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

Consolidated annual accounts for the year ended 31 December 2015, prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union

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

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

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER
(Thousands of Euros)

ASSETS	Note	31 December 2015	31 December 2014	EQUITY AND LIABILITIES	Note	31 December 2015	31 December 2014
				Issued capital	14	20,754	20,754
Goodwill	8	347,310	338,769	Share premium	14	219,890	219,890
Intangible assets	9	412,693	444,420	Legal reserve	14	4,151	4.093
Property, plant and equipment	10	127,795	132,127	Other reserves	14	1,068,086	654,715
Financial assets	11	180,586	179,159	Valuation adjustments	14	(14,143)	(15,262)
Deferred tax assets	21	316,878	338,660	Translation differences	14	32,018	6,947
NON-CURRENT ASSETS		**1,385,262**	**1,433,135**	Profit (Loss) for year		131,826	448,429
				EQUITY		**1,462,582**	**1,339,566**
				Deferred income	15	201,721	235,256
				Financial liabilities	16	315,883	316,109
				Deferred tax liabilities	21	125,416	126,699
				Retirement benefit obligations	19	63,813	66,688
				Provisions	18	18,526	26,247
				Other non-current liabilities	17	42,848	68,643
Inventories	12	87,124	81,019	**NON-CURRENT LIABILITIES**		**768,207**	**839,642**
Trade and other receivables	13	120,969	207,241				
Current tax assets	21	67,603	58,411	Financial liabilities	16	3,835	3,809
Other current assets		3,391	6,161	Trade payables		225,306	218,162
Current investments	11	270,042	456,507	Current tax liabilities	21	9,863	33,387
Cash and equivalents		597,954	297,927	Other current liabilities	17	62,552	105,835
CURRENT ASSETS		**1,147,083**	**1,107,266**	**CURRENT LIABILITIES**		**301,556**	**361,193**
TOTAL ASSETS		**2,532,345**	**2,540,401**	**TOTAL LIABILITIES AND EQUITY**		**2,532,345**	**2,540,401**

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts as at 31 December 20145

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

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

CONSOLIDATED INCOME STATEMENTS AT 31 DECEMBER
(Thousands of Euros)

Continuing operations	**Note**	**2015**	**2014**
Revenue	20	684,985	786,396
Other income	20	84,015	621,049
Operating income		**769,000**	**1,407,445**
Procurements	20	(150,787)	(171,437)
Staff costs	20	(188,381)	(256,213)
Amortisation and depreciation charge	9 and10	(2,534)	(9,916)
Net change in provisions	20	(229,445)	(320,311)
Other operating expenses	20	44,217	14,134
Net gain (loss) on asset disposals	20	697	(31)
Other current operating profit (loss)			
Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill	9	(241)	(69,210)
Profit (Loss) from operations		**168,276**	**509,752**
Gains (Losses) on changes in financial instruments	20	19,527	(30,314)
Financial income	20	2,825	773
Finance costs	20	(16,572)	(19,286)
Exchange gains (losses)	20	(1,420)	21,052
Profit (Loss) before tax		**172,636**	**481,977**
Corporate income tax	21	(40,810)	(33,548)
Net profit (loss) for the year attributable to the Parent		**131,826**	**448,429**
Earnings (Loss) per share (Euros):	24	0.76	2.59
A) Basic		0.76	2.59
B) Diluted			

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2015.

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

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

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

	Note	2015	2014
Profit (Loss) for the year		**131.826**	**448.429**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Retirement benefit obligations	19	4,326	(17,450)
Others		(1,120)	-
Corporate income tax on items that will not be reclassified	21	(1,130)	6,631
Items that will not be reclassified to profit or loss		**2,076**	**(10,819)**
Items that may be reclassified subsequently to profit or loss			
Change in value of financial assets available for sale	11	(1,367)	2,850
Gains (Losses) on translations of foreign currencies		30,310	11,627
Corporate income tax on items that will not be reclassified	21	(4,829)	(855)
Total items that may be reclassified subsequently to profit or loss		**24,114**	**13,622**
Other comprehensive income for the year, net of tax		**26,190**	**2,803**
Total comprehensive income for the year		**158,016**	**451,232**
Attributable to:			
- Owners of the parent		158,016	451,232
- Non-controlling interests		-	-
Total comprehensive income attributable to owners of the Parent company arising on:			
- Continuing operations		158,016	451,232
- Discontinued operations		-	-

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2015.

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

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

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

	NOTE	Subscribed capital	Share premium	Legal reserve	Other reserves	Valuation adjustments recognised in equity	Translation differences	Profit (Loss) attributable to the Parent company	Equity
Balance at 31 December 2013	14	**20,754**	**219,890**	**4,093**	**688,432**	**(6,438)**	**(4,680)**	**(33,717)**	**888,334**
Distribution of profit		-	-	-	(33,717)	-	-	33,717	-
Dividends		-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	-	(8,824)	11,627	448,429	451,232
Balance at 31 December 2014	14	**20,754**	**219,890**	**4,093**	**654,715**	**(15,262)**	**6,947**	**448,429**	**1,339,566**
Distribution of profit		-	-	58	448,371		-	(448,429)	-
Dividends		-	-	-	(35,000)	-	-	-	(35.000)
Total comprehensive income for the year		-	-	-	-	1.19	25.071	131,826	158.016
Balance at 31 December 2015	14	**20,754**	**219,890**	**4,151**	**1,068,086**	**(14,143)**	**32,018**	**131,826**	**1.462.582**

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2015.

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

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

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

	Note	2015	2014
Cash flows			
Profit (Loss) before tax		172,636	481,977
Adjustments to profit or loss:			
Charge for amortisation and depreciation	9 & 10	74,250	84,709
Net change in provisions	17 & 20	2,534	21,390
Profit (Loss) on sales of non-current assets	20	(44,217)	(14,134)
Gains (Losses) on measurements of financial instruments		(19,527)	48
Financial income	20	(2,825)	(773)
Finance costs	20	16,572	15,445
Impairment losses	9 & 10	186	69,210
Deferred income recognised in profit or loss	15	-	(6,460)
Changes in other non-current assets and liabilities		(7,302)	-
Effects of the AstraZeneca transaction:			
Incorporation of deferred income of the AstraZeneca transaction	15	(33,535)	239,421
Change in the fair value of the AstraZeneca financial asset	6	5,970	(267,320)
Derecognition of assets related to the AstraZeneca transaction	6	-	65,341
		164,742	**688,854**
Adjustments to changes in working capital:			
Changes in inventories			
Changes in trade and other receivables	12	(6,875)	9,641
Changes in trade payables	13	107,061	9,588
Changes in other current assets		8,135	(22,426)
Changes in other current liabilities		4,479	6,170
Adjustments to changes in other items:	17	(53,530)	3,052
Changes in other non-current liabilities			
	17 & 19	1,969	30,177
Cash inflows (outflows) for tax:		**(55,097)**	**(78,120)**
Net cash flows from operating activities (I)		**170,884**	**646,935**
Cash flows from investing activities			
Finance income	20		
Investments:		2,825	773
Intangible assets			
Property, plant and equipment		(14,261)	(29,299)
Financial assets	11	(12,510)	(40,148)
Business combinations		(29,748)	(3,195)
Disposals:		(13,541)	(18,660)
Intangible assets and property, plant and equipment	9 and 10	63,928	48,762
Financial assets	11	101	19,385
Exclusions from the scope of consolidation		(2,344)	20,392
Net cash flows from investing activities (II)		**(5,550)**	**(1,990)**
Cash flows from financing activities			
Finance costs	20	(15,365)	(14,738)
Equity instruments:			
Dividends paid	14	(35,000)	-
Capital increase costs			
Liability instruments:		-	-
Bank borrowings repaid	16	-	(277,613)
Net effect of non-convertible bond issue	16	(1,407)	315,200
Other non-current liabilities	17	-	(2,569)
Net cash flows from financing activities (III)		**(51,772)**	**20,280**
Net change in cash and cash equivalents (I+II+III))	11	**113,562**	**665,223**
Cash and cash equivalents at the beginning of the year	11	**754,434**	**89,211**
Cash and cash equivalents at end of the year	11	**867,996**	**754,434**

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2015.

1. Group activities

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

The Parent's corporate purpose also includes:

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

b) Research into chemical and pharmaceutical ingredients and products.

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

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

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

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

a) Regulatory financial reporting framework applicable to the Group

Almirall Group's consolidated annual accounts for the year ended 31 December 2015, which were obtained from the accounting records held by the Parent company and by the other companies composing the Group, were formally prepared by the Parent company's directors on 19 February 2016.

These consolidated annual accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and take into account all the mandatory accounting policies and rules and measurement bases, the Spanish Commercial Code, the Spanish Companies Law and all other applicable Spanish corporate and commercial law. Accordingly, they present fairly the equity and financial position of the Almirall Group at 31 December 2015 and the results of its operations, the changes in consolidated equity, the changes in other consolidated comprehensive income and the consolidated cash flows at the Group in the year then ended.

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

However, since the accounting standards and measurement bases used to prepare the Group's consolidated annual accounts for 2015 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify them and to bring them into line with International Financial Reporting Standards.

The Group's consolidated annual accounts for 2014 were approved by the Parent company's shareholders at the General Meeting held on 8 May 2015. The Group's consolidated annual accounts for 2015 are awaiting approval by the Parent company's shareholders at the next General Meeting. However, the Parent's Board of Directors considers that the aforementioned consolidated annual accounts will be approved without any changes.

b) *Adoption of International Financial Reporting Standards*

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

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

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

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

As is detailed below, in 2015 new accounting standards (IAS/IFRS) and interpretations (IFRIC) have come into effect. Similarly, at the date of preparation of these consolidated annual accounts, new accounting standards (IAS/IFRS) and interpretations (IFRIC) have been published, which are set to come into effect for the accounting periods starting on or after 1 January 2016.

Mandatory standards, amendments and interpretations for all years starting 1 January 2015

IFRIC 21 "Levies", annual improvements to the 2011-2013 IFRS (amendments to IFRS 3 "Business combinations", IFRS 13 "Fair value measurement" and IAS 40 "Investment property"),

These standards came into force for periods beginning on or after 1 January 2015. The effect of these standards has not been significant and has been reflected in these consolidated annual accounts.

Standards, amendments and interpretations which have not yet come into effect but which may be adopted early in the years beginning on or after 1 January 2015:

At the date of authorisation for issue of these consolidated annual accounts, the IASB and the IFRS Interpretations Committee had published the standards, amendments and interpretations, detailed below, which should be applied for periods beginning in 2016 onwards. The Group decided against early adoption of the standards.

Annual improvements to the 2010-2012 IFRS cycle (amendments to IFRS 2 "Share-based payments", IFRS 3 "Business combinations", IFRS 8 "Operating segments", IAS 16 "Property, plant and equipment" and IAS 38 “Intangible Assets”, IAS 24 "Related party disclosures"), amended IAS 19 "Defined benefit plans: employee contributions." IAS 16 (amendment) and IAS 41 (amendment) “Agriculture: Bearer plants”, IFRS 11 (amendment)

"Accounting for acquisitions of interests in joint operations", IAS 16 (amendment) and IAS 38 "Clarification of acceptable methods of amortisation and depreciation", Improvements to the 2012-2014 IFRS cycle (amendments to IFRS 5 "Non-current assets held for sale and interrupted activities", IFRS 7 "Financial instruments: Information to be disclosed", IAS 19 "Employee benefits", IAS 34 "Intermediary financial information"), IAS 1 (amendment) "Initiative on information to be disclosed", IAS 27 (amendment) "Equity method in separate financial statements".

The Group has not considered early application of these amendments. The Group is analysing the effect of application of these new standards/amendments/interpretations to the Group's consolidated annual accounts, although it is not expected to be significant.

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

IFRS 15 "Revenue from contracts with customers", IFRS 9 "Financial instruments", IFRS 10 (amendment) and IAS 28 (amendment) "Sale or contribution of assets between an investor and its associate or joint venture", improvement project, 2012 – 2014 cycle, IFRS 10 (amendment), IFRS 12 (amendment) and IAS 28 (amendment) "Investment entities: applying the consolidation exception", IAS 12 (amendment) "Recognition of deferred tax assets for unrealised losses", IAS 7 (amendment) "Initiative on Information to be disclosed – Amendments of IAS 7), IFRS 16 "Leases"

The Group is analysing the effect of these new standards/amendments/interpretations on the Group's consolidated annual accounts, in case they are adopted by the European Union.

c) Functional currency

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

d) Estimates made

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

In the Group's consolidated annual accounts for the year ended 31 December 2015, estimates by the Group's executives and consolidated entities, which were later approved by the Parent company's directors, were used occasionally to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement of the recovery of the goodwill (see Notes 5-d, 6-e and 8).
- The useful life of the intangible assets and property, plant and equipment (see Notes 5-b and 5-c).
- Assessment of the recovery of deferred tax assets (see Note 21).
- The impairment losses on certain items of property, plant and equipment, intangible assets and goodwill arising from the non-recovery of the carrying amount recognised on these assets (see Notes 5-d, 6-e and 8).
- The fair value of certain unlisted financial assets (see Notes 5l, 6-a and 11).
- Assessment of lawsuits, obligations and contingent assets and liabilities at year-end (see Notes 5-land 25).

- Assessment of the method of recognising revenue and benefits in relation to the agreements entered into with third parties for licence agreements, joint development and joint promotion of products (see Notes 5-b and 6-a).

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

- Estimate of provisions for restructuring (Note 17).

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

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

Although these estimates were made on the basis of the best information available at 31 December 2015 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of any changes in estimates in the related consolidated income statement.

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

a) Basis of consolidation

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

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

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

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

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

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

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

Also, the accompanying consolidated annual accounts do not include the tax effect that may arise as a result of including the results and reserves from these subsidiaries in the Parent's equity since it is not considered that any reserves will be transferred that might give rise to further taxation pursuant to IAS 12. Since the Parent controls the timing of distribution, it is not probable that such distribution will occur in the foreseeable future, but rather that the results and reserves will be used as financing at each company.

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

b) Changes in the scope of consolidation

There have not been any changes in the scope of consolidation in 2015.

The main variations in the scope of consolidation in 2014 were as follows:

- As described in Note 6 to these consolidated annual accounts, Almirall, S.A. entered into an agreement with AstraZeneca UK Limited through which it transferred the rights to part of its respiratory franchise. The agreement is effective from 1 November 2014. The sale of the subsidiary Almirall Sofotec GmbH was included as part of the agreement.

- In 2014 the Grupo Neogenius Pharma A.I.E subsidiary was wound up due to inactivity.

4. Distribution of the Parent company's profit

The distribution of the profit included in the Parent company's annual accounts for the years ended 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Basis of distribution:		
Profit for year	76,217	466,493
Distribution:		
To the legal reserve	-	58
To voluntary reserves	43,217	390,807
Dividends	33,000	35,000
To offset prior years' losses	-	40,628
Total	**76,217**	**466,493**

The proposed distribution of profit for 2014 was approved by the shareholders at the General Meeting on 8 May 2015.

5. Accounting standards

The Group's consolidated annual accounts for the year ended 31 December 2015 were prepared by the directors of the Parent in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union, pursuant to Law 62/2003, of 30 December.

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

a) Goodwill

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

Any excess of the cost of the investments in the consolidated companies over the corresponding underlying carrying amounts acquired, adjusted at the date of first time consolidation, is allocated as follows:

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

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

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

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

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

b) Intangible assets

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

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

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

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

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

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

Development costs-

a) *In-house development*

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

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

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

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

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

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

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

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

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

The Group also capitalises development expenditure incurred on supplementary studies (or related to molecule combination) for a specific purpose already approved for sale by the corresponding regulatory body which have not yet been approved as a supplementary study or combination.

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

No significant capitalisation of development costs has been made in 2015.

b) Separate acquisition

A research or development project in progress acquired separately or through a business combination is always capitalised in accordance with Paragraph 25 of IAS 38 since the price paid for the acquisition reflects the probability of expected future economic benefits of the asset flowing to the Group, i.e. the price paid reflects the probability of the aforementioned project's success.

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

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

Intellectual property-

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

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

Computer software-

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

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

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

c) Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

The methodology used by the Almirall Group to test for impairment of R&D Expenses (Note 9) not subject to depreciation/amortisation given that the relevant medication has not begun to be sold and for those intangible

assets regarding which indications of impairment have been observed, is based on detailed financial projections for a period of five years, by estimating continual income for subsequent years on the basis of a growth rate according to the type and age of the products. The projections are based on reasonable and supported assumptions.

The main assumptions used in the impairment tests in the years ended 31 December 2015 and 2014 were as follows:

Cash-Generating Unit			
Aqua Pharmaceuticals, LLC	Goodwill: 84,160 Intangible asset: 270,041	d.r.: 8% g.r.c.i.: 2%	d.r.: 9% g.r.c.i..: -
Almirall Hermal GmbH	Goodwill: 227,743 Intangible asset: 34,051	d.r.: 8% g.r.c.i..: (2%)	d.r.: 9%-10.5% g.r.c.i...: (2%)
Other licences	Intangible asset: 83,234	d.r.: 10.5% g.r.c.i.: (5%)-(20%)	d.r.: 10.5% g.r.c.i..: (1%)-(20%)

(*) Discount rate (d.r.) and Growth rate for continual income (g.r.c.i.)

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

The key variables in the impairment tests carried out by the Group relate mainly to the sales of each different medication, which are almost all currently at the marketing stage, and the discount rates applied. l

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

e) Leases

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

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

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

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

The Group does not have any finance leases at 31 December 2015 and 2014.

f) Non-current assets classified as held for sale

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

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

At 31 December 2015 and 31 December 2014, the Group did not have any non-current assets held for sale for significant amounts.

g) Inventories

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

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

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

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

h) Receivables from sales and services

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

i) Cash and cash equivalents

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

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

j) Financial instruments (excluding derivative financial instruments)

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

In the years ended 31 December 2015 and 2014, the measurement bases applied by the Group to its financial instruments were as follows:

Financial assets-

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

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

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

- Financial assets held to maturity: asset collections for a fixed or determinable amount which have a fixed date of maturity. The Group expresses its intention and capacity to keep these assets in its possession from the time they are purchased through to maturity. They do not include loans and accounts receivable originated by the Group. They are subsequently measured at amortised cost using the effective interest method.

- Financial assets at fair value through profit or loss: financial assets whose returns are managed and evaluated in accordance with fair value criteria. They are initially recognised as such based on the specific characteristics of the asset (see Note 6).

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

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

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

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

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

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

Impairment losses (i.e. cost higher than market or fair value at year end) are recognised under “Financial Assets – Impairment Losses” (see Note 11).

Financial liabilities-

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

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

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

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

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

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

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

Impairment losses

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

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

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

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

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

(b) Available for sale assets

At the end of each period, the Group assesses whether there is any objective evidence of impairment of a financial asset or group of financial assets. In the case of investments in equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the instrument to below its cost is considered evidence that the asset has become impaired. If there this type of evidence exists for available-for-sale financial assets, the cumulative loss, determined as the difference between acquisition cost and current fair value, less any impairment losses previously recognised in the income statement on the financial asset, is eliminated from equity and

recognised in the income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed in consolidated profit or loss.

k) *Derivative financial instruments and hedge accounting*

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

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

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

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

- Variations in the value of assets and liabilities due to shifts in prices, interest rates and/or exchange rates to which the position or balance to be hedged is subject (“fair value hedges”).
- Fluctuations in estimated cash flows arising on financial assets and liabilities, obligations and transactions forecast and highly probable that an entity is planning to carry out (“cash flow hedges”).
- The net investment in a foreign operation (“hedge of a net investment in a foreign operation”).

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

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

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

At the end of 2015 and 2014 there are no derivative financial instruments.

l) *Provisions and contingencies*

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

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

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

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

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

Litigation and/or claims in process-

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

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

At the end of 2015 and 2014, a number of legal proceedings and claims had been initiated against the Group in the ordinary course of its business. The Company's legal advisers and directors consider that the provisions recognised are sufficient and that the outcome of litigation and claims will not have a material effect on the consolidated annual accounts for the years in which they are settled.

Provisions for product returns-

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

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

Provision for restructuring-

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

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

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

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

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

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

The amount of the obligations assumed was calculated as follows:

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

- Actuarial assumptions. In 2015 and 2014 the main assumptions used in the actuarial valuation of the aforementioned obligations were as follows:

2015	Almirall Hermal, GmbH	Almirall, S.A.S.
Mortality tables	Heubeck 2005G	2007-2009 Discount rate
Discount rate	2.56%	3.25%
Salary increase rate	2.25%	1.00%
Benefit increase rate	1.75%	0.00%
Turnover rate	3.00%	3.15%
Retirement age	62 and 63	65

2014	Almirall Hermal, GmbH	Almirall, S.A.S.
Mortality tables	Heubeck 2005G	2007-2009 Discount rate
Discount rate	2.10%	3.25%
Salary increase rate	2.25%	1.00%
Benefit increase rate	1.75%	0.00%
Turnover rate	3.00%	3.15%
Retirement age	63	65

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

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

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

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

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

Defined contribution plans cover similar contingencies to those under the defined benefit plans described above for all employees. Contributions are made to non-related entities such as insurance companies and the amount recognised as an expense in this respect in 2015 and 2014 totals EUR 2.3 million and EUR 3.7 million, respectively.

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

n) Termination benefit costs

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

o) Government grants

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

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

p) Recognition of income and expense

Income and expenses are recorded on an accruals basis, i.e. in the period in which the income or expense deriving from the goods or services in question is earned or incurred rather than the period in which the monetary or financial flow is actually received or disbursed.

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

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

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

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

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

The Group companies recognise the revenue received for the assignment of product licences, joint development, joint promotion and other similar transactions on the basis of the economic substance of the related agreements (See also Note 6-a). These agreements generally include multiple items and the revenue associated therewith must match the costs and the consideration to be paid by the Group. When assessing the accounting treatment for these transactions, the Group’s directors consider the following matters:

- The economic substance of the transaction.
- The nature of the items subject of the transaction (disbursements, asset swaps, etc.).
- Measurement and allocation on the basis of the fair value of each of the items relating to the consideration.
- Transfer of the significant risks and rewards arising from ownership of the goods and assumption of future obligations.

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

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

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

q) Corporate income tax and deferred tax assets and liabilities

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

Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VII of Legislative Royal Decree 4/2004 of 5 March, approving the Corporate Income Tax Law. The companies composing the tax group for 2015 and 2014 are: Almirall, S.A., Laboratorios Almofarma, S.L., Laboratorio Temis Farma, S.L., Laboratorios

Berenguer-Infale, S.L., Industrias Farmacéuticas Almirall, S.A., Laboratorio Omega Farmacéutica, S.L., Laboratorios Tecnobío, S.A., Laboratorios Miralfarma, S.L., Alprofarma, S.L., Pantofarma, S.L., Laboratorios Farmacéuticos Romofarm, S.L., Ranke Química, S.L. and Almirall Europa, S.A. and Almirall, S.A. which is the head of the tax group. Consequently, the consolidated income tax expense includes the benefits arising from the application of tax loss and tax credit carryforwards that would not have been recognised had the companies that make up the aforementioned tax group filed individual tax returns.

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

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

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

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

r) *Discontinued operations*

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

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

s) *Borrowing costs*

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

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

Other borrowing costs are expensed currently in the income statement.

t) Foreign currency transactions

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

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

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

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

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

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

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

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

   - Equity items are translated at the historical exchange rates.

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

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

u) Information on the environment

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

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

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

v) Earnings per share

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

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

w) Consolidated statements of cash flows

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

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

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

x) Share-based payment systems for listed shares

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

Under the Plan, the Parent company undertakes to grant the executives long-term cash-settled variable remuneration tied to the price of the Parent company's shares, following the fulfilment of certain requirements and conditions. Note 27 provides a detail of the liability calculated in accordance with IFRS 2 at 31 December 2015 and 2014.

y) Share capital

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

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

effects of any income tax are included in the equity attributable to the holders of these equity instruments and the Company.

6. Critical accounting judgements and estimates

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

a) Revenue recognition and fair value of outstanding revenue

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

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

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

The detail of the agreements between Almirall Group and third parties up to 1 November 2014 is as follows:

Transactions with Forest Laboratories

I. Aclidinium Bromide (TudorzaTM PressairTM)

On 6 April 2006, the Group entered into an agreement with a third party (Forest Laboratories Holdings Ltd., a subsidiary of Forest Laboratories, Inc.) to jointly develop and eventually market and distribute a product to treat chronic obstructive pulmonary disease ("COPD"), the main active ingredient of which is aclidinium bromide. The agreement envisaged aclidinium bromide monotherapy and formoterol and aclidinium bromide combination.

II. LAS100977

On 15 December 2009, the Group entered into an agreement with a third party (Forest Laboratories Holdings Ltd., a subsidiary of Forest Laboratories, Inc.) to jointly develop and then jointly market and distribute a product (OD LABA 100977, an inhaled long-acting beta-agonist) to treat asthma and chronic obstructive pulmonary disease ("COPD"), which was at Stage III of its development at 31 December 2013.

Operations with Berlin Chemie AG

Aclidinium bromide

On 22 March 2012 the Group entered into an agreement with a third party (Berlin Chemie, AG part of the Menarini Group) to jointly market and distribute a product for the treatment of chronic obstructive pulmonary disease ("COPD"). Berlin Chemie, AG had the marketing rights in most EU countries and in Russia, Turkey and other European countries. The agreement included aclidinium bromide monotherapy and combination of aclidinium bromide and formoterol.

The aforementioned agreements with Forest Laboratories and Berlin Chemie AG, together with other items and components of the respiratory franchise, were the subject of the transaction effectively closed with AstraZeneca UK Limited on 1 November 2014 under the terms below.

Transactions with AstraZeneca UK Limited

Almirall, S.A. entered into an agreement with AstraZeneca UK Limited effective 1 November 2014. Under the agreement it transferred the rights to part of its respiratory franchise. From 1 November 2014 onwards AstraZeneca will own the development, marketing rights to the Almirall respiratory business, including the rights to any income from alliances with third parties (including the aforementioned alliances, which were the subject of a novation in favour of AstraZeneca) and the pipeline in research into new therapies. The franchise includes Eklira (aclidinium): Duaklir (aclidinium and formoterol combination) and the LABA/MABA projects which received a positive opinion from the CHMP in the EU and is under development in the US. The associated inhaler technology, certain pre-clinical studies and Almirall Sofotec GmbH, an Almirall subsidiary engaged in the development of advanced inhalers, were also transferred.

The overall transaction included various components, the main content of which is as follows:

- Upon entering into the agreement, Almirall received a non-refundable initial payment (an upfront payment) of USD 900 million. Future payments of up to USD 1,220 million have been agreed for milestones for the development and launch of products and payments based on the achievement of certain volumes of sales. Royalties were also agreed upon. In 2014, EUR 704.6 million were received, of which EUR 679.2 million relate to an upfront payment and EUR 25.4 million to sales of moulds and other assets related to the business.
- AstraZeneca took on a further 719 employees in total as a result of the overall agreement.
- It will assume the commercial and development obligations relating to aclidinium including the aclidinium and formoterol combination. Almirall continues to manufacture the product for AstraZeneca under an exclusive production agreement for an initial period of seven years.
- AstraZeneca will assume the commercial and development obligations for LABA and MABA as monotherapies or combinations. Almirall will continue to play a significant role during the development stage. They will be developed by pooling assets. Payments will be made for reaching sales, release and development milestones as well as royalties.
- The sale of Almirall Sofotec included all the assets and intellectual property related to the inhalation and inhaler device technology.
- Pre-clinical collaboration: Almirall will assume the development up to Stage I (inclusive). If at any point it decides to do so, AstraZeneca will continue the development from this point onwards. Should it decide to take over after this point, Almirall will receive any future payments for royalties and milestones.

Based on an analysis of the corresponding agreements and detachable elements of the overall transaction, the accounting treatment of each one was established on the basis of its respective characteristics:

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

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

The amount recorded as a business sale in 2014 in “Other income” totalled EUR 565.2 million (see Note 20), after the deduction of derecognised assets related to the business (see Note 11) and the provisions made for the obligations assumed in the contract. This income included the evaluation of the financial asset corresponding to projected future flows which totalled EUR 267.3 million at 31 December 2014, of which EUR 169.2 million was non-current (see Note 11) and EUR 98.1 million was current (see Note 13).

This financial asset generated for the recognition of the business sale is valued in subsequent financial years at fair value with changes in the results.

Regarding the revaluation of this financial asset at 31 December 2015 using the same method, the asset has been estimated at EUR 163.2 million (EUR 142.1 million as non-current and EUR 21.1 million as current) (see Note 13). The change in value of this financial asset during 2015 is due to the payment from the event expected for 2015, the accrual of the discount rate used in the estimation, the difference in the euro/USD exchange rate and the re-estimation of projected flows and probabilities assigned to the different events.

In the valuation of this financial asset at fair value at 31 December 2015, the following three events to be valued in accordance with the signed sale contract have been taken into account:

- “Milestones events”: events related to the first launches of certain countries.

- “Sales-related payments”: events related to reaching a certain level of sales.

- “Potential payments”: events related to the payment of royalties.

The main assumptions and considerations used by the independent experts to value the financial asset at 31 December 2015 are as follows:

- Estimated period of cash flows: up to 2035
- Discount rate: based on the country where the cash flows are obtained (which for the main territories are between 9.5% to 12.9% for Europe and 15.5% for Mexico), giving an overall weighted average of approximately 12%.
- Probability of success allocated: it affects the valuations of the “milestones events” and “sales-related payments”.

For the purpose of sensitivity analyses of the independent expert's appraisal made at 31 December 2015, the following should be taken into account:

- If the discount rate used is reduced/increased by one basis point, the effect would be an increase/reduction of the financial asset by EUR 7.2/(6.8) million, respectively.
- If the estimation of sales revenue for 2019 to 2035 is reduced/increased by 5% every year, the effect would be a reduction/increase of the financial asset by EUR (4.6)/4.9 million, respectively.

- Sales of licences for development and the subsequent marketing: of components in the agreements which transfer the rights for development and subsequent marketing, in which there is significant ongoing involvement over the development period by Almirall, the initial payment assigned to this component (“upfront payment”) is recognised in profit or loss over the expected development period (expected until 2021-2031, approximately), recognising the income of the milestones in the development stage as they are achieved (which is the date from which they are expected to be collected). Once the product in question has been launched, an analysis is conducted of recognition of future royalties based on the date from which the amount thereof can be estimated reliably, taking into account the final level of future involvement of Almirall in their marketing processes The corresponding revenue is recognised in "Other Income" in the income statement for the year and the payment made in 2014 whose revenue will be deferred over future years is recognised as "Deferred Income."

The total amount recognised in the income statement for this item in 2015 and 2014 amounted to EUR 34 and 5.5 million, respectively. At 31 December 2015 and 2014 deferred income amounted to EUR 200 and EUR 234 million, respectively. (see Note 15).

- Sale of assets (tangible, intangible or financial): recognised in 2014 at the fair value of the asset allocated in the agreement, derecognising the asset in question. The amount recognised for this item in the income statement for 2013 amounted to EUR 16 million, which was recorded in "Impairment losses and profit (loss) from disposals of assets and investments in group companies" (see Note 20) and corresponded mainly to the sale of the Sofotec subsidiary for EUR 13 million and the marketing rights of Genuair for EUR 3 million.

b) Measurement of intangible assets

Acquisition of developments in progress

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

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

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

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

At 31 December 2015 and 31 December 2014, certain litigations and claims arising from the ordinary course of their operations were ongoing against the consolidated companies. The Group's legal advisers and directors consider that the outcome of these litigation and claims will not have a material effect on the consolidated annual accounts for future years (see Note 25).

d) Deferred tax assets

In calculating its deferred tax assets the Group establishes a deadline for their recovery based on best estimates. Accordingly, on the basis of estimates of the taxable profit of each of the Group companies, the Group has determined the expected period over which the deferred tax assets will be realised, also taking into account the timing of deduction of the tax credit and tax loss carryforwards by the legally established deadlines (see Note 21).

e) Impairment of goodwill

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

7. Business combinations

There have been no business combinations in 2015 and 2014. In 2015, agreements have been made for the purchase of some companies, which have materialised after the year end, with the takeover occurring at the beginning of 2016 (see Note 32).

8. Goodwill

The changes in "Goodwill" in the consolidated balance sheets in 2015 and 2014 were as follows:

	Thousands of Euros				
	Balance at 31 December 2013	Changes	Balance at 31 December 2014	Changes	Balance at 31 December 2015
Almirall, S.A.	35,407	-	35,407	-	35,407
Almirall Sofotec, GmbH	6,350	(6,350)	-	-	-
Almirall Hermal, GmbH	227,743	-	227,743	-	227,743
Aqua Pharmaceuticals, LLC	66,715	8,904	75,619	8,541	84,160
Total	**336,215**	**2,554**	**338,769**	**8,541**	**347,310**

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

The goodwill of the subsidiary Almirall Sofotec, GmbH was derecognised in 2014 as result of the sale of this subsidiary to AstraZeneca as part of the agreement signed during 2014 (see Note 6).

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

The goodwill of Aqua Pharmaceuticals was the difference between the acquisition value of the shares of this company and their underlying carrying amount at the acquisition date, after allocation to the identifiable assets and liabilities of the differences between their fair value and carrying amount in the company's annual accounts. The changes in 2015 and 2014 are a result of the effect of the exchange rate on translating this goodwill recorded at the level of the subsidiary Almirall Inc. to the presentation currency of the consolidated statements. The effect amounted to EUR 8.5 and 8.9 million, respectively.

At 31 December 2015 (and at 31 December 2014), the recoverable amount of all goodwill tested for impairment has been estimated on the basis of calculations of value in use as described in Note 5-d. These calculations use five-year cash flow projections based on financial budgets approved by management. Cash flows for more than the five year period are extrapolated using the estimated growth rates indicated in Note 5-d. According to the estimates and projections available to the directors of the Parent, the projected results and discounted cash flows of the corresponding cash-generating unit adequately support the carrying amount of the goodwill.

The goodwill is allocated to subsidiaries except for the goodwill of Almirall, S.A. which is allocated to the Parent company. For all goodwill tested for impairment, if the recoverable amount of all goodwill calculated on the basis of value in use is subject to a sensitivity analysis for a 5% decrease in estimated sales, the rate of growth would fall by 1% and the discount rate would increase by 1%, which would not make any significant additional impairment necessary.

9. Intangible assets

The detail of the intangible assets in the accompanying consolidated balance sheets at 31 December 2015 and 2014 and of the changes therein is as follows:

	Intellectual property	Development and licence expenditure	Computer applications	Advances and non-current assets in the course of construction	Total
Cost					
At 31 December 2013	**949,760**	**69,015**	**49,163**	**9,965**	**1,077,903**
Additions	6,877	19,553	2,870	-	29,300
Disposals	(27,698)	(69,971)	(56)	-	(97,725)
Transfers	-	-	7,878	(75)	7,803
Exchange gains (losses)	33,030	213	24	-	33,267
Exclusions from the scope of consolidation (Note 6)	-	-	(336)	-	(336)
At 31 December 2014	**961,969**	**18,810**	**59,543**	**9,890**	**1,050,212**
Additions	12,825	-	3,909	4,337	21,071
Disposals	(71,882)	(15,000)	(1,744)	-	(88,626)
Transfers	-	1	7,938	(7,939)	-
Exchange gains (losses)	33,181	203	15	-	33,399
Exclusions from the scope of consolidation (Note 6)	-	-	-	-	-
At 31 December 2015	**936,093**	**4,014**	**69,661**	**6,288**	**1,016,056**
Accumulated amortisation					
At 31 December 2013	**(396,037)**	**(1,097)**	**(32,246)**	**-**	**(429,380)**
Amortisation charge	(54,158)	(251)	(7,801)	-	(62,210)
Disposals	6,304	552	44	-	6,900
Transfers	-	-	-	-	-
Exchange gains (losses)	(1,737)	-	(16)	-	(1,753)
Exclusions from the scope of consolidation	-	-	320	-	320
At 31 December 2014	**(445,628)**	**(796)**	**(39,699)**	**-**	**(486,123)**
Amortisation charge	(50,211)	-	(7,833)	-	(58,044)
Disposals	17,554	310	514	-	18,378
Transfers	-	-	-	-	-
Exchange gains (losses)	(2,105)	5	(11)	-	(2,111)
Exclusions from the scope of consolidation	-	-	-	-	-
At 31 December 2015	**(480,390)**	**(481)**	**(47,029)**	**-**	**(527,900)**
Impairment losses					
At 31 December 2013	**(40,150)**	**(13,248)**	**-**	**-**	**(53,398)**
Impairment losses recognised in the year	(60,000)	(5,000)	(5,349)	-	(70,349)
Impairment losses reversed in the year	-	4,078	-	-	4,078
At 31 December 2014	**(100,150)**	**(14,170)**	**(5,349)**	**-**	**(119,669)**
Impairment losses recognised in the year	(241)	-	-	-	(241)
Impairment losses reversed in the year	30,000	14,170	277	-	44,447
At 31 December 2015	**(70,391)**	**-**	**(5,072)**	**-**	**(75,463)**
Carrying amount					
Cost	961,969	18,810	59,543	9,890	**1,050,212**
Accumulated amortisation	(445,628)	(796)	(39,699)	-	**(486,123)**
Impairment losses	(100,150)	(14,170)	(5,349)	-	**(119,669)**
At 31 December 2014	**416,191**	**3,844**	**14,495**	**9,890**	**444,420**
Cost	936,093	4,014	69,661	6,288	**1,016,056**
Accumulated amortisation	(480,390)	(481)	(47,029)	-	**(527,900)**
Impairment losses	(70,391)	-	(5,072)	-	**(75,463)**
At 31 December 2015	**385,312**	**3,533**	**17,560**	**6,288**	**412,693**

The above intangible assets have finite useful lives and none of the assets have been pledged as security.

In 2015, the Group has acquired marketing rights and know-how for two products of the dermatological area for a total of EUR 10 million. The disposals recognised in this year correspond mainly to the sale of the development and selling rights of a product of the gastrointestinal therapeutic area totalling EUR 60 million and the sale of the development and selling rights for a product of the dermatological area for EUR 7 million. The effect of these disposals has been recognised in “Impairment and profit (loss) for disposals of assets” of the income statement for the 2015 financial year (see Note 20).

In 2014, the Group did not acquire any licences or marketing or selling rights that are worthy of mention. The disposals recognised in this year corresponded mainly to the sale of intangible assets related to the intellectual property, know-how and patents for the inhaler (“Novolizer”) and the sale of development and selling rights of a product of the respiratory area to AstraZeneca as part of the agreement described in Note 6-a of these annual accounts. The effect of these disposals was recognised in “Impairment and profit (loss) for disposals of assets” of the income statement for the 2014 financial year (see Note 20).The detail of the main headings under "Intangible Assets" (Intellectual property and development expenditure) is, by carrying amount, as follows:

	2015	2014
Development costs acquired as a result of the takeover of Almirall Hermal, GmbH.	-	700
Development costs acquired as a result of the acquisition of control of Aqua Pharmaceuticals	2,014	1,890
Other acquired development costs	1,519	1,254
Licences and other marketing rights as a result of the acquisition of control of Almirall Hermal, GmbH.	34,051	44,295
Product technology as a result of the acquisition of control of Aqua Pharmaceuticals.	268,027	259,272
Other licences and other marketing rights.	83,234	112,624
Total intellectual property and development expenditure	**388,845**	**420,035**

In 2015, a licence agreement for the future sale of the Kappaproct product in Europe which had been impaired at 31 December 2014, has been derecognised in “R&D Expenses”. This agreement was signed with Index Pharmaceutical during phase III of the development of the medication. During this phase, as the results of the clinical tests carried out have shown, the product cannot be sold and therefore it has been derecognised.

At 31 December 2014 "R&D Expenses" included the capitalisation of certain projects of a respiratory product and development expenditure for supplementary studies (or molecule combinations) which were still not approved by the corresponding regulatory body, as defined in Note -b. The amount capitalised in 2014 was EUR 14.5 million, and the consideration was recognised in "Work carried out by the company for its assets" in the income statement (see Note 20). Disposals included in the year mainly corresponded to the sale of this project to AstraZeneca and was allocated as less value of the income for the sale of the business described in Note 4-k of these annual accounts (see Note 19).

The aggregate amount of the research and development expenditure recognised as an expense in the accompanying consolidated income statement for 2015 and 2014 was approximately EUR 66.3 million and EUR 100.6 million, respectively. These amounts include the depreciation of the assets associated with R&D activities and the amortisation of the expenses incurred by Group personnel and by third parties.

At 31 December 2015, there are no capitalised R&D expenses not subject to amortisation with a significant carrying amount, and no intangible assets with indications of impairment have been identified. Nevertheless, the Group has carried out an impairment test for its main intangible assets on the basis of the calculations of value in use, in accordance with Note 5-d, and there is no need for any impairment increases.

"Intellectual Property" includes mainly the following intangible assets:

- Licences and other marketing rights resulting from the takeover of Almirall Hermal, GmbH for EUR 34 million at 31 December 2015 (EUR 45 million at 31 December 2014).

- Marketing rights over various dermatological products acquired from Shire in 2007. This agreement entailed a payment of EUR 136 million. At 31 December 2015 the carrying amount totals EUR 20 million (EUR 30 million at 31 December 2014).

- Technology acquired from Aqua Pharmaceuticals in 2013. This technology was assigned to each product and is defined as a set of intangible assets which basically include product formulation and the value of trademarks or brand names and patents or sales licences and which are grouped together insofar as they are considered to be inter-related, they have no value on a stand-alone basis or they are expected to have the same useful life. The useful lives of the intangible assets acquired were estimated at 15 years. The changes in the year correspond to amortisation of EUR 20.3 million for 2015 and to the revaluation of EUR 29.2 million for its translation to the presentation currency of the consolidated annual accounts.

- Development and marketing rights over a respiratory product. The agreement gave rise to the disbursement of EUR 45 million on 22 July 2010. In 2014 this asset was impaired for EUR 30 million and on the basis of the impairment test carried out, the asset was maintained at 31 December 2015.

Impairment losses

The detail of the impairment losses on intangible assets in 2015 and 2014 included in “Impairment Losses” in the above table and of the changes therein is as follows:

	Thousands of Euros						
	Balance at 31 December 2013	Additions	Disposals	Balance at 31 December 2014	Additions	Disposals	Balance at 31 December 2015
Intellectual property	40,150	60,000	-	100,150	241	(30,000)	70,391
Development expenditure	13,248	5,000	(4,078)	14,170	-	(14,170)	-
Computer applications	-	5,349	-	5,349	-	(277)	5,072
Total impairment losses	**53,398**	**70,349**	**(4,078)**	**119,669**	**241**	**(44,447)**	**75,463**

The total impairment of Industrial Property includes a sum of EUR 8.2 million which corresponds to licences whose cost is fully impaired and with respect to which the Company is not generating any significant income.

At 31 December 2015 there are no capitalised R&D expenses not subject to amortisation with a significant carrying amount and no intangible assets with a significant carrying amount where there were possible indications of impairment have been identified,. Nevertheless, the Company has carried out an impairment test for the main intangible assets on the basis of the value in use described in Note 5-d, and there is no need for any impairment increases.

The reversal of the impairment losses recorded in 2015 are mainly due to the sale of the development rights and sale of a product of the gastrointestinal therapeutic area referred to above. The impairment losses recognised in 2014 corresponded mainly to the total impairment of EUR 30 million on the development and marketing rights of certain gastrointestinal products as a result of changes in 2014 in the repayment prices approved on a European market of reference and their implications on other markets and the impairment of EUR 30 million recognised on the marketing rights of certain respiratory therapy products as a result of the Group's change in R&D strategy in this therapeutic area as a result of the transaction with AstraZeneca at the end of 2014 (see Note 6-a). As a result of the transaction with AstraZeneca, the Group recognised an impairment loss on computer software that was underused, mainly due to the transfer of staff to AstraZeneca.

These impairment losses were recognised under “Impairment Losses on Property, Plant and Equipment, Intangible Assets and Goodwill” in the accompanying consolidated income statements for 2015 and 2014.

For the above intangible assets, if the recoverable amount, calculated on the basis of value in use, is subjected to a sensitivity analysis for a 5% decrease in estimated sales, the growth rate would fall by 1% or the discount rate would increase by 1%, and the additional impairment of the asset's carrying value would not be significant.

10. Property, plant and equipment

The changes in “Property, Plant and Equipment” in the consolidated balance sheets in 2014 and 2013 were as follows:

	Land and buildings	Plant and machinery	Other fixtures, tools and furniture	Other items of property, plant and equipment	Advances and property, plant and equipment in the course of construction	Total
Cost						
At 31 December 2013	**95,838**	**89,381**	**271,739**	**17,850**	**24,205**	**499,013**
Additions	1,125	4,196	6,743	457	19,143	31,664
Disposals	(166)	(5,968)	(21,571)	(84)	(13,234)	(41,023)
Transfers	1,727	5,416	8,765	679	(24,390)	(7,803)
Exchange gains (losses)	25	(2)	57	17	0	97
Exclusions from the scope of consolidation (Note 6)	(164)	(20)	(14,241)	(566)	(24)	(15,015)
At 31 December 2014	**98,385**	**93,003**	**251,492**	**18,353**	**5,700**	**466,933**
Additions	393	1,133	5,492	922	4,546	12,486
Disposals	(260)	(1,930)	(2,032)	(630)	(5)	(4,857)
Transfers	288	700	4,229	263	(5,480)	-
Exchange gains (losses)	28	1	47	20	-	96
Exclusions from the scope of consolidation (Note 6)	-	-	-	-	-	-
At 31 December 2015	**98,834**	**92,907**	**259,228**	**18,928**	**4,761**	**474,658**
Accumulated depreciation						
At 31 December 2013	**(37,255)**	**(55,778)**	**(224,600)**	**(14,856)**	**-**	**(332,489)**
Depreciation charge	(2,023)	(3,389)	(15,222)	(1,204)	-	(21,838)
Disposals	26	2,685	9,307	93	-	12,111
Transfers	-	-	-	-	-	-
Exchange gains (losses)	(9)	(2)	(32)	(90)	-	(133)
Exclusions from the scope of consolidation (Note 6)	115	-	10,803	429	-	11,347
At 31 December 2014	**(39,146)**	**(56,484)**	**(219,744)**	**(15,628)**	**-**	**(331,002)**
Depreciation charge	(2,136)	(3,599)	(9,109)	(1,362)	-	(16,206)
Disposals	(76)	1,904	1,795	414	-	4,037
Transfers	-	-	-	-	-	-
Exchange gains (losses)	12	-	30	16	-	58
Exclusions from the scope of consolidation (Note 6)	-	-	-	-	-	-
At 31 December 2015	**(41,346)**	**(58,179)**	**(227,028)**	**(16,560)**	**-**	**(343,113)**
Impairment losses						
At 31 December 2013	**(5,218)**	-	-	-	-	**(5,218)**
Impairment losses reversed	1,414	-	-	-	-	1,414
At 31 December 2014	**(3,804)**	-	-	-	-	**(3,804)**
Impairment losses	54	-	-	-	-	54
At 31 December 2015	**(3,750)**	-	-	-	-	**(3,750)**
Carrying amount						
Cost	98,385	93,003	251,492	18,353	5,700	**466,933**
Accumulated depreciation	(39,146)	(56,484)	(219,744)	(15,628)	-	**(331,002)**
Impairment losses	(3,804)	-	-	-	-	**(3,804)**
At 31 December 2014	**55,435**	**36,519**	**31,748**	**2,725**	**5,700**	**132,127**
Carrying amount	98,834	92,907	259,228	18,928	4,761	**474,658**
Cost	(41,346)	(58,179)	(227,028)	(16,560)	-	**(343,113)**
Accumulated depreciation	(3,750)	-	-	-	-	**(3,750)**
At 31 December 2015	**53,379**	**34,728**	**32,200**	**2,368**	**4,761**	**127,795**

The additions in 2015 and 2014 were due mainly to improvements at the production centres at chemical and pharmaceutical plants and at the Group's research and development centres.

In 2014 disposals related mainly to the sale of certain property, plant and equipment (moulds and machinery) related to the respiratory franchise and disposals due to exclusions from the scope of consolidation of Almirall Sofotec GmbH which was transferred to AstraZeneca, as described in Note 6 of these consolidated annual accounts.

At 31 December 2015 and 2014 the Group does not have any assets in use.

The transfers of property, plant and equipment in the course of construction made by the Group in the years ended 31 December 2015 and 2014 relate mainly to the transfer of investment projects at the production centres that came into service during these years.

The Group has reversed any impairment losses on property, plant and equipment for a total of EUR 54 thousand in 2015. In 2014 a portion of the accumulated impairment loss was reversed due to the re-use of the related assets.

At 31 December 2015 and 31 December 2014 property, plant and equipment include EUR 25.8 million and EUR 22.7 million, respectively, relating to the carrying amount of property, plant and equipment owned by the Group entities located abroad.

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

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

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

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

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

Non-current

The detail of the balance of the non-current financial assets in the consolidated balance sheets at 31 December 2015 and 2014 and of the changes therein in the years then ended is as follows:

	Thousands of euros					
	Investments in Group companies and associates	Long-term equity instruments	Deposits and guarantees given	Assets at fair value through profit or loss	Write-downs	Total
Balance at 31 December 2013	**105**	**7,859**	**15,566**	**-**	**(203)**	**23,327**
Additions or charge for the year	-	2,850		169,220	-	172,070
Disposals/Decrease in value	(53)	(1,385)	(14,800)	-	-	(16,238)
Balance at 31 December 2014	**52**	**9,324**	**766**	**169,220**	**(203)**	**179,159**
Additions or charge for the year	-	20.593	367	9,034	-	29,994
Disposals/Decrease in value	-	(1,367)	-	(6,100)	-	(7,467)
Short-term transfer	-	-	-	(21,100)	-	(21,100)
Balance at 31 December 2015	**52**	**28,550**	**1,133**	**151,054**	**(203)**	**180,586**

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

- Shareholding in Ironwood Pharmaceuticals Inc. of 681,819 shares representing 0.72% of the share capital. At 31 December 2015 their fair value (based on the quoted share price) amounts to EUR 7,282 thousand (EUR 8,591 thousand at 31 December 2014).

- Shareholding of 340,827 shares in the Spanish biotechnology company AB-Biotics, S.A. listed on the Alternative Investment Market (AIM) at 31 December 2015 (340,827shares at 31 December 2014), representing 3.55% of the share capital. At 31 December 2015 the fair value amounts to EUR 675 thousand (EUR 733 thousand at 31 December 2014).

- Public debt securities of Autonomous Community agencies in the Canary Islands recognised for a total of EUR 12 thousand by the Group at 31 December 2015 (EUR 12 thousand in 2014) matured in accordance with the requirements of Law 19/1994, of 6 July 1994, which should be held for a continuous period of five years. The effect of the possible impairment of this caption is not considered to be significant.

- Additions of long-term equity instruments in 2015 totalling EUR 20,593 thousand include the purchase made in July 2015 by the subsidiary Almirall Inc. of 6,137,479 shares of the company Suneva Medical Inc (6.25% of its share capital) totalling USD 15 million. An agreement was also reached between Almirall Inc. and the shareholders of ThermiGen, LLC in September 2015 in accordance with which Almirall, Inc. has acquired a minority interest in ThermiGen, LLC for a value of USD 5 million, which represents 7.7% of the shares issued by the company, and has paid USD 2.5 million in exchange for the purchase option rights to acquire up to 100% of the company for a business value of USD 80 million, the exercising of which is subject to the compliance of certain conditions. This transaction was completed in February 2016 as the purchase option was executed after these conditions were met (see Note 32).

The caption “Financial Assets – Non-current Credits” mainly includes the financial asset corresponding to the fair value of future non-current receivables by AstraZeneca in accordance with Note 6 of the accompanying consolidated annual accounts (EUR 142,150 thousand at 31 December 2015 and EUR 169,220 thousand at 31 December 2014). As stated in this Note, in 2015 the payments for events and changes in fair value of the asset have been recognised, and the part of the fair value of the future payments of this asset to be received by AstraZeneca in the short term (EUR 21,100 thousand) has been transferred to current.

In addition, in 2015, the Company has contracted a loan with ThermiGen, LLC for USD 5 million at a 4% interest rate. This loan is related to the acquisition by the subsidiary Almirall Inc. of a minority interest in ThermiGen, LLC

totalling USD 5 million, which represents 7.7% of the shares issued by the company, and the payment of USD 2.5 million in exchange for the purchase option rights to acquire up to 100% of this company.

Current (financial assets and other cash equivalents)-

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

	Thousands of euros	
	31/12/2015	31/12/2014
Short-term investments	269,829	456,208
Short-term deposits	173	264
Short-term guarantees	40	35
Total	**270,042**	**456,507**

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

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

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

- Held-for-trading financial assets: the Group considers that this category includes financial assets adjusted through profit or loss and the financial derivatives that do not qualify for hedge accounting. The Group has no assets of this kind at the end of 2015 and 2014.

- Available-for-sale financial assets: these are considered to include the investments in fixed-income or equity funds since they do not form part of an investment portfolio with short-term profit-taking, nor have they been acquired for such purpose; the above ownership interest acquired in Ironwood Pharmaceuticals, Inc., in AB-Biotics, S.A., in Suneva Medical Inc. and in ThermiGen, LLC

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

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

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

	Thousands of Euros	
	31/12/2015	31/12/2014
Loans and receivables		
Available-for-sale financial assets	8,914	-
Financial assets at fair value through profit or loss (*)	28,550	9,324
	142,150	169,220
Held-to-maturity financial assets	271.014	457.122
Total	**450.628**	**635.666**

(*) Includes only the non-current part. The current part (EUR 21,100 thousand at 31 December 2015, EUR 98,100 thousand at 31 December 2014) is classified in “Receivables” (see Note 13).

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

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

- Ownership interests in other companies: The fair value of the ownership interest in Ironwood Pharmaceuticals, Inc. was obtained from the listed price of this company’s shares on the US market at 31 December 2015 and 31 December 2014, and adjusted for the exchange rate at the end of the year. The fair value of the ownership interest in AB-Biotics, S.A. was obtained from the price of this company’s shares on the national Alternative Investment Market at 31 December 2015 and 31 December 2014. The fair value at 31 December 2015 of the shares held in Suneva Medical Inc and ThermiGen LLC has been estimated on the basis of the acquisition cost at the moment of the purchase of these companies in July and September 2015, respectively.

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

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

Also, the bank accounts included under "Cash" include basically interest earned at average annual rates of 0.29% and 0.60% in the years ended 31 December 2015 and 2014, respectively.

Finally, as in the previous year, the Group companies and associates excluded from the scope of consolidation because they are dormant and/or insignificant and the information thereon for the years ended 31 December 2015 and 2014 are as follows:

	2015	2014
Name	Almirall Europa, S.A.	Almirall Europa, S.A.
Management	Spain	Spain
Activity	Dormant	Dormant
% of interest held	100%	100%
Carrying amount of interest (Group)		
Cost	61	61
Write-down	-	-

In 2014 the Group company Neogenius Pharma, A.I.E. was wound up as stated in Note 3.b.

In 2015, the following new companies have been set up, which have not been included in the scope of consolidation as they have been inactive during the year:

- Almirall Aesthetics Inc, wholly owned by Almirall S.A. with a share capital of 1 dollar (set up on 30 November 2015, it has not carried on any activities in 2015).

- Almirall Skin LLC, wholly owned by Almirall Aesthetics Inc. with a share capital of 1 dollar (set up on 30 November 2015, it has not carried on any activities in 2015).

12. Inventories

The detail of "Inventories" at 31 December 2015 and 31 December 2014 is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Raw materials and packaging	31,940	34,522
Work in progress	12,861	13,274
Goods held for resale and finished products	52,678	54,945
Write-downs of inventories (Note 20)	(10,355)	(21,722)
Total	**87,124**	**81,019**

The changes in the write-offs of goods held for resale is included in Note 20.

None of the inventories have been pledged as security.

There are no commitments to purchase inventories involving significant amounts at 31 December 2015 and 31 December 2014.

13. Trade and other receivables

The detail of "Trade and Other Receivables" at 31 December 2015 and 31 December 2014 is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Trade receivables for sales and services	103,196	111,193
Other receivables	24,141	101,545
Write-downs of accounts receivable (Note 20)	(6,368)	(5,497)
Total receivables	**120,969**	**207,241**

At the end of 31 December 2015 "Other Receivables" includes EUR 21.1 million (EUR 98,1 million at 31 December 2014) for the financial asset corresponding to the fair value of short-term receivables from AstraZeneca as described in Note 6-a of these consolidated annual accounts.

At 31 December 2015 and 31 December 2014 the overdue balances written down amount to EUR 6,368 and EUR 5,497 thousand, respectively.

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

At 31 December 2015 the percentage of receivables from public authorities related to the hospital business as a percentage of the total trade receivable balance stands at 11% (6% at 31 December 2014).

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

The Group carries out individual analyses of overdue trade receivables to identify possible risks of insolvency. On the basis of this analysis, it establishes a provision for bad debts. The changes in the write downs of receivables are included in Note 20.

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

The trade receivable balance denominated in foreign currency amounts to EUR 66,931 thousand at the end of 2015 and EUR 25,742 thousand at the end of 2014. In view of the associated amounts and maturities the exchange rate fluctuations that may arise are not considered significant.

14. Equity

Share capital-

At 31 December 2015 the Parent's share capital consists of 172,951,120 shares with a par value of €0.12 each, fully subscribed and paid in (172,951,120 shares with a par value of €0.12 each at 31 December 2014).

At 31 December 2015 and 2014, all the Parent's shares were listed on the Spanish stock exchanges. The articles of association do not lay down any restrictions on their transferability. Also, pre-emption rights and purchase and sale options have been granted to the ultimate shareholders of the Parent in respect of the shares of one of the aforementioned shareholders in accordance with the agreement entered into on 28 May 2007.

The shareholders with significant direct or indirect ownership interests in the share capital of Almirall, S.A. of over 3% of the share capital which are known to the Parent company, in accordance with the information contained in the official records of the Spanish National Securities Market Commission (CNMV) at 31 December 20154 and 31 December 2014, are as follows:

Name or company name of direct holder of the ownership interest	2015 % of ownership of the Almirall Group	2014 % of ownership in Almirall Group
Grupo Plafin, S.A.	41.30%	41.30%
Todasa, S.A.	25.34%	25.34%
Wellington Management Company, LLP	2.96%	4.37%
Total	**69.60%**	**71.01%**

At 31 December 2015 and 31 December 2014, the Parent is unaware of other ownership interests over 3% in the Parent's share capital or any voting rights held at the Parent company under 3% that permit significant influence to be exercised.

Redeemed capital reserves-

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

The balance of this reserve at 31 December 2015 and 31 December 2014 amounted to EUR 30,539 thousand.

Legal reserve-

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

EUR 4,151 thousand disclosed under this heading at 31 December 2015 relates to the balance of the legal reserve of the Parent company (EUR 4,093 thousand at 31 December 2014).

Share premium-

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

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

The balance under this heading amounts to EUR 219,890 thousand at 31 December 2015 (EUR 219,890 thousand at 31 December 2014).

Canary Islands investment reserve-

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

At 31 December 2015 and 31 December 2014 the balance of this reserve included in "Other Reserves of the Parent Company" is EUR 3,485 thousand.

Revaluation reserve-

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

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

The restricted balance of the Parent company's "Revaluation Reserve" at 31 December 2014 amounts to EUR 2,539 thousand (EUR 2,539 thousand at 31 December 2013).

Other reserves-

The detail is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Reserves of profit not distributed	1,039,927	608,492
Canary Islands investment reserves	3,485	3,485
Redeemed capital reserve	30,539	30,539
Revaluation reserve	2,539	2,539
Merger reserve	4,588	4,588
Other reserves	(12,992)	5,072
Total other reserves	**1,068,086**	**654,715**

Valuation adjustments-

The amount of this caption EUR (14,143) thousand at 31 December 2014 and EUR (15,262) thousand at 31 December 2014, mainly relates to:

- Net accumulated actuarial losses for recalculations of the valuations of retirement benefit obligations due to variations in the calculation hypotheses: EUR (16,972) thousand at 31 December 2015 and EUR (20,164) thousand at 31 December 2014.

- Accumulated balance for changes in the fair value of financial assets held for sale: EUR 1,067 thousand at 31 December 2015 and EUR 2,024 thousand at 31 December 2014.

Translation differences-

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

The detail of “Translation Differences” by company in 2014 and 2013 is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Almirall Limited (UK)	337	42
Almirall, A.G.	523	1,363
Almirall SP, Z.O.O.	(75)	(95)
Almirall, S.A. de C.V. subgroup	(6,013)	(5,392)
Almirall Aps	(2)	(2)
Almirall Limited (Canada)	(225)	(76)
Almirall Inc/Aqua Pharmaceuticals (US)	37,473	11,104
Total translation differences	**32,018**	**6,947**

The translation differences of the Almirall Inc./Aqua Pharmaceuticals group (USA) are generated for the net investment in this group. As a result of the change in 2015 of the conditions for the maturity of the loan totalling USD 201 million granted by Almirall, S.A. to Almirall, Inc., this loan now forms part of the net investment in this company and therefore, the translation differences of the loan during the year have been recorded in the caption “Translation Differences”.

15. Deferred income

At 31 December 2015 and 31 December 2014, the detail of "Deferred Income" is as follows:

	Thousands of Euros
Balance at 31 December 2013	**952**
Additions of AstraZeneca transactions (Note 6)	239,421
Other additions	1,343
Recognised in profit or loss (Note 20)	(6,460)
Balance at 31 December 2014	**235,256**
Recognised in profit or loss (Note 20)	**(33,535)**
Balance at 31 December 2015	**201,721**

The main component of the balances at 31 December 2015 and 31 December 2014 set out above consist of amounts of the initially non-reimbursable collections related to the operation with AstraZeneca described in Note 6-a not recognised in profit or loss, totalling EUR 204 million and EUR 234 million, respectively.

16. Financial liabilities

Mainly for the purpose of financing the investment made in the USA (in the subsidiary Aqua Pharmaceuticals), in March 2014, the Company issued non-convertible senior bonds for an aggregate nominal amount of up to EUR 325 thousand maturing in 2021 Obligations bear interest at a fixed annual rate of 4.625% payable on a half-yearly basis. As a result of this issuance, the Company is subject to a series of covenants including the fulfilment of "ratio debt" which sets the maximum level of debt permitted for the Parent and the limitation of asset sales that will not permit the sale of assets unless a significant part of this sale is used to repay the debt or to purchase new assets

within twelve months. As a result of the sale operation to Astrazeneca in November 2014 summarised in Note 6, the cash flows of which were not reinvested in a period of less than one year, in November 2015, the Company made an offer to repurchase these non-convertible bonds, as a result of which debt was repurchased for the sum of EUR 1.5 million of nominal value at the same value. The list value of this issuance of non-convertible bonds at 31 December 2015 is 104.2-105.4 (105.8-107.0 at 31 December 2014).

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

At 31 December 2015 the total interest payable is EUR 16,250 thousand, which corresponds to the interest accrued on the non-convertible bonds (EUR 14,658 thousand in 2014,of which EUR 2,225 thousand related to interest incurred on a loan with a financial entity and EUR 12,433 thousand on the interest incurred on non-convertible bonds). The accrued interest payable at 31 December 2015 amounts to EUR 3,835 thousand at 31 December 2015 (EUR 3,809 thousand at 31 December 2014)..

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

The Company also entered into an agreement for a credit line of EUR 25 million in March 2012. The interest rate for this loan is Euribor plus a spread on an arm's length basis. The spread is subject to change in the future based on certain financial ratios.

The detail of the bank borrowings and other financial liabilities at 31 December 2015 is as follows:

				Non-current		
	Limit	Amount drawn down	Current	2017	Subsequent years	Total
Credit lines	25,000	-	-	-	-	-
Obligations (*)	N/A	315,883	-	-	315,883	315,883
Accrued interest payable	-	3,835	3,835	-	-	-
Total at 31 December 2015	**25,000**	**319,718**	**3,835**	**-**	**315,883**	**315,883**

(*) The balance is based on the nominal balance of the non-convertible bonds issued for EUR 325,000 less EUR 1,450 thousand of the bonds amortised in 2015, less related issuance costs.

The detail of the bank borrowings and other financial liabilities at 31 December 2014 is as follows:

				Non-current		
	Limit	Amount drawn down	Current	2016	Subsequent years	Total
Credit lines	75,000	-	-	-	-	-
Obligations (*)	N/A	316,109	-	-	316,109	316,109
Accrued interest payable		3,809	3,809	-	-	-
Total at 31 December 2014	**75,000**	**319,828**	**3,809**	**-**	**316,109**	**316,109**

The bank borrowings bore average interest of 4.625% during the years ended 31 December 2015 and 31 December 2014.

17. Other liabilities

The detail at 31 December 2015 and 2014 is as follows:

	Thousands of Euros					
	Current	Non-current				
		2017	2018	2019	Remainder	Total
Research-related loans	13,783	1,849	2,566	3,198	9,515	17,128
Payables for purchases of non-current assets	6,055	-	-	-	-	-
Wages and salaries payable (Note 20)	42,575	2,169	1,298	1,657	-	5,124
Advances and guarantees received	-	-	-	-	-	-
Other liabilities	139	20,596	-	-	-	20,596
Total at 31 December 2015	**62,552**	**24,614**	**3,864**	**4,855**	**9,515**	**42,848**

	Thousands of euros					
	Current	Non-current				
		2016	2017	2018	Subsequent years	Total
Research-related loans	10,569	1,849	1,849	2,437	9,748	15,883
Payables for purchases of non-current assets	6,015	-	-	-	-	-
Wages and salaries payable (Note 20)	62,528	3,248	2,639	1,491	-	7,378
Advances and guarantees received	-	-	-	-	-	-
Other liabilities	26,723	28,524	16,858	-	-	45,382
Total at 31 December 2014	**105,835**	**33,621**	**21,346**	**3,928**	**9,748**	**68,643**

The research-related loans relate to the interest-free loans granted by the Ministry of Science and Technology to promote research. They are presented in accordance with Note 5-i. These loans are granted subject to the fulfilment of certain investments and levels of expenditure over the years that they are granted. They mature between 2016 and 2025.

Payables for non-current asset purchases in 2015 and 2014 relate mainly to the outstanding payments for the acquisition of goods, products and marketing licences made in the year and in prior years.

At 31 December 2015 the balance of "Wages and Salaries Payable" includes EUR 8,786 thousand (EUR 16,034 thousand at 31 December 2014) relating to the employee restructuring plan reported prior to the end of 2013 (see Note 20 - Restructuring costs).

At 31 December 2015 and 2014 in "Other Payables" as a result of the AstraZeneca transaction described in Note 6, the Group recognised an amount of EUR 20.6 million (EUR 16.8 million at 31 December 2014) for costs payable by the Group. Their effect in the income statement was recognised as a reduction in the aforementioned transaction under "Other Income" at 31 December 2014 (see Note 20). The variation of the balance in 2015 is mainly due to the exchange rate fluctuation.

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

18. Provisions

The changes in 2015 and 2014 in "Provisions" in the accompanying consolidated balance sheets were as follows:

	2015			2014		
	Provision for returns	Other provisions	Total	Provision for returns	Other provisions	Total
Balance at 1 January	**13,641**	**12,606**	**26,247**	**10,846**	**3,927**	**14,773**
Additions or charge for the year	-	-	-	2,795	8,679	11,474
Disposals or transfers	(2,820)	(4,901)	(7,721)	-	-	-
Balance at 31 December	**10,821**	**7,705**	**18,526**	**13,641**	**12,606**	**26,247**

Provisions for returns-

The provision for product returns relates to amounts recognised to cover the losses due to returns that may arise in the future as a result of sales made this year or in previous years. This provision was calculated as described in Note 5-k.

Other provisions-

"Other Provisions" relates to the provision for non-current remunerations (see Note 5-x) and the estimate made by the Group of the future payments required by it to settle other liabilities arising as a result of the nature of its business. The main changes in 2015 relate to the reclassification of a portion of the non-current costs payable on the French subsidiary's restructuring plan as current.

19. Retirement benefit obligations

The changes in "Retirement Benefit Obligations" in the accompanying consolidated balance sheets in 2015 and 2014 are as follows:

	Thousands of Euros
Balance at 31 December 2013	**52,370**
Additions	19,845
Derecognitions	(1,589)
Exclusions from the scope of consolidation	(3,938)
Balance at 31 December 2014	**66,688**
Additions	899
Derecognitions	(3,774)
Balance at 31 December 2015	**63,813**

In 2015 the retirement benefit obligations corresponding to the subsidiaries Almirall Hermal, GmbH and Almirall, S.A.S. (the same companies as in 2014) and related to non-financed plans (there are no plan assets).

The changes in the defined benefit obligations are as follows:

	2015	2014
At 1 January	**66,688**	**52,370**
Current service costs	1,265	895
Borrowing costs	1,345	1,757
Contributions of plan participants	-	-
Actuarial gains/(losses)	(4,326)	17,450
Benefits paid	(1,500)	(1,462)
Exclusions from the scope of consolidation	-	(3,938)
Other changes	341	(384)
At 31 December	**63,813**	**66,688**

The actuarial losses recognised relate mainly to the effect of the increase in the discount rate used in the actuarial calculations in 2015 (decrease in 2014).

The amounts recognised in the income statements are as follows:

	2015	2014
Current service costs	1,265	895
Borrowing costs	1,345	1,757
Total (included under staff costs)	**2,610**	**2,652**

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

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

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

20. Income and expense

Revenue-

The detail, by business line, of revenue in 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Sales through own network	622,109	674,697
Sales through licensees	40,325	97,564
Corporate management and revenue not allocated to other segments	22,551	14,135
Total	**684,985**	**786,396**

The detail of revenue, by geographical area, in 2015 and 2014 is as follows:

	Thousands of Euros	
	2015	2014
Spain	221,035	245,057
Europe and the Middle East	248,019	315,619
America, Asia and Africa	193,380	211,585
Corporate management and revenue not allocated to other segments	22,551	14,135
Total	**684,985**	**786,396**

Other income-

	2015	2014
Income from marketing and joint development agreements (obtainment of milestones)	-	5,250
Income from marketing agreements (deferred income recognised in profit or loss) (Note 15)	33,535	6,460
Income from joint development agreements (shareholder contributions to R&D activities)	-	1,773
Income from recognition of internally generated intangible assets (Note 9)	-	14,556
Joint promotion agreements and collaboration in product promotion	4,240	9,705
Royalty income	-	8,383
Income from AstraZeneca agreement (Note 6)	31,471	565,250
Re-invoicing of services rendered to AstraZeneca (Note 6)	9,693	2,203
Other	5,076	7,469
Total	**84,015**	**621,049**

During 2014 "Revenue from Joint Development Agreements" (shareholder contributions to R&D activity) included EUR 1.7 million (EUR 0 million during 2015), respectively, related to the development costs previously borne by the Group passed on to a third party for certain products.

In 2014 the Group recognised revenue on the sale of the business related to the marketing of aclidinium bromide (the initial payment allocated plus the fair value of the future payments received from milestones, sales and royalties), derecognising the existing assets in the balance sheet in relation to this business. In 2015 the variation of the fair value of the financial asset recognised for this operation has been recorded as other revenue (Note 6-a).

Supplies-

The detail of "Supplies" is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
Purchases	145,525	162,262
Changes in inventories of raw materials and other consumables	2,582	3,503
Changes in inventories of goods held for resale, finished products and work in progress	2,680	5,672
Total	**150,787**	**171,437**

Staff costs

The detail of "Staff Costs" is as follows:

	Thousands of Euros	
	2015	2014
Wages and salaries	137,375	188,119
Social Security payable by the Company	23,750	35,582
Termination benefit costs	12,463	17,310
Other employee benefit costs	14,793	15,202
Total	**188,381**	**256,213**

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

	2015			2014		
	Male	Female	Total	Male	Female	Total
Senior management	39	4	43	50	6	56
Middle management	161	107	268	248	136	384
Technical personnel	465	599	1,064	782	915	1,697
Administrative personnel	173	253	426	189	313	503
Other	3	1	4	3	1	4
Total	**841**	**964**	**1,805**	**1,272**	**1,371**	**2,644**

At the end of 2015 the headcount is as follows:

	2015			2014		
	Men	Women	Total	Men	Women	Total
Senior management	55	8	63	44	4	48
Middle management	159	114	273	184	119	303
Technical personnel	478	642	1,120	521	666	1,187
Administrative personnel	171	249	420	177	274	451
Other	9	4	13	3	1	4
Total	**872**	**1,017**	**1.889**	**929**	**1,064**	**1,993**

At 31 December 2015 and 2014, 260 and 324 Group employees, respectively, were engaged in research and development activities.

As a result of the agreement described in Note 6 of these consolidated annual accounts, a total of 719 employees were transferred to AstraZeneca.

Other operating expenses-

The detail of "Other Operating Expenses" is as follows:

	Thousands of Euros	
	2015	2014
Rentals and royalties	28,781	33,320
Repair and upkeep expenses	16,385	16,222
Independent professional services	42,979	74,643
Transport	21,673	20,861
Insurance premiums	3,046	2,562
Banking and similar services	414	238
Utilities	5,343	5,731
Other services	109,655	162,658
Taxes other than income tax	1,169	4,075
Total	**229,445**	**320,311**

Operating leases-

The rental costs incurred in 2015 and 2014 were as follows:

	Thousands of Euros	
	2015	2014
Operating leases recognised in profit (loss) for the year	12,950	17,540

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

	Thousands of Euros	
	2015	2014
Within one year	9,152	6,235
2 to 5 years	6,420	8,188

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

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

Net change in allowances, provisions and write-downs-

The detail of "Net Change in Allowances, Provisions and Write-downs" in the accompanying consolidated income statements and of the changes in the short-term provisions is as follows:

	Thousands of Euros	
	2015	2014
Change in provision for bad debts	881	2,672
Change in write-downs of inventories	(11,366)	7,549
Change in non-current provisions, allowances or write-downs	7,951	(305)
Total	**(2,534)**	**9,916**

	Thousands of Euros		
	Provision for bad debts (Note 13)	Write-downs of inventories (Note 12)	Total
Balance at 31 December 2013	**2,825**	**14,173**	**16,998**
Change in provisions, allowances and write-downs			
Addition (Charge) for the year	3,602	31,932	35,534
Amounts used	(930)	(24,383)	(25,313)
Balance at 31 December 2014	**5,497**	**21,722**	**27,219**
Change in provisions, allowances and write-downs			
Charge for the year	3,037	30,780	33,817
Amounts used	(2,166)	(30,009)	(32,175)
Cancellation	-	(12,138)	(12,138)
Balance at 31 December 2015	**6,368**	**10,355**	**16,723**

Net gains on asset disposals-

The detail of the net gains (losses) on disposals of non-current asset in 2015 and 2014 is as follows:

	Thousands of Euros			
	2015		2014	
	Income	Expense	Income	Expense
On disposal or derecognition of intangible assets (Note 9)	48,320	(3,920)	2,183	(837)
On disposal or derecognition of property, plant and equipment	41	(225)	917	(154)
On disposal or derecognition of financial assets (Note 6-a)	-	-	13,247	(1,223)
	48,361	**(4,145)**	**15,147**	**(1,013)**
Profit (Loss) on disposals of assets	**44,217**		**14,134**	

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

Finance income and expense-

The detail of net finance income (expense) in 20154 and 2014 is as follows:

	Thousands of Euros			
	2014		2013	
	Income	Expense	Income	Expense
Profit (Loss) on changes in financial instruments	19,527	-	-	(30,314)
Other income (expense) on marketable securities	1,705	(16,585)	303	(15,267)
Other income and similar interest	1,135	-	463	(122)
Finance and similar costs	-	(2)	-	(3,890)
Exchange gains (losses)	6,455	(7,875)	25,089	(4,037)
	28,822	**(24,462)**	**25,855**	**(53,630)**
Financial profit (loss)	**4,360**		**(27,775)**	

"Gains (Losses) for Changes in Financial Instruments" includes basically the effect of the re-estimate of the contingent consideration payable for acquisitions carried out in the past.

Transactions denominated in foreign currency-

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

	Amount in Euros (thousands)			
	Expense		Income	
	2015	2014	2015	2014
Australian Dollar	1	6	-	-
Canadian Dollar	459	10,757	150	5,046
Swiss Franc	9,444	2,166	7,370	6,498
Czech Koruna	45	67	1,493	1,211
Danish Krone	2,685	5,210	1,306	1,356
Pound Sterling	23,265	36,039	36,030	39,163
Hungarian Forint	39	20	453	402
Japanese Yen	5,103	7,076	4,395	7,084
Lithuanian Litas	-	-	-	-
Latvian Lats	-	-	-	-
Mexican Peso	13,602	17,326	19,691	18,242
Norwegian Krone	350	1,558	1,344	1,867
Polish Zloty	1,914	2,423	3,455	4,890
Chinese Yuan Renminbi	-	-	-	-
Swedish Krona	854	2,665	3,816	5,266
US dollar	104,977	71,893	163,636	128,602
South-African Rand	-	-	-	-

Auditors' remuneration-

In 2015 and 2014 the fees for audit and other services provided by the Group's auditor, PricewaterhouseCoopers Auditores, S.L. or by other companies in the PwC network were as follows (in thousands of euros):

Description	Services provided by the auditor and by related companies	
	2015	2014
Audit services	591	802
Other attestation services	67	322
Total audit and related services	**658**	**1,124**
Other services	934	355
Total other professional services	**934**	**355**

21. Tax situation

Consolidated Tax Group-

Almirall, S.A. files consolidated tax returns (group 77/98) as provided for in Title VII, Chapter VII of Legislative Royal Decree 4/2004 of 5 March, approving the Corporation Tax Law. The companies composing the tax group for 2015 and 2014 were: Almirall, S.A., Laboratorios Almofarma, S.L., Pantofarma, S.L., Laboratorio Temis Farma, S.L., Laboratorios Berenguer-Infale, S.L., Industrias Farmacéuticas Almirall, S.L., Laboratorio Omega Farmacéutica, S.L., Laboratorios Tecnobío, S.A., Laboratorios Miralfarma, S.L., Alprofarma, S.A., Laboratorios Farmacéuticos Romofarm, S.L., Ranke Química, S.A. and Almirall Europa, S.A., with Almirall, S.A. as the Parent. Consequently, Almirall, S.A. has a legal obligation for the preparation, payment and submission of the income tax return.

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

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

Years open for review by the tax authorities-

The Parent and the companies in the Spanish tax group headed by it have 2011 to 2015 open for review by the tax authorities for income tax and 2012 to 2015 for the other taxes applicable to them.

During 2015 no reviews have been started by the tax authorities on the Spanish tax group. No further reviews were started by the tax authorities in 2014. In 2013 a partial tax inspection commenced of the years 2010 and 2011 in relation to personal income tax. This inspection was concluded in 2014 without any significant effects.

In relation to the Group's foreign subsidiaries, in 2010 the tax returns filed by the investee in relation to various taxes paid from 2006 to 2009 were also subject to review, for which tax assessments amounting to EUR 3.6 million were issued (tax payable plus late-payment interest). Although a provision has been made for this amount on a prudent basis, they are currently under appeal.

A review was started by the tax authorities during 2015 regarding 2012, 2013 and 2014 for Corporate Income Tax and Value Added Tax which ended in 2015. No significant amounts have arisen as a result.

During 2015 and 2014, no other reviews have been made on the foreign companies of the Group.

The Group's foreign companies have the years corresponding to the applicable taxes open for inspection in each of the local jurisdictions.

The Group considers that the probability of any effective payment to the tax authorities arising from the above reviews or any other significant issues are remote.

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

Tax receivables and payables-

The detail of the current tax receivables and payables at 31 December 2015 and 2014 is as follows:

	Thousands of Euros	
	31/12/2015	31/12/2014
VAT refundable	7,683	9,388
Social security refundable	3	7
Income tax refundable	54,503	44,741
Other receivables	5,414	4,275
Total balances receivable	**67,603**	**58,411**
Tax payable	50	270
VAT payable	2,643	8,534
Personal income tax withholdings	2,157	5,977
Social security payable	3,278	5,341
Income tax payable	1,735	13,265
Total balances payable	**9,863**	**33,387**

"Income Tax Refundable" includes the tax refundable for 2015 and 2014 relating to the consolidated Spanish tax group led by the Parent Almirall, S.A., which has been refunded at the date of these consolidated annual accounts.

Income tax recognised-

The detail of the income tax recognised in the consolidated income statement and in equity in 2015 and 2014 is as follows:

	Thousands of Euros Expense (income)	
	2015	2014
Income tax:		
- Recognised in the income statement	40,810	33,548
- Recognised in equity	5,959	(5,776)
Total	**46,769**	**27,772**

Reconciliation of the accounting profit to the taxable profit-

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

	Thousands of Euros	
	2015	**2014**
Consolidated profit (loss) before tax (continuing operations)	172,636	481,976
Permanent differences:		
- Of individual companies		
Increase	13,868	61,276
Decrease	(64,703)	(371,472)
- Consolidation adjustments		
Increase	9,619	24,739
Decrease	(14,886)	(1,249)
Adjusted accounting profit (loss)	116,533	195,269
Tax rate	28%	30%
Gross tax payable (refundable)	**32,629**	**58,581**
Tax credits:		
Tax credit used in the year and other consolidation adjustments	(2,504)	(26,121)
Income tax of Almirall, S.A. paid abroad	1,506	1,494
Adjustment of deferred tax assets and liabilities	2,858	2,225
Underlying tax expense payable (refundable)	**34,490**	**36,179**
Effect of different tax rates between countries	4,770	(1,891)
Other changes	1,551	(740)
Income tax expense (revenue)	**40,810**	**33,548**

The reduced taxable profit resulting from permanent differences of the companies in 2015 and 2014 is a result basically of the reduction of the taxable profit relating to proceeds from the transfer of intangible assets (in the Spanish company the biggest amount arose mainly from the exemption of part of the proceeds obtained from the AstraZeneca transaction) whilst the increase mainly corresponds to the different recognition for accounting purposes of certain expenses arising in these years. The reduced permanent differences of 2014 includes the distribution of dividends by subsidiaries that are exempt from paying tax.

The detail of the tax incentives recognised in 2015 and 2014 and the amounts not yet recognised at 31 December 2015 and 31 December 2014 is as follows:

Nature	Year earned	Thousands of Euros			
		2015		2014	
		Offset	Available for offset	Offset	Available for offset
Research and development	2006	-		16,980	
	2007	853	31,411	10,187	32,265
	2008	-	34,841	-	34,841
	2009	-	26,883	-	26,883
	2010	-	34,628	-	34,628
	2011	-	35,845	-	35,845
	2012	-	32,841	-	32,841
	2013	-	28,923	-	28,923
	2014	-	23,387	-	23,387
	2015	-	12,247	-	-
		853	**261,006**	**27,167**	**249,612**
Innovations in technology	2012	-	965	-	965
	2013	-	1,302	-	1,320
	2014	-	666	-	-
	2015	**-**	**2,933**	**-**	**2,285**
		-	-	66	-
International double taxation	2012	-	-	48	-
	2013	-	-	1,473	-
	2014	504	-	-	-
	2015	**504**	**-**	**1,587**	**-**
		-	55	-	55
Re-investment of extraordinary income	2012	-	2	-	2
	2013	-	10	-	10
	2014	**-**	**67**	**-**	**67**
		-	-	468	-
Donations	2012	-	-	318	-
	2013	-	-	354	-
	2014	114	-	-	-
		114	**-**	**1,140**	**-**
Temporary measures		139	**-**	**-**	**-**
	2015	**139**	**-**	**-**	**-**
Total		**1,610**	**264,006**	**29,894**	**251.964**
Total recognised deferred tax assets			**251,759**		**251,964**

The deadline for recognition of tax credit carryforwards is 18 years from the date earned. These tax assets may only be recognised in relation to 50% of the tax payable in accordance with current legislation, if legislation establishes that the tax credit which the controlling Company shall generate each year shall exceed 10% of its tax liability before tax credits.

The decrease in deferred tax assets is mainly due to the reversal of temporary differences (provisions, impairment) which have been deductible in 2015.

The deferred tax assets indicated above, totalling EUR 316,878 thousand, are mainly from Almirall, S.A., which reports a total of EUR 288,765 thousand in deferred tax assets in its annual accounts at 31 December 2015 (mainly due to the deductions pending application stated above). These deferred tax assets were recognised in the balance sheet the Parent company's directors consider that it is probable that these assets will be recovered in full within 10 years in line with their best estimates of future profit. The basis of the estimated future profit underpinning this analysis was as follows:

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

- Estimated additional effects expected in profit or loss over the coming years as a result of the expected future investments/acquisitions at medium term and taking into account the relevant investments made in February 2016 (see Note 32). Estimated target returns and the probability of achieving them were also considered.

Deferred taxes-

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

	2015	**2014**
Deferred tax assets	316,.878	338,660
Deferred tax liabilities	(125,416)	(126,699)
Deferred tax assets (net)	**191,462**	**211,961**

The gross changes in the deferred taxes are as follows:

	2015	**2014**
At 1 January	211,961	186,920
Credit to profit or loss	(19,779)	19,265
Tax (charged) refunded directly to equity	(720)	5,776
At 31 December	**191,462**	**211,961**

In accordance with current tax legislation in the countries in which the consolidated entities are located, in 2015 and 2014 certain temporary differences have arisen which should be taken into account when quantifying the corresponding income tax expense. The detail of deferred taxes recognised in both years is as follows:

	Thousands of Euros			
	20154		2014	
	Accumulated differences in taxable profit (tax loss)	Accumulated effect on tax payable	Accumulated differences in the taxable profit (tax loss)	Accumulated effect on tax payable
Deferred tax assets:				
Amortisation and depreciation of non-current assets	82,765	22,398	111,365	30,600
Write-offs	99,247	26,412	134,453	37,314
Retirement benefit obligations	31,383	9,213	35,656	10,260
Measurement of inventories	11,648	4,080	14,821	4,853
Other	6,390	2,335	1,336	343
	231,434	**64,438**	**297,631**	**83,370**
Tax assets:				
Tax loss carryforwards	-	-	17,579	3,327
Tax credit carryforwards	-	251,759	-	251,964
Total deferred tax assets and tax relief:		**316,197**		**338,660**
Deferred tax liabilities:				
Accelerated amortisation/depreciation (Royal Decree 27/84, Royal Decree 2/85, Royal Decree 3/93)	43,566	11,135	46,989	12,017
Assets held under finance leases	6,179	1,545	6,681	1,670
Capitalisation in intangible assets	7,934	2,381	10,962	3,289
Gains recognised in assets	241,221	68,772	233,059	68,237
Amortisation of goodwill	77,024	21,026	86,711	24,895
Tax effect of reversal of write-offs to investments (subsidiaries)	50,960	15,688	57,803	17,741
Other	23,979	4,869	(3,747)	(1,150)
Deferred tax liabilities		**125,416**		**126,699**

22. Business and geographical segments

Segmentation criteria

Set out below is a description of the main criteria used to separate the Group's segment reporting in the consolidated annual accounts for the years ended 31 December 2015 and 2014.

Business segments:

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

a) Sales through own network.

b) Sales through licensees

c) Research and development activities

d) Therapeutic dermatological products in the US.

e) Corporate management and results not allocated to other segments

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

Basis and methodology of segment reporting by business-

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

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

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

The revenues received by the Group as a result of the agreements indicated in Note 6 have been assigned on the basis of the business segment directly related to the territories or activity associated with those agreements, irrespective of whether they relate to amounts received for milestones or initial disbursements recognised on a deferred basis in the income statement, mainly in the own network sales and licensee segments.

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

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

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

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

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

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

- Almirall, S.A.: allocated to the "Corporate Management and Results not allocated to Other Segments" segment given its structural nature in the Group's current make-up and the fact that it cannot be assigned to any segment in particular, as detailed in Note 8.
- Almirall Hermal, GmbH: allocated to the "Own Network Marketing" segment since the main cash generating unit with respect to the aforementioned goodwill is this segment.
- Aqua Pharmaceuticals: allocated to the "Dermatology in the US" segment since the main cash generating unit with respect to the aforementioned goodwill is this segment (Note 7).

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

Segment reporting-

Segment reporting by business-

Income statement for the year ended 31 December 2015 by segment

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Adjustments and reclassifications	Total
Revenue	472,053	40,132	-	150,010	22,790	-	684,985
Procurements	(159,954)	(12,638)	-	(13,609)	(18,993)	54,407	(150,787)
Gross margin	**312,099**	**27,494**	**-**	**136,401**	**3,797**	**54,407**	**534,198**
Other income	4,195	65,394	14,174	385	(133)	-	84,015
Amortisation/depreciation	(60,008)	-	(30,541)	(22,118)	(75,714)	-	(180,584)
Amortisation/depreciation	(27,378)	-	(6,713)	(20,400)	(19,759)	-	(74,250)
Net change in provisions, allowances and write-offs	-	-	-	(3,704)	1,170	-	(2,534)
Other operating costs	(82,911)	(3,202)	(36,889)	(36,224)	(70,219)	-	(229,445)
Profit from operations (*)	**145,997**	**89,686**	**(59,969)**	**54,340**	**(160,858)**	**54,407**	**123,603**
Gains (Losses) on sales of non-current assets/other	-	-	-	-	44,914	-	44,914
Impairment losses	(241)	-	-	-	-	-	(241)
Financial profit (loss)	-	-	-	-	4,360	-	4,360
Profit (loss) before tax	**145,756**	**89,686**	**(59,969)**	**54,340**	**(111,584)**	**54,407**	**172,636**
Income tax	-	-	-	(16,300)	(24,510)	-	(40,810)
Net results attributable to Parent company	**145,756**	**89,686**	**(59,969)**	**38,040**	**(136,094)**	**54,407**	**131,826**

(*) Before results for sale of assets/others and impairment

Assets at 31 December 2015 by segment

ASSETS	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Goodwill	227,743	-	-	84,160	35,407	347,310
Intangible assets	83,017	-	15,008	280,041	34,627	412,693
Property, plant and equipment	759	-	37,592	131	89,313	127,795
Financial assets	161	-	-	425	180,000	180,586
Deferred tax assets	4,875	-	-	10,318	301,685	316,878
NON-CURRENT ASSETS	**316,555**	**-**	**52,600**	**375,075**	**641,032**	**1,385,262**
Inventories	42,316	7,416	-	6,649	30,743	87,124
Trade and other receivables	39,009	28,464	1,385	38,927	13,184	120,969
Current tax assets	4,668	-	-	-	62,936	67,603
Other current assets	768	-	-	1,950	673	3,391
Current financial assets	-	-	-	-	270,042	270,042
Cash and cash equivalents	-	-	-	48,266	549,688	597,954
CURRENT ASSETS	**86,761**	**35,880**	**1,385**	**95,792**	**927,265**	**1,147,083**
TOTAL ASSETS	**403,316**	**35,880**	**53,985**	**470,867**	**1,568,297**	**2,532,345**

The goodwill allocated to Almirall Hermal GmbH is detailed in Note 8 to these consolidated annual accounts The goodwill is allocated to the sales through own network segment since acquisition of this company includes production and marketing activity.

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

Additions to non-current assets by segment in the year ended 31 December 2015

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Total additions to non-current assets	412	-	7,345	32,160	16,271	**56,188**

Income statement for the year ended 31 December 2014 by segment

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Adjustments and reclassifications	Total
Revenue	564,210	97,563	-	110,758	13,865	-	786,396
Procurements	(187,211)	(30,438)	-	(5,171)	(4,003)	55,386	(171,437)
Gross margin	**376,999**	**67,125**	**-**	**105,587**	**9,862**	**55,386**	**614,959**
Other income	19,177	17,016	16,999	-	567,857	-	621,049
Amortisation/depreciation	(106,489)	-	(33,822)	(18,384)	(97,518)	-	(256,213)
Amortisation/depreciation	(28,471)	-	(9,578)	(16,588)	(30,072)	-	(84,709)
Net change in provisions, allowances and write-offs	-	-	-	(975)	(8,941)	-	(9,916)
Other operating costs	(135,596)	(2,802)	(57,244)	(36,194)	(88,475)	-	(320,311)
Profit from operations (*)	**125,620**	**81,339**	**(83,645)**	**33,446**	**352,713**	**55,386**	**564,859**
Gains (Losses) on sales of non-current assets/other	-	-	-	-	14,103	-	14,103
Impairment losses	(30,000)	-	(35,000)	-	(4,210)	-	(69,210)
Financial profit (loss)	-	-	-	-	(27,775)	-	(27,775)
Profit (loss) before tax	**95,620**	**81,339**	**(118,645)**	**33,446**	**334,831**	**55,386**	**481,977**
Income tax	-	-	-	(10,100)	(23,448)	-	(33,548)
Net results attributable to Parent company	**95,620**	**81,339**	**(118,645)**	**23,346**	**311,383**	**55,386**	**448,429**

(*) Before results for sale of assets/others and impairment

Assets at 31 December 2014 by segment

ASSETS	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Goodwill	227,743	-	-	75,619	35,407	338,769
Intangible assets	133,601	-	15,566	261,230	34,023	444,420
Property, plant and equipment	983	-	34,237	160	96,747	132,127
Financial assets	227	-	-	-	178,932	179,159
Deferred tax assets	4,489	-	-	5,407	328,764	338,660
NON-CURRENT ASSETS	**367,043**	**-**	**49,803**	**342,416**	**673,873**	**1,433,135**
Inventories	39,575	10,086	-	5,558	25,800	81,019
Trade and other receivables	48,821	114,067	365	33,267	10,721	207,241
Current tax assets	8,134	-	-	-	50,277	58,411
Other current assets	1,485	-	-	2,952	1,724	6,161
Current financial assets	-			62	456,445	456,507
Cash and cash equivalents	-			35,015	262,912	297,927
CURRENT ASSETS	**98,015**	**124,153**	**365**	**76,854**	**807,879**	**1,107,266**
TOTAL ASSETS	**465,058**	**124,153**	**50,168**	**419,270**	**1,481,752**	**2,540,401**

The goodwill allocated to Almirall Hermal GmbH is detailed in Note 8 to these consolidated annual accounts The goodwill is allocated to the sales through own network segment since acquisition of this company includes production and marketing activity.

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

Additions to non-current assets by segment in the year ended 31 December 2014

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Total additions to non-current assets	7,114	-	5,393	69	37,760	50,336

Revenue by therapeutic area-

Set out below is a detail of the contribution to revenue of the Group's main therapeutic areas in 2015 and 2014:

	Thousands of Euros	
	2015	**2014**
Respiratory	104,964	211,654
Gastrointestinal and Metabolism	122,830	130,066
Dermatology	295,113	254,544
CNS	54,273	77,924
Osteomuscular	41,127	44,794
Cardiovascular	27,332	35,035
Urology	15,553	16,896
Other specialist therapies	23,793	15,482
Total	**684,985**	**786,396**

Revenue, by geographical area, in 2015 and 2014 is detailed in Note 20.

23. Dividends paid by the Parent company:

The dividends paid by the Parent company in 2015 and 2014, which related to the dividends approved out of profit earned in 2013 and 2012, respectively, are as follows:

	2015			**2014**		
	% of nominal amount	**Earnings per share (Euros)**	**Amount (Thousands of Euros)**	**% of nominal amount**	**Earnings per share (Euros)**	**Amount (Thousands of Euros)**
Ordinary shares	167%	0,2	35.000	-	-	-
Total dividend paid	**167%**	**0,2**	**35.000**	**-**	**-**	**-**

The Parent company did not pay out a dividend in 2014. 24. EARNINGS PER SHARE

24. Basic earnings per share

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

Accordingly:

	2015	2014
Net profit (loss) for the year (thousands of euros)	131,826	448,429
Weighted average number of shares outstanding (Thousands of shares)	172,951	172,951
Basic earnings per share (euros)	**0.76**	**2.59**

In 2015 and 2014 there were no changes in the shares outstanding.

25. Commitments acquired, contingent liabilities and contingent assets

a) Commitments acquired

As a result of the research and development activities carried out by the Group, firm agreements for approximately EUR 0.4 million and EUR 1.6 million were entered into at 31 December 2015 and 2014 in relation to the performance of the above research and development activities which would be paid in future years.

There are no commitments to purchase property, plant and equipment for significant amounts at 31 December 2015 and 2014.

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

b) Contingent liabilities

There were no other contingent liabilities at the date of authorisation for issue of these consolidated annual accounts that might result in significant cash outlays.

c) Contingent assets

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

26. Related-party transactions

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

Balances and transactions with other related parties

In 2015 and 2014 the Group companies performed the following related-party transactions. The balances in this respect at 31 December 2015 and 2014 were as follows:

			Thousands of Euros	
Related party	Transaction	Year	Transactions - Income (Expense)	Balance receivable (payable)
Grupo Corporativo Landon, S.L.	Leases	2015	(2,625)	-
		2014	(2,476)	-
Grupo Corporativo Landon, S.L.	Re-invoicing of projects	2015	253	172
		2014	602	175

The Group's headquarters are rented from Grupo Corporativo Landon, S.L. under a lease which runs out in 2017.

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

27. Remuneration of the Board of Directors and Executives

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

In 2015 and 2014 the amounts earned by executives who are not members of the Parent's Board of Directors for all items (salaries, bonuses, per diems, remuneration in kind, compensation, incentive plans and social security contributions) totalled EUR 3,610 thousand and EUR 7,928 thousand, respectively.

The above amounts include remuneration paid and payable to the Group's executives. For incentive and loyalty plans that cover more than one year and SEUS plans (see Note 5-w) the remuneration earned amounted to EUR 684 and EUR 560 thousand in 2015 and 2014, respectively. The ending balance of the provision for these plans amounts to EUR 6,274 thousand in 2015 (EUR 2,093 thousand in 2014).

At 31 December 2015 and 2014, the Group did not have any other pension obligations to executives.

In 2015 and 2014 the amount earned by the current and former members of the Parent company's Board of Directors for all types of remuneration (salaries, bonuses, per diems, remuneration in kind, life insurance plans, indemnities, incentive plans and social security contributions) amounted to EUR 3,055 thousand and EUR 3.915 thousand, respectively. The life insurance policies amount to EUR 13.6 thousand (EUR 9.5 thousand in 2014).

The amount indicated above includes the remuneration paid and payable by the Parent company's Board of Directors for multi-year incentive and loyalty plans, and SEUS plans amounting to EUR 495 thousand and EUR 689 thousand in 2015 and 2014, respectively. The ending balance of the provision for these plans amounts to EUR 2,751 thousand in 2015 (EUR 4,417 thousand in 2014).

At 31 December 2015 and 2014, there were no other pension obligations to the current and former members of the Board of Directors of the Parent company.

The members of the Group's Board of Directors and Senior Management have not received any shares or share options in the year and they have not exercised any options and do not have any options which have not yet been exercised.

28. Directors: other disclosures

The directors have a duty not to become involved in situations that constitute a conflict of the Parent company's interest. Accordingly, in 2014 the directors on the Board met all the obligations foreseen in Article 228 of the consolidated Spanish Companies Law. The directors and any related parties thereto were not involved in any situations that constituted a conflict of interest envisaged in Article 229 of this law except where the relevant authorisation was obtained.

29. Information on the environment

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

The Almirall Group's property, plant and equipment include certain environmentally friendly assets (smoke abatement, underfloor drainage, etc.). The carrying amount of the assets is approximately EUR 0.3 million and EUR 0.3 million at 31 December 2015 and 2014, respectively.

The income statement for 2015 and 2014 includes expenses related to protection of the environment amounting to EUR 1.1 million and EUR 1.2 million, respectively.

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

30. Exposure to risk and capital management

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

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

Interest rate risk

At the beginning of 2014 the Group's Parent company issued high-yield bonds at a fixed rate of interest of 4.625% and in 2015 the situation has not changed, therefore, it is not exposed to any fluctuations in interest rates. The credit rating obtained with the issue in 2014 was Ba2/BB.

In 2014 it arranged credit lines with a maximum draw down amount of EUR 75 million. No interest rate hedges have been taken out on this amount. In 2015, the Company has reduced the credit lines which it had in 2014 and one credit line remains with a maximum draw down amount of EUR 25 million, regarding which there is no interest rate hedge.

Foreign currency risk

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

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

In the case of collections the foreign currency risk represents 34.87% of revenue and other income, and in the case of payments 31.14% of procurements and other operating costs.

The Group analyses foreseeable collections and payments in foreign currency and the performance and trend thereof on a quarterly basis. In 2015 the Group reduced its exposure to foreign currency risk on higher-volume commercial transactions by arranging foreign currency hedges to hedge payments in yen for purchases of raw materials and to hedge cash inflows in USD, mainly in respect of collections (at 31 December 2015 there were no significant insurance contracts). Similarly, cash surpluses in foreign currency have been sold in order to avoid exposure to the volatility of the currency market and its resulting effect on the income statement.

The Group's Parent company has taken out an intercompany loan with Almirall, Inc. (subsidiary). A foreign currency hedge was not arranged in respect of this loan because the US dollar exchange rate was not expected to

disadvantage the Group and the hedge would have resulted in an outflow of cash equal to the new amount. In addition, from 2015 this loan is considered to be additional value of the net investment abroad, whose translation differences as from this financial year are recognised for Group consolidation purposes in "Equity - Translation D differences".

Liquidity risk

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

On the one hand, a one-year monthly cash budget based on the projected annual accounts for the current year. On the other, a shorter-term cash budget (at three months), which is updated monthly on the basis of the invoices registered, shipping notes confirmed or orders processed.

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

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

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

Fair value measurement

Disclosure of measurement of assets and liabilities at fair value should use the hierarchy defined in IFRS 7:

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

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

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

The detail of the Group's assets and liabilities at fair value using the levels above at 31 December 2015 and 2014 is as follows (in thousands of euros):

2015	**Level 1**	**Level 2**	**Level 3**
Assets			
Available-for-sale financial assets	7,957	-	-
Financial assets at fair value through profit or loss (*)	-	-	163,350
Total assets	**7,957**	**-**	**163,350**
Liabilities	(**) -	-	-
Total liabilities	**-**	**-**	**-**

(*) including the non-current and current amounts arising on the AstraZeneca transaction (see Note 6-a).
(**) The listing value of the issuance of non-convertible bonds (nominal value of €323,550 thousand) at 31 December 2015 was 104.2-105.4.

2014	Level 1	Level 2	Level 3
Assets			
Available-for-sale financial assets	9,324	-	-
Financial assets at fair value through profit or loss (*)	-	-	267,320
	9,324	**-**	**267,320**
Total assets			
Liabilities	(**) -	-	(41,283)
	-	**-**	**(41,283)**
Total liabilities			

(**)The listing value of the issuance of non-convertible bonds (nominal value of €323,000 thousand) at 31 December 2014 was 105.8-107.0.

Credit risk:

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

Allowances are recognised for the total amounts that cannot be collected once all the relevant collection management efforts have been made. The balance of the allowance recognised in this connection at 31 December 2015 and 2014 were EUR 6,368 thousand and EUR 5,497 thousand, respectively.

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

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

Capital management

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

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

At 31 December 2015 and 2014 the leverage ratios were as follows (in thousands of euros):

	31 December 2015	31 December 2014
Financial liabilities	319,718	319,918
Retirement benefit obligations	63,813	66,688
Cash and cash equivalents	(867,996)	(754,434)
Net debt	**(484,465)**	**(367,841)**
Equity	1,462,582	1,339,566
Share capital	20,754	20,754
Leverage ratio(1)	**(33%)**	**(27%)**

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

31. Information on delays in payments to suppliers

The supplier payment periods in force at the Spanish companies in the Groupcomply with the boundaries established in Law 15/2010, of 5 July, on amendments to Law 3/2004 to combat non-payment in commercial transactions. The aforementioned law envisages a maximum payment period of 85 days for 2010 and 2011, 75 days for 2012 and 60 days from 1 January 2013 onwards.

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

	Number of days
	2015
	Days
Average payment period	44
Ratio of paid operations	45
Ratio of outstanding operations	30
Total payments made	**292,758**
Total outstanding payments	**29,349**

This balance relates to the suppliers of the Spanish companies in the Group. Specifically trade payables for goods and services received. The average payment period for these companies was 44 days in 2015.

32. Events after the reporting period

Following 31 December 2015, Almirall, S.A. has concluded the agreement to acquire the total share capital of Poli Group Holding S.r.l., the holding company of the Poli Group, after all the statutory and anti-monopoly requirements have been met, and the takeover of this company was made on 5 February 2016 (Closing date).

The Poli Group has three operating companies (Taurus Pharma GbmH, Polichem S.A. and Polichem S.r.l.).

The acquisition is made for EUR 365 million of Enterprise Value with a possible further payment totalling EUR 35 million being made if certain events related to the future development of the Poli Group business (earn-outs) take place.

Poli Group's products are sold in 70 countries in mainly Europe and Asia. Over the past 12 months up to June 2015, the Poli Group generated approximately EUR 85 million in net sales. The Poli Group has a diversified portfolio of its own well-established medications, which focus mainly on dermatology and are supplemented by a strong portfolio of gynaecological and respiratory products promoted via distributors.

With this acquisition, the Almirall Group obtains a R&D structure focussed on dermatology, with its own formulation technology (HPCH) and three dermatological products under development.

In addition, in February 2016, Almirall Aesthetics (subsidiary of Almirall, S.A.) has concluded the agreement to acquire ThermiGen LLC's total share capital after all the terms and conditions of the operation have been complied with. In accordance with the terms and conditions of the agreement, the operation has been completed and, as from this moment, Almirall owns this private aesthetic medical technology company, which leads in the development and production of energy systems regulated by thermistors for plastic surgery and aesthetical dermatological applications.

According to the terms and conditions of the agreement, Almirall Aesthetics Inc. has acquired ThermiGen LLC for a business value of USD 82 million. This acquisition represents the definitive entry of the Almirall Group into the aesthetics market, an industry with possibilities of considerable growth of global sales in dermatological indications. In 2014, the company recognised revenue totalling USD 11.4 million and expects to end 2015 with around USD 30 million in sales and positive operating results.

Previously, Almirall, S.A. announced the execution of the purchase option on 4 January 2016, the concluding of which is subject to certain conditions being complied with. Previously, in September 2015, Almirall Inc. (subsidiary of Almirall, S.A.) acquired a minority interest in ThermiGen for USD 5 million, which represents 7.7% of the shares issued by the company, and paid USD 2.5 million in exchange for the purchase option rights to acquire up to 100% of the company (See Note 11), which was completed in February 2016.

No other events occurred after the reporting period that need to be disclosed.

APPENDIX: INFORMATION ON GROUP COMPANIES

	Thousands of Euros						
Name	Laboratorios Miralfarma, S.L.	Laboratorio Omega Farmacéutica, S.L.	Laboratorios Farmacéuticos Romofarm, S.L.	Laboratorios Almofarma S.L.	Laboratorios Temis Farma, S.L.	Alprofarma, S.L.	Laboratorios Tecnobio, S.A.
Management	Spain	Spain	Spain	Spain	Spain	Spain	Spain
Activity	Intermediary services	Intermediary services	Intermediary services	Intermediary services	Intermediary services	Intermediary services	Intermediary services
31 December 2015							
% interest held							
- Directly	100%	100%	100%	100%	100%	100%	100%
- Indirectly	-	-	-	-	-	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	120	120	60	120	120	60	61
Reserves	1,995	2,694	2,057	1,036	2,175	61	1,433
Net profit (loss) for the year	3	41	-	(14)	71	(4)	(9)
31 December 2014							
% interest held							
- Directly	100%	100%	100%	100%	100%	100%	100%
- Indirectly	-	-	-	-	-	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	120	120	60	120	120	60	61
Reserves	1,992	2,341	1,982	1,010	2,067	64	1,365
Net profit (loss) for the year	4	353	75	27	108	(2)	68

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

APPENDIX: INFORMATION ON GROUP COMPANIES

	Thousands of Euros						
Name	Laboratorios Berenguer-Infale, S.L.	Pantofarma, S.L.	Industrias Farmacéuticas Almirall, S.A.	Ranke Química, S.A.	Almirall Internacional, B.V.	Almirall, N.V.	Almirall - Productos Farmacêuticos, Lda.
Management	Spain	Spain	Spain	Spain	Netherlands	Belgium	Portugal
Activity	Intermediary services	Intermediary services	Manufacturer of specialities	Manufacture of raw materials	International holding company	Pharmaceutical laboratory	Pharmaceutical laboratory
31 December 2015							
% interest held							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	120	360	1,200	1,200	52,602	1,203	1,257
Reserves	1,294	855	57,910	22,544	53,577	1,664	1,094
Net profit (loss) for the year	7	55	1,980	608	12,198	99	166
31 December 2014							
% interest held							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	120	360	1,200	1,200	52,502	1,203	1,500
Reserves	1,199	766	55,569	21,109	53,577	1,526	(2,577)
Net profit (loss) for the year	95	89	2,341	1,435	12,198	137	(72)

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

APPENDIX: INFORMATION ON GROUP COMPANIES

	Thousands of Euros						
Name Management Activity	Almirall, BV Netherlands Intermediary services	Almirall S.A. de C.V. Mexico Pharmaceutical laboratory	Almirall Limited United Kingdom Pharmaceutical laboratory	Subgrupo Almirall, S.A.S. (*) France Pharmaceutical laboratory	Almirall SP, Z.O.O. Poland Sale of pharmaceutical specialities	Almirall GmbH Austria Pharmaceutical laboratory	Almirall, AG Switzerland Management of licences and sale of raw materials.
31 December 2015							
% interest held							
- Directly	-	0,74%	-	-	-	100%	100%
- Indirectly	100%	99.26%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	4,000	22,878	563	12,527	14	36	652
Reserves	1,167	(1,708)	6,608	90	1,377	2.859	1,905
Net profit (loss) for the year	858	150	1,396	11,970	57	165	(692)
31 December 2014							
% interest held							
- Directly	-	0.74%	-	-	-	100%	100%
- Indirectly	100%	99.26%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	4,000	6,740	563	12,527	14	36	652
Reserves	680	(1,639)	3,953	10,023	1,265	2,473	681
Net profit (loss) for the year	487	150	1,782	1,268	76	386	1,274

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

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

	Thousands of Euros					
Name Management Activity	Almirall SpA Italy Pharmaceutical laboratory	Almirall Hermal, GmbH Germany Pharmaceutical laboratory	Almirall Aps Denmark Pharmaceutical laboratory	Almirall Limited Canada Pharmaceutical laboratory	Almirall Inc USA International holding	Subgroup (**) Aqua Pharmaceuticals Pharmaceutical laboratory
31 December 2015						
% interest held						
- Directly	-	100%	100%	100%	100%	-
- Indirectly	100%	-	-	-	-	100%
% voting rights	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	8,640	25	17	516	(4,622)	(58,559)
Reserves	40,228	61,657	1,780	1,234	84,757	86,573
Net profit (loss) for the year	5,555	13,405	250	318	13,145	34,576
31 December 2014						
% interest held						
- Directly	-	100%	100%	100%	100%	-
- Indirectly	100%	-	-	-	-	100%
% voting rights	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	8,640	25	17	516	(4,622)	39,192
Reserves	34,813	65,789	1,610	75	100,946	(35,936)
Net profit (loss) for the year	6,239	12,523	264	1,305	(34,917)	24,759

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

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(**) Includes the holding companies Aqua Pharmaceutical Holdings Inc, Aqua Pharmaceuticals Intermediate Holdings Inc and Aqua Pharmaceuticals LLC.