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**

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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:

Other related parties	Concept	Year	Thousands of Euros	
			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	-	-