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

Consolidated annual accounts for the year ended 31 December 2017, prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union

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

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

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER
(Thousands of Euros)

ASSETS	Note	31 December 2017	31 December 2016	EQUITY AND LIABILITIES	Note	31 December 2017	31 December 2016
				Issued capital	14	20.754	20.754
Goodwill	8	341.815	432.765	Share premium	14	219.890	219.890
Intangible assets	9	730.316	992.996	Legal reserve	14	4.151	4.151
Property, plant and equipment	10	128.317	132.298	Other reserves	14	1.209.391	1.166.912
Financial assets	11	191.959	194.441	Valuation adjustments	14	(20.547)	(19.878)
Deferred tax assets	21	268.675	327.475	Translation differences	14	4.002	52.972
NON-CURRENT ASSETS		**1.661.082**	**2.079.975**	Profit (Loss) for year		(303.961)	75.479
				EQUITY		**1.133.680**	**1.520.280**
				Deferred income	15	130.368	162.171
				Financial liabilities	16	250.000	317.187
				Deferred tax liabilities	21	140.163	233.403
				Retirement benefit obligations	19	71.157	71.939
				Provisions	18	50.572	17.792
				Other non-current liabilities	17	52.098	124.171
Inventories	12	83.743	91.040	**NON-CURRENT LIABILITIES**		**694.358**	**926.663**
Trade and other receivables	13	90.360	130.608				
Current tax assets	21	57.054	45.543	Financial liabilities	16	72	3.843
Other current assets		3.980	4.651	Trade payables		140.604	237.261
Current investments	11	68.684	217.212	Current tax liabilities	21	12.639	23.681
Cash and cash equivalents		211.542	249.499	Other current liabilities	17	195.092	106.800
CURRENT ASSETS		**515.363**	**738.553**	**CURRENT LIABILITIES**		**348.407**	**371.585**
TOTAL ASSETS		**2.176.445**	**2.818.528**	**TOTAL LIABILITIES AND EQUITY**		**2.176.445**	**2.818.528**

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts as at 31 December 2017

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

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

CONSOLIDATED INCOME STATEMENTS AT 31 DECEMBER
(Thousands of Euros)

Continuing operations	**Note**	**2017**	**2016**
Revenue	20	639.381	764.361
Other income	20	116.404	94.854
Operating income		**755.785**	**859.215**
Procurements	20	(173.005)	(162.771)
Staff costs	20	(204.072)	(227.769)
Amortisation and depreciation charge	9 and 10	(103.660)	(100.296)
Net change in valuation adjustments	20	(8.218)	(1.387)
Other operating expenses	20	(251.051)	(270.475)
Net gain (loss) on asset disposals	20	(2.222)	30.089
Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill	20	(323.573)	(15.000)
Profit (Loss) from operations		**(310.016)**	**111.606**
Change to fair value in financial instruments	20	(4.500)	(3.709)
Financial income	20	1.606	3.443
Finance costs	20	(22.387)	(19.686)
Exchange gains (losses)	20	14.234	983
Profit (Loss) before tax		**(321.063)**	**92.637**
Corporate income tax	21	17.102	(17.158)
Net profit (loss) for the year attributable to the Parent company		**(303.961)**	**75.479**
Earnings (Loss) per share (Euros):	24		
A) Basic		(1,76)	0,44
B) Diluted		(1,76)	0,44

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2017.

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

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

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

	Note	2017	2016
Profit (Loss) for the year		**(303.961)**	**75.479**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Retirement benefit obligations	19	(929)	(8.287)
Others		-	1.356
Corporate income tax on items that will not be reclassified	21	260	2.403
Items that will not be reclassified to profit or loss		**(669)**	**(4.528)**
Items that may be reclassified subsequently to profit or loss			
Change in value of financial assets available for sale	11 and 14	-	(1.711)
Gains (Losses) on translations of foreign currencies	14	(48.970)	20.954
Corporate income tax on items that will not be reclassified	21		504
Total items that may be reclassified subsequently to profit or loss		**(48,970)**	**19.747**
Other comprehensive income for the year, net of tax		**(49,639)**	**15.219**
Total comprehensive income for the year		**(353.600)**	**90.698**
Attributable to:			
- Owners of the Parent company		(353.600)	90.698
- Non-controlling interests			-
Total comprehensive income attributable to owners of the Parent company arising on:			
- Continuing operations		(353.600)	90.698
- Discontinued operations			-

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2017.

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

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

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

	NOTE	Subscribed capital	Share premium	Legal reserve	Other reserves	Valuation adjustments recognised in equity	Translation differences	Profit (Loss) attributable to the Parent company	Equity
Balance at 31 December 2015	14	**20,754**	**219,890**	**4,151**	**1,068,086**	**(14,143)**	**32,018**	**131,826**	**1,462,582**
Distribution of profit		-	-	-	131,826	-	-	(131,826)	-
Dividends		-	-	-	(33,000)	-	-	-	(33,000)
Total comprehensive income for the year		-	-	-	-	(5,735)	20,954	75,479	90,698
Balance at 31 December 2016	14	**20,754**	**219,890**	**4,151**	**1,166,912**	**(19,878)**	**52,972**	**75,479**	**1,520,280**
Distribution of profit		-	-	-	75,479	-	-	(75,479)	-
Dividends		-	-	-	(33,000)	-	-	-	(33,000)
Total comprehensive income for the year		-	-	-	-	(669)	(48,970)	(303,961)	(353,600)
Balance at 31 December 2017	14	**20,754**	**219,890**	**4,151**	**1,209,391**	**(20,547)**	**4,002**	**(303,961)**	**1,133,680**

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2017.

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

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

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

	Note	2017	2016
Cash flows			
Profit (Loss) before tax		(321.063)	92,637
Adjustments to profit or loss:			
Charge for amortisation and depreciation	9 and 10	103.660	100,296
Net change in provisions and valuation adjustments		12.098	(10,344)
Net profit (loss) for disposals of assets	20	2.222	(30,089)
Gains (Losses) on disposals of financial instruments	11 and 20	-	(2,195)
Financial income	20	(1.606)	(1,248)
Finance costs	20	22.387	19,686
Translation differences		(14.234)	-
Impairment losses	20	323.573	15,000
Change in the fair value of financial instruments	20	4.500	3,709
Changes in other non-current assets and liabilities		(4.700)	(4,317)
Effects of the AstraZeneca transaction:			
Incorporation of deferred income of the AstraZeneca transaction	15 and 20	(31.364)	(38,206)
Change in the fair value of the AstraZeneca financial asset	6 and 20	(67.682)	(29,862)
		27.791	**115,067**
Adjustments to changes in working capital:	12		
Changes in inventories	13	6.291	(392)
Changes in trade and other receivables		97.301	1,731
Changes in trade payables		(61.176)	24,623
Changes in other current assets	17	(17.058)	5,098
Changes in other current liabilities		(37.580)	(21,885)
Adjustments to changes in other items:			
Changes in other non-current liabilities	17 and 19	(590)	(488)
		(12.812)	**8,687**
Cash inflows (outflows) for tax:		**(8.885)**	**(18,698)**
Net cash flows from operating activities (I)		**6.094**	**105,056**
Cash flows from investing activities	20		
Interest received		1.606	1,248
Investments:	9 y 17		
Intangible assets		(50.269)	(57,714)
Property, plant and equipment		(18.786)	(24,372)
Financial assets	7 y 20	(48)	(1,445)
Business combinations		-	(433,450)
Disposals:			
Intangible assets and property, plant and equipment	11	272	5,458
Financial assets	3	62	7,894
Business unit		-	45,175
Net cash flows from investing activities (II)		**(67.163)**	**(457,206)**
Cash flows from financing activities	20		
Interest paid		(18.866)	(15,208)
Equity instruments:	14		
Dividends paid		(33.000)	(33,000)
Liability instruments:	16		
Bank borrowings issued	16	250.000	
Bank borrowings repaid	16	-	-
Non-convertible bonds repaid		(323.550)	(927)
			-
Net cash flows from financing activities (III)	11	**(125.416)**	**(49,135)**
Net change in cash and cash equivalents (I+II+III))	11	**(186.485)**	**(401,285)**
Cash and cash equivalents at the beginning of the year	11	**466.711**	**867,996**
Cash and cash equivalents at end of the year	11	**280.226**	**466,711**

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2017.

1. Group activities

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

The Parent company's corporate purpose also includes:

a) The acquisition, manufacture, storage, sale and mediation in the sale of cosmetics, chemical, biotechnological and diagnostic products for human, veterinary, agrochemical and food-industry use, as well as all manner of utensils, complements and accessories for the chemical, pharmaceutical and clinical industries.

b) Research into chemical and pharmaceutical ingredients and products.

c) The acquisition, sale, lease, subdivision and development of plots, land and properties of all kind, including the performance of construction work thereon and their disposal, in full, in part or under a condominium property arrangement.

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

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

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

a) Regulatory financial reporting framework applicable to the Group

Almirall Group's consolidated annual accounts for the year ended 31 December 2017, which were obtained from the accounting records held by the Parent company and by the other companies composing the Group, were formally prepared by the Parent company's directors on 23 February 2018.

These consolidated annual accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and take into account all the mandatory accounting policies and rules and measurement bases, the Spanish Commercial Code, the Spanish Companies Law and all other applicable Spanish corporate and commercial law. Accordingly, they present fairly the equity and financial position of the Almirall Group at 31 December 2017 and the results of its operations, the changes in consolidated equity, the changes in other consolidated comprehensive income and the consolidated cash flows at the Group in the year then ended.

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

However, since the accounting standards and measurement bases used to prepare the Group's consolidated annual accounts for 2017 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify them and to bring them into line with International Financial Reporting Standards.

The Group's consolidated annual accounts for 2016 were approved by the Parent company's shareholders at the General Meeting held on 3 May 2017. The Group's consolidated annual accounts for 2017 are awaiting approval by the Parent company's shareholders at the next General Meeting. However, the Parent company's Board of Directors considers that the aforementioned consolidated annual accounts will be approved without any changes.

b) *Adoption of International Financial Reporting Standards*

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

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

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

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

As is detailed below, in 2017 new accounting standards (IAS/IFRS) and interpretations (IFRIC) have come into effect. Similarly, at the date of preparation of these consolidated annual accounts, new accounting standards (IAS/IFRS) and interpretations (IFRIC) have been published, which are set to come into effect for the accounting periods starting on or after 1 January 2018.

Mandatory standards, amendments and interpretations for all years starting 1 January 2017

IAS 7 (amendment) "Disclosure initiative", IAS 12 (amendment) "Recognition of deferred tax assets for unrealised losses" and Annual improvements to the 2014-2016 IFRS cycle.

These standards came into force for periods beginning on or after 1 January 2017 reflecting their impact on these consolidated annual accounts with respect to the amendment of IAS 7 that requires to disclosure the reconciliation between the initial and final balances for those liabilities arising from financing activities (See Note 16). For the other amendments, no relevant impacts have been identified.

Standards, amendments and interpretations which have not yet come into effect but which may be adopted early in the years beginning on or after 1 January 2017:

At the date of authorisation for issue of these consolidated annual accounts, the IASB and the IFRS Interpretations Committee had published the standards, amendments and interpretations detailed below, which have not come into force and, although these standards could be adopted earlier, the Group has decided against early adoption.

IFRS 4 (amendment) "Applying IFRS 9 "Financial instruments" with IFRS 4 "Insurance contracts"", IFRS 9 "Financial instruments", IFRS 15 "Revenue from contracts with customers", IFRS 15 (amendment) "Clarifications of IFRS 15 "Revenue from contracts with customers", IFRS 16 "Leases" and Annual improvements to the 2014-2016 IFRS cycle.

The Group has not considered early application of these amendments. However, the Group is analysing the effect of application of these new standards/amendments/interpretations to the Group's consolidated annual accounts when they come into effect.

At the present date, the issues analysed have mainly been:

IFRS 9 – "Financial instruments"

Recognition of hedges: IFRS 9 brings recognition of hedges in line with financial risk management, with no impact on existing hedges, but enabling hedge accounting to be applied in the future for financial hedges which do not qualify under current standards, such as hedges for non-financial components of contracts (e.g. commodities).

- Valuation of financial assets: the Group will measure its financial assets at amortised cost excluding investments in equity instruments and derivative financial instruments, which will be measured at fair value.

- Impairment of financial assets: the Group will apply the general expected credit loss model for financial assets excluding trade payables, where the simplified expected credit loss model will be applied, regardless of the financial component which these assets may have. Considering Almirall's credit risk management policies and the high credit quality of debtors, Almirall estimates that the impact of the application of the expected credit loss model will be approximately 3 million euros.

As a summary Almirall has determined that application of IFRS 9 will not have a significant impact on equity at 1 January 2018, without re-expresion of comparative information.

IFRS 15 – "Revenue from ordinary activities from contracts with customers"

With the first application of IFRS 15, the Group has decided to opt for the retroactive method with the accumulated effect of the first application recognised at 1 January 2018.

- The nature of the various impacts analysed, which may have an effect on the application of this standard is detailed below as of January 1, 2018:

- Income from long-term contracts for licences granted to the different "partners" with whom the Group works in the countries where it sells its products has been analysed. The following types of income are systematically generated from these contracts, which, for the purpose of applying IFRS 15, are considered contracts with customers:

    - Sales, of either raw material or any products modified in a manufacturing process. As this component of the income is differentiated from the other components of the contracts and the price at which these transactions are carried out is a market price, the recording of this income from 1 January 2018 as a result of the new standard will generally be similar to the way in which it is currently being recorded under IAS 18.
    - Royalties receivable related to the sales of the "partners", which total EUR 9.9 million in 2017 (EUR 6.3 million in 2016), as stated in Note 20. They will continue to be recorded in accordance with the criteria followed under IAS 18 based on the sales made.
    - Receivables related to milestones for certain levels of sales of different "partners" totalling EUR 3.5 million in 2017 (EUR 9 million in 2016), in accordance with Note 20. Generally, from our analysis, we have detected that the milestones which these receivables are related to have a contingent nature and they should be recorded as they have been recorded to date.(at the date when the milestone is achieved and to remunerate the sales already made).

  - Even though for the first of these points no impact on the application of this standard has been detected, for the following point referred to Royalties and income related to the achievement of milestones, the income will be recognised in "Revenue" instead of "Other income" if the contracts signed with the "partners" fall under the scope of IFRS 15.

- Sales of licenses for development and subsequent commercialization (Astrazeneca): in the components of the sales contracts that certain rights were transferred for development and subsequent commercialization, and in which there is a significant continued involvement during the development period by Almirall, the part of the initial charge assigned to said component ("upfront payment") is deferred linearly to the consolidated profit and loss account during the foreseen period of development (foreseen until approximately 2021-2023). (See note 6a))To the extent that it is a sale of the rights to a license, an activity that the Group also carries out with other companies, which, besides involving a continuous involvement by Almirall during the period of development of the molecules, It will generate revenues from thousands of royalties and future royalties, like any other type of sale or collaboration that Almirall makes with other companies. We consider that this transaction is within the scope of IFRS 15. From the analysis of the framework of IFRS 15 the only identified impact is the classification of this in the consolidated profit and loss account as "Net Sales " instead of "Other income", with the amount registered in the year 2017 of 31 million euros (38 million euros in the year 2016 according to Note 20).

- Contracts with multiple components and guarantees related to the sale of aesthetic machines in ThermiGen, LLC. Initially, there is no impact regarding IAS 18 as the components and other income are different components of income and are valued at arm's length. The other income includes costs charged to the final customer such as shipment costs, costs for installing the machines and training, and extensions of guarantees, and for insignificant amounts considering the consolidated annual accounts as a whole.

IFRS 16 – "Leases"

IFRS 16 will enter into force in 2019 and will replace IAS 17 and interpretations issued on it.

The Group has begun to analyse the impacts of IFRS 16 "Leases", which establishes that right-of-use assets and liabilities arising from operating lease contracts (excluding short-term lease agreements and those for assets of a low value). It will also change the criteria for recognising the lease expense, which will be recognised as a depreciation/amortisation cost of the asset and a financial expense for the revaluation of the lease liability.

The Group is obtaining relevant data on its operating lease contracts (see Note 20) which mainly correspond to leases of offices and transport elements, in order to evaluate the corresponding impacts.

Standards, amendments and interpretations applied to existing standards that cannot be adopted early or have been adopted by the European Union at the date of preparation of these consolidated annual accounts:

At the date of preparation of these consolidated annual accounts, the IASB and IFRS Interpretations Committee have published the standards, amendments and interpretations set out below, which have not yet been adopted by the European Union.

IFRS 10 (amendment) and IAS 28 (amendment) "Sale or contribution of assets between an investor and its associate or joint venture", IFRS 2 (amendment) "Classification and measurement of share-based payment transactions", IAS 40 (amendment) "Transfers of investment property", IFRIC 22 "Foreign Currency Transactions and Advance Consideration". IFRS 17 "Insurance contracts", IFRIC 23 "Uncertainty over Income Tax Treatments", IFRS 9 (amendment) "Prepayment features with Negative Compensation", IAS 28 (amendment) "Long-term interests in Associates and Joint Ventures" and Annual improvements to the 2015-2017 IFRS cycle.

As stated, the Group has not considered early application of the standards/amendments/interpretations stated above and analysing the effect of these new standards/amendments/interpretations on the Group's consolidated annual accounts, in case they are adopted by the European Union.

c) *Functional currency*

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

d) Comparison of information

In accordance with Notes 3-b of the accompanying notes to the consolidated annual accounts, in February 2016, Almirall, S.A. acquired the total share capital of Poli Group Holding S.r.l., holding company of the Poli Group, which includes three operating companies (Taurus Pharma GbmH, Polichem S.A. and Polichem S.r.l.). In addition, the subsidiary of the Almirall Aesthetics Inc. Group acquired Thermigen LLC in February 2016 (which includes Thermigen Aesthetics LLC and, up to the date of their dissolution in December 2016, ThermiEye LLC and ThermiVA LLC, as stated in Note 3-b). In addition, the Almirall Group sold the subsidiary Almirall México, S.A. de C.V. in May 2016. These matters should be taken into account when comparing the figures of the balance sheets and consolidated income statements at 31 December 2017 and 31 December 2016.

e) Estimates made

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

In the Group's consolidated annual accounts for the year ended 31 December 2017, estimates by the Group's executives and consolidated entities, which were later approved by the Parent company’s directors, were used occasionally to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain items of property, plant and equipment, intangible assets and goodwill arising from the non-recovery of the carrying amount recognised on these assets (see Notes 5-d, 6-e and 8).

- The useful life of the intangible assets and property, plant and equipment (see Notes 5-b and 5-c).

- Assessment of the recovery of deferred tax assets (see Note 21).

- The fair value of certain unlisted financial assets (see Notes 5-j, 6-a and 11).

- Assessment of lawsuits, obligations and contingent assets and liabilities at year-end (see Notes 5-l and 25).

- Estimate of the appropriate write-downs for inventory obsolescence, impairment of accounts receivable and sales returns (see Notes 5-g, 5-h and 5-l).

- Estimate of provisions for restructuring (Note 17).

- Determination of the assumptions required to calculate the actuarial liability for retirement benefit obligations in conjunction with an independent expert (see Note 5-m).

- Estimate of the liability relating to the cash-settled share-based payment arrangements (see Note 5-x).

Although these estimates were made on the basis of the best information available at 31 December 2017 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of any changes in estimates in the related consolidated income statement.

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

a) *Basis of consolidation*

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

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

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

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

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

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

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

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

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

b) *Changes in the scope of consolidation*

In 2017, the following changes were made to the Group's composition, which have not had an effect on its scope of consolidation (mergers between the Group companies):

- Merger by absorption of Taurus Pharma GmbH by its parent company, Almirall Hermal, GmbH.

- Merger by absorption of Laboratorios Miralfarma, S.L., Laboratorios Almofarma, S.L., Laboratorio Temis Farma, S.L., Laboratorios Berenguer-Infale, S.L., Alprofarma, S.L., Pantofarma, S.L. and Laboratorios Farmacéuticos Romofarm, S.L., all of which are sole shareholder companies wholly owned by ALMIRALL, S.A., by Laboratorio Omega Famarcéutica, S.L., surviving company of the merger, which changed its name to Laboratorios Almirall, S.L.

In 2016, the following changes were made to the Group's composition and scope of consolidation:

- With effect from 5 February 2016, Almirall, S.A., Parent company of the Group, acquired the total share capital of Poli Group Holding S.r.l.,, holding company of the Poli Group, which included three operating companies (Taurus Pharma GmbH, Polichem S.A. and Polichem S.r.l.).

- With effect from 9 February 2016, on complying with all of the terms and conditions of the operation, via the subsidiary Almirall Aesthetics Inc., the Group acquired the total shares of ThermiGen LLC, which held ThermiGen Aesthetics LLC, ThermiEye LLC and ThermiVA LLC.

- With effect from 3 May 2016, Almirall, S.A. and Almirall International, B.V. signed a share purchase-sale contract with Grünenthal de México S.A. de C.V. and Grünenthal GmbH by virtue of which Almirall, S.A. and Almirall International, B.V. agreed to sell the total shares of the subsidiary Almirall de México, S.A. de C.V. for EUR 28.5 million.

In addition, the following company operations were carried out in 2016 with no effect on the Group's scope of consolidation:

- On 25 November 2016, Taurus Pharma GmbH was acquired by Almirall Hermal GmbH, which acquired the total shares held by Poli Group Holding, S.r.l.

- On 12 December 2016, ThermiEye LLC and ThermiVA LLC were dissolved. The business activities of these companies were transferred to ThermiGen Aesthetics, LLC.

4. Distribution of the Parent company's profit

The distribution of the profit included in the Parent company's annual accounts for the years ended 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Basis of distribution:		
Profit for year	(220,893)	50,001
Distribution:		
To the legal reserve	-	-
To voluntary reserves	-	17,001
Dividends	-	33,000
To offset prior years' losses	(220,893)	-
Total	**(220,893)**	**50,001**

The proposed distribution of profit for 2016 was approved by the shareholders at the General Meeting on 3 May 2017.

At the formulation date of these consolidated annual accounts, the Board of Directors of Almirall, S.A. has agreed to propose in the Shareholders' meeting the distribution of a dividend, charged against reserves for an amount of 33 million euros. For the purpose of carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders called "Script dividend", already implemented in 2012. In this way, its shareholders are offered an alternative that allows them to receive shares issued by the parent company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend.

5. Accounting standards

The Group's consolidated annual accounts for the year ended 31 December 2017 were prepared by the directors of the Parent company in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union, pursuant to Law 62/2003, of 30 December.

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

a) *Goodwill*

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

Any excess of the cost of equity instruments representing the capital of acquired subsidiaries over their corresponding underlying carrying amounts, adjusted at the date of first time consolidation, is allocated as follows:

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

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

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

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

- On disposal of a subsidiary, the attributable amount of goodwill is included in the calculation of the gain or loss on disposal.

b) *Intangible assets*

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

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

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

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

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

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

Development costs-

a) *In-house development*

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

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

I. It is technically possible to complete production of the medication so that it can be made available for use or for sale.

II. There is an intention to finish developing the drugs in question for use or for sale.

III. The Group has the capacity to use or sell the drug.

IV. The asset will generate future economic benefits. There is evidence that there is a market for the medication which will generate development or a market for its development. There is also evidence that its development will be useful to the Group in the event that it is going to be used in house.

V. Adequate technical, financial and other resources are available to complete development and use or sell the medication resulting from the development in progress.

VI. The ability to measure reliably the payment attributable to the aforementioned development up until its completion.

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

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

No significant capitalisation of internal development costs has been made in 2017 and 2016.

b) Separate acquisition

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

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

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

Intellectual property-

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

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

Computer software-

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

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

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

c) Property, plant and equipment

Property, plant and equipment are measured at cost (calculated on the basis of a separate acquisition or through a business combination), and are revalued in the case of Spanish companies pursuant to sundry legislation including Royal Decree-Law 7/1996, of 7 June.

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

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

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

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

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

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

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

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

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

For those Cash generating unit that have a deferred tax liability balance related to an asset with a defined useful life, and from the accounting of the business combination in accordance with IFRS 3, for the purposes of contrasting the impairment test with the assets net allocated to the CGU has been taken into account the impact of deferred tax liabilities to the extent that the projected cash flows are based on projected real cash flows, for the sole purpose of ensuring consistency of analysis.

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

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

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

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

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

The main assumptions used in the impairment tests in the years ended 31 December 2017 and 2016 were as follows:

(*) 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.).

Cash-Generating Unit or Asset	Accounting assets at 31 December 2017 *(thousands of euros)*	Assumption 2017 (*)	Assumption 2016 (*)
Aqua Pharmaceuticals, LLC	Goodwill: - Intangible asset: 53,320	d.r.b.t.: 9% d.r.a.t.: 8% g.r.c.i.: (15)%	d.r.b.t.: 12% d.r.a.t.: 8% g.r.c.i.: 0%
Almirall Hermal GmbH	Goodwill: 227,743 Intangible asset: 12,902	d.r.b.t.: 12% d.r.a.t.: 8% g.r.c.i.: (2%)	d.r.b.t.: 11% d.r.a.t.: 8% g.r.c.i.: (2%)
Poli Group Pipeline Segment sold by third parties	Intangible asset: P 3058 1,116 P 3074 16,960	d.r.b.t.: 14% d.r.a.t.: 9% g.r.c.i.: (15%)	d.r.b.t.: 13% d.r.a.t.: 9% g.r.c.i.: (3%)
Poli Group Pipeline Internal network segment	Intangible asset: P 3058 4,940 P 3074 4,449	d.r.b.t.: 12% d.r.a.t.: 9% g.r.c.i.: (15%)	d.r.b.t.: 14% d.r.a.t.: 9% g.r.c.i.: (3%)
Poli Group Marketed Segment sold by third parties	Goodwill: 45,416 Intangible asset: 251,206	d.r.b.t.: 12% d.r.a.t.: 8% g.r.c.i.: (1%)	d.r.b.t.: 11% d.r.a.t.: 8% g.r.c.i.: (2%)
Poli Group Marketed Internal network segment	Goodwill: 7,400 Intangible asset: 57,300	d.r.b.t.: 12% d.r.a.t.: 8% g.r.c.i.: (0%)	d.r.b.t.: 12% d.r.a.t.: 8% g.r.c.i.: (2%)
ThermiGen	Goodwill: 25,932 Intangible asset: 46,380	d.r.b.t.: 10% d.r.a.t.: 8% g.r.c.i.: (2%)	d.r.b.t.: 11% d.r.a.t.: 8% g.r.c.i.: (2%)
Sun Pharma license	Intangible asset: 136,924	d.r.b.t.: 11% d.r.a.t.: 9.5% p.o.s.:(85%)	
Other licences	Intangible asset: 13,963	d.r.b.t.: 13-15% d.r.a.t.: 9.5% g.r.c.i.: (2%)	d.r.b.t.: 13-15% d.r.a.t.: 9.5% g.r.c.i.: (5%)-(10%)

Gross average margins for these projected cash-generating units range between 63% and 92%.

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

The key variables in the impairment tests carried out by the Group relate mainly to the sales of each different medication, which are almost all currently at the marketing stage, and the discount rates applied. Using these variables (discount rate and cash flows) either before or after taxes does not represent a significant change to the results of the analysis carried out.These variables are based on historical experience weighted by outside information available. Changes in assumptions are based on the evidence obtained by the Group in accordance with the indicators applied.

Cash generating unit	**Sensibility analysis**	**Impact (million euros)**
Aqua Pharmaceuticals, LLC	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- +40 / (-33) - 4,2 / (2,5) - (1,5) / +1,5
Poli Group Pipeline Segment sold by third parties	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- None - None - None
Poli Group Pipeline Internal network segment	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- None - None - None
Poli Group Marketed Segment sold by third parties	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 2 points in the growth rate - Increase / Decrease by 2 points in the discount rate	- None - None - None
Poli Group Marketed Internal network segment	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 2 points in the growth rate - Increase / Decrease by one point in the discount rate	- None - None - None
ThermiGen, LLC	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 1.5 point in the growth rate - Increase / Decrease by one points in the discount rate	- (16) - None - None
Almirall Hermal GmbH	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by tree points in the growth rate - Increase / Decrease by 2 points in the discount rate	- None - None - None
Sun Pharma License	- Increase / Decrease estimated net sales by 10% - Increase / decrease by 7 points the probability of success - Increase / Decrease by 1,5 points in the discount rate	- +13 / -13 - +13 / (11) - (24) /+ 29

e) Leases

Leases in which the Group acts as the lessee are classified as operating leases when they meet the conditions of IAS 17, i.e. when the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset are attributable to the lessor.

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 retains 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 the long-term payables net of finance charges. The interest part of the financial charge is charged to the consolidated 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 Group does not have any finance leases at 31 December 2017 and 2016.

f) Non-current assets classified as held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

At 31 December 2017 and 31 December 2016, the Group did not have any non-current assets held for sale for significant amounts.

g) Inventories

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

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

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

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

h) Receivables from sales and services

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

i) Cash and cash equivalents

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

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

j) Financial instruments (excluding derivative financial instruments)

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

In the years ended 31 December 2017 and 2016, the measurement bases applied by the Group to its financial instruments were as follows:

Financial assets-

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.

The financial assets held by the Group companies are classified as:

- Loans and receivables generated by the Group: financial assets generated by Group companies in exchange for cash, goods or services received directly from a debtor. They are subsequently measured at amortised cost using the effective interest method.

- Financial assets held to maturity: asset collections for a fixed or determinable amount which have a fixed date of maturity. The Group expresses its intention and capacity to keep these assets in its possession from the time they are purchased through to maturity. They are subsequently measured at amortised cost using the effective interest method.

- 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 (see Note 6).

- Financial assets held for trading: acquired by the Group to generate a short-term benefit from fluctuations in their prices or from differences between their purchase and sale prices. The Group does not have this type of asset at 31 December 2017 and 2016.

- Available-for-sale financial assets: these include securities not held for trading purposes that are not classified as held-to-maturity investments and equity instruments issued by entities other than the subsidiaries, associates and jointly controlled entities.

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, the 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 (e.g., equity instruments), gains and losses recognised directly in equity include any component related to exchange rate shifts.

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.

The Group companies state deposits and guarantees at acquisition cost and/or at the amounts paid.

Holdings representing the capital of unlisted companies whose market values cannot be measured reliably are recognised at acquisition cost less any corresponding accumulated impairment losses. Similarly, the Group companies and associates not included in the scope of consolidation because they are dormant and/or immaterial are carried at acquisition cost less any accumulated impairment losses.

Impairment losses (i.e. cost higher than market or fair value at year end) are recognised under "valuation adjustments" in Financial Assets (see Note 11).

Financial liabilities-

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

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

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

Fees paid for credit lines are recognised as transaction costs of the liability provided that it is probable that the credit line will be drawn down in part on in full. Otherwise, the fees are deferred until funds are drawn down. Fees are capitalised as an advance for liquidity services and are amortised over the period of the credit availability to the extent that it is not probable that the credit line will not be drawn down in full or in part.

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

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

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

Impairment losses

(a) Assets at amortised cost / Assets held to maturity

At each balance sheet date, the Group assesses whether there is objective evidence of impairment losses with respect to a financial asset or group of financial assets. A financial asset or a group of financial assets is impaired and impairment losses are incurred if and only if there is objective evidence of impairment as a result of one or more events occurring after the initial recognition of the asset (a 'loss event') and that loss event (or events) has /have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment losses can include indications that debtors or a group of debtors is experiencing major financial difficulties, defaults or delays in the payment of interest or the principal, the probability that they will be involved in bankruptcy proceedings or any other financial restructuring and when observable data point to the existence of a measurable fall in future estimated cash flows, such as changes in payment terms or business terms which match defaults.

For loans and receivables and assets held for sale, the loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows (not taking into consideration any future impairment losses that have not been incurred), discounted at the original effective interest rate of the financial asset.

If, subsequently, an impairment loss diminishes, and this reduction can be objectively attributed to an event occurring after the impairment loss was recognised (such as an improvement in the debtor's credit quality), the previously recognised impairment is recognised in the consolidated income statement.

(b) Available for sale assets

At the end of each period, the Group assesses whether there is any objective evidence of impairment of a financial asset or group of financial assets. In the case of investments in equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the instrument to below its cost is considered evidence that the asset has become impaired. If there this type of evidence exists for available-for-sale financial assets, the cumulative loss, determined as the difference between acquisition cost and current fair value, less any impairment losses previously recognised in the income statement on the financial asset, is eliminated from equity and recognised in the income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed in the future.

k) Derivative financial instruments and hedge accounting

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

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

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

The Group opted to designate these instruments wherever possible (i.e. if they comply with the requirements of IAS 39) as hedging instruments in hedging relationships. In accordance with IAS 39 financial derivatives qualify for hedge accounting when they necessarily hedge one of the following three types of exposure:

- Variations in the value of assets and liabilities due to shifts in prices, interest rates and/or exchange rates to which the position or balance to be hedged is subject ("fair value hedges").

- Fluctuations in estimated cash flows arising on financial assets and liabilities, obligations and transactions forecast and highly probable that an entity is planning to carry out ("cash flow hedges").

- The net investment in a foreign operation ("hedge of a net investment in a foreign operation").

Similarly, it has to efficiently eliminate the risk inherent in the asset or position hedged during the entire forecast hedging period and it has to be adequately documented that the financial derivative was arranged specifically to hedge certain balances or transactions and the manner in which such efficient hedging is to be achieved and measured.

Under IAS 39, a financial instrument must be recognised as an asset or as a liability at fair value and changes in fair value must be recognised in the consolidated income statement for the year, unless, opting for hedge accounting, the effective portion of the hedging relationship has to be recognised in equity (cash flow hedges and hedges of a net investment in a foreign subsidiary).

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. Any accumulated gain or loss on the hedging instrument which has been reflected in equity continues to be reflected 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.

At the end of 2017 and 2016 there are no derivative financial instruments.

l) Provisions and contingencies

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

- Provisions: credit balances covering present obligations at the balance sheet date arising from past events which could give rise to an outflow of economic resources, which is certain as to its nature but uncertain as to its amount and/or timing; and

- Contingent liabilities: possible obligations resulting from past events, the future materialisation of which is contingent upon the occurrence or otherwise of one or more events out of the consolidated companies' control.

The Group's consolidated annual accounts include all the material provisions with respect to which it is considered that it is more likely than not that the obligation will have to be settled. Since the contingent liabilities did not arise from a business combination, they are not recognised, but rather detailed in Note 25.

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

Litigation and/or claims in process-

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

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

At the end of 2017 and 2016, a number of legal proceedings and claims had been initiated against the Group in the ordinary course of its business. The Company's legal advisers and directors consider that the provisions recognised are sufficient and that the outcome of litigation and claims will not have a material effect on the consolidated annual accounts for the years in which they are settled.

Provisions for product returns-

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

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

Provision for restructuring-

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

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

The Group companies Almirall Hermal, GmbH, Almirall AG and Polichem, S.A. (in the group since 2016) have retirement benefit obligations (or post-employment benefit obligations). The obligations of Almirall AG and Polichem, S.A. are not material with respect to the Group's consolidated annual accounts. The obligations assumed by Almirall Hermal GmbH are funded by two defined benefit plans, a defined contribution plan with employer contributions and two defined contribution plans with employee contributions.

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

The contingencies funded by the defined benefit plans are retirement and similar (death of spouse and death of parent), active life risks, death and disability for the employees hired prior to 30 June 2002 and consist of a pension calculated basically on the basis of the pensionable pay. The obligation assumed is covered by in-house provisions and there are no plan assets (see Note 19).

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

The amount of the obligations assumed was calculated as follows:

- Calculation method: the actuarial valuations were calculated using the Projected Unit Credit method. Pension liabilities are measured on the basis of the present value of the benefits to which the employees are entitled, bearing in mind the employees' years of service and the time remaining until retirement.

- Actuarial assumptions. In 2017 and 2016 the main assumptions used in the actuarial valuation of the aforementioned obligations were as follows:

2017	Almirall Hermal, GmbH	Almirall, AG	Polichem, S.A.
Mortality tables	Heubeck 2005G	BVG 2015 GT	BVG 2015 GT
Discount rate	1.75%	0,65%	0,60%
Salary increase rate	2.25%	1,75%	1,50%
Benefit increase rate	1.75%	0,00%	0,00%
Turnover rate	3.00%	8,88%	-
Retirement age	63	64 - 65	64 - 65

2016	Almirall Hermal, GmbH	Almirall, AG	Polichem, S.A.
Mortality tables	Heubeck 2005G	BVG 2015 GT	BVG 2015 GT
Discount rate	1.80%	0.65%	0.70%
Salary increase rate	2.25%	1.75%	1.50%
Benefit increase rate	1.75%	0.00%	0.00%
Turnover rate	3.00%	9.91%	-
Retirement age	62 - 63	64 - 65	64 - 65

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

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

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

The effect of new benefits included in a defined benefit plan has an immediate impact on the income statement. Benefit costs which have not yet accrued in the vesting period cannot be deferred.

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

Defined contribution plans cover similar contingencies to those under the defined benefit plans described above for all employees. Contributions are made to non-related entities such as insurance companies and the amount recognised as an expense in this respect in 2017 and 2016 totals EUR 1.9 million and EUR 2.0 million, respectively.

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

n) Termination benefit costs

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

o) Government grants

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

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

p) Recognition of 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.

Revenues are carried at the fair value of the consideration received or receivable and represent the amounts receivable on the assets sold, net of discounts, returns and VAT. Revenues are recognised when they can be reliably measured; it is probable that the company will receive future economic benefits and when certain conditions are met for each of the Group's activities described below. The Group bases its estimates for estimating the provision for returns on historical results, taking into account the type of customer, the type of transaction and the specific circumstances of each agreement.

However, in accordance with the accounting principles established in the IFRS Conceptual Framework, the Group recognises accrued income and all the necessary associated expenses. Sales of goods are recognised when the assets are delivered and title thereto has been transferred.

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest method applicable, which is the rate that exactly discounts estimated future cash flows over the expected life of the financial asset from that asset's carrying amount.

Dividend income from non-consolidated investments is recognised when the shareholder's rights to receive payment have been established, i.e. when the shareholders at the Annual General Meetings of the investees approve the distribution of the related dividend.

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

The Group companies recognise 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 (See also Note 6-a). These agreements generally include multiple items and the revenue associated therewith must match the costs and the consideration to be paid by the Group. When assessing the accounting treatment for these transactions, the Group's directors consider the following matters:

- The economic substance of the transaction.

- The nature of the items subject 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 Group 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 was 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, are recognised as revenue in accordance with 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 allocated to profit or loss under "Other Income" in the accompanying consolidated income statement.

q) Corporate income tax and deferred tax assets and liabilities

The Spanish income tax expense and similar taxes applicable to the consolidated foreign operations are recognised in the consolidated income statement unless they arise from a transaction whose results are recognised directly in equity, in which case the related tax is also recognised in equity.

Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VII of Legislative Royal Decree 4/2004 of 5 March, approving the Corporate Income Tax Law. The companies composing the tax group for 2017 and 2016 are: Almirall, S.A., Laboratorios Almirall, S.L. (company resulting from the change of name of Laboratorio Omega Farmacéutica, S.L., surviving company of the merger carried out in 2017 of Laboratorios Miralfarma, S.L., Laboratorios Almofarma, S.L., Laboratorio Temis Farma, S.L., Laboratorios Berenguer-Infale, S.L., Alprofarma, S.L., Pantofarma, S.L. and Laboratorios Farmacéuticos Romofarm, S.L.), Industrias Farmacéuticas Almirall, S.A., Laboratorios Tecnobío, S.A., Ranke Química, S.L. and Almirall Aesthetics, S.A. which is the head of the tax group. Consequently, the consolidated income tax expense includes the benefits arising from the application of tax loss and tax credit carryforwards that would not have been recognised had the companies that make up the aforementioned tax group filed individual tax returns.

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

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

Deferred tax assets and liabilities are recognised using the liability method for temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled. However, deferred taxes are not recognised if they arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting profit (accounting loss) or taxable profit (tax loss).

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

r) Discontinued operations

A discontinued operation is a line of business or geographical area that is material and may be considered separate from the rest of the Group, and which has been disposed of or classified as held for sale. Its activities and cash flows can be clearly differentiated from the rest of the Group for operating and financial reporting purposes. The income and expenses of the discontinued operations and the non-current assets (or disposable group) held for sale are presented separately in the consolidated balance sheet and consolidated income statement.

Accordingly, the Group only presents information on discontinued operations separately when they are material.

At 31 December 2017 and 2016 there are no non-current assets (or disposable group) which comply with the requirements to be considered as held for sale. In addition, during the financial years ending at these dates, no component of the Group has been interrupted or discontinued.

s) Borrowing costs

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

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

Other borrowing costs are expensed currently in the income statement.

t) Foreign currency transactions

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

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

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

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

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

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

   - Assets and liabilities are translated at the exchange rates prevailing at the reporting date.

   - Income, expenses and cash flows are translated at the average exchange rates for the year.

   - Equity items are translated at the historical exchange rates.

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

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

u) Information on the environment

Environmental assets are considered to be assets used on a continual basis in the transactions of the Almirall Group companies whose main purpose is to minimise the environmental effects and to protect and enhance the environment, including the reduction or elimination of any pollution caused by the Group’s operations in the future.

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

The companies depreciate these items on a straight-line basis over the remaining years of estimated useful life of these assets.

v) Earnings per share

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

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

w) Consolidated statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents, understood as short-term highly liquid investments with a low risk of shifts in value.

- Operating activities: the company's ordinary activities and other activities that cannot be classified as investment or finance activity.

- Investment activities: acquisition, sale or disposal of long-term assets and other investments not included in cash and equivalents.

- Financing activities: activities that, not forming part of the operating activities, result in changes in the size and composition of equity and liabilities.

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

x) Share-based payment systems for listed shares

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

Under the Plan, the Parent company undertakes to grant the executives long-term cash-settled variable remuneration tied to the price of the Parent company’s shares, following the fulfilment of certain requirements and conditions. Note 27 provides a detail of the liability calculated in accordance with IFRS 2 at 31 December 2017 and 2016.

y) Share capital

Ordinary shares are classified as equity.

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

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

6. Critical accounting judgements and estimates

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

a) Revenue recognition and fair value of outstanding revenue

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

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

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

As a result of the operation with AstraZeneca UK Limited on 1 November 2014, Almirall, S.A. entered into an agreement with AstraZeneca UK Limited. Under the agreement it transferred the rights to part of its respiratory franchise, which included various components, receiving in exchange some cash payments and other deferred payments on complying with certain future milestones.

This operation has had the following effects in these consolidated annual accounts:

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

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

  - "Milestone events": events related to the first launches and to obtaining benchmark prices in certain countries with a 25-60% probability of occurring.
  - "Sales-related payments": events related to reaching a certain level of sales. The impact most important during 2017 has been the collection of and event due to the reach of a certain level of sales(with a 70% probability for the Group at 31 December 2016), which has resulted in a payment of 80 million dollars (EUR 63.2 million) during December 2017.
  - "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 AstrZeneca at the end of the corresponding year.

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

Regarding the revaluation of this financial asset at 31 December 2017 using the method used by the independent expert in the initial valuation, the asset has been estimated at EUR 172.9 million, fully recorded as non-current (see Note 11). The change in value of this financial asset during 2017 (the value of the asset at 31 December 2016 totalled EUR 168.4 million) is due to the payment from the event expected for 2017 (totalling EUR -63.2 million) that has meant an income in the income statement of 25.4 million euros (as it had a probability of 70%), at the accrual of the discount rate used in the estimation totalling EUR -0.2 million (EUR 3.7 million at 31 December 2016), the Euro/US dollar exchange rate difference totalling EUR -3.7 million (EUR 1.2 million at 31 December 2016), the financial revaluation which has resulted in an income totalling EUR 18.3 million (EUR 19.1 million at 31 December 2016, and the re-estimation of projected flows and probabilities assigned to the different future events totalling EUR 27.9 million (EUR 5.9 million at 31 December 2016). As a result, the total amount of EUR 67.7 million of change of fair value, is recognised in “Other revenue” of the consolidated income statement of the corresponding year.

The main assumptions and considerations used by the independent experts to value the financial asset at 31 December 2017 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 11.5%.
- Probability of success allocated: it affects the valuations of the “milestones events” and “sales-related payments”.

For the purpose of sensitivity analyses of variations considered reasonably possible with respect to the independent expert's appraisal made at 31 December 2017, the following should be taken into account:

- If the estimation of sales revenue for 2019 to 2035 is reduced/increased by 5% every year, the effect would be a reduction/increase of the financial asset by EUR (18.4)/25.1 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 6.5/(6.1) million, respectively.

- If the probabilities assigned to “milestone events” and “sales-related payments” are reduced/increased by five percentage points, the effect would be a reduction/increase of the financial asset by EUR (4.9)/4.9 million, respectively.

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

b) *Measurement of intangible assets*

Acquisition of developments in progress

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

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

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

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

The claims and lawsuits to which the Group is exposed are generally complex and, therefore, there is a high degree of uncertainty as to whether there will be an outcome that is detrimental to the Group's interests and to the estimated potential future disbursements that the Group might have to pay. Consequently, it is necessary to use judgements and estimates with the assistance of the relevant legal advisers.

At 31 December 2017 and 31 December 2016, certain litigations and claims arising from the ordinary course of their operations were ongoing against the consolidated companies. The Group's legal advisers and directors consider that the outcome of these litigation and claims will not have a material effect on the consolidated annual accounts for future years (see Note 25).

d) *Deferred tax assets*

In calculating its deferred tax assets whose recoverability is reasonably assured, the Group establishes a time limit for their compensation based on best estimates. In addition, on the basis of estimates of the taxable profit of each of the Group companies, the Group has determined the expected period over which the deferred tax assets will be realised, also taking into account the timing of deduction of the tax credit and tax loss carryforwards by the legally established deadlines (see Note 21). However, as the likelihood of recovery of these deferred tax assets, the Group has considered a period of up to 10 years and therefore, in recognising the asset, it has not taken into account those tax credits which, on the basis of estimates of future taxable profit, need a longer period of time, even if it is permitted under tax legislation, considering that it will not be a likely case of recovery withing the 10-year period.

e) *Impairment of goodwill and intangible assets*

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

7. Business combinations

There have been no business combinations in 2017 related to these consolidated financial statements.

Regarding the business combinations made in 2016 (acquisition of Poli Group and ThermiGen LLC), there have been no relevant events in 2017 which may have a significant effect on the allocation of the cost of the business combination at the acquisition date, taking into account that this allocation was considered definitive in the 2016 consolidated annual accounts.

8. Goodwill

The changes in "Goodwill" in the consolidated balance sheets in 2017 and 2016 were as follows:

			Thousands of Euros				
	Balance at 31 December 2015	Additions	Changes	Balance at 31 December 2016	Additions	Changes	Balance at 31 December 2017
Almirall, S.A.	35,407	-	-	35,407			35,407
Almirall Hermal, GmbH	227,743	-	-	227,743			227,743
Aqua Pharmaceuticals LLC	84,160	-	3,074	87,234	(81,503)	(5,731)	-
Poli Group (Note 7)	-	52,816	-	52,816			52,816
ThermiGen, LLC (Note 7)	-	28,514	1,051	29,565		(3,716)	25,849
Total	**347,310**	**81,330**	**4,125**	**432,765**	**(81,503)**	**(9,447)**	**341,815**

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

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

The goodwill of Aqua Pharmaceuticals was the difference between the acquisition value of the shares of this company and their underlying carrying amount when the acquisition was made at the end of 2013, after allocation to the identifiable assets and liabilities of the differences between their fair value and carrying amount in the company's annual accounts. The changes in 2017 and 2016 are a result of the effect of the exchange rate on translating the goodwills corresponding to Aqua Pharmaceuticals LLC and to ThermiGen LLC, recorded at the level of the subsidiary Almirall Inc. and Almirall Aesthetics Inc respectively, to the presentation currency of the consolidated statements. The effect amounted to EUR -5.7 and -3.1 million, respectively for 2017 (increase by 3 and 1 milion euros respectively for 2016). In addition, in 2017, an impairment has been recognised for the loss of value of Aqua Pharmaceuticals LLC's goodwill, as explained in the section on impairment losses of this note.

The goodwill of the Poli Group arose as a result of the difference existing between the acquisition cost of the shares of the Poli Group companies in February 2016 and the underlying carrying amount thereof at the acquisition date, with the difference between their fair values and carrying amounts having been allocated to the identifiable assets and liabilities in the acquired companies' financial statements.

The goodwill of ThermiGen arose as a result of the difference existing between the acquisition cost of this company's shares in February 2016 and the underlying carrying amount thereof at the acquisition date, with the difference between its fair value and carrying amount having been allocated to the identifiable assets and liabilities in the Group's financial statements.

Impairment losses

At 31 December 2017 (and at 31 December 2016), the recoverable amount of all goodwill tested for impairment has been estimated on the basis of calculations of value in use as described in Note 5-d. With respect to the cash generating units these calculations use five-year cash flow projections based on financial budgets approved by management. Cash flows for more than the five year period are extrapolated using the estimated growth rates indicated in Note 5-d.

During the first six months of 2017, the business activity of the US subsidiary Aqua Pharmaceuticals, LLC was adversely affected mainly for three reasons: a rebalance of inventories in the distribution channel; an inappropriate award of the US Patient Care Programme (PCP) resulting in an impairment of the Gross Sales/Net Sales relationship, and the recent launching of an Acticiate generic on the US market. During the second half of the year this trend has been increased dramatically as a result of the introduction of additional generics on the market as well as a much higher than expected increase in costs that has been impacted in relation to the American Patient Assistance Program (PAP) and a general reduction of the market in which the products of the subsidiary are marketed.

Even though the Group has taken important steps to mitigate the impacts, these new relevant events, which impcts were impacting the profit and loss account during 2017, have required a review of the business plan for the following years, which was the basis for the impairment test on intangible assets (including goodwill) generated from the purchase of this subsidiary in 2013 at the end of the previous year (as well as the first half of the year 2017).The new plan shows a significant reduction related to expected gains (in sales and also in gross profit) for the next future years.

As a result of the update of the impairment test based on the business plan reviewed on this subsidiary at the end of 2017, and in accordance with the new assumption included in Note 5 d), an impairment loss totalling USD 246.4 million (EUR 203,9 million) has been recognised, corresponding to EUR 81,5 million of impairment of goodwill and EUR 164.9 million of impairment of intangible assets (Note 9).

The impairment losses are recorded in "Impairment Losses on Property, Plant and Equipment, Intangible Assets and Goodwill" in the accompanying consolidated income state (Note 20).

According to the estimates and projections available to the directors of the Parent company, except for the matter commented above regarding the cash-generating unit formed by the subsidiary Aqua Pharmaceuticals, LLC as a whole, the projected results and discounted cash flows of the other cash-generating units adequately support the value of the rest of the goodwill recognised.

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

9. Intangible assets

The detail of the intangible assets in the accompanying consolidated balance sheets at 31 December 2017 and 2016 and of the changes therein is as follows:

	Intellectual property	Development expenditure	Computer applications	Advances and non-current assets in the course of construction	Total
Cost					
At 31 December 2015	**936,093**	**4,014**	**69,661**	**6,288**	**1,016,056**
Additions	7,082	-	7,437	156,923	171,442
Disposals	(19,425)	(2,341)	(441)	-	(22,207)
Transfers	-	-	4,589	(151)	4,438
Translation differences	15,224	394	61	-	15,679
Exclusions from the scope of consolidation (Note 3b)	-	-	(118)	-	(118)
Business combinations (Note 7)	410,113	82,585	243	-	492,941
At 31 December 2016	**1,349,087**	**84,652**	**81,432**	**163,060**	**1,678,231**
Additions	70,822	-	1,456	26,418	98,696
Disposals	(2,880)	-	32		(2,848)
Transfers	3,516	-	4,301	(1,479)	6,338
Translation differences	(49,184)	(1,871)	(165)	(1,313)	(52,533)
Exclusions from the scope of consolidation (Note 3b)	-	-	-	-	-
Business combinations (Note 7)	-	-	-	-	-
At 31 December 2017	**1,371,361**	**82,781**	**87,056**	**186,686**	**1,727,884**
Accumulated amortisation					
At 31 December 2015	**(480,390)**	**(481)**	**(47,029)**	**-**	**(527,900)**
Amortisation charge	(73,135)	(305)	(9,105)	-	(82,545)
Disposals	8,060	-	135	-	8,195
Translation differences	(356)	(164)	(12)		(532)
Exclusions from the scope of consolidation (Note 3b)	-	-	71	-	71
Business combinations (Note 7)	(284)	-	(39)	-	(323)
At 31 December 2016	**(546,105)**	**(950)**	**(55,979)**	**-**	**(603,034)**
Amortisation charge	(74,494)	-	(10,406)	-	(84,900)
Disposals	543	-	(32)	-	511
Transfers	(3,462)	-	-	-	(3,462)
Translation differences	2,489	829	65	-	3,383
Exclusions from the scope of consolidation (Note 3b)	-	-	-	-	-
Business combinations (Note 7)	-	-	-	-	-
At 31 December 2017	**(621,029)**	**(121)**	**(66,352)**	**-**	**(687,502)**
Impairment losses					
At 31 December 2015	**(70,391)**	**-**	**(5,072)**	**-**	**(75,463)**
Impairment losses recognised in the year	(15,000)	-	-	-	(15,000)
Reversal of impairment recognised in prior years	8,262	-	-	-	8,262
At 31 December 2016	**(77,129)**	**-**	**(5,072)**	**-**	**(82,201)**
Impairment losses recognised in the year	(175,093)	-	-	(20,000)	(195,093)
Reversal of impairment recognised in prior years	-	-	-	-	-
Translation differences	7,252	-	-	-	7,252
At 31 December 2017	**(244,970)**	**-**	**(5,072)**	**(20,000)**	**(270,042)**
Carrying amount					
At 31 December 2015	**385,312**	**3,533**	**17,560**	**6,288**	**412,693**
Cost	1,349,087	84,652	81,432	163,060	1,678,231
Accumulated amortisation	(546,105)	(950)	(55,979)	-	(603,034)
Impairment losses	(77,129)	-	(5,072)	-	(82,201)
At 31 December 2016	**725,853**	**83,702**	**20,381**	**163,060**	**992,996**

Cost	1,371,361	82,781	87,056	186,686	1,727,884
Accumulated amortisation	(621,029)	(121)	(66,352)	-	(687,502)
Impairment losses	(232,178)	(52,816)	(5,072)	(20,000)	(310,066)
At 31 December 2017	**518,154**	**29,844**	**15,632**	**168,886**	**730,316**

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

In 2017, the main additions to intangible assets during the financial year ending 31 December 2017 amounted to 92 million euros and mainly correspond to:

- Initial payment for the 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. Certain milestones related to various events corresponding to the development of this product have been established under this agreement.

- Amount related to the “Up-front payment” and the current value for the future payments subject to various events with a 100% probability of occurring (events related to reaching a certain level of net sales in 2019) arising from the agreement signed with AstraZeneca dated December 21, 2017, under which the latter granted an exclusive licence to Almirall for the sale of two products for cholesterol reduction in Spain. As of December 31, 2017 both amounts are pending of payment and, taking into account the interest accrued from the acquisition of the asset, are included in “Suppliers of assets" (note 17), including the interest accrued up to year end.

- Amount related to the “Up-front payment” for the agreement signed with Athenex dated December 11, 2017, under which the latter granted an exclusive licence to Almirall to research, develop and sell in the USA and Europe, including Russia, first-in-class topical treatment, currently at stage III of development. As of December 31, 2017, both amounts are pending payment and, taking into account the interest accrued from the acquisition of the aforementioned asset, they are included in the "Fixed assets suppliers" caption (Note 17), including accrued interest until the close of the exercise. Certain milestones related to various events corresponding to the development of this product have been established under this agreement. This licence is currently in force as the licenced product is expected to be launched in 2021 after it has been approved by the antitrust authorities. In addition to this payment, Athenex is also entitled to receive payments for milestones related to launches and additional indications for an amount of up to 65 million dollars. Likewise, the contract contemplates payments for the attainment of sales milestones, estimated at up to 155 million dollars. 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. .

The main additions to other intangible assets during the financial year ending 31 December 2016 have been generated from the business combinations explained in Note 7 above and the acquisition stated in the following paragraph.

At the beginning of the second half of 2016, the pre-conditions of the agreement signed with Sun Pharmaceutical Industries Ltd, (Sun Pharma), in accordance with which the company granted an exclusive licence to trade, develop, manufacture and sell a compound to treat chronic plaque psoriasis in 44 European countries to Almirall, S.A., were met. The Group has recognised a total intangible asset for EUR 156.9 million corresponding to the sum of the payment made for EUR 45.3 million and the current value of the future payments subject to different bureaucratic events and studies which are almost certain to occur (milestones marking the end of certain compulsory clinical trials and notification of the corresponding approvals by regulatory agencies, where it is highly likely that the approvals will be obtained as the project in question has had positive results at stage III), reviewed at their update value at its updated value at the date of adquisition, totalling EUR 111.6 million. This outstanding amount, modified by the interest accrued from the acquisition of this asset, was recognised under “Suppliers of assets” (Note 17), and includes the interest accrued up to year end. This licence is still in force as the licensed product is expected to be launched at the end of 2018 or the beginning of 2019 (at 31 December 2016 it was expected to be launched in 2018) following the notification received from the European Medicines Agency (EMA), after the corresponding permits for their sale have been obtained. In addition, based on the signed agreement, Sun Pharma may receive future payments for regulatory, development and sales events as well as royalties for net sales based on certain milestones. A total of 30 million dollars (EUR 26.3 million) has been paid in 2017.

As a result of the communication received by the European Medicines Agency (EMA) on November 14, 2017, by which the launch of the product tildrakizumab in the European markets is postponed to the end of 2018 or the beginning of 2019 due to an extension of the scope of the centers where the clinical trials that were being examined are carried out, the Company has updated the analysis of the deterioration test with the new business plan taking into account the new circumstances surrounding the launch of this product, which has led to the recognition of an impairment loss of 20 million euros. The key hypotheses and methodology of the impairment test are included in Note 5 d).

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

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

	2017	2016
Development costs acquired as a result of the acquisition of control of Aqua Pharmaceuticals	-	2.087
Other acquired development costs	2.379	1.796
Development costs acquired as a result of the acquisition of control of Polichem Group.	27.465	80.200
Licences and other marketing rights as a result of the acquisition of control of Almirall Hermal, GmbH	12.902	22.384
Product technology a result of the acquisition of control of AQUA Pharmaceuticals	53.320	256.446
Licences and other marketing rights as a result of the acquisition of control of Polichem Group	308.506	329.198
Intellectual property, relations with clients and exclusive distribution agreement as a result of the acquisition of control of TermiGen	46.380	59.633
Licences and other marketing rights as a result of the sales agreement with AstraZeneca	59.160	-
Other Licences and other marketing rights	37.885	57.811
Total Intellectual Property and Development Expenditure	**547.998**	**809.555**

The aggregate amount of the research and development expenditure recognised as an expense in the accompanying consolidated income statement for 2017 and 2016 was approximately EUR 87.9 million and EUR 98.3 million, respectively. These amounts include the depreciation of the assets associated with R&D activities and the amortisation of the expenses incurred by Group personnel and by third parties.

At 31 December 2017 and 31 December 2016, there are no internal capitalised R&D expenses.

"Intellectual Property" includes mainly the following intangible assets:

- Licences and other marketing rights resulting from the takeover of Almirall Hermal, GmbH for EUR 12.9 million at 31 December 2017 (EUR 22.4 million at 31 December 2016).

- Marketing rights over various dermatological products acquired from Shire in 2007. This agreement entailed a payment of EUR 136 million and it has been fully depreciated as at 31 December 2017 (EUR 10 million at 31 December 2016).

- Technology acquired from Aqua Pharmaceuticals in 2013. This technology was assigned to each product and is defined as a set of intangible assets which basically include product formulation and the value of trademarks or brand names and patents or sales licences and which are grouped together insofar as they are considered to be inter-related, they have no value on a stand-alone basis or they are expected to have the same useful life. The useful lives of the intangible assets acquired were estimated at 15 years. The changes in the year correspond to amortisation of EUR 20 million in 2017 (EUR (20.3) million in 2016) and to the revaluation of EUR 3.4 million (EUR 8.8 million in 2016) for its translation to the presentation currency of the consolidated annual accounts. In addition, in 2017, an impairment has been recognised for the loss of value of this subsidiary's intangible assets, as explained in the section on impairment losses of this note.

- Intangible assets acquired from Poli Grupo in 2016 for an amount of 428.4 million euros, mainly related to product technology and development expenses. This technology, assigned to each product, was defined as a set of intangible assets that basically includes the formulation of the product, the value of trademarks or trade names and patents or marketing licenses, and that were grouped together as they were considered to be interrelated. they had no value on their own and were expected to have the same lifespan. The estimated value of said product technology amounted to 348.2 million euros with an estimated useful life of 14-18 years. The total of development expenses (80.2 million euros) corresponded to the "pipeline" of products purchased that were in progress until the sale of the associated products. The movement of the year corresponds to the amortization of 2017 for the amount of 20.7 million euros (19 million euros in 2016). Additionally, in 2017 impairment was realized due to the loss of value of two of the projects associated with the "pipeline" of said subsidiary, as explained in the impairment loss section of this note.

- Intangible assets acquired from Thermigen LLC in 2016 for an amount of 64.2 million euros, mainly relating to "Intellectual Property" (46.0 million euros with an estimated useful life of 13 years), "Distribution Agreement exclusive "(12.7 million euros with an estimated useful life of 5 years) and" Relations with customers "for which consumable sales are made on a recurring basis, once they have purchased the medical equipment (5.1 million of euros with an estimated useful life of 9 years). The movement of the year corresponds to the amortization of 2017 for the amount of 6.4 million euros (5.9 million euros in 2016) and to the revaluation as a consequence of its conversion to the presentation currency of the consolidated annual accounts for the value of -6.8 million euros (2 million euros in 2016).

Impairment losses

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

The detail of the impairment losses on intangible assets in 2017 and 2016 included in "Impairment Losses" in the above table and of the changes therein is as follows:

	Thousands of Euros						
	Balance at 31 December 2015	Additions	Disposals	Balance at 31 December 2016	Additions	Translation differences	Balance at 31 December 2017
Intellectual property	70.391	15.000	(8.262)	77.129	164.822	(9.773)	232.178
Development expenditure	-	-	-	-	52.816	-	52.816
Computer applications	5.072	-	-	5.072	-	-	5.072
Intangible and non-current assets	-	-	-	-	20.000	-	20.000
Total impairment losses	**75.463**	**15.000**	**(8.262)**	**82.201**	**237.638**	**(9.773)**	**310.066**

At 31 December 2017, the total impairment of Intellectual Property corresponds, mainly, to:

- Impairment of the development rights and sale of a product of the respiratory area totalling EUR 45 million (EUR 45 million at 31 December 2016) due to the strategic decision made in 2016 to not sell this product.

- Impairment of the technology acquired from Aqua Pharmaceuticals in 2013 allocated to each product and defined as a group of intangible assets totalling EUR 164.8 million, in accordance with the impairment test stated in Note 8.

- Impairment of development expenses acquired as a result of the takeover of the Polichem Group following the decision to terminate the research activities for both projects in the US and one of them in Europe. Details are as follow:

    - P 3058 (Onicomicosis) impaired by an amount of 7 million euros

    - P 3073 (Nail Psoriasis) impaired by an amount of 45,7 million euros

- Impairment of the development rights and sale of a compound to treat chronic plaque psoriasis totalling EUR 20 million, in accordance with the impairment test stated in this Note 9.

The impairment losses generated have been recognised under “Impairment Losses on Property, Plant and Equipment, Intangible Assets and Goodwill” in the accompanying consolidated income statements for 2017 and 2016.

In addition, in 2016, Industrial Property totalling EUR 8.2 million corresponding to some licences whose cost was fully impaired were derecognised.

In 2017 and 2016, no reversals of impairment losses have been made against the consolidated income statement.

10. Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheets in 2017 and 2016 were as follows:

	Land and buildings	Plant and machinery	Other fixtures, tools and furniture	Other items of property, plant and equipment	Advances and property, plant and equipment in the course of construction	Total
Cost						
At 31 December 2015	**98,834**	**92,907**	**259,228**	**18,928**	**4,761**	**474,658**
Additions	257	1,334	8,893	1,675	8,930	21,089
Disposals	(12)	(296)	(3,108)	(390)	-	(3,806)
Transfers	155	1,057	2,423	276	(8,349)	(4,438)
Translation differences	67	(2)	(462)	57	-	(340)
Scope of consolidation (Note 3b)	-	-	(423)	(88)	-	(511)
Business combinations (Note 7)	4,854	-	2.143	270	-	7,267
At 31 December 2016	**104,155**	**95,000**	**268,694**	**20,728**	**5,342**	**493,919**
Additions	391	1,153	4,576	858	10,660	17,638
Disposals	-	(108)	(762)	-	(21)	(891)
Transfers	611	574	2,654	604	(7,318)	(2,875)
Translation differences	(722)	493	(711)	(226)	(6)	(1,172)
Scope of consolidation (Note 3b)	-	-	-	-	-	-
Business combinations (Note 7)	-	-	-	-	-	-
At 31 December 2017	**104,435**	**97,112**	**274,451**	**21,964**	**8,657**	**506,619**
Accumulated depreciation						
At 31 December 2015	**(41,346)**	**(58,179)**	**(227,028)**	**(16,560)**	**-**	**(343,113)**
Depreciation charge	(2,450)	(3,443)	(10,100)	(1,758)	-	(17,751)
Disposals	(93)	289	2,453	289	-	2,938
Transfers	-	-	-	-	-	-
Translation differences	(14)	1	(47)	(20)	-	(80)
Scope of consolidation (Note 3b)	-	-	318	88	-	406
Business combinations (Note 7)	-	-	(218)	(53)	-	(271)
At 31 December 2016	**(43,903)**	**(61,332)**	**(234,622)**	**(18,014)**	**-**	**(357,871)**
Depreciation charge	(2,602)	(3,279)	(10,712)	(2,167)	-	(18,760)
Disposals	(3)	107	662	(98)	-	668
Transfers	-	-	-	-	-	-
Translation differences	375	(2)	266	772	-	1,411
Scope of consolidation (Note 3b)	-	-	-	-	-	-
Business combinations (Note 7)	-	-	-	-	-	-
At 31 December 2017	**(46,133)**	**(64,506)**	**(244,406)**	**(19,507)**	**-**	**(374,552)**
Impairment losses						
At 31 December 2015	**(3,750)**	-	-	-	-	**(3,750)**
Impairment losses	-	-	-	-	-	-
At 31 December 2016	**(3,750)**	-	-	-	-	**(3,750)**
Impairment losses						
At 31 December 2017	**(3,750)**	-	-	-	-	**(3,750)**
Carrying amount						
Cost	104,155	95,000	268,694	20,728	5,342	493,919
Accumulated depreciation	(43,903)	(61,332)	(234,622)	(18,014)	-	(357,871)
Impairment losses	(3,750)	-	-	-	-	(3,750)
At 31 December 2016	**56,502**	**33,668**	**34,072**	**2,714**	**5,342**	**132,298**
Cost	104,435	97,112	274,451	21,964	8,657	506,619
Accumulated depreciation	(46,133)	(64,506)	(244,406)	(19,507)	-	(374,552)
Impairment losses	(3,750)	-	-	-	-	(3,750)
At 31 December 2017	**54,552**	**32,606**	**30,045**	**2,457**	**8,657**	**128,317**

The additions in 2017 and 2016 were due mainly to improvements at the production centres at chemical and pharmaceutical plants and at the Group's research and development centres.

At 31 December 2017 and 2016 the Group does not have any impaired assets which are not in use.

The transfers of property, plant and equipment in the course of construction made by the Group in the years ended 31 December 2017 and 2016 relate mainly to the transfer of investment projects at the production centres that came into service during these years. In 2016, a total of EUR 4,438 thousand of property, plant and equipment was transferred to intangible assets.

In 2017 and 2016, the Group has not reversed any impairment losses on property, plant and equipment. At 31 December 2017 and 2016, losses for impairment of property, plant and equipment correspond mainly to plant which is not in use.

At 31 December 2017 and 31 December 2016 the carrying amount of property, plant and equipment owned by the subsidiaries located abroad totals EUR 29.5 million and EUR 33.0 million, respectively, of which EUR 20 million are in Almirall Hermal, GmbH located in Germany, EUR 3.8 million are in the company Polichem SA located in Luxembourg and EUR 3.4 million are in the company ThermiGen located in Texas.

The Group has a number of facilities held under operating leases (see Note 20).

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

The only commitments for the acquisition of assets are disclosed in Note 25.

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

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

Non-current

The detail of the balance of the non-current financial assets in the consolidated balance sheets at 31 December 2017 and 2016 and of the changes therein in the years then ended is as follows:

	Thousands of euros					
	Investments in Group companies and associates	Long-term equity instruments	Deposits and guarantees given	Assets at fair value through profit or loss	Write-downs	Total
31 December 2015	**52**	**28,550**	**1,133**	**151,054**	**(203)**	**180,586**
Additions or charge for the year	8	887	4,844	26,450	-	32,189
Disposals/Decrease in value	-	(8,032)	(101)		-	(8,133)
Short-term transfer	-	-	-	-	-	-
Changes to the scope of consolidation	-	(6,630)	795	(4,366)	-	(10,201)
31 December 2016	**60**	**14,775**	**6,671**	**173,138**	**(203)**	**194,441**
Additions or charge for the year	-	-	51	54,879	(4,439)	50,491
Disposals/Decrease in value	(60)	-	(1)	-	-	(59)
Short-term transfer	-	4,567	-	(55,020)	-	(50,453)
Changes to the scope of consolidation	-	(1,731)	(154)	(574)	-	(2,459)
31 December 2017	**-**	**17,611**	**6,567**	**172,423**	**(4,642)**	**191,959**

"Financial Assets - Long-term Investments" on the accompanying consolidated balance sheet include:

- Shareholding of 340,827 shares at 31 December 2017 (340,827 shares at 31 December 2016) in the Spanish biotechnology company AB-Biotics, S.A. listed on the Alternative Investment Market (AIM), representing 3.55% of the share capital. At 31 December 2017 the fair value amounts to EUR 539 thousand (EUR 545 thousand at 31 December 2016).

- Public debt securities of Autonomous Community agencies in the Canary Islands recognised for a total of EUR 12 thousand at 31 December 2017 (EUR 12 thousand at 31 December 2016) matured in accordance with the requirements of Law 19/1994, of 6 July 1994, which should be held for a continuous period of five years. The effect of the possible impairment of this caption is not considered to be significant.

- Shareholding by means of the subsidiary Almirall Inc. of 6,137,479 shares in Suneva Medical Inc, representing 5.49% (the same percentage as at 31 December 2016) of its share capital totalling USD 15 million. This shareholding is measured at acquisition cost as its fair value cannot be reasonably determined given that Suneva Medical Inc has recently been set up and does not have a significant influence. In 2017, the Group has carried out an impairment test on this shareholding, based on the post-money valuation of this company's last capital increase (valuation of the company after the last capital increase), which has generated an impairment adjustment totalling USD 5,000 (EUR 4,439 thousand) recognised against the consolidated income statement. Therefore, at 31 December 2017, the carrying amount at which this shareholding is recognised totals EUR 8,338 thousand (EUR 14,230 thousand at 31 December 2016).

The caption "Financial Assets – Non-current Credits and Other Financial Assets" mainly includes the financial asset corresponding to the fair value of future non-current receivables by AstraZeneca in accordance with Note 6 of the accompanying consolidated annual accounts (EUR 172,865 thousand at 31 December 2017 and EUR 168,386 thousand at 31 December 2016). As stated in this Note, in 2017 and 2016 the payments for events and changes in fair value of the asset. Based on the expectations on the timing of the collection of these payments, in 2017, no amount has been transferred in the short term.

In addition, in 2016, a total of USD 5,000 thousand (EUR 4,743 thousand) was recognised under "Deposits and guarantees furnished" which, together with another amount recorded as current (approximately USD 5,000 thousand equal to EUR 4,743 thousand), corresponded to a deposit made in a specific bank account as a guarantee for the purchaser of the commitments acquired in the contract of purchase-sale of ThemiGen (See Note 7). At 31 December 2017, the amount recognised as long-term deposits totals EUR 4,169 thousand whilst the amount recognised as short-term deposits is EUR 0, as they have been liquidated in accordance with the time limit established for 2017.

Current (financial assets and other cash equivalents)-

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

	Thousands of euros	
	31/12/2017	31/12/2016
Short-term investments	51,000	210,017
Short-term deposits	17,556	7,079
Short-term guarantees	128	116
Total	**68,684**	**217,212**

In accordance with IAS 7, for the purpose of preparing the statement of cash flows, the Group considers cash equivalents as the highly liquid short-term investments (see Note 5-i) that are readily convertible into given amounts of cash and are subject to an insignificant risk of changes in value. Accordingly, when preparing the statement of cash flows for the year all of the current financial assets were considered as cash equivalents since the bank deposits at short term can be liquidated immediately at the Group's discretion without incurring a penalty.

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

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

- Held-for-trading financial assets: the Group considers that this category includes financial assets adjusted through profit or loss and the financial derivatives that do not qualify for hedge accounting. The Group has no assets of this kind at the end of 2017 and 2016.

- 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, nor have they been acquired for such purpose; the above ownership interests acquired in AB-Biotics, S.A. and in Suneva Medical Inc.

- Held-to-maturity financial assets: this category includes fixed-income investments mainly in Euro deposits, foreign currency deposits and repos.

- Financial assets at fair value through profit or loss: it includes the non-current and current receivable for recognition of the business sale described in Note 6.

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

	Thousands of Euros	
	31/12/2017	31/12/2016
Loans and receivables	5,922	11,336
Available-for-sale financial assets	13,173	14,775
Financial assets at fair value through profit or loss (*)	172,865	168,386
Held-to-maturity financial assets	68,684	217,096
Total	**260,644**	**411,593**

(*) Includes only the non-current part of the fair value of the future payments receivable from AstraZeneca. At 31 December 2016, no amount is recorded as current for this concept.

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

- Fixed-income securities: where these are unlisted or mature securities 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.

- Ownership interests in other companies: The fair value of the ownership interest in AB-Biotics, S.A. was obtained from the price of this company's shares on the national Alternative Investment Market at 31 December 2017.

- 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 probablised cash flows are discounted at a rate which reflects the current returns required by the market and the specific risks of the asset. (Note 6). At 31 December 2017, the Group has updated the calculation of the fair value, reviewing the estimated likelihood of success based on the latest information available on the market as well as the exchange rate fluctuation and the financial effect, which resulted in a EUR 67,682 thousand effect in the consolidated income statement (Note 20), which includes the profit generated in 2017 for the variation of the fair value of the part which was collected by an amount of EUR 25.4 million.

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

Also, the bank accounts included under "Cash" include basically interest earned and have not mostly remunerated during the year ended December 2017, were paid at an annual average rate of 0.17% during 2016.

Finally, at 31 December 2017, no companies were dormant and/or outside the scope of consolidation. At 31 December 2016 the Group companies and associates excluded from the scope of consolidation because they are dormant and/or insignificant and the information thereon for the years ended 31 December 2016 were as follows:

	2016
Name	Almirall Aesthetics, S.A.(*)
Management	Spain
Activity	Dormant
% of interest held	100%
Carrying amount of interest (Group)	
Cost	61
Write-down	-

(*) In 2016 its corporate name was changed from Almirall Europa, S.A. to Almirall Aesthetics, S.A.

In 2016, Sociedad Almirall Aesthetics Inc. joined the scope of consolidation and owns the total shares of ThemiGen. Almirall Skin, LLC merged with ThermiGen as part of the purchase operation carried out via the subsidiary Almirall Aesthetics Inc. (see Note 7).

12. Inventories

The detail of "Inventories" at 31 December 2017 and 31 December 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Raw materials and packaging	26,301	29,604
Work in progress	13,250	11,182
Goods held for resale and finished products	54,567	60,824
Advances to suppliers	903	-
Write-downs of inventories (Note 20)	(11,278)	(10,570)
Total	**83,743**	**91,040**

The changes in the impairment allowance for Inventories is included in Note 20. None of the inventories have been pledged as security.

There are no commitments to purchase inventories involving significant amounts at 31 December 2017 and 31 December 2016.

13. Trade and other receivables

The detail of "Trade and Other Receivables" at 31 December 2017 and 31 December 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Trade receivables for sales and services	100,983	135,388
Other receivables	5,884	5,812
Write-downs of accounts receivable (Note 20)	(16,507)	(10,592)
Total receivables	**90,360**	**130,608**

At 31 December 2017 and 31 December 2016 the overdue balances written down amount to EUR 16,507 thousand and EUR 10,592 thousand, respectively.

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

At 31 December 2017 the percentage of receivables from public authorities related to the hospital business as a percentage of the total trade receivable balance for sales and services stands at 4% (3% at 31 December 2016).

None of the trade receivable balances have been pledged as security.

The Group 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 changes in the write downs of receivables are included in Note 20.

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

The trade receivable balance denominated in foreign currency amounts to EUR 71,433 thousand at the end of 2017 and EUR 71,433 thousand at the end of 2016. In view of the associated amounts and maturities the potential impact for the exchange rate fluctuations that may arise are not considered significant.

14. Equity

Share capital-

At 31 December 2017 the Parent's share capital consists of 172,951,120 shares with a par value of EUR 0.12 each, fully subscribed and paid in (172,951,120 shares with a par value of EUR 0.12 each at 31 December 2016).

At 31 December 2017 and 2016, all the Parent's shares were listed on the Spanish stock exchanges. The articles of association do not lay down any restrictions on their transferability. Also, pre-emption rights and purchase and sale options have been granted to the ultimate shareholders of the Parent in respect of the shares of one of the aforementioned shareholders in accordance with the agreement entered into on 28 May 2007.

The shareholders with significant direct or indirect ownership interests in the share capital of Almirall, S.A. of over 3% of the share capital which are known to the Parent company, in accordance with the information contained in the official records of the Spanish National Securities Market Commission (CNMV) at 31 December 2017 and 31 December 2016, are as follows:

Name or company name of direct holder of the ownership interest	2017 % of ownership of the Almirall Group	2016 % of ownership in Almirall Group
Grupo Plafin, S.A.	41.3%	41.3%
Todasa, S.A.	25.3%	25.3%
Scopia Capital	4.0%	-
Wellington Management Group, LLP	-	4.0%
OrbiMed	-	3.6%
Total	**70.6%**	**74.2%**

At 31 December 2017 and 31 December 2016, the Parent is unaware of other ownership interests over 3% in the Parent's share capital or any voting rights held at the Parent company under 3% that permit significant influence to be exercised.

Redeemed capital reserves-

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

The balance of this reserve at 31 December 2017 and 31 December 2016 amounted to EUR 30,539 thousand.

Legal reserve-

The legal reserve can be used to increase capital in the part of its balance that exceeds 10% of the capital already increased. Otherwise, until it exceeds 20% of share capital and provided there are no sufficient available reserves, the legal reserve may only be used to offset losses.

EUR 4,151 thousand disclosed under this heading at 31 December 2017 relates to the balance of the legal reserve of the Parent company (EUR 4,151 thousand at 31 December 2016).

Share premium-

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

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

The balance under this heading amounts to EUR 219,890 thousand at 31 December 2017 (EUR 219,890 at 31 December 2016).

Canary Islands investment reserve-

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

At 31 December 2017 and 31 December 2016 the balance of this reserve included in "Other Reserves of the Parent Company" is EUR 3,485 thousand.

Revaluation reserve-

Pursuant to corporate and commercial legislation, the Parent revalued its non-current assets in 1996. This balance, net of any tax incurred, may be used to offset prior years' losses and the loss for the current year or any losses that might arise and any capital increases, From 1 January 2007 (once 10 years have elapsed from the date of the balance sheet in which the revaluation was recognised) it may be appropriated to unrestricted reserves provided the monetary gain has been realised. The capital gain will be deemed to have been realised in an amount equal to the depreciation or amortisation that has been charged or when the revalued assets have been transferred or written off.

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

The restricted balance of the Parent company's "Revaluation Reserve" at 31 December 2017 amounts to EUR 2,539 thousand (the same amount at 31 December 2016).

Other reserves-

The detail is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Canary Islands investment reserves	3,485	3,485
Redeemed capital reserve	30,539	30,539
Revaluation reserve	2,539	2,539
Merger reserve	4,588	4,588
Other reserves	1,168,238	1,125,761
Total other reserves	**1,209,389**	**1,166,912**

Valuation adjustments and others-

The amount of this caption EUR (20,547) thousand at 31 December 2017 and EUR (19,878) thousand at 31 December 2016, mainly relates to:

- Net accumulated actuarial losses for recalculations of the valuations of retirement benefit obligations due to variations in the calculation hypotheses: EUR - 23,450 thousand at 31 December 2017 and EUR -22,845 thousand at 31 December 2016 .

- Accumulated balance for changes in the fair value of financial assets held for sale: EUR 146 thousand at 31 December 2017 and EUR (141) thousand at 31 December 2016. As a result of the sale of Ironwood's shares (Note 11), carried out in 2016, a capital gain recorded as valuation adjustments for a total of EUR 2.2 million associated with these shares has been transferred to the income statement (Note 20).

Translation differences-

This heading in the accompanying consolidated balance sheet includes the net amount of the exchange differences arising in the translation to the Group's presentation currency of the assets and liabilities of the companies that operate in a different functional currency.The detail of "Translation Differences" by company in 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Almirall, S.A.	68	-
Almirall Limited (UK)	(1.196)	(567)
Almirall, A.G.	(7)	480
Almirall SP, Z.O.O.	(52)	(130)
Almirall Aps	2	6
Almirall Limited (Canadá)	(880)	26
Almirall Inc / Aqua Pharmaceuticals (EEUU)	18.905	50,213
Almirall Aesthetics, Inc	(9.121)	2,622
Subgrupo ThermiGen	2.128	(417)
Subgrupo Poli	(5.845)	739
Total Translation differences	**4.002**	**52,972**

The movement of the financial year ending 31 December 2017 and 2016 has been as follows:

	Thousands of Euros
Balance at 31 December 2015	**32,018**
Variation due to exchange differences	14,045
Transfer to profit and loss	6,909
Balance at 31 December 2016	**52,972**
Variation due to exchange differences	(30,448)
Transfer to profit and loss	(18,522)
Balance at 31 December 2017	**4,002**

The transfer to the 2017 income statement is for the positive translation differences accumulated and generated up to 31 March 2017, after taxes, totalling EUR 6,050 thousand, for a loan in dollars (whose nominal at this date totalled USD 201.5 million) granted by the Parent company to the group company Almirall Inc. As the loan was not expected to be repaid, the Group considered that it formed part of a net investment in the business abroad. However, in 2017, the estimation regarding the permanent nature of the loan has changed and the loan is expected to be repaid by the subsidiary in the foreseeable future, which has resulted in a reclassification of the accumulated translation differences for the loan in the 2017 income statement since it was considered a net investment in the business abroad. This change, which has been corroborated by the partial repayment of the loan for USD 14.9 million during 2017, is mainly due to the change of strategy regarding the financing of this subsidiary after an assessment of the environment and situation of the market where the subsidiary operates.

The transfer of the translation differences to the results of 2016 was due to the sale of the subsidiary Almirall de México, S.A. de C.V. (Note 3-b).

15. Deferred income

At 31 December 2017 and 31 December 2016, the detail of "Deferred Income" is as follows:

	Thousands of Euros
Balance at 31 December 2015	**201,721**
Other disposals	(1,344)
Recognised in profit or loss (Note 20)	(38,206)
Balance at 31 December 2016	**162,171**
Other disposals	(439)
Recognised in profit or loss (Note 20)	(31,364)
Balance at 31 December 2017	**130,368**

The main component of the balances at 31 December 2017 and 31 December 2016 set out above consist of amounts of the initially non-reimbursable collections related to the operation with AstraZeneca described in Note 6-a not recognised in profit or loss, totalling EUR 130 million and EUR 162 million, respectively.

In 2017 and 2016, the Group has not signed any agreements which imply any deferred income in addition to the deferred income stated in Note 6 of these notes to the consolidated annual accounts.

16. Financial liabilities

Mainly for the purpose of financing the investment made in the USA (in the subsidiary Aqua Pharmaceuticals), in March 2014, the Parent company issued non-convertible senior bonds for an aggregate nominal amount of up to EUR 325 million maturing in 2021. The bonds bore interest at a fixed annual rate of 4.625% payable on a half-yearly basis. As a result of this issuance, the Company is subject to a series of covenants including the fulfilment of "ratio debt" which sets the maximum level of debt permitted for the Parent company and the limitation of asset sales that will not permit the sale of assets unless a significant part of this sale is used to repay the debt or to purchase new assets within twelve months. As a result of the sale operation to Astrazeneca in November 2014 summarised in Note 6, the cash flows of which were not reinvested in a period of less than one year, in November 2015, the Company made an offer to repurchase these non-convertible bonds, as a result of which debt was repurchased for the sum of EUR 1.5 million of nominal value at the same value.

In 2017, the Almirall Group has decided to cancel the non-convertible senior bonds issued in 2014. Under the terms and conditions of these non-convertible bonds, the Group may cancel the bonds before their due date, with penalty costs for the period between the date of early cancellation and the date of termination according to the initial agreement. Therefore the cancellation of the bonds made on 4 April 2017, has had an impact totalling EUR 17.6 million in “Financial expense” of the accompanying consolidated income statement, which includes the interest accrued in 2017 for the non-convertible bonds up to their cancellation, the cost of issuing these bonds pending allocation in the income statement at this date and the penalty costs for the early cancellation.

In 2017, the Parent company has also entered into an agreement for a revolving credit line for a maximum of EUR 250 million for four years, which accrues an average interest of less than 1%. Unless the Group fails to comply with any covenants of the agreement, it is not required to return the amount drawn down, which, at 31 December 2017, totals EUR 250 million, until the policy matures and therefore it has been classified as long term. Under the agreement, the Group is required to comply with various covenants including, mainly, the requirement to comply with a specific “Net financial Debt Ratio/EBITDA”.

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

The accrued interest payable at 31 December 2017 amounts to EUR 0 thousand (EUR 3,843 thousand at 31 December 2016).

The following subsidiaries acted as guarantors for the total principal of the non-convertible bonds issued: Ranke Química, S.A., Industrias Farmacéuticas Almirall, S.A., Almirall S.p.A. (Italy), Almirall Hermal GmbH and Aqua Pharmaceuticals LLC.

The Group also maintained another credit line of EUR 25 million signed in March 2014, that was also cancelled in the first quarter of 2017.

The detail of the bank borrowings and other financial liabilities at 31 December 2017 is as follows:

	Limit	Amount drawn down	Current	Non-current		
				2018	Subsequent years	Total
Credit lines	250,000	250,000	-	-	250,000	-
Obligations	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-
Total at 31 December 2017	**250,000**	**250,000**	**-**	**-**	**250,000**	**-**

The detail of the bank borrowings and other financial liabilities at 31 December 2016 is as follows:

	Limit	Amount drawn down	Current	Non-current		
				2017	Subsequent years	Total
Credit lines	25,000	-	-	-	-	-
Obligations (*)	N/A	317,187	-	-	317,187	317,187
Accrued interest payable	-	3,843	3,843	-	-	-
Total at 31 December 2016	**25,000**	**321,030**	**3,843**	**-**	**317,187**	**317,187**

(*) The balance is based on the nominal balance of the non-convertible bonds issued for EUR 325,000 less EUR 1,450 thousand of the bonds amortised in 2015, less related issuance costs to be allocated to the income statement in line with the effective interest rate method. The bank borrowings bore fixed interest of 0.81% and 4.625% for the years ended 31 December 2017 and 31 December 2016 respectively.

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

	Amount as at 01.01.2017	Effective Flows	Interest paid	Interest due	Other	Amount as at December 31, 2017
Credit lines	-	250,000	(468)	468	-	250,000
Obligations	317,187	(323,550)	-	-	6,363	-
	317,187	**(73,550)**	**(468)**	**468**	**6,363**	**250,000**
Accrued interest payable	3,843	-	(18,398)	14,627	-	72
Financial liabilities	**321,030**	**(73,550)**	**(18,866)**	**15,095**	**(6,363)**	**250,072**

17. Other liabilities

The detail at 31 December 2017 and 2016is as follows:

	Thousands of Euros					
	Current	Non-current				
		2019	2020	2021	Remainder	Total
Research-related loans	1,943	2,296	2,446	2,499	5,410	12,561
Payables for purchases of non-current assets	132,755	27,329	3,600	1,400	-	32,329
Wages and salaries payable (Note 20)	29,029	1,301	515	1,137	-	2,948
Advances and guarantees received	1,891	-	-	-	-	-
Other liabilities						
Total at 31 December 2017	29,474	-	-	4,169	-	4,169
	195,092	**30,926**	**6,561**	**9,200**	**5,410**	**52,098**

	Thousands of Euros					
	Current	Non-current				
		2018	2019	2020	Remainder	Total
Research-related loans	7,500	2,043	2,519	2,456	6,924	13,941
Payables for purchases of non-current assets	49,304	45,965	16,221	3,883	1,350	67,419
Wages and salaries payable (Note 20)	43,186	2,675	684	305	-	3,664
Advances and guarantees received	6,593	-	-	-	4,742	4,743
Other liabilities	217	34,404	-	-	-	34,404
Total at 31 December 2016	**106,800**	**85,087**	**19,424**	**6,644**	**13,016**	**124,171**

The research-related loans relate to the interest-free loans granted by the Ministry of Science and Technology to promote research. They are presented in accordance with Note 5-i. These loans are granted subject to the fulfilment of certain investments and levels of expenditure over the years that they are granted. They mature between 2018 and 2025.

Payables for non-current asset purchases in 2017 and 2016 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 2017 includes the part which is reimbursable for the agreement reached with Sun Pharma in the short and long term totalling EUR 56,4 million and EUR 24,3 million (EUR 46.3 million and EUR 67.4 million, respectively, at 31 December 2016) which corresponds to the balancing entry in euros of the current value at 31 December 2017 of the future outstanding payments totalling USD 102 million for the purchase of the licence referred to (see Note 9). It also includes current and non-current payables for the agreement with AstraZeneca, which correspond to the counter value in euros of the current value at 31 December 2017 of the future payables for the purchase of this licence (see note 9) and the current part of the payable for the agreement reached with Athenex (Note 9).

At 31 December 2016 the balance of "Wages and Salaries Payable" included EUR 14,225 thousand at 31 December 2016 related to the outstanding amount generated from the employee restructuring processes carried out during the past years. The outstanding amount at the end of 2016 indicated above included the severance pay totalling EUR 5.9 million generated as a result of the employee restructuring plan notified in November 2016.

At 31 December 2017 and 2016, as a result of the AstraZeneca transaction described in Note 6, the Group recognised an amount of EUR 11,8 million (EUR 21.4 million at 31 December 2016) for research, launching and sales costs payable by the Group. In addition, there is also included the contingent payment to be done with respect to the purchase of Poli Group related to the compliance of certain level of the net sales.

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

18. Provisions

The changes in 2017 and 2016 in "Provisions" in the accompanying consolidated balance sheets were as follows:

	2017			2016		
	Provision for returns	Other provisions	Total	Provision for returns	Other provisions	Total
Balance at 1 January	**5,155**	**12,637**	**17,792**	**7,705**	**10,821**	**18,526**
Additions or charge for the year	131	3,430	3,561	-	1,816	1,816
Disposals or transfers	(780)	29,999	29,219	(2,550)	-	(2,550)
Balance at 31 December	**4,506**	**46,066**	**50,572**	**5,155**	**12,637**	**17,792**

Provisions for returns-

The provision for product returns relates to amounts recognised to cover the 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 5-k.

Other provisions-

"Other Provisions" relates to the provision for non-current remunerations (see Note 5-x) and the estimate made by the Group of the future payments required by it to settle other liabilities arising as a result of the nature of its business. During 2017 an amount of EUR 31 million has been transferred from the short to the long term given that it is expected that these obligations will be settled in a period exceeding one year.

19. Retirement benefit obligations

The changes in "Retirement Benefit Obligations" in the accompanying consolidated balance sheets in 2017 and 2016 are as follows:

	Thousands of Euros
Balance at 31 December 2015	**63,813**
Additions	7,548
Cancelations	(572)
Business combinations (Note 7)	1,150
Balance at 31 December 2016	**71,939**
Additions	450
Cancelations	(1,232)
Balance at 31 December 2017	**71,157**

In 2017 the retirement benefit obligations correspond to the subsidiaries Almirall Hermal, GmbH, Almirall, AG and Polichem, S.A. and to non-financed plans (there are no plan assets).

The changes in the defined benefit obligations are as follows:

	2017	2016
At 1 January	**71.939**	**63,813**
Current service costs	386	975
Borrowing costs	1.246	1,546
Contributions of plan participants	-	-
Actuarial gains/(losses)	929	8,287
Benefits paid	(1.746)	-
Exclusions from the scope of consolidation	-	(364)
Other changes	(1.597)	(3,468)
Business combinations	-	1,150
At 31 December	**71.157**	**71,939**

The actuarial losses recognised relate mainly to the effect of the decrease in the discount rate used in the actuarial calculations in 2017 (increase in 2016).

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

	2017	2016
Current service costs	386	975
Borrowing costs	1.246	1,546
Others	-	(3,070)
Total (included under staff costs)	**1.632**	**(549)**

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

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

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

20. INCOME AND EXPENSE

Revenue

The detail, by business line, of revenue in 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Sales through own network	533,588	651,478
Sales through licensees	79,826	85,091
Corporate management and revenue not allocated to other segments	25,967	27,792
Total	**639,381**	**764,361**

The detail of revenue, by geographical area, in 2017 and 2016 is as follows:

	Thousands of Euros	
	2017	2016
Spain	199,371	193,649
Europe and the Middle East	282,812	290,795
America, Asia and Africa	131,232	252,124
Corporate management and revenue not allocated to other segments	25,967	27,793
Total	**639,381**	**764,361**

The main countries where the revenues come , in 2017 and 2016 are:

	2017	2016
Spain	31%	26%
United States	13%	27%
Germany	18%	14%
Italy	7%	6%
France	4%	5%
United Kingdom	4%	4%
Other	23%	18%
Total	**100%**	**100%**

Other income-

	2017	2016
Income from marketing agreements (deferred income recognised in profit or loss) (Note 15)	31,364	38,206
Income from AstraZeneca agreement (Note 6-a and 11)	67,682	29,862
Re-invoicing of services rendered to AstraZeneca	2,676	4,423
Other	14,682	22,363
Total	**116,404**	**94,854**

During 2017 under "Income from AstraZeneca agreement ", it is included the financial impact of Milestones, Royalties and Sales related payments, as well as the impact of the collection that has occurred in the current year as a result of a Milestone related to the achievement of a certain amount of net sales and that has had an impact of 25 million euros due to the collection of 63.2 million euros.

During 2017 the caption "Others” mainly include EUR 3.5 million of “up-front payments” (EUR 9.0 million during 2016) related to different distribution agreements signed by the Group. It also includes EUR 9.9 million in royalties generated from agreements signed by the Group (EUR 6.3 million during 2016).

Procurements-

The detail of "Procurements" is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
Purchases	165,513	167,117
Changes in inventories of raw materials and other consumables	3,303	2,121
Changes in inventories of goods held for resale, finished products and work in progress	4,189	(6,467)
Total	**173,005**	**162,771**

Staff costs

The detail of "Staff Costs" is as follows:

	Thousands of Euros	
	2017	2016
Wages and salaries	148,463	156,482
Social Security payable by the Company	22,833	24,335
Termination benefit costs	10,484	30,419
Other employee benefit costs	22,292	16,533
Total	**204,072**	**227,769**

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

	2017			2016		
	Men	Women	Total	Men	Women	Total
Board Member	1	-	1	1	-	1
Senior management	44	11	55	57	12	69
Middle management	175	132	307	162	122	284
Technical personnel	494	638	1,132	475	671	1,146
Administrative personnel	154	255	409	172	246	418
Other	-	1	1	4	1	5
Total	**868**	**1,037**	**1,905**	**871**	**1,052**	**1,923**

The average number of employees in 2017 with a 33% or higher disability is 10 people (4 technical employees, 6 administrative employees) (17 people (six technical employees,10 administrative employees and one under the category "Other") at 31 December 2016).

At the end of 2017 and 2016 the headcount is as follows:

	2017			2016		
	Men	Women	Total	Men	Women	Total
Board member	1	-	1	1	-	1
Senior management	39	11	50	58	13	71
Middle management	160	119	279	149	105	254
Technical personnel	490	627	1,117	452	614	1,066
Administrative personnel	142	243	385	166	216	382
Other	-	1	1	3	1	4
Total	**832**	**1,001**	**1,833**	**829**	**949**	**1,778**

The number of employees at the end of 2016 with a 33% or higher disability is 3 people (2 technical employees, eight administrative employees and one under the category “Other”).

At 31 December 2017 and 2016, 260 and 288 Group employees, respectively, were engaged in research and development activities.

Other operating expenses-

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

	Thousands of Euros	
	2017	2016
Rentals and royalties	20,179	27,991
Repair and upkeep expenses	14,884	15,656
Independent professional services	81,184	86,816
Transport	21,189	25,754
Insurance premiums	2,922	2,936
Banking and similar services	428	457
Utilities	4,266	4,654
Other services	106,707	103,676
Taxes other than income tax	(708)	2,535
Total	**251,051**	**270,475**

Operating leases-

The rental costs incurred in 2017 and 2016 were as follows:

	Thousands of Euros	
	2017	2016
Operating leases recognised in profit (loss) for the year	12,236	12,122

At the consolidated balance sheet date, the maturity of the Group's future minimum lease payment obligations under irrevocable operating leases was as follows:

	Thousands of Euros	
	2017	2016
Within one year	2,877	2,908
2 to 5 years	6,051	4,809

The assets related to lease obligations and the average term of the lease agreements are as follows:

	Average lease term (years)
Leased assets:	
Buildings	5
Office equipment	4
Transport equipment	4

Net change in valuation adjustments

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

	Thousands of Euros	
	2017	2016
Change in valuation adjustment for bad debts	(7,992)	(2,998)
Change in valuation adjustment of inventories	(1,006)	1,051
Change in other current provisions	780	560
Total	**(8,218)**	**(1,387)**

Net gain (loss) on asset disposals-

The detail of the net gain (loss) on disposals of non-current assets in 2017 and 2016 is as follows:

	Thousands of Euros			
	2017		2016	
	Income	Expense	Income	Expense
On disposal or derecognition of intangible assets (Note 9)		(2,067)	-	(1,066)
On disposal or derecognition of property, plant and equipment		(155)	31	(125)
On disposal of Almirall México, S.A. de C.V. (Note 3-b)	-	-	31,249	-
		(2,222)	**31,280**	**(1,191)**
Net gain (loss) on disposals of assets	**(2,222)**		**30,089**	

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

The amount for 2016 included under "Net Gain (Loss) on Disposal of Almirall México, S.A. de C.V." relates to the amount resulting on the sale of the subsidiary of Almirall México, S.A. de C.V.", which is explained in Note 3-b of these consolidated annual accounts.

Finance income and expense-

The detail of net finance income (expense) in 2017 and 2016 is as follows:

	Thousands of Euros			
	2017		2016	
	Income	Expense	Income	Expense
Change to fair value in financial instruments	-	(4.500)	-	(3,709)
Financial expenses for non-convertible bonds (note 16)	-	(17.629)	-	(16,268)
Other income (expense) on marketable securities	215	(4.758)	859	(3,418)
Other income and similar interest	1,391	-	389	-
Income for disposals of financial instruments (Note 11)	-	-	2,195	-
Finance and similar costs	-	-	-	-
Exchange differences	23,851	(9,617)	5,949	(4,966)
	25,457	**(36,504)**	**9,392**	**(28,361)**
Financial profit (loss)	**(11,047)**		**(18.969)**	

In 2017 and 2016, “Changes of fair value in financial instruments” include the re-estimate at year end of the contingent consideration payable (earn-out) for the acquisition of Poli Group.

“Financial expenses for non-convertible bonds” include financial expenses for interest accrued in 2017 and 2016 regarding the issuing of non-convertible bonds made in 2014 (Note 16). In addition, in 2017, it includes the penalty cost for cancelling the non-convertible bonds before their due date, as stated in Note 16.

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

In 2017 " Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill " includes mainly the impairments related to the goodwill of Aqua Pharmaceuticals for an amount of 81.5 million euros, see Note 8, the impairment of certain technology acquired from Aqua Pharmaceuticals for an amount of 164.8 million euros, see Note 9, impairment of development expenses acquired as a result of taking control of Polichem Group for an amount of 52.7 million euros, see Note 9, as well as the deterioration of the rights of development and commercialization of a compound for the treatment of psoriasis for an amount of 20 million euros, see Note 9, and also the deterioration made on the participation that maintains the Group in Suneva Medial for an amount of 4.4 million euros, see Note 11.

Transactions denominated in foreign currency-

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

	Amount in Euros (thousands)			
	Expense		Income	
	2017	2016	2017	2016
Australian Dollar	-	1	-	-
Canadian Dollar	54	36	168	-
Swiss Franc	9,195	19,745	8,012	7,697
Czech Koruna	56	74	1,584	1,712
Danish Krone	2,548	1,962	1,006	824
Pound Sterling	14,729	19,962	26,623	30,345
Hungarian Forint	43	33	544	527
Japanese Yen	5,328	6,374	2,979	2,743
Kenyan Shilling	1	-	-	-
Mexican Peso	133	2,784	-	5,232
Norwegian Krone	421	381	1,038	776
Polish Zloty	721	1,773	3,275	4,238
Renminbi	304	-	-	-
Swedish Krona	426	444	3,163	3,381
US dollar	92,322	112,322	64,434	177,819

Auditors' remuneration-

In 2017 and 2016 the fees for audit and other services provided by the Group's auditor, PricewaterhouseCoopers Auditores, S.L. or by other companies in the PwC network were as follows (in thousands of euros):

Description	2017		
	Annual accounts audit	Tax advise	Other Services
PricewaterhouseCoopers Auditores, S.L.	213	-	6 (*)
Other PwC entities	505	204	103
	718	**204**	**109**

(*) Other services done by PricewaterhouseCoopers Auditores, S.L. related to agreed upon procedures.

Description	2016		
	Annual accounts audit	Tax advise	Other Services
PricewaterhouseCoopers Auditores, S.L.	161	-	12
Other PwC entities	564	384	487
	725	**384**	**499**

(*) Other services done by PricewaterhouseCoopers Auditores, S.L. related to agreed upon procedures.

21. Tax situation

Consolidated Tax Group-

Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VII of Legislative Royal Decree 4/2004 of 5 March, approving the Corporation Tax Law. The companies composing the tax group for 2017 and 2016 were: Almirall, S.A., Laboratorios Almirall, S.L. (company resulting from the change of name of Laboratorio Omega Farmacéutica, S.L., surviving company of the merger carried out in 2017 of Laboratorios Miralfarma, S.L., Laboratorios Almofarma, S.L., Laboratorio Temis Farma, S.L., Laboratorios Berenguer-Infale, S.L., Alprofarma, S.L., Pantofarma, S.L. and Laboratorios Farmacéuticos Romofarm, S.L.), Industrias Farmacéuticas Almirall, S.L., Laboratorios Tecnobío, S.A., Ranke Química, S.A. and Almirall Aesthetics, S.A., with Almirall, S.A. as the Parent company. Consequently, the consolidated Coporation Tax expense includes the tax relief generated from tax-loss carryforwards and tax credits pending offset/application which would not have been recorded had the companies of the tax group been taxed individually.

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

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

Years open for review by the tax authorities-

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

Consequently, the Parent Company and the companies Spanish tax group of which the Parent Company of the Group is headquartered, are open to inspection for the years 2011 to 2017 for the Corporate Tax, from June 2012 to December 2017 for the Tax on the Value Added, Withholdings and income on account of movable capital, Withholdings and income on account of work / professional income, Withholdings and income on account real estate leases and Withholdings and income on account non-resident taxation and from the years 2014 to 2017 for the rest of taxes that are applicable to you.

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

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

A review was started by the tax authorities during 2016 on the following foreign companies of the group, which concluded in 2016 with no significant amounts arising as a result.

- Almirall BV (Holland), for 2015, in relation to Withholdings and advance tax payments on account of Personal Income Tax.

- Almirall SAS (France), for 2013, 2014 and 2015, in relation to Intrastat.

- Almirall SAS (France), for 2015, in relation to the levy on drug promotion expenses.

During 2017 the following reviews have been started by the tax authorities with the foreign companies of the group indicated, which at the date of preparation of these annual accounts are still ongoing:

- Almirall Inc and related parties (US). Federal inspection related to taxes for 2015.

A review was started by the tax authorities during 2017 on the following foreign companies of the group, which concluded in 2017 with no significant amounts arising as a result.

- Almirall Inc and related parties (US). Estate inspection in New York for 2013 and 2014.

- Taurus GmbH (Germany). Inspection for all tax for 2013, 2014 and 2015.

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

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

Tax receivables and payables-

The detail of the current tax receivables and payables at 31 December 2017 and 2016 is as follows:

	Thousands of Euros	
	31/12/2017	31/12/2016
VAT refundable	8.061	10.838
Income tax refundable	47.238	31.056
Other receivables	1.755	3.649
Total balances receivable	**57.054**	**45.543**
Tax payable	-	2.451
VAT payable	1.909	4.069
Personal income tax withholdings	3.137	5.568
Social security payable	3.412	4.206
Income tax payable	4.181	7.387
Total balances payable	**12.639**	**23.681**

"Income Tax Refundable" includes the tax refundable for 2017 and 2016 relating to the consolidated Spanish tax group led by the Parent Almirall, S.A., which has been refunded at the date of these consolidated annual accounts.

Income tax recognised-

The detail of the income tax recognised in the consolidated income statement and in equity in 2017 and 2016 is as follows:

	Thousands of Euros Expense (income)	
	2017	2016
Income tax:		
- Recognised in the income statement	(17.102)	17,158
- Recognised in equity	(260)	(2,907)
Total	**(17.362)**	**14,251**

Reconciliation of the accounting profit to the taxable profit-

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

	Thousands of Euros	
	2017	**2016**
Consolidated profit (loss) before tax (continuing operations)	(321,063)	92,637
Permanent differences:		
- Of individual companies		
Increase	33,.580	18,746
Decrease	(86,653)	(75,875)
- Consolidation adjustments		
Increase	2,.238	99,044
Decrease	(359,844)	(8,590)
Adjusted accounting profit (loss)	(408,743)	125,962
Tax rate	25%	25%
Gross tax payable (refundable)	**(102,186)**	**31,491**
Tax credits:		
Tax credit used in the year and other consolidation adjustments	39,766	(1,697)
Income tax of Almirall, S.A. paid abroad	2,282	3,145
Adjustment of deferred tax assets and liabilities	18,187 10,100	-
Underlying tax expense payable (refundable)	**(31,851)**	**32,939**
Effect of different tax rates between countries	(23,449)	7,175
Other changes	38,198	(22,956)
Income tax expense (revenue)	**(17,102)**	**17,158**

The increase in the taxable base for permanent differences related to the affiliate companies for 2017 and 2016, relates mainly to the different tax treatment of certain accrued expenses in those years, in 2017 basically the impairment losses. On the other side the decrease is due basically for the reduction in the tax base of income from the transfer of intangible assets in the Spanish parent.

The decrease in the permanent differences for 2017 arising from the consolidation adjustments correspond mainly to certain valuation adjustments of subsidiaries Almirall INC and Aqua Pharmaceuticals as a result of the impairments explained in Note 8.

The amount of deductions applied and / or adjusted during fiscal year 2017 relates to (i) adjustment of deductions for research and development activities pending of application generated in 2007 and 2008 as the Parent Company's directors consider that, in accordance with to the best estimate of future results, it is probable that said assets will be recovered within a time horizon of more than 10 years; and (ii) the partial monetization of the deduction for research and development generated in the year 2016.

The regularization of deferred tax assets relates mainly to Aqua Pharmaceuticals LLC, due to the doubts regarding its future recoverability taking into account the projections of sales and results based on events that occurred during the year 2017 as mentioned in Note 8.

"Other movements" for the year 2017 corresponds mainly to the unaccredited tax credit related to the negative tax base of the parent company Almirall, S.A. generated in the exercise.

The detail of the tax incentives recognised in 2017 and 2016 and the amounts not yet recognised at 31 December 2017 and 31 December 2016 is as follows:

Nature	Year earned	Thousands of Euros			
		2017		2016	
		Offset	Available for offset	Offset	Available for offset
Research and development	2007	-	30,121	1,290	30,121
	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	-	28,923	-	28,923
	2014	-	23,387	-	23,387
	2015	-	12,247	-	12,247
	2016	5,540	8,499	-	14,039
	2017	-	15,324		
		5,540	**283,539**	**1,290**	**273,755**
Innovations in technology	2012	-	965	-	965
	2013	-	1,302	-	1,302
	2014	-	701	-	701
		-	**2,968**	**-**	**2,968**
International double taxation	2016	-	-	1,258	-
	2017	-	1,883		
		-	**1,883**	**1,258**	**-**
Re-investment of extraordinary income	2012	-	55	-	55
	2013	-	2	-	2
	2014	-	10	-	10
		-	**67**	**-**	**67**
Donations	2015	-	-	-	-
	2016	-	-	145	-
	2017	-	98		
		-	**98**	**145**	**-**
Temporary measures	2015	-	**-**	-	**-**
	2016	-	-	255	**-**
	2017	-	**219**	**-**	**-**
		-	**219**	**255**	**-**
Total reported tax incentives		**5,540**	**288,775**	**2,948**	**276,790**
Total deferred tax assets recognised in balance sheet			**205,033**		**251,305**

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 Parent company shall generate each year shall exceed 10% of its tax liability before tax credits.

Deferred taxes-

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

	2017	**2016**
Deferred tax assets	268.675	327,475
Deferred tax liabilities	(140.163)	(233,403)
Deferred tax assets (net)	**128.512**	**94,072**

The gross changes in the deferred taxes are as follows:

	2017	**2016**
At 1 January	94,072	191,462
Credit to profit or loss	34,180	28,852
Tax (charged) refunded directly to equity	260	2,907
Business combinations (Note 7)	--	(129,149)
At 31 December	**128,512**	**94,072**

In accordance with current tax legislation in the countries in which the consolidated entities are located, in 2017 and 2016 certain temporary differences have arisen which should be taken into account when quantifying the corresponding income tax expense. The detail of deferred taxes recognised in both years is as follows:

	Thousands of Euros			
	2017		2016	
	Accumulated differences in taxable profit (tax loss)	Accumulated effect on tax payable	Accumulated differences in the taxable profit (tax loss)	Accumulated effect on tax payable
Deferred tax assets:				
Amortisation and depreciation of non-current assets	149.618	32,042	119,698	30,756
Write-offs	50.037	12.413	95,016	26,638
Retirement benefit obligations	40.500	11.885	41,064	12,052
Measurement of inventories	6.571	4,393	3,835	1,761
Other	3.345	864	6,577	2,192
	255,847	**61,595**	**266,190**	**73,399**
Tax assets:				
Tax loss carryforwards	23.744	3.779	20,808	2,771
Tax credit carryforwards	-	205.033	-	251,305
Total deferred tax assets and tax relief:		**268.675**		**327,475**
Deferred tax liabilities:				
Accelerated amortisation/depreciation (Royal Decree 27/84, Royal Decree 2/85, Royal Decree 3/93)	34.652	8.754	40,769	10,344
Assets held under finance leases	5.175	1.294	5,677	1,419
Capitalisation in intangible assets	3.870	1.447	6,156	1,848
Gains recognised in assets	343.792	94.153	701,025	186,799
Amortisation of goodwill	96.231	25.828	86,627	23,427
Tax effect of reversal of write-offs to investments (subsidiaries)	16.508	5.353	16,507	5,352
Other	21.367	3.334	21,367	4,214
Deferred tax liabilities		**140.163**		**233,403**

The deferred tax assets indicated above, totalling EUR 268,675 thousand, are mainly from Almirall, S.A., which reports a total of EUR 205,033 thousand in deferred tax assets in its annual accounts at 31 December 2017 (mainly due to the deductions pending application stated above). These deferred tax assets were recognised in the consolidated balance sheet the Parent company's directors consider that it is probable that these assets will be recovered in full within 10 years in line with their best estimates of future profit. The basis of the estimated future profit underpinning this analysis was as follows:

- Projections of estimated profit of the consolidated Spanish tax group over the next five years (extrapolated up to 10 years) based on the product portfolio and current group structure. This projection took into account sustained increases in future profit, the result mainly of expected growth in sales of the products in the Group's portfolio as well as significant synergies which are expected as a result of the restructuring of the Group.

- Estimated additional effects expected in profit or loss over the coming years as a result of the expected future investments/acquisitions at medium term and taking into account the relevant investments made in 2016. Estimated target returns and the probability of achieving them were also considered.

In 2017 a reversal of the deferred tax for tax credits totalling EUR 39 million has been recognised in the consolidated income statement, based on the future projections of the result of the group of companies that consolidate fiscally in Spain, which have been indirectly affected by the fall of the American business through the subsidiaries Almirall Inc and Aqua Pharmaceuticals, LLC. The deferred tax for Almirall Inc.'s tax-loss carryforwards totalling EUR 15 million has been reversed as it is uncertain whether it will be recovered in the future based on the sales projections and results of its subsidiary Aqua Pharmaceuticals, LLP and events occurring in 2017, as stated in Note 8.

The decrease in deferred tax liabilities during 2017, is mainly due to the impairment recorded related to the intangible assets of Aqua Pharmaceuticals, LLP and the Polichem Group mentioned in Note 9, which impact has been EUR 54 million and EUR 13 million, respectively of less Deferred tax liability.

22. Business and geographical segments

Segmentation criteria

Set out below is a description of the main criteria used to separate the Group's segment reporting in the consolidated annual accounts for the years ended 31 December 2017 and 2016.

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

Business segments:

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

a) Sales through own network.

b) Sales through licensees.

c) Research and development activities.

d) Therapeutic dermatological products in the US.

e) Corporate management and results not allocated to other segments.

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

In this sense, the professional judgments used by the Group to consider that the activity of "research and development" and "corporate management and results not assigned to other segments", are based on the fact that the expenses and income information of those segments are not taken in the decision making in the rest of the segments, they are analyzed separately by the highest authority of the Group in the decision-making process in order to decide on the resources to be allocated to said activity

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

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

Basis and methodology of segment reporting by business-

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

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

Segment revenues, including Revenue" and "Other Income" relate to those directly attributable to the segment.

The revenues received by the Group as a result of the agreements indicated in Note 6 have been assigned, if possible, on the basis of the business segment directly related to the territories or activity associated with those agreements, irrespective of whether they relate to amounts received for milestones or initial disbursements recognised on a deferred basis in the consolidated income statement, mainly in the own network sales and licensee segments and research and development activities. However, the change to fair value of the assets generated from the sale operation with AstraZeneca has been included in the segment “Corporate management and results not assigned to other segments” as it is an operation that is analyzed and monitored at a corporate level independently of the rest of the segments, as it is not related to the recurring business.

Revenue recognised on the R&D segment relates to expenses re-invoiced to third parties for that activity.

The expenses of each segment are determined on the basis of the expenses deriving from its operating activities and which are directly attributable to it, including "Procurements", "Staff costs”, "Amortisation and Depreciation Charge" and "Other Operating Costs." The amounts recognised as “Procurements" in each of the segments include, in addition to the acquisition cost of materials, the costs allocated to them by the Group in the manufacturing process (such as staff costs and amortisation and depreciation, among others). These costs are included in the “Corporate Management and Results not assigned to other Segments" segment. Therefore, they are eliminated from the profit or loss of the Group companies for consolidation purposes.

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

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

The amortization assigned to the segment "corporate management and results not allocated to other segments" is the one related to those assets linked to both the company's production centers and the Group's headquarters (9 and 10 million euros, respectively). These amortizations are considered non-assignable expenses to the business segments related to commercialization criteria, since they are not directly attributable to any of the established segments and therefore the Management does not take them into account in making decisions that affect them.

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

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

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

- Costs linked to the Group's production centers and which are not directly attributable to manufacturing.

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

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

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

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

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

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

- Fondo de Comercio de Almirall, S.A. originado en 1997 fruto de la fusión con Prodesfarma S.A. Tal y como se indica en la nota 8 de la presente memoria consolidada, dado su carácter estructural en la configuración actual del Grupo y no poder asignarse de una manera objetiva a ningún otro segmento concreto se optó por incluirse en el segmento “gestión corporativa y resultados no asignados a otros segmentos”.

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

- Almirall, S.A. Goodwill: originated in 1997 as a result of the merger with Prodesfarma S.A. As indicated in note 8 of this consolidated report, given its structural nature in the current configuration of the Group and not being able to be assigned in an objective manner to any other specific segment, it was decided to include it in the segment "corporate management and results" not assigned to other segments. "

- Intangible assets mainly related to the agreement with Sun Pharma for the license mentioned in note 9 of the accompanying consolidated accounts, as well as other assets of lower value that correspond mainly to patents and computer software. The referred license is in progress because the launch associated with the licensed product is expected to be carried out at the end of 2018 or the beginning of 2019, once the corresponding authorizations have been obtained. Consequently, it was considered more appropriate not to include it in the marketing segment through licensees.

- Property, plant and equipment linked to the Group's production centers, to Headquarters and to shared service centers, consistently with the allocation of expenses in the segmented profit and loss account.

- Financial assets related to the agreement with AstraZeneca as indicated in note 11 of the attached consolidated report, in line with the allocation of the income in the segmented profit and loss account. In addition, this segment also includes the investment in equity instruments of the Suneva Medical company, as well as other lower-value financial assets corresponding to deposits, including the deposit used as collateral in the sale of ThermiGen as explained in Note 7 of the consolidated annual accounts.

Deferred tax assets related to the Spanish tax consolidation group as detailed in note 21 of the attached consolidated annual accounts, as well as deferred tax assets generated in Almirall Hermal, GmbH, and holding companies such as Almirall Aesthetics , Inc and Almirall, Inc.

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

- Inventories whose references are not directly assignable to any business segment since they do not correspond to any finished product but mainly to raw materials, materials and semi-finished products whose destination is not yet known.

- Current financial investments and cash and other liquid assets correspond mainly to the amount of "Cash Pooling" to which all of the integrated companies are housed within the Group's consolidation perimeter, with the exception of Aqua Pharmaceuticals (included in the segment US Dermatology ") and the recent acquisitions of Poli Group and ThermiGen (included in the marketing segments through its own network and licensees to the corresponding extent). These assets derived from cash pooling are managed jointly from the central office.

Segment reporting-Segment reporting by business-Income statement for the year ended 31 December 2017 by segment

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Adjustments and reclassifications	Total
Revenue	450.923	79.827	-	82.663	25.968	-	639.381
Procurements	(145.345)	(40.972)	-	(16.943)	(22.699)	52.954	(173.005)
Gross margin	**305.578**	**38.855**	**-**	**65.720**	**3.269**	**52.954**	**466.376**
Other income	688	36.972	2.364	7.747	68.633	-	116.404
Staff costs	(55.691)	(1.545)	(24.772)	(45.130)	(39.577)	(28.086)	(194.801)
Amortisation/depreciation	(33.344)	(11.229)	(8.215)	(28.679)	(12.535)	(9.659)	(103.661)
Net change in provisions, allowances and write-offs	1.248	-	-	(9.466)	-	-	(8.218)
Other operating costs	(75.564)	(5.245)	(55.001)	(51.843)	(37.645)	(15.209)	(240.507)
Profit from operations (*)	**142.915**	**57.808**	**(85.624)**	**(61.651)**	**(17.855)**	**-**	**35.593**
Gains (losses) on sales of non-current assets/other	-	-	-	(586)	(12.180)	-	(12.766)
Staff restructuring costs	-	-	-	-	(9.271)	-	(9.271)
Impairment losses	-	-	-	(246.406)	(77.167)	-	(323.573)
Financial profit (loss)	-	-	-	(17.480)	6.433	-	(11.047)
Profit (loss) before tax	**142.915**	**57.808**	**(85.624)**	**(326.123)**	**(110.040)**	**-**	**(321.063)**
Income tax	-	-	-	(4.520)	21.622	-	17.102
Net results attributable to Parent company	**142.915**	**57.808**	**(85.624)**	**(330.643)**	**(88.418)**	**-**	**(303.961)**

(*) Before results for sale of assets/others, impairment and staff restructuring costs.

Assets at 31 December 2017 by segment

ASSETS	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Goodwill	235,143	45,416	-	25,752	35,504	341,815
Intangible assets	147,615	251,206	4	115,701	215,790	730,316
Property, plant and equipment	643	-	36,268	4,296	87,110	128,317
Financial assets	173	16		1,130	190,640	191,959
Deferred tax assets	4,131	8,737		630	255,177	268,675
NON-CURRENT ASSETS	**387,705**	**305,375**	**36,272**	**147,509**	**784,221**	**1,661,083**
Inventories	33,868	2,845	-	21,280	25,750	83,743
Trade and other receivables	33,130	30,195	2,000	22,132	2,903	90,360
Current tax assets	7,980	395	-	10,927	37,752	57,054
Other current assets	299	361	-	1,808	1,512	3,980
Current financial assets	89	-	-	-	68,595	68,684
Cash and cash equivalents	-	1,644	-	17,318	192,580	211,542
CURRENT ASSETS	**75,366**	**35,440**	**2,000**	**73,465**	**329,092**	**515,363**
TOTAL ASSETS	**463,071**	**340,815**	**38,272**	**220,974**	**1,113,313**	**2,176,445**

The detail of non-current assets located abroad is included in Note 10.

Additions to non-current assets by segment in the year ended 31 December 2017

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Total additions to non-current assets	59.603	8	4.168	7.500	45.055	**116.334**

Income statement for the year ended 31 December 2016 by segment

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Adjustments and reclassifications	Total
Revenue	448,118	90,892	-	203,394	21,957	-	764,361
Procurements	(143,912)	(29,384)	-	(27,938)	(16,886)	55,349	(162,771)
Gross margin	**304,206**	**61,508**	**-**	**175,456**	**5,071**	**55,349**	**601,590**
Other income	1,839	49,210	9,014	2,914	31,877	-	94,854
Staff costs	(59,283)	(4,810)	(20,175)	(44,149)	(72,775)	-	(201,192)
Amortisation/depreciation	(31,344)	(11,725)	(6,655)	(27,658)	(22,914)	-	(100,296)
Net change in provisions, allowances and write-offs	235	329	-	(4,466)	2,515	-	(1,387)
Other operating costs	(78,750)	(10,185)	(71,453)	(58,789)	(51,298)	-	(270,475)
Profit from operations (*)	**136,903**	**84,327**	**(89,269)**	**43,308**	**(107,524)**	**55,349**	**123,094**
Gains (losses) on sales of non-current assets/other	-	-	-	(350)	30,439	-	30,089
Staff restructuring costs	-	-	-	-	(26,577)	-	(26,577)
Impairment losses	-	-	(15,000)	-	-	-	(15,000)
Financial profit (loss)	-	-	-	(16,846)	(2,123)	-	(18,969)
Profit (loss) before tax	**136,903**	**84,327**	**(104,269)**	**26,112**	**(105,785)**	**55,349**	**92,637**
Income tax	(1,747)	(2,441)	-	(11,897)	(1,073)	-	(17,158)
Net results attributable to Parent company	**135,156**	**81,886**	**(104,269)**	**14,215**	**(106,858)**	**55,349**	**75,479**

(*) Before results for sale of assets/others, impairment and staff restructuring costs.

Assets at 31 December 2016 by segment(*)

ASSETS	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Goodwill	235,143	45,391	-	116,727	35,504	432,765
Intangible assets	117,675	267,388	6	327,666	280,261	992,996
Property, plant and equipment	418	4,676	35,471	7,732	84,001	132,298
Financial assets	162	17	-	1,252	193,010	194,441
Deferred tax assets	3,208	2,384	-	16,068	305,815	327,475
NON-CURRENT ASSETS	**356,606**	**319,856**	**35,477**	**469,445**	**898,591**	**2,079,975**
Inventories	32,956	1,632	-	17,048	39,404	91,040
Trade and other receivables	36,610	23,768	916	64,237	5,077	130,608
Current tax assets	2,091	88	-	-	43,364	45,543
Other current assets	982	449	-	1,999	1,221	4,651
Current financial assets	-	69,676	-	9,487	138,049	217,212
Cash and cash equivalents	21,932	4,481	-	75,064	148,022	249,499
CURRENT ASSETS	**94,571**	**100,094**	**916**	**167,835**	**375,137**	**738,553**
TOTAL ASSETS	**451,177**	**419,950**	**36,393**	**637,280**	**1,273,728**	**2,818,528**

(*) Certain segmented information has been modified in order to correct its consistency with the segmentation of the income statement as prepared for the Management and to make it comparative with the year 2017 based on the evolution of the financial information provided to the Direction.

The detail of non-current assets located abroad is included in Note 10.

Additions to non-current assets by segment in the year ended 31 December 2016

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Total additions to non-current assets	222,516	362,495	7,042	70,442	30,245	**692,740**

Revenue by therapeutic area-

Set out below is a detail of the contribution to revenue of the Group's main therapeutic areas in 2017 and 2016:

	Thousands of Euros	
	2017	**2016**
Respiratory	60,346	65,591
Gastrointestinal and Metabolism	113,443	115,163
Dermatology	269,651	389,847
CNS	60,340	60,825
Osteomuscular	32,608	34,679
Cardiovascular	25,594	26,497
Other specialist therapies	77,399	71,759
Total	**639,381**	**764,361**

Revenue, by geographical area, in 2017 and 2016 is detailed in Note 20.

23. Dividends paid by the Parent company

The dividends paid by the Parent company in 2017 and 2016, which related to the dividends approved out of profit earned in the previous year, are as follows:

	2017			**2016**		
	% of nominal amount	**Earnings per share (Euros)**	**Amount (Thousands of Euros)**	**% of nominal amount**	**Earnings per share (Euros)**	**Amount (Thousands of Euros)**
Ordinary shares	158%	0.19	33,000	158%	0.19	33,000
Total dividend paid	**158%**	**0.19**	**33,000**	**158%**	**0.19**	**33,000**

24. Earnings per share

Basic earnings per share

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

Accordingly:

	2017	**2016**
Net profit (loss) for the year (thousands of euros)	(303,961)	75,479
Weighted average number of shares outstanding (Thousands of shares)	172,951	172,951
Basic earnings per share (euros)	**(1,76)**	**0.44**

In 2017 and 2016 there were no changes in the shares outstanding.

25. Commitments acquired, contingent liabilities and contingent assets

a) Commitments acquired

As a result of the research and development activities carried out by the Group, firm agreements for approximately EUR 0.6 million were entered into at 31 December 2017 and 2016 in relation to the performance of the above research and development activities which would be paid in future years.

There are no commitments to purchase property, plant and equipment for significant amounts at 31 December 2017 and 2016.

The Group's lease obligations are detailed in Note 20.

b) Contingent liabilities

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

c) Contingent assets

As a result of the operation with AstraZeneca described in Note 6-a, the Group is entitled to receive a payment of certain amounts for milestones related to certain regulatory and commercial events.

26. Related-party transactions

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

Balances and transactions with other related parties

In 2017 and 2016 the Group companies performed the following related-party transactions. The balances in this respect at 31 December 2017 and 2016 were as follows:

			Thousands of Euros	
Related party	Transaction	Year	Transactions - Income (Expense)	Balance receivable (payable)
Grupo Corporativo Landon, S.L.	Leases	2017	(2.695)	-
		2016	(2.617)	(218)
Grupo Corporativo Landon, S.L.	Re-invoicing of projects	2017	108	32
		2016	246	24

The Group’s headquarters are rented from Grupo Corporativo Landon, S.L. under a lease which runs out in 2017, which has been renewed with the same conditions during February 2018.

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

27. Remuneration of the Board of Directors and Executives

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

In 2017 and 2016 the amounts earned by executives who are not members of the Parent's Board of Directors for all items (salaries, bonuses, per diems, remuneration in kind, compensation, incentive plans and social security contributions) totalled EUR 4,187 thousand and EUR 3,757 thousand, respectively.

The above amounts include remuneration paid and payable to the Group's executives. For incentive and loyalty plans that cover more than one year and SEUS plans (see Note 5-x) the remuneration earned amounted to EUR 487 thousand and EUR 524 in 2017 and 2016, respectively. The ending balance of the provision for these plans amounts to EUR 1,424 thousand in 2017 (EUR 3,027 thousand in 2016).

At 31 December 2017 and 2016, the Group did not have any other pension obligations to executives.

In 2017 and 2016 the amount earned by the current and former members of the Parent company's Board of Directors for all types of remuneration (salaries, bonuses, per diems, remuneration in kind, life insurance plans, indemnities, incentive plans and social security contributions) amounted to EUR 6,187 thousand and EUR 2,780 thousand, respectively. The life insurance policies amount to EUR 12.4 thousand (EUR 14.5 thousand in 2016).

In 2017, insurance premiums for civil liability totalling EUR xx thousand have been accrued (EUR 95.7 thousand at 31 December 2016), which cover possible damages caused whilst members of the Board of Directors and Top Management carried out the duties of their offices.

The amount indicated above includes the remuneration paid and payable by the Parent company's Board of Directors for multi-year incentive and loyalty plans, and SEUS plans amounting to EUR 498 thousand and EUR 314 thousand in 2017 and 2016, respectively. The ending balance of the provision for these plans amounts to EUR 1,528 thousand in 2017 (EUR 1,816 thousand in 2016.

At 31 December 2017 and 2016, there were no other pension obligations to the current and former members of the Board of Directors of the Parent company.

A part of the SEUS Plan (unfunded Stock Plan), the members of the Group's Board of Directors and Senior Management have not received any shares or share options in the year and they have not exercised any options and do not have any options which have not yet been exercised.

28. Directors: other disclosures

The directors have a duty not to become involved in situations that constitute a conflict of the Parent company's interest. Accordingly the directors on the Board met all the obligations foreseen in Article 228 of the consolidated Spanish Companies Law. The directors and any related parties thereto were not involved in any situations that constituted a conflict of interest envisaged in Article 229 of this law except where the relevant authorisation was obtained.

29. Information on the environment

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

The Almirall Group's property, plant and equipment include certain environmentally friendly assets (smoke abatement, underfloor drainage, etc.). The carrying amount of the assets is approximately EUR xxx million and EUR 1.7 million at 31 December 2017 and 2016, respectively.

The consolidated income statements for 2017 and 2016 include expenses related to protection of the environment amounting to EUR 0,9 million and EUR 1.3 million, respectively.

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

30. Exposure to risk and capital management

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

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

Interest rate risk

At the beginning of 2014 the Group's Parent company issued high-yield bonds at a fixed rate of interest of 4.625% y and as at April 3, 2017, the Parent company prepaid all the amount of said Bonds in advance together with the corresponding interest.

On the other hand, during the first quarter of 2017, the company signed a new credit line for 4 years, enabled for a maximum amount of 250 million euros at a fixed interest rate, with the average of said rate of 0, 81%, so the Company is not exposed to interest rate volatility. As of the closing date of 2017, the company had arranged the entire amount of this credit facility.

With respect to the other line of credit that the company had enabled since 2014 for a maximum provision of 25 million euros, it was also canceled during the first quarter of 2017.

Foreign currency risk

The Group is exposed to foreign currency risk on certain transactions arising from its business. The risk relates mainly to revenue received in US dollars for sales of finished goods, payments received for the operation carried out with AstraZeneca, payments in US dollars received as a result of the agreement with Sun Pharmaceutical Industries Ltd., payments in US dollars for clinical trials, raw material purchases and royalty payments in yen and collections and payments made in local currency by the subsidiaries in the UK, Poland, Switzerland, Denmark and the US.

As can be seen from the information stated in Note 20 in relation to Transactions made in foreign currency, the main currency which the Group has operated in is the US dollar.

In the case of collections the foreign currency risk represents 18.66% of revenue and other income, and in the case of payments 31.29% of procurements and other operating costs.

The Group analyses foreseeable collections and payments in foreign currency and the performance and trend thereof on a quarterly basis. During 2017 and 2016 the Group has reduced its exposure to foreign currency risk on higher-volume commercial transactions by arranging foreign currency hedges to hedge payments in yen for purchases of raw materials and to hedge cash inflows and outflows in USD, mainly in respect of collections and payments (at 31 December 2017 nor 2016 there were no insurance contracts).

The Parent Company of the Group was a borrower with the subsidiary Almirall, Inc., this loan was not covered because the forecasts of the evolution of the dollar were favorable and the coverage supposed a cash outflow of the amount of the revaluation. This loan until 2017 was considered as additional value of the net investment and, therefore, the exchange differences generated until that moment were recorded in as conversion differences, without affecting the consolidated profit and loss account. However, during 2017 the estimation of the nature of this loan has been modified considering that the aforementioned loan has to be repaid by the subsidiary in the foreseeable future, which has led to reclassification to the profit and loss account for the year. the cumulative conversion differences derived from it.

In addition, to calibrate the sensitivity of the exchange rate of the foreign currency, we should take into account that a 5% variation upwards or downwards of the exchange rate of the euro to the US dollar (major foreign currency) would have implied that the pre-tax consolidated result would have decreased by EUR 4.2 million/increased by EUR 4.6 million, respectively.

Liquidity risk

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

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

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

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

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

The notes on financial instruments (Note 11) and financial liabilities (Note 17) include the time limit for the settlement of cash assets and liabilities.

Fair value measurement

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

Level 1. Quoted price (unadjusted) in active markets for identical assets and liabilities.

Level 2. Inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3. Inputs for the asset or liability that are not based on observable market data.

The detail of the Group's assets and liabilities at fair value using the levels above at 31 December 2017 and 2016 is as follows (in thousands of euros):

2017	**Level 1**	**Level 2**	**Level 3**
Assets			
Available-for-sale financial assets	539	-	-
Financial assets at fair value through profit or loss (*)	-	-	172.865
Total assets	**539**	**-**	**172.865**
Liabilities	(**) -	-	-
Total liabilities	**-**	**-**	**-**

(*) including the non-current and current amounts arising on the AstraZeneca transaction (see Note 11).
(**) The listing value of the issuance of non-convertible bonds (nominal value of EUR xxx thousand) at 31 December 2017 was xxx.

2016	Level 1	Level 2	Level 3
Assets			
Available-for-sale financial assets	545	-	-
Financial assets at fair value through profit or loss (*)	-	-	168,386
Total assets	**545**	**-**	**168,386**
Liabilities	(**) -	-	-
Total liabilities	**-**	**-**	**-**

(*) including the non-current and current amounts arising on the AstraZeneca transaction (see Note 11).
(**) The listing value of the issuance of non-convertible bonds (nominal value of EUR 323,550 thousand) at 31 December 2016 was 103.6

Credit risk

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

Allowances are recognised for the total amounts that cannot be collected once all the relevant collection management efforts have been made. The balance of the allowance recognised in this connection at 31 December 2017 and 2016 were EUR 16,507 thousand and EUR 10,592 thousand, respectively (Note 13).

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

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

Capital management

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

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

At 31 December 2017 and 2016 the leverage ratios were as follows (in thousands of euros):

	31 December 2017	31 December 2016
Financial liabilities	250.072	321,030
Retirement benefit obligations	71.157	71,939
Cash and cash equivalents	(280.226)	(466,711)
Net debt	**41.003**	**(73,742)**
Equity	1.125.480	1,520,280
Share capital	20.754	20,754
Leverage ratio[(1)]	**3.6%**	**(5%)**

(1) On the basis of the calculation used by the Group to determine the leverage ratio (not including "Other Financial Liabilities" included in Note 17).

31. Information on delays in payments to suppliers

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

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

	Number of days	
	2017	**2016**
	Days	**Days**
Average payment period	52	57
Ratio of paid operations	53	58
Ratio of outstanding operations	39	25
Total payments made	**254.895**	**251,933**
Total outstanding payments	**14.464**	**12,094**

This balance relates to the suppliers of the Spanish companies in the Group. Specifically trade payables for goods and services received. The average payment period for these companies was 52 days in 2017 (57 days in 2016).

32. Subsequent events

At the formulation date of these consolidated annual accounts, the Board of Directors of Almirall, S.A. has agreed to propose in the Shareholders' meeting the distribution of a dividend, charged against reserves for an amount of 33 million euros. For the purpose of carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders called "Script dividend", already implemented in 2012. In this way, its shareholders are offered an alternative that allows them to receive shares issued by the parent company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend as explained in Note 4.

	Thousands of Euros						
Name	Laboratorios Miralfarma, S.L(**)	Laboratorios Almirall, S.L. (*)	Laboratorios Farmacéuticos Romofarm, S.L.(**)	Laboratorios Almofarma, S.L.(**)	Laboratorio Temis Farma, S.L.(**)	Alprofarma, S.L.(**)	Laboratorios Tecnobio, S.A.
Management	Spain	Spain	Spain	Spain	Spain	Spain	Spain
Activity	Intermediary services	Intermediary services	Intermediary services	Intermediary services	Intermediary services	Intermediary services	Intermediary services
31 December 2017							
% interest held							
- Directly	-	100%	-	-	-	-	100%
- Indirectly		-					-
% voting rights	-	100%	-	-	-	-	100%
Consolidation method	-	Full consolidation	-	-	-	-	Full consolidation
Share capital		120					61
Reserves		13,662					1,475
Net profit (loss) for the year		(122)					(110)
31 December 2016							
% interest held							
- Directly	100%	100%	100%	100%	100%	100%	100%
- Indirectly	-	-	-	-	-	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	120	120	60	120	120	60	61
Reserves	1,997	2,735	2,057	1,023	2,246	60	1,424
Net profit (loss) for the year	2	103	-	20	114	4	33

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.
(*) Called Laboratorio Omega Farmacéutica, S.L. at 31 December 2016.
(**) With accounting effects from 1 January 2017, Laboratorios Miralfarma, Laboratorios Almofarma, Pantofarma, Laboratorios Berenguer Infale, Alprofarma, Laboratorio Temis Farma and Laboratorios Farmaceúticos Romofarm merged into Laboratorio Omega Farmaceutica (now called Laboratorios Almirall, S.L.), the surviving company of the merger.

	Thousands of Euros						
Name	Laboratorios Berenguer-Infale, S.L.(**)	Pantofarma, S.L. (**)	Industrias Farmacéuticas Almirall, S.A.	Ranke Química, S.A.	Almirall Internacional, B.V.	Almirall, N.V.	Almirall - Productos Farmacêuticos, Lda.
Management	Spain	Spain	Spain	Spain	Netherlands	Belgium	Portugal
Activity	Intermediary services	Intermediary services	Manufacturer of specialities	Manufacture of raw materials	International holding company	Pharmaceutical laboratory	Pharmaceutical laboratory
31 December 2017							
% interest held							
- Directly	-	-	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	-	-	100%	100%	100%	100%	100%
Consolidation method	-	-	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital			1,200	1,200	52,602	1,203	1,500
Reserves			62,567	23,974	56,196	1,884	1,570
Net profit (loss) for the year			2,219	1,177	5,079	154	256
31 December 2016							
% interest held							
- Directly	100%	100%	100%	100%	100%	0,01%	-
- Indirectly	-	-	-	-	-	99,99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	120	360	1,200	1,200	52,602	1,203	1,500
Reserves	1,301	1,000	59,890	23,152	36,521	1,763	1,260
Net profit (loss) for the year	28	70	2,630	821	19,675	121	310

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,
(**)With accounting effects from 1 January 2017, Laboratorios Miralfarma, Laboratorios Almofarma, Pantofarma, Laboratorios Berenguer Infale, Alprofarma, Laboratorio Temis Farma and Laboratorios Farmaceúticos Romofarm merged into Laboratorio Omega Farmaceutica (now called Laboratorios Almirall, S.L.), the surviving company of the merger.

	Thousands of Euros						
Name Management Activity	Almirall, BV Netherlands Pharmaceutical laboratory	Almirall Aesthetics, S.A. Spain (***) aesthetics product distributor.	Almirall Limited United Kingdom Pharmaceutical laboratory	Subgrupo Almirall, S,A,S, (**) France Pharmaceutical laboratory	Almirall SP, Z,O,O, Poland Pharmaceutical laboratory	Almirall GmbH Austria Pharmaceutical laboratory	Almirall, AG Switzerland Pharmaceutical laboratory,
31 December 2017							
% interest held							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	-	100%	100%	100%	-	-
% voting rights	100%	-	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	-	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	4,000	61	563	1,257	14	36	652
Reserves	2,070	193	7,464	(2,708)	1,493	3,265	1,302
Net profit (loss) for the year	35	(80)	1,025	(60)	27	178	145
31 December 2016							
% interest held							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	-	100%	100%	100%	-	-
% voting rights	100%	-	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	-	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	4,000	-	563	1,257	14	36	652
Reserves	2,025	-	6,776	(2,708)	1,379	3,024	1,169
Net profit (loss) for the year	121	-	993	-	36	240	4,087

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 subsidiaries Almirall, SAS and Almirall Production SAS,
(***) Called Almirall Europa, S.A. at 31 December 2016.

	Thousands of Euros				
Name Management Activity	Almirall SpA Italy Pharmaceutical laboratory	Almirall Hermal, GmbH Germany Pharmaceutical laboratory	Almirall Aps Denmark Pharmaceutical laboratory	Almirall Inc USA Holding	Subgroup (****) Aqua Pharmaceuticals USA Pharmaceutical laboratory
31 December 2017					
% interest held					
- Directly	-	100%	100%	100%	-
- Indirectly	100%	-	-	-	100%
% voting rights	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	8,640	25	17	(4,622)	(13,185)
Reserves	48,864	16,821	2,263	92,610	101,046
Net profit (loss) for the year	3,768	21,212	(63)	(163,553)	(77,377)
31 December 2016					
% interest held					
- Directly	-	100%	100%	100%	-
- Indirectly	100%	-	-	-	100%
% voting rights	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	8,640	25	17	(4,622)	(58,559)
Reserves	45,783	69,312	2,039	100,937	132,061
Net profit (loss) for the year	3,082	9,084	228	(7,236)	36,802

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 holding companies Aqua Pharmaceutical Holdings Inc, Aqua Pharmaceuticals Intermediate Holdings Inc and Aqua Pharmaceuticals LLC,

	Thousands of Euros						
Name	ThermiGen LLC	ThermiAesthetics LLC	Taurus Pharma GmbH (****)	Poli Group Holding, S,R,L,	Polichem, S,A,	Polichem, S,R,L,	Almirall Aesthetics, Inc
Management	USA	USA	Germany	Italy	Luxembourg/ Switzerland/ China	Italy	USA
Activity	Cosmetic surgery	Cosmetic surgery	Pharmaceutical laboratory	Holding	Pharmaceutical laboratory	Pharmaceutical laboratory	Holding
31 December 2017							
% interest held							
- Directly	-	-	-	100%	-	-	100%
- Indirectly	100%	-	100%	-	100%	99,6%	-
% voting rights	100%	-	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	-	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	28,386	-	-	31	1,374	540	226
Reserves	(8,492)	-	-	63,863	60,442	3,262	53,724
Net profit (loss) for the year	(23,550)	-	-	103	18,481	1,167	(6,449)
31 December 2016							
% interest held							
- Directly	-	-	-	100%	-	-	100%
- Indirectly	100%	100%	100%	-	100%	99,6%	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	5,331	250	60	31	1,374	540	226
Reserves	(4,130)	36,550	2,057	2,254	59,159	2,315	32,978
Net profit (loss) for the year	(3,814)	(1,557)	-	61,691	7,858	927	(1,405)

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,
(****) With effect from 1 January 2017,Taurus Pharma Gmbh merged into Almirall Hermal Gmbh, the surviving company of the merger.