LABORATORIOS ALMIRALL, S.A. and Subsidiaries (Grupo Almirall)

Consolidated annual accounts for the year ended 31 December 2007 prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 2 and 30). In the event of a discrepancy, the Spanish-language version prevails.

LABORATORIOS ALMIRALL, S.A. and Subsidiaries (Grupo Almirall)

CONSOLIDATED BALANCE SHEET at 31 DECEMBER 2007 and 2006
(Thousands of Euros)

TOTAL ASSETS	Note	31 December 2007	31 December 2006	EQUITY AND LIABILITIES	Note	31 December 2007	31 December 2006
				Share Capital		19.,932	18,972
Goodwill	7	274,258	47,308	Share premium		166,796	61,029
Intangible assets	8	383,448	85,238	Legal Reserve		3,794	3,794
Property, plant and equipment	9	179,340	151,488	Other reserves of the Parent Company		91,657	137,595
Financial assets	10	6,298	54,264	Consolidation reserves		162,246	338,156
Deferred tax assets	20	144,158	112,422	Reserves of first-time application		-	57,054
NONCURRENT ASSETS		**987,503**	**450,720**	Exchange differences		(1,976)	(637)
				Profit for the year		**131,206**	**147,250**
				EQUITY	13	**573,655**	**763,213**
				Deferred irevenue	14	36,634	46,634
				Bank borrowings and other financial liabilities	15	403,354	-
				Deferred tax liabilities	20	79,281	48,410
				Retirement benefit obligations	18	35,055	-
				Provisions	17	11,073	14,569
				Other noncurrent liabilities	16	25,315	29,380
Inventory	11	112,851	94,556	**NONCURRENT LIABILITIES**		**590,712**	**138,993**
Trade accounts receivable and other	12	106,982	100,137				
Current tax assets	20	38,357	45,052	Bank borrowings and other financial liabilities	15	62,854	5,782
Current inancial investments	10	145,052	398,389	Trade accounts payable		142,725	143,105
Cash and other liquid assets		44,898	23,043	Current tax liabilities	20	28,125	21,977
Other current assets		3,466	2,276	Other current liabilities	16	41,038	41,103
CURRENT ASSETS		**451,606**	**663,453**	**CURRENT LIABILITIES**		**274,742**	**211,967**
TOTAL ASSETS		**1,439,109**	**1,114,173**	**TOTAL EQUITY AND LIABILITIES**		**1,439,109**	**1,114,173**

Notes 1-30 described in the Consolidated Annual Report and Annex are an integral part of the consolidated balance sheets at 31 December 2006 and 2007

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 2 and 30). In the event of a discrepancy, the Spanish-language version prevails.

LABORATORIOS ALMIRALL, S.A. and Subsidiaries (GRUPO ALMIRALL)

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2006

(Thousands of Euros)

	Note	Year 2007	Year 2006
Revenue	19	792,468	757,989
Change in Inventory of work in process and finished products		13,123	6,561
Procurements	19	(273,048)	(247,325)
Gross Margin		**532,543**	**517,225**
Other income	19	124,895	96,138
Staff costs	19	(207,118)	(185,508)
Depreciation and amortisation charge	7, 8 and 9	(36,037)	(28,738)
Net change in provisions	19	(2,256)	(2,251)
Other operating expenditure	19	(277,979)	281,558)
Net gains / (losses) in the sale of noncurrent assets	19	121	24,147
Other gains / (losses) ordinary operations		131	250
Impairrment losses on property, plant and equipment, intangible assets and goodwill	8	(10,175)	(6,000)
Impairment losses on long-term financial assets	15	(518)	-
Financial income	19	21,348	21,945
Financial expenditure	19	(14,444)	(8,142)
Exchange differences	19	(1,359)	(1,702)
Results before taxes from continuing operations		**129,152**	**145,806**
Corporate income tax	20	2,054	(4,430)
Net consolidated profit from continuing operations		**131,206**	**141,376**
Profit for the year from discontinued operations	22	-	5,874
Net profit for the year attributed to the Parent Company		**131,206**	**147,250**
Earnings per Share (Euros):	23		
A) Basic		0.81	0.85
B) Diluted		0.81	0.85

Notes 1-30 described in the Consolidated Annual Report and Annex are an integral part of the consolidated income statements for the years ended December 2007 and 2006.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 2 and 30). In the event of a discrepancy, the Spanish-language version prevails.

LABORATORIOS ALMIRALL, S.A. and Subsidiaries (GRUPO ALMIRALL)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN THE YEARS ENDED ON 31 DECEMBER 2007 AND 2006

(Thousands of Euros)

	NOTE	Share Capital	Share premium	Legal Reserve	Other reserves of the Parent Company	Reserves at companies fully consolidated	Gains and losses registered in equity	Exchange differences	Profit (losses) attributed to Parent Company	Equity
Balance at 31 December 2005	**13**	**21.516**	**84.029**	**4.303**	**270,554,**	**392,501**	**6.390**	**1,501**	**117,725**	**898,519**
Changes in scope of consolidation		-	-	-	**-**	(328)	-	-	-	**(328)**
Distribution of profits (losses)		-	-	-	**121.038**	(3.313)	-	-	**(117,725)**	**-**
Dividends		-	-	-	**(30.050)**	-	-	-	-	**(30,050)**
Capital reduction		(2.544)	(23.000)	(509)	**(223.947)**	-	-	-	-	**(250,000)**
Exchange differences		-	-	-	-	-	-	**(2,138)**	-	**(2,138)**
Revenue and expenditure registered in equity		-	-	-	-	-	**(40)**	-	-	**(40)**
Profit (loss) for the period		-	-	-	-	-	-	-	-	**(147,250)**
Balance at 31 December 2006	**13**	**18.972**	**61.029**	**3.794**	**137.595**	**388,860**	**6.350**			
Changes in scope of consolidation		**-**	**-**	**-**	-	**(84)**	**-**	**-**	**-**	**(84)**
Distribution of profits (losses)		**-**	**-**	**-**	466.793	**(319.643)**	**-**	**-**	**(147,250)**	**-**
Dividends		**-**	**-**	**-**	(420.000)	**-**	**-**	**-**	**-**	**(420,000)**
Capital increase		**960**	**105.767**	**-**	-	**-**	**-**	**-**	**-**	**106,727**
Exchange differences		**-**	**-**	**-**	-	**-**	**-**	**(1,339)**	**-**	**(1,339)**
Revenue and expenditure registered in equity		**-**	**-**	**-**	-	**-**	(6.068)	**-**	**-**	**(6,068)**
Other changes		**-**	**-**	**-**	(92.731)	**92,731**	-	**-**	**-**	**-**
Profit/loss for the period		**-**	**-**	**-**	-	**-**	-	**-**	**131,206**	**131,206**
Balance at 31 December 2007	**13**	**19.932**	**166.796**	**3.794**	**91.657**	**161.964**	**282**	**(1,978)**	**131,206**	**573,855**

Notes 1-30 described in the Consolidated Annual Report and Annex are an integral part of this statement.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 2 and 30). In the event of a discrepancy, the Spanish-language version prevails.

LABORATORIOS ALMIRALL, S.A. and Subsidiaries (GRUPO ALMIRALL)

CASH FLOW STATEMENT (indirect method) (Thousands of Euros)

	Note	Year 2007	Year 2006
Cash flow from continuing activities			
Profit before taxes		129,152	145,806
Amortisation and depreciation changes	7, 8 and 9	36,037	28,738
Net change in noncurrent provisions	17	648	4,323
Results from sale of noncurrent assets	19	(121)	(24,147)
Results from valuation of financial instruments		518	-
Financial income	19	(21,348)	(21,945)
Financial expenditure	19	14,444	8,142
Exchange Differences	19	1,359	1,702
Asset impairment losses	8	10,175	6,000
Allocation of deferred revebue to income	14	(10,075)	(8,320)
		160,789	**140,299**
Adjustments for changes in working capital:			
Change in Inventory	11	(18,295)	(900)
Change in trade accounts receivable and others	12	(6,845)	(6,238)
Change in Trade accounts payable		(380)	4,589
Change in other current assets		(1,190)	967
Change in Other current liabilities	16	(65)	3,473
Change in current provisions		-	(1,072)
Adjustments for changes in other noncurrent items:			
Application of noncurrent provisions	17	(4,144)	-
Retirement benefit obligations	18	35,055	-
Incorporation of Deferred revenue	14	75	50,607
		4,211	**51,426**
Taxes paid:	20	**14,031**	**(27,636)**
Net cash flows of operating activities (I)		**179,031**	**164,089**
Cash flow from investing activities			
Financial income	19	21,348	21,945
Exchange differences	19	(1,359)	(1,702)
Net change in Financial assets held for sale	10	8,100	760
Investments:			
Goodwill	7	(227,743)	(11,901)
Intangible assets	8	(253,785)	(28,062)
Property, plant and equipment	9	(33,762)	(32,224)
Financial assets	10	(66,985)	(7,368)
Divestments;			
Intangible and property, plant and equipment	8 and 9	2,018	33,120
Financial assets	10	106,880	42,375
Discontinued operations	22	-	11,237
Changes in scope of consolidation	3-b, 8, 9 and 10	(85,944)	(328)
Net cash flows from investing activities (II)		**(531,232)**	**27,852**
Cash flow from financing activities			
Financial expenditure	19	(14,444)	(8,142)
Results from valuation of financial instruments		(518)	-
Equity instruments:			
Change in revenue and expenditure registered against Equity	13	(6,068)	(40)
Dividends paid out	13	(420,000)	(30,050)
Capital increase	13	106,727	-
Capital reduction	13	-	(250,000)
Exchange differences	13	(1,339)	(2,138)
Liability instruments:			
Bank borrowings	15	460,426	(1,509)
Other noncurrent liabilities	16	(4,065)	2,715
Net cash flow from financing activities (III)		**120,719**	**(289,164)**
Net change in cash and other cash equivalents (I+II+III)		**(231,482)**	**(97,223)**
Cash and cash equivalents at beginning of period		**421,432**	**518,655**
Cash and cash equivalents at end of period	10	**189,950**	**421,432**

Notes 1-30 described in the Consolidated Annual Report and Annex are an integral part of this statement at 31 December 2007 and 2006

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 2 and 30). In the event of a discrepancy, the Spanish-language version prevails.

Laboratorios Almirall, S.A. and Subsidiaries (Grupo Almirall)

Report on the consolidated annual accounts for the year ended 31 December 2007.

1. The Group's activities

Laboratorios Almirall, S.A is the Parent Company of a Group of companies (hereinafter, Grupo Almirall) whose corporate object is basically the purchase, manufacture, storage, marketing and intermediation in the sale of pharmaceutical products and specialties as well as all types of inputs used in the preparation of these pharmaceutical products and specialties.

The corporate object of the Parent Company also includes:

a) The purchase, production, storage, marketing, and intermediation in the sale of cosmetics; chemical, biotechnological, and diagnostic products for human, veterinary, agrochemical and food use; as well as any type of utensils, supplements and accessories for the chemical, pharmaceutical, and clinical industry.

b) Research into pharmaceutical and chemical principles and products.

c) The purchase, sale, rental, parcelling and development of building sites, land and properties of any type with the possibility of building on them and disposal of same, fully or in part or under condominium property schemes.

This corporate object may be carried out, in full or in part, directly or indirectly, via the holding of shares, participation units or any other rights or interest in companies or other types of company, with or without legal personality, resident in Spain or abroad, engaged in identical or similar activities to those included in the object of the Parent Company.

The registered offices of the Parent Company are located in Ronda General Mitre, 151, Barcelona.

The Parent Company's current name was adopted following its registration in the Mercantile Register on 27 November 2006, following due agreement of the Extraordinary Shareholders' Meeting of 18 October 2006 at which the name was adopted to replace the company's former name, Almirall Prodesfarma, S.A.

2. Bases of presentation of the Annual Accounts and consolidation principles

a) Bases of presentation

The consolidated annual accounts of the Grupo Almirall for the year 2007 which were obtained from the accounting records maintained by the Parent Company and other companies forming part of the Group were prepared by the Directors of the Parent Company at a meeting of its Board of Directors held on 27 March 2008.

These consolidated annual accounts were prepared in accordance with the IFRSs adopted by the European Union and reflect all of the accounting standards and principles and the valuation criteria to be applied on a mandatory basis and present fairly the consolidated equity and financial position, on a consolidated basis, of Grupo Almirall at 31 December 2007 and of the results from its operations, changes in equity and consolidated cash flow of the Group during the year ended at that date.

However, as the accounting principles and valuation criteria applied in the preparation of the Group's 2007 consolidated annual accounts may differ from those used by some of its constituent companies, in the process of consolidation, the adjustments and reclassifications required to unify the principles and criteria, and to adapt them to the International Financial Reporting Standards, were applied.

For a uniform presentation of the different components of the consolidated annual accounts, the Parent Company's valuation standards and principles were applied to all the companies in the scope of consolidation.

The Group’s consolidated annual accounts for the year 2006 were approved by the Shareholders' General Meeting of the Parent Company held on 30 March 2007. These consolidated annual accounts for the year 2007 have not yet been approved by the Shareholders' General Meeting of the Parent Company. However, the Board of Directors of the Parent Company expects these consolidated annual accounts to be approved without modification.

b) International Financial Reporting Standards

The consolidated annual accounts of the Grupo Almirall for the year ended 31 December 2007 were prepared in accordance with the International Financial Reporting Standards (IFRS) pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and in the Council of 19 July 2002 by virtue of which all companies operating under the Law o a member state of the European Union and whose securities are traded on a regulated market of one of the constituent States must present their consolidated accounts for the year started as from 1 January 2005 as provided by the IFRS convalidated by the European Union. In Spain, the obligation to present consolidated annual accounts under the IFRS approved in Europe was regulated in the final eleventh provision of Law 62/2003 dated 30 December 2003 on fiscal, administrative and corporate measures.

The main account policies and valuation rules adopted by Grupo Almirall are presented in Note 5.

As regards the application of the IFRS, the main options chosen by Grupo Almirall are as follows:

- To present the balance sheet, classifying its items as current or noncurrent.
- To present the income statement by nature
- To present the statement of changes in equity to reflect changes in all headings.
- To present the cash flow statement using the indirect method.
- Primary segments are presented by lines of business (marketing via own network, via licencees and corporate management and results not assigned to other segments). Secondary segments are presented by geographic area.

This year, the Group adopted IFRS 7 Itemisation of financial instruments, which came into effect on 1 January 2007 for the years started as from this date, together with the modifications made by this IFRS 7 in IAS 1 Presentation of financial statements in relation to capital breakdowns.

As a result of the adoption of IFRS 7 and the modifications of IAS 1 arising from the modification of the said IFRS, the qualitative and quantitative breakdowns of the consolidated annual accounts relating to financial instruments and capital management detailed in Notes 15 and 30 were enlarged.

In addition, four interpretations of the IFRIC are also effective for the first time this year: IFRIC 7 Application of the re-expression procedure according to IAS 29, Financial Reporting in hyperinflationary economies, IFRIC 8 Scope of the IFRS 2, IFRIC 9 New evaluation of implicit derivatives and IFRIC 10 Intermediate financial reporting and impairment of value. The adoption of these interpretations has had no impact on the Group's consolidated annual accounts.

On the date these Annual Accounts were drawn up, the following standards and interpretations had been published by the IASB but had not come into effect, either because their effectiveness date is subsequent to the date of the consolidated annual accounts or because they had not been adopted by the European Union.

1. IFRS 8 relating to "Operating Segments". This standard rescinds IAS 14. The chief development of the new standard lines in that IFRS 8 requires an entity to adopt the "management approach" to inform on the financial performance of its business segments. Generally the information to be reported will be that used by Management internally to evaluate the performance of the segments and allocate resources between them. The Directors consider that the implementation of this modification will not significantly affect the consolidated annual accounts.

2. Review of IAS 23 relating to "Interest costs". The main change of this new reviewed version of IAS 23 is the elimination of the option to immediately recognise as an expense the interest on finance related to assets which require a long period of time until they are ready for use or sale. This new standard can be applied prospectively. The Directors consider that the implementation of this modification will not significantly affect the consolidated annual accounts.

3. Review of IAS 1, relating to "presentation of financial statements". The new version of this standard aims to improve the capacity of the users of financial statements to analyse and compare the information provided by same. These improvements will allow users of the consolidated annual accounts to analyse the changes in equity as a result of transactions

with the proprietors who act as such (such as dividends and buy back of shares) separately from the changes due to transactions with non-proprietors (such as transactions with third parties or revenue or expenditure allocated directly to the equity. The reviewed standard provides the option of presenting revenue and expense items and components of other total revenues in a single statement of total income with subtotals or in two separate statements (one separate income statement following by a statement of recognised income and expense).

It also introduces new reporting requirements when the entity applies an accounting change retrospectively, reformulates or reclassifies items of the financial statements issued previously, together with changes in the names of certain financial statements in order to reflect their function more clearly (for example, the balance sheet will be named financial position statement).

4. The impacts of this standard will be basically on the presentation and itemisation. In the case of the Group, as it does not regularly present a Statement of Recognised Income and Expense, this will involve the inclusion in the Annual Accounts of this new financial statement.

Review of IFRS 3 relating to “Business combination" and the modification of IAS 27 relating to “Consolidated and separate financial statements”. The issue of these standards is the result of a project for the convergence of the international principle as regards business combinations with the accounting criteria of the United States of America. The reviewed IFRS 3 and the modifications to IAS 27 involve major changes in various aspects relating to the accounting of business combinations which, in general, place greater emphasis on the use of fair value. Merely as an example, as the changes are significant, several of these are listed, such as acquisition costs which will be carried to expenditure as opposed to the current system of considering them a greater combination cost; acquisition in stages, in which on the date of taking control the acquirer revalues their participation to the fair value with a payment into the income statements; or the existence of the option to measure the fair value of minority interests in the company acquired, as opposed to the current system of measuring them as the proportional part of the fair value of the net assets acquired. As the standard is applied prospectively, in general the Directors expect no significant modifications of business combinations as a result of the introduction of this new standard. However, given the changes in this standard, the Directors have not yet evaluated the possible impact which the application of this standard may have on future business combinations and its respective effects on the consolidated annual accounts.

5. Modification of IFRS 2 relating to “Share based payments”. This modification aims to clarify in the standard the concepts of conditions for the vesting of rights and cancellations in share based payments. The Directors consider that the implementation of this modification will not significantly affect the consolidated annual accounts.

6. Modification of IFRIC 11 relating to Transactions with own and Group shares. This interpretation analyses the manner in which IFRS 2 “Share based payments” should be applied to share based payment agreements which affect the instruments of an entity’s own equity or equity instruments of another entity of the same group (for example, equity instruments of the Parent Company). It indicates that transactions whose payment is in shares of the entity or another group entity shall be treated as if settled using own equity instruments, irrespective of how the necessary equity instruments are obtained.

   The Directors consider that the implementation of this modification will not significantly affect the consolidated annual accounts.

As regards the other standards and interpretations which are currently in the draft phase, the Directors consider that there will be no significant impact in the future as a result of their application.

c) Functional Currency

These annual accounts are presented in Euros as this is the currency of the chief economic environment in which the Group operates. Operations abroad are recorded in accordance with the policies described in Note 5-p.

d) Responsibility for information and estimates

The information contained in these consolidated annual accounts is the responsibility of the Group Directors.

In the Group's consolidated annual accounts for the year 2007, estimates by the Senior Management of the Group and consolidated companies have occasionally been used – ratified subsequently by the Directors – to quantify the assets, liabilities, revenue, expenditure and commitments recorded therein. These estimates basically refer to:

- The assignment of the acquisition price paid to assets and liabilities which are identifiable in the business combinations and the valuation of the consolidation goodwill derived from same (Note 5-a, 6-g and 7)
- Goodwill recovery valuation (Notes 5-d, 6-e and 7)
- The useful life of property, plant and equipment and intangible assets (Notes 5-b and 5-c).
- Assessment of the technical and economic feasibility of capitalised development projects in progress (Notes 5-b and 5-d).
- Impairment losses in certain property, plant and equipment and intangible assets derived from the non-recoverability of the recorded book value of the assets (Notes 5-d, 6-e, 7 and 8).
- Fair value of specific unlisted assets
- Assessment of litigation, commitments and assets and contingent liabilities at closing (Note 24).
- Assessment of the criteria for revenue recognition and benefits to be recorded in connection with agreements executed with third parties relating to licences, co-development and co-promotion of products (Notes 5-m and 6-a).
- Estimation of time allocation of promotional expenditure paid in advance or of a multi-year nature (Note 6-f).
- Estimation of appropriate provisions for insolvencies in accounts receivable, product returns and obsolescence of inventories on hand (Notes 5-g, 5-k and 5-h).
- Determination of the necessary assumptions to determine the actuarial liabilities of retirement benefit obligations in coordination with an independent expert (Notes 5-l and 18).

Although the estimates were prepared to reflect the best available information at 31 December 2007 on the concepts analyzed, it is possible that events could take place in the future that might require them to be adjusted upwards or downwards in future years, which would be applied as provided in IAS 8, on a prospective basis, and the effects of a change in estimation would be recorded in the corresponding consolidated income statements.

3. Consolidation principles and changes in scope of consolidation

a) Consolidation principles

The accompanying consolidated annual accounts were prepared based on the accounting records of Laboratorios Almirall, S.A. and those of its subsidiaries, whose annual accounts were prepared by the Directors of each company. As indicated in IAS 27, control is defined as the power to direct the institution's financial and operating policies in order to obtain profits from its activities.

The consolidation process includes the Grupo Almirall subsidiaries as listed in the Annex.

The criterion used to determine the consolidation method applicable to each of the companies comprising Grupo Almirall was full consolidation, as these are companies in which a direct or indirect interest of more than 50% is held and in which there is effective control through the majority of votes in the representation and decision-making bodies.

The annual accounts of the subsidiaries are fully consolidated with those of the Company. As a result, all significant balances and the repercussions of transactions carried out between the consolidated companies have been eliminated in the consolidation process.

Profits (losses) generated by companies acquired during a year are consolidated only to reflect the period between the date of acquisition and the close of that year. At the same time, profits (losses) generated by companies sold during a given year are consolidated only to reflect the period between the beginning of the year and the date of sale.

If losses incurred by a subsidiary lead to negative equity in the accounting system, it will be recorded as zero on the Group's consolidated balance sheet, unless the Group is obliged to back it financially.

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

Further, the accompanying consolidated annual accounts do not reflect the tax effects that may result from the incorporation of the profits or losses and reserves generated by the subsidiaries into the Parent Company's equity since, pursuant to IAS 12, transfers of reserves leading to additional taxation will not be carried out. As the Parent Company controls the time of distribution, it is improbable that this would occur in the foreseeable future; such profits and reserves will instead be used as financing resources in each company.

The Annex to this report provides a listing of subsidiaries and related information (name, country where established, and the Parent Company's equity stakes).

b) Changes in the scope of consolidation

The main changes in the scope of consolidation during 2007 are as follows:

a) On 21 June 2007, the subsidiary Almirall, S.A. de C.V. (split company) partially split its assets and liabilities, to the benefit of a newly created company, Almirall de México, S.A. de C.V. (beneficiary company) fully owned by the former. As from this date, the beneficiary company carries out the business activity in that country while the split company focuses on providing administrative management services.

   As a result of the said change in the scope, no goodwill was expressed nor any variation in the value of the assets and liabilities previously recorded by the Group.

b) On 14 July 2007, the Parent Company acquired the shares of Hermal Kurt Herrmann Gmbh & Co OHG (based in Germany) and Hermal Pharma Gmbh (based in Austria) for a total of 360.8 million Euros. The corporate object of these companies is the purchase, manufacture, storage, marketing and brokerage in the sale of pharmaceutical specialities as well as research into principles and chemical and pharmaceutical products. The acquisition was effective as from 1 September 2007, after obtaining the approval of the German authorities. Subsequently, the Group changed the names for those of Almirall Hermal Gmbh and Hermal Pharma Gmbh (hereinafter, jointly Grupo Hermal) respectively. As a result of this acquisition, goodwill of 227.7 million Euros was generated.

   Note 7 of the report details the assignment of the global amount of the consideration to the assets and liabilities identified in the companies acquired, and the resulting goodwill.

   Below is the contribution to the consolidated income statements of 2007 of the said companies on their inclusion in the scope of consolidation:

	Thousands of Euros Revenue/(Expense)
Revenue	24,864
Procurements	(11,492)
Other income	2,572
Staff costs	(9,489)
Depreciation and amortisation charge	(7,072)
Net change in provisions	751
Other operating expenditure	(7,618)
Financial income	194
Other profit from ordinary operations	564
Corporate income tax	2,284
Total	**(4,442)**

   Had the said companies been included in the scope of consolidation scope on 1 January 2007 the revenue of the Group businesses would have increased by 56.7 million Euros. In addition, the Annex to this report itemises the net profit for the year 2007 of the acquired companies prior to accounting or operational standardisation arising from their inclusion in Grupo Almirall.

c) On 31 October 2007 the Group created an affiliate in the United Kingdom registered as Almirall Limited. The corporate object of this company is the purchase, storage, marketing and brokerage in the sale of pharmaceutical specialities.

d) In 2007, the Group disposed of its holdings in Alpro Cartera SICAV, S.A. for the sum of 64.4 million Euros. The sale of these holdings has contributed 0.6 million Euros profit in 2007.

e) During 2007, the Group disposed of the holdings in Almochem S.L. without having any significant impact on the consolidated annual accounts. The amount of net equity provided by this subsidiary company until 31 December 2006 totalled 84 thousand Euros.

The main changes in the consolidation scope during 2006 are as follows:

a) On 16 January 2006, the company Blitz F06-509 GmbH was formed (which modified its name during this year for that of Almirall Sofotec GmbH) via the disbursement by Laboratorios Almirall S.A. of the sum of 27 thousand Euros, approximately. Subsequently, in 2006, a capital increase was performed for the sum of 25,000 thousands of Euros, fully subscribed by Laboratorios Almirall S.A via the disbursement of 1,800 thousand Euros and the reception of certain liabilities which Almirall Sofotec GmbH had incurred with a third party for the sum of 23,200 thousand Euros (Note 7).

   Below is the contribution to the consolidated income statements of 2006 of the said company included in the scope of consolidation:

	thousand Euros Benefits / (Losses)
Procurements	(585)
Staff costs	(2,670)
Amortisation and depreciation charges	(1,199)
Other operating expenditure	(2,402)
Financial income	1
Corporate income tax	(164)
Total	**(7,019)**

b) Also, in 2006 the company Almirall SaS contributed a pharmaceutical production business to the newly formed company Almirall Production, SaS, wholly owned by the former, in the amount of 1,200 thousand of Euros.

   As a result of the said change in the scope of consolidation, no goodwill was expressed nor any variation in the value of the assets and liabilities previously recorded by the Group.

c) In 2006 the Group removed the subsidiary company Almirall Prodesfarma S.A. (Chile) from the scope of consolidation. The amount of net equity provided by this subsidiary company until 31 December 2005 totalled 328 thousand Euros.

Also, the assets and liabilities contributed by that subsidiary at 31 December 2005 were not significant.

d) In February 2006 the Group sold the company Pras-farma Oncológicos, S.L. That company, previously inactive, served as vehicle for the discontinuation of the activity described in Note 22. The result of the discontinuation, along with the relevant information on that transaction, is described in the said Note.

4. Distribution of the Parent Company's profits

The proposed distribution of profits recorded in the Parent Company's annual accounts for 2007 and 2006 were as follows.

	Thousands of	
	2007	2006
Distribution base:		
Profits for the year	201,230	466,793
Distribution:		
Legal Reserve	192	-
Voluntary reserves	148,556	44,051
Reserve for investment in Canary Islands	-	2,742
Dividends	52,482	420,000
Total	**201,230**	**466,793**

5. Valuation standards

The Group's 2007 consolidated annual accounts were prepared by the Directors of the Parent Company as provided in the International Financial Reporting Standards (IFRSs) approved by the European Union and in accordance with Law 62/2003 of 30 December 2003.

The main valuation standards used in preparing these consolidated annual accounts, as provided in the International Financial Reporting Standards adopted by the European Union, and the current interpretation at the time the accounts were prepared are listed below.

a) Goodwill

The goodwill generated in business combinations represents the excess acquisition cost over the Group's stakes in the fair value of identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition.

The positive differences between the cost of equity stakes in the consolidated entities in respect of the corresponding underlying theoretical book values acquired, adjusted at the date of first consolidation, are allocated as follows:

- If they can be attributed to specific equity components of the acquired companies, by increasing the value of assets (or reducing the value of liabilities) for which the market values are greater than (less than) the net book values listed on the balance sheet and that would receive similar accounting treatment as the same assets (liabilities) of the Group: Amortisation, accrual, etc.

- If they can be attributed to certain intangible assets, they are specifically recorded on the consolidated balance sheet, provided that the fair value at the date of acquisition can be reliably determined.

- The remaining differences are recorded as goodwill and assigned to one or more specific cash generating units.

Goodwill incorporated from 1 January 2004 is still carried at cost of acquisition and goodwill incorporated prior to that date is maintained at net value recorded at 31 December 2003. In both cases, at each account closing, it is estimated whether there has been any impairment that might reduce the recoverable value below the net recorded cost, and in such a case, the appropriate adjustment is applied with a balancing entry under “Impairment losses on property, plant and equipment, intangible assets and goodwill" in the consolidated income statements. As established under IFRS 3, goodwill is not subject to amortisation. Impairment losses on goodwill are not subject to later reversal (Note 5-d).

When a subsidiary or jointly controlled company is sold, the amount attributable to goodwill is included in determining the profits or losses as a result of the sale.

b) Intangible assets

Intangible assets are initially recorded at cost of acquisition or production and later are carried at cost, less any cumulative amortisation or impairment losses that may apply.

Intangible assets may have indefinite useful lives when it is concluded, based on an analysis of all relevant factors, that there is no foreseeable limit to the period during which the asset can be expected to generate net cash flow for the consolidated entities; or finite lives in all other cases.

Intangible assets with indefinite useful life are not amortised unless, during each account closing, the consolidated entities revise the respective remaining useful life figures to ensure that they continue to be indefinite or, otherwise, to take the necessary steps.

Intangible assets with definite useful lives are amortised according to that useful life, applying similar criteria to those adopted for amortisation of property, plant and equipment, which basically are equivalent to the following amortisation rates (determined according to the average years of estimated useful life attributed to the various assets):

	Annual percentage
Industrial property	8.33% - 20%
Software	33%

In both cases the consolidated entities register in the accounting system any impairment loss that may have occurred in the recorded value of these assets, with a balancing entry under “Impairment losses on property, plant and equipment, intangible assets and goodwill" in the consolidated income statements. The criteria for registering impairment losses on these assets and, if applicable, recovered impairment losses recorded during prior years, are similar to those applied to property, plant and equipment (Note 5-d).

Research and Development

a) Internally generated

The costs of research activities are recorded as expenditure during the period in which they are incurred.

Expenditure incurred by the Group internally in the development of new drugs is only recorded as assets if all of the conditions below are met or can be demonstrated:

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

II. The Group intends to complete the development of the drug in question for use or sale.

III. Capacity is available for the drug's use or sale.

IV. Mechanisms for the drug to generate economic profits in the future. Among other matters, the existence of a market for the drug generated by the development, or for the development *per se,* can be demonstrated, or if it is to be used internally, the usefulness of the development for the Group.

V. Availability of adequate technical, financial or other resources to complete the development and to use or sell the drug resulting from the development in progress.

VI. The capacity to reliably assess the disbursement attributable to the development until completion.

The development of new drugs is subject to a high degree of uncertainty, as a result of the protracted maturity period (normally several years) and the technical results that must be recorded in different testing phases involved in this process. During each phase of the development process, it may be advisable to abandon the project either because it does not meet medical and regulatory standards, or because it fails to meet profitability thresholds. For these reasons, the Group only considers the above-mentioned uncertainty to have been resolved when the developed product has been approved by the competent authorities in a reference market. At that time the Group considers the conditions for capitalisation of development expenditure, which are normally insignificant, to be met.

b) Separate Acquisition

The separate acquisition of a research or development project in progress is capitalised, in all cases, as provided in Paragraph 25 of IAS 38, as the price paid for acquisition reflects expectations on the probability that the Group will generate future economic benefits from the asset; in other words, the price paid reflects the probability that the project in question will be a success.

Capitalised development costs with a finite useful life are subject to straight-line amortisation from the start of commercial production, for the period in which the product is expected to generate profits.

Development costs previously recorded as expenditure are not recorded as an asset during subsequent years.

Industrial property –

Patents, trademarks, and licences for production, marketing and/or distribution of products are initially recorded at purchase price (separately or via business combinations) and are amortised throughout the estimated useful lives of the related products (normally using the straight-line method) with the limit, if applicable, of the duration of licence agreements signed with third parties. The said periods do not usually exceed 12 years.

The acquisition price of licences acquired from third parties include the losses and gains associated with the cash flow cover relating to variations in the exchange rate established for its acquisition (Note 5-j and 15).

Expenditure derived from development of an industrial property that is not economically viable is fully allocated to results for the year when the activity was recorded.

Software-

Costs to maintain computer systems are charged to the consolidated income statement for the year in which they are incurred.

Software can be contained into property, plant and equipment or have physical substance, therefore comprising tangible and intangible elements. These assets will be recorded as property, plant and equipment when they form an integral part of the related property, plant and equipment and are essential for their operation.

Computer assets are subject to straight-line amortisation for four years after each application begins operation.

c) Property, plant and equipment

The property, plant and equipment are valued at the revalued cost price (determined via a separate acquisition or business combinations) in the case of Spanish companies, in accordance with various legal provisions contained in Decree-Law 7/1996 (Note 9).

Replacements or renewals of complete elements which increase the useful life of the asset or its economic capacity are recorded as a greater amount of property, plant and equipment with the resulting book withdrawal of the elements replaced or renewaled.

Periodic maintenance, upkeep or repair costs are allocated to results, in application of the accrual principle, as a cost in the period in which they are incurred.

Items in progress are transferred to property, plant and equipment in operations when the corresponding development period has ended.

Annual depreciation allowances for property, plant and equipment are offset in the consolidated income statements and are basically equivalent to the depreciation percentages determined by the years of estimated useful life, on the understanding that the land on which the buildings and other constructions stand has an indefinite useful life and is therefore not subject to depreciation. The average useful life of the various elements is detailed below:

	Years of useful life
Constructions	33-50
Technical facilities and machinery	8-12
Furniture and laboratory equipment	6-10
Information processing equipment	4-6
Transport elements	5-6.25

Certain assets are depreciated using the degressive method, which consists of applying a constant percentage of the value pending depreciation. This percentage is determined by the years of estimated useful life and a coefficient fixed by Royal Decree 4/2004 dated 5 March in approval of the consolidated text on the Company Income Tax. Were straight line coefficients applied, the effect on reserves and the results for the years 2007 and 2006 would not be significant.

The profit or loss resulting from the transfer or withdrawal of an asset is calculated as the difference between the sale amount and the book value of the asset and is recognised in the income statements.

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

On each balance sheet date, the Group reviews the book amount of its property, plant and equipment, intangible assets and goodwill to determine if there are signs of the said assets having suffered any loss due to impairment of value. Should there be a sign, the recoverable amount of the asset is calculated in order to determine the extent of the loss in value due to impairment (if any). In the event the asset does not generate cash flows on its own idependently of other assets, the Group calculates the recoverable amount of the cash generating unit to which the asset belongs. Intangible assets with an indefinite useful life or those for which depreciation has not commenced are subjected to a value impairment test at minimum on closing each annual period and prior to the said close if the relevant signs exist.

The recoverable value is the highest value between the fair value less the cost of sale and value in use. When evaluating the value in use, future estimated cash flows are discounted at their current value by using a discount rate before tax which reflects the current market valuations regarding the temporary value of the money and specific asset risks for which estimated future cash flows have not be adjusted.

If it is considered that the recoverable value of an asset (or a cash generating unit) is less than its book value, the book value of the asset (cash generating unit) is reduced to its recoverable value. A loss due to impairment of value is immediately recognised as an expense.

When a loss due to impairment of value subsequently reverts, the asset's book value (cash generating unit) is increased by the reviewed estimate of its recoverable value, in such a way that the increased book value does not exceed the book value that would have been calculated had no loss due to impairment of value of the asset occurred (cash generating unit) in previous years. A reversion of a loss due to impairment of value is immediately recognised as income up to the said limit.

In the event of goodwill, the analysis of the impairment carried out with the frequency described in Note 5-a is performed in three steps: Firstly, the recoverable value of the goodwill cash specifically assigned to cash generating units is evaluated (if possible). Secondly, the loss assignable to asset elements included in the cash generating unit is evaluated, and the relevant impairment, if applicable, of same is recorded as described above. Subsequently, the recoverable value of the non-assigned goodwill is evaluated, incorporating all the cash generating units.

If it is necessary to recognise a loss due to impairment of goodwill, this is not reversible (Note 5-a).

e) *Operating leases*

Leases are classified as operating leases when they meet the conditions of IAS 17, i.e., when ownership of the leased asset and substantially all risks and benefits associated with that asset are attributable to the lessor, and the corresponding expenditure are recorded as they accrue in the consolidated income statement.

f) *Noncurrent assets classified as held for sale*

Noncurrent assets classified as held for sale are carried at the lesser of the amounts recorded on the books and the fair value less cost of sale.

Noncurrent assets are classified as held for sale if the book value is recovered through a sale and not through continued use. This condition is considered to be met only when the sale is highly probable and the asset is available for immediate sale in its current state.

In 2007 and 2006 the Group had no noncurrent assets held for sale for any significant amount.

g) *Inventories*

Inventories are carried at acquisition or production cost, or at the net realisable value, whichever is lower. Production cost includes direct material outlays and, if applicable, the costs of direct labour and general production expenditure applicable, including costs incurred in transferring inventories from the current location and current conditions to the point of sale.

Trade discounts, reductions obtained and other similar items are deducted when the purchase price is determined.

Cost price is calculated using the weighted average method. The net realisable value represents the estimated sale price less all estimated finishing costs and those incurred in the process of marketing, sales, and distribution.

The Group assesses the net realisable value of inventories at the end of the year by recording the appropriate loss when they are found to be overvalued. When the circumstances that previously caused the decline in value have ceased to exist, or when there is clear evidence of an increase in the net realisable value as a result of a change in economic circumstances, the amount of the provision is reversed.

h) *Customers, by sales and services*

Customer balances are recorded at face value. At each closing the recoverable value is determined, so as to reduce, if applicable to reflect adjustments to cover the circumstances which reasonably permit them to be classified as bad debts.

I) Financial instruments

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

In 2007 and 2006, the Group has applied the valuation standards indicated below to its financial instruments:

Financial assets-

Financial assets are initially recorded at acquisition cost, including the costs of the operation.

Financial assets held by Group companies are classified as:

1. Financial assets held for trading: are those obtained by the Group with the aim of short term profits from variations in their prices or differences between their purchase and sale price. This heading also includes financial derivatives not considered a hedge.

2. Financial assets held to maturity: assets collected at a fixed or determinable amount with a fixed maturity date. In this respect, the Group expresses its intention and capacity to hold them from the purchase date to maturity. It does not include loans and accounts receivable originated by the Group. They are valued at cost price amortised using the effective interest rate.

3. Loans and accounts receivable originated by the Group: Financial assets originated by Group companies in exchange for cash, goods or services directly to a debtor. They are valued at cost price amortised using the effective interest rate.

4. Available-for-sale financial assets: Include securities acquired not held for trading, not classified as an investment to maturity and capital instruments issued by companies other than the subsidiaries, associates or multi-group companies.

Financial assets for trading and available for sale are valued at fair value on the subsequent valuation date. In the case of financial assets for trading, profits and losses from variations in the fair value are included in the net figures for the year. As regards available-for-sale financial assets, the profit and loss from variations in the fair value are recognised directly in the equity until the asset is disposed of or it is found to have suffered an impairment in value, at which time the accumulated profit or loss previously recognised in the equity are included in the net figures for the period.

The effective interest rate is the discount rate which is exactly to the value of a financial instrument with all estimated cash flows for all purposes throughout its remaining useful life. For fixed interest rate financial instruments, the effective interest rate coincides with the contractual interest rate established at the time of acquisition plus, if applicable, any commissions which by nature can be equated with interest rates. Where variable-rate financial instruments are concerned, the effective interest rate coincides with the current rate of return for all purposes until the first revision of the reference interest rate.

Financial investments in the capital of unlisted companies whose market value cannot be accurately assessed are carried at cost of acquisition.

The Group's companies show deposits and guarantees at cost of acquisition and/or amounts delivered.

Capital losses between cost and market value or fair value at the end for the year are recorded in "Provisions" under "Financial assets" (Note 10)

Financial liabilities

Bank loans and overdrafts that accrue interest are recorded at the amount received net of direct issue costs. Finance costs, including premiums payable on settlement or reimbursement and direct costs of the issue are recorded on an accrual basis in the income statement using the effective interest method, and are added to the book amount of the instrument, to the extent that the assets are not settled during the period in which they are produced.

Trade accounts payable do not explicitly accrue interest and are recorded at nominal value.

Classification of financial assets and liabilities as current and noncurrent.

On the accompanying consolidated balance sheets, financial assets and liabilities are classified by maturity, i.e., current debts are those whose maturities are less than or equal to 12 months from the date of the balance sheet and noncurrent debts are those having longer maturities.

Loans having short-term maturities but that will be refinanced in the long term at the Group's discretion through long-term credit facilities are classified as noncurrent liabilities.

j) Derivative financial instruments and registering of hedges

The Group's activities expose it essentially to exchange rate risks due to the marketing of products via licence holders in countries using a currency other than the Euro, and the interest rate on borrowing from banking institutions carried by the Parent Company. In order to hedge this exposure, the Group uses derivative financial instruments in order to hedge interest rates and exchange rates (Note 15), basically the IRS (Interest Rate Swap) and interest rate collars and exchange rate forwards. No derivative financial instruments are used for speculative purposes.

Grupo Almirall has opted to designate such instruments, whenever possible (they meet the requisites of IAS 39) as hedge instruments in Hedge ratios. For a financial derivative to be considered an "accounting" hedge, under IAS 39, Grupo Almirall must hedge one of the following three types of risk:

1. Variations in the value of assets and liabilities due to fluctuations in the price, interest rate and/or exchange rate to which the position or balance to be hedged are subject "fair value hedge".

2. Alterations in the estimated cash flows originating from financial assets and liabilities, commitments and transactions considered to be highly probable to be effected by an entity ("cash flow hedge").

3. Net investment in a business abroad ("net investments abroad hedge").

It must effectively eliminate the risk inherent to the element or position hedged throughout the timeperiod of the hedge and be suitably documented that the acquisition of the financial derivative was specifically made to act as a hedge against certain balances or transactions and the manner in which the effective hedge was to be achieved and measured.

Under IAS 39, any financial instrument must be recognised as an asset or liability on the balance sheet at its fair value, and changes in the latter must be recorded in the income statements for the year, except in such cases in which, by opting for hedge accounting, the effective part of the Hedge ratio is to be recorded under Equity (cash flow and net investment in foreign affiliate hedges).

The accounting of hedges, if considered to be such, is interrupted when the hedge instrument matures or is sold, completed or exercised or ceases to meet the criteria for hedge accounting. Any accumulated profit or loss attributable to the hedge instrument which has been recorded in the equity is maintained within same until the planned operation is carried out. When the operation hedged is not expected to be performed, the net accumulated profit or loss recognised in the equity are transferred to the net results for the period.

At 31 December 2007 Grupo Almirall has designated some of these derivative financial instruments as “accounting hedges”, recording changes in fair value as they are cash flow hedges in the equity of the effective portion. The other derivatives acquired by Grupo Almirall which did not fully meet all the above requisites to be qualified as hedges in accordance with the IFRS, record their variations in fair value in the consolidated income statements under the heading “Gains/(Losses) due to the valuation of financial instruments. The Group had not derivatives at 31 December 2006.

k) Provisions

At the time the annual accounts of the consolidated entities were prepared, their respective Directors made the distinction between:

- Provisions: credit balances covering obligations present at the date of the balance sheet arising as a result of past events from which outgoings of financial resources can be derived that are specific in nature but indeterminate in terms of amount and/or cancellation and

- Contingent liabilities: possible obligations arising as a result of past events, whose occurrence depends on whether or not one or more future events beyond the control of the consolidated entities will occur.

The Group's consolidated annual accounts reflect all significant provisions with respect to which it is estimated that the probability that an obligation will have to be met is greater than the opposite case. Contingent liabilities not arising from a business combination are not recorded and are listed in Note 24.

Provisions, quantified to reflect the best available information on the consequences of their underlying events, are re-estimated when the accounts are closed, and are used to address specific, probable risks for which they were originally recorded. They are fully or partially reversed when the risks are eliminated or diminished.

Judicial proceedings and/or current claim-

At the close of 2007 various judicial proceedings and claims against consolidated entities were in progress originating from the habitual engagement in their activities. Both the Group’s legal advisors and Directors understand that the provisions are sufficient and that the conclusion of these proceedings and claims will have no significant additional effect on the annual accounts for the periods in which they are completed (Note 17).

Provision for product returns-

Provisions for product returns are recorded at the date the relevant products are sold to cover losses in connection with returns that occur in the future as the result of sales during the current year and prior years, according to the best estimate of expenditure by the Directors and required to settle the Group's liability. This estimate is based on the Group's historical experience with product returns in past years.

As a significant share of returns will occur in a period exceeding twelve months, they are classified as noncurrent.

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

Contributions to defined contribution plans are recognised as an expense when the employees have rendered the services which entitle them to the contribution.

Retirement benefit obligations recognised on the balance sheet represent the current value of the obligation of the defined benefit adjusted by the actuarial profit and loss not recognised and the cost of past services, and reduced, if applicable, by the fair value of the assets plan. At 31 December 2007 and 2006 there are not assets ascribed to retirement benefit plans.

ll) Grants (deferred revenue)

Grants intended to cover the cost of refreshing personnel's technical knowledge are recognised as income after all their conditions are met within the periods in which the related costs are offset and deducted when presenting the appropriate expense.

Grants subsidies relating to properety, plant and equipment are considered deferred revenue and are carried to results throughout the foreseeable useful life of the relevant assets.

m) Recognition of revenue and expenditure

Revenue and expenditure are recognised to reflect the real flows of goods and services represented, regardless of when the monetary or financial flows arising from them are generated.

However, according to the principles in the conceptual framework of the IFRSs, the Group records accrued revenue and all the necessary related expenditure. Sales of assets are recorded when the goods are delivered to the purchaser and ownership has been transferred.

Interest revenue is accrued according to a financial time condition reflecting principal pending payment and the applicable effective interest rate, which is the exact discount rate of estimated future cash flows throughout the useful life of the financial asset, reflecting the net book value of the asset.

The result obtained for unconsolidated investment dividends is recorded when the shareholders have the right to receive the payment, i.e., when the General Shareholders' Meeting of the companies in the portfolio approve the distribution.

Recording of licence, co-development, co-promotion and other similar operations-

The Group companies record revenue collected in respect of the assignment of product licences, co-development, co-promotion, and other similar operations to reflect the economic nature of the corresponding agreements. These agreements generally reflect multiple factors and the associated revenue should be correlated with the costs and balancing items to be covered by the Group. When the accounting treatment of these operations is being assessed, the Group Directors will consider the following factors:

- The economic basis of the operation.
- Type of elements involved in the transaction (disbursements, exchange of assets, etc.),
- Valuation and distribution in accordance with the fair value of each consideration.
- Significant transfers of risks and benefits derived from ownership of the assets and assumption of future obligations.

As a rule, if the payment received is no reimbursable, it corresponds to the compensation of costs generated prior to the signing of the contract, the Group assumes no significant future obligations under conditions other than market, and the risks and advantages inherent in the asset are substantially transferred, the transaction is considered revenue for the year during which the agreement is executed. If these circumstances are not present, the collection is recorded as deferred revenue during the life of the agreements established, the remaining life of the product or the applicable period under the specific circumstances of the agreements.

Similarly, payments for meeting certain technical or regulatory requirements (milestones) in the framework of collaboration agreements with third parties are recorded as revenue under the same guidelines as those discussed in connection with the recording of revenue from the initial payments as indicated above.

The payments mentioned above are recorded when allocated to profits or losses under “Other income” in the accompanying consolidated income statements.

n) Corporate income tax; deferred tax assets and liabilities

Expenditure in connection with Spanish corporate income tax and similar taxes applicable to foreign consolidated entities are recorded in the consolidated income statement, except when they are the proceeds from a transaction for which the outcome is recorded directly in equity, and in this case, the corresponding tax is also recorded under equity.

Laboratorios Almirall, S.A. is subject to the income tax under the tax consolidation regime, Chapter VII, Title VII of Legislative Royal Decree 4/2005 of 5 March 2005 approving the consolidated text of the Law on the Corporate Income Tax. The companies which form the Group for tax purposes for the years 2007 and 2006 are: Laboratorios Almirall, S.A., Laboratorios Farmacéuticos Prodes, S.L., Laboratorio Temis Farma, S.L., Laboratorios Berenguer-Infale, S.L., Industrias Farmacéuticas Almirall Prodesfarma, S.L., Laboratorio Omega Farmacéutica, S.L., Laboratorios Tecnobío, S.A., Laboratorios Miralfarma, S.L. (formerly named Laboratorios Farmacéuticos Almirall, S.L.), Alprofarma, S.L., Pantofarma, S.L., Laboratorios Farmacéuticos Romofarm, S.L, Ranke Química, S.L. and Almirall Europe, S.A., the former acting as Parent Company.

As a result, expenditure under the consolidated income tax reflects the advantages derived from tax losses and deductions pending application and not recorded when companies comprising this tax group are subject to individual taxation.

Corporate income tax represents the sum of income tax expense for the year and the change in deferred tax assets and liabilities recognised.

The corporate income tax expense for the year is calculated using the taxable base for the year. The taxable base differs from the net profit or loss listed in the income statements as it excludes income or expenditure items that are taxable or deductible during other years, and it also excludes items that are not. The Group's current tax liabilities are calculated using tax rates already approved or substantially approved at the date of the balance sheet.

Deferred tax assets and liabilities include temporary differences identified as balances payable or recoverable as a result of differences in the book value and tax value of assets and liabilities, tax losses pending carryforward and credits for tax deductions not applied for fiscal purposes. These figures are recorded applying the appropriate temporary difference or credit to the tax rate applicable at which they are expected to be collected or settled.

Deferred tax assets identified as temporary differences are only recorded when it is considered likely that the consolidated entities will have sufficient future taxable earnings against which they can be applied, and, (except in business combinations), other assets and liabilities in transactions not affecting the tax or accounting profit or losses, will not be initially recorded. The remaining deferred tax assets (tax losses and deductions pending carryforward) are only recorded when it is considered that the consolidated entities will probably have sufficient tax earnings in the future against which they may be applied.

At each account closing, recorded deferred taxes (assets and liabilities) are revised to ensure that they remain effective, and the appropriate adjustments are applied according to the results.

o) Discontinued operations

An interrupted or discontinued operation is a business line the Group has decided to abandon and/or sell, for which the assets, liabilities, and profits or losses can be distinguished physically, operationally, and for financial reporting purposes.

The assets, liabilities, revenue, and expenditure from discontinued operations and Noncurrent assets held for sale are listed separately in the income statement.

In this connection the Group only segregates information in reference to discontinued operations when they are significant.

p) ***Transactions in foreign currency***

The Group’s functional currency is the Euro. As a result, all balances and transactions denominated in currencies other than the Euro are considered to be denominated in "foreign currencies.".

Balances in foreign exchange are converted to Euro in two consecutive stages:

1) Conversion of the foreign currency into the functional currency of the subsidiaries:

   Transactions in foreign currencies carried out by consolidated entities are initially recorded on their respective financial statements for the equivalent in their operating currencies resulting from the application of the exchange rate prevailing on the transaction date. Later, for presentation in the individual annual accounts, the consolidated entities convert the balances in foreign currencies to their functional currencies using the exchange rate at the close of the year. Exchange differences are recorded as credits and/or debits to the income statements.

2) Conversion into Euro of balances maintained by subsidiaries with non-Euro functional currencies.

   The balances of the annual accounts of the consolidated entities whose functional currencies are other than Euro are converted into Euro as follows.

   - Assets and liabilities, by application of the exchange rates at the close of the period.

   - Revenue, expenditure and cash flows, using the average exchange rate for the year.

   - Equity, at historical exchange rates.

Differences arising in the conversion process are recorded under “Exchange differences" in equity. These Exchange differences are recognised as revenue or expenditure during the period in which the investment is made on disposed of. In addition, exchange differences in respect of the Group's functional currency, the Euro, generated by subsidiaries whose functional currency is not the Euro, are eliminated in the consolidation process with a balancing entry under "Exchange differences” on the accompanying consolidated balance sheet.

q) Information on the environment

Environmental assets are those used on a long-term basis in the activities of Grupo Almirall's companies, the main purpose of which is to minimise the environmental impact and to protect the environment, including the reduction or elimination of future contamination from the Group's operations.

These assets are carried, as any property, plant and equipment, at the present value of the purchase price or production cost in accordance with various legislation, including Royal Decree-Law 7/1996, of 7 June.

The companies subject these items to straight-line depreciation to reflect the estimated years of remaining useful life of the various components.

r) Earnings per share

Basic earnings per share are calculated as the quotient between net earnings from the period attributable to the Parent Company and the weighted average number of shares in circulation during the period, not including the average number of shares of the Parent Company in the portfolio of group companies.

Diluted earnings per share are calculated as the quotient between net profits from the period attributable to common stock adjusted to reflect the effect attributable to potential shares of common stock with the dilution effect and the weighted average number of shares of common stock in circulation during the period, adjusted to reflect the weighted average of the common shares that would be issued if all potential shares of common stock were converted into shares of common stock. For that purpose the conversion is considered to take place at the beginning of the period or when the potential shares of common stock are issued, if placed in circulation during the same period.

s) Consolidated cash flow statements

The following definitions are used in the consolidated cash flow statements:

- Cash flows: inflows and outflows of cash and equivalents; defined as highly liquid short-term investments unlikely to change in value.

- Operating activities: the company's typical activities, and others that cannot be classified as investment or financing activities.

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

- Financing activities: activities that lead to changes in the amount and composition of equity and liabilities not included in operating activities.

6. Key accounting judgements and estimates

a) Revenue Recognition

Some of the Group’s revenue is generated by the sale to third parties of the use of licences on products developed by Grupo Almirall or for third parties to access products in development (generally through co-development arrangements). The agreements serving as a basis for these transfers or accesses are normally complex and include factors such as:

- Initial non-refundable payments

- Payments for reaching certain goals (development, commercial, etc.)

- Royalties

- Determination of the future supply price between the parties for the product in question

A detailed analysis of each component of this agreement should be conducted so that results can be adequately allocated to each element involved.

In this connection, in 2003, the Group signed a contract for the sale of distribution rights for a product to a third party (Ortho McNeil, subsidiary of the Johnson & Johnson group) through which it received an initial non-refundable payment and conditions were established to govern subsequent commercial relations between the parties during the useful life of the product. The initial payment was considered revenue from prior years according to the following premises:

- It was a non-refundable payment.

- The payment received by the Group corresponded to research and development expenditure executed earlier by the Group, and costs incurred to obtain approval for the drug from the U.S. authorities.

- The payment the Group received approximately represented an insignificant share of the total volume of revenue expected from the agreement.

- The price for the future supply of assets established between the Group and Ortho McNeil reflects market conditions.

In addition, the agreement included future payments to be received of 15 and 10 million Euros in completion and success payments, respectively, for two paediatric studies related to the product. On 19 December 2007 these conditions were renegotiated, replacing the above collections in exchange for a single payment of 17 million Euros for completion of the studies. Just one of these studies has not been completed to date, the Group has not recorded any revenue for these potential receivables (Note 24). However, the last study is due to be completed during 2008.

Operation with Forest Laboratories

On 6 April 2006 the Group signed an agreement with a third party (Forest Laboratories Holdings Ltd., a subsidiary of Forest Laboratories, Inc.) to develop and, possibly, jointly market and distribute a drug to treat Chronic Obstructive Pulmonary Disease ("COPD whose active ingredient is aclidium bromide and is in development phase III.

As a result of the agreement, the Group has given the said third party an exclusive right for possible eventual marketing of the product and its combinations in the United States market. The parties to the agreement (the Group and Forest Laboratories Holdings, Ltd) have also undertaken to jointly bear, effective as from the start of 2006, the development costs of each of the projected therapeutic applications so that the third party pays 60% of the total development costs (United States of America and Europe).

The agreement establishes other obligations for the Group in respect of eventual supply of both the active ingredient for the product and the inhalator device needed to apply the final product. The Group will obtain other compensations for such supply.

As consideration for the agreement the Group has obtained the non-refundable amount of US$60 million (Euros48.7 million, approximately, at the time of receipt), and maintains the right to receive certain sums for achievement of milestones relating to the development and eventual marketing of the product (Note 24).

The amount initially received has been considered a deferred revenue on the basis of the following premises:

- The Group has undertaken substantial future obligations for its contribution to the product's development.

- The eventual future receipts (except for recovery of 60% of development costs) tied to achievement of development or sale milestones reflect market conditions.

- The future supply price of the active ingredient and inhalator, after considering royalties and sales milestones, reflects market conditions.

The said deferred revenue will be released to income on a straight-line basis over the entire estimated duration of the development phase, which is expected to conclude, according to the Group's estimates, in 2011. It is estimated that this timing allocation does not differ significantly from what would result from applying a proportionality criterion based on the amount of estimated development costs until 2011.

A different interpretation of the premises established above or of the estimates assumed could give rise to modifications in the timing of the release to income of the non-refundable amount initially received (Notes 14 and 19).

b) Valuation of intangible assets

Operation with Meda Pharma GmbH & Co KG.

In 2006 the Group acquired from a third party (Meda Pharma GmbH & Co KG.), for Euros25 million, a series of intangible assets involving intellectual property, know-how and patents in the inhalator field that will be mainly applied to develop an inhalator that will serve as support for administering one of the main products which the Group has in the development phase (Note 8). Part of those intangible assets (patents) are the intellectual property rights on an inhalator ("Novolizer") currently used for administering drugs marketed by the said third party, which has reserved the exclusive right of use, free of charge and in perpetuity, of the inhalator to produce and market the said drugs.

Given that the said intellectual property only generates a profit from the sale of drugs on which the Group obtains no profit whatsoever, and that the Group has acquired that intellectual property as the basis of a development process, the assurance of recovery of the cost borne by the Group, and capitalised at the close of 2007 and 2006, has been considered by envisaging an alternative use. In this regard, the Group considers that the amount which could be obtained in a possible sale to a pharmaceutical company of the intangibles acquired (in the event that neither the ongoing development of the inhalator device nor the development of the drug in progress it is intended to support as doses delivery mechanism are successfully concluded) would in no case imply a significant loss.

A reduction in the estimated market value of the aforesaid intellectual property could give rise to a different consideration of the cost at which it is booked.

Acquisition of developments in progress

In November 2005 the Group obtained marketing rights to a product in development that meets the following characteristics for its initial capitalisation under IFRSs (Note 5-b). This asset will be amortised to reflect the useful life of the product in question from the time it is marketable. At the close of each accounting period, the Group assesses the recoverability of that asset through the generation of positive cash flows in the future according to the best estimates by the Group's technical and financial experts, to reflect a discounted cash flow model that includes a degree of uncertainty that is to be expected when different possible scenarios are considered.

Changes in the assumptions used to value expected cash flow (changes in interest rates, regulatory amendments, competition from other products, etc.) could reduce the cash value of this asset (Note 8).

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

The Group's activities are situated in a highly regulated segment (health, intellectual property, etc.), which exposes it to potential lawsuits derived from its activity.

Claims and lawsuits to which the Group is subject are generally complex, and accordingly, they are subject to a high level of uncertainty, in terms of the probability of a negative outcome for the Group's interests and in reference to estimated potential future disbursements the Group may be required to make. As a result, judgements and estimates must be used with the support of the appropriate legal advisors.

At the close of 2007 and 2006 various judicial proceedings and claims against consolidated companies were in progress originating from the habitual engagement in their activities. Both the Group's legal advisors and its Directors deem that the conclusion of these proceedings and claims will not have significant bearing on the annual accounts in future years (Note 24).

d) Deferred tax assets

When determining deferred tax assets, the Group establishes a specific time frame for their recovery based on the best available estimates. Accordingly, based on individual taxable bases of the individual companies comprising the Group, an expected time frame has been determined for the application of pending deductions and tax losses subject to carryforward in subsequent years, within the legal time frames for their application (Note 20).

e) Impairment of goodwill

Determination of potential losses owing to impairment of goodwill requires use of opinions and estimates regarding the recoverable value thereof. These judgements and estimates refer primarily to the determination of cash flows associated with the relevant cash generating units and certain assumptions in respect of the interest rates used in the cash flow discounts. The use of other assumptions in analyzing the recoverable value of goodwill could give rise to other considerations on their impairment.

f) Accrual of marketing expenditure

In 2006 the Group reached an agreement with a third party to pursue a plan for commercial co-promotion in the European market of the main inhalator platform to which the Group is committing resources (Note 6-b), and which is currently being used by the said third party in certain markets. The terms of the agreement stipulate that the Group will pay an overall sum of Euros65 million to the third party until 2008.

The expense of this co-promotion has been time allocated on the basis of the Group's projection of the promotional expenditure that will actually be carried out by the other company, such that approximately Euros22 and Euros40 million were accrued in the income statement as a result of that projection, with an estimated allocation in the 2008 income statement of 3 million Euros approximately. That estimate is checked, at each annual closing, against the statistics on product promotional expenditure published by an independent body, and corrected if necessary.

g) Assignment of fair value to assets and liabilities acquired

During the year 2007, the Group acquired the shares of the subsidiaries Almirall Hermal, Gmbh and Hermal Pharma, Gmbh (Note 3-b). The Group, in the advice of an independent expert, proceeded to determine the fair value of the assets and liabilities acquired in the business combinations, and assigned the tacit gains on the effective date of purchase of the said companies (1 September 2007). This assignment was performed as described in IFRS 3 "Business Combinations" assigning part of the difference between the price paid for the shares in the companies and the underlying book value of the said companies on the effective acquisition date at the fair value of certain intangible and property, plant and equipment of the companies acquired (Note 7).

The use of other hypotheses in the process of assigning the fair value of the assets and liabilities acquired in the business combinations could give rise to other considerations on the fair value of same, and accordingly the goodwill calculated in this combination.

7. Goodwill

The changes in this heading of the consolidated balance sheet during the years 2007 and 2006 are as follows:

	Thousands of Euros						
	Balance at 1 January 2006	Additions	Withdrawals (Nota 22)	Balance at 31 December 2006	Additions	Withdrawals	Balance at 31 December 2007
Laboratorios Almirall, S.A.	35,407	-	-	35,407	-	-	35,407
Almirall Sofotec, GMBH	-	11,901	-	11,901	-	(793)	11,108
Total merger/acquired goodwill	**35,407**	**11,901**	**-**	**47,308**	**-**	**(793)**	**46,515**
Almirall Hermal, GMBH	-	-	-	-	227,743	-	227,743
Irinol Farma, S.A.	4,548	-	(4,548)	-	-	-	-
Total consolidation goodwill	**4,548**	**-**	**(4,548)**	**-**	**227,743**	**-**	**227,743**
Total	**39,955**	**11,901**	**(4,548)**	**47,308**	**227,743**	**(793)**	**274,258**

Merger goodwill was generated by the difference between the value at which the shares in Prodesfarma S.A. were recorded and the underlying book value of that company at the time of the merger by absorption by the Parent Company, once the unrealised capital gains derived from the tangible and financial fixed assets were assigned, if applicable, to other asset items.

Irinol Farma, S.A. consolidated goodwill arose from the difference between the acquisition value in 2001 of the shares of the subsidiary Irinol Farma, S.A. and their underlying book value at the time of acquisition once any unrealised capital gains are assigned, if applicable, to the rest of the asset items. The retirement recorded in 2006 was in respect of discontinuation during that year of the business to which that goodwill was assigned.

As a result of the research and development activities carried on by the Group in recent years in certain new drugs to treat diseases of the respiratory system, in 2006 the subsidiary Almirall Sofotec, GmbH acquired from a third party, for 20 million Euros (VAT not included), a group of assets related to those activities and also took on part of the staff of that third party involved in those activities. The approximate market value of the production assets acquired was Euros8 million (Note 9), approximately 12 million Euros less than the amount paid.

Given that in the preceding years the Group had an arrangement with the said third party to pursue those research and development activities, the overprice paid has been considered an advance in respect of the margin of the research and development activities which the Group would necessarily have had to carry on to be able to conclude the processes carried out. That advance payment will be taken to the income statement on a straight-line basis during the projected time horizon for pursuit of the research and development activities that were pre-established previously without any significant impact on the 2006 consolidated income statement would not have been significant had the allocation begun in the said year.

The consolidated goodwill arose in 2007 from the difference between the acquisition value of the shares of Grupo Hermal and their underlying book value at the time of acquisition (Note 3-b). The difference between their fair value and that recorded in the financial statements of the acquired companies are assigned to the asset and liability items as detailed below.

Purchase Price Allocation	Thousands of Euros
Business combination cost (Note 3-b)	360,755
Underlying book value of acquired holdings	(41,286)
Difference	**319,469**
Allocation of fair value:	
Industrial property (Note 8)	96,800
Capitalised R&D expenditure (Note 8)	17,400
Land and buildings (Note 9)	9,798
Inventory	3,400
Total gains allocated	**127,398**
Deferred tax (Note 20)	(35,672)
Goodwill	227,743
Total net gain	**319,469**

The cost of the business combination includes 4.3 million Euros in respect of costs directly attributable to the acquisition.

The cash generating unit to which the said goodwill is assigned is formed in accordance with the segmentation and monitoring policies on financial reporting of the Management of Grupo Almirall is applied by Grupo Hermal as a whole.

At the close of 2007, the recoverable value was estimated in accordance with the market value of these companies based on a study carried out by an independent expert, which was in turn based on hypotheses regarding cash flows, growth rates of same and discount rates consistent with the valuation of the assets of said companies (Notes 8 and 9) and certain operational cost savings resulting from integrating the sales network of the companies acquired by Grupo Almirall.

For future years, in accordance with the estimates and projections of the Directors of the Parent Company, the forecasted results and discounted cash flows attributable to the Group of companies provide suitable support for the value of the goodwill recorded.

At the close of 2007, there was no change in any key hypothesis on which the management has based its determination of the recoverable value of the cash generating units.

8. Intangible assets.

The breakdown of the balance and changes in this heading of the consolidated balance sheets at 31 December 2007 and 2006 is as follows:

	Thousands of Euros						
	Cost					Accumulated Amortisation and impairment losses	Net
	Industrial property	R&D expenditure	Software	Advances and fixed assets in progress	Total		
Balance at 1 January 2006	**114,528**	**17,775**	**17,242**	**171**	**149,716**	**(76,042)**	**73,674**
Additions or allowances	27,068	-	1,201	-	28,269	(15,772)	12,497
Increase/decrease owing to transfers or movements from other accounts	-	-	304	(171)	133	(261)	(128)
Withdrawals or reductions	(3,012)	-	(253)	-	(3,265)	2,667	(598)
Exchange differences	(508)	-	(15)	-	(523)	316	(207)
Balance at 31 December 2006	**138,076**	**17,775**	**18,479**	**-**	**174,330**	**(89,092)**	**85,238**
Changes in scope / method of consolidation	216,025	-	730	-	216,755	(145,488)	71,267
Additions or allowances	235,583	17,400	745	-	253,728	(25,666)	228,062
Increase/decrease owing to transfers or movements from other accounts	-	-	286	-	286	-	286
Withdrawals or reductions	(1,984)	-	(975)	-	(2,959)	1,783	(1,176)
Exchange differences	(437)	-	(13)	-	(450)	221	(229)
Balance at 31 December 2007	**587,263**	**35,175**	**19,252**	**-**	**641,690**	**(258,242)**	**383,448**

All intangible assets described in the foregoing table have finite useful lives.

The variation in the scope of the various headings of intangible assets corresponds to the balance at the time of the effective purchase of Grupo Hermal. Additions in 2007 include the difference between the fair value of the assets acquired in the said transaction and the value at which they were recorded in the books of Grupo Hermal (Note 7). The fair value assigned in the various headings of the intangible assets is as follows:

	Thousands of Euros
Licences	68,500
Brands	21,100
Contracts	7,200
Total industrial property	**96,800**
R&D expenditure	17,400
TOTAL INTANGIBLE ASSETS	**114,200**

Additions in 2007 in “Industrial Property” also include payment of 136.1 million Euros for the acquisition from a third party of the marketing rights of certain pharmaceutical specialities. As a result of this agreement, the Group has acquired inventories under these marketing rights to the sum of 14.7 million Euros approximately (Note 11). On the date these accounts were formulated, the Group is pending receipt of authorisation by the original licensor for some of the aforementioned marketing rights. The Group Directors expect to receive this authorisation during the first half of 2008.

Additions for 2006 under “Industrial property” were mainly due to the payment of 25 million Euros for acquisition of intellectual property, know-how and patents related to inhalators that will be primarily used to develop an inhalator device (Note 6-b).

The Group is also obliged to pay additional disbursements of a contingent nature and to carry out certain developments as a result of the said acquisition. Neither of the foregoing obligations has been considered to increase the value of the asset acquired, because of their contingent nature, in the first case, and because the Group is direct beneficiary of the development to be carried out, in the second.

The heading "Research and development expenditure”, includes approximately 17.8 million Euros, which is the amount paid for obtaining marketing rights from a third party at end-2005 for a product in the development phase. This development acquisition agreement in progress establishes a series of additional payments with a maximum amount of £7 million for meeting a series of subsequent development milestones, a maximum of £14 million for meeting certain milestones related to authorisation to market the potential product in Europe, and a maximum of £13 million for exceeding certain sales thresholds for the potential product.

The above-mentioned additional payments are not recorded as increased values of assets acquired, owing to their contingent nature. The Group also considers that the discounted value of expected future cash flows at the time the obligation for additional payment arises due to the achievement of various milestones exceeds the total value of disbursements made or to be made. Accordingly, the registration of additional disbursement obligations will involve registering an increased acquisition cost for the intangible asset.

The amount of intangible assets in operation which are fully amortised for the Spanish companies at 31 December 2007 and 31 December 2006 are 54.7 and 53 million Euros approximately and respectively. The amount corresponding to intangible assets in operation ifully amortised from Group Hermal amounts to 35.2 million Euros, approximately, while that of the remaining foreign companies is insignificant.

Impairment losses

During 2007, the Group funded impairment losses for the sum of approximately 2 million Euros of the development in progress acquired during 2005 as a result in the delay of the registration authorisation by the health authorities. In 2006 the Group funded approximately 6 million Euros of the development in progress as a result of the negative evolution of marketing expectations of the planned therapeutic indications.

During 2007, the Group funded impairment losses for the sum of approximately 8.2 million Euros in relation with the acquisition carried out in 2005 of marketing licences for a product for the Italian market as a result of the entry of generic pharmaceutical specialities in this market.

These impairment losses were recorded under “Impairment losses of property, plant and equipment, intangible assets, and goodwill of the consolidated income statements for the years 2007 and 2006.

The details and changes of impairment losses of intangible assets recorded during 2007 and 2006 and included in the "Accumulated amortisation and impairment losses" column in the foregoing table are provided below:

	Thousands of Euros				
	Balance at 1 January 2006	Additions	Balance at 31 December 2006	Additions	Balance at 31 December 2007
Industrial Property	8,350	-	8,350	8,200	16,550
R&D expenditure	-	6,000	6,000	1,975	7,975
Total impairment losses	**8,350**	**6,000**	**14,350**	**10,175**	**24,525**

9. Property, plant and equipment

The changes in this heading of the consolidated balance sheet during the years 2007 and 2006 are as follows:

	Thousands of Euros							
	Cost						Accumulated depreciation	Net
	Land and constructions	Technical facilities and machinery	Other facilities, tools and furnishing	Other fixed assets	Advances and fixed assets in progress	Total		
Balance at 1 January 2006	**73,491**	**48,223**	**181,570**	**17,729**	**7,383**	**328,396**	**(181,104)**	**147,292**
Additions or allowances	3,128	3,950	19,914	322	4,918	32,232	(18,966)	13,266
Increase/decrease, transfers or movements from other accounts	777	98	5,788	309	(6,983)	(11)	11	-
Withdrawals or reductions	(8,584)	(1,500)	(10,884)	(1,707)	-	(22,675)	13,613	(9,062)
Exchange differences	-	-	(8)	(19)	-	(27)	19	(8)
Balance at 31 December 2006	**68,812**	**50,771**	**196,380**	**16,634**	**5,318**	**337,915**	**(186,427)**	151,488
Changes in scope / method of consolidation	14,364	10,894	9,511	822	190	35,781	(21,217)	14,564
Additions or allowances	10,034	9,803	7,682	264	5,829	33,612	(19,753)	13,859
Increase/decrease, transfers or movements from other accounts	-	2,688	2,837	613	(4,977)	1,161	(989)	172
Withdrawals or reductions	(250)	(973)	(515)	(5,026)	-	(6,764)	6,043	(721)
Exchange differences	-	(18)	(11)	(10)	-	(39)	17	(22)
Balance at 31 December 2007	**92,960**	**73,165**	**215,884**	**13,297**	**6,360**	**401,666**	**(222,326)**	**179,340**

The variation in the scope of the various headings of intangible assets corresponds to the balance at the time of the effective purchase of Grupo Hermal. Additions in 2007 include the difference between the fair value of the assets acquired in the said transaction and the value at which they were recorded in the books of Grupo Hermal (Note 7). The fair value assigned in the various headings of the intangible assets is as follows:

	Thousands of Euros
Land and constructions	9,798
Total property, plant and equipment	**9,798**

Additions in 2007 and 2006 are basically the result of improvements of the production centres of the Group's chemical and pharmaceutical plants. In addition, in 2006 the property, plant and equipment described in Note 7 were acquired.

Withdrawals made in 2006 were basically the result of the disposal of one of the Group's production plants (Note 22) and the building which formerly housed a research and development centre (Note 19).

Property, plant and equipment in progress under construction at end 2007 was mainly a result of investments in existing production plants on national territory for a sum of approximately 6 million Euros. The property, plant and equipment in progress at the close of 2006 for the approximate sum of 5 million Euros is mainly the result of investments made in connection with the necessary physical assets for the execution of a research and development project. In connection with the investments for this research and development project, at the close at 31 December 2007 the Group had assets still not engaged in the operation for an approximate sum of 15.8 million Euros. The Directors estimate that, should the said project fail to succeed, the said assets would be realisable via disposal to third parties or via an alternative use for products using similar technology.

Transfers of the said assets by the Group in 2007 and 2006 basically reflect the transfer of the said investment projects in the production centres which came into operation during those years.

The amount of fully amortised assets for the Spanish companies at 31 December 2007 and 31 December 2006 totalled 128 and 118 million Euros, approximately and respectively. The amount of fully amortised assets of the Grupo Hermal totalled 19.8 million Euros approximately, while that of the remaining foreign companies was not significant.

The Group occupies several facilities under a lease arrangement (Notes 19 and 26).

As a result of the merger in 1997 and pursuant to Law 43/1995, the company recorded a revaluation under "Land and constructions" of the assets of the acquired company (up to the limit of the independent expert assessment at the time these companies were acquired) for a net book value of Euros421 thousand.

The effect at 31 December 2007 and 2006 of the revaluation of property, plant and equipment recognised by the companies in 1996 is as follows:

	Thousands of Euros							
	2007				2006			
	Cost increase	Accumulated depreciation	Disposals	Net effect	Cost increase	Accumulated depreciation	Disposals	Net effect
Land and constructions	2,858	(878)	(822)	1,158	2,858	(714)	(822)	1,322
Technical facilities and machinery	1,520	(1,517)	(2)	1	1,520	(1,517)	(2)	1
Other facilities, tools and furnishing	4,511	(4,417)	(83)	11	4,511	(4,403)	(83)	25
Other fixed assets	101	(81)	(20)	-	101	(81)	(20)	-
Total	**8,990**	**(6,893)**	**(927)**	**1,170**	**8,990**	**(6,715)**	**(927)**	**1,348**

The net increase in the amount resulting from the revaluations is depreciated during the remaining useful lives of the revalued assets.

The Group has affected insurance policies to cover potential risks to which the various property, plant and equipment are subject, as well as potential claims that may be filed in the course of its activities, and these policies are considered to provide sufficient cover for the relevant risks.

At 31 December 2007 and 2006 intangible assets include 35 and 10 million Euros, respectively, corresponding to the net value of property, plant and equipment owned by entities and subsidiaries of the Group based in foreign countries.

10. Financial assets

Noncurrent

The breakdown of the balance of this item on the consolidated balance sheets at 31 December 2007 and 2006 and the change in the years ended on those dates is as follows:

	Thousands of Euros							
	Investments in Group companies and associates	Long-term securities portfolio	Long-term loans	Securities investment funds	Financial instruments	Deposits and guarantees provided	**Provisions**	Total
Balance at 1 January 2006	**487**	**740**	**108**	**89,974**	**-**	**1,058**	**(2,336)**	**90,031**
Additions or allowances	6	-	178	6,514	-	854	-	7,552
Disposals	(295)	-	(287)	(43,479)	-	(674)	1,600	(43,135)
Transfers	-	(41)	41	-	-	-	-	-
Exchange differences	-	-	-	(184)	-	-	-	(184)
Balance at 31 December 2006	**198**	**699**	**40**	**52,825**	**-**	**1.238**	**(736)**	**54,264**
Changes in scope or consolidation method	29	-	-		-	-	-	29
Additions or allowances	5	2,510	36	64,320	225	271	-	67,367
Transfers	-	1,861	-	(1,861)	-	-	-	-
Short term transfers	-	(1,861)	-	-	-	-	-	(1,861)
Disposals	(20)	-	(44)	(112,841)	-	(234)	20	(113,119)
Exchange differences	-	-	-	(356)	-	(26)	-	(382)
Balance at 31 December 2007	**212**	**3,209**	**32**	**2,087**	**225**	**1,249**	**(716)**	**6,298**

Current

The breakdown of the balance of this item on the consolidated balance sheets is as follows:

	Thousands of Euros	
	2007	2006
Short term securities portfolio	133,937	394,416
Short term deposits	11,080	3,942
Short term guarantees	35	30
Others	-	1
Total	**145,052**	**398,389**

In accordance with the provisions of IAS 7, for the purpose of preparing the Cash Flow Statement, the Group considers as means equivalent to cash all highly liquid short-term investments (maturing in less than 3 months) which are easily convertible in certain cash amounts and subject to an insignificant risk of changes in value. Of the total of the above chart, at 31 December 2007 142,025 thousands Euros are considered cash equivalents. However, when preparing the Cash Flow Statement for the year, all the current financial assets have been included as cash equivalents as the other assets have not been considered significant. At 31 December 2006 all current financial assets were considered cash equivalents as almost all of same had a maturity period of less than 3 months.

The classification of Group investments into financial instruments is made using the following premise:

- Financial assets held for trading: For the year 2007 the Group considers included under this heading the financial investments whose revaluation is recorded via the results together with the financial instruments which do not meet the necessary requisites to be considered a hedge. For the year 2006, the Group considers this item to include financial investments made through the subsidiary Alpro Cartera, S.I.C.A.V., which are part of its overall investment portfolio aimed at generating short-term profits.

- Financial assets available-for-sale: this item includes investments in fixed-income or equity investment funds (excluding those acquired through Alpro Cartera, S.I.C.A.V.) as they are not part of an investment portfolio to be realised in the short term nor were they acquired for that purpose.

- Financial assets held to maturity: This item primarily includes fixed-income investments through Euro deposits, deposits in foreign currencies and repurchase arrangements (excluding those acquired through Alpro Cartera, S.I.C.A.V.). In addition, they also include those financial instruments which meet the necessary requirements to be considered a hedge.

Shown below is the breakdown of current and noncurrent financial assets held for trading, available for sale or held to maturity:

	Thousands of Euros	
	2007	2006
Financial assets held for trading	3,444	63,725
Financial assets available for sale	2,087	64,375
Financial assets held to maturity	145,819	324,553
Total	**151,350**	**452,653**

The fair value of the various eligible financial instruments is determined according to the following rules:

- Fixed-income securities included in the trading portfolio: when not listed or having maturities less than or equal to six months, they are calculated based on the acquisition cost plus the corresponding accrued interest computed according to the internal rate of return. When securities with an original maturity exceeding six months have six months or less remaining to maturity, the acquisition price will be considered to be the price, equal to the internal yield of the investment at the market interest rate. Calculations for listed fixed-income securities use the official exchange rate applicable to them or to those having similar features when not quoted on the day in question. However, should the listings not reflect value adjustments according to changes in the market interest rate, or if it is not possible to determine the listing value, the method described above is used.

- Investments in equity securities: reflecting the quotation on the last trading day. There are no significant holdings in unlisted companies.

- Shares in investment funds: calculated to reflect the last unit redemption value published at the valuation date.

Changes in fair value recognised through reserves or income statements during 2007 and 2006 for investments held through fully consolidated companies are listed below.

	Thousands of Euros	
	2007	2006
Initial balance	**10,502**	**10,571**
Disposal due to sale (Note 13)	(9,469)	(4,414)
Revaluation for the period recognised in profits (Note 19)	219	691
Revaluation for the period recognised for reserves (Note 13)	63	3,654
Final balance	**1,315**	**10,502**

Similarly the Parent Company held public debt securities in agencies of the Autonomous Community of the Canary Islands amounting to 4.4 and 1.8 million Euros at 31 December 2007 and 31 December 2006, in compliance with the requirements under Law 19/1994 of 6 July 1994, and these assets must be held continuously for a period of five years.

In addition, most of the bank accounts included under "Cash" were remunerated at an average interest rate of 4.02% and 2.71% per annum during 2007 and 2006, respectively.

Last, Group companies and associates not included in the scope of consolidation because they were inactive and/or insignificant, and related information for 2007 and 2006 are provided below:

2007

	Thousands of Euros						
Name	Almirall Prodes P.Q., Lda. (winding up)	Almirall Marketing Farmacéutico Unipessoal Lda	Almirall, Inc.	Almirall, S.A. (Chile)	Hermal Zweite	Genius Pharma, A.I.E.	Almirall Europa, S.A.
Address	Portugal	Portugal	USA	Chile	Germany	Spain	Spain
Activity	Pharmaceutical industry	Promotion of pharmaceutical products	Pharma industry (inactive)	Pharmaceutical laboratory	International Holding	Inactive	Inactive
Share of capital owned	100%	100%	100%	100%	100%	28%	100%
Consolidation method	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capital	nd	nd	nd	nd	26	12	61
Reserves	nd	nd	nd	nd	(18)	-	-
Net profits (losses) for the	nd	nd	nd	nd	(1)	2	1
Book value of holdings							
Cost	55	5	52	5	30	3	62
Provision	(18)	-	(10)	-	-	-	-

Nd: Not available

2006

	Thousands of Euros					
Name	Almirall Prodes P.Q., Lda.	Almirall Inc.	Almirall Prodesfarma, S.A. (Chile)	Cofarin	Genius Pharma, ALE.	Almirall Europa, S.A.
Address	Portugal	USA.	Chile	Dominica	Spain	Spain
Activity	Pharmaceutical industry	Pharmaceutical industry (inactive)	Pharmaceutical laboratory	International Holding	Inactive	Inactive
Share of capital owned	100%	100%	100%	100%	28%	100%
Consolidation method	N/A	N/A	N/A	N/A	N/A	N/A
Capital	5	nd	8	nd	12	61
Reserves	-	nd	216	nd	-	(1)
Net profits (losses) for the year	29	nd	28	nd	-	1
Book value of holdings (Group)						
Cost	55	52	6	20	3	62
Provision	(18)	(10)	-	(20)	-	-

Nd: Not available

11. Inventories

This heading at 31 December 2007 and 2006 comprises the following:

	Thousands of Euros	
	2007	2006
Raw materials and processing	25,695	16,216
Products in progress	13,816	10,642
Finished goods	87,085	77,137
Advances to suppliers	1,113	394
Provisions (note 19)	(14,858)	(9,833)
Balance at 31 December	**112,851**	**94,556**

Changes in the allowance for obsolescence during 2007 and 2006 and the amount of inventories consumed by the Group are listed in Note 19.

On 18 December 2007 and as a result of the agreement described in Note 8 for the acquisition of certain marketing rights, the Group has acquired inventories belonging to the said marketing rights for the sum of 14.7 million Euros approximately.

12. Trade accounts receivable and other assets

This heading at 31 December 2007 and 2006 comprises the following:

	Thousands of Euros	
	2007	2006
Customers sales and services	90,191	91,740
Other accounts receivable	18,120	11,583
Provisions (Note 19)	(1,329)	(3,186)
Total accounts receivable	**106,982**	**100,137**

At 31 December 2007 and 2006 the line "Other accounts receivable" in the preceding table includes 9.8 and 5.6 million Euros, approximately and respectively, for the amount pending receipt on the re-invoicing to a third party of development expenditure, as explained in Note 19.

13. Equity

Capital Stock

On 7 November 2001, the Parent Company redenominated its share capital in Euro, and the amount changed from Pta 3,580 million to 21,516,233.34 Euros, represented by 3,580,000 shares with a face value of 6.010121 Euros each, totally subscribed and paid up.

The Parent Company at this date adjusted the face value per share to 6.01 Euro creating a restricted reserve of 433.34 Euro.

On 26 July 2006 the Extraordinary Shareholders Meeting of Laboratorios Almirall, S.A. agreed to reduce the company's share capital through the acquisition of 423,289 of own shares from Grupo Plafin, S.A., with the express waiver of the rest of the shareholders offering their shares for sale and preferential purchase rights that may have been applicable to them in respect of shares that the Company intended to acquire.

The effective price paid by the Company at 6 September 2006 for this acquisition of own shares was 250 million Euros and the following charges were incurred as a result of their immediate redemption.

- To Share Capital: 2,544 thousands Euros
- To voluntary reserves: 224,456 thousand Euros
- To share premium reserves: 23,000 thousand Euros

As a result of this retirement of own shares, the number of shares in the Company was established at 3,156,711 at 31 December 2006.

On 13 April 2007, the Shareholders' General Meeting of the Parent Company agreed an operation to reduce the face value of the shares (split) after increasing the share capital by 0.09 Euros charged to reserves, by virtue of which the face value of 6.01 Euros was reduced to 0.12 Euros per share. As a result of this operation, the share capital is now represented by 158,098,610 shares as opposed to 3,156,711 shares. Therefore, the nominal amount of the share capital of Laboratorios Almirall, S.A. at that time totalled 18,971,833.20 Euros, represented by 158,098,610 registered shares with a face value of 0.12 Euros each, all of the same series and class, fully subscribed and paid up.

On 29 May 2007 the Board of Directors of the Parent Company agreed a capital increase of 8,000,000 shares, with a face value of 0.12 Euros each, all of the same series and class as the other shares. The subscription of these shares was made on 20 June 2007 via the Primary Offering announced by the Parent Company on 12 February 2007. As agreed at the Shareholders' General Meeting of Laboratorios Almirall S.A on 13 April 2007, the shareholders expressly waived their preferential subscription right.

The definitive subscription price was fixed at 14 Euros in accordance with the Prospectus of the Public Offering for the Sale and Subscription of shares of Laboratorios Almirall S.A as published at 31 May 2007. As a result, the following entries have been made in the Consolidated Equity:

- Payment of 960 thousands Euros in the share capital account.
- Payment of 111.040 thousands Euros in the share premium account.
- Charge of 5.273 thousand Euros in the share premium account for expenses arising from the Primary Offering.

As a result of the above operations in 2007, the number of shares of the Parent Company was established at 166,098,610 shares at 31 December 2007.

At 31 December 2007 all the shares of the Parent Company were listed on the Spanish exchanges without any statutory restriction on the free transfer of same. Furthermore, there are preferential acquisition rights and purchase and sale options granted between the former shareholders in the last instance of the Parent Company with regard to the shares of one of the shareholders under the contract between shareholders signed on 28 May 2007 as announced in the Prospectus of the Primary Offering of Laboratorios Almirall S.A published on 31 May 2007.

Shareholders with a significant ownership of the share capital of Laboratorios Almirall S.A. both directly and indirectly, greater than 3% of the share capital who are known to the Parent Company in accordance with the information contained in the official records of the Comisión Nacional del Mercado de Valores at 31 December 2007 are as follows:

Name or trade name of direct owner of the holding	N° shares	% Holding in Group Almirall
Grupo Plafin, S.A.	**74,892,985**	**45.09%**
Todasa, S.A.	**40,966,504**	**24.66%**
Fidelity International Limited		
Fidelity European Fund	3,820,268	2.30%
FID FDS - Iberia pool	1,445,058	0.87%
FID FDS - Euro smaller Co pool	1,179,300	0.71%
Norges Bank EUR EX UK EX NORWY	963,372	0.58%
Fidelity European OPP FND 1992	863,713	0.52%
Other holdings	1,698,674	1.02%
	9,970,385	**6.00%**
Total	**125,829,874**	**75.75%**

The Parent Company has no knowledge of other holdings equal to or greater than 5% of the share capital or voting rights of the Parent Company or, being lower than this percentage, provide a notable influence in the Parent Company.

At the Shareholders' General Meeting held on 13 April 2007 it was agreed to empower the Board of Directors, in accordance with the provisions of article 153.1.b of the Law on Corporations to increase the share capital one or more times and at any moment, within a period of five years as from the official listing date of the Parent Company's shares via the issue of new shares, with or without a premium and with or without vote, consisting of the equivalent value of the new shares to be issued in monetary provisions, and to set the Terms and Conditions of the capital increase and the characteristics of the shares, and therefore a new drafting of article 5 of the Articles of Association. The equivalent value of the capital increase or increases may consist of transforming free reserves, in which case the capital increase may be carried out by increasing the face value of the existing reserves, with the resulting modification of article 5 of the Articles of Association relating to capital. The Board was also empowered to exclude, in whole or in part, the preferential subscription right under the terms of article 159.2 of the Law on Corporations.

At the Shareholders' General Meeting held on 13 April 2007 it was agreed to delegate in the Board of Directors, in accordance with the provisions on the issue of debentures, in article 319 of the Regulations of the Mercantile Register and in application of the provisions of articles 153.1 b) and 159.2 of the Law on Corporations together with articles 20, 21 and 22 of the Articles of Association, the power to issue to debentures, bonds and other fixed income securities, both simple and capable of being swapped for shares in the Parent Company, in any other company (belonging or otherwise to its group) and/or convertible for shares in the Parent Company. This delegation may also be used to issue promissory notes, preference holdings and warrants on newly issued shares or those in circulation of the Parent Company. The issue of these securities may be made in one or more times, at any moment, within a maximum period of five years as from the date the resolution was adopted, for a maximum amount of 100 million Euros. In the case of warrants, this limit must be considered taking into account the sum of premiums and warrant exercise price approved under this delegation.

Reserves for retired capital

In accordance with the Law on Corporations as amended, this reserve can only be accessed subject to the same requirements as reductions in share capital.

The balance of this reserve at 31 December 2007 and 2006 totalled approximately 30.5 million Euros.

Legal Reserve

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

The 3.8 million Euros recorded in this account at 31 December 2007 and 2006, corresponded to the balance of the legal reserve of the Parent Company, Laboratorios Almirall, S.A.

The balances of the "Legal reserve" account for consolidated subsidiaries at 31 December 2007 and 2006 amounted to 1.3 and 1.7 million Euros approximately and respectively.

Share premium

The Law on Corporations as amended expressly permits the use of the share premium account balance to increase capital, and places no specific restrictions on the availability of said balance. However, the equivalent share of the present value of assets contributed in past years, totalling 1.5 million is subject to the same availability conditions as the revaluation reserve.

In 2006, as a result of the operation described in “Share Capital” above, the balance of the share premium was reduced by 23 million Euros. In addition, as a consequence of the capital reduction carried out, 2.5 million Euros of the voluntary reserves have been considered as unavailable reserves for retired capital.

In 2007, as a result of the operation described in “Share Capital” above, the balance of the share premium was increased by the sum of 105.8 million Euros.

Canary Islands investment reserve

The Parent Company, in compliance with Law 19/1994 and to benefit from tax incentives established by that law, the Parent Company earmarks a portion of the profits from its establishment in the Canary Islands to the RIC. This reserve is not available as long as the relevant assets must remain in the Company.

The balance of this reserve at 31 December 2007 and 2006 totalled approximately 9.5 and 6.8 million Euros, approximately and respectively.

Revaluation reserve

As permitted by corporate legislation, the Parent Company revalued its noncurrent assets during 1996. This balance may be earmarked, without accruing taxes, to eliminate accounting losses, both those accumulated during prior years and those for the current one, or any that may occur in the future, and for increases in share capital.

From 1 January 2007 (10 years after the date of the balance sheet reflecting the revaluations), the funds can be earmarked to freely available reserves provided that the monetary capital gain has been realised. The capital gain will be considered realised in the component corresponding to accounting amortisation, or when the revalued equity components have been transferred or retired from the accounting system.

If the balance of this account is used for purposes other than as provided in Royal Decree-Law 7/1996, the balance will be taxable.

The balances of the "Revaluation reserve" account for consolidated subsidiaries at 31 December 2007 and 2006 amounted to 6.6 million Euros approximately.

Reserves in consolidated companies-

The breakdown of this account is as follows:

	Thousands of Euros	
	2007	2006
Laboratorios Almirall, S.A. (*)	279,121	381,728
Other fully consolidated companies	(116,875)	13,482
Total reserves in consolidated companies	**162,246**	**395,210**

(*) Basically includes dividends received from subsidiaries, reversal of financial investment provisions and elimination of margin from internal transactions, as well as the impacts of the application of IFRSs to the Parent Company. Reserves of each subsidiary reflect the respective impacts of the adaptation.

Gains and Losses recognised in equity –

Available-for-sale financial assets

This heading on the consolidated balance sheet reflects the net amount of changes in fair value of assets classified as available for sale explained in Note 10; discrepancies are recorded in the consolidated income statements and consolidated earnings when the assets giving rise to them are sold.

Financial hedge instruments

This heading of the consolidated balance sheets reflects the net amount of changes in the fair value of the financial instruments which meet the requisites to be considered a hedge (Notes 5-j, 10 and 15).

Retirement benefit obligations

This heading of the consolidated balance sheets reflects the net amount of changes in the calculation of the current net value of retirement benefit obligations in accordance with the actuarial hypotheses described in Note 18.

The details and changes in the balance of this heading during the years 2007 and 2006 are shown below:

	Thousands of Euros	
	2007	2006
Initial balance	6,350	6,390
Disposal due to sale and/or transfer to income statements	(5,903)	(2,869)
Allocation hedges to assets acquired (Note 15)	2,663	-
Changes in scope	(493)	-
Changes in fair value	(2,335)	2,375
Tax rate change effect	-	454
Final balance	**282**	**6,350**

Exchange differences – This heading of the accompanying consolidated balance sheets reflects the net amount of exchange differences caused by the conversion to the Group's functional currency of the equity of companies operating under local standards in a currency other than the Euro.

The breakdown by companies of the balance of this heading at the end of 2007 and 2006 is shown below:

	Thousands of Euros	
	2007	2006
Almirall Limited	13	-
Almirall Prodesfarma, A.G.	537	174
Chemol, S.A.	404	263
Expharm, S.A.	16	(225)
Subgroup Almirall, S.A. de C.V.	(2,946)	(849)
Total	**(1,976)**	**(637)**

14. Deferred revenue

At 31 December 2007 and 2006, the balance of "Deferred revenue" comprises the following:

	Thousands of Euros
Balance at 1 January 2006	**4,347**
Additions	51,007
Cancellations	(400)
Released to income	(8,320)
Balance at 31 December 2006	**46,634**
Additions	75
Released to income	(10,075)
Balance at 31 December 2007	**36,634**

Additions in 2006 were mainly due to the amount of the initial non-reimbursable collection described in Note 6-a for the sum of 48.7 million Euros, having allocated to the consolidated income statements of the years 2007 and 2006 an amount of 9 and 6 million Euros approximately and respectively (Note19).

The other amounts in the items "Deferred revenue" of 2007 and 2006 correspond to the amounts received during the previous year and years for the transfer of research products licences which are carried as indicated in Note 5-m.

15. Bank borrowings and other financial liabilities

The composition of this item at 31 December 2007 and 2006 is as follows:

	Thousand of Euros							
				Noncurrent				
	Limit	Balance drawn down	Current	2009	2010	2011	Rest	Total
Loans from credit institutions	350,000	300,000	46,000	60,000	60,000	92,000	42,000	254,000
Lines of credit	300,000	155,000	6,250	12,500	12,500	31,250	92,500	148,750
Liabilities for financial instruments	N/A	604	-	-	-	-	604	604
Other financial debt (*)	N/A	10,604	10,604	-	-	-	-	-
Total at 31 December 2007	**650,000**	**466,208**	**62,854**	**72,500**	**72,500**	**123,250**	**135,104**	**403,354**
				Noncurrent				
	Limit	Balance drawn down	Current	2008	2009	2010	Rest	Total
Other financial debt (*)	N/A	5,782	5,782	-	-	-	-	-
Total at 31 December 2006		**5,782**	**5,782**	-	-	-	-	-

(*) Other financial debts basically include the debt with credit institutions for the purposes of collection management the amount of which was paid in advance by the financial institutions entrusted with the collection management and register of interest accrued by the debt and not outstanding.

The valuation of hedge instruments totals 604 thousand Euros and they have been classified as “Bank borrowings” under noncurrent liabilities.

On 27 March 2007 the Group signed a loan and credit line contract with a syndicate of financial institutions for the sums of 150 and 100 million Euros respectively. At 31 December 2007 the Parent Company holds 30 million Euros of the said credit and the entirety of the loan, for a total sum of 180 million Euros. The loan has annual maturities of a fifth of the total until 27 March 2012 insofar as the line of credit, with drawdowns in periods of up to six months renewable, has a final maturity in 2012.

On 26 July 2007 the Group signed a credit line contract with a financial institution for the sum of 125 million Euros. At 31 December 2007 the Parent Company has the full amount of this credit drawn down. The line of credit with drawdowns, in periods of up to six months renewable, has part maturities for different amounts, the last one in 2012.

On 13 December 2007 the Group signed a loan and credit line contract with a syndicate of financial institutions for the sums of 200 and 75 million Euros respectively. At 31 December 2007 the Parent Company has 150 million of the said loan drawn down, without having drawn any part of the line of credit. The loan has annual maturities of different amounts, the last being 13 December 2012 insofar as the line of credit with drawdowns in periods of up to six months renewable has a final maturity in 2012.

The interest rate of this financing is the Euribor plus a differential under market conditions, which is variable in the future in line with certain financial ratios. The average cost of the debt for the year 2007 was 4.59%.

The said finance contracts establish the need for the Net Financial Debt/ EBITDA ratio be maintained, on a half-yearly basis, below 2.5. The contract dated 13 December 2007 also establishes the need for the EBITDA/ Financial Expenses ratio be maintained, on a half-yearly basis, above 5. The contracts also include a series of non-financial obligations which must be met. Any failure to fulfil any of the above obligations would cause the total amount financed and interest accrued to become immediately payable if so requested by any of the financial institutions. When preparing these financial statements, the Directors consider that there has been no failure to comply with the aforementioned obligations.

Although the conditions for the drawdown of the above credits have a maximum maturity of six months, the Group has the power to successively renew the drawndown amounts consecutively until 2012. In this manner, the Directors estimate that these powers will be exercised at least for a period longer than twelve months, such that the consolidated annual accounts present this amount under noncurrent liabilities with maturity in the year 2012.

The Group has maintained the classification of noncurrent of the line of credit arranged on 26 July 2007 despite its early cancellation in 2008 as it was simultaneously substituted almost in its entirety by bank finance of a similar nature (Note 25).

Financial instrument liabilities-

The Group contracts derivative financial instruments on the non-organised markets (OTC) with national and international financial institutions with a high credit rating.

The aim of the above is to reduce the impact of a growth in variable interest rates (Euribor) in Group finance, and a reduction of the exchange rates of currencies in which it must make payments and collections with regard to its operations.

Interest rate derivatives

In order to determine the fair value of the interest rate derivatives (Fixed Rate Swaps or “IRS” and options or “Collars”) the Group uses the discount on cash flows based on those implicit, determined by the interest rate curve of the Euro under market conditions on the valuation date. For options, it also uses the implicit market volatility as an input to determine the fair value of the option, using valuation techniques such as Black & Scholes and its variants applied to interest rate underlyings.

The interest rate derivatives contracted by the Group at 31 December 2007 and their fair value on that date are as follows (the Group had no interest rate derivatives at 31 December 2006):

			Thousands of Euros			
Subsidiary company	Instrument	Maturity	Nominal amount	Fair value	Fixed rate or brackets	Variable rate
Laboratorios Almirall (1)	IRS	26/07/2012	100,000	142	4.43%	Euribor 6 months
Laboratorios Almirall (2)	IRS	27/03/2012	120,000	83	4.46%	Euribor 6 months
Laboratorios Almirall (3)	Collar	26/07/2012	25,000	(50)	4.68-3.75%	Euribor 6 months
Laboratorios Almirall (4)	Collar	27/03/2012	30,000	(28)	4.68-3.75%	Euribor 6 months
Total			**275,000**	**147**		

The Group covers the interest rate risk of part of the financing at a variable interest rate in Euros via financial interest rate swaps (IRS). In IRS the interest rates are exchanged such that the Group receives from the bank a variable interest rate (Euribor 6 months) in exchange for payment of a fixed interest for the same nominal amount. The variable interest rate received for the derivative offsets the payment of financing interest. The final result is a fixed interest payment in the finance covered.

The amount recognised in Equity at 31 December 2007 as the effective part of the Hedge Ratios of the IRS (1) and (2) is 225 thousand Euros (Note 13). The Group designated the relevant Hedge Ratios at 31 December 2007 and they are fully effective. In these hedge ratios, the risk hedged is the fluctuation of the variable Euribor rate of the finance hedged.

In 2007, the sum of 190 thousand Euros was deducted from Equity (amount of interest accrued on the derivatives during 2007, no settlements having taken place) and been allocated to the consolidated income statements as the interest on the financial liabilities covered by the designated Hedge Ratios is recorded.

Likewise, financial liabilities for the financial derivatives have been recognised as hedges (“Collars” (3) and (4) which contain Knock Ins) which do not meet the requisites to be designated, in accordance with IAS 39 for the sum of 78 thousand Euros, with a counterparty in the consolidated income statements.

Exchange rate derivatives

In order to determine the fair value of exchange rate derivatives (Exchange rate insurance or Forwards and options and variants) the Group uses the Euro and currency rate curves involved in the derivatives, and by discounting flows, determines the value of the derivatives acquired. For options, it also uses the implicit market volatility as an input to determine the fair value of the option, using valuation techniques such as Black & Scholes and its variants applied to exchange rate underlyings.

The interest rate derivatives contracted by the Group at 31 December 2007 and their fair value on that date are as follows (the Group had no exchange rate derivatives at 31 December 2006):

			Thousands of Euros	
Subsidiary company	Instrument	Maturity	Nominal amount	Fair value
Laboratorios Almirall (1)	Forward Plus EUR/USD	17/12/2008	7,123	(256)
Laboratorios Almirall (2)	ForwardKO EUR/USD	17/12/2008	18,440	(139)
Laboratorios Almirall (3)	Forward EUR/JPY	18/12/2008	9,533	(131)
Total			**35,096**	**(526)**

The Group covers the exchange rate risk of its operations denominated in foreign currencies.

At 31 December 2007, the Group had designated as a hedge instrument the exchange rate insurance for the purchase of Yen (3) maturing at 18 December 2008, as a hedge on the Yen purchase flows for highly probably future transactions for the sum of 1,500,000 thousand Yen. Under the terms of this operation, the Group will purchase this amount of Yen at a price of 157.34 JPY/EUR. This Cash Flow Hedge ratio is considered highly effective and the Group has therefore recorded a financial liability for the sum of 131 thousand Euros with a counterpart in Equity.

In order to cover USD denominated purchase and sale operations during 2008, but without meeting the cover requisites of IAS 39, the Group has two exchange rate derivative operations which involve the recognition of financial liabilities for the sum of 395 thousand Euros. These are purchases in USD (for the sum of 10,000 thousand USD), which under the derivative (1) will be purchased at a maximum price of 1.4040 USD/EUR, and sales of USD (for the sum of 26,000 thousand USD) which under the derivative (2) could be sold at a price of 1.4100 USD/EUR. The fair value of these two derivatives has been fully recorded in the consolidated income statements for 2007.

In 2007, the Group effected an exchange rate insurance for the purchase of USD, for a nominal amount of 213,100 thousand USD, designated as a hedge instrument on the firm commitment with Shire to pay in USD. At the time of making the payment, the fair value of the insurance was deducted from Equity where it was recorded in an accumulated manner until that time, for a negative sum of 2,663 thousand Euros (Note 13) which was carried as a greater cost of acquired fixed assets (Note 8).

Analysis of Interest rate sensitivity

The variations in the fair value of interest rate derivatives purchased by the Group depend on the variation in the long-term interest rate curve of the Euro. The fair value of the said derivatives at 31 December 2007 is 148 thousand Euros.

Below is a breakdown of the sensitivity analysis (variations in the fair value at 31 December 2007) of the fair values of the derivatives recorded, both in the Equity (hedge) and the consolidated income statements (non-hedge).

Sensitivity in Equity	Thousands of Euros
	31/12/2007
+0.5% (increase in rates curve)	2,550
-0.5% (drop in rates curve)	(2,611)

Sensitivity in Results	Thousands of Euros
	31/12/2007
+0.5% (increase in rates curve) -0.5% (drop in rates curve)	531 (517)

The sensitivity analysis shows that interest rate derivatives record positive increases in value against upward rate curve changes as it is an IRS or collars in which the interest rate paid by the Group is fixed or limited and the Group is therefore covered against interest rate rises.

The sensitivity of the derivatives, at 31 December 2007 will affect the Equity and consolidated income statements inasmuch as market circumstances may change.

The Group also performed the sensitivity analysis for variable rate financial debt amounts, and reached the conclusion that a 0.5% increase in interest rates would cause fluctuations in the annual financial expenditure by 2,275 thousand Euros. In view of the interest rate derivatives in place, this sensitivity is fully or partially reduce by a nominal amount of 275,000 thousand Euros of the financial debt (this amount is the notional amount of the derivatives in place).

Analysis of exchange rate sensitivity

The variations in the fair value of exchange rate derivatives purchased by the Group depend mainly on the variation of the cash rate of the Dollar and Yen to the Euro, together with the short-term interest rate curves. The fair value of the said derivatives at 31 December 2007 is a loss of 526 thousand Euros.

Below is a breakdown of the sensitivity analysis (variations in the fair value at 31 December 2007) of the fair values of the derivatives recorded, both in the Equity (hedge) and the consolidated income statements (non-hedge).

Sensitivity in Equity	Thousands of Euros
	31/12/2007
+10% (appreciation of the Euro)	(818)
-10% (depreciation of the Euro)	1,000

Sensitivity in Results	Thousands of Euros
	31/12/2007
+10% (appreciation of the Euro)	(344)
-10% (depreciation of the Euro)	(513)

The sensitivity analysis shows that the EUR/JPY exchange rate derivative (which is a hedge and is recorded against Equity) will show a negative performance in scenarios of Euro rises; and the opposite, in scenarios in which the Euro drops, insofar as it involves buying Yen at a fixed exchange rate.

Moreover, those arising from EUR/USD exchange differences (which are not a hedge and are recorded against the consolidated income statements) will show a negative performance in any scenario, insofar as they are purchase and sale derivatives, with knock-ins, whose favourable/negative evolution is offset in certain scenarios.

The sensitivity of the derivatives, at 31 December 2007 will affect the Equity and consolidated income statements inasmuch as market circumstances may change.

16. Other liabilities

The composition at 31 December 2007 and 2006 is as follows:

	Thousands of Euros					
		Noncurrent				
	Current	2009	2010	2011	Rest	Total
PROFIT loans and other	3,581	3,872	3,964	3,816	13,528	25,180
Accounts receivable, purchase of noncurrent	7,078	-	-	-	-	-
Remunerations pending payment	27,891	-	-	-	-	-
Other debts	2,488	135	-	-	-	135
Total at 31 December 2007	**41,038**	**4,007**	**3,964**	**3,816**	**13,528**	**25,315**
		Noncurrent				
	Current	2008	2009	2010.	Rest	Total
PROFIT loans and other	2,871	3,675	3,872	3,964	12,745	24,256
Accounts receivable, purchase of noncurrent	15,945	5,000	-	-	-	5,000
Remunerations pending payment	22,116	-	-	-	-	-
Other debts	171	124	-	-	-	124
Total at 31 December 2006	**41,103**	**8,799**	**3,872**	**3,964**	**12,745**	**29,380**

Loans under PROFIT (Programme for promotion of technological research) correspond to zero interest loans granted by the Ministry of Science and Technology to promote research, and presented in the foregoing table at the amount granted. These loans are subject to certain investments and expense criteria.

Debts as a result of noncurrent asset purchases for 2006 correspond, in the amount of Euros15 million, to the amount not yet paid for the acquisition of intangible assets carried out in the year and described in Note 6-b. Also, the balance at 31 December 2007 and the rest of the balance outstanding at 31 December 2006 basically include disbursements pending on the purchase of products and marketing licences in that and prior years

17. Provisions

The movements during 2007 and 2006 under this heading of “Provisions” on the consolidated balance sheet are as follows:

	Thousands of Euros					
	2007			2006		
	Provision For returns	Other provisions	Total	Provision For returns	Other provisions	Total
Balance at 1 January	**7,926**	**6,643**	**14,569**	**8,475**	**1,771**	**10,246**
Addictions or allowances	-	648 (4.144)	648 (4,144)	312 (861)	4,872	5,184 (861)
Balance at 31 December	**7,926**	**3,147**	**11,073**	**7,926**	**6,643**	**14,569**

Provision for product returns-

The provision for product returns corresponds to the funds required to cover losses owing to returns occurring in the future as a result of sales during the current and past years. This provision was calculated as described in Note 5-k.

Other provisions-

This reflects the Group's estimate of the disbursements to be made in future to cover other liabilities derived from the nature of its activities. The variation in 2007 corresponds mainly to payment of the arbitration award related with a commercial dispute with a third party, for the amount of, approximately, 2.4 million Euros. Also, 1.8 million Euros was transferred to the inventory provision in respect of inventory which at year end the Group was committed to acquire if certain conditions were met during the year.

The funding made in this heading in 2006 was basically to cover the potential liabilities settled or transferred in 2007, as described in the preceding paragraph.

18. Retirement benefit obligations

The changes during 2007 in this heading of “Retirement benefit obligations” of the consolidated balance sheet are as follows:

	Thousands of Euros
Balance at 1 January 2007	-
Changes in scope	33,292
Transfers	1,385
Addictions	1,046
Applications	(339)
Cancellations	(329)
Balance at 31 December 2007	**35,055**

The retirement benefit obligations correspond to the Subsidiary companies Almirall Hermal, GmbH, Almirall Sofotec, GmbH and Almirall, SaS. The change in the scope corresponds to the liabilities existing at the time of the acquisition of Aimirall Hermal, GmbH. Moreover, the transfers correspond to the liabilities existing in previous years in the companies Almirall Sofotec, GmbH and Almirall, SaS, which were classified within the heading "Other current liabilities" of the balance sheet.

The main hypotheses used to calculate the actuarial valuation of said liabilities are as follows:

	Almirall Hermal, GmbH	Almirall Sofotec, GmbH	Almirall, SaS
Discount rate	5.25%	5.30%	5.00%
Salary increase rate	3.50%	2.80%	3.00%
Service increase rate	2.00%	2.00%	-
Turnover rate	3.00%	4.50%	15.42%

19. Revenue and expenses

Revenue-

The following chart shows the revenue in the years 2007 and 2006 distributed by line of business:

	Thousands of Euros	
	2007	2006
Marketing via own network	707,705	678,114
Marketing via licencees	66,098	60,827
Corporate management and results not allocated to other segments	18,665	19,048
Total	**792,468**	**757,989**

The following chart shows the revenue in the years 2007 and 2006 distributed by geographic area:

	Thousands of Euros	
	2007	2006
Spain	521,328	517,112
Europe and Middle East	178,644	156,698
America, Asia and Africa	73,831	65,131
Not assigned	18,665	19,048
Total	**792,468**	**757,989**

Other income-

	Thousands of Euros	
	2007	2006
Collaboration in product promotion	28,672	27,589
Revenue under co-promotion agreements	28,025	27,628
Revenue under co-development agreements	58,054	31,492
Revenue under sale/assignment of product marketing rights	1,069	2,157
Royalties	1,493	904
Subsidies	1,459	1,342
Others	6,123	5,026
Total	**124,895**	**96,138**

The various items listed in the first four sections of the above table refer mainly to income for different purposes related to agreements for the sale or transfer of rights to market products resulting from internal research, entered in the accounting system as indicated in Note 5-m.

Also, in 2006 and 2007 the respective and approximate sums of 38 million Euros and 25.5 million Euros have been included in the line “Revenue under co-development agreements” in respect of charges to a third party of the part it must pay of the development expenses of a product previously paid by the Group (Note 6-a). In 2007 and 2006 this heading also included 9 and 6 million Euros respectively, related with the temporary allocation of the non-reimbursable amount initially received (Note 14). Lastly, in 2007 this heading also included 15 million Dollars (11.1 million Euros at the time of payment) upon reaching in April the partial milestones described in the co-development agreement (Note 6-a).

Procurements

The breakdown of this heading is as follows:

	Thousands of Euros	
	2007	2006
Purchases	282,527	243,326
Changes in inventories	(9,479)	3,999
Total	**273,048**	**247,325**

Staff costs-

The breakdown of staff costs is as follows:

	Thousands of Euros	
	2007	2006
Wages and salaries	154,451	138,770
Social Security charged to company	34,273	30,380
Indemnities	5,357	6,603
Other staff costs	13,037	9,755
Total	**207,118**	**185,508**

The average number of Group employees, distributed by professional categories and sex is as follows:

	Number of personnel			
	2007			2006
	Men	Women	Total	
Managers	58	1	59	61
Supervisors	184	52	236	220
Technical staff	1,119	1,036	2,155	2,104
Administrative staff	200	418	618	582
Others	3	3	6	8
Total	**1,564**	**1,510**	**3,074**	**2,975**

Operating leases-

Expenditure in respect of leases during 2007 and 2006 were as follows:

	Thousands of Euros	
	2007	2006
Operating leases recognised in the year's results	17,832	16,395

On the balance sheet date, the Group had commitments to future minimum lease payments by virtue of operating leases not eligible for cancellation with the following maturity dates:

	Thousands of Euros	
	2007	2006
In one year	16,695	16,894
From 2 to 5 years	40,035	45,595
After 5 years	414	90

The items under lease commitments acquired and the average duration of the lease contracts are as follows:

	Average duration of contract (years)
Leased items:	
Buildings	4
Commercial space	5
Office equipment	4
Transportation equipment	4

Net change in provisions –

The composition of "Net change in provisions" under the accompanying income statement and the changes in current provisions are provided below:

	Thousands of Euros	
	2007	2006
Change in Inventory provision	1,124	2,054
Change in allowance for bad debt	484	(334)
Losses on incollectible loans	-	1,080
Change in noncurrent provisions	648	(549)
Total	**2,256**	**2,251**

	Thousands of Euros			
	Provision for insolvency (Note 12)	Provision for Inventories (Note 11)	Trade provisions	Total
Balance at 1 January 2006	**3,887**	**7,792**	**1,072**	**12,751**
Change in provisions:				
Allowance	1,026	9,833	-	10,859
Application	(1,360)	(7,779)	-	(9,139)
Cancellation	(367)	(13)	(1,072)	(1,452)
Balance at 31 December 2006	**3,186**	**9,833**	**-**	**13,019**
Change in provisions:				
Allowance	1,076	3,448	-	4,524
Application	(592)	(2,324)	-	(2,916)
Incorporation into scope	-	2,131	-	2,131
Transfer (Note 17)	-	1,770	-	1,770
Cancellation	(2,341)	-	-	(2,341)
Balance at 31 December 2007	**1,329**	**14,858**	**-_**	**16,187**

Net gains from the sale of assets-

The detailed listing of net gains (losses) in the sale of noncurrent assets during 2007 and 2006 is listed below:

	Thousands of Euros			
	2007		2006	
	Gains	Losses	Gains	Losses
Disposals or retirements of intangible assets	32	-	850	(7)
Disposals or retirements of property, plant and equipment	126	(37)	23,892	(588)
	158	(37)	**24,742**	**(595)**
Gains (losses) from the sale of noncurrent assets	**121**		**24,147**	

The results from sales of assets in 2006 reflect approximately 24 million Euros from the profit obtained on sale of the property where the Group previously maintained a research and development centre (Note 9).

Financial income and expenses

The itemisation of net finance income (expenditure) and exchange differences for 2007 and 2006 are provided below:

	Thousands of Euros			
	2007		2006	
	Gains	Losses	Gains	Losses
Revenue from other marketable securities	18,884	-	17,301	-
Other similar income and interest	2,245	-	3,953	-
Finance costs and similar charges	-	(14,444)	-	(8,142)
Net change in fair value of other financial instruments (Note 10)	219	-	691	-
Exchange differences	1,371	(2,730)	4,594	(6,296)
	22,719	**(17,174)**	**26,539**	**(14,438)**
Net finance income (losses)	**5,545**		**12,101**	

Auditors' compensation –

Fees for audit services for 2007 and 2006 for the various companies comprising Grupo Almirall, provided by the main auditor and related institutions, amounted to 581 and 720 thousand Euros, respectively. Fees for other auditors for auditing the annual accounts of subsidiaries amounted to 3 thousand Euros during 2006.

Fees for other professional services provided to the various Group and multigroup companies by the main auditor and related institutions amounted to 1,541 and 60 thousand Euros, respectively, in 2007 and 2006.

20. Tax situation

Consolidated Tax Group –

Laboratorios Almirall, S.A. is subject to corporate income tax under the tax consolidation regime, Chapter VII, Title VII of Legislative Royal Decree 4/2005 of 5 March 2005 approving the consolidated text of the Law on the Corporate Income Tax. The companies which form the Group for tax purposes for the years 2007 and 2006 are: Laboratorios Almirall, S.A., Laboratorios Farmacéuticos Prodes, S.L., Laboratorio Temis Farma, S.L., Laboratorios Berenguer-Infale, S.L., Industrias Farmacéuticas Almirall Prodesfarma, S.L., Laboratorio Omega Farmacéutica, S.L., Laboratorios Tecnobío, S.A., Laboratorios Miralfarma, S.L. (formerly named Laboratorios Farmacéuticos Almirall, S.L.), Alprofarma, S.L., Laboratorios Farmacéuticos Romofarm, S.L., Ranke Química S.L and Almirall Europe S.A. the first acting as Parent Company. Therefore, Laboratorios Almirall S.A. is responsible for filing and settling corporate income tax returns with the tax authorities.

Income tax is calculated based on the economic or accounting result obtained by applying generally-accepted accounting principles, which does not necessarily coincide with the result for tax purposes, defined as the taxable base.

The rest of the Group's subsidiaries file their tax returns individually in accordance with the tax legislation applicable in each country.

Years subject to tax inspection –

The Group's Spanish companies have the years 2002 to 2006 open for review by the tax authorities for corporate income tax and years 2003 to 2006 for the other taxes applicable to them.

On 5 February 2007, the consolidated tax group was notified of the commencement of a tax audit of 2002 to 2004 for corporate income tax and of 2003 and 2004 for the other taxes. In 2007, the Group requested the said inspection of years 2005 and 2006 be extended.

On 8 June 2007, the tax inspection cancelled the proposal for regularisation of 3.5 million Euros made on 19 March 2007 with regard to Income Tax for Non-residents of the subsidiary company Almochem S.L. thus accepting the Group's pleadings.

As regards the Group's foreign companies, Almirall SaS (France) is currently under inspection with regard to years 2003 and 2004. The inspection focuses on losses generated by both companies due to research products acquired from the Parent Company. The last proposal rectification of the inspection totals 1.4 million Euros (tax payment + late payment interest). The Group decided not to fund any amount as it considers the possibility of this proposal succeeding to be very low. The opinion of the Group and its external advisors is that the probabilities of effective settlement by the Administration of this amount or any other significant amount are very low, and therefore the consolidated balance sheet for the years 2007 and 2006 show no provision in this respect.

During the year 2007 the Corporation tax inspection for the years 2002 to 2006 of the subsidiary company Almirall GmbH (Germany) finalized. As a result of this inspection, the negative tax bases of this company were reduced, which were not capitalised in the consolidated balance sheet at 31 December 2007 and 2006 for the sum of 23.6 million Euros.

All the applicable years of the other foreign companies are open for inspection in accordance with their respective legislations.

In general, due to the possible different interpretations that can be made of tax legislation, the outcome of the tax audits currently in progress or which might be conducted in the future by the tax authorities in relation to the open years could give rise to tax contingencies that cannot be objectively quantified at the present time. However, the Parent Company's tax advisers and Directors consider that the possibility of significant liabilities additional to those already recognised materialising in this connection is remote.

Balances maintained with the tax authorities

Debit and credit balances with the tax authorities at 31 December 2007 and 2006 were as follows:

	Thousands of Euros	
	2007	2006
VAT receivable	6,271	9,524
Receivable from said security agencies	100	2
Corporate income receivable	31,957	33,648
Other receivables	29	1,878
Total debit balances	**38,357**	**45,052**
VAT payable	1,015	1,281
Personnel income tax	3,018	2,433
Payable to said security agencies	6,385	8,558
Corporate income tax payable	8,256	3,761
Drug tax and other debts	9,451	5,944
Total credit balances	**28,125**	**21,977**

The line "Drug tax and other debts" in the preceding table at 31 December 2007 and 2006 primarily includes a provision for payments to be made during 2008 and 2007, respectively, in relation to Law 29/2006 of 26 July 2006 on guarantees and rational use of drugs and healthcare products (which partially amends additional provision 9 of Law 25/1990 of 20 December 1990 for the pharmaceutical drug tax approved under Law 2/2004 of 27 December 2004, General State Budget for 2005), as well as similar provisions existing in countries where the various subsidiaries operate. At 31 December 2007 and 2006, despite having recorded corresponding payments in accordance with government requirements, the Group appealed against the payment of this tax.

Recognised tax on profits-

The recognised taxes on profits in the consolidated income statements and equity for the years 2007 and 2006 are as follows:

	Thousands of Euros	
	2007	2006
Corporate income tax:		
– Recognised in the income statement		
For continuing operations	(2,054)	4,430
For discontinued operations (Note 22)	-	3,163
– Recognised in equity	(2,549)	453
Total	**(4,603)**	**8,046**

Reconciliation of accounting and tax profits-

The reconciliation between the income tax expense resulting from applying the general tax rate prevailing in Spain and expense recorded for that tax is provided below:

	Thousands of Euros	
	2007	2006
Consolidated profits before taxes (continuing	129,152	145,806
Permanent differences:		
– Individual companies		
Increase	15,258	19,897
Decrease	(164,231)	(364,213)
– Consolidation adjustments		
Increase	177,213	360,490
Decrease	(307)	(12,840)
Adjusted accounting profit	157,085	149,140
Tax rate	32.5%	35%
Gross tax	**51,053**	52,199
Deductions:		
- Applied in settlements	(1,450)	(28,698)
- Capitalised but not yet taken	(42,040)	(10,956)
Other taxes paid abroad	949	1,013
Adjustment of deferred tax assets and liabilities	340	2,866
Capitalised tax credits for loss carryforwards	(1,295)	(4,572)
Theoretical corporate income tax expense	**7,557**	**11,852**
Effect of rate differences between countries	(9,424)	(7,300)
Other changes	(187)	(122)
Expense / (Income) accrued by corporation tax	**(2,054)**	**4,430**

The increase in the base owing to permanent differences in individual companies for the years 2007 and 2006 derives mainly from different tax treatment of certain provisions recorded and expenses incurred during the year. The decrease in the base owing to permanent differences in individual companies derives mainly from the distribution of dividends by Subsidiaries exempt from tax in the year 2007. Moreover, this reduction in the base for the year 2006 was due basically to the payout of dividends by companies included in the consolidated tax group, as well as the reversal of a provision considered a non-deductible expense when it was set aside in previous years.

The increase in the base owing to permanent differences in the consolidation adjustments is fundamentally due, in the year 2007, to the elimination of dividends while in 2006 it was owing to the elimination dividends and to the elimination of the reversal of the provision cited in the preceding paragraph.

The type and amount of incentives applied during 2007 and 2006 and those pending deduction at 31 December 2007 and 31 December 2006, are as follows

Nature	Year	Thousands of Euros			
		2007		2006	
		Offset	Available for offsetting	Offset	Available for offsetting
Research and development	2001	-	-	1,304	-
	2002	-	-	16,605	3,780
	2003	3,864	7,541	-	18,719
	2004	11,178	20,088	-	20,088
	2005	-	19,379	-	19,379
	2006	-	28,780	765	28,780
	2007	720	42,040	-	-
		15,762	117,828	18,674	90,746
Double taxation	2006	-	-	322	-
	2007	242	-	-	-
		242	-	322	-
Export activities	2006	-	-	1,750	-
	2007	-	-	-	-
		-	-	1,750	-
Reinvestment of extraordinary profits	2006	-	-	7,564	-
	2007	-	-	-	-
		-	-	7,564	-
Other deductions	2006	-	-	388	-
	2007	488	-	-	-
		488	-	388	-
	Total	**16,492**	**117,828**	**28,698**	**90,746**

The time period for application of deductions pending application is 15 years.

In addition, in relation to tax incentives for investments in the Canary Islands, at 31 December 2007, the Group was required to register investments in that Autonomous Community with the following amounts and terms:

Year generated	Thousands of Euros			Limit
	Investment			
	Committed	Executed	Pending	
2003	2,979	2,979	-	2007
2005	2,492	62	2,430	2009
2006	2,742	-	2,742	2010
Total	**8,213**	**3,041**	**5,172**	

Deferred tax-

Under current tax legislation in the different countries where the consolidated entities are located, during 2007 and 2006 certain temporary differences arose which must be taken into account when quantifying the corresponding income tax expense. Deferred taxes recorded in both tax years are provided below. The breakdown of the deferred taxes recorded in both years is as follows:

	Thousands of Euros			
	2007		2006	
	Cumulative taxable base differences	Cumulative effect on payment	Cumulative taxable base differences	Cumulative effect on payment
Deferred tax assets:				
Intangible asset amortisation	56,292	15,254	40,512	12,366
Provisions	3,837	1,148	6,230	2,018
Retirement benefit obligations	11,136	3,118	-	-
Valuation of inventories	4,140	1,235	7,160	2,290
Other	2,552	855	4,404	430
	77,957	21,610	58,306	17,104
Tax credits:				
Tax loss carryforwards available	16,434	4,721	14,906	4,572
Deductions available for offsetting	N/A	117,828	N/A	90,746
Total deferred tax assets and tax credits	**94,391**	**144,159**	**73,212**	**112,422**
Deferred tax liabilities:				
Accelerated amortisation , R.D. 27/84, 2/85, 3/93	32,827	9,848	44,141	13,282
Assets under finance leases	9,713	2,914	10,023	3,007
Capitalisation of intangible assets	10,198	2,975	11,775	3,533
Gains assigned to assets	120,011	33,603	-	-
Amortisation of goodwill	39,074	11,713	30,811	9,243
Tax effect, reversal of provisions, portfolio	60,240	18,072	54,913	16,474
Market valuation of financial instruments	1,102	97	9,070	2,721
Other	197	59	499	150
Deferred tax liabilities	**273,362**	**79,281**	**161,232**	**48,410**

The increase in assets for deferred taxes is due basically to the different tax treatment of amortisation allowances and, if applicable, impairment of goodwill in connection with the merger and certain industrial property items (Notes 7 and 8) and the different book and tax treatment of retirement benefit obligations (Note 18).

The increase in liabilities for deferred tax is mainly due to the difference between the tax base of the various assets integrated in the acquisition of the Hermal Group (Notes 7, 8 and 9) and the fair value attributed to same and not yet realised.

At 31 December 2007 and 2006, the Group companies had tax losses generated during those tax years and prior years eligible to be carried forward against future profits, in the respective amounts of 69 and 78.8 million Euros. With relation to these tax losses, the Group has only recorded assets for deferred tax credits on the accompanying consolidated balance sheet at 31 December 2007 and 2006 for the sum of 4.7 and 4.6 million Euros approximately and respectively. In addition, the accompanying consolidated balance sheets for deferred taxes at 31 December 2007 and 2006 for 18.1 and 16.5 million Euros reflecting the tax impact of the reversal of the portfolio allowance carried out in the consolidation process for companies holding the aforementioned tax losses.

21. Business and geographical segments

Segmentation criteria-

The main criteria for defining segmented Group information in the consolidated annual accounts for the years ended 31 December 2007 and 2006 are provided below.

The information by segment is structured first of all by the Group's different business areas, and second, according to a geographical distribution. The segmentation was applied to reflect the organisational units for which information is reported to the directors to assess the unit's past returns and to decide on future resource allocations.

Primary segments – business:

The lines of business described below are established to reflect the organisational structure of Grupo Almirall effective at the close of 2007, and constitute the basis on which the Group presents information in respect of the primary segments:

a) Marketing via its own network

b) Marketing via licencees

c) Corporate management and profits (losses) not allocated to other segments.

In addition, the operational segments covered by the accompanying report are those whose income, profits, and assets exceed 10% of the corresponding consolidated figure. Accordingly, the column “Corporate management and profits (losses) not allocated to other segments” incorporates income and expenses not directly related and allocated to business areas, and primarily referring to the Group's corporate assets and production and Research and Development centres.

Secondary segments – geographical:

Furthermore, the Group's activities are coordinated by geographical area in accordance with the following classification: Spain, Europe and Middle East (EME) and America, Africa and Asia (AAA)

Bases and methodology for reporting business segments-

The information by segment provided below is based on reports prepared by Group Management and drawing from information based on the Group's consolidated accounting data.

To determine the information by segments in the consolidated income statements, the consolidated balances of each segment was considered, and the relevant consolidation adjustments were attributed to each segment. In addition, the operations between segments have been eliminated. The attribution of the consolidation adjustments was not consolidated to determine the information by segments in the consolidated income statements.

Ordinary revenue of the segment, including "Revenue" and "Other income", is directly attributable to the segment. The remaining revenue items in the consolidated income statements were not distributed by segment.

In addition, in relation to revenue received by the Group as a result of the agreement reached with “Forest Laboratories” (Note 6-a), for purposes of the information by segment, it has have been treated in the following manner:

-Allocation to income of the initial payment made by “Forest Laboratories” (Notes 6-a and 14): having regard to the nature of the consideration, the allocation to income of the initial amount disbursed by the third party has been included under “Other income” of the segment “Marketing via licensees”.

-Co-development revenue (Notes 6-a and 19): this has been included under “Other income” of the segment “Corporate management and profits (losses) not allocated to other segments”, given its association with the development costs borne by the Group that are included in that segment.

Expenditure in each segment is determined based on outlays derived from operating activities directly attributable to the segment, which include "Procurements", "Staff costs," and "Depreciation and amortisation charge". In this connection, figures reported under "Procurements" in each segment include, in addition to the acquisition cost of the materials, the costs allocated to them by the Group in the production process (for example, the addition of staff costs, amortisation, depreciation, etc.). These costs are included by nature in “Corporate management and profits (losses) not allocated to other segments" and are eliminated when the data are obtained from the Group’s consolidated income statement.

Expenses considered in each segment, as described above, do not include amortisation and depreciation charges, impairment losses, interest, corporate income tax, or general administration expenditure corresponding to overhead not directly allocated to each business segment, and therefore were not distributed.

In the preparation of segmented information from the consolidated income statement, as this involves consolidated information with the distribution of consolidation reclassifications and adjustments, transactions between segments were not reflected as they basically correspond to the supply of goods and services, except for the corresponding elimination of production costs allocated to products as described above.

For purposes of presenting the information in the income statement by segment, "Gross margin" and "Operating profits (losses)" must be determined with following arithmetic formulas:

- Gross Margin: Revenue - Procurements
- Operating profits (losses): Gross margin + Other income – Staff costs – Depreciation and amortisation charge – Net change in provisions – Other operating expenditure.

Segment assets are directly related to the activities and operations of the segments and correspond primarily to patents, trademarks, licences for production, marketing, and/or distribution of products, directly attributable property, plant and equipment and accounts receivable generated by each segments.

The Group has not established criteria for the distribution of equity by segment and therefore does not list this information in detail. In addition, some balance sheet entries which include current and noncurrent financial assets maintained by the Group, cash and cash equivalents, inventories, balances with the government authorities, and other minor items are considered allocated to "Corporate management and profits (losses) not allocated to other segments ".

In addition, to obtain segmented data for "Trade accounts payable" under current liabilities on the segmented consolidated balance sheet, "Marketing via own network", in reference to the domestic market, the Group has prepared an estimate of the theoretical balance attributable to the segment when the real information divided into closures for the 2007 and 2006 years is not available. The estimates were based on the following assumptions:

- Calculation base: expenditure assigned to segments under "Procurements" and "Other operating expenditure".
- Average value-added tax rate: 4% applicable to “Procurements” and 16% applicable to “Other operating expenditure”.
- Average payment period: based on the real average payment period for the Group's Spanish companies, an average rotation of 72 and 84 days was applied for 2007 and 2006, respectively.

Information by segment for these activities is provided below:

Financial information by segment-

<u>*Segmentation by business-*</u>

Segmented income statement for the year ended 31 December 2007.

	Thousand of Euros				
	Marketing via own network	Marketing via licensees	Corporate management and profits (losses) not allocated to other segments	Adjustments and reclassifications	Total
Revenue	707,705	66,098	18,665		792,468
Procurements	(268,219)	(11,084)	(28,532)	47,910	(259,925)
Gross margin	**439,486**	**55,014**	**(9,867)**	**47,910**	**532,543**
Other income	57,425	12,567	54,903	-	124,895
Staff costs	(113,243)	(401)	(93,474)	-	(207,118)
Depreciation and amortisation charge	(20,828)	-	(15,209)	-	(36,037)
Net change in provisions	-	-	(2,256)	-	(2,256)
Other operating expenditure	(121,318)	(3,704)	(152,957)	-	(277,979)
Operating profit (loss)	**241,522**	**63,476**	**(218,860)**	**47,910**	**134,048**
Other					252
Impairment losses					(10,175)
Net finance income					5,027
Profit before Taxes					**129,152**
Corporate income tax					2,054
Net Profit attributed to the parent company					**131,206**

Segmented balance sheet at 31 December 2007:

	Thousands of Euros				
	Marketing via own network	Marketing via licensees	Corporate management and profits (losses) not allocated to other segments	Adjustments and reclassifications	Total
ASSETS					
Goodwill	-	-	274,258	-	**274,258**
Intangible assets	352,185	4,898	45,139	(18,774)	**383,448**
Property, plant and equipment	11,701	19	167,620	-	**179,340**
Financial assets	5,405	-	568,365	(567,472)	**6,298**
Deferred tax assets	-	-	144,159	-	**144,159**
NON CURRENT ASSETS	**369,291**	**4,917**	**1,199,541**	**(586,246)**	**987,503**
Inventories	-	-	151,344	(38,493)	**112,851**
Trade accounts receivable and other	128,754	8,646	112,573	(142,991)	**106,982**
Current tax assets	4,686	3	34,465	(797)	**38,357**
Current financial investments	-	-	164,379	(19,327)	**145,052**
Cash and cash equivalents	-	-	57,072	(12,174)	**44,898**
Other current assets	1,278	3	2,185	-	**3,466**
CURRENT ASSETS	**134,718**	**8,652**	**522,018**	**(213,782)**	**451,606**
TOTAL ASSETS	**504,009**	**13,569**	**1,721,559**	**(800,028)**	**1,439,109**
LIABILITIES AND EQUITY					
Equity					**573,655**
Noncurrent liabilities	45,747	2,389	556,421	(13,845)	**590,712**
Current liabilities	122,534	13,880	313,682	(175,354)	**274,742**
TOTAL LIABILITIES AND EQUITY	**168,281**	**16,269**	**870,103**	**(189,199)**	**1,439,109**

Segmented income statement for the year ended 31 December 2006:

	Thousands of Euros				
	Marketing via own network	Marketing via licensees	Corporate management and profits (losses) not allocated to other segments	Adjustments and reclassifications	Total
Revenue	678,114	60,827	19,048	-	757,989
Procurements	(253,680)	(7,177)	(20,018)	40,111	(240,764)
Gross margin	**424,434**	**53,650**	**(970)**	**40,111**	**517,225**
Other income	59,414	7,594	29,130	-	96,138
Staff costs	(105,675)	(555)	(79,278)	-	(185,508)
Depreciation and amortisation charge	(8,725)	-	(20,013)	-	(28,738)
Net change in provisions	-	-	(2,251)	-	(2,251)
Other operating expenses	(126,871)	(3,824)	(150,863)	-	(281,558)
Operating profit (loss)	**242,577**	**56,865**	**(224,245)**	**40,111**	**115,308**
Other					18,397
Net finance income					12,101
Profit befote taxes from continuing operations					**145,806**
Corporate income tax					(4,430)
Net profit from continued operations					**141,376**
Profit for the year from discontinued operations					5,874
Net profit for year attributed to Parent Company					**147,250**

Segmented balance sheet at 31 December 2006:

	Thousands of Euros				
	Marketing via own network	Marketing via licensees	Corporate management and profits (losses) not allocated to other segments	Adjustments and reclassifications	Total
ACTIVO					
Goodwill	-	-	47,308	-	**47,308**
Intangible assets	51,463	8,304	41,961	(16,490)	**85,238**
Property, plant and equipment	2,327	25	149,136	-	**151,488**
Financial assets	478	-	405,744	(351,958)	**54,264**
Deferred tax assets	-	-	112,422	-	**112,422**
NON CURRENT ASSETS	**54,268**	**8,329**	**756,571**	**(368,448)**	**450,720**
Inventories	-	-	132,120	(37,564)	**94,556**
Trade accounts receivable and other	100,901	8.208	53,622	(62,594)	**100,137**
Current tax assets	6,800	22	37,789	441	**45,052**
Current financial investments	-	-	380,719	17,670	**398,389**
Cash and cash equivalents	-	-	26,424	(3,381)	**23,043**
Other current assets	1,069	-	1,207	-	**2,276**
CURRENT ASSETS	**108,770**	**8,230**	**631,881**	**(85,428)**	**663,453**
TOTAL ASSETS	**163,038**	**16,559**	**1,388,452**	**(453,876)**	**1,114,173**
LIABILITIES AND EQUITY					
Equity					**763,213**
Noncurrent liabilities	15,399	3,287	138,456	(18,149)	**138,993**
Current liabilities	114,323	15,063	125,567	(42,986)	**211,967**
TOTAL LIABILITIES AND EQUITY	**129,722**	**18,350**	**264,023**	**(61,135)**	**1,114,173**

Segmentation by geography-

The breakdown of the "Revenue", "Total assets" and "Addition of intangibles and property, plant and equipment" by geographical segments in which the Group operates, by location of the assets, is as follows:

	Thousands of Euros					
	Revenue		Total segment assets		Additions of property, plant and equipment and intangible assets	
	2007	2006	2007	2006	2007	2006
Spain	521,328	517,112	1,466,972	998,260	160,081	51,242
Europe and Middle East	178,644	156,698	356,884	499,756	354,947	21,089
America , Asia and Africa	73,831	65,131	21,511	15,277	262	71
Not allocated	18,665	19,048	-	-	-	-
Consolidation adjustments	-	-	(406,258)	(399,120)	-	-
Total	**792,468**	**757,989**	**1,439,109**	**1,114,173**	**515,290**	**72,402**

22. Discontinued operations

At 25 September 2005, the Group reached an agreement on the sale of a series of assets allocated to production and marketing of oncology products, as well as the transfer of the Group's personnel assigned to that activity. Finalisation of this agreement was contingent on meeting certain conditions, which were met in February 2006. This transfer came to a total of 20 million Euros.

Similarly, along with these assets and the transferred personnel, the transfer of a series of intangibles (health registers, commercial network, know-how, etc.) was established. These intangibles were not capitalised on the respective balance sheets.

The effect of the discontinued operation on the 2006 consolidated income statement and on the information shown on the cash flow statement is not significant.

Shown below is the composition of the profit (loss) from discontinued activities included under "Results from discontinued operations" in the 2006 consolidated income statement:

	Thousands of Euros
	Income/ (Expense)
Result from sale of intangible assets	12,500
Results from sale of property, plant and equipment	1,085
Goodwill (Note 7)	(4,548)
Results before taxes from discontinued operations	**9,037**
Corporate income tax (Note 20)	(3,163)
Results after taxes	**5,874**

23. Earnings per share

Basic earnings per share

Basic earnings per share are determined by dividing the net profits or losses attributed to the Group during the year by the weighted average number of own shares held during the year, excluding the average number of own shares held throughout the year.

Accordingly:

	2007	2006 (*)
Net profit (loss) for the year (thousands of Euros) (**)	131,206	147,250
Weighted average number of shares in circulation (Thousand of shares)	162,351	172,561
Basic earnings per share (Euros)	**0.81**	**0.85**

(*) In order to facilitate comparisons of the earnings per share in 2006 the average number of shares in 2006 were converted in accordance with the split performed on 13 April 2007 (approximately 50 shares for each existing share – Note 13).

(**) Includes the profit/loss of discontinued operations.

Diluted earnings per share

At the close of both years, there were no potential shares of common stock as a result of possible conversions of liability instruments, capital or derivatives and, accordingly, diluted earnings per share matches basic earnings per share.

24. Commitments acquired, contingent liabilities and contingent assets

a) Commitments acquired

At 31 December 2007 and 2006, the Group held contingent disbursement commitments for the acquisition of product licences and intellectual property as indicated in Note 8.

In addition, as a result of the Group's research and development activities, at the close of 2007 and 2006 firm agreements were signed to carry out these activities for approximately 30 and 62 million Euros respectively, which should be met in future years. Likewise, as a result of the Group's research and development activities, at 31 December 2006 there were commitments acquired to invest in property, plant and equipment amounting to approximately 5.5 million Euros.

Commitments acquired by the Group for leasing are outlined in detail in the Note on leases (Note 19).

b) Contingent liabilities

Also, there were no other contingent liabilities in addition to those described in Note 20 at the date these annual accounts were prepared that could involve a major cash disbursement.

c) Contingent assets

As described in Note 6-a, the Group signed a contract for the sale of distribution rights for a product with a third party that established, among other indemnities, payment of 17 million Euros to be collected for finalisation of two paediatric studies relating to the product in question. As only one of these studies has been completed to date, the Group has not recorded any revenue for these potential receivables.

In addition, as a result of the agreement reached with a third party in 2006 (Note 6-a), the Group apart from the collection received due to current year's milestone fulfilled (Note 19), is to receive 40 and 80 million Dollars if certain milestones relating to the successful conclusion of the development phases of the products covered by that agreement are achieved at 31 December 2007. The agreement also establishes receipts for achievement of sales milestones of possible products in the United States market, which could be as high at 160 million Dollars. The agreement likewise establishes the right of the Group to receive certain royalties (calculated as a variable staggered percentage of annual sales in the United States market) in respect of those possible products.

25. Post-balance sheet events

On 8 February 2008, the Group cancelled the line of credit arranged on 26 July 2007 for the sum of 125 million Euros having drawn down simultaneously 50 and 60 million Euros of the loan and line of credit respectively, corresponding to the contract signed on 13 December 2007 (Note 15). As a result of this operation the Group maintains the schedule of debt maturities with credit institutions described in Note 15.

26. Operations with related parties

Operations between the Parent Company and its associates, which are related parties, were eliminated in the consolidation process and are not provided in detail in this note. Operations between the Parent Company and its associates are provided below in the individual financial statements.

Balances and operations with related parties

During 2007 and 2006, the companies in the Group carried out the following transactions with related parties and the related balances at 31 December 2007 and 2006 were as follows:

Company	Related party	Item	Year	Thousands of Euros	
				Transactions - Revenue/	Balance - Debit/Credit
Laboratorios Almirall S.A.	Walton, S.L (Note 13)	Leases	2007	(2,480)	-
			2006	(2,292)	-
Laboratorios Almirall S.A.	PickingPack,S.L	Office equipment	2007	(113)	(10)
			2006	(220)	-
Laboratorios Almirall S.A.	Chemtop, S.L	Consulting services	2007	(356)	-
			2006	(1,187)	-

The head offices of the Group are leased from Walton, S.L., the contract for which ends in 2008, and no problems with the extension of same upon finalization are expected.

27. Compensation of the Board of Directors and Senior Management

In identifying the members of Senior Management for the present consolidated annual accounts, the Group included the members of its Management Committee who do not form part of its Board of Directors. In 2006, the Group identified the members of the Board of Directors who formed part of the Management Committee as members of the Senior Management. Therefore, the figures itemised in this Note for the year 2006 have been modified to adopt the new criterion.

The amount accrued during 2007 and 2006 for members of Senior Management for all compensation purposes (wages, gratuities, expenditure, payment in kind, indemnities, loyalty plans and social security contributions) amounted to 1,430 and 1,533 thousand Euros respectively.

There are no other commitments in terms of pensions or life insurance to members of Senior Management at 31 December 2007 or 2006.

The amount accrued during 2007 and 2006 for current and former members of the Board of Directors for all compensation purposes (wages, gratuities, expenditure, payment in kind, indemnities, loyalty plans and social security contributions) amounted to 3,246 and 2,452 thousand Euros respectively.

There are no other commitments in terms of pensions or life insurance to current and former members of the Board of Directors of the Parent Company at 31 December 2007 or 2006.

28. Other information regarding the Board of Directors

With regard to the information required under Article 127 ter 4 of Spanish on Corporations Law, during 2007 and 2006, present and past members of the Board of Directors of Laboratorios Almirall, S.A. maintained no direct or indirect holdings in companies with the same, similar, or complementary nature to the activities that constitute the object of the Parent Company other than indirect holdings maintained by Jorge Gallardo Ballart, Antonio Gallardo Ballart and Daniel Bravo Andreu in the other companies of Grupo Almirall as a result of their status as shareholders in the Parent Company.

Similarly, the present and past members of the Board of Directors of Laboratorios Almirall, S.A. engaged in the following activities, as an independent professional or as an employee, in companies having the same, similar, or complementary activities to the type of activity that constitutes the corporate object of the Parent Company:

Company	Name	Activity performed	Type of arrangement of service provision	Company through which the activity was carried out	Position or functions in the company indicated
Almirall - Produtos Farmacêuticos, Lda.	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Almirall AG	Jorge Gallardo Ballart	Directorship	As an independent professional	-	Director
Almirall B.V.	Jorge Gallardo Ballart	Directorship	As an independent professional	-	Director
	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Almirall de México, S.A. de C.V.	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Almirall Europa, S.A.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Almirall GmbH	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Almirall Hermal GmbH	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Almirall International B.V.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Almirall Limited	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Almirall Marketing Farmacêutico, Unipessoal Lda.	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Almirall NV	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Almirall Prodesfarma B.V.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A	Director
Almirall Production SaS	Luciano Conde Conde	Directorship	As an independent professional	-	Chairman
Almirall S.A	Jorge Gallardo Ballart	Directorship	As an independent professional	-	Director
	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Almirall Sofotec GmbH	Per-Olof Andersson	Directorship	As an independent professional	-	Director
Almirall, Inc	Luciano Conde Conde	Directorship	As an independent professional	-	Chairman
Almirall, S.A. de C.V.	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Almirall, S.p.A.	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Almirall, SaS	Luciano Conde Conde	Directorship	As an independent professional	-	Chairman

Company	Name	Activity performed	Type of arrangement of service provision	Company through which the activity was carried out	Position or functions in the company indicated
Alprofarma, S.L.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Chemol S.A.	Jorge Gallardo Ballart	Directorship	As an independent professional	-	Director
Expharm S.A.	Jorge Gallardo Ballart	Directorship	As an independent professional	-	Director
GdS SAS	Jorge Gallardo Ballart	Directorship	As an independent professional	-	Chairman
Hermal Pharma GmbH	Luciano Conde Conde	Directorship	As an independent professional	-	Director
Industrias Farmacéuticas Almirall Prodesfarma, S.L.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Irinol Farma, S.A.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Laboratorio Omega Farmacéutica, S.L.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Laboratorio Temis Farma, S.L.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Laboratorios Berenguer-Infale, S.L.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Laboratorios Farmacéuticos Prodes, S.L.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Laboratorios Farmacéuticos Romofarm, S.L.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Laboratorios Miralfarma, S.L. (formerly named Laboratorios Farmacéuticos Almirall, S.L.)	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Laboratorios Tecnobío, S.A.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Pantofarma, S.L.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Ranke Química, S.L.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director

this connection, current and past Members of the Board of Directors for whom no detailed information is provided in this section have informed the Parent Company that they have no holdings and do not carry on any activities covered by the aforementioned legislation with the exception of Antonio Vila Casas and Santiago Oller Daurella, Members of the Board of Directors until 2006, who failed to submit any communication on this subject.

Lastly, all the members of the Board of Directors and Senior Management during 2007 and 2006 were male.

29. Information on the environment

The companies in the Group have adopted the relevant measures on the environment in order to comply with the relevant current legislation.

Grupo Almirall's property, plant and equipment includes specific environmental protection assets (limitation of fumes, subsoil drainage, etc.) having a net book value at 31 December

2007 and 2006 of 3.3 and 3.6 million Euros, respectively.

The income statements for 2007 and 2006 include expenditure related to environmental protection of 1,465 and 1,355 thousand Euros, respectively.

The Directors of the Parent Company consider that the measures adopted adequately cover all possible requirements, and therefore that there are no environmental risks or contingencies. Similarly, no subsidies or revenue have been received in connection with these activities.

30. Risk exposure

Interest rate risk-

In order to eliminate the uncertainties caused by interest rate fluctuations in the Group's bank financing, the Parent Company has performed certain hedge operations. The policy applied seeks to minimize the risk by exchanging the variable interest rate (pegged to Euribor) of this finance for a fixed rate (Interest Rate Swap) or a variable rate within a range (Collar).

The hedge was made on the part of the financial debt in the form of a loan, with 80% via an Interest Rate Swap and 20% via collars.

The maximum hedge period is 5 years and the percentage covered at the end of 2007 of the total financial debt with credit institutions is 60.4%.

Exchange rate risk

The Group is exposed to exchange rate risk in certain operations during the course of its ordinary business. These are basically collections in Dollars for revenue from a co-promotion contract and sales of finished products, payments in Dollars for clinical trials and purchases of raw materials and payment of royalties in Yens.

Collections from transactions in foreign currencies account for approximately 4%, of the revenue and other income; payments arising from transactions in foreign currencies account for approximately 3.5% of procurements and other operating expenses.

The Group policy is based on hedging approximately 50% of these operations via exchange rate derivatives.

The nominal amounts are shown in detail in Note 15 of the Report.

Liquidity risk-

The Group determines treasury needs using two basic forecasting tools which vary as to time horizon.

On the hand, a monthly treasury budget is established over one year based on the target financial statements for the current year.

On the other, a more short term treasury budget is formulated (3 months) which is revalued on a daily basis depending on invoice recorded, delivery notes confirmed or orders placed.

Treasury surpluses are generally invested in very short term financial assets (maximum 1 month) or used to reduce the bank finance tranches on lines of credit.

The Group manages liquidity risk in a prudent manner, maintaining sufficient cash and negotiable securities together with the arrangement of credit facilities for an amount sufficient to address foreseeable needs.

Lastly, the medium to long-term liquidity planning and management is based on the Group's Strategic Plan which covers a time horizon of five years.

Credit risk-

The Group manages credit risk by an individual analysis of the items forming the accounts receivable. Preventive measures include the establishment of credit limits for sales to wholesalers, pharmacies and local licencees. As regards hospital sales, given their reduced volume, the collection management is performed subsequently, after the debt falls due.

The accumulation of non-payments in the case of pharmacies triggers early collection.

Amounts considered bad debts are funded 100% after all collection formalities have been carried out. The amount of the funding in 2007 totalled 1,076 thousand Euros.

As regards the impairment of financial assets due to credit, Grupo Almirall mainly invests in very short term variable rate instruments (promissory notes) in high credit rating institutions, with the aim of minimizing any credit risk.

The Group has no significant credit risk, and performs the placement of treasury and acquisition of derivatives with highly solvent financial institutions.

Capital Risk

The Group manages its capital to ensure the business continuity of its companies and at the same time to maximize the profitability for its shareholders via an optimal balance between debt and equity.

The Group periodically reviews the capital structure in accordance with a five-year strategic plan which sets out the guidelines as regards investment and finance needs.

31. Explanation added for translation to English

These consolidated financial statements are presented on the basis of IFRSs, as adopted by the European Union. Certain accounting practices applied by the Company that conform with IFRSs may not conform with other generally accepted accounting principles.

APPENDIX: INFORMATION REGARDING INVESTEE COMPANIES

	Thousands of Euros						
Name	Laboratorios Miralfarma, S.L. (formerly named Laboratorios Farmacéuticos Almirall, S.L. (1)	Laboratorio Omega Farmacéutica, S.L. (1)	Laboratorios Farmacéuticos Romofarm, S.L. (1)	Laboratorios Farmacéuticos Prodes, S.L. (1)	Laboratorio Temis Farma, S.L. (1)	Alprofarma, S.L.	Laboratorios Tecnobío, S.A. (1)
Address	Spain	Spain	Spain	Spain	Spain	Spain	Spain
Activity	Intermediation services	Intermediation services	Intermediation services	Intermediation services	Intermediation services	Intermediation services	Intermediation services
2007							
Share of capital owned:							
Directly	100%	100%	100%	100%	100%	100%	100%
Indirectly	-	-	-	-	-	-	-
% of voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	120	120	60	120	120	60	61
Reserves	1,353	1,114	378	90	996	6	248
Net profits (losses) for the year	105	140	396	104	109	13	143
Book value of holdings (Group)	1,340	1,070	60	95	1,114	60	127
Cost	1,340	1,070	60	95	1,114	60	127
Provision	-	-	-	-	-	-	-
2006							
Share of capital owned:							
Directly	100%	100%	100%	100%	100%	100%	100%
Indirectly	-	-	-	-	-	-	-
% of voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	120	120	60	120	120	60	61
Reserves	1,291	978	12	30	878	8	31
Net profits (losses) for the year	62	136	366	60	118	(2)	217
Book value of holdings (Group)	1,340	1,070	60	95	1,114	60	127
Cost	1,340	1,070	60	95	1,114	60	127
Provision	-	-	-	-	-	-	-

Note: All the information relating to the companies is obtained from the individual financial statements of the various companies. For this reason, the effects that would be obtained by applying consolidation criteria are not reflected.

(1) Company audited by Deloitte
(2) Company audited by other auditors

	Thousands of Euros						
Name	Laboratorios Berenguer-Infale, S.L. (1)	Pantofarma, S.L. (1)	Industrias Farmacéuticas Almirall Prodesfarma, S.L. (1)	Ranke Química, S.L. (1)	Almirall Prodesfarma, BV(1)	Almirall, NV (1)	Almirall Productos Farmacêuticos, Lda (1)
Address	Spain	Spain	Spain	Spain	Holland	Belgium	Portugal
Activity	Intermediation services	Intermediation services	Manufacture of specialities	Manufacture of raw materials	International Holding	Pharmaceutical laboratory	Pharmaceutical laboratory
2007							
Share of capital owned:							
Directly	100%	100%	100%	100%	100%	0.01%	
Indirectly		-	-	-	-	99.99%	100%
% of voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	120	360	1,200	1,200	46,673	1,203	1,500
Reserves	228	116	45,423	16,966	(35,752)	1,223	2,620
Net profits (losses) for the year	86	68	3,223	53,981	125	554	626
Book value of holdings (Group)	157	216	41,982	10,840	11,046	2,981	3,055
Cost	157	216	41,982	10,840	48,900	3,524	3,055
Provision	-	-	-		(37,854)	(543)	-
2006							
Share of capital owned:							
Directly	100%	100%	100%	100%	100%	0.01%	-
Indirectly	-	-	-	-		99.99%	100%
% of voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	120	360	1,200	1,200	46,673	1,203	1,500
Reserves	163	73	41,828	16,149	(35,732)	454	2,305
Interim dividend	-	-	-	(49,500)	-	-	-
Net profits (losses) for the year	65	43	3,611	50,317	(425)	769	315
Book value of holdings (Group)	157	216	41,982	10,840	10,516	2,428	3,055
Cost	157	216	41,982	10,840	48,900	3,515	3,055
Provision	-	-	-	-	(38,384)	(1,087)	-

Note: All the information relating to the companies is obtained from the individual financial statements of the various companies. For this reason, the effects that would be obtained by applying consolidation criteria are not reflected.

Company audited by Deloitte
(1) Company audited by other auditors
(2) Non-audited company

	Thousands of Euros						
Name	Almirall, BV (1)	Irinol Farma, S.A. (1)	Subgroup Almirall S.A. de C.V. (1) (*)	Almirall International, BV(1)	GdS, SAS (3)	Subgroup Almirall S.A.S. (1) (**)	Almochem, S.L. (3) (dissolved company)
Address	Holland	Spain	Mexico	Holland	France	France	España
Activity	Intermediation services	Pharmaceutical laboratory	Pharmaceutical laboratory	International Holding	Holding	Pharmaceutical laboratory	Pharmaceutical laboratory
2007							
Share of capital owned:							
Directly	-	-	0.74%	100%	-	-	-
Indirectly	100%	100%	99.26%	-	100%	100%	-
% of voting rights	100%	100%	100%	100%	100%	100%	-
Consolidation method	Full	Full	Full	Full	Full	Full	-
Capital	4,000	150	30,606	52,601	1,230	12,510	-
Reserves	(3,510)	9,143	(19,472)	(10,382)	565	3,536	-
Net profits (losses) for the year	270	487	5,497	9,659	(15)	3,919	-
Book value of holdings (Group)	759	7,047	16,739	45.021	1,495	6,620	-
Cost	8,000	7,047	30,891	119.769	1,801	9,829	-
Provision	(7,241)	-	(14,152)	(74,748)	(306)	(3,209)	-
2006							
Share of capital owned:							
Directly	-	-	0.74%	100%	-	-	-
Indirectly	100%	100%	99.26%	-	100%	100%	95%
% of voting rights	100%	100%	100%	100%	100%	100%	95%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	4,000	150	30,606	52,601	1,230	12,510	300
Reserves	(3,884)	9,544	(20,057)	95,189	556	4,772	84
Net profits (losses) for the year	374	(401)	2,454	(5,571)	(14)	(1,236)	(31)
Book value of holdings (Group)	647	7,047	12,971	142,221	1,220	2,990	287
Cost	8,000	7,047	30,891	219,769	1,801	9,829	287
Provision	(7,353)	-	(17,920)	(77,548)	(581)	(6,839)	-

Note: All the information relating to the companies is obtained from the individual financial statements of the various companies. For this reason, the effects that would be obtained by applying consolidation criteria are not reflected.

Company audited by Deloitte
(1) Company audited by other auditors
(2) Non-audited company
(*} Includes the Subsidiary Company Almirall S.A de C.V. and Almirall de México S.A. de C.V.
(**) Includes the Subsidiary Company Almirall, SAS and Almirall Production SAS

	Thousands of Euros						
Name	Expharm, S.A, (1)	Almirall, AG (1)	Chemol, S.A. (1)	Alpro Cartera SICAV,S.A. (2) (company sold)	Almirall GmbH (l)	Almirall SpA (1)	Almirall GmbH (l)
Address	Switzerland	Switzerland	Switzerland	Spain	Germany	Italy	Germany
Activity	Management of licences and marketing of raw materials	Management of licences and marketing of raw materials	Marketing of raw materials	Hedge Fund	Pharmaceutical laboratory	Pharmaceutical laboratory	R&D centre
2007							
Share of capital owned:							
Directly	-	100%	100%	-	-	-	100%
Indirectly	100%	-	-	-	100%	100%	-
% of voting rights	100%	100%	100%	-	100%	100%	100%
Consolidation method	Full	Full	Full	-	Full	Full	Full
Capital	66	146	455	-	5,000	8,640	25
Reserves	5,231	221	2,693	-	(1,317)	2,460	25,243
Net profits (losses) for the year	5,284	25,078	6,483	-	858	(6,996)	583
Book value of holdings (Group)	2,619	5,826	4,802	-	4,542	4,715	25,027
Cost	2,619	5,826	4,802	-	43,000	45,230	25,027
Provision	-	-	-	-	(38,458)	(40,515)	-
2006							
Share of capital owned:							
Directly	-	100%	100%	99,99%	-	-	100%
Indirectly	100%	-	-	-	100%	100%	-
% of voting rights	100%	100%	100%	99,99%	100%	100%	100%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	66	146	456	54,048	5,000	8,640	25
Reserves	(126)	83,637	22,393	7,232	4,677	5,358	25,000
Net profits (losses) for the year	5,556	21,477	33,365	1,082	(5,994)	(2,898)	266
Book value of holdings (Group)	2,697	5,826	4,802	57,030	3,684	11,100	25,027
Cost	2,697	5,826	4,802	57,030	43,000	45,230	25,027
Provision	-	-	-	-	(39,316)	(34,130)	-

All the information relating to the companies is obtained from the individual financial statements of the various companies. For this reason, the effects that would be obtained by applying consolidation criteria are not reflected.

(1) Company audited by Deloitte
(2) Company audited by other auditors
(3) Non-audited company

	Thousands of Euros		
Name	Almirall Hermal, GmbH (1)	Hermal Pharma, GmbH (3)	Almirall Limited (3)
Address	Germany	Austria	United Kingdom
Activity	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory
20B7			
Share of capital owned			
Directly	100%	100%	-
Indirectly	-	-	100%
% voting rights	100%	100%	100%
Consolidation method	Full	Full	Full
Capital	25	36	-
Reserves	39,566	1,350	13
Net profit/loss for the year	(132)	(46)	(524)
Book value of holdings (Group)	359,270	1,485	-
Cost	359,270	1,485	-
Provision	-	-	-
2006			
Share of capital owned			
Directly	-	-	-
Indirectly	-	-	-
% voting rights	-	-	-
Consolidation method	-	-	-
Capital	-	-	-
Reserves	-	-	-
Net profit/loss for the year	-	-	-
Book value of holdings (Group)	-	-	-
Cost	-	-	-
Provision	-	-	-

Note: All the information relating to the companies is obtained from the individual financial statements of the various companies. For this reason, the effects that would be obtained by applying consolidation criteria are not reflected.

Company audited by Deloitte
(1) Company audited by other auditors
(2) Non-audited company