ALMIRALL, S.A.

Annual Accounts for the year ended
31 December 2017 and
Directors' Report

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

ASSETS	Note	31 December 2017	31 December 2016
NON-CURRENT ASSETS			
Intangible assets	5	248,165	218,406
Property, plant and equipment	6	37,881	41,148
Long-term investments in group companies and associates	8	1,100,932	1,316,615
Long-term investments	9	173,922	174,075
Deferred tax assets	18	236,418	283,474
TOTAL NON -CURRENT ASSETS		**1,797,318**	**2,033,718**
CURRENT ASSETS			
Inventories	10	**38,339**	**39,153**
Trade and other receivables		**85,306**	**92,211**
Trade receivables for sales and services rendered	11	18,327	22,570
Trade receivables, group companies and associates	11 and 20	28,515	28,001
Sundry accounts receivable	11	2,139	984
Current tax assets	18	30,555	31,918
Other receivables with Public Administrations	18	5,770	8,738
Short-term investments in group companies and associates	8 and 20	**1,860**	**1,492**
Short-term financial investments	9	**38,573**	**197,586**
Prepayment and accrued income		**1,217**	**869**
Cash and cash equivalents		**186,064**	**132,651**
TOTAL CURRENT ASSETS		**351,359**	**463,962**
TOTAL ASSETS		**2,148,677**	**2,497,680**

LIABILITIES AND EQUITY	Note	31 December 2017	31 December 2016
EQUITY			
Shareholders' funds		**1,166,949**	**1,420,842**
Share capital	12	20,754	20,754
Share premium	12	225,163	225,163
Legal reserve	12	4,151	4,151
Other reserves	12	1,137,774	1,120,773
Prior-year results		-	-
Profit/(loss) for the year		(220,893)	50,001
Measurement adjustments		**(146)**	**(141)**
Financial assets available for sale		(146)	(141)
Grants, donations and bequests received		**126**	**229**
TOTAL EQUITY		**1,166,929**	**1,420,930**
NON-CURRENT LIABILITIES			
Long-term provisions	14	**33,958**	**12,685**
Long-term payables		**294,982**	**432,951**
Debentures and other marketable securities	15	-	317,187
Bank borrowings	15	250,000	-
Other financial liabilities	16	44,982	115,764
Deferred tax liabilities	18	**22,564**	**22,153**
Accruals and deferred income	13	**134,417**	**166,220**
NON-CURRENT LIABILITIES		**485,921**	**634,009**
CURRENT LIABILITIES			
Short- term provision		**602**	**3,227**
Short-term payables		**144,109**	**61,484**
Debentures and other marketable securities	15	-	3,824
Other financial liabilities	16	144,109	57,660
Short-term payables to Group companies and associates	20	**278,416**	**248,809**
Trade and other payables		**72,700**	**129,221**
Trade payables		24,241	58,362
Trade payables, Group companies and associates	20	21,191	32,010
Sundry payables		17,088	19,348
Accrued wages and salaries		8,455	12,733
Other payables with Public Administrations	18	1,725	6,571
Customer advances		-	197
TOTAL CURRENT LIABILITIES		**495,827**	**442,741**
TOTAL LIABILITIES AND EQUITY		**2,148,677**	**2,497,680**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended 31 December 2017.

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

	Note	Year 2017	Year 2016
Revenue	19	373,584	416,181
Changes in inventories of finished products and work in progress	10	(613)	(1,504)
Own work capitalised	19	-	103
Raw materials and consumables	19	(153,602)	(162,394)
Other operating income	19	119,102	93,563
Staff costs	19	(59,778)	(74,458)
Other operating expenses	19	(155,194)	(166,874)
Losses, impairment and variation in trade provisions	19	698	743
Fixed asset amortisation/ depreciation	5 and 6	(30,461)	(29,248)
Release of non-financial asset grants and other		144	96
Other losses in ordinary course of business		350	-
Impairment and profit/(loss) on fixed asset disposals in group companies	19	(219,175)	(5,592)
Operating profit/(loss)		**(124,945)**	**70,616**
Financial income	19	12	891
Financial expenses	19	(22,153)	(19,595)
Exchange differences	19	(23,998)	9,411
Impairment, profit /(loss) on disposals and change in fair value of financial instruments		(4,500)	(253)
Financial income/(expense)		**(50,639)**	**(9,546)**
Profit /(loss) before taxes		**(175,584)**	**61,070**
Income taxes	18	(45,309)	(11,069)
Profit/(loss) for the year		**(220,893)**	**50,001**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended 31 December 2017.

Almirall, S.A.

Statement of changes in equity for the year ended 31 December (Thousand euro)

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

	Note	Year ended 31 December 2017	Year ended 31 December 2016
RESULTS RECOGNISED IN THE INCOME STATEMENT (I)		**(220,893)**	**50,001**
Income and expenses taken directly to equity			
Financial assets available for sale	9	(7)	620
Grants, donations and bequests received		283	-
Tax effect	18	2	(79)
Total income and expenses taken directly to equity (II)		**278**	**541**
Transfers to the income statement:			
Measurement of financial instruments		-	(2,332)
Grants, donations and bequests received	12	(387)	-
Tax effect		-	583
Total transfers to the income statement (III)		**(387)**	**(1,749)**
Total recognised income and expense (I+II+III)		**(221,002)**	**48,793**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended 31 December 2017.

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

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

	NOTE	Authorised capital	Share premium	Legal reserve	Other reserves	Profit /(loss) for year	Value change adjustments	Grants, donations and bequests	Equity
Balance at 31 December 2015	**12**	**20,754**	**225,163**	**4,151**	**1,077,556**	**76,217**	**1,067**	**229**	**1,405,137**
Distribution of results		-	-	-	43,217	(43,217)	-	-	-
Dividends		-	-	-	-	(33,000)	-	-	(33,000)
Recognised income and expense		-	-	-	-	50,001	(1,208)	-	48,793
Balance at 31 December 2016	**12**	**20,754**	**225,163**	**4,151**	**1,120,773**	**50,001**	**(141)**	**229**	**1,420,930**
Distribution of results		-	-	-	17,001	(17,001)			-
Dividends		-	-	-	-	(33,000)			(33,000)
Recognised income and expense		-	-	-	-	(220,893)	(5)	(103)	(221,001)
Balance at 31 December 2017	**12**	**20,754**	**225,163**	**4,151**	**1,137,774**	**(220,893)**	**(146)**	**126**	**1,166,929**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended 31 December 2017.

ALMIRALL, S.A.

Cash flow statement for the year ended 31 December (Thousand euro)

	Note	Year ended 31 December 2017	Year ended 31 December 2016
A) CASH FLOWS FROM OPERATING ACTIVITIES			
1, Profit/ (loss) for the year before tax		**(175,584)**	**61,070**
2, Adjustments to results		**193,806**	**(52,300)**
Fixed asset amortisation/ depreciation (+)	5 & 6	30,461	29,248
Value adjustments for impairment (+/-)	5,8,10 & 11	216,115	22,760
Change in allowances and provisions (+/-)	14& 19	(2,046)	(1,640)
Release of grants (+/-)		(84)	-
Profit/ (loss) on write-offs and disposals of financial instruments (+/-)	19	1,630	(3,139)
Profit//loss) on write-offs and disposals of fixed assets (+/-)	19	-	(16,941)
Financial income and dividends received (-)	19 & 20	(3,435)	(28,097)
Financial expenses (+)	19	22,152	19,595
Exchange differences (+/-)	19	23,998	(9,411)
Variation in the fair value of financial instruments (+/-)	19	4,500	3,392
Inclusion of deferred income on the AstraZeneca transaction	13	(31,803)	(38,205)
Recognition of financial asset value not collected	9	(67,682)	(29,862)
3, Changes in working capital		**38,922**	**13,613**
Inventories (+/-)	10	1,547	6,047
Debtors and other receivables (+/-)	11	77,275	37,333
Other current assets (+/-)		(348)	(455)
Creditors and other payables (+/-)		(39,552)	(29,312)
4, Other cash flows from operating activities		**(21,856)**	**30,628**
Interest paid (-)	19	(15,719)	(15,052)
Dividends received (+)	20	3,424	27,206
Interest received (+)	19	-	759
Corporate income tax collections/payments (+/-)	18	3,481	17,715
Other non-current assets and liabilities (+/-)		(13,042)	-
5, Cash flows from operating activities (+/-1+/-2+/-3+/-4)		**35,288**	**53,011**
B) CASH FLOWS FROM INVESTING ACTIVITIES			
6, Payments for investments (-)		**(77,403)**	**(546,728)**
Group companies and associates	8	(33,913)	(483,071)
Intangible assets	5	(40,960)	(57,499)
Property, plant and equipment	6	(2,527)	(6,156)
Other financial assets	9	-	(2)
7, Collections from divestments (+)		**17,149**	**57,016**
Group companies and associates	8	17,149	31,651
Intangible assets	5 - 8	-	17,439
Property, plant and equipment	6	-	30
Other financial assets	9	-	7,896
8, Cash flows from investing activities (7-6)		**(60,254)**	**(489,712)**
C) CASH FLOWS FROM FINANCING ACTIVITIES			
9, Receipts and payments financial liability instruments		**(45,771)**	**(6,657)**
Issue		279,628	60
Bank loans (+)	15	250,000	-
Payable to Group companies and associates (+)		29,608	-
Other debts		20	60
Return and repayment of:		(325,399)	(6,717)
Non-convertible bonds repaid (-)	15	(323,550)	-
Payable to Group companies and associates (-)		-	(4,849)
Other payables (-)	16	(1,849)	(1,868)
10, Dividend payments and return on other equity instruments	3	**(33,000)**	**(33,000)**
Dividends (-)	3	(33,000)	(33,000)
11, Cash flows from financing activities (+/-9+/-10)		**(78,771)**	**(39,657)**
D) EFFECT OF EXCHANGE RATE FLUCTUATIONS		**(1,866)**	**(603)**
E) NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-11+/-D)		**(105,603)**	**(476,961)**
Cash and cash equivalents at beginning of the year	4-e/ 9	**330,237**	**807,198**
Cash and cash equivalents at end of the year	4-e /9	**224,634**	**330,237**

The accompanying Notes 1 to 27 and the Appendix are an integral part of the annual accounts for the year ended 31 December 2017.

1. Company activities

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

The Company's corporate purpose also includes:

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

b) Research into chemical and pharmaceutical ingredients and products.

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

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

Almirall, S.A. is the parent company of a corporate group and in accordance with current legislation is required to prepare consolidated annual accounts separately. The consolidated annual accounts for the year ended 31 December 2016 were prepared by the Directors on 23 February 2017. The consolidated annual accounts for the year ended 31 December 2016 were approved by the Company's shareholders at the General Meeting held on 3 May 2017. The operations of the Company and Group companies are managed on a consolidated basis. Therefore the Company's results and financial position should be assessed taking this relationship with Group companies into account (Notes 8 and 20).

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

2. Basis of presentation of the annual accounts

Applicable financial reporting legislation

The Company's annual accounts for the year ended 31 December 2016, which were obtained from the accounting records held by the Company, were formally prepared by the Company's directors on 23 February 2017.

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

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

Fair presentation

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

Non-mandatory accounting principles applied

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

Critical measurement issues and estimates of uncertainty

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

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

Although these estimates have been prepared based on the best information available at year-end 31 December 2017, events may take place in the future that make it necessary to revise them up or down in coming years. Such revision would in any event be carried out prospectively.

Negative working capital

The Company has a negative working capital as of December 31, 2017 for an amount of 144,468 thousand euros (21,221 thousand euros positive in 2016). However, the Administrators have formulated these annual accounts under the principle of continuity business taking into account that there is the implicit commitment of the majority shareholders to continue providing the necessary support for the future development of the Company.

The Company carries out prudent management of liquidity risk, by maintaining sufficient cash and cash equivalents to have sufficient capacity to meet future obligations. In addition, the Company has loans with Group companies for an amount of 278,416 thousand euros, as indicated in note 20 of the annual accounts, due to centralized management of the treasury, and which classifies short-term but not with a imminent enforceability. In addition, the Parent Company Group also has a positive Working Capital at this date and a good financial situation. All of the above suggests that despite the fact that the Company has a negative working capital as of December 31, 2017, the Company's Administrators ensure the functioning of the operating company based on expectations of the continuity of the results.

3. Distribution of results

The proposed presentation of results included in the Company's annual accounts for the year ended 31 December 2017 and the proposed distribution of results for 2016 approved by the Shareholders at the General Meeting held on 3 May 2013 are as follows:

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

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

The dividends paid by the 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 value	Euro per share	Amount in thousand euro	% of nominal value	Euro per share	Amount in thousand euro
Ordinary shares	158%	0.19	33,000	158%	0.19	33,000
Total dividends paid	**158%**	**0.19**	**33,000**	**158%**	**0.19**	**33,000**

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 Company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend (Note 26).

4. Accounting policies

a) Intangible assets

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

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

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

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

Development costs-

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

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

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

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

III. There is the capacity to use or sell the drug.

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

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

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

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

When the amount delivered in Exchange of an intangible asset includes a contingent component, it will be considered within the carrying amount the best estimation of the present value of the contingent payment, except in the case that it is linked with a future event which will increase the profit or the economic profitability that this asset will provide, related to facts or circumstance not existing in the acquisition date. Likewise, applying the same criteria as per property, plant and equipment, the contingent payments that are dependent on magnitudes linked with the development of the activity, such as sales or profit for the year, they will be accounted for as an expense on the income statement as the events occur.

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

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

Intellectual property-

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

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

Computer software-

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

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

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

Merger goodwill-

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

b) Property, plant and equipment

Items acquired of property, plant and equipment are measured at cost restated in accordance with the applicable legislation, including Royal Decree-Law 7/1996, of 7 June (Note 7). Subsequently, cost is adjusted for accumulated depreciation and impairment losses, if any, as described in Note 4.c.
Replacements or renewals of complete items that lead to a lengthening of the useful lives of the assets or to an increase in their economic capacity are recognised as an increase in property, plant and equipment, with the resulting derecognition of the items replaced or renewed.

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

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

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

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

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

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

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

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

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

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

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

The methodology used by the Company to test for impairment of Development expenses (Note 5) not subject to amortisation given that the relevant drug has not begun to be sold and of those intangible assets regarding which indications of impairment have been observed, is based on detailed financial projections for a period of five years, by estimating perpetual income for subsequent years on the basis of a growth rate based on the type and age of the products. 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:

	2017	2016
	Industrial property and development expenses	Industrial property and development expenses
Discount rate	9,5%	9,5%
Growth rate perpetual income (*)	0% - (15%)	(5)%-(10%)
Probability of development success	On the basis of each product assessed	On the basis of each product assessed

(*) Based on type/ age of products.

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

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

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

d) Leases

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

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

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

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

The Company does not have any finance leases at 31 December 2017 and 2016.

e) Cash and cash equivalents

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

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

f) Financial instruments (excluding derivative financial instruments)

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

In 2017 and 2016, the measurement bases applied by the Company to its financial instruments were as follows:

Financial assets-

Classification:

The financial assets held by the Company are classified as:

- Loans and receivables: financial assets arising on the sale of assets or the provision of services in relation to the company's business operations, or financial assets not arising from business transactions, that are not equity or derivative instruments, from which collections arise in fixed or determinable amounts, and are not traded in an active market.

- Held-to-maturity investments: debt securities having fixed maturities and determinable collections that are traded in an active market and that the Company intends and has the capacity to hold to maturity.

- Financial assets at fair value through profit or loss: financial assets whose returns are managed and evaluated in accordance with fair value criteria. They are initially recognised as such based on the specific characteristics of the asset (Note 9).

- Financial assets held for trading: acquired by the Company to generate a short-term benefit from fluctuations in their prices or from differences between their purchase and sale prices.

- Equity investments in group companies, associates and jointly-controlled entities: companies linked to the Company through a relationship of control are deemed to be Group companies; companies over which the Company exercises significant influence are associates. Additionally, jointly-controlled entities are companies controlled jointly under an agreement with one or more shareholders.

- Available for sale financial assets: this includes debt securities and equity instruments that are not classified in any of the above categories.

Initial measurement:

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

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

Subsequent measurement and impairment losses

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

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

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

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

Financial liabilities-

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

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

The loans with subsidised or zero interest rates are forms of government aid. These loans are recognised at the fair value of the financing received and the differences arising between the fair value and the nominal value of the financing received are treated as described in Note 4-i).

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

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

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

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

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

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

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

g) Derivative financial instruments and hedge accounting

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

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

- Fair value hedges: in this case, value changes in hedging instruments and hedged items attributable to the hedged risk, are recognised in the income statement.

- Cash flow hedges: in this case, the portion of the gain or loss on the hedging instrument classed as an effective hedge is recognised provisionally in equity and is taken to the income statement in the same year in which the hedged transaction affects results, unless the hedge relates to a forecast transaction that ends in the recognition of a non-financial asset or liability, in which case the amounts reflected in equity are included in the cost of the asset or liability when it is acquired or assumed.

- Hedges of a net investment in a foreign operation: this type of hedges are used to cover the exchange rate risk on investments in subsidiaries and associates and are treated as fair value hedges for the exchange rate component.

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

The Company held no derivatives at 31 December 2017 and 2016.

h) Inventories

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

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

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

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

i) Grants, donations and bequests

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

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

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

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

j) Provisions and contingencies

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

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

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

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

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

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

On-going litigation and/or claims -

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

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

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

Provisions for product returns-

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

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

Provision for restructuring-

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

k) Income and expense

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

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

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

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

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

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

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

- The economic substance of the transaction.
- The nature of the items forming the subject matter of the transaction (disbursements, asset swaps, etc,).
- Measurement and allocation on the basis of the fair value of each of the items relating to the consideration.

- Transfer of the significant risks and rewards arising from ownership of the goods and assumption of future obligations.

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

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

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

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

-Non-refundable initial amounts.

-Receipts on attainment of certain milestones (development, business, etc,).

-Royalties.

-Calculation of the future price of supplies of the product in question between the parties.

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

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

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

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

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, 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 basic 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, the revenue recognition will be based on the future royalties, based on the real sales achieved.

l) Foreign Currency Transactions

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

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

m) Related-party transactions

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

n) Borrowing costs

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

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

Other borrowing costs are expensed currently in the income statement.

o) Corporate income tax

Corporate income tax expense or income is made up of current tax expense or income and deferred tax expense or income.

Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VII of Legislative Royal Decree 4/2004 of 5 March, approving the Corporate Income Tax Law. The companies composing the tax group for 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. (formerly Almirall Europa, 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 current tax is the amount paid by the Company as a result of the corporate income tax assessments for the year, Tax credits and other tax breaks, excluding tax withholdings and payments on account, and available tax loss carryforwards offset in the current year reduce the current income tax expense.

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

Deferred tax liabilities are recognised for all temporary taxable differences, barring those arising from the initial recognition of goodwill or other assets and liabilities in a transaction that does not affect either taxable income or the reported result and is not a business combination.

Deferred tax assets are only recognised insofar as it is considered probable that the tax Group parented by the Company or the individual companies will have future taxable income to offset the temporary differences.

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

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

p) Severance indemnities

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

q) Environmental disclosures

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

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

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

r) Share-based payment plans

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

Under the Plan, the Company undertakes to grant the executives long-term variable remuneration, settled in cash, tied to the price of the Company's shares, provided that certain requirements and conditions are met. The liability recognised in the accompanying balance sheet at 31 December 2017 and 2016 is detailed in Note 14.

s) Equity

Share capital consists of ordinary shares.

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

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

(Expressed in thousand euro)

5. Intangible assets

The movements in this heading on the balance sheet in 2017 and 2016 are as follows:

	Industrial property	Merger goodwill	Computer software	Advances and property, plant and equipment in the course of construction	Total
Cost					
At 31 December 2015	**260,572**	**101,167**	**62,467**	**5,024**	**429,230**
Additions	1,780	-	6,288	160,820	168,888
Derecognition	(1,853)	-	(274)	-	(2,127)
Transfers	-	-	4,452	(4,452)	-
At 31 December 2016	**260,499**	**101,167**	**72,933**	**161,392**	**595,991**
Additions	68,188	-	1,147	6,707	76,042
Disposals	(2,281)	-	-	(16)	(2,297)
Transfers	23	-	2,733	(2,756)	-
At 31 December 2017	**326,429**	**101,167**	**76,813**	**165,327**	**669,736**
Accumulated amortisation					
At 31 December 2015	**(151,644)**	**(101,167)**	**(40,372)**	**-**	**(293,183)**
Amortisation	(14,844)	-	(8,552)	-	(23,396)
Derecognition	803	-	2	-	805
At 31 December 2016	**(165,685)**	**(101,167)**	**(48,922)**	**-**	**(315,774)**
Amortisation	(15,070)	-	(9,621)	-	(24,691)
Derecognition	705	-	-	-	705
At 31 December 2017	**(180,050)**	**(101,167)**	**(58,543)**	**-**	**(339,760)**
Impairment losses					
At 31 December 2015	**(41,741)**	**-**	**(5,070)**	**-**	**(46,811)**
Impairment losses recognised in the year	(15,000)	-	-	-	(15,000)
Write-off impairment losses	-	-	-	-	-
At 31 December 2016	**(56,741)**	**-**	**(5,070)**	**-**	**(61,811)**
Impairment losses recognised in the year	-	-	-	-	-
Write-off impairment losses	-	-	-	-	-
At 31 December 2017	**(56,741)**	**-**	**(5,070)**	**-**	**(61,811)**
Carrying amount					
At 31 December 2015	**67,187**	**-**	**17,025**	**5,024**	**89,236**
Cost	260,499	101,167	72,933	161,392	595,991
Accumulated amortisation	(165,685)	(101,167)	(48,922)	-	(315,774)
Impairment losses	(56,741)	-	(5,070)	-	(61,811)
At 31 December 2016	**38,073**	**-**	**18,941**	**161,392**	**218,406**
Cost	326,429	101,167	76,813	165,327	669,736
Accumulated amortisation	(180,050)	(101,167)	(58,543)	-	(339,760)
Impairment losses	(56,741)	-	(5,070)	(20,000)	(81,811)
At 31 December 2017	**89,638**	**-**	**13,200**	**145,327**	**248,165**

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

In 2017, the main additions to intangible assets during the financial year ending 31 December 2017 amounted to Euro 71 million 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.

- "Up-front payment" and payment for the current value of 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, 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 16), including the interest accrued up to year end. Certain milestones related to various events corresponding to the development of this product have been established under this agreement.

- "Up-front payment" for the agreement signed with Athenex, under which the latter granted an exclusive licence to Almirall to research, develop and sell in the Europe, including Russia, first-in-class topical treatment, currently at stage III of development. As of December 31, 2017, this up-front is pending of 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 16), 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. Likewise, the contract also contemplates payments for the attainment of sales milestones. The contract also contemplates the payment of additional staggered royalties from 15% based on annual net sales, which will increase in case of higher sales.

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 thousand corresponding to the sum of the payment made for EUR 45.3 million and the current value of the future payments subject to different bureaucratic events and studies which are almost certain to occur (milestones marking the end of certain compulsory clinical trials and notification of the corresponding approvals by regulatory agencies, where it is highly likely that the approvals will be obtained as the project in question has had positive results at stage III), reviewed at their current value at its updated value at the date of acquisition, totalling EUR 111.6 million. This outstanding amount, modified by the interest accrued from the acquisition of this asset, was recognised under "Suppliers of assets" (Note 16), and includes the interest accrued up to year end. This licence 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 28.4 million) has been paid in 2017.

As a result of the above at the end of the year ended on December 31, 2017, the impairment test was carried out based on the new business plan, which entailed the recognition of an impairment loss of 20 million euros. The events and circumstances that led to the recognition of this adjustment are those indicated in the previous paragraph.

The methodology used by the Almirall Group for this asset, to update the impairment test is based on detailed financial projections for the useful life of the product, probabilized in a percentage of success. The recoverable amount is determined as the greater amount between the fair value less the cost of sale and the value in use. When assessing value in use, estimated future cash flows are discounted to their present value using a discount rate that reflects current market valuations with respect to the time value of money and the specific risks of the assets.

Below we include the sensitivity analysis performed regarding this asset:

	Sensitivity analysis	Impact (million euros)
Sun Pharma Asset	- Increase / Decrease estimated net sales by 5% - Increase / Decrease by 7 points on the probability of success - Increase / Decrease by one point and a half in the discount rate.	- +13 / (13) - +13 / (11) - (24) / +29

At 31 December 2017 and 2016, fully-amortised intangible assets in use amounted to approximately EUR 168.2 million and EUR 157.3 million (not including goodwill), respectively.

The aggregate amount of the research and development expenditure recognised as an expense in the accompanying income statement for 2017 and 2016 totals EUR 52.9 and EUR 71.2 million, respectively. These amounts include the depreciation of the assets associated with R&D activities and the amortisation of the expenses incurred by Company personnel and by third parties. No development expenses were capitalised during 2017 or 2016.

At 31 December 2017 and 2016, there are no capitalised development expenses not subject to amortisation with a significant carrying amount, and no intangible assets with a significant carrying amount have been identified presenting indications of impairment. Nevertheless, the Company has tested its main intangible assets for impairment on the basis of calculations of value in use, in accordance with Note 4-c, and there is no need to increase impairment.

At 31 December 2017 and 2016, the impairment of Industrial Property relates, mainly, to the development and marketing rights of a respiratory product deemed fully impaired in an EUR 45 million (EUR 45 million at 31 December 2016) due to the strategic decision made in 2016 to discontinue selling this product.

These impairment losses were recognised under “Impairment and profit/loss on fixed asset disposals” on the accompanying income statement for 2017 and 2016 (Note 19).

(Expressed in thousand euro)

6. Property, plant and equipment

The changes in 2017 and 2016 in "Property, plant and equipment" in the accompanying balance sheet and the most significant information affecting this heading were as follows:

	Land and buildings	Plant and machinery	Fixtures, fittings, tooling and furnishings	Other fixed assets	Payments on account and assets in course of construction	Total
Cost						
At 31 December 2015	**26,449**	**6,520**	**120,995**	**13,969**	**1,807**	**169,740**
Additions	-	40	2,050	97	1,372	3,559
Derecognition	-	(2)	(2,595)	(10)	-	(2,607)
Transfers	-	107	943	275	(1,325)	-
At 31 December 2016	**26,449**	**6,665**	**121,393**	**14,331**	**1,854**	**170,692**
Additions	-	194	1,141	495	713	2,543
Disposals	-	(8)	(400)	-	-	(408)
Transfers	-	168	1,269	301	(1,738)	-
At 31 December 2017	**26,449**	**7,019**	**123,403**	**15,127**	**829**	**172,827**
Accumulated depreciation						
At 31 December 2015	**(5,321)**	**(3,500)**	**(105,162)**	**(12,243)**	**-**	**(126,226)**
Depreciation	(432)	(649)	(3,896)	(875)	-	(5,852)
Derecognition	-	3	2,554	11	-	2,568
At 31 December 2016	**(5,753)**	**(4,146)**	**(106,504)**	**(13,107)**	**-**	**(129,510)**
Depreciation	(432)	(660)	(3,843)	(836)	-	(5,771)
Derecognition	-	6	363	-	-	369
At 31 December 2017	**(6,185)**	**(4,800)**	**(109,984)**	**(13,943)**	**-**	**(134,912)**
Impairment losses						
At 31 December 2015	**-**	**-**	**(34)**	**-**	**-**	**(34)**
Impairment losses recognised in the year	-	-	-	-	-	-
At 31 December 2016	**-**	**-**	**(34)**	**-**	**-**	**(34)**
Impairment losses recognised in the year	-	-	-	-	-	-
At 31 December 2017	**-**	**-**	**(34)**	**-**	**-**	**(34)**
Carrying amount						
At 31 December 2015	**21,128**	**3,020**	**15,799**	**1,726**	**1,807**	**43,480**
Cost	26,449	6,665	121,393	14,331	1,854	170,692
Accumulated depreciation	(5,753)	(4,146)	(106,504)	(13,107)	-	(129,510)
Impairment losses	-	-	(34)	-	-	(34)
At 31 December 2016	**20,696**	**2,519**	**14,855**	**1,224**	**1,854**	**41,148**
Cost	26,449	7,019	123,403	15,127	829	172,827
Accumulated depreciation	(6,185)	(4,800)	(109,984)	(13,943)	-	(134,912)
Impairment losses	-	-	(34)	-	-	(34)
At 31 December 2017	**20,264**	**2,219**	**13,385**	**1,184**	**829**	**37,881**

Additions in 2017 and 2016 were due mainly to improvements at the production centres at chemical and pharmaceutical plants and at the Company's research and development facilities.

Fixed assets under construction at the 2017 and 2016 year-ends and transfers in those years relate mainly to investments in the aforementioned research facilities.

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

(Expressed in thousand euro)

Fully-depreciated property, plant and equipment at 31 December 2017 and 2016 amounted to approximately EUR 106 million and EUR 99 million, respectively.

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

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

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

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

7. <u>Leases</u>

At year-end 2017 and 2016, the Company has the following minimum lease liabilities under agreements currently in effect, excluding service charges, inflation and future rent reviews stipulated in the lease:

	Thousand euro	
	2017	2016
Within one year	8,293	6,031
2 to 5 years	3,942	-
Over 5 years	-	-

Operating lease instalments recognised under expenses in 2017 and 2016 are as follows:

	Thousand euro	
	2017	2016
Operating leases recognised in the income statement for the year	5,170	5,079

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

8. <u>Short and long-term investments in Group companies and associates</u>

The changes in 2017 and 2016 in "Property, plant and equipment" in the accompanying balance sheet and the most significant information affecting this heading were as follows:

	Thousand euro					
	Interests in Group companies	Impairment adjustments	Long-term loans to Group companies (Note 20)	Impairment adjustments	Total long-term	Short-term loans to group companies (Note 20)
Balance at 31 December 2015	**686,598**	**(27,912)**	**184,377**	**-**	**843,063**	**92**
Additions	414,420	(7,533)	77,697	-	484,584	1,400
Derecognition	(11,072)	40	-	-	(11,032)	-
Balance at 31 December 2016	**1,089,946**	**(35,405)**	**262,074**	**-**	**1,316,615**	**1,492**
Additions	29,057	(101,826)	-	(100,799)	(173,568)	368
Disposals	(3,042)	5.079	(44,152)	-	(42,115)	-
Balance at 31 December 2017	**1,115,961**	**(132,152)**	**217,922**	**(100,799)**	**1,100,932**	**1,860**

In 2017, the main additions recognised in "Interests in Group companies" are related to the capital increase in the amount of 25,8 Million Euros to the investee company Almirall Aesthetics Inc. (USA). On 8th May 2017 and 31th October 2017 were agreed on contributions of 15 and 14 million dollars, respectively.

The capital increase in the amount of 25.8 million euros to the investee company Almirall Aesthetics Inc. (USA). On May 8th and October 31, 2017, members were agreed on contributions of 15 and 14 million dollars, respectively

In 2016, the main additions to Short and long-term investments in Group companies and associates mainly corresponded to:

- Additions amounting to EUR 380,3 million for the acquisition of Poli Group. Effective 5 February 2016 the Company acquired 100% of the share capital of Poli Group Holding S.R.L., the Poli Group's holding company, after meeting all regulatory and anti-trust requirements and having taken control at that date, At the time of acquisition, Poli Group Holding S.r.l. in turn wholly owned Taurus Pharma GmbH, Polichem S.A. and Polichem S.r.l. (hereinafter Poli Group).

  The amount of the addition recognised included the fair value at the date on which control was acquired of contingent consideration payable in the future (EUR 17.2 million) which could reach EUR 25 million, mainly depending on the attainment of certain revenue levels of the group acquired for 2017 and 2018. The method used to determine the fair value of the contingent consideration consisted of considering the possible scenarios of the payments to be made each year, weighted for the probability of occurrence assigned to each future event considered, all discounted at the same discount rate associated with the valuation of the whole business.

  At 31 December 2016, the fair value of the contingent consideration was restated based on the scenarios of the payments to be made and the probability that these events will occur, generating an expense of EUR 3.3 million recognised in "Impairment and profit/ loss on disposals and variation in the fair value of financial instruments".

  Poli Group has a wide-ranging portfolio of its own well-established drugs, which are mainly for dermatology and are supplemented by a strong portfolio of gynaecological and respiratory products, the latter being promoted through distributors. The headquarters of the Parent company of this group is in Lugano (Switzerland).

- Additions amounting to EUR 34.2 million relating to the Company's subscription of an equity increase in Almirall Aesthetics Inc. (USA), a company wholly owned by Almirall, S.A. The ThermiGen Group was acquired through Almirall Aesthetics, Inc (USA) on 9 February 2016. Specifically, on complying with all of the terms and conditions of the operation. Almirall Aesthetics Inc. acquired 100% of ThermiGen LLC, which in turn held 100% of ThermiGen Aesthetics LLC, ThermiEye LLC and ThermiVA LLC (ThermiGen).

  ThermiGen is a private cosmetic medicine technology group, and a lead player in the development and production of energy systems regulated by thermistors for plastic surgery and cosmetic dermatological applications. The ThermiGen group's headquarters are located in Dallas, Texas (USA).

  Disposals in 2016 in Interests in Group companies related to:

- Sale of the subsidiary of Almirall de México, S.A. de C.V., wholly owned by Almirall, S,A, (holding 0.74% of equity instruments) and Almirall International B.V. (holding the remaining 99.26%), With effect from 3 May 2016, Almirall, S.A. and Almirall International, B.V. signed a share sales-purchase 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 all shares held in the subsidiary Almirall de México, S.A. de C.V. The Company sold its interest for EUR 211 thousand and generated profit of EUR 96 thousand.

  In addition, as a result of this sale of shares, an agreement was made to assign the rights to sell in Mexico the trademarks of several of Almirall's products previously sold by Almirall de México, S.A. de C.V. At the date of this agreement, Almirall received an initial non-refundable payment (an upfront payment) of EUR 10 million, Future payments of up to EUR 8 million were agreed for certain milestones consisting of some studies and other administrative procedures to be made within a period of not more than 18 months from the effective date, and settlement of these payments was expected to be close to 100%. As this sale is for a licence where the market rights were transferred, both the initial part allocated to this component ("upfront payment" totalling EUR 10 million) and the amount subject to the attainment of certain milestones to be met within a period of not more than 18 months (a further EUR 8 million) were recognised directly as income in the income statement as part of the sale of the subsidiary Almirall de México, S.A. de C.V. (under "Impairment and profit/(loss) on disposals of fixed assets and investments in Group companies). At the year-end 2016 only EUR 0.8 million had yet to be collected for the aforementioned milestones. This sale entailed a profit in 2016 of EUR 18.1 million for the Company (Note 19).

(Expressed in thousand euro)

– Decrease in the interest held in Almirall International B,V, due to the distribution of part of its share premium in an amount of EUR 37,5 million, which generated dividend income for Almirall, S,A of EUR 27,2 million (taking into account the profits obtained since the Company's inclusion in the Group) and a decrease in the cost of the interest of EUR 10,3 million (for the part of profits obtained by the Company prior to its inclusion in the Group).

Long-term loans to Group companies relate to:

– A loan granted on 16 December 2013 to the investee Almirall Inc. amounting to USD 201.5 million, maturing on 16 December 2020 which accrues interest at an annual rate of LIBOR at 1 year. During 2015 the conditions related to maturity of that contract were amended in order to provide stable and permanent long-term financing (forming part of the net investment in that investee) and a system of renewal at maturity was established, leading to its consideration as a net investment.

The variation in the amount of the loan recognised in 2017 and 2016 is solely due to the effect of the updating of the exchange rate at the year-end (EUR 21.8 million) and the return of EUR 12.7 million (USD 14.9 million).

In addition, in 2017 an impairment has been made for the non-recoverable amount of such credit, as explained in the section on impairment losses of this note.

– Loan granted on 26 January to the investee Almirall Aesthetics, Inc amounting to USD 62 million which accrues interest at an annual rate of 8%p.a. and matures on 16 January 2023 with an extension option of USD 18 million. On 18 November 2016 the loan contract signed in January 2016 was amended and extended to include an additional USD 12.5 million.

The variation in the amount of the loan recognised during 2017 is solely due to the effect of the updating of the exchange rate at the year-end (EUR 8.6 million).

Interests in Group companies

	Thousand Euros					
	2017		2016		Additions / (Disposals)	
Sociedad	Cost	Impairment	Cost	Impairment	Cost	Impairment
Laboratorios Almirall S.L.(**)	4,110	-	1,070	-	3,040	-
Laboratorios Tecnobío, S.A.	127	-	127	-	-	-
Ranke Quimica, S.A.	10,840	-	10,840	-	-	-
Laboratorios Miralfarma, S.L. (**)	-	-	1,340	-	(1,340)	-
Industrias Farmacéuticas Almirall, S.A.	41,982	-	41,982	-	-	-
Pantofarma, S.L. (**)	-	-	216	-	(216)	-
Almirall, AG	10,628	-	10,628	-	-	-
Laboratorios Almofarma, S.L. (**)	-	-	95	-	(95)	-
Laboratorio Temis Farma, S.L. (**)	-	-	1,114	-	(1,114)	-
Laboratorios Berenguer-Infale, S.L. (**)	-	-	157	-	(157)	-
Almirall, N.V.	9	-	9	-	-	-
Alprofarma, S.L. (**)	-	-	60	-	(60)	-
Laboratorios Farmacéuticos Romofarm, S.L. (**)	-	-	60	-	(60)	-
Almirall International, B.V.	144,203	(30,326)	144,203	(35,405)	-	5,079
Almirall Aesthetics ,S.A. (*)	261	-	61	-	200	-
Almirall Hermal, GmbH	359,270	-	359,270	-	-	-
Almirall, GmbH	1,485	-	1,485	-	-	-
Almirall, ApS	17	-	17	-	-	-
Almirall, Spa	967	-	966	-	1	-
Almirall Inc. (USA)	101,826	(101,826)	101,826	-	-	(101,826)
Almirall Aesthetics Inc (USA)	59,966	-	34,150	-	25,816	-
Poli Group Holding, SRL	380,270	-	380,270	-	-	-
Total	**1,115,961**	**(132,152)**	**1,089,946**	**(35,405)**	**26,015**	**(96,747)**

(*) Called Almirall Europa, S.A. at 31 December 2016

(Expressed in thousand euro)

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

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

At 31 December 2017 there are no formant investments in Group companies.

The investments in Group companies and other relevant information at 31 December 2016 in Almirall Aesthetics, S,A, (which was dormant) is as follows:

Name Address	Almirall Aesthetics, S.A. (*) Spain
Activity	Dormant
% interest	100%
Carrying amount of interest (Group)	
Cost	61
Measurement adjustments	-

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

The Canadian company Almirall Limited was wound up on 12 December 2016.

Impairment losses

In 2017 the business activity of the US subsidiary Aqua Pharmaceuticals, LLC (wholly owned by Almirall, Inc.) was adversely affected mainly for three reasons: a rebalance of inventories in the distribution channel; an inappropriate award of the US Patient Care Programme (PCP) resulting in an impairment of the Gross Sales/Net Sales relationship, and the recent launching of an Acticlate generic on the US market. 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 Almirall, S.A. has taken important steps to mitigate the impacts, these new relevant events, which 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.

In addition to the investment in Almirall Inc, there are receivables related to a Long-term loan granted to Almirall Inc on December 16, 2013 and, therefore, the net position with Aqua Pharmaceutical LLC has been evaluated. As a result of the update of the impairment test based on the business plan reviewed on this subsidiary at the end of 2017, and in accordance with the new assumptions, an impairment loss of the total investment in Almirall Inc amounting EUR 101.8 million has been recognised and an additional partial impairment totalling USD 120.9 million (EUR 100.8 million) of the Long-term loans to Group companies.

The methodology used by Almirall, S.A. to update the impairment test is based on detailed financial projections for a finite five year period.

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

The financial projections consist of an estimation of the net cash flows after taxes, calculated on the basis of an estimation of gross sales and margins and other costs projected for the cash-generating unit. The projections are based on reasonable and supported assumptions and markedly conservative criteria in order to reduce future exposure to possible additional impairment in this cash-generating unit, made up of the aforementioned subsidiary as a whole. In this respect, the projections reflect the fall in sales and margins as from 2017.

(Expressed in thousand euro)

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

Cash-Generating Unit or Asset	Assumption 2017 (*)	Assumption 2016 (*)
Almirall, Inc	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%

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

According to the estimates and projections available to the directors of the Company, except for the matter commented above regarding the cash-generating unit formed by the subsidiary Almirall Inc. 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 investments recognised.

Additionally during 2017 and 2016 the Company has reversed a part of the impairment performed in the investment of Almirall International B.V. totalling EUR 5,079 thousand and EUR 7,533 thousand, respectively due to the profit generated by this subsidiary.

9. Long and short-term investments

Long-term investments

The detail of the balance of this heading in the balance sheets at 31 December 2017 and 2016 and of the changes therein in the years then ended is as follows:

	Thousand euro			
	Long-term investment portfolio	Long-term loans and other financial assets	Deposits and guarantees given	Total long-term
Balance at 31 December 2014	**7,969**	**151,173**	**392**	**159,534**
Additions	-	26,388	-	26,388
Decreases	(7,411)	(4,434)	(2)	(11,847)
Balance at 31 December 2016	**558**	**173,127**	**390**	**174,075**
Additions	-	4,479	-	4,479
Decreases	(7)	(4,625)	-	(4,632)
Balance at 31 December 2017	**551**	**172,982**	**390**	**173,922**

"Financial assets - Long-term investment portfolio and other financial assets" on the accompanying balance sheet include:

(Expressed in thousand euro)

- 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.

During 2016, the 681,819 shares representing 0.72% of the share capital of the company Ironwood Pharmaceuticals were sold for an amount of EUR 7,894 thousand. As a result of the sale of Ironwood's shares a capital gain recorded as valuation adjustments for a total of EUR 2.2 million associated with these shares were transferred to the income statement.

The heading "Financial Assets – Long-term loans and other financial assets" mainly includes the financial asset corresponding to the fair value of future payments to be received in the long term by AstraZeneca in accordance with Note 6 to the accompanying annual accounts (EUR 172,865 thousand at 31 December 2017 and EUR 168,386 thousand at 31 December 2016). As stated in this Note, collections for milestones and changes in fair value of the asset have been recognised during 2017 and 2016. Based on collection timeframe expectations, no amount has been transferred to short term during 2017.

Short-term financial investments

The detail of this heading in the balance sheets at 31 December 2017 and 2016 is as follows:

	Thousand euro	
	2017	2016
Short-term investment portfolio	38,557	197,341
Short-term interest	16	245
Total	**38,573**	**197,586**

The "Short-term investment portfolio" basically comprises bank deposits.

For the purpose of preparing the cash flow statement, the Company considers cash equivalents all highly liquid short-term investments (Note 4-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 cash flow statement for the year all short-term investments were included as cash equivalents since short-term bank deposits can be liquidated immediately at the Company's discretion without incurring a penalty.

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

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

- Loans and receivables: this heading mainly includes loans granted, collection of which is for a fixed or determinable amount and which are not listed on an active market.

- Held-for-trading financial assets: the Company considers that this category includes financial investments restated through profit or loss and the financial derivatives that do not qualify for hedge accounting. The Company has no assets of this kind at year-end 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, and nor have they been acquired for such purpose, the above ownership interest acquired in AB-Biotics, S.A. (up to its sale, they also included the ownership interest in Ironwood Pharmaceuticals Inc.).

- Financial assets at fair value through profit or loss: this heading includes part of the non-current receivable for recognition of the business sale described in Note 4-k.

(Expressed in thousand euro)

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

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

	Thousand euro	
	2017	2016
Loans and receivables	112	4,731
Financial assets available for sale	539	545
Held-to-maturity financial assets	38,974	197,988
Financial assets at fair value through profit or loss	172,870	168,397
Total	**212,495**	**371,661**

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

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

- 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 and 2016.

- Other financial assets: The fair value of "Financial Assets at fair value through profit or loss" was calculated using the discounted cash flow method adjusted for the probability of success of certain risk at different stages of the products. The discounted cash flow method estimates the future cash flows of the asset (translated from dollars to euros at the exchange rate based on the range agreed in the agreement) and the cash flows during the estimated marketing period, taking into account the maturity of the patent adjusted for estimated probability of success. These probabilised cash flows are discounted at a rate which reflects the current returns required by the market and the specific risks of the asset (Note 6). At 31 December 2017, the Company has updated the calculation of the fair value, reviewing the estimated probability of success based on the latest information available on the market as well as the exchange rate fluctuation and the financial effect, which resulted in a EUR 67.7 thousand effect in the income statement (EUR 29.9 thousand at 31 December 2016), which includes the profit generated in 2017 on the variation in the fair value of the part which was recognised in the short term for this item at the previous year-end (EUR 29.9 thousand at 31 December 2016).

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

Also, the bank accounts included under "Cash" include basically interest earned at an average annual rates of 0.27% and 0.17% in the years ended 31 December 2017 and 2016, respectively.

10. Inventories

At 31 December 2017 and 2016 this heading breaks down as follows:

	Thousand euro	
	2017	2016
Goods purchased for resale	9,700	12,180
Raw materials and packaging	10,456	8,909
Work in progress	5,554	5,570
Finished products	17,310	17,908
Measurement adjustment (Note 19)	(4,681)	(5,414)
Total	**38,339**	**39,153**

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

(Expressed in thousand euro)

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

No inventories have been pledged as security.

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

11. Trade and other receivables

At 31 December 2017 and 2016 this heading breaks down as follows:

	Thousand euro	
	2017	2016
Trade receivables for sales and services rendered	18,973	23,134
Trade receivables, group companies and associates (Note 20)	28,515	28,001
Sundry accounts receivable	2,139	984
Current tax assets and other receivables with the public administrations (Note 18)	36,325	40,656
Measurement adjustment (Note 19)	(646)	(564)
Total	**85,306**	**92,211**

Total overdue balances provided at 31 December 2017 and 2016 amount to EUR 646 thousand and EUR 564 thousand, respectively.

The Company'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 administrations related to the hospital business as a percentage of the total trade receivable balance for sales and services stands at 3.8 % (3.5% at year-end 2016).

No trade receivable balances have been pledged as security.

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

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

The trade receivable balance in foreign currency amounts to EUR 8.1 million in 2017 (EUR 11.5 million at year-end 2016).

12. Equity

Share capital

At 31 December 2017 and 2016, the Company's share capital was represented by 172,951,120 fully subscribed and paid shares with a par value of EUR 0,.12 each.

(Expressed in thousand euro)

At 31 December 2017 and 2016, all the Company's shares were listed on the Spanish stock exchanges, there being no restrictions on their free transferability. Also, pre-emption rights and purchase and sale options have been granted to the Company's ultimate shareholders in respect of the shares of one of the shareholders in accordance with the agreement entered into on 28 May 2007.

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

	2017	2016
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 Company. LLP	-	4.0%
OrbiMed	-	3.6%
Total	**70.6%**	**74.2%**

At 31 December 2017 and 2016 the Company is unaware of other ownership interests of 3% or more in the Company's share capital or voting rights or of interests lower than the established percentage but that permit significant influence to be exercised.

Legal Reserve

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

The balance of this item at 31 December 2017 and 2016 amounted to EUR 4.151 thousand.

Share premium

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

In 2007, as a result of various transactions in the framework of the admission to listing of all the Company's shares on the Spanish stock exchanges, the share premium balance increased by EUR 105.800 thousand.

The balance under this heading amounts to EUR 225.163 thousand at 31 December 2017 (EUR 225.163 thousand at 31 December 2016).

(Expressed in thousand euro)

Other reserves

The breakdown of this account for the years ended 31 December 2017 and 2016 is as follows:

	Thousand euro	
	2017	2016
Voluntary reserves	1,096,623	1,079,622
Canary Islands investment reserve	3,485	3,485
Redeemed capital reserve	30,539	30,539
Revaluation reserve	2,539	2,539
Merger reserve	4,588	4,588
Total other reserves	**1,137,774**	**1,120,773**

Canary Islands investment reserve

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

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

Redeemed capital reserve

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

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

Revaluation reserves

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

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

The balance of the Company’s "Revaluation reserve" amounts to EUR 2,539 thousand and is available.

(Expressed in thousand euro)

13. Accruals and deferred income

At 31 December 2017 and 2016 the balance and movement in this heading are as follows:

	Thousand euro
Balance at 31 December 2015	**204,425**
Taken to results (Note 19)	(38,205)
Balance at 31 December 2016	**166,220**
Taken to results (Note 19)	(31,803)
Balance at 31 December 2017	**134,417**

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 4-k not recognised in profit or loss, totalling EUR 134 million and EUR 166 million, respectively.

During 2016 the movement in deferred income amounted to EUR 38 million was as a result of the allocation of the non-reimbursable initial collections on said operation and this amount included the fact that the two pre-clinical programs were completed before the initially envisaged date. Therefore total deferred income on these programs was allocated directly to the income statement for the year ended 31 December 2016.

In 2017 and 2016, the Company has not signed any agreements which imply any deferred income in addition to the deferred income stated in Note 5 of these notes to the annual accounts.

14. Long-term provisions

The changes in 2017 and 2016 in “Provisions” in the accompanying balance sheet are as follows:

	2017			2016		
	Provision for returns	Other provisions	Total	Provision for returns	Other provisions	Total
Balance at 1 January	**7,890**	**4,795**	**12,685**	**7,750**	**8,371**	**16,121**
Additions for the year	5,761	17,482	23,243	2,590	-	2,590
Derecognition	(780)	(1,190)	(1,970)	(2,450)	(3,576)	(6,026)
Balance at 31 December	**12,871**	**21,087**	**33,958**	**7,890**	**4,795**	**12,685**

Provision for returns

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

(Expressed in thousand euro)

Other Provisions

Other provisions relate to the provision for long-term remuneration, Note 4-r. During 2017 an amount of EUR 17 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.

15. Financial debts

Mainly for the purpose of financing the investment made in the USA (in the subsidiary Aqua Pharmaceuticals), in March 2014, the 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 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 Company has decided to cancel the non-convertible senior bonds issued in 2014. Under the terms and conditions of these non-convertible bonds, the Company 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 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 Company 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 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 detail of the bank borrowings and other financial liabilities at 31 December 2017 is as follows:

				Non-current		
	Limit	Amount drawn down	Current	2019	Subsequent years	Total
Credit lines	250,000	250,000	-	-	250,000	250,000
Obligations	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	358	358
Total at 31 December 2017	**250,000**	**250,000**	**-**	**-**	**250,358**	**250,358**

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

(Expressed in thousand euro)

	Limit	Amount drawn down	Current	Non-current 2018	Non-current Subsequent years	Non-current Total
Credit lines	25,000	-	-	-	-	-
Obligations (*)	N/A	317,187	-	-	317,187	317,187
Accrued interest payable	-	3,824	3,824	-	-	-
Total at 31 December 2016	**25,000**	**321,011**	**3,824**	**-**	**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.

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

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

	Thousand euro					
	Current	Non-Current				
		2019	2020	2021	Other	Total
Research-related loans	1,943	2,296	2,446	2,499	5,412	12,653
Payables for purchases of non-current assets	112,840	19,300	11,638	1,391	-	32,329
Other long-term payables	29,326	-	-	-	-	-
Total at 31 December 2017	**144,109**	**21,596**	**14,084**	**3,890**	**5,412**	**44,982**

	Thousand euro					
	Current	Non-Current				
		2018	2019	2020	Other	Total
Research-related loans	9,349	2,043	2,519	2,456	6,923	13,941
Payables for non-current asset purchases	48,311	45,965	16,221	3,883	1,350	67,419
Other long-term payables	-	34,404	-	-	-	34,404
Total at 31 December 2016	**57,660**	**82,412**	**18,740**	**6,339**	**8,273**	**115,764**

The research-related loans relate to the interest-free loans granted by the Ministry of Science and Technology to promote research and are presented as described in Note 4-f. The grant of these loans is subject to compliance with certain conditions concerning investments and expenses. These loans mature in the period 2018 to 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 5). 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 5).

At 31 December 2017 and 2016, as a result of the AstraZeneca transaction described in Note 4-k, the Company recognised an amount of EUR 11.8 million (EUR 21.4 million at 31 December 2016) for costs payable by the Company under Other long-term payables. In addition, the non-current part of the contingent consideration payable in the future in relation to the takeover of the Poli Group is included, which is mainly based on compliance with certain levels of net sales by the Company, as explained in Note 8 (EUR 17.5 million at 31 December 2017).

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

17. Commitments entered into, contingent liabilities and contingent assets

a) Commitments entered into

As a result of the research and development activities carried out by the Company, firm agreements for approximately EUR 0.6 million and EUR 0.6 million were entered into at 31 December 2017 and 2016 in relation to the performance of those activities which should be paid in future years. There were no commitments to purchase property, plant and equipment for significant amounts at 31 December 2017 and 2016.

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

The Company has arranged several guarantees with the public administration and third parties amounting to EUR 13,752 thousand at 31 December 2017 (EUR 15,178 thousand at 31 December 2016).

b) Contingent liabilities

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

c) Contingent assets

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

18. Tax situation

Consolidated Tax Group

Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter 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 Almiral Aesthetics, S.A. (formerly Almirall Europa, 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.

(Expressed in thousand euro)

Years open to tax inspections-

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

As a result of the inspection, the returns of the Parent and the companies in the Spanish tax group headed by it, are open to review by the tax authorities for the years 2012 to 2017 for corporate income tax and 2013 to 2017 for the other taxes applicable to them.

During 2017 and 2016, no additional inspections were initiated other than those mentioned.

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

Tax refundable and payable

The detail of current tax refundable and payable at 31 December 2017 and 2016 is as follows:

	Thousand euro	
	31/12/2017	31/12/2016
VAT receivable	5,754	8,731
Income tax receivable	30,555	31,918
Sundry taxes receivable	16	7
Total balances receivable	**36,325**	**40,656**
VAT payable	12	722
Foreign VAT payable	103	15
Personal income tax withholdings	1,518	4,350
Social security payable	103	1,441
Sundry taxes receivable	(11)	43
Total balances payable	**1,725**	**6,571**

"Corporate income tax receivable" includes tax refundable for 2017 and 2016, and collected at the date of preparation of these annual accounts.

(Expressed in thousand euro)

Income tax recognised-

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

	Thousand euro	
	Expense /(income)	
	2017	2016
Income tax:		
- Recognised in the income statement	**45,309**	**11,069**
Current corporate income tax	31	2,216
Deferred corporate income tax	42,996	6,708
Foreign tax	2,282	2,145
- Recognised in equity	**(2)**	**(504)**
Total	**45,307**	**10,565**

Reconciliation of the accounting results to the tax base-

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

	Thousand euro	
	2017	2016
Profit /(loss) before taxes	(175,584)	61,070
Permanent differences:		
Increase	208,690	7,882
Decrease	(60,462)	(40,224)
Adjusted accounting results	(8,555)	28,728
Tax rate	25%	25%
Gross tax	**(6,839)**	**7,182**
Tax credits:		
-Tax credits and other consolidation adjustments	39,766	(1,690)
Income tax paid abroad	2,282	2,161
Regularisation of deferred tax assets and liabilities	-	-
Effect of tax consolidation	-	-
Offset of tax losses	-	-
Other	10,100	3,416
Income tax expense (income) accrued	**45,309**	**11,069**

(Expressed in thousand euro)

The reconciliation of the accounting results and tax base for 2017 and 2016 is as follows:

	Thousand euro	
	2017	2016
Profit /(loss) before taxes	(175,584)	61,070
Permanent differences:		
Increase	208,690	7,882
Decrease	(60,462)	(40,225)
Temporary differences		
Increase	29,018	26,577
Decrease	(41,160)	(48,388)
Gross taxable income	**(39,497)**	**6,916**
Offsetting of tax-loss carryforwards	-	-
Tax base	**(39,497)**	**6,916**

The reduced taxable profit resulting from permanent differences in 2017 and 2016 is a result basically of the reduction of the taxable profit relating to proceeds from the assignment of intangible assets (the highest amount relates mainly to the exemption of part of the income recognised as a result of the transaction with AstraZeneca) whilst the increase mainly corresponds to the different treatment for tax purposes of certain expenses arising in these years.

The increase in temporary differences basically relates to the different tax treatment of certain provisions established during the year and the different tax treatment afforded to fixed asset amortisation / depreciation.

The decrease in temporary differences is largely due to the different tax treatment of the amortisation of merger goodwill, the deductibility of financial goodwill on the purchase of Hermal Group and the reversal of temporary differences recognised on the provisions established in prior years.

(Expressed in thousand euro)

The detail, by nature and amount, of the tax incentives applied in 2017 and 2016 and of those not yet applied at 31 December 2017 and 2016 is as follows:

Nature	Year generated	Thousand euro			
		2017		2016	
		Offset	Available for offset	Offset	Available for offset
Research and development					
	2007	5,540	24,582	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	-	14,039	-	14,039
	2017	-	15,324	-	-
		5,540	**283,539**	**1,290**	**273,755**
Technological innovation	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	2016	-	-	145	-
	2017	-	98	-	-
		-	**98**	**145**	**-**
Temporary measures	2016	-	**-**	255	**-**
	2017	-	**219**	-	**-**
		-	**219**	**255**	**-**
Total tax incentives attested		**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 Company will generate each year will exceed 10% of tax payable.

(Expressed in thousand euro)

Deferred tax

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

	2017		2016	
	Accumulated differences in tax bases	Accumulated effect tax payable	Accumulated differences in tax bases	Accumulated effect tax payable
Amortisation of intangible assets	86,890	21,722	68,917	17,229
Provisions	38,649	9,662	62,964	15,741
Deductions pending application	-	205,033	-	250,504
Total deferred tax assets		**236,418**		**283,474**
Unrestricted amortisation/depreciation R,D, 27/84, 2/85, 3/93	29,460	7,365	30,579	9,395
Amortisation of goodwill	60,823	15,206	51,219	12,805
Other	(27)	(7)	(187)	(47)
Deferred tax liabilities		**22,564**		**22,153**

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

	2017	**2016**
Deferred tax assets	236,418	283,474
Deferred tax liabilities	(22,564)	(22,153)
Deferred tax assets (net)	**213,854**	**261,321**

The gross movement in deferred tax is as follows:

	2017	**2016**
At 1 January	261,321	267,525
(Charged)/credited to income statement	(47,469)	(6,708)
Tax (charged)/ credited directly to equity	2	504
At 31 December	**213,854**	**261,321**

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

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

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

In 2017, due that the Group do not expect to recover the deferred tax assets before 10, a reversal of the deferred tax for tax credits totalling EUR 39.3 million has been recognised in the income statement.

(Expressed in thousand euro)

19. Income and expense

Revenue

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

	Thousand euro	
	2017	**2016**
Spain	224,751	243,275
Exports	128,495	126,758
Income from shareholdings in Group companies (Note 20)	20,338	46,148
Total	**373,584**	**416,181**

	Thousand euro	
	2017	**2016**
Sale through own network	307,830	322,834
Sale through licensees	27,596	25,652
Income from shareholdings in Group companies (Note 20)	20,338	46,148
Other	17,820	21,547
Total	**373,584**	**416,181**

Other operating income

	Thousand euro	
	2017	**2016**
Income from co-development agreements	(178)	-
Income from sales/product marketing licenses	3,000	8,625
Other income - Group companies (Note 20)	13,601	11,597
Other	102,679	73,341
Total	**119,102**	**93,563**

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

Other for 2017 mainly includes:

- Income amounting to EUR 31.8 million relating to the time-apportionment to results of the non-reimbursable amount initially received (Note 13) (EUR38.2 million in 2016).
- Net income amounting to EUR 67.7 million due to the change in fair value of the financial asset deriving from the AstraZeneca transaction (Note 4-k) (EUR 29.9 million in 2016).

Raw materials and consumables

This heading is analysed below:

	Thousand euro	
	2017	**2016**
Purchases	113,388	107,390
Changes in inventories of raw materials and other consumables	(1,547)	1,569
Changes in inventories of goods for resale	2,480	2,973
Inventory impairment	(734)	20
Subcontracted work	40,015	50,442
Total	**153,602**	**162,394**

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

	Thousand euro
	Inventory impairment (Note 10)
Balance at 31 December 2015	**5,394**
Appropriation	10,176
Application	(10,156)
Cancellation	-
Balance at 31 December 2016	**5,414**
Appropriation	14,211
Application	(14,944)
Cancellation	-
Balance at 31 December 2017	**4,681**

The detail, by origin, of the purchases made by the Company in 2017 and 2016 is as follows (thousand euro):

	2017			2016		
	Spain	Intra-Community	Imports	Spain	Intra-Community	Imports
Purchases	57,178	53,768	2,441	58,612	46,450	2,328
Total		**113,387**			**107,390**	

Staff costs

The detail of "Staff Costs" is as follows:

	Thousand euro	
	2017	2016
Wages and salaries	47,633	43,621
Employer's Social Security contributions	8,044	8,812
Severance payments	(854)	17,249
Other employee welfare expenses	4,832	4,776
Total	**59,778**	**74,458**

(Expressed in thousand euro)

Severance at 31 December 2016 included personnel restructuring costs. The relevant agreement with the workers' representatives was communicated in November 2016 amounting to EUR 13.9 million. During 2017 the Company has paid the severance payments based on the final commitments agreed. At 31 December 2017 there is no provision in this regard.

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

	2017			2016		
	Men	Women	Total	Men	Women	Total
Managing directors	1	-	1	1	-	1
Directors	26	8	34	28	5	33
Managers	63	59	122	72	61	133
Technicians	140	196	336	146	197	343
Administrative	23	57	80	29	74	103
Other	-	1	1	2	1	3
Total	**253**	**321**	**574**	**278**	**338**	**616**

The number of employees at the year-end 2017 is as follows:

	2017		
	Men	Women	Total
Managing directors	1	-	1
Directors	23	9	32
Managers	63	53	116
Technicians	142	204	346
Administrative	21	55	76
Other	-	1	1
Total	**322**	**250**	**572**

The number of employees at the year-end 2016 was as follows:

	2017		
	Men	Women	Total
Managing directors	1	-	1
Directors	27	5	32
Managers	64	55	119
Technicians	137	195	332
Administrative	26	65	91
Other	2	1	3
Total	**257**	**321**	**578**

The number of employees at the end of 2017 with a 33% or higher disability is 3 people (two technical employees and one under the category “Other”) ((6 employees at year-end 2016 (three technical personnel, 2 Administrative and one under the category “Other”)).

(Expressed in thousand euro)

Other operating expenses

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

	Thousand euro	
	2017	2016
Rent and charges	9,727	9,318
Repair and upkeep	4,867	5,123
Independent professional services	24,275	36,819
Services received from Group (Note 20)	54,552	72,873
Vehicles	2,526	2,974
Insurance premiums	1,404	1,353
Banking and similar services	84	92
Utilities	1,304	1,286
Other services	56,178	36,753
Other taxes	277	283
Total	**155,194**	**166,874**

Losses, impairment and variation in trade provisions

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

	Thousand euro	
	2017	2016
Change in measurement adjustment for bad debts	(82)	(207)
Change in other trade provisions	780	950
Total	**698**	**743**

The change in the bad debt allowance is as follows:

	Thousand euro
	Bad debt allowance (Note 11)
Balance at 31 December 2015	**357**
Change in measurement adjustments Appropriation	207
Balance at 31 December 2016	**564**
Change in measurement adjustments Appropriation	82
Balance at 31 December 2017	**646**

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

The detail of "Impairment and profit/loss on disposals of fixed assets and investments in group companies" in 2017 and 2016 is as follows:

	Thousand euro			
	2017		2016	
	Profit	Loss	Profit	Loss
Profit/loss on disposal or derecognition of intangible assets	-	(1,592)	-	(1,145)
Profit/loss on disposal or derecognition of property, plant and equipment	1	(38)	-	(10)
Profit/loss on disposal or derecognition of investments in group companies (Note 8)	-	-	18,096	-
Impairment of intangible assets (Note 5)	-	(20,000)	-	(15,000)
Impairment Company Almirall Inc. (Note 8)	-	(100,799)	-	-
Impairment of investments in Group companies (Note 8)	5,079	(101,826)	-	(7,533)
	5,080	**(224,255)**	**18,096**	**(23,688)**
Impairment and profit/(loss) on disposals of fixed assets and investments in Group companies	**(219,175)**		**(5,592)**	

The amount included under "Profit/ (loss) on disposal/derecognition of investments in group companies" at 31 December 2016 relates to the sale of the subsidiary of Almirall México, S.A. de C.V.", which is explained in Note 8 to these annual accounts.

Financial income and expenses

The detail of "Financial income/(expense)", "Impairment and profit/loss on disposals and changes in the fair value of financial instruments" and "Exchange differences" in 2017 and 2016 is as follows:

	Thousands of Euros			
	2017		2016	
	Income	Expense	Income	Expense
Other income and similar interest	12	-	891	-
Change to fair value in financial instruments	-	(4,500)	-	(3.392)
Income for long-term investments in Group companies and associates (Note 8)	-	-	944	-
Income for disposals of financial instruments (Note 9)	-	-	2.195	-
Financial expenses for non-convertible bonds (Note 15)	-	(17,629)	-	(16.268)
Finance and similar costs	-	(4,524)	-	(3.327)
Exchange differences	14,754	(38,752)	14.783	(5.372)
	14,766	**(65,405)**	**18,813**	**(28,359)**
	(50,639)		**(9,546)**	

In 2017 and 2016, "Changes in fair value of financial instruments" mainly included the re-estimate at year end of the contingent consideration payable (earn-out) for the acquisition of Poli Group, as detailed in Note 8.

"Financial expenses for non-convertible bonds" include financial expenses for interest accrued in 2017 and 2016 on the issuance of non-convertible bonds made in 2014 (Note 15), and the effect arising from the costs related to that financing in accordance with the effective interest method totalling EUR 0.3 million in 2017 (EUR 1.3 million in 2016). Additionally, in 2017 it includes the cost of penalties on the early cancellation of the non-convertible bonds, as mentioned in Note 15.

Foreign Currency Transactions

During the years ended 2017 and 2016 the Company carried out the following transaction in foreign currency:

	Thousands of Euros			
	Expense		Income	
	2017	2016	2017	2016
Japanese Yen	3,476	4,251	583	169
US dollar	9,775	8,221	3,000	5,213
Mexican Peso	-	230	193	4,121
Danish Krone	3,055	6	5,344	5,160
Sterling Pounds	8,028	5,206	18,066	21,064
Swedish Krona	17	14	-	-
Polish Zloty	1,151	155	3,267	4,266
Swiss Franc	2,547	156	7,967	5,715
Hungarian Forint	1	9	-	9
Canadian Dollar	11	31	-	-

Auditor fees

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 (thousand euro):

The detailed services provided by year are as follows:

Description	2017		
	Annual accounts audit	Tax consultancy	Other services
PricewaterhouseCoopers Auditores, S.L.	213	-	6 (*)
Other companies PwC network	-	139	97
	213	**139**	**103**

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

(Expressed in thousand euro)

Description	2016		
	Annual accounts audit	Tax consultancy	Other services
PricewaterhouseCoopers Auditores, S.L.	161	-	12 (*)
Other companies PwC network	-	248	470
	161	**248**	**482**

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

20. Balances and transactions with related parties

Transactions-

During 2017 the Company carried out the following transactions with Group companies:

Revenues	**Sales**	**Other operating income**	**Financial income**	**Total**
Almirall, AG	16,344	1	3,423	19,768
Almiral ApS	5,345	1	-	5,489
Almirall Limited	18,074	168	-	18,255
Almirall, B.V.	2,417	-	-	2,421
Almirall International B.V.	369	-	-	374
Almirall S.A.S	13,239	2,519	-	17,421
Almirall SpA	26,601	179	-	26,840
Almirall Hermal GmbH	23,601	560	-	24,191
Almirall-Productos Farmacéuticos, Lda.	4,361	-	-	4,364
Almirall Sp. z o.o	-	2	-	2
Almirall Inc. (USA)	-	-	11,746	11,746
Aqua Pharmaceuticals Holdings, Inc	-	2,803	-	2,803
Industrias Farmacéuticas Almirall, S.A.	-	612	-	612
Ranke Química, S.A.	277	154	-	431
Laboratorios Almirall S.L. (**)	-	1,733	-	739
Laboratorios Tecnobío, S.A.	-	282	-	282
Polichem S.A. (Suiaza-Lugano)	6	4,107	-	4,113
Thermigen LLC (USA)	-	440	-	440
Almirall Aesthetics S.A. (*)	-	40	-	40
Almirall Aesthetics Inc (USA)	-	-	5,169	5,169
Total	**110,634**	**13,601**	**20,338**	**144,573**

(*) During 2016 change the Company name from Almirall Europa, S.A. to Almirall Aesthetics, S.A., being an active Company.

(**)With accounting effects 1 January 2017, the companies Laboratorios Miralfarma S.L., Laboratorios Almofarma S.L., Pantofarma S.L., Laboratorios Berenguer Infale S.L., Alprofarma S.L., Laboratorios Temis Farma S.L. and Laboratorios Farmaceúticos Romofarm S.L. have been merged with Laboratorios Omega Farmacéutica S.L. (now called Laboratorios Almirall, S.L.), being the last one the absorbent society.

(Expressed in thousand euro)

Expenses	Purchases	Services received	Financial expenses	Total
Almirall AG	-	2,141	13	2,154
Almirall ApS	-	2,953	-	2,953
Almirall Limited	-	2,982	19	3,001
Almirall B.V.	-	372	-	372
Almirall S.A.S. (***)	-	(1,654)	-	(1,654)
Almirall S.P.A.	-	8,326	-	8,326
Almirall Hermal GmbH	13,887	18,871	-	32,758
Almirall-Productos Farmacéuticos, Lda.	-	839	-	839
Almirall N.V.	-	487	-	487
Almirall Sp. z o.o	-	1,029	-	1,029
Almirall Inc. (USA)	-	-	-	-
Industrias Farmacéuticas Almirall, S.A.	34,548	3,680	-	38,228
Ranke Química, S.A.	21,588	-	-	21,588
Polichem S.A. (Suiza-Lugano)	34	-	-	34
Laboratorios Almirall S.L. (**)	-	14,059	-	14,059
Laboratorios Tecnobio S.A.	-	467	-	467
Totales	**70,057**	**54,552**	**32**	**124,641**

(*) During 2016 change the Company name from Almirall Europa, S.A. to Almirall Aesthetics, S.A., being an active Company.
(**)With accounting effects 1 January 2017, the companies Laboratorios Miralfarma S.L., Laboratorios Almofarma S.L., Pantofarma S.L., Laboratorios Berenguer Infale S.L., Alprofarma S.L., Laboratorios Temis Farma S.L. and Laboratorios Farmaceúticos Romofarm S.L. have been merged with Laboratorios Omega Farmacéutica S.L. (now called Laboratorios Almirall, S.L.), being the last one the absorbent society.
(***)Negative balance in the expense account derived from a retrocession of expenses imputed in previous years

(Expressed in thousand euro)

During 2016 the Company carried out the following transactions with Group companies:

Revenues	Sales	Other operating income	Financial income	Total
Almirall Limited Canada	-	120	(1)	119
Almirall, AG	19,091	2,509	-	21,600
Almirall ApS	5,160	2	-	5,162
Almirall Limited	21,064	167	-	21,231
Almirall de Mexico S,A de C,V,	4,121	(1)	-	4,120
Almirall, B,V,	325	-	-	325
Almirall International B,V,	-	-	27,206	27,206
Almirall S,A,S	16,137	504	-	16,641
Almirall SpA	25,876	186	-	26,062
Almirall Gmbh	-	-	-	-
Almirall Hermal GmbH	28,250	72	-	28,322
Almirall-Productos Farmacéuticos, Lda,	4,522	-	-	4,522
Almirall N,V,	2,641	153	-	2,794
Almirall Sp, z o,o	-	1	-	1
Almirall Inc, (USA)	-	-	13,780	13,780
Aqua Pharmaceuticals Holdings, Inc	-	2,564	-	2,564
Industrias Farmacéuticas Almirall, S,A,	-	463	-	463
Ranke Química, S,A,	-	129	-	129
Alprofarma, S,L,	-	4	-	4
Laboratorios Miralfarma, S,L,	-	4	-	4
Laboratorios Berenguer-Infale, S,L,	-	340	-	340
Laboratorio Temis Farma, S,L,	-	543	-	543
Laboratorio Omega Farmacéutica, S,L,	-	468	-	468
Laboratorios Almofarma, S,L,	-	323	-	323
Laboratorios Tecnobío, S,A,	-	305	-	305
Pantofarma, S,L,	-	425	-	425
Laboratorios Farmacéuticos Romofarm, S,L	-	354	-	354
Polichem S,A, (Switzerland-Lugano)	-	1,751	-	1,751
Thermigen LLC (USA)	-	211	166	377
Almirall Aesthetics Inc (USA)	-	-	4,996	4,996
Total	**127,187**	**11,597**	**46,148**	**184,932**

(Expressed in thousand euro)

Expenses	Purchases	Services received	Financial expenses	Total
Almirall AG	-	5,243	-	5,243
Almirall, ApS	-	3,015	-	3,015
Almirall Limited	-	7,714	30	7,744
Almirall de Mexico S,A de C,V,	-	4,086	8	4,094
Almirall B,V,	-	(71)	-	(71)
Almirall S,A,S	-	5,655	-	5,655
Almirall S,P,A,	-	9,224	-	9,224
Almirall Hermal GmbH	17,941	11,483	-	29,424
Almirall-Productos Farmacéuticos, Lda,	-	808	-	808
Almirall N,V,	-	492	-	492
Almirall Sp, z o,o	-	1,775	-	1,775
Industrias Farmacéuticas Almirall, S,A,	44,707	3,575	-	48,282
Ranke Química, S,A,	18,647	-	-	18,647
Alprofarma, S,L,	-	173	-	173
Laboratorios Miralfarma, S,L,	-	119	-	119
Laboratorios Berenguer-Infale, S,L,	-	1,152	-	1,152
Laboratorio Temis Farma, S,L,	-	4,535	-	4,535
Laboratorio Omega Farmacéutica, S,L,	-	3,945	-	3,945
Laboratorios Almofarma, S,L,	-	818	-	818
Laboratorios Tecnobío, S,A,	-	1,349	-	1,349
Pantofarma, S,L,	-	2,805	-	2,805
Laboratorios Farmacéuticos Romofarm, S,L	-	1,457	-	1,457
Polichem S,A, (Switzerland-Lugano)	-	38	-	38
Aqua Pharmaceuticals Holdings, Inc	-	3,483	-	3,483
Total	**81,295**	**72,873**	**38**	**154,206**

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

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

As mentioned in Note 4-k the Company classifies dividends and interest obtained in its capacity as the parent company as revenues (interest amounting to EUR 16,915 thousand in 2017 and EUR 18,942 thousand in 2016 and dividends amounting to EUR 3,423 thousand in 2017 and EUR 27,206 thousand in 2016).

Dividend income received in 2017 and 2016 relates to the distribution made by investees as follows:

	Thousand euro	
Dividend income	2017	2016
Almirall AG	3,423	-
Almirall International B,V,	-	27,206
Total	**3,423**	**27,206**

At 31 December 2017 and 2016 the balances of intercompany transactions break down as follows:

Debtor balances-

Group Companies	Thousands of Euros			
	2017		2016	
	Comercial	Financial (Note 8)	Comercial	Financial (Note 8)
Almirall N.V.	435	-	689	-
Almirall-Produtos Farmacéuticos, Lda.	752	-	716	-
Laboratorios Almirall S.L. (**)	-	10	-	
Almirall, B.V. holanda	82	-	484	-
Almirall SpA Italia	3,985	-	4,198	-
Almirall S.A.S. francia	3,804	-	2,582	-
Almirall, AG	5,594	-	4,292	-
Almirall Sp. z o.o	-	-	1	-
Almirall Limited UK	3,842	-	4,125	-
Almirall Hermal GmbH	4,993	-	4,517	-
Almirall Limited Canadá	-	-	-	-
Almirall ApS Nordics	665	-	840	-
Almirall de Mexico S.A de C.V.	-	-	-	-
Ranke Química, S.A.	-	-	-	1,492
Almirall Inc. (USA)	434	54,752	557	191,111
Aqua Pharmaceuticals Holdings, Inc	1,414	-	2,700	-
Almirall Gmbh	-	-	-	-
Polichem S.A. (Suiza – Lugano)	1,557	-	1,751	-
Almirall Aesthetics S.A. (*)	12	1,850	-	
Almirall Aesthetics Inc (USA)	294	62,371	337	70,963
Thermigen LLC (USA)	652	-	212	-
Total	**28,515**	**118,983**	**28,001**	**263,566**

(*) During 2016 change the Company name from Almirall Europa, S.A. to Almirall Aesthetics, S.A., being an active Company.
(**)With accounting effects 1 January 2017, the companies Laboratorios Miralfarma S.L., Laboratorios Almofarma S.L., Pantofarma S.L., Laboratorios Berenguer Infale S.L., Alprofarma S.L., Laboratorios Temis Farma S.L. and Laboratorios Farmaceúticos Romofarm S.L. have been merged with Laboratorios Omega Farmacéutica S.L. (now called Laboratorios Almirall, S.L.), being the last one the absorbent society.

Creditor balances:

Group Companies	Thousands of Euros			
	2017		2016	
	Comercial	Financial	Comercial	Financial
Laboratorios Miralfarma, S.L. (**)	-	-	-	2,145
Laboratorio Almirall S.L. (**)	-	20,032	-	4,800
Laboratorios Farmacéuticos Romofarm, S.L. (**)	-	-	-	3,316
Laboratorios Almofarma, S.L. (**)	-	-	-	2,133
Laboratorio Temis Farma, S.L. (**)	-	71	-	4,114
Alprofarma, S.L. (**)	-	-	-	334
Laboratorios Tecnobío, S.A.	-	2,299	-	2,828
Laboratorios Berenguer-Infale, S.L. (**)	-	-	-	2,229
Pantofarma, S.L. (**)	-	-	-	2,068
Industrias Farmacéuticas Almirall, S.A.	-	32,358	-	31,052
Ranke Química, S.A.	-	9,017	4,225	-
Almirall N.V.	75	3,789	260	3,693
Almiral ApS	1,454	-	716	-
Almirall-Produtos Farmacéuticos, Lda.	81	3,087	222	2,764
Almirall Limited Canadá	-	-	-	6,509
Almirall, B.V.	310	5,932	-	-
Almirall GmbH	-	3,197	-	3,143
Almirall SpA	1,868	63,392	2,252	56,426
Almirall S.A.S.	6,659	26,494	12,545	28,237
Almirall, AG	519	3,336	508	5,599
Almirall Sp. z o.o	189	-	250	-
Almirall Sofotec GmbH	-	-	-	-
Almirall Limited	225	9,144	1,103	8,303
Almirall Hermal GmbH	9,107	37,242	6,470	14,476
Almirall Aestethics S.A. (*)	-	-	-	58
Almirall de Mexico S.A de C.V.	-	-	-	-
Almirall, S.A. de C.V.	-	-	-	-
Thermigen LLC (USA)	67	-		
Aqua Pharmaceuticals Holdings, Inc	581	-	3,393	-
Polichem S.A. (Suiza-Lugano)	56	36,273	66	42,736
Polichem SRL (Italia)	-	4,303	-	19,246
Poligroup Holding SRL (Italia)	-	18,450	-	2,600
Total	**21,191**	**278,416**	**32,010**	**248,809**

(*) During 2016 change the Company name from Almirall Europa, S.A. to Almirall Aesthetics, S.A., being an active Company.
(**)With accounting effects 1 January 2017, the companies Laboratorios Miralfarma S.L., Laboratorios Almofarma S.L., Pantofarma S.L., Laboratorios Berenguer Infale S.L., Alprofarma S.L., Laboratorios Temis Farma S.L. and Laboratorios Farmaceúticos Romofarm S.L. have been merged with Laboratorios Omega Farmacéutica S.L. (now called Laboratorios Almirall, S.L.), being the last one the absorbent society.

Balances and transactions with other related parties

In 2017 and 2016 the Company performed the following related-party transactions, giving rise to the following balances at 31 December 2017 and 2016:

			Thousands of Euros	
Other related parties	Concept	Year	Transactions - Income/(Expense)	Balances - Debit/(Credit)
Grupo Corporativo Landon, S.L.	Leases	2017	(2,695)	-
		2016	(2,617)	(218)
Grupo Corporativo Landon, S.L.	Rebilling works	2017	108	56
		2016	246	24

The Company's headquarters are rented from Grupo Corporativo Landon S.L. under a contract maturing in 2017 (Note 7), that is currently in renovation process.

21. Remuneration of the Board of Directors and Executives

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

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

This includes the remuneration accrued by Company managers, paid and not paid, by the Company in 2017 and 2016 in respect of multi-year incentive and loyalty plans and the SEUS Plan (Note 4-r) amounting to EUR 487 thousand and EUR 524 thousand, respectively. The year-end balance of the provision for such plans amounts to EUR 1,424 thousand in 2017 (EUR 3,027 thousand in 2016).

At 31 December 2017 and 2016, there were no other pension commitments with Executives.

In 2017 and 2016 the amount accrued by the current and former members of the Board of Directors for all types of remuneration (salaries, bonuses, per diems, benefits in kind, life insurance plans, compensation, incentive plans and social security contributions) totalled EUR 6,187 thousand and EUR 2,780 thousand, respectively, There are life insurance policies accrued amounting to EUR 12.4 thousand (EUR 14.5 thousand in 2016).

In 2017 and 2016, insurance premiums for civil liability totalling EUR 98.8 thousand and EUR 95.7 thousand have accrued, which cover possible damages caused whilst members of the Board of Directors and Senior Management carried out the duties as such.

This includes the remuneration accrued by the Board of Directors, paid and not paid, by the Company in 2017 and 2016 in respect of multi-year incentive and loyalty plans and the SEUS Plan amounting to EUR 526 thousand EUR 314 thousand, respectively, The year-end balance of the provision for such 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 commitments with the current and former members of the Company's Board of Directors.

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

22. Other disclosures concerning the Board of Directors

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

23. Information regarding the environment

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

The Company’s property, plant and equipment include certain environmentally friendly assets (smoke abatement, underfloor drainage, etc,). The carrying amount of the assets is approximately EUR 401 thousand and EUR 425 thousand at 31 December 2017 and 2016, respectively.

The income statements for 2017 and 2016 include environmental protection expenses amounting to EUR 338 and EUR 395 thousand, respectively.

The Company’s Directors believe that the measures adopted properly cover all possible needs, and, accordingly, there are no environment-related risks or contingencies. No grants or income were received in connection with these activities.

24. Exposure to risk and capital management

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

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

Interest rate risk

At the beginning of 2014 the Company issued high-yield bonds at a fixed rate of interest of 4.625% for 7 years and on 3th April 2017, the Company fully amortized all the amount and the corresponding interest.

In the other hand, during 2017, the Company signs a new line of credit for 4 years, enabled for a maximum of disposition of 250 million euros at fixed interest rate, being the average of that type of 0.81%, so the company is not exposed to the rate volatility. At the closing date of 2017, the Company had arranged the entire amount of the credit line.

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

Foreign currency risk

The Company is exposed to foreign currency risk on certain transactions arising from its business. The risk relates mainly to revenue received in US dollars for sales of finished goods, payments received for the operation carried out with AstraZeneca, payments in US dollars received as a result of the 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 19 in relation to Transactions made in foreign currency, the main currency which the Company has operated in is the US dollar.

The Company analyses foreseeable collections and payments in foreign currency and the performance and trend thereof on a quarterly basis. During 2016-2017, the Group 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 and 2016 there were no significant insurance contracts).

The Company has taken out an intercompany loan with Almirall, Inc. That loan have not been covered due to the dollar's positive evolution forecasts. Also, this loan until the year 2017 was considered as more value of net investment abroad. However, during the year 2017 the permanent character estimate of the permanent character of that loan has been amended considering that the aforementioned loan has to be repaid by the subsidiary in the foreseeable future.

Liquidity risk

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

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

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

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

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

Credit risk

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

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

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

Capital management

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

The Company periodically reviews the capital structure on the basis of a five-year strategic plan that establishes the guidelines concerning investment and financing, At 31 December 2017 and 2016 the leverage ratios were as follows (thousand euro):

(Expressed in thousand euro)

	31 December 2017	31 December 2016
Bank borrowings	250,000	-
Bonds and other negotiable securities	-	321,011
Cash and cash equivalents	(224,637)	(330,237)
Net debt	**25,363**	**(9,226)**
Equity	1,224,402	1,420,930
Share capital	20,754	20,754
Leveraging ratio(1)	**2%**	**(1%)**

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

25. Information on delays in payments to suppliers

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

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

	Number of days	
	2017	**2016**
	Days	**Days**
Average supplier payment period	50	57
Ratio operations paid	52	58
Ratio operations pending payment	19	24
Total payments made	**233,282**	**228,818**
Total payments pending	**14,321**	**7,355**

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

The average payment period for 2017 and 2016 stood at 50 and 57 days, respectively.

26. 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 3.

From the closing date of period 2017 until the formulation of these annual accounts there are no other significant subsequent events.

APPENDIX: INFORMATION ON INVESTEES

	Thousand Euro						
Name	Laboratorios Miralfarma, S.L (**)	Laboratorios Almirall, S.L. (*)	Laboratorios Farmacéuticos Romofarm, S.L. (**)	Laboratorios Almofarma, S.L. (**)	Laboratorios Temis Farma, S.L. (**)	Alprofarma, S.L. (**)	Laboratorios Tecnobio, S.A.
Managment	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	-	Integración global	-	-	-	-	Integración global
Share Capital		120					61
Reserves		12,715					1,475
Net profit (loss) for the year		(122)					(110)
Carrying amount of interest	-	4,112	-	-	-	-	127
- Cost	-	-	-	-	-	-	127
- Measurement adjustments	-	-	-	-	-	-	-
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	Integración global	Integración global	Integración global	Integración global	Integración global	Integración global	Integración global
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
Carrying amount of interest	1,340	1,070	60	95	1,114	60	127
- Cost	1,340	1,070	60	95	1,114	60	127
- Measurement adjustments	-	-	-	-	-	-	-

Note: All information on the companies has been obtained from their separate annual accounts. Therefore it does not reflect the effect that would apply from consolidating the investments.
Excluding unconsolidated dormant companies.
(*)Named at year end 2016 Laboratorio Omega Farmacéutica, S.L
(**)With accounting effects 1 January 2017, the companies Laboratorios Miralfarma S.L., Laboratorios Almofarma S.L., Pantofarma S.L., Laboratorios Berenguer Infale S.L., Alprofarma S.L., Laboratorios Temis Farma S.L. and Laboratorios Farmaceúticos Romofarm S.L. have been merged with Laboratorios Omega Farmacéutica S.L. (now called Laboratorios Almirall, S.L.), being the last one the absorbent society.

APPENDIX: INFORMATION ON INVESTEES

	Thousand Euro						
Name	Laboratorios Berenguer-Infale, S.L. (**)	Pantofarma, S.L. (**)	Industrias Farmacéuticas Almirall, S.A.	Ranke Química, S.A.	Almirall Internacional, BV	Almirall, NV	Almirall - Productos Farmacêuticos, Lda.
Managment	Spain	Spain	Spain	Spain	Holland	Belgium	Portugal
Activity	Intermediary services	Intermediary services	Manufacturer of specialities	Manufacturer 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	-	-	Integración Global	Integración Global	Integración Global	Integración Global	Integración Global
Share Capital			1,200	1,200	52,602	1,203	1,500
Reserves			62,520	23,974	56,196	1,884	1,570
Net profit (loss) for the year			2,219	1,177	5,079	154	157
Carrying amount of interest	-	-	41,982	10,840	113,877	9	-
- Cost	-	-	41,982	10,840	144,203	9	-
- Measurement adjustments	-	-	-	-	(30,326)	-	-
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	Integración Global	Integración Global	Integración Global	Integración Global	Integración Global	Integración Global	Integración Global
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
Carrying amount of interest	157	216	41,982	10,840	119,785	9	-
- Cost	157	216	41,982	10,840	144,203	9	-
- Measurement adjustments	-	-	-	-	(35,405)	-	-

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.

APPENDIX: INFORMATION ON INVESTEES

	Thousand Euro						
Name	Almirall, BV	Almirall Aesthetics S.A.	Almirall Limited	Subgrupo Almirall, S.A.S. (**)	Almirall SP, Z.O.O.	Almirall GmbH	Almirall, AG
Managment	Holland	Spain (***)	UK	France	Poland	Austria	Switzerland
Activity	Intermediary services	Intermediary services	Pharmaceutical laboratory	Pharmaceutical laboratory	Sale of pharmaceutical specialities	Pharmaceutical laboratory	Management of licences and sale of raw materials.
31 December 2017							
% interest held							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Integración global	Integración global	Integración global	Integración global	Integración global	Integración global	Integración global
Share Capital	4,000	61	563	12,527	14	36	652
Reserves	2,070	193	7,464	16,023	1,493	3,265	1,302
Net profit (loss) for the year	35	(80)	1,025	(862)	27	178	145
Carrying amount of interest	-	261	-	-	-	1,485	10,268
- Cost	-	261	-	-	-	1,485	10,268
- Measurement adjustments	-	-	-	-	-	-	-
31 December 2016							
% interest held							
- Directly	-	100%	-	-	-	100%	100%
- Indirectly	100%	-	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Integración global	-	Integración global	Integración global	Integración global	Integración global	Integración global
Share Capital	4,000	-	563	12,527	14	36	652
Reserves	2,025	-	6,776	12,102	1,379	3,024	1,169
Net profit (loss) for the year	121	-	993	3,920	36	240	4,087
Carrying amount of interest	-	-	-	-	-	1,485	10,628
- Cost	-	-	-	-	-	1,485	10,628
- Measurement adjustments	-	-	-	-	-	-	-

Note: All information on the companies has been obtained from their separate annual accounts. Therefore it does not reflect the effect that would apply from consolidating the investments.
Excluding unconsolidated dormant companies.
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(***) Named at year end 2016 Almirall Europa, S.A

(**) Includes the subsidiares Almirall, SAS and Almirall Production SAS.

APPENDIX: INFORMATION ON INVESTEES

	Thousand Euro				
Name	Almirall SpA	Almirall Hermal, GmbH	Almirall Aps	Almirall Inc	Subgrupo (****) Aqua
Managment	Italy	Germany	Denmark	USA	Pharmaceuticals
Activity	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory
31 December 2017					
% interest held					
- Directly	-	100%	100%	100%	-
- Indirectly	100%	-	-	-	100%
% voting rights	100%	100%	100%	100%	100%
Consolidation method	Integración Global	Integración Global	Integración Global	Integración Global	Integración Global
Share Capital	8,640	25	17	(4,622)	(10,327)
Reserves	48,864	16,821	2,263	89,996	96,069
Net profit (loss) for the year	3,768	21,212	(63)	(119,452)	(41,637)
Carrying amount of interest	967	359,270	17	-	59,966
- Cost	967	359,270	17	101,826	59,966
- Measurement adjustments	-	-	-	(101,826)	-
31 December 2016					
% interest held					
- Directly	-	100%	100%	100%	100%
- Indirectly	100%	-	-	-	-
% voting rights	100%	100%	100%	100%	100%
Consolidation method	Integración Global	Integración Global	Integración Global	Integración Global	Integración global
Share Capital	8,640	25	17	(4,622)	226
Reserves	45,783	69,312	2,039	100,937	32,978
Net profit (loss) for the year	3,082	9,084	228	(7,236)	(1,405)
Carrying amount of interest	967	359,270	17	101,826	34,150
- Cost	967	359,270	17	101,826	34,150
- Measurement adjustments	-	-	-	-	-

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

Name Management Activity	Thousand Euro ThermiGen LLC USA Cosmetic surgery	ThermiAesthetics LLC USA Cosmetic surgery	Taurus Pharma GmbH (****) Germany Pharmaceutical laboratory	Poli Group Holding, S.R.L. Italy Holding	Polichem, S.A. Luxembourg/ Switzerland/ China Pharmaceutical laboratory	Polichem, S.R.L. Italy Pharmaceutical laboratory	Almirall Aesthetics Inc USA 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	Integración global	Integración global	-	Integración global	Integración global	Integración global	Integración global
Share Capital	28,386	250	-	31	1,374	540	226
Reserves	(8,523)	63,993	-	63,863	60,442	3,262	53,724
Net profit (loss) for the year	(23,023)	(7,276)	-	103	18,481	1,167	(6,449)
Carrying amount of interest	-	-	-	380,270	-	-	-
- Cost	-	-	-	380,270	-	-	-
- Measurement adjustments	-	-	-	-	-	-	-
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	Integración global	Integración global	Integración global	Integración global	Integración global	Integración global	Integración global
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)
Carrying amount of interest	-	-	-	380,270	-	-	-
- Cost	-	-	-	380,270	-	-	-
- Measurement adjustments	-	-	-	-	-	-	-

Note: All information on the companies has been obtained from their separate annual accounts. Therefore it does not reflect the effect that would apply from consolidating the investments. Excluding unconsolidated dormant companies.
(****) With effect 1 January 2017, Taurus Pharma Gmbh has merged with Almirall Hermal Gmbh, being the last one the absorbent society.

Almirall, S.A.
Preparation of the annual accounts and directors' report for 2017