya, Ghana and Vietnam to transform the response to NCDs using a data-driven approach that strengthens primary health care and supply chain activities. This involves working closely with each country's ministry of health and local stakeholders to create patient-centred solutions that can be leveraged and scaled to maximise Access Accelerated's core investment in different countries and regions.

Almirall is proud to collaborate on this project to collectively work towards a better future, one in which premature deaths from treatable diseases are a thing of the past and people living with or at risk of non-communicable diseases have access to quality and affordable preventive measures, treatment and care.

Associations and health authorities

Almirall complies with all legal and administrative processes required by the health authorities in all areas of activity. Moreover, it collaborates 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 & Associations (IFPMA), among others.

In all of these relationships, the information provided to the associations, along with the company's scientific knowledge, are used to obtain products with the highest degree of safety and effectiveness to maximise patient well-being. The Group seeks to extend its commitment to all its partners and suppliers in the value chain in order to form solid relationships based on integrity, trust and transparency.

In addition, Almirall develops several awareness campaigns for various pathologies focused on contemporary society. This helps patients learn how to manage the symptoms of the diseases they suffer from and raises awareness in the general public regarding the impact these diseases have on patients. The company works with different organisations to promote healthy habits and study the impact of diseases, as well as to increase participation in other global initiatives in multiple countries.

In Spain, several collaboration agreements have been entered into with national and regional health administrations, as well as with hospital pharmacy departments. The main projects in 2020 were in the area of telepharmacy, telecare, home delivery and external distribution, as a result of the specific health situation that has spurred a series of changes at these levels, in addition to teledermatology projects with the participation of dermatologists.

Also in Spain, it has been working with the residency programme for doctors (MIR) and Fundación Galatea since 2009 to promote healthy lifestyles for health professionals and encourage preventive care for health professionals through workshops targeted to their needs. In 2020, in light of the intense stress and unprecedented working conditions faced by health professionals, Almirall joined Fundación Galatea's initiative to provide a platform offering free psychological help and support to health professionals by telephone and video-conference, reaching hundreds of health professionals.

4.3. Social action plan to mitigate the impact of COVID-19

The year 2020 was a year marked by the global health crisis caused by the COVID-19 pandemic. In these exceptional times of uncertainty, Almirall continued its activities to care for the health of patients and joined the fight to provide a unified global response to the COVID-19 pandemic.

It also implemented an action plan valued at over €430,000 that included a wide range of measures to respond to the COVID-19 pandemic, mitigate its adverse effects and provide health professionals with the appropriate tools.

Over the course of 2020, Almirall launched several initiatives around the world:

- Donation of more than 112,000 units of Blastoactiva and Balneum topical creams to several hospitals in Spain, the UK, Poland and Germany to help healthcare professionals treat dry and irritated skin due to prolonged mask and goggle use and repeated hand washing and hand disinfection.
- Sponsorship of the initiative led by Centro Tecnológico Leitat to design and develop the first industrialised and reusable 3D printed respirator with a financial contribution of €50,000. Authorised by the Spanish Agency of Medicines and Health Products (AEMPS), it helped to lighten and support the workload of hospitals, especially in the ICU.
- Grants to several hospitals in Italy, Spain and Portugal to ensure that health professionals have the necessary supplies and equipment.

- Donation of more than 30,000 units of personal protective equipment, including masks, gloves, goggles and Tyvek gowns, to several hospitals, health centres and institutions in Barcelona and its surrounding areas. Delivery of more than 200 items of laboratory equipment and materials to Spanish health authorities and research centres.
- Contribution of €10,000 to finance the creation of a field hospital in Sant Andreu de la Barca (Barcelona) to care for patients with COVID-19.
- Partial reuse of the facilities of the production plant in Reinbek (Germany) to manufacture 10,000 hand sanitiser gel dispensers, which were delivered to hospitals and health centres in Germany and Portugal.

Almirall expressed its solidarity, responsibility and commitment to all the professionals who fight day after day to stop the spread of the pandemic, actively participating in this struggle by using its own resources to facilitate the work of all members of the community.

4.4. Group tax information

4.4.1. Almirall's tax policy

The fundamental objective of Almirall's tax strategy is to guarantee strict compliance with the applicable tax regulations and ensure adequate supervision of the tax policy implemented by its subsidiaries in all the territories where it currently operates: Spain, Germany, the United States, Italy, Switzerland, France, Austria, Luxembourg, Portugal, the United Kingdom, Denmark, Sweden, the Netherlands, Belgium, Poland and China. It does this while seeking maximum legal certainty, contributing to the fulfilment of the business strategy in the short, medium and long term, and maintaining a position of collaboration and transparency with the respective tax authorities.

Almirall has no presence in territories classified as tax havens, and its commercial transactions with third parties located in these or in any other territories are within the framework of its ordinary industrial and commercial activity. Furthermore, it rejects artificial transfers of earnings to these territories and the opacity provided by the lack of transparency of these territories, in accordance with the international taxation principles and recommendations of the OECD's Committee on Fiscal Affairs. Accordingly, it does not use structures of an artificial nature, unrelated to its activity, for the purpose of reducing its tax burden or transferring earnings.

Transparency of information on tax matters is considered essential to Almirall's tax policy. For this reason, it acts by providing, in the most complete manner, the information and documentation with fiscal significance requested by the competent tax authorities in the shortest possible time. Likewise, it develops and promotes a cooperative and fluid relationship with tax authorities based on respect for the law, trust, good faith, reciprocity and cooperation.

In May 2014, Almirall's Board of Directors agreed to adhere to the Code of Good Tax Practices, which includes a series of recommendations aimed at achieving application of the tax system through cooperation between the public administration and companies. This adhesion is aligned with the principles and guidelines for action in tax matters established in Almirall's tax strategy.

Almirall is also sensitive to and aware of its responsibility in the economic development of the territories in which it operates, contributing to the creation of economic value through the payment of taxes.

Almirall's tax policy is based on a prudent and reasonable interpretation of the tax regulations in force in each jurisdiction. The Group avoids significant tax risks by implementing internal information and control systems that enable it to manage tax matters in an orderly and expert manner. Likewise, it uses the services of independent tax experts of recognised and proven reputation before adopting any business decision with potential tax implications. If necessary, it collaborates with the competent tax authorities in seeking solutions to achieve certainty and stability in the tax criteria to be applied by the administration and to give priority to non-litigious means of dispute resolution.

Almirall has established a transfer pricing policy for all transactions with related parties that is aligned with the principles established by the main competent international bodies. This policy is reviewed annually to avoid any deviation from these principles. With the aim of achieving legal certainty and increasing transparency and cooperation, since 2007, Almirall, S.A. has been periodically signing Preliminary Agreements for the Valuation of related transactions with the Spanish Tax Agency in relation to the distribution of its products by the Group's international subsidiaries. The latest Agreement was signed in 2019 and is valid until 2022.

4.4.2. Tax contribution

The Total Tax Contribution measures the total impact of a company's tax payments. This assessment is made from the standpoint of the total contribution of taxes paid directly or indirectly to the different administrations as a result of the Company's economic activity.

A distinction is drawn between the taxes that represent a cost to Almirall and the taxes it collects:

- The taxes borne are those taxes that Almirall has paid to the administrations of the different states in which it operates. These are taxes that have represented an effective cost for Almirall, and they basically include payments for income tax, local taxes, miscellaneous taxes and Social Security contributions payable by the company.
- These are taxes that have been paid as a result of Almirall's economic activity without entailing a cost to the company other than that involved in managing them. They basically include net value added tax, withholdings for employees and third parties, and social security contributions payable by employees.

With regard to taxes paid, and specifically in relation to income taxes paid or collected, the information for the last three financial years is as follows:

Millions of euros	2018			2019			2020		
Payments/(Charges) by location	Relating to prior years	Payments on account for the year	Total	Relating to prior years	Payments on account for the year	Total	Relating to prior years	Payments on account for the year	Total
Spain	(29.2)	20.7	**(8.5)**	(20.9)	19.3	**(1.6)**	-	11.2	**11.2**
Germany	4.3	8.1	**12.4**	1.5	9.6	**11.1**	0.8	10.7	**11.5**
Italy	-	2.9	**2.9**	-	2.6	**2.6**	-	0.9	**0.9**
Switzerland	-	3.5	**3.5**	-	3.1	**3.1**	-	3.2	**3.2**
United States	0.4	(8.9)	**(8.5)**	(0.7)	3.4	**2.7**	-	(1.4)	**(1.4)**
Other countries	0.9	0.7	**1.6**	0.2	0.5	**0.7**	0.1	0.8	**0.9**
Group Total	**(23.6)**	**27.0**	**3.4**	**(19.9)**	**38.5**	**18.6**	**0.9**	**25.4**	**26.3**

4.4.1. <u>Pre-tax net profit by country.</u>

Below is a detail of the pre-tax net profit generated in each of the countries included in the Almirall Group's consolidated group. This net profit has been calculated on the basis of IFRS accounting principles at the individual level, in each of the countries indicated, before incorporating consolidation adjustments:

Net income before taxes (euro thousand)	2018	2019	2020
Spain	253,422	75,854	24,927
The Netherlands	5,756	7,045	12,724
Belgium	112	154	117
Portugal	163	387	282
United Kingdom	869	1,530	727
France	2,236	2,544	2,091
Poland	98	26	24
Germany	34,682	31,683	36,406
Austria	262	1,079	367
Italy	7,212	6,744	17,876
Denmark	218	225	269
USA	66,810	(59,591)	(118,921)
Switzerland	26,346	24,558	41,523

Note 22 to the consolidated annual accounts also details the reconciliation between accounting and tax profits. In general, the origin of permanent differences in individual companies mainly corresponds to the different tax treatment of certain expenses accrued in those years:

- The increase in the base for permanent differences in 2020 is mainly due to the allocation of impairment losses on US subsidiaries. The decrease in the base for permanent differences in financial year 2020 is basically due to the reduction in the tax base of income from the transfer of intangible assets, to reversals of impairment losses on certain European companies subsidiaries and to the distribution of dividends between Almirall SA and some of its subsidiaries.
- The decrease in the base for permanent differences in fiscal year 2019 was basically due to the reduction in the tax base of income from the transfer of intangible assets, to reversals of impairment losses on subsidiaries and to distribution dividend between Almirall SA and some of its subsidiaries.
- The decrease in the base for permanent differences in 2018 was basically due to the reduction in the tax base of income from the transfer of intangible assets as well as to reversals of impairment losses, while the increases basically correspond to the different tax treatment of impairment losses.

In relation to government subsidies, the information can be found in note 18 of the consolidated annual accounts at the close of the 2020 financial year.

4.5. Quality Systems and Pharmacovigilance as tools to ensure product quality, health and consumer safety

Almirall has a Quality Assurance and Pharmacovigilance system which defines the roles, responsibilities and procedures to be followed, with the ultimate goal of ensuring the quality of the products and the safety of patients/customers. For the territories where Almirall sells its products, there are designated persons in charge of local Quality Assurance and Pharmacovigilance. The functions of the Quality Assurance department include collection of information on market quality complaints, the processing of these with the head office and/or manufacturer for evaluation and investigation, in addition to being the contact persons with the national health authorities in each country. On the other hand, the functions of the Pharmacovigilance department include collection of information on possible adverse reactions (side effects), the processing of these with the head office for evaluation, in addition to being the contact persons with the national authorities of each country.

4.5.1. Quality Systems

Almirall is a global pharmaceutical company dedicated to the supply of products through its own R&D efforts and agreements and partnerships aimed at providing products to improve the health and quality of life of patients, in accordance with international quality standards in the sector and in compliance with all legal and regulatory requirements in force.

Almirall has a direct presence in most European Union countries through its own well-established subsidiaries, whose purpose is the direct marketing of Almirall products in each territory. In addition, licensing of products to external partners allows Almirall to market products in other countries around the world.

Almirall, as the holder of manufacturing, storage, transport, distribution and marketing authorisation for medicines and medicinal products, complies with the legislation in force in the countries where it markets its products. In the field of medicines and medicinal products, the responsibilities of the pharmaceutical industry are clearly detailed by the applicable pharmaceutical legislation in force.

Almirall has a global quality system that pursues continuous quality improvement and covers active ingredient manufacturing plant processes, finished product, subcontracted manufacturers, suppliers of starting materials, storage and distribution services.

A significant number of international health authorities conduct regular inspections at manufacturing plants to verify that they comply with the established quality standards. The favourable results of external audits and inspections by health authorities, international bodies and customers in 2020 demonstrate Almirall's commitment to the quality and safety of its products.

Evolution in the number of external audits and inspections:

Inspection body	2019	2020
Health Authorities	19	14
External inspections by partners	4	4

A total of 18 quality inspections were managed in 2020. The inspections covered different types of products (pharmaceuticals, medical devices and cosmetics) and were conducted by inspectors from different countries, using various local and international regulations as a reference. 14 inspections were managed by different health authorities and/or certification entities and the rest by external partners. The inspectors came from at least 8 different countries and focused on 11 different manufacturing sites (from the Almirall group and/or subcontracted manufacturers).

Almirall has a Quality Assurance and Pharmacovigilance system that defines the roles, responsibilities and procedures to be followed, with the ultimate goal of ensuring the quality of products and ensuring the safety of patients/customers in the supply, manufacturing and distribution chain of its products.

Almirall works with suppliers of starting materials and services that impact the quality of the product, all of them previously approved by Quality Assurance. Within the processes of approval and continuous verification of the quality of suppliers, annual audit plans are established for their facilities. As a reference, 63 audits were conducted in 2020 with the following distribution:

	Results				
Area	Supplier type	Fiscal year	Number of quality audits	Favorable	Unfavorable
Manufacturing	Starting materials & services	2019	120	120	-
		2020 (*)	60	60	-
Commercial	Distributors & transport companies	2019	12	12	-
		2020 (*)	3	3	-

(*) Due to the context of the COVID19 pandemic, inspections initially planned for 2020 were re-planned to 2021 according to the action criteria established by the Health Authorities during 2020.

For the territories where Almirall distributes and markets its products, procedures exist that describe the quality system associated with local distribution, and there are people designated to be responsible for local Quality Assurance and Pharmacovigilance in each subsidiary.

The functions of the Quality Assurance department, among others, include the collection of information on market quality claims, their processing with the central and / or the manufacturer for their evaluation and investigation, as well as being the 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 at the central office for evaluation, as well as the contact persons with the national authorities of each country.

At the corporate level, within the Quality Assurance area, a multidisciplinary team of health science professionals (mostly pharmacists and chemists) evaluates the information collected, performs the relevant investigation in each case and takes responsibility for producing investigation reports, issuing conclusions and responding to the customer who submitted the quality complaint. This team is also responsible for establishing preventive and corrective action plans to avoid their recurrence, as well as for informing the national health authorities, in the cases foreseen in the health regulations. This activity is ongoing throughout the life cycle of each drug.

There is also a Quality Operating Committee, chaired by the Corporate Quality Assurance Director, with the active participation of the Group's industrial and business operations areas, to guarantee the necessary coordination on quality issues, as well as to sustain and develop an effective quality system in perfect alignment with the health regulations in force.

The market complaint data for the last two years are as follows:

	2018	2019	2020
Number of drugs complaints (ppm)	5.7	5.1	4.6
Medicines released (units)	105,140,891	104,209,910	102,328,984
Number of complaints about APIs (ppm)	-	-	-
APIs released (kg)	135,227	124,465	129,943
Number of quality inquiries received	1,497	1,268	1,052

As of the date this document was issued, more than 96% of the inquiries received in 2020 had been answered promptly, and the rest are being processed, with the objective of closing them on schedule.

4.5.2. Pharmacovigilance Systems

In addition to the management of quality complaints, Almirall has dedicated staff in charge of the management of Pharmacovigilance activities. In the event that Almirall's Quality Assurance department is informed that a product defect may be associated with an adverse reaction, by company procedure, the Quality Assurance department will notify the Pharmacovigilance department for further management of the adverse reaction, and vice versa.

The corporate pharmacovigilance department, part of the R&D organisation, is composed by staff with background and experience in live sciences (includes physicians, pharmacists, etc.) . Main activities include the evaluation of the safety information collected, carry out follow-up activities if necessary to find out more details about the reported reaction as well as the preparation and distribution of safety reports to the health authorities in accordance with current guidelines. This team is also responsible for ensuring that the safety information available in the package leaflets is up to date at all times with regard to adverse reactions. This activity is ongoing throughout the whole life-cycle for the product (ie. from the first authorisation of the product until its marketing authorisation is cancelled.

In addition at Almirall there is a corporate committee devoted to safety, the drug safety committee, which is the governance body responsible for endorsing relevant decisions on safety matters as well as for ensuring compliance with legislation and patient/consumer safety.

In order to guarantee the continuity of the Pharmacovigilance activities, there is a business continuity plan, which was activated due to the COVID-19 pandemic in 2020, the most noteworthy feature of which was the implementation of home base working as well as the implementation of pharmacovigilance measures and recommendations from the European Medicines Agency (EMA) specific to business continuity during the pandemic. The pandemic has had no impact on the Pharmacovigilance system and its performance.

Key adverse reaction metrics for the last three years are as follows:

	2018	2019	2020
No. of adverse reactions received and processed at Almirall	3,797	4,291	3,518
No. of adverse reactions reported to European Health Authorities (EMA) as required by current legislation	1,034	1,269	1,330

The safety information collected in 2020 does not alter the benefit/risk profile of Almirall products and has not been the subject of safety-related regulatory action by the competent health authorities.

5. About this report

5.1. Scope of the report

This report covers the period from 1 January to 31 December 2020, corresponding to Almirall's financial year. In the sections where historical data appears, figures for the last three financial years (2018-2020) have been included.

For the purposes of this report, Almirall S.A. and all its subsidiaries are referred to as "Almirall" or "the Group". The information reported includes all the Group's subsidiaries. A list of Almirall's subsidiaries can be found in the Appendix to the Consolidated Financial Statements for the year ended 31 December 2020.

The financial information included in this report is derived from the Consolidated Financial Statements for the year ended 31 December 2020.

The indicators included in this report have been compiled by Almirall. The system used to obtain information guarantees methodological rigour and allows for historical comparisons.

Almirall incorporates the content of this non-financial information in this Management Report. Additionally, it prepares an Annual Report, a document in which it accounts for its social and environmental policies, as well as its commitment and performance in sustainability and ESG matters. In it, the Group offers detailed information about the actions performed related to the matters described above.

5.2. Principles of preparation

Almirall has defined the content of this report using the GRI standards and the selected GRI option.

- Inclusion of stakeholders: Almirall maintains a constant dialogue with all its stakeholders. The company is able to anticipate their concerns to meet their expectations and interests.
- Sustainability context: Almirall aspires to contribute to economic, environmental and social progress at local, regional and global levels. The 2020 performance information is contextualised within the framework of the regions where it operates.
- Materiality: Almirall focuses the content of this report on issues on which it has a significant economic, environmental and social impact, as well as those that could substantially influence the decisions and assessments of its stakeholders.
- Completeness: The significant issues included in this report sufficiently reflect the most significant social, economic and environmental impacts of the group to enable stakeholders to assess its performance over the course of the financial year.

5.3. Index of contents required by Law 11/2018 of 28 December

Area	Content	Related GRI Standards	Reference to Statement of Non-Financial Information (page no.)
Business model	Brief description of the group's business model, including: 1) its business environment, 2) its organisation and structure, 3) the markets in which it operates, 4) its objectives and strategies, 5) the main factors and trends that may affect its future development.	102-1, 102-2, 102-3, 102-4, 102-6, 102-7	1 "Business Model" (p. 3)
Policies	A description of the group's policies with respect to these matters, including: 1) due diligence procedures applied for identification, assessment, prevention and mitigation of significant risks and impacts 2) verification and control procedures, including the measures adopted.	103	2 "Environmental management" (p. 12) 4"Community and Society" (p. 36) 3 "Employees" (p. 24) 1.6 "Prevention, Anti-money laundering and Control of contributions to foundations and non-profit organisations" (p. 11)
Short-, medium- and long-term risks	The principal risks associated with the group's activities in relation to these issues, including, where relevant and proportionate, any of its business relationships, products or services that might have an adverse impact in the group's activities in relation to those areas; and - how the group manages said risks, - explaining the procedures used to detect and assess them in accordance with the national, European or international reference frameworks for each matter. - Information should be included on the impacts that have been identified, providing a breakdown of these impacts, in particular the main short-, medium- and long-term risks.	103 (102-15)	2 "Environmental management" (p. 12) 4"Community and Society" (p. 36) 3 "Employees" (p. 24) 1.6 "Prevention, Anti-money laundering and Control of contributions to foundations and non-profit organisations" (p. 11) 4.2 "Commitments to sustainable development" (p. 42) 2.5 "Subcontracting and suppliers" (p. 22)
KPIs	Non-financial key performance indicators relevant to the specific business activity and that meet the criteria of comparability, materiality, relevance and reliability. - In order to facilitate the comparison of information, both over time and between entities, non-financial key indicator standards that can be generally applied and that comply with the European Commission's guidelines on this matter and the Global Reporting Initiative standards shall be used, and the national, European or international framework used for each matter shall be mentioned in the report. - The non-financial key performance indicators should be applied to each of the sections of the statement of non-financial information. - These indicators should be useful, taking into account the specific circumstances, and consistent with the parameters used in its internal risk management and assessment procedures. - In any case, the information submitted must be accurate, comparable and verifiable	102-8, 201-4, 301-1, 302-1, 302-4, 303-1, 304-2, 305-1, 305-2, 306-2, 401-1, 403-1, 403-2, 403-3, 405-1, 405-2, 406-1, 407-1, 408-1, 409-1, 413-1	2 "Environmental management" (p. 12) 4"Community and Society" (p. 36) 3 "Employees" (p. 24)
Environmental issues	**Global environment**		
	1) Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety, environmental assessment or certification procedures; 2) Resources dedicated to the prevention of environmental risks; 3) The application of the precautionary principle, the amount of provisions and guarantees for environmental risks. (e.g. derived from the environmental liability law)	103 (102-11)	2 "Environmental management" (p. 12)
	Pollution		
	Measures to prevent, reduce or remediate carbon emissions that seriously affect the environment, taking into account any form of activity-specific atmospheric pollution, including noise and light pollution.	103	2.2" Pollution" (p. 14)
	Circular economy and waste prevention and management		
	Circular economy	103	2.4 "Waste management, eco-design and biodiversity" (p. 19)
	Waste: Measures for prevention, recycling, reuse, other forms of recovery and disposal of waste;	103 (306-2)	
	Actions to combat food waste.	103	Not applicable
	Sustainable use of resources		
	Water consumption and water supply according to local constraints;	303-1	2.3.2 "Water consumption and wastewater discharges" (p. 19)
	Consumption of raw materials and measures taken to improve the efficiency of their use;	301-1	2.5 "Subcontracting and suppliers" (p. 22)
	Direct and indirect energy consumption, measures taken to improve energy efficiency and the use of renewable energies.	103, 302-1, 302-4	2.3.1 "Power consumption" (p. 18)

Area	Content	Related GRI Standards	Reference to Statement of Non-Financial Information (page no.)
	Climate Change		
	The significant elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces;	103, 305-1, 305-2	2.2.1 "Climate change and greenhouse gas emissions" (p. 14)
	Measures taken to adapt to the consequences of climate change;	103	
	The reduction targets voluntarily established in the medium and long term to reduce greenhouse gas emissions and the means implemented for this purpose.	103	
	Biodiversity protection		
	Measures taken to preserve or restore biodiversity;	103	2.4 "Waste management, eco-design and biodiversity" (p. 19)
	Impacts caused by activities or operations in protected areas.	304-2	
Social issues and concerning personnel	**Employment**		
	Total number and distribution of employees by gender, age, country and job classification;	103, 102-8, 405-1	3.7 "Employment: headcount and distribution (p. 33)
	Total number and distribution of employment contracts,	102-8	3.7 "Employment: headcount and distribution (p. 33)
	Average annual number of permanent contracts, temporary contracts and part-time contracts by gender, age and professional classification,	102-8, 405-1	3.7 "Employment: headcount and distribution " (p. 33)
	Number of dismissals by gender, age and professional classification;	401-1	3.8 "Layoffs by gender, age and occupational classification/country" (p. 35)
	Average remunerations and their evolution disaggregated by gender, age and professional classification or equal value; Wage gap, the remuneration of equal or average jobs in society,	405-2	3.4 "Remuneration, integration and equality (p. 30)
	The average remuneration of directors and executives, including variable remuneration, allowances, indemnities, payments to long-term savings schemes and any other payments broken down by gender,	103	3.4 "Remuneration, integration and equality (p. 30)
	Implementation of work disconnection policies,	103	3.5 "Work organisation" (page 32)
	Employees with disabilities.	405-1	3.9 "Access for people with disabilities" (p. 35)
	Work organisation		
	Organisation of working time	103	3.5 "Work organisation" (p. 32)
	Number of absence hours	403-2	3.10 "Absenteeism" (p. 36)
	Measures aimed at facilitating the enjoyment of work-life balance and encouraging the co-responsible exercise of these rights by both parents.	103	3.5 "Work organisation" (p. 32)
	Health and safety		
	Health and safety conditions at work;	103	3.11 "Health and safety" (p. 36)
	Occupational accidents, in particular their frequency and seriousness, Occupational diseases, disaggregated by gender.	403-2, 403-3	3.11.2 "Accidents at work" (p. 37)
	Social relationships		
	Organisation of social dialogue, including procedures for informing, consulting and negotiating with employees;	103 (407-1)	3.6 "Social relationships" (p. 32)
	Percentage of employees covered by collective agreement by country;	102-41	
	The balance of collective agreements, particularly in the field of health and safety at work.	403-1	3.11.4 "Worker participation and consultation" (page 41)
	Training		
	The policies implemented in the area of training;	103	3.3 "Training and talent" (p. 26)
	The total number of training hours per professional category.	404-1	
	Universal accessibility for people with disabilities	103	3.9 "Access for people with disabilities" (p. 35)
	Equality		
	Measures taken to promote equal treatment and opportunities for women and men;	103	3.4 "Remuneration, integration and equality (p. 30)
	Equality plans (Chapter III of Organic Law 3/2007, of 22 March, for the effective equality of women and men), measures adopted to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility for people with disabilities;	103	
	The policy against all types of discrimination and, where appropriate, diversity management.	103	3.4 "Remuneration, integration and equality (p. 30) 4.1 "Respect for human rights" (p. 41)
Human rights	Implementation of human rights due diligence procedures Prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress possible abuses;	103, 102-16, 102-17	4.1 "Respect for human rights" (p. 41)

Area	Content	Related GRI Standards	Reference to Statement of Non-Financial Information (page no.)
	Complaints of human rights violations;	103	
	Promotion and enforcement of the provisions of the core conventions of the International Labour Organisation related to respect for freedom of association and the right to collective bargaining;	407-1	
	The elimination of discrimination in respect of employment and occupation;	103 (406-1)	
	The elimination of forced or compulsory labour;	409-1	
	The effective abolition of child labour.	408-1	
Corruption and bribery	Measures taken to prevent corruption and bribery;	103, 102-16, 102-17	1.6 “Prevention, Anti-money laundering and Control of contributions to foundations and non-profit organisations” (p. 11)
	Measures to combat money laundering,	205-2	
	Contributions to foundations and non-profit entities.	413-1	
Social issues	**Company commitments to sustainable development**		
	The impact of the company’s activity on employment and local development;	103	4.2 “Commitments to sustainable development” (p. 42)
	The impact of the company’s activity on local populations and in the territory;	103	
	The relations maintained with local community actors and the modalities of dialogue with them;	102-43	
	Partnership or sponsorship actions.	102-12, 102-13	
	Subcontracting and suppliers		
	The inclusion of social, gender equality and environmental issues in the procurement policy; Consideration in relations with suppliers and subcontractors of their social and environmental responsibility;	103 (102-9)	2.5 “Subcontracting and suppliers” (p. 22)
	Monitoring systems and audits and their results.	103	
	Consumers		
	Measures for the health and safety of consumers;	103	4.5.2 “Pharmacovigilance Systems” (p. 48)
	Complaint systems, complaints received and their resolution.	103	4.5.1 “Quality Systems” (p. 47)
	Tax information		
	Earnings obtained on a country-by-country basis; Taxes on profits paid	103	4.4 ”Group tax information” (p. 45)
	Public subsidies received	201-4	1.6 “Prevention, Anti-money laundering and Control of contributions to foundations and non-profit organisations” (p. 11)

MR. JORGE GALLARDO BALLART, Board member of ALMIRALL, S.A.

DECLARES

That, to his knowledge, the annual accounts of 2020 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 18 February 2021.

Mr. Jorge Gallardo Ballart

MR. CARLOS GALLARDO PIQUÉ, Board member of ALMIRALL, S.A.

DECLARES

That, to his knowledge, the annual accounts of 2020 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 18 February 2021.

C. Gallardo

Mr. Carlos Gallardo Piqué

MR. ANTONIO GALLARDO TORREDEDÍA, Board member of ALMIRALL, S.A.

DECLARES

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In witness thereof the present declaration is signed in Barcelona, on 18 February 2021.

Mr. Antonio Gallardo Torrededía

SIR TOM McKILLOP, Board member of ALMIRALL, S.A.

DECLARES

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In witness thereof the present declaration is signed in Barcelona, on 18 February 2021.

Sir Tom McKillop

MR. GERHARD MAYR, Board member of ALMIRALL, S.A.

DECLARES

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In witness thereof the present declaration is signed in Barcelona, on 18 February 2021.

G. Mayr

Mr. Gerhard Mayr

MS. KARIN DORREPAAL, Board member of ALMIRALL, S.A.

DECLARES

That, to her knowledge, the annual accounts of 2020 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 18 February 2021.

Ms. Karin Dorrepaal

MR. SETH J. ORLOW, Board member of ALMIRALL, S.A.

DECLARES

That, to his knowledge, the annual accounts of 2020 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 18 February 2021.

Mr. Seth J. Orlow

MS. GEORGIA GARINOIS-MELENIKIOTOU, Board member of ALMIRALL, S.A.

DECLARES

That, to her knowledge, the annual accounts of 2020 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 18 February 2021.

Ms. Georgia Garinois-Melenikiotou

MR. ENRIQUE DE LEYVA PÉREZ, Board member of ALMIRALL, S.A.

DECLARES

That, to his knowledge, the annual accounts of 2020 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 18 February 2021.

Mr. Enrique De Leyva Pérez

MS. EVA-LOTTA COULTER, Board member of ALMIRALL, S.A.

DECLARES

That, to her knowledge, the annual accounts of 2020 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 18 February 2021.

Ms. Eva-Lotta Coulter

MS. ALEXANDRA B. KIMBALL, Board member of ALMIRALL, S.A.

DECLARES

That, to her knowledge, the annual accounts of 2020 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 18 February 2021.

Ms. Alexandra B. Kimball