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

Consolidated annual accounts for the year ended 31 December 2013, prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union

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

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2013
(Thousand euro)

ASSETS	Note	31 December 2013	31 December 2012	LIABILITIES AND EQUITY	Note	31 December 2013	31 December 2012
				Issued capital	14	20,754	20,463
Goodwill	8	336,215	270,293	Share premium	14	219,890	194,384
Intangible assets	9	595,125	358,207	Legal reserve	14	4,093	3,986
Property, plant and equipment	10	161,306	157,037	Other reserves	14	688,432	638,987
Financial assets	11	23,327	8,769	Valuation adjustments		(6,438)	(7,234)
Deferred tax assets	21	322,149	251,361	Translation differences	14	(4,680)	(3,210)
NON-CURRENT ASSETS		**1,438,122**	**1,045,667**	Profit /(loss) for year		(33,717)	76,291
				EQUITY		**888,334**	**923,667**
				Deferred income	15	952	24,981
				Bank loans	16	253,936	-
				Deferred tax liabilities	21	135,229	71,799
				Retirement benefit commitments	19	52,370	52,206
				Provisions	18	14,773	15,654
				Other non-current liabilities	17	29,043	18,319
Inventories	12	97,742	92,406	**NON-CURRENT LIABILITIES**		**486,303**	**182,959**
Trade and other receivables	13	99,468	98,801				
Current tax assets	21	38,104	58,449	Bank loans	16	27,486	-
Current investments	11	8,356	16,699	Trade payables		198,385	183,696
Other current assets		10,074	8,493	Current tax liabilities	21	17,839	24,049
Cash and cash		80,855	35,592	Other current liabilities	17	154,374	41,736
CURRENT ASSETS		**334,599**	**310,440**	**CURRENT LIABILITIES**		**398,084**	**249,481**
TOTAL ASSETS		**1,772,721**	**1,356,107**	**TOTAL LIABILITIES AND EQUITY**		**1,772,721**	**1,356,107**

Notes 1 to 32 and the Appendix are an integral part of the consolidated annual accounts as at 31 December 2013.

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

CONSOLIDATED INCOME STATEMENT AT 31 DECEMBER 2013
(Thousand euro)

	Note	2013	2012
Revenue	20	692,891	682,882
Other income	20	132,592	217,287
Operating income		**825,483**	**900,169**
Raw materials and other consumables	20	(175,028)	(208,155)
Staff costs	20	(232,140)	(224,431)
Restructuring costs	20	(80,326)	-
Amortisation/ Depreciation	8.9 and 10	(69,445)	(68,037)
Net change in provisions	20	(1,863)	(2,046)
Other operating expenses	20	(331,263)	(341,559)
Profit /(loss) on sales of fixed assets	20	(5,838)	216
Other sundry profit/(loss)		(9,354)	(707)
Loss on impairment of PPE, intangible assets and goodwill	9	(4,578)	(2,000)
Operating profit		**(84,352)**	**53,450**
Profit/(loss) on changes in financial instruments		48	254
Financial income	20	458	3,451
Financial expenses	20	(5,328)	(7,928)
Exchange differences	20	(555)	(407)
Profit /(loss) before taxes		**(89,729)**	**48,820**
Corporate income tax	21	56,012	27,471
Net results for the year attributable to the Parent		**(33,717)**	**76,291**
Earnings/(loss) per share (euro):	24		
A) Basic		(0.20)	0.44
B) Diluted		(0.20)	0.44

Notes 1 to 32 and the Appendix form an integral part of the consolidated annual accounts for the year ended 31 December 2013.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013
(Thousand euro)

	Note	2013	2012
Profit for the year		**(33,717)**	**76,291**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Retirement benefit commitments	19	1,092	(10,448)
Corporate income tax on items that will not be reclassified		(306)	2,925
Items that will not be reclassified to profit or loss		**786**	**(7,523)**
Items that may be reclassified subsequently to profit or loss:			
Change in value of financial assets held for sale	11	14	(580)
Cash flow hedges		-	1,009
Foreign currency translation differences		(1,470)	1,015
Corporate income tax on items that may be reclassified		(4)	81
Total items that may be reclassified subsequently to profit or loss		**(1,460)**	**1,420**
Other comprehensive income for the year, net of tax		**(34,391)**	**70,293**
Total comprehensive income for the period			
Attributable to:			
- Owners of the parent		(34,391)	70,293
- Non-controlling interests		-	-
Total comprehensive income attributable to the parent company's owners arising on:			
- Continuing operations		(34,391)	70,293
- Discontinued operations		-	-

Notes 1 to 32 form an integral part of the consolidated annual accounts at 31 December 2013

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

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN THE YEAR ENDED 31 DECEMBER 2013 (Thousand euro)

	NOTE	Issued capital	Share premium	Legal reserve	Other reserves	Valuation adjustments to equity	Translation differences	Results attributed to the parent company	Equity
Balance at 31 December 2011	**14**	**19,932**	**166,796**	**3,986**	**584,279**	**(221)**	**(4,225)**	**84,166**	**854,713**
Profit distribution		-	-	-	84,166	-	-	(84,166)	-
Dividends		531	27,588	-	(29,458)	-	-	-	(1,339)
Total comprehensive income for the year		-	-	-	-	(7,013)	1,015	76,291	70,293
Balance at 31 December 2011	**14**	**20,463**	**194,384**	**3,986**	**638,987**	**(7,234)**	**(3,210)**	**76,291**	**923,667**
Profit distribution		-	-	107	76,184	-	-	(76,291)	-
Dividends		291	25,506	-	(26,739)	-	-	-	(942)
Total comprehensive income for the year		-	-	-	-	796	(1,470)	(33,717)	(34,391)
Balance at 31 December 2013	14	**20,754**	**219,890**	**4,093**	**688,432**	**(6,438)**	**(4,680)**	**(33,717)**	**888,334**

Notes 1 to 32 and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2013

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR
ENDED 31 DECEMBER 2013
(Thousand euro)

	Note	2013	2012
Cash flows			
Profit /(loss) before taxes		(89,729)	48,820
Adjustments to results:			
Amortisation/depreciation	8, 9 and 10	69,445	68,037
Net change in non-current provisions		1,485	2,288
Net change in current provisions	17 and 18	82,189	(2,046)
Profit/(loss) on sales of fixed assets	20	5,838	(216)
Profit/(loss) on valuation of financial instruments		(48)	(254)
Financial income	20	(458)	(3,451)
Financial expenses	20	5,328	7,928
losses due to asset impairment	9 and 10	4,578	2,000
Transfer of deferred income to the income statement	15	(24,029)	(56,392)
		54,599	**66,714**
Adjustments to changes in working capital:			
Changes in inventories	12	(3,929)	801
Changes in trade and other receivables	13	17,365	7,179
Changes in trade payables		(6,747)	34,499
Changes in other current assets		6,079	(14,084)
Changes in other current liabilities	17	2,298	5,655
Other changes		-	2,677
Adjustments to changes in other non-current items:			
Retirement benefit commitments	19	(1,416)	1,234
Inclusion of deferred income	15	-	45,000
		13,650	**82,961**
Cash flow for taxes:		**(1,135)**	**(36,921)**
Net cash flows from operating activities (I)		**67,114**	**112,754**
Cash flow from investing activities			
Financial income	20	458	3,451
Investments:			
Intangible assets	9	(49,058)	(50,838)
Property, plant and equipment	10	(14,595)	(28,773)
Financial assets	11	(14,585)	(1,190)
Business combinations	8	(231,730)	-
Disinvestments:			
Intangible fixed assets and property, plant and equipment	9 and 10	2,448	559
Financial assets	11	88	351
Net cash flows from investing activities (II)		**(306,974)**	**(76,440)**
Cash flows from financing activities			
Financial expenses	20	(5,328)	(7,928)
Equity instruments:			
Dividends paid	14	(826)	(1,174)
Capital increase expenses		(117)	(165)
Liability instruments:			
Repayment of bank loans	16	-	(197,000)
Increase in bank loans	16	281,422	-
Increase/decrease for discounted bills	16		(5,222)
Other non-current liabilities	17	1,629	(1,459)
Net cash flows from financing activities (III)		**276,780**	**(212,948)**
Net change in cash and cash equivalents (I+II+III))		**36,920**	**(176,634)**
Cash and equivalents at beginning of the year	11	**52,291**	**228,925**
Cash and equivalents at end of the year	11	**89,211**	**52,291**

Notes 1 to 32 and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2013

1. Group activities

Almirall, S.A. is the Parent of a corporate group ("Almirall Group"), which is made up of 36 subsidiaries, in accordance with the appendix attached to these consolidated annual accounts, the objects of which are basically the acquisition, manufacture, storage, sale and mediation in the sale of pharmaceutical specialities and products and all manner of raw materials used to prepare the aforementioned pharmaceutical specialities and products.

The company object of the Parent 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 land lots, land and properties of all kinds, including the performance of construction work thereon, and their disposal, in full, in part or under a condominium property arrangement.

The aforementioned corporate objects, in accordance with the Parent's bylaws, may be carried on, in full or in part, directly by the Parent itself or indirectly through the ownership of shares, equity investments 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 constituting the Parent's objects.

Almirall, S.A. is a public limited company that is listed on the Spanish stock exchanges. Its registered office is located at Ronda General Mitre, 151, Barcelona (Spain).

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

a) *Regulatory financial reporting framework applicable to the Group*

The consolidated financial statements of the Almirall Group for the year ended 31 December 2013, which were obtained from the accounting records kept by the Parent and by the other companies composing the Group, were formally prepared by the Parent's directors on 21 February 2014.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, taking into account all the mandatory accounting policies and rules and measurement bases, in addition to the Spanish Commercial Code, the Spanish Companies Act and all other applicable Spanish corporate law, so that they present fairly the Almirall Group's consolidated equity and financial position at 31 December 2013 and the results of its operations, the changes in consolidated equity, the changes in other comprehensive income and the consolidated cash flows in the year then ended.

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

However, since the accounting policies and measurement bases used in preparing the Group's consolidated financial statements for 2013 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify the policies and methods used and to make them compliant with International Financial Reporting Standards.

The Group's consolidated financial statements for 2012 were approved at the Parent's General Meeting of Shareholders held on 03 May 2013. The Group's present consolidated financial statements for 2013 have not yet been approved by the General Shareholders' Meeting. However, the Parent's Board of Directors considers that the aforementioned consolidated financial statements will be approved without any changes.

b) *Adoption of International Financial Reporting Standards*

The Almirall Group's consolidated financial statements for the year ended 31 December 2005 were the first prepared under International Financial Reporting Standards in accordance with EC Regulation 1606/2002 of the European Parliament and Council of 19 July 2002. In Spain, the obligation to present consolidated financial statements under IFRS approved in Europe was also regulated through Final Provision 11 of Law 62/2003, on tax, administrative and social measures.

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

With respect to the application of IFRS, the main options adopted by the Almirall Group are as follows:

- 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 income and expenses in two separate statements: an income statement and a statement of comprehensive income.

As is detailed below, in 2013 new accounting standards (IAS/IFRS) and interpretations (IFRIC) have come into effect. Similarly, at the date of preparation of the present consolidated financial statements, 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 01 January 2014.

Mandatory standards, amendments and interpretation for all years starting 01 January 2013

IAS 1 (Amendment) "Presentation of financial statements - Presentation of items of other comprehensive income", IAS 19 (Amendment) "Employee benefits" , IFRS 1 (Amendment), "Severe hyperinflation and removal of fixed dates for fixed -time adopters of IFRS, IAS 12 (Amendment) " Deferred tax: Recovery of underlying assets", IFRS 13 "Fair value measurement", IFRIC 20 "Stripping costs in the production phase of a surface mine", IFRS 1 (Amendment) "Government loans", IFRS 7 (Amendment) " Offsetting of financial assets and financial liabilities" and improvement projects 2009 to 2011.

These amendments to standards applicable to the Group's consolidated annual accounts have been taken into account with effect 01 January 2013. It has not had a significant effect on the present consolidated annual accounts.

Standards, amendments and interpretations adopted by the European Union which have not yet come into effect but which may be adopted early in the years starting or after 01 January 2013:

At the date of signature of these consolidated annual accounts, the IASB and the IFRS Interpretations Committee had published the standards, amendments and interpretations which are detailed below and the application of which is mandatory as from 2014 although the Group has not adopted them early.

IFRS 10 "Consolidated financial statements", IFRS 11 "Joint arrangements", IFRS 12 "Disclosure of interests in other entities", IAS 27 (Amendment) "Separate financial statements", IAS 28 (Amendment) "Investments in associates and joint ventures", IAS 32 (Amendment) "Offsetting financial assets and financial liabilities", IFRS 10 (Amendment), IFRS 11 (Amendment), IFRS 12 (Amendment) "Consolidated financial statements, joint ventures and disclosures of interests in other interests: Transition guidance of IFRS 10, IFRS 11 and IFRS 12) and IAS 27 (Amendment) "Investment entities" , IAS 36 (Amendment) " Recoverable amount disclosures for non-financial assets" and IAS 39 (Amendment) "Novation of derivatives and continuation of hedge accounting".

The Group has not considered their early application. The potential impact of the application of these amendments on the Group's financial statements is not considered significant.

Standards, amendments and interpretations applied to existing standards that have not been adopted to date by the European Union at the date of preparation of these consolidated financial statements.

IAS 19 (Amendment), “Defined benefit plans: Employee contributions", IFRS 9, “Financial Instruments”, IFRS 9 (Amendment) and IFRS 7 (Amendment) "New mandatory effective date and transition disclosures”, IFRS 9 (Amendment) " Financial instruments: Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39", IFRIC 21 "Levies and improvement projects, 2010-2012 and 2011 - 2013 cycles.

c) Functional currency

These consolidated financial statements are presented in euro 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 criteria and estimates made by the parent when preparing the consolidated financial statements.

In the Group's consolidated financial statements for the year ended 31 December 2013, estimates were occasionally made by the executives of the Group and of the consolidated companies, later ratified by the Parent’s directors, in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The measurement of the recoverability of the goodwill (see Notes 5-d, 6-e and 7).
- 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 (Note 21)
- Assessment of the technical and economic viability of the development projects in progress that have been capitalised (see Notes 5-b and 5-d).
- The impairment losses on certain items of property, plant and equipment, intangible assets and goodwill arising from the non-recovery of the carrying amount of those assets (see Notes 5-d, 6-e, 7 and 8).
- Fair value of certain unlisted assets (Note 5j and 10).
- Assessment of lawsuits, commitments and contingent assets and liabilities at the year end (see Notes 5-k and 25).
- Assessment of the method of recognising revenue and benefits in relation to the agreements entered into with third parties for licence agreements, co-development and co-promotion of products (see Notes 5-b and 6-a).
- Estimate of the appropriate write-downs for obsolescence of the inventories, impairment of accounts receivable and sales returns (see Notes 5-g, 5-h and 5-k).

- Estimate of restructuring provisions (Note 17).

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

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

Although these estimates were made on the basis of the best information available at 31 December 2013 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 the change 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 financial statements were prepared from the accounting records of Almirall, S.A. and of the companies controlled by it, whose financial statements were prepared by the directors of each company. In accordance with IAS 27, control is the power to govern the financial and operating policies of a company so as to obtain benefits from its activities.

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

The Almirall Group companies were fully consolidated because Almirall directly or indirectly holds more than 50% of the share capital of these companies, over which effective control is exercised by virtue of ownership of a majority of the voting power in their representation and decision-making bodies. Accordingly, all material balances and effects of the transactions between consolidated companies are eliminated on consolidation.

Consolidation of the results generated by entities acquired during a year is carried out taking into consideration only those results relating to the period between the date of acquisition and the close of that year. In parallel, consolidation of the results generated by entities disposed of during a year is carried out taking into consideration only those results relating to the period between the beginning of the year concerned and the date of disposal.

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

Also, the tax effect that may arise as a result of including the results and reserves of the subsidiaries in the Parent’s equity is not included in the accompanying consolidated financial statements since, pursuant to IAS 12, it is considered that no transfers of reserves that are subject to additional taxation will be made. 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 resources at each company.

The Appendix to these notes to the consolidated financial statements 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

The main variations in the consolidation scope in 2013 were as follows:

- On 2 December 2013 the Group incorporated the subsidiary Almirall Inc, a company domiciled in the USA, mainly in order to carry out the acquisition described below.

- On 16 December 2013 the subsidiary Almirall Inc signed a contract for the acquisition of 100% of the shares of the holding company Aqua Pharmaceutical Holdings Inc, which were fully owned by Aqua Pharmaceuticals Intermediate Holdings Inc., which is in turn fully owned by Aqua Pharmaceuticals LLC (Aqua Pharmaceuticals) with an initial payment of USD307.6 million and a deferred portion of USD20 million. Additionally, there is a potential deferred payment of up to USD 75 million based mainly on the future performance of the business acquired. This Company's corporate objects consist of acquiring, developing and marketing dermatological prescription products. The acquisition took effect on 31 December 2013.

  Note 7 to the consolidated annual accounts details the allocation of the overall consideration delivered to the assets and liabilities identified of the acquiree together with resulting goodwill. Since the effective date of consolidation is 31 December 2013, Aqua Pharmaceuticals LLC has not contributed any amount to the consolidated income statement although it has had a significant impact on the consolidated balance sheet.

The main variations in the consolidation scope in 2012 were as follows:

- In 2012 the Parent incorporated Almirall Limited, a company domiciled in Canada, at a cost of EUR 547 thousand. This company's contribution to the consolidation did not entail a significant impact on the consolidated balance sheet or consolidated income statement.

4. Distribution of the Parent's results

The proposed presentation of results included in the parent company's annual accounts for the year ended 31 December 2013 and the proposed distribution of profits for 2012 approved by the General Shareholders' Meeting on 3 May 2013 are as follows:

	Thousand euro	
	2013	2012
Available for distribution:		
Profit /(loss) for year	(40,628)	77,189
Distribution:		
Legal reserve	-	106
Voluntary reserves	-	50,344
Dividends	-	26,739
Prior-year results	(40,628)	-
Total	**(40,628)**	**77,189**

5. Accounting policies

The Group's consolidated financial statements for the year ended 31 December 2013 were formally prepared by the directors of the Parent in accordance with International Financial Reporting Standards (IFRSs) as approved by the European Union, pursuant to Law 62/2003, of 30 December.

The principal accounting standards used in preparing these consolidated financial statements, 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 generated 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, increasing the value of the assets (or reducing the value of the liabilities) whose market values were higher (lower) than the carrying amounts at which they had been recognised in their balance sheets and whose accounting treatment was similar to that of the same assets (liabilities) of the Group: depreciation, accrual, etc.

- If it is attributable to specific intangible assets, 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 as from 1 January 2004 is carried at the consideration delivered while goodwill prior to that date is recognised at its net value. 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, as stipulated in IFRS 3, goodwill is not amortised. 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 determination of the gain or loss on disposal.

b) Intangible assets

Intangible assets are recognised initially 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 continue to be indefinite or, if this is not the case, to take the appropriate steps.

Intangible assets with finite useful lives are amortised over those useful lives 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
Industrial 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. The criteria used to recognise the impairment losses on these assets and, where applicable, the recovery of impairment losses recognised in prior years is similar to those used for property, plant and equipment (see Note 5-d).

Development costs

a) *Internal developments*

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 the production of the drugs so that they can become available for use or sale.

II. There is an intention to complete the development of the drugs in question for use or sale.

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

IV. The asset will generate future economic benefits. It can be demonstrated, inter alia, that there is a market for the drugs resulting from the development or for the development in itself, or, where it is going to be used internally, that the development is of use to the Group.

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

VI. The disbursement attributable to the aforementioned development up to its completion can be measured reliably.

The development of new drugs is subject to a high degree of uncertainty as a result of the protracted period of maturation thereof (usually over the course of several years) and of the technical results that are obtained during the various trial phases through which the development passes. It may become necessary to abandon a development in any of the various phases through which it passes, either as a result of failing to meet medical or regulatory standards or of not achieving suitable profitability thresholds. For these reasons, the Group only considers that such uncertainties have been overcome once the product developed has been approved by the competent authorities in a reference market. It is from this time onwards that the Group considers that the conditions have been met for capitalising development expenditure.

Additionally, the Group capitalises those development expenses incurred in supplementary studies (or related to molecule combination) for a specific purpose already approved for sale by the corresponding regulatory body and which have not yet been approved as a supplementary study or combination.

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

b) *Separate acquisition*

A research or development project in progress acquired separately or through a business combination is capitalised in all cases in accordance with the provisions of IAS 38, paragraph 25, since the price paid for the acquisition reflects the probability of the expected future economic benefits embodied in 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 industrial property rights are transferred) on a straight-line basis over the period in which benefits are expected to be generated.

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), with the limit, as the case may be, of the duration of the licensing agreements entered into with third parties. These periods usually do not exceed ten years.

The purchase cost of the licences acquired from third parties in foreign currencies includes, where applicable, the gains and losses associated with cash flow hedges relating to changes in the exchange rate arranged for their acquisition.

The expenses incurred in developing industrial property that is not economically feasible are recognised in full in the income statement for the year in which this circumstance becomes known.

Computer software-

The Group records the acquisition and development of computer programs in this account. Computer application maintenance costs 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 and six years from the entry into service of each 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), revalued, in the case of Spanish companies, pursuant to sundry legislation, including Royal Decree-Law 7/1996.

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, and the items replaced or renewed are derecognised.

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

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

The period property, plant and equipment depreciation charge is recognised in the consolidated income statement and is based on the depreciation rates determined on the basis of 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, is not depreciated. The detail of the average useful lives of the various items is as follows:

	Estimated useful life
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 any such indication exists, the recoverable amount of the asset is estimated 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. Intangible assets for which amortisation has not commenced are tested for impairment at least at each year-end and, in all cases, prior to the year end if there are any 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 pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. As indicated below, the discount rate was assessed by the Group and is considered to be 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 (a circumstance that is not permitted in the case of goodwill), the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, up to the aforementioned limit.

In the case of goodwill, impairment is tested with the frequency described in Note 5-a, on the basis of the following three steps: firstly, the recoverable amount of the goodwill specifically allocated to cash-generating units is assessed (wherever possible). Second, the loss allocable to the assets included in the cash-generating unit is assessed and the relevant impairment, if any, is recognised thereon in accordance with the foregoing. Third, 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 the goodwill arising as a result of the acquisition of control over Almirall Hermal, GmbH (see Note 8) and development expenditure (see Note 9) not subject to amortisation since the marketing of the related drug has not commenced and for intangible assets for which indications of impairment were detected is based mainly on financial projections established for a finite period of 6 and 22 years (for products under development since it is the average timeframe necessary to stabilise the cash flows generated by such products), estimating a perpetual return for the following years. The projections are based on reasonable and supported assumptions.

The main assumptions used in the impairment tests in the years ended 31 December 2013 and 2012 were as follows:

	2013		2012	
	Goodwill	Industrial property and development expenses	Goodwill	Industrial property and development expenses
Gross margin	45-80%	45-80%	45-80%	45-80%
Discount rate of flow	9%	9-10.5%	9%	9-10.5%
Growth rate perpetual income	(1%)	(1%) -(20%)	(1%)	(1%) -(20%)
Probability of development success	Not applicable	On the basis of each product assessed	Not applicable	On the basis of each product assessed

Management determines the budgeted gross margin based on past performance and their expectations of market development.

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

Such variables derive from historical experience weighted by external information. Changes in assumptions are based on the evidence obtained by the Group on the basis of the performance of the indicators applied.

e) Leases

The 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 at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

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

The Group has no finance leases at 31 December 2013 and 2012.

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.

In the years ended 31 December 2013 and 2012, the Group did not have any non-current assets held for sale involving 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 costs of purchase.

Cost is calculated using the average weighted cost method. The net realisable value represents 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) Trade receivables for sales and services

Trade receivable balances are recognised at inception at fair value and subsequently at amortised cost. At the end of each reporting period the recoverable amount thereof is calculated and the carrying amount is reduced, where necessary, by the adjustments required covering balances for which there are circumstances that reasonably permit them to be classified as doubtfully receivable.

i) Cash and other equivalents

For the purposes of determining the Cash flow statement "Cash and Cash Equivalents" is considered to include the Company's cash and short-term bank deposits that may become liquid immediately at the Company's discretion without incurring any penalty and are recognised under "Short-term investments" in the accompanying consolidated balance sheet. The carrying amount of these assets approximates their fair value.

i) Financial instruments (not including financial derivatives)

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 instrument.

In the years ended 31 December 2013 and 2012, 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 classified as 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 the Group companies in exchange for the supply of cash, assets or services directly to a debtor. After initial measurement, they are measured at amortised cost using the effective interest rate.

- Financial assets held to maturity: assets collection of which is for a fixed or determinable amount and which mature at a set point in time. For these assets, the Group expresses its intention and capacity to keep them in its possession from the time they are purchased through to maturity. They do not include loans and accounts receivable originated by the Group. After initial measurement, they are measured at amortised cost using the effective interest rate.

- Financial assets held for trading: assets acquired by the Group with the intention of generating a profit from short-term fluctuations in their prices or from differences between their purchase and sale prices. This heading also includes financial derivatives not considered to qualify for hedge accounting.

- Financial assets available for sale: these include securities acquired that are not held for trading purposes and 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 measured at fair value at subsequent measurement dates. In the case of held-for-trading financial assets, gains and losses from changes in 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 (eg, 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 of all kinds through its residual life. For fixed rate financial instruments, the effective interest rate agrees with the contractual interest rate set at the time of their acquisition, plus, where appropriate, the commissions that, because of their nature, may be likened to an interest rate. In the case of floating rate financial instruments, the effective interest rate coincides with the rate of return prevailing in all connections until the date on which the reference interest rate is to be revised for the first time.

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

Investments in the share capital of unlisted companies whose market values cannot be measured reliably are recognised at acquisition cost less accumulated impairment losses. Similarly, the Group companies and associates not included in the consolidation because they are dormant and / or immaterial are carried at acquisition cost less accumulated value adjustments for impairment.

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-

Interest-bearing bank loans and overdrafts are recognised at the proceeds received, net of direct issue costs. Borrowing costs, including premiums payable on settlement or redemption and direct issue costs, are recognised in the consolidated income statement on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The loans with subsidised or zero interest rates are forms of government aid. The loans granted after 31 December 2007 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.

Trade payables are not interest bearing and are stated at their nominal value.

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.

Loans due within twelve months but whose long-term refinancing is assured at the Group's discretion, through existing long-term credit facilities, are classified as non-current liabilities. Additionally, in the event that the Group is able to defer maturity of the payment of a financial liability unilaterally, it is classified as a non-current liability.

(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 future estimated cash flows (not taking into account future bad debt write-offs not 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

The Group assesses at the end of each accounting period whether there is objective evidence that a financial asset or group of financial assets has become impaired. 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 cost, is considered evidence that the asset has become impaired. If there is this type of evidence for available-for-sale financial assets, the cumulative loss, determined as the difference between acquisition cost and current fair value, less any impairment losses previously recognised in the income statement on the financial asset, is eliminated from equity and recognised in the income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed in the consolidated income statement.

j) Financial derivatives and hedge accounting

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

The Group documents at inception 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 evaluation, at both inception and continuously, 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 assets.

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 order to qualify for hedge accounting, pursuant to IAS 39, a derivative must 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, commitments 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 31 December 2013 and 2012 the Group has arranged no financial derivatives.

l) Provisions and contingencies

When preparing the financial statements of the consolidated companies, their 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 independent of the consolidated companies’ intentions.

The Group's consolidated financial statements 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 such 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.), which leads to exposure to potential lawsuits arising from such activity.

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 potential future disbursements that the Company might have to make. Consequently, it is necessary to use judgements and estimates, with the assistance of expert legal advisers.

At the 2013 and 2012 year end, a number of judicial proceedings and claims had been initiated against the Group, in the ordinary course of 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 financial statements 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 historical experience acquired by the Group 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.

Provisions for restructuring-

The Group recognises restructuring costs when it has detailed plans to carry out the restructuring, identifying, 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.

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

The Group companies Almirall, S.A.S., Almirall Sofotec, GmbH and Almirall Hermal, GmbH have retirement benefit obligations (or post-employment benefit obligations). The obligations of Almirall S.A.S. and Almirall Sofotec, GmbH are not material with respect to the Group's consolidated financial statements.

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 salary. 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 defined benefit commitments at the reporting date. The liability for defined benefits is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit liability is determined 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 methods applied to calculate the amount of the obligations assumed were 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 2013 and 2012 the main assumptions used in the actuarial valuation of the aforementioned obligations were as follows:

2013	Almirall Hermal, GmbH	Almirall Sofotec, GmbH	Almirall, S.A.S.
Mortality tables	Heubeck 2005G	Heubeck 2005G	TD 2007-2009
Discount rate	3.80%	3.50%	3.25%
Salary increase rate	2.25%	3.00%	1.00%
Benefit increase rate	1.75%	2.00%	0.00%
Turnover rate	3.00%	5.00%	3.15%
Retirement age	63	62 - 63	65

2012	Almirall Hermal, GmbH	Almirall Sofotec, GmbH	Almirall, S.A.S.
Mortality tables	Heubeck 2005G	Heubeck 2005G	TD 2007-2009
Discount rate	3.60%	3.70%	2.83%
Salary increase rate	2.25%	3.00%	1.50%
Benefit increase rate	1.75%	2.00%	0.00%
Turnover rate	3.00%	0.00%	5.24%
Retirement age	63	65	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 expenses 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 analogous contingencies to those under the defined benefit plans described above for all employees. The contributions are made to non-related entities such as insurance companies and the amount recognised as an expense in this respect in 2013 and 2012 totals EUR 3.8 million and EUR 2.9 million, respectively.

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

n) Severance indemnities

Termination benefits are payable when employment is terminated 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 an offer is made to promote the voluntary departure of employees, the severance indemnities paid are valued on the basis of the number of employees expected to take up the offer. 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 taken to income over the expected useful lives of the assets concerned.

p) Recognition of revenue and expenses

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 cash is actually received or disbursed.

Revenues are carried at the fair value of the consideration received or to be received 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 rate 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, co-development, co-promotion and other similar transactions-

The Group companies recognise the revenue received for the assignment of product licences, co-development, co-promotion and other similar transactions on the basis of the economic substance of the related agreements. These agreements generally include multiple items and the revenue associated therewith must match the costs and the consideration to be paid by the 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 forming the subject-matter of the transaction (disbursements, exchanges of goods or services, etc.).
- Measurement and allocation on the basis of the fair value of each of the items of 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, it relates to the compensation for costs incurred prior to the execution of the agreement, 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 concur, the collection is recognised as deferred income within the period over which the obligations established remain effective, the remaining useful life of the product or the applicable period based on the specific circumstances of the agreements established.

The consideration tied to the fulfilment of certain technical or regulatory requirements (milestones), within the framework of cooperation agreements with third parties, are recognised as revenue in accordance with the same rules as those detailed above in the method for recognising revenue 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) Income tax, deferred tax assets and liabilities

The expense for Spanish corporate income tax and similar taxes applicable to the consolidated foreign companies is recognised in the consolidated income statement, unless it arises 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 2013 and 2012 were: Almirall, S.A., Laboratorios Almofarma, 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.L., Pantofarma, S.L., Laboratorios Farmacéuticos Romofarm, S.L., Ranke Química, S.L. and Almirall Europa, S.A., with Almirall, S.A. as the Parent. Consequently, the consolidated income tax expense includes the benefits arising from the use 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 virtually approved on 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 accounted for 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 affects neither accounting nor taxable profit nor loss.

Deferred tax assets for temporary differences and other deferred tax assets (tax loss carryforwards and deductions pending application) 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 and any necessary adjustments 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, whose activities and cash flows may be clearly differentiated from the rest of the entity, from an operational viewpoint and for 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.

In this regard, 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 temporary investment of specific loans until they are used in relation to qualifying assets is deducted from capitalisable borrowing costs.

Other borrowing costs are recognised in the income statement in the year in which they are incurred.

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 euro in two consecutive phases:

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

   Transactions in foreign currencies performed by consolidated companies are initially recognised in their respective financial statements 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 financial statements, 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 euro of balances held in the functional currencies of the subsidiaries whose functional currency is not the euro.

   The balances in the financial statements 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.

Differences arising in the translation process are included under “Equity - Translation Differences”. Such translation differences are recognised as income or expenses in the period in which the investment is made or sold.

u) Information on the environment

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

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.

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 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 such 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.

w) Consolidated cash flow statements

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

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

- Operating activities: typical company activities and other activities that may not be classified as investing or financing activities.

- Investing activities: acquisitions, sales or disposals through other means of long-term assets and other investments not included in cash and equivalents.

- Financing activities: activities that result in changes in the size and composition of the equity and liabilities of the Group which do not form part of operating activities.

For the purposes of determining the consolidated cash flow statement, "Cash and Cash Equivalents” is considered to include the Group’s cash and short-term bank deposits that may become liquid immediately at the Group’s discretion without incurring any penalty and are recognised under “Current Assets and other cash equivalents” in the accompanying consolidated balance sheet. The carrying amount of these assets approximates their fair value.

y) Share-based payment plans

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

Under the Plan, the Parent undertakes to grant the executives long-term variable remuneration, settled in cash, tied to the price of the Parent’s shares, provided that certain requirements and conditions are met. The liability calculated as described in IFRS 2, at 31 December 2013 and 2012, is detailed in Note 27.

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

A portion of the revenue generated by the Group relates to the grant to third parties of the use of licences on products developed by the Almirall Group or access afforded to third parties to products under development (generally through co-development). The agreements upon which these licensing or access arrangements are based are usually of a complex nature and include, inter alia:

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

It is necessary to perform a detailed analysis of each of the component parts of the aforementioned agreements and of the agreements taken as a whole in order to determine the appropriate allocation to income of each of the elements thereof.

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, possibly market and distribute a product to treat chronic obstructive pulmonary disease ("COPD"), the main active ingredient of which is aclidinium bromide. The agreement envisages both monotherapy with aclidinium bromide and its combination with formoterol.

On the basis of the aforementioned agreement, the Group granted to the aforementioned third party an exclusive right to the possible future sale of the product and its combinations in the US market. As part of the consideration for this exclusive right, the parties to the aforementioned agreement (the Group and Forest Laboratories Holdings, Ltd) undertook to jointly bear, effective from the beginning of 2006, the development costs of each of the projected therapeutic applications and, therefore, the third party must finance the contractually stipulated amount of the development costs.

The aforementioned agreement established other obligations for the Group relating to the potential supply of both the active ingredient and the inhaler required to administer the final product, for which the Group will obtain other compensation.

As consideration for the aforementioned agreement, the Group also obtained a non-refundable amount of USD 60 million (EUR 48.7 million at the time of collection), and retained collection rights over certain amounts for milestones relating to the development and potential sale of the aforementioned product and royalties related to the level of sales.

The amount initially collected was considered to be deferred income on the basis of the following premises:

- The Group assumed substantial future obligations for its contribution to the development of the product.

- The potential future collections relating to the achievement of development and sales milestones were established on an arm's length basis.

- The price for the future supply of the active ingredient and the inhaler, after considering both royalties and sales milestones, was established on an arm's length basis.

Deferred income was allocated to the income statement on a straight-line basis over the estimated duration of the development phase, which ended in 2011. The distribution over time did not to differ significantly from that which would result had a criterion of proportionality been applied on the basis of the amount of development costs.

On 23 July 2012 Almirall, S.A. (the Parent of the Almirall Group) and Forest Laboratories Ind. announced that the Food and Drug Administration (FDA) had approved TudorzaTM PressairTM (aclidinium bromide, inhaling powder) for the long-term treatment of bronchospasms associated with chronic obstructive pulmonary disease, including chronic bronchitis and emphysema. As a result of the attainment of that milestone, as established by the aforementioned agreement, the Group collected payment of $ 40 million (EUR 33 million at the time of collection). At the end of 2012 sales began on the US market.

Halfway through 2013 the Group collected USD 15 million (EUR 11.5 million) from Forest Laboratories in connection with the development of Phase III of the combination of aclidinium bromide and formoterol. Collection took place within the context of the current co-development and marketing agreement with that US Company.

<u>II. LAS100977</u>

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, eventually, market and distribute, inter alia, a product (OD LABA 100977, a long-acting beta-agonist inhaler) to treat asthma and chronic obstructive pulmonary disease ("COPD"), which is at Phase III of its development at 31 December 2013.

On the basis of the aforementioned agreement, the Group granted to the aforementioned third party an exclusive right to the possible future sale of the product and its combinations in the US market. As part of the consideration for this exclusive right, the parties to the aforementioned agreement (the Group and Forest Laboratories Holdings, Ltd) undertook to jointly bear, effective from 1 July 2009, the development costs of each of the projected therapeutic applications and, therefore, the third party must finance the contractually stipulated amount of the development costs.

Additionally, the aforementioned agreement established other obligations for the Group relating to the potential supply of both the active ingredient and the inhaler required to administer the final product, for which the Group will obtain other compensation.

Lastly, the Group held a co-promotion right on potential product under development for the assigned markets and both parties assumed mutual payment obligations in relation to future royalties.

As consideration for the aforementioned agreement, the Group also obtained a non-refundable amount of USD 75 million (EUR 51.6 million at the time of collection), and retained collection rights over certain amounts for milestones relating to the development and potential sale of the aforementioned product and royalties related to the level of sales.

The amount initially collected was considered to be deferred income on the basis of the following premises:

− The Group assumed substantial future obligations for its contribution to the development of the product.

− The potential future collections relating to the achievement of development and sales milestones were established on an arm's length basis.

− The price for the future supply of the active ingredient and the inhaler, after considering both royalties and sales milestones, was established on an arm's length basis.

Deferred income was allocated to the income statement on a straight-line basis over the estimated duration of the development phase, which, according to the Group's estimates, was set to end in 2015. Such distribution over time was considered not to differ significantly from that which would result had a criterion of proportionality been applied on the basis of the amount of estimated development costs until 2015.

In 2012 the Group and Forest Laboratories agreed the early termination of the aforementioned agreement (releasing the Group from substantial future obligations). The part not yet allocated at the termination date of the amount not initially reimbursable totalling EUR 27 million was recognised in other income. Until the termination date an amount of EUR 5.4 million had already been allocated during 2012 (Notes 15 and 20).

Operations with Berlin Chemie. AG

Aclidinium bromide

On 22 March 2012 the Group entered into an agreement with a third party (Berlin Chemie, AG - which belongs to the Menarini Group), to jointly market and distribute a product for the treatment of Chronic Obstructive Pulmonary Disease ("COPD"). Berlin Chemie, AG will have the marketing rights in most European Union countries and Russia, Turkey and other European countries. The agreement includes both monotherapy with aclidinium bromide and its combination with formoterol.

In addition to receiving a non-reimbursable amount of EUR 45 million, the Group has a collection right over certain amounts relating to the attainment of milestones connected with certain regulatory and commercial events and associated royalties at sales level.

The amount initially collected is considered to be deferred income on the basis of the following premises:

− The Group assumed substantial future obligations for its contribution to the development of the product.

− The potential future collections relating to the achievement of development and sales milestones were established on an arm's length basis.

− The price for the future supply of the active ingredient and the inhaler, after considering both royalties and sales milestones, was established on an arm's length basis.

Deferred income is allocated to the income statement on a straight-line basis over the estimated duration of the development phase of the combination with formoterol until submission for registration in the European market. Such distribution over time is considered not to differ significantly from that which would result had a criterion of proportionality been applied on the basis of the amount of estimated development costs until that milestone. In the last quarter of 2013, the registration was submitted to the European Medicines Agency (EMA) and the allocation of the total initial payment was completed. The total allocated to the income statement for 2013 is disclosed in note 15.

Differences in the premises established or the estimates made could give rise to changes in the timing of recognition of the non-refundable amount initially collected (see Notes 15 and 20).

On 24 July 2012 Almirall announced that the European Medicines Agency (EMA) had approved aclidinium bromide for the treatment of COPD. As a result of the attainment of this milestone, the Group received EUR 30 million deriving from the contract signed with Berlin Chemie. In late 2012 sales commenced on the European markets of reference (Germany, UK, etc) (Note 20).

During the last quarter of 2013 the Group submitted the registration application to the EMA for the combination of the fixed dose of aclidinium bromide and formoterol fumarate and obtained the reimbursement price in several EU countries. As a result, the amount collected on the attainment of milestones totalled €20.6 The regulator is expected to reply in the second half of 2014.

b) *Measurement of intangible assets*

Transaction with Meda Pharma GmbH & Co KG.

In 2006 the Group acquired from a third party (Meda Pharma GmbH & Co KG.), for EUR 25 million, certain intangible assets relating to intellectual property rights, know-how and patents in connection with the field of inhalers which were to be used mainly in developing an inhaler (Novolizer) that was to be used as a support for the administration of one of the main products that the Group was developing (see Note 6-a).

In 2012, as a result of the regulatory approval and commencement of sales in the markets of reference of the main drug which that inhaler helps to administer in the appropriate dose, amortisation commenced of that industrial property right as described in Note 5-a.

A decrease in the estimated market value of the aforementioned intellectual property rights could give rise to a different assessment of the cost at which they have been recognised.

Acquisition of developments in progress

In prior years the Group obtained rights to market certain products which are in the development phase (see Note 9), which met the requirements for their capitalisation at the time of 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 time when they obtain regulatory approval. At each balance sheet date, the Group assesses the recoverability of these assets through the generation of positive future cash flows based on the best estimates of the Group's technical and financial managers, to which end a discounted cash flow model must be used which entails a degree of uncertainty inherent to the consideration of the various possible scenarios.

A change in the assumptions used to measure the expected 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 Group's business activities are carried on in a highly regulated industry (healthcare legislation, intellectual property, etc.), which leads to exposure to potential lawsuits arising from such activity.

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 interests of the Group and to the estimated potential future disbursements that the Group might have to make. Consequently, it is necessary to use judgements and estimates, with the assistance of expert legal advisers.

At 31 December 2013 and 2012, certain litigations and claims were ongoing against the consolidated companies arising from the ordinary course of their operations. The Group's legal advisers and directors consider that the outcome of litigation and claims will not have a material effect on the consolidated financial statements for future years (see Note 25).

d) Deferred tax assets

In calculating its deferred tax assets the Group establishes a finite timeframe for the recovery thereof based on the best estimates made. 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 the use of judgements and estimates in relation to the recoverable amount thereof. 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). The use of other assumptions in the analysis of the recoverable amount of goodwill could give rise to other considerations concerning the impairment thereof.

7. Business combinations

In accordance with the share sales- purchase agreement signed on 16 December 2013 indicated in note 3-b, effective 31 December 2013, the Group, through its subsidiary Almirall Inc, acquired 100% of the holding company Aqua Pharmaceutical Holdings Inc, that fully owns Aqua Pharmaceuticals Intermediate Holdings Inc, which in turn fully owns Aqua Pharmaceuticals LLC (Aqua Pharmaceuticals). These companies are fully consolidated. Since the purchase was completed on 31 December 2013, their assets and liabilities are recognised in the balance sheet with no impact on the consolidated income statement for the year.

Aqua Pharmaceuticals specialises in dermatology and focuses on acquiring, developing and marketing prescription dermatological products. The company was founded in 2004 and its head office is located at West Chester, Pennsylvania (USA).

The table below sets out a summary of the total consideration for the transaction together with the fair values of the assets acquired, liabilities assumed and resulting goodwill:

Consideration at 31 December 2013

	USD thousand	Euro thousand
Initial payment in cash	307,600	223,173
Payment outstanding (Note 17) (*)	20,000	14,511
Contingent consideration	22,300	16,179
Total consideration transferred	**349,900**	**253,863**
Fair value of the net assets acquired		107,393
Cash and equivalents to be refunded		(5,396)
Financial debt acquired		85,151
Resulting goodwill		**66,715**

(*) According to the share purchase agreement, the Group has deposited this amount in a specific bank account, securing the commitments entered into by the buyer under that contract. (Note11).

In accordance with the aforementioned share sales- purchase agreement , the consideration for the operation consists of an initial cash payment of USD 307.6 million (EUR 223.2 million) made on 31 December 2013, an amount outstanding of USD 20 million (EUR 14.5 million) and a part of the contingent consideration payable in the future that may amount to USD 75 million, mainly on the attainment of certain gross margin levels by the acquire for 2014 and 2015 and, to a lesser extent, the attainment of certain regulatory milestones in those years. The method used to determine the fair value of the contingent consideration (calculated at USD 22.3 million /EUR 16.2 million) has consisted of considering the possible scenarios of the payments to be made in each, weighted by the probability of occurrence assigned for each future event taken into account, all the foregoing discounted at the same discount rate associated with the measurement of the business as a whole.

Cash and equivalents refundable amounting to EUR 5.4 million relate to the part of cash at 31 December 2013 in the acquire that the Group should return to the buyer under the purchase condition envisaged in the share sales - purchase agreement signed .

The assets and liabilities arising from the acquisition of Aqua Pharmaceuticals are as follows:

Euro thousand	Fair value	Value in local books	Restatement
Cash	5,954	5,954	-
Property, plant and equipment (Note 10)	110	110	-
Tangible assets and goodwill (Note 9)	246,851	80,305	166,546
Inventories	3,773	2,311	1,462
Trade and other receivables	19,759	19,759	-
Other assets	777	777	-
Financial debt	(85,151)	(85,151)	-
Creditors and other payables	(22,194)	(22,194)	-
Other current liabilities	(1,008)	(1,008)	-
Deferred tax assets and liabilities (Note 21)	(61,478)	2,393	(63,871)
Total identifiable net assets acquired	**107,393**	**3,256**	**104,138**
Total acquisition price paid in cash (*)	237,684		
Cash and cash equivalents	(5,954)		
Outflow of cash on the acquisition	**231,730**		

(*) Includes the deposit of USD 20,000 thousand payable mentioned above (EUR 14,511 thousand).

Costs associated with the acquisition amounted to EUR 8.4 million and were charged in "Other profits /(losses)" in the consolidated income statement for the year ended 31 December 2013.

The fair value at that acquisition date of the assets and liabilities of the business acquired was mainly determined using valuation techniques. The measurement method used consisted of analysing discounted cash flows generated by the assets identified Aqua Pharmaceuticals.

As a result of that valuation, intangible assets were identified amounting to EUR 246,851 thousand mainly relating to product technology. Such technology, assigned to each product, 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 and they are expected to have the same useful life. The useful lives of the intangible assets acquired are estimated at 15 years.

The goodwill which mainly arises as the balancing entry for the recognition of deferred tax liabilities relating to the increase in the fair value allocated to the net assets acquired with respect to tax values is supported by the valuation of the business acquired as a whole.

Had Aqua Pharmaceuticals been consolidated as from 1 January 2013, the impact on the consolidated income statement would be an increase in proforma revenues of EUR97.4 million and net profits of EUR 21.4 million.

Although, as is laid down by IFRS 3, there is a one year period in which to complete and adjust the allocation of value of the business combination and the allocation in these annual accounts should therefore be considered to be provisional, the Group does not expect any significant changes to arise in the allocation carried out in these consolidated annual accounts during that period other than the impacts resulting from future events that may affect the contingent consideration.

8. Goodwill

The changes in this consolidated balance sheet heading in 2013 and 2012 were as follows:

	Euro thousand				
	Balance at 31 December 2011	Movements	Balance at 31 December 2012	Movements	Balance at 31 December 2013
Almirall, S.A.	35,407	-	35,407	-	35,407
Almirall Sofotec, GmbH	7,936	(793)	7,143	(793)	6,350
Almirall Hermal, GmbH	227,743	-	227,743	-	227,743
Aqua Pharmaceuticals, LLC (note 7)	-	-	-	66,715	66,715
Total	**271,086**	**(793)**	**270,293**	**65,922**	**336,215**

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 non-current financial assets to the other asset items.

As a result of the research and development activities performed by the Group in recent years for certain new drugs related to respiratory system illnesses, in 2006 the subsidiary Almirall Sofotec, GmbH acquired a group of assets in connection with the aforementioned activity from a third party for EUR 20 million (ex VAT), and also took on a portion of the personnel of the aforementioned third party related to these activities. The market value of the productive assets acquired amounted to EUR 8 million and, therefore, there was a difference up to the amount disbursed of EUR 12 million. Since in prior years the Group had entered into an agreement with the aforementioned third party to carry out the aforementioned research and development activities, the excess amount paid was considered to be an advance payment on the margin of the research and development activities that the Group would have necessarily had to perform to complete the processes carried out. The advance payment is charged to income on a straight-line basis over the projected timeframe for the research and development activities that had been established previously and, as a result, EUR 0.8 million was charged to the respective consolidated income statements for the years ended 31 December 2013 and 2012.

The goodwill of 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 time of acquisition, after having allocated to the identifiable assets and liabilities any difference between their fair value and their carrying amount in the financial statements of the companies acquired. The cash-generating unit to which the aforementioned goodwill was allocated is, in accordance with the Almirall Group management's segment reporting and monitoring policies, the Hermal Group taken as a whole.

The goodwill of Aqua Pharmaceuticals, as detailed in Note 7, resulted from the difference between the acquisition value of that company's shares and their carrying value at the acquisition date, following the allocation of the differences between their fair value and carrying value in the company's financial statements to the identifiable assets and liabilities .

At 31 December 2013 (and 2012), 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.

Goodwill is assigned to the subsidiaries for goodwill relating to Almirall, S.A. which is assigned to the Parent. For all goodwill tested for impairment, if the recoverable amount of all goodwill, calculated on the basis of value in use, is subjected to a sensitivity analysis for a 10% decrease in estimated sales, the growth rate would fall by 1% or the discount rate would increase by 1%, which would not make any significant additional impairment necessary.

9. Intangible assets

The detail of Intangible assets in the accompanying consolidated balance sheets at 31 December 2013 and 2012 and of the changes therein is as follows:

	Industrial property	Development and licence expenses	Computer applications	Advances and fixed assets under construction	Total
Cost					
At 31 December 2011	649,535	70,348	32,016	2,274	754,173
Additions	15,090	26,445	3,235	6,068	50,838
Disposals	(964)	-	(161)	-	(1,125)
Transfers	5,400	(5,400)	4,698	(4,698)	-
Exchange differences	119	-	-	-	119
At 31 December 2012	**669,180**	**91,393**	**39,788**	**3,644**	**804,005**
Additions	4,210	28,973	5,792	10,118	49,093
Disposals	(21,480)	-	(410)	-	(21,890)
Transfers	52,947	(52,947)	3,797	(3,797)	-
Exchange differences	(254)	-	-	-	(254)
Business combinations (note 7)	245,157	1,596	196	-	246,949
At 31 December 2013	**949,760**	**69,015**	**49,163**	**9,965**	**1,077,903**
Accumulated amortisation					
At 31 December 2012	(330,567)	(425)	(23,291)	-	(354,283)
Amortisation	(39,642)	(540)	(3,409)	-	(43,591)
Disposals	840	-	155	-	995
Transfers	(270)	270	-	-	-
Exchange differences	(99)	-	-	-	(99)
At 31 December 2012	**(369,738)**	**(695)**	**(26,545)**	**-**	**(396,978)**
Fixed asset amortisation	(39,306)	(1,284)	(5,758)	-	(46,348)
Disposals	13,670	-	155	-	13,825
Transfers	(882)	882	-	-	-
Exchange differences	219	-		-	219
Business combinations (note 7)	-	-	(98)	-	(98)
At 31 December 2013	**(396,037)**	**(1,097)**	**(32,246)**	**-**	**(429,380)**
Impairment losses					
At 31 December 2012	(37,650)	(9,170)	-	-	(46,820)
Impairment losses recognised in the year	(2,000)	-	-	-	(2,000)
At 31 December 2012	**(39,650)**	**(9,170)**	**-**	**-**	**(48,820)**
Impairment losses recognised in the year	(500)	(4,078)	-	-	(4,578)
At 31 December 2013	**(40,150)**	**(13,248)**	**-**	**-**	**(53,398)**
Carrying value					
Cost	669,180	91,393	39,788	3,644	804,005
Accumulated amortisation	(369,738)	(695)	(26,545)	-	(396,978)
Impairment losses	(39,650)	(9,170)	-	-	(48,820)
At 31 December 2012	**259,792**	**81,528**	**13,243**	**3,644**	**358,207**
Cost	949,760	69,015	49,163	9,965	1,077,903
Accumulated amortisation	(396,037)	(1,097)	(32,246)	-	(429,380)
Impairment losses	(40,150)	(13,248)	-	-	(53,398)
At 31 December 2013	**513,573**	**54,670**	**16,917**	**9,965**	**595,125**

All the intangible assets described above have finite useful lives and there are no assets pledged to secure debts.

In 2013 the Group acquired no licences or marketing rights worth mentioning (other than those deriving from the business combination). Disposals in industrial property mainly relate to the cancellation of a contract for the licence of a respiratory therapeutic product and the sale of the Hermal diagnosis division. The impact of these disposals is recognised in Net profit / (loss) on asset disposals in the consolidated income statement for 2013. Transfers made amounting to EUR 53 million in Expenses for development and marketing licences relate mainly to the selling rights over a gastrointestinal therapeutic product launched in 2013.

During 2012 the Group acquired a licence and selling rights from a third party for EUR 4 million and paid for the upgrade of a licence with GW Phara Litd acquired in previous years for EUR 11.9 million.

Additionally under Development expenses, the Group capitalises a certain research project for a respiratory product and those development expenses relating to supplementary studies (or molecule combinations) which have not yet been approved by the pertinent regulatory body, as described in Note 5-b.

The amount capitalised relates to the net development cost for the Group and totals EUR 51 million accumulated at 31 December 2013, of which EUR 28.9 million was capitalised in 2013 (EUR 22.4 million in 2012) and the balancing entry for which is recognised under Other income in the consolidated income statement (Note 20). At 31 December 2013 and 2012 there are no indications of the impairment of this asset since the research work and regulatory formalities are on schedule.

The breakdown, by carrying amount, of the main headings included as intangible assets (Industrial Property and R&D expenses) is as follows:

	2013	**2012**
Development costs acquired as a result of the acquisition of control of Almirall Hermal, GmbH	2,600	2,650
Development expenses generated internally	48,328	22,367
Development costs acquired as a result of the acquisition of control of Aqua Pharmaceuticals (Note 7)	1,596	-
Other Development expenses acquired	2,146	57,001
Licences and other selling rights as a result of the acquisition of control of Almirall Hermal, GmbH	55,039	69,401
Product technology as a result of the acquisition of control of Aqua Pharmaceuticals (Note 7)	245,157	-
Other licences and selling rights	213,377	189,901
Total Industrial Property and development expenses	**568,243**	**341,320**

The aggregate amount of the research and development expenditure recognised as an expense in the accompanying consolidated income statement for 2013 was approximately EUR 126.7 million (2012: approximately EUR 159.5 million). These amounts include both amortisation/ depreciation of the assets associated with R&D activities and the expenses accrued by Group personnel and incurred by third parties.

Other licences and marketing rights mainly include the following licences:

- Intangible assets associated with intellectual property, know-how and patents related to inhalers (an inhaler device which is used to support the administration of one of the respiratory products approved in 2012) and which were acquired in 2006 from a third party (Meda Pharma GmbH & Co KG.), amounting to EUR 25 million. During 2012, as a result of the regulatory approval of the respiratory product associated with the inhaler on various markets of reference, its depreciation started.

- Marketing rights over various dermatological products acquired from Shire in 2007. This agreement entailed a payment of EUR 136 million and at 31 December 2013 the carrying amount totals EUR 41 million (EUR 52 million at 31 December 2012).

- Development and marketing rights over a respiratory product. That agreement entailed the disbursement of EUR 45 million on 22 July 2010.

- Marketing rights over a product for Spain and other countries in Europe and Latin America, acquired in 2009. The agreement entailed an initial payment of EUR 5 million. As part of the agreement, the Group undertook to make additional payments, subject to compliance with certain milestones related, on one hand, to the authorisation to market the product in different countries and, on the other, to certain sales thresholds for maximum amounts of approximately EUR 11 million and EUR 11.3 million, respectively, of which, at 31 October 2010, EUR 5.5 million had been paid, since a portion of the milestones established in the agreement had been met.

Other development costs relate to selling rights on the pan-European market for a product under development which entailed an initial payment in 2009 of USD 40 million (EUR31.5 million at the time of payment) and in 2010 of USD 20 million (EUR 17 million at the payment of payment) to Ironwood Pharmaceuticals, Inc.

On 10 November 2009, since certain milestones established under the agreement had been achieved, the Group made an investment in the share capital of Ironwood Pharmaceuticals, Inc. of USD 15 million (EUR 10 million at the time of payment), although, based on the fair value of the shares received, the Group recognised the difference of EUR 4.4 million between the fair value and the value of the consideration given as an addition to the rights to market the acquired product under development (Note 11).

The Group also committed to making a series of additional payments amounting to USD 20 million upon the attainment of certain milestones related to the marketing of the product.

Such additional payments on the acquisition of the aforementioned selling rights have not been recognised as an increase in the value of the asset acquired given their contingent nature. Also, the Group considers that the discounted value of the future cash flows expected at the time when the additional payment obligations arise as a result of the achievement of the various milestones is higher than the total value of the payments made or to be made. Accordingly, the recognition of the additional payment obligation will entail the recognition of an increase in the acquisition cost of the intangible asset.

Impairment losses

The detail of the impairment losses on intangible assets in 2013 and 2012 included in the column “Impairment Losses” in the above table and of the changes therein is as follows:

	Euro thousand						
	Balance at 31 December 2011	Additions	Disposals	Balance at 31.12.2012	Additions	Disposals	Balance at 31 December 2013
Industrial property	37,650	-	-	37,650	500	-	40,150
Develop. expenditure	9,170	2,500	(500)	11,170	4,078	-	13,248
Total impairment losses	**46,820**	**2,500**	**(500)**	**48,820**	**4,578**	**-**	**53,398**

For development expenses not subject to amortisation because the associated pharmaceutical has failed to obtain regulatory approval and for those intangible assets where there are possible indications of impairment, the recoverable amount has been estimated on the basis of value in use, as described in Note 5-d. These calculations use cash flow projections based on detailed financial projections for a finite period of five years and 22 years as mentioned in said Note.

Impairment losses provided in 2013 mainly relate to the impact of development and selling rights on the European market of a gastrointestinal therapeutic product amounting to EUR 4.1 million.

During 2012 the Group recognised impairment losses amounting to EUR 2.5 million on the selling rights of several dermatological products acquired from Shire in 2007.

These impairment losses were recognised under “Impairment Losses on Property, Plant and Equipment, Intangible Assets and Goodwill” in the accompanying consolidated income statements for 2013 and 2012.

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 10% 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 sheet in 2013 and 2012 were as follows:

	Land and buildings	Plant and machinery	Fixtures, fittings, tooling and furnishings	Other fixed assets	Payments on account and assets in course of construction	Total
Cost						
At 31 December 2011	95,385	88,887	245,886	15,828	6,760	452,746
Additions	522	1,277	10,464	1,486	15,000	28,749
Disposals	(345)	(2,535)	(1,731)	(347)	-	(4,958)
Transfers	124	1,954	3,924	328	(6,330)	-
Exchange differences	17	3	17	15	-	52
At 31 December 2012	**95,703**	**89,586**	**258,560**	**17,310**	**15,430**	**476,589**
Additions	126	444	608	1,273	24,276	26,727
Disposals	-	(1,573)	(2,164)	(763)	(13)	(4,513)
Transfers	21	925	14,475	67	(15,488)	-
Exchange differences	(12)	(1)	(18)	(37)	-	68
Business combinations (Note 7)	-	-	278	-	-	278
At 31 December 2013	**95,838**	**89,381**	**271,739**	**17,850**	**24,205**	**499,013**
Accumulated depreciation						
At 31 December 2012	(33,005)	(52,609)	(196,127)	(13,656)	-	(295,397)
Fixed asset depreciation	(2,432)	(3,718)	(16,063)	(1,440)	-	(23,653)
Disposals	214	2,306	1,637	588	-	4,745
Exchange differences	(6)	(2)	(9)	(12)	-	(29)
At 31 December 2012	**(35,229)**	**(54,023)**	**(210,562)**	**(14,520)**	**-**	**(314,334)**
Fixed asset depreciation	(2,196)	(3,274)	(15,855)	(979)	-	(22,304)
Disposals	170	1,518	1,978	627	-	4,293
Transfers	-	-	-	-	-	-
Exchange differences	-	1	7	16	-	24
Business combinations (Note 7)	-	-	(168)	-	-	(168)
At 31 December 2013	**(37,255)**	**(55,778)**	**(224,600)**	**(14,856)**	**-**	**(332,489)**
Impairment losses						
At 31 December 2012	(5,218)	-	-	-	-	(5,218)
At 31 December 2012	**(5,218)**	**-**	**-**	**-**	**-**	**(5,218)**
Impairment losses	-	-	-	-	-	-
31 December 2013	**(5,218)**	-	-	-	-	**(5,218)**
Carrying value						
Cost	95,703	89,586	258,560	17,310	15,430	476,589
Accumulated depreciation	(35,229)	(54,023)	(210,562)	(14,520)	-	(314,334)
Impairment losses	(5,218)	-	-	-	-	(5,218)
At 31 December 2012	**55,256**	**35,563**	**47,998**	**2,790**	**15,430**	**157,037**
Cost	95,838	89,381	271,739	17,850	24,205	499,013
Accumulated depreciation	(37,255)	(55,778)	(224,600)	(14,856)	-	(332,489)
Impairment losses	(5,218)	-	-	-	-	(5,218)
A 31 December 2013	**53,365**	**33,603**	**47,139**	**2,994**	**24,205**	**161,306**

The additions in 2013 and 2012 were due mainly to improvements at the production centres at chemical and pharmaceutical plants and at the Group's research and development centres.

Investments in the manufacture and adaptation of the new launch in 2013 amount to EUR 2.5 million (EUR 3.6 million in 2012).

Fixed assets in progress at the 2013 and 2012 year end mainly relates to investments in the manufacture and adaptation of the aforementioned product amounting to EUR 4.7 million (EUR 7.9 million in 2012).

At 31 December 2013 and 2012, the Group had assets not yet in use amounting to EUR 3.3 million and EUR 4.1 million, relating to investments in specific physical assets required for the performance of a research and development project. The directors consider that, if the aforementioned project is not successfully completed, the aforementioned assets could be realised through their sale to third parties or through an alternative use for other products that require similar technology.

The transfers of property, plant and equipment in the course of construction made by the Group in the years ended 31 December 2013 and 2012 relate mainly to the transfer of investment projects at the production centres that came into service during these years.

The Group has not incurred any impairment losses during 2013 and 2012.

At 31 December 2013 and 2012 fixed assets include EUR 22 million and EUR 21 million, respectively, relating to the net value of property, plant and equipment owned by the Group entities located abroad.

The Group occupies various facilities held under leases (Notes 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.

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

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

Non-current

The detail of the balance of non-current financial assets in the consolidated balance sheets at 31 December 2013 and 2012 and of the changes therein in the years then ended is as follows:

	Euro thousand					
	Investments in Group companies and associates	Long-term securities portfolio	Long-term loans	Deposits and guarantees given	Provisions	Total
Balance at 31 December 2011	**396**	**7,345**	**24**	**775**	**(10)**	**8,530**
Additions or transfers for the year	-	1,000	30	253	(202)	1,081
Disposals/ Decrease in valuation	(240)	(580)	(22)	-	-	(842)
Balance at 31 December 2012	**156**	**7,765**	**32**	**1,028**	**(212)**	**8,769**
Additions or transfers for the year	-	94	-	14,556	-	14,650
Disposals/ Decrease in valuation	(51)	-	(32)	(18)	9	(92)
Balance at 31 December 2012	**105**	**7,859**	**-**	**15,566**	**(203)**	**23,327**

"Financial assets - Long-term securities portfolio" on the accompanying consolidated balance sheet include:

- Interest in the share capital of Ironwood Pharmaceuticals Inc in 681,819 convertible shares representing 0.72% , the fair value of which at 31 December 2013 (based on the quoted share price) amounts to EUR 5,741 thousand (EUR 5,727 thousand at 31 December 2012). These shares were acquired as a result of the agreement entered into with that company as described in Note 9.

- Interest in the share capital of the Spanish biotechnology company AB-Biotics, S.A. which is listed on the Alternative Stock Market consisting of 465,115 shares as a result of the agreement entered into on 22 October 2012. The agreement represents a commitment on the part of the Group to hold a minimum interest of 5%. At 31 December 2013 the fair value amounts to EUR 1,081 thousand (EUR 1,000 thousand at 31 December 2012).

- Government debt securities issued by agencies of the Canary Islands Autonomous Community totalling EUR 1,038 thousand at 31 December 2013 (2012: EUR 1,038 thousand), as required under Law 19/1994, of 6 July. These securities must be held during an uninterrupted period of five years. The effect of possible impairment in this heading is not considered significant.

"Financial assets - Deposits and guarantees provided" in the accompanying consolidated balance sheet mainly include the USD 20,000 thousand deposit (EUR 14,510 thousand) relating to the part of the purchase price of the shares of Aqua Pharmaceuticals (Note 7) pending payment which has been retained in a specific bank account as security for the Group in relation to compliance with certain aspects envisaged in the share sales -purchase agreement.

Current (financial assets and other cash equivalents)

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

	Euro thousand	
	31/12/2013	31/12/2012
Short-term investment securities	7,965	13,936
Short-term deposits	188	2,524
Short-term guarantees	203	239
Total	**8,356**	**16,699**

In accordance with IAS 7, for the purpose of preparing the statement of cash flows, the Group considers to be cash equivalents all the highly liquid short-term investments (see Note 5-s) that are readily convertible into given amounts of cash and are subject to an insignificant risk of changes in value. Of the total of the above table, at 31 December 2013 and 2012, EUR 7,510 thousand and EUR 15,674 thousand was considered to be cash and cash equivalents as described in Note 5-s. Therefore, in preparing the consolidated statements of cash flows for the year all the current financial assets were included as cash equivalents, since it was considered that the other assets were not significant.

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

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

- Financial assets for trading: the Group considers that this category includes the financial investments the revaluations of which are recognised 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 2013 and 2012 year end.

- Financial assets available for sale: these are considered to include the investments made in fixed-income or equity securities investment 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 ownership interest acquired in Ironwood Pharmaceuticals, Inc. and AB-Biotics described above is also included in this heading.

- Financial assets held to maturity: this category includes fixed-income investments mainly in Eurodeposits, foreign currency deposits and repos. It also includes financial instruments that qualify for hedge accounting.

The detail of the current and non-current available-for-sale financial assets and held-to-maturity investments is as follows:

	Euro thousand	
	31/12/2013	31/12/2012
Available-for-sale financial assets	6,822	6,727
Held-to-maturity financial assets	24,861	18,741
Total	**31,683**	**25,468**

The fair value of the various financial instruments to which this value applies was calculated based on the following rules:

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

- Interests in investment funds: where these are calculated on the basis of the last unit redemption price published on the day of measurement.

- Ownership interests in other companies: The fair value of the ownership interest in Ironwood Pharmaceuticals, Inc. was obtained from the price of this company's shares on the US market at 31 December 2013 and 2012, adjusted for the year end exchange rate. 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 Stock Market at 31 December 2013 and 2012.

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

Also, the bank accounts included under "Cash" mostly earned average annual interest of 0.87% and 1.74% in the years ended 31 December 2013 and 2012, respectively.

Finally, the Group companies and associates not included in the consolidation scope because they are dormant and / or insignificant and related information for the years ended 31 December 2013 and 2012 are as follows:

	2012			2013	
Name	Almirall , Inc.	Almirall Europa, S.A.	Neogenius Pharma A.I.E.	Almirall Europa, S.A.	Neogenius Pharma A.I.E.
Management	USA	Spain	Spain	Spain	Spain
Activity	Pharmaceutical industry (dormant)	Dormant	Dormant	Dormant	Dormant
% interest	100%	100%	32%	100%	32%
Carrying value of interest (Group)					
Cost	52	61	44	61	44
Provision	-10	-	-	-	-

During 2013 the Group Company Almirall Inc. was wound up. As indicated in note 3--b, during 2013 a new subsidiary was incorporated under the same name, Almirall Inc, included in the consolidated Group.

Other current assets-

This heading mainly includes advance payments on services contracts received for R&D activities.

12. Inventories

At 31 December 2013 and 2012 this heading breaks down as follows:

	Euro thousand	
	31/12/2013	31/12/2012
Raw materials and packaging	38,025	27,099
Work in progress	17,419	19,676
Goods for resale and finished goods	56,471	57,460
Impairment (Note 20)	(14,173)	(11,829)
Total	**97,742**	**92,406**

In accordance with Note 7 the value of inventories recognised owing to the addition to the consolidation of the subsidiary Aqua Pharmaceuticals amounts to EUR 3,773 thousand.

The movement in the provision for impairment of goods purchased for resale is included in Note 20.

There are no inventories subject to guarantees.

There are no commitments to purchase inventories involving significant amounts at 31 December 2013 and 2012.

13. Trade and other receivables

At 31 December 2013 and 2012 this heading breaks down as follows:

	Euro thousand	
	31/12/2013	31/12/2012
Trade receivables for sales and services	94,622	82,906
Other receivables	7,671	17,962
Provision for impairment losses on receivables (Note 20)	(2,825)	(2,067)
Total receivables	**99,468**	**98,801**

At 31 December 2013 and 2012, “Other Receivables” in the preceding table included approximately EUR 2.9 million and EUR 15.6 million, respectively, relating to the receivable outstanding on development expenditure charged to a third party in accordance with the agreement described in Note 20.

In accordance with Note 7 the value of trade and other receivables recognised owing to the addition to the consolidation of the subsidiary Aqua Pharmaceuticals Inc amounts to EUR 19,759 thousand.

Total overdue balances provided at 31 December 2013 and 2012 amount to EUR 2,825 thousand and EUR 2,067 thousand, respectively.

There is no credit risk concentration with respect to trade receivables since the Group has a large number of customers.

At 31 December 2013 the percentage of balances with the public administrations related to the hospital business over the total trade receivable balance stands at 6% (6% at 31 December 2012).

There are no guarantees over trade receivable balances.

The Group carries out an individual analysis of overdue trade receivable balances in order to identify possible risks of insolvency and on the basis of this analysis, establishes a provision for bad debts. The movement in the provision for impairment of receivables is included in Note 20.

The balance receivables are stated at their nominal value with no significant difference to fair value.

The trade receivable balance in foreign currency amounts to EUR 32,168 thousand in 2013 (2012: EUR 35,798 thousand). Given the amounts and maturities involved, the possible variation in the exchange rate is not considered significant.

14. Equity

Share capital

The Parent's share capital at 31 December 2013 consists of 172,951,120 shares with a par value of €0.12 each, fully subscribed and paid in (170,522,827 shares with a par value of €0.12 each at 31 December 2012).

At 31 December 2013 and 2012, all the shares of the Parent were listed on the Spanish stock exchanges and there were no bylaw restrictions on the free transferability thereof. 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 shareholders agreement entered into on 28 May 2007.

During 2013 and 2012, as a result of the flexible dividend payments, capital was increased by EUR 291 thousand at 31 December 2013 (EUR 531 thousand at 31 December 2012).

The shareholders with significant direct or indirect ownership interests in the share capital of Almirall, S.A., of more than 3% of the share capital, of which the Parent is aware, in accordance with the information contained in the official records of the Spanish National Securities Market Commission (CNMV) at 31 December 2013 and 2012, are as follows:

Name or company name of direct holder of the ownership interest	2013 % of ownership of the Almirall Group	2012 % of ownership of the Almirall Group
Grupo Plafin, S.A.	46.33%	46.31%
Todasa, S.A.	25.34%	25.33%
Wellington Management Company, LLP	4.96%	4.91%
Total	**76.63%**	**76.55%**

At 31 December 2013 and 2012, the Parent is unaware of other ownership interests of 3% or more of the Parent's share capital or voting rights, or of interests lower than such percentage but that permit significant influence to be exercised.

Redeemed capital reserve

Under the Spanish Companies Act 2010, this reserve may only be used if the same conditions as those required for the reduction of share capital are met.

The balance of this reserve at 31 December 2013 and 2012 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.

The amount of EUR 4,093 thousand presented under this heading at 31 December 2013 relates to the balance of the legal reserve of the Parent (EUR 3,986 thousand at 31 December 2012).

Share premium-

The Spanish Companies Act 2010 expressly permits the share premium account balance to be used to increase capital and provides no specific limitation with respect to the availability of that balance.

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

During 2013 and as a result of the payment of the flexible dividend, a share premium was issued amounting to EUR 25,623 thousand (EUR 27,753 thousand in 2012) , less capital increase expenses amounting to EUR 117 thousand) (EUR165 thousand in 2012)

The balance under this heading amounts to EUR 219,890 thousand at 31 December 2013 (EUR 194,384 thousand at 31 December 2012).

Canary Islands investment reserve-

The Parent, as required by Law 19/1994, to be able to avail itself of the tax incentives established thereby, allocates a portion of profit obtained by the permanent establishment located in the Canary Islands to the Canary Islands investment reserve, which is restricted to the extent that the assets in which the reserve is invested must remain at the company.

The balance of that reserve at 31 December 2013 amounts to EUR 3.485 thousand (EUR 3,485 thousand in 2012), included in "Other reserves".

Restatement reserve-

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

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

The balance of the Parent's "Restatement reserve" at 31 December 2013 amounts to EUR 2,539 thousand (EUR 2,539 thousand at 31 December 2012) and is available.

Other reserves-

The detail is as follows:

	Euro thousand	
	31/12/2013	31/12/2012
Voluntary reserves	649,120	598,776
Canary Islands investment reserve-	3,485	3,485
Redeemed capital reserve	30,539	30,539
Revaluation reserve	2,539	2,539
Merger reserve	4,588	4,588
Other reserves	(1,839)	(940)
Total other reserves	**688,432**	**638,987**

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 "Translation Differences" by company in 2013 and 2012 is as follows:

	Euro thousand	
	31/12/2013	31/12/2012
Almirall Limited (UK)	(348)	(256)
Almirall, A.G.	1,598	1,634
Almirall SP, Z.O.O.	(43)	(22)
Subgroup Almirall, S.A. de C.V.	(5,524)	(4,520)
Almirall Aps	(1)	(1)
Almirall Limited (Canada)	(110)	(45)
Almirall Inc (USA)	(251)	-
Total translation differences	**(4,680)**	**(3,210)**

15. Deferred income

At 31 December 2013 and 2012, the breakdown of "Deferred Income" was as follows:

	Euro thousand
Balance at 31 December 2011	**36,373**
Additions	45,000
Taken to results (Note 20)	(56,392)
Balance at 31 December 2012	**24,981**
Taken to results (Note 20)	(24,029)
Balance at 31 December 2013	**952**

The main component of the balances at 31 December 2013 and 2012 set out above consists of amounts not taken to income of the initially non-reimbursable collections described in Note 6-a totalling EUR 0.9 million and EUR 24.9 million, respectively.

During 2013 no additional amounts were collected to be accrued. Therefore movements in deferred income relate solely to the allocation of initially non-reimbursable collections as indicated in Note 6-a amounting to EUR 24 million (EUR 56.4 million i n 2012).

Additions for 2012 related to the collection of EUR 45 million non-reimbursable as a balancing entry for the agreement signed on 22 March 2012 by the parent with a third party (Berlin Chemie, AG - which forms part of the Menarini Group), to jointly market and distribute a product for the treatment of chronic obstructive pulmonary disease (CPOD). Berlin Chemie, AG acquired the selling rights in most European Union countries and Russia, Turkey and other European countries. Amounts taken to income for 2013 relate mainly to the above item.

Additionally, during the second half of 2012 the Group and Forest Laboratories agreed the early termination of the agreement indicated in Note 6c (releasing the Group from substantial future obligations). The part not yet allocated at the termination date of the amount not initially reimbursable totalling EUR 27 million has been recognised in Other income. Until the termination date an amount of EUR 5.4 million had already been allocated during 2012 (Note 20).

Additionally, the Group has collection rights over certain amounts for the attainment of milestones connected with certain regulatory and commercial events and associated royalties on sales (Note 25).

16. Bank loans

In order to finance the acquisition mentioned in Note 7, on 19 December 2013 the Group entered into a loan contract amounting to USD 350 million (EUR 254 million). The loan initially matures on 16 December 2014. However, in accordance with the Extended Maturity Date clause of the loan contract, the Group has the option to unilaterally postpone its maturity to 16 June 2015. It is therefore recorded under "Bank loans" in non-current liabilities at 31 December 2013. The loan accrues interest at a rate linked to LIBOR plus a 3% to 5% spread on the basis of the time tranche of that loan.

Similarly, that financing contract lays down that the Group should have a specific net financial debt/ consolidated EBITDA ratio. In the event of the non-fulfilment of that financial ratio, the total amount financed would immediately become payable at the request of the bank. 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 2013 accrued interest amounts to EUR 275 thousand and is payable at that date. No other guarantees have been granted securing those loans.

Additionally, in July 2012 the Group signed a credit line contract amounting to EUR 125 million. Final maturity is in 2014. The interest rate established for this facility is Euribor plus a market spread that will vary in the future depending on certain financial ratios.

The detail of bank borrowings and other financial liabilities at 31 December 2013 is as follows:

		Amount		Non Current		
	Limit	utilised	Current	2015	2016	Total
Loan	n.a.	253,936	-	253,936	-	253,936
Credit lines	125,000	27,486	27,486	-	-	-
Total at 31 December 2013	**125,000**	**281,422**	**27,486**	**253,936**	**-**	**253,936**

The detail of bank borrowings and other financial liabilities at 31 December 2012 is as follows:

		Amount		Non Current		
	Limit	utilised	Current	2014	2015	Total
Credit lines	125,000	-	-	-	-	-
Total at 31 December 2012	**125,000**	**-**	**-**	**-**	**-**	**-**

The bank borrowings bore interest during the years ended 31 December 2013 and 2012 at an average rate of 1.74% and 1.09%, respectively.

17. Other liabilities

The detail at 31 December 2013 and 2012 is as follows:

	Euro thousand					
	Current	Non Current				
		2015	2016	2017	Remainder	Total
Loans related to research	2,288	1,850	1,850	1,850	7,748	13,298
Payables for non-current asset purchases	15,159	1,084	1,186	1,061	511	3,842
Accrued wages and salaries (Note 20)	112,589	-	-	-	-	-
Advances and guarantees received	152	-	-	-	-	-
Other debts	24,186	11,898	-	-	-	11,898
Total at 31 December 2013	**154,374**	**13,359**	**2,670**	**2,742**	**8,259**	**29,043**

	Current	Non Current				
		2014	2015	2016	Remainder	Total
Loans related to research	3,665	2,288	1,849	1,849	9,312	15,298
Payables for non-current asset purchases	3,897	531	821	893	776	3,021
Accrued wages and salaries	32,253	-	-	-	-	-
Advances and guarantees received	201	-	-	-	-	-
Other debts	1,720	-	-	-	-	-
Total at 31 December 2012	**41,736**	**2,819**	**2,670**	**2,742**	**10,088**	**18,319**

The loans related to research correspond to interest-free loans granted by the Ministry of Science and Technology to promote research and are presented as described in Note 5-i. The grant of these loans is subject to compliance with certain conditions concerning investments and expenses during the grant years. Final maturity is in the period 2014 to 2023.

Payables for non-current asset purchases in 2013 and 2012 relate mainly to the outstanding payments for the acquisition of goods, products and marketing licences made in the year and in prior years.

The balance of Accrued wages and salaries at 31 December 2013 includes EUR 80,326 thousand relating to the employee restructuring plan, reported prior to the 2013 year end (see note 20- Restructuring costs)

Other payables mainly include EUR 36,086 thousand relating to the part of the consideration on the acquisition of Aqua Pharmaceuticals pending payment (Note 7).

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

18. Provisions

The changes in 2013 and 2012 in "Provisions" in the accompanying consolidated balance sheet are as follows:

	2013			2012		
	Provision for returns	Other provisions	Total	Provision for returns	Other provisions	Total
Balance at 1 January	**12,397**	**3,257**	**15,654**	**11,777**	**3,635**	**15,412**
Additions or appropriations	-	670	670	620	-	620
Disposals or transfers	(1,551)	-	(1,551)	-	(378)	(378)
Balance at 31 December	**10,846**	**3,927**	**14,773**	**12,397**	**3,257**	**15,654**

Provisions for sales returns-

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

Other provisions-

"Other Provisions" relates to the estimate made by the Group of the disbursements that it should make in the future to settle other liabilities arising as a result of the nature of its business activity.

19. Retirement benefit commitments

The changes in "Retirement Benefit Obligations" in the accompanying consolidated balance sheets in 2013 and 2012 are as follows:

	Euro thousand
Balance at 31 December 2011	**41,331**
Additions	10,875
Reversals	-
Balance at 31 December 2012	**52,206**
Additions	271
Reversals	(107)
Balance at 31 December 2013	**52,370**

Retirement benefit commitments relate to the subsidiaries Almirall Hermal, GmbH, Almirall Sofotec, GmbH and Almirall, S.A.S under unfinanced plans (there are no plan assets).

The movement in the defined benefit obligation is as follows:

	2013	2012
At 1 January	**52,206**	**41,331**
Current service costs	903	1,264
Borrowing costs	1,762	1,824
Contributions of plan participants	(59)	(51)
Actuarial gains/(losses)	(1,085)	10,448
Benefits paid	(1,357)	(1,234)
Transfers	-	(1,376)
As at 31 December	**52,370**	**52,206**

The amount recognised as actuarial losses relates mainly to the impact resulting from the decrease in the discount rate used in the actuarial calculations in 2013.

The amounts recognised in the income statement are as follows:

	2013	2012
Current service costs	903	1,264
Borrowing costs	1,762	1,824
Total (included under staff costs)	**2,665**	**3,088**

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 in 1 year

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

20. Income and expense

Revenue-

The detail, by business line, of revenue in 2013 and 2012 is as follows:

	Euro thousand	
	2013	2012
Sales through own network	576,180	577,056
Sales through licensees	98,743	87,841
Corporate management and revenue not allocable to other segments	17,968	17,985
Total	**692,891**	**682,882**

The detail, by geographical area, of revenue in 2013 and 2012 is as follows:

	Euro thousand	
	2013	2012
Spain	263,387	283,148
Europe and the Middle East	303,147	284,187
America, Asia and Africa	108,390	97,562
Corporate management and revenue not allocable to other segments	17,968	17,985
Total	**692,891**	**682,882**

Other income-

	2013	**2012**
Income under marketing and co-development agreements (attainment of milestones)	33,972	68,465
Income under marketing agreements (deferred income taken to income) (Note 15)	23,928	56,292
Income under co-development agreements (shareholder contributions to R&D activities)	12,990	33,949
Income from recognition of intangible assets generated internally (Note 9)	28,973	22,367
Co-promotion agreements and collaboration in production promotion	25,764	26,587
Other	6,965	9,627
Total	**132,592**	**217,287**

The first three items detailed in the foregoing table refer basically to other income relating to sales/marketing licenses for proprietary research products which were accounted for as indicated in Note 5-m.

Income under marketing and co-development agreements (attainment of milestones) includes the amounts received on the attainment of milestones related to marketing and development agreements.

In 2013 it includes:

- Income on the collection of USD 15 million (EUR 11.5 million) from Forest Laboratories in connection with the development of Phase III of the combination of aclidinium bromide and formoterol. Collection took place within the context of the current co-development and marketing agreement with that US company.
- Income on the collection of EUR 20.6 million on the attainment of several milestones driving from the contract entered into with Berlin Chemie (Note 6.a) on the obtainment of the reimbursement price in several European countries and the submission of the registration application with the EMA for the combination of the fixed dose of aclidinium bromide.

In 2012 it included:

- Income on the collection of USD 40 million (EUR 33 million at the time of collection) relating to the approval by the Food and Drug Administration (FDA) of Turdorza TM Pressair TM (aclidinium bromide, inhalation powder) to treatment long.-term bronco -spasms connected with COPD. At the end of 2012 sales began on the US market.
- Income on the collection of EUR 30 million on the attainment of a milestone under the contract signed with Berlin Chemie (Note 6-a) on the approval by EMA of aclidinium bromide to treat COPD.

During 2013 and 2012 "Revenue under co-development (shareholder contribution to R&D activity)" includes EUR 13 million and EUR 34 million, respectively, related to the recovery from a third party of the portion of the development expenses attributed to it of certain products and previously borne by the Group, as described in Note 6-a.

As from 2012 and in accordance with the accounting policy indicated in Note 5-b, the Group started to capitalised development expenses on a project for the development of a respiratory product and those development expenses on supplementary studies (or molecule combination) as described in Note 5-a. The amount capitalised for the year relates to the net development cost for the Group and totals EUR 28.9 million (EUR 22.4 million in 2012) (Note 9).

Additionally, in 2013 and 2012 this heading includes EUR 23.9 million and EUR 56.3 million, respectively, related to the time apportionment to results of non-reimbursable amounts initially received (Note 15).

Supplies-

This heading breaks down as follows:

	Euro thousand	
	31/12/2013	31/12/2012
Purchases	165,919	208,910
Changes in inventories of raw materials and other consumables	10,926	6,486
Changes in inventories of goods held for resale, finished goods and work in progress	(1,817)	(7,241)
Total	**175,028**	**208,155**

Staff costs

The detail of "Staff Costs" is as follows:

	Euro thousand	
	2013	2012
Wages and salaries	177,321	164,895
Social Security payable by the Company	36,640	33,669
Termination benefit costs	1,047	7,940
Other employee benefit costs	17,132	17,927
Total	**232,140**	**224,431**

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

	2013			2012		
	Men	Women	Total	Men	Women	Total
Senior management	47	7	54	45	4	49
Middle management	264	149	413	241	116	357
Technical personnel	918	978	1896	914	921	1,835
Administrative personnel	219	386	605	188	372	560
Other	1	-	1	2	1	3
Total	**1,449**	**1,520**	**2,969**	**1,390**	**1,414**	**2,804**

The average number of employees does not significantly differ from the number at the year end except for the employees included in the Group as a result of the acquisition of Aqua Pharmaceuticals at 31 December 2013. At the year end the employees included as a result of the acquisition of Aqua Pharmaceuticals, distributed by professional category and gender, is as follows:

	2013		
	Men	Women	Total
Senior management	15	3	18
Middle management	6	3	9
Technical personnel	29	57	86
Administrative personnel	-	5	5
Other	-	-	-
Total	**50**	**68**	**118**

At 31 December 2013 and 2012, 460 and 477 Group employees, respectively, were engaged in research and development activities .

Restructuring costs-

In 2013 the Group announced a restructuring at European level in order to optimise the potential of its new and existing product portfolio. In the last few years pharmaceutical markets in Europe and particularly, in Spain, have been affected by the decisions taken by healthcare authorities on economic grounds, which have a negative impact on the growth of these markets and the introduction and penetration of new products. In this respect, the Group has designed a series of detailed studies to carry out the restructuring, identifying the activities involved, the location, function and number of employees affected (approximately 370 Group employees) and creating a valid expectation among those affected prior to the year end closing at 31 December 2013. The cost of such restructuring scenarios amounts to EUR 80,326 thousand which, at the date of these accounts, as described in notes 5-l, is provided for under Accrued wages and salaries (Note 17).

Other operating expenses-

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

	Euro thousand	
	2013	2012
Leases and royalties	29,351	28,424
Repair and upkeep expenses	17,035	16,922
Independent professional services	100,343	122,739
Transport expenses	12,609	10,572
Insurance premiums	2,500	2,730
Banking and similar services	469	471
Utilities	6,004	5,866
Other services	159,177	149,853
Taxes other than income tax	3,775	3,982
Total	**331,263**	**341,559**

Operating leases-

The rental costs incurred in 2013 and 2012 were as follows:

	Euro thousand	
	2013	2012
Operating leases recognised in profit/(loss) for year	17,923	17,450

At the consolidated balance sheet date, the Group had outstanding commitments for future minimum lease payments under irrevocable operating leases, which fall due as follows:

	Euro thousand	
	2013	2012
Within one year	10,691	8,979
2 to 5 years	26,150	23,439

The assets under lease and the average term of the lease agreements are as follows:

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

Net change in allowances, provisions and write-downs-

The detail of "Net change in allowances and provisions" in the accompanying consolidated income statement and of the changes in the short-term provisions is as follows:

	Euro thousand	
	2013	2012
Change in provision for doubtful debts	758	1,131
Change in inventory provision	2,344	121
Change non-current provisions	(1,239)	794
Total	**1,863**	**2,046**

	Euro thousand		
	Provision for bad debts (Note 13)	Inventory provision (Note 12)	Total
Balance at 31 December 2011	**767**	**11,783**	**12,550**
Change in allowances and provisions			
Appropriation	1,161	20,826	21,987
Application	(30)	(20,705)	(20,735)
Reversals			
Balance at 31 December 2012	**2,067**	**11,829**	**13,896**
Change in allowances and provisions			
Appropriation	1,388	24,198	25,586
Application	(630)	(21,854)	(22,484)
Balance at 31 December 2013	**2,825**	**14,173**	**16,998**

Net gains on asset disposals-

The detail of the net gains/(losses) on non-current asset disposals in 2013 and 2012 is as follows:

	Euro thousand			
	2013		2012	
	Income	Expense	Income	Expense
On disposal or derecognition of intangible assets	-	(6,522)	148	(128)
On disposal or derecognition of property, plant and equipment	783	(87)	424	(215)
On disposal or derecognition of intangible assets	-	(12)	-	(13)
	783	**(6,621)**	**572**	**(356)**
Gains/(losses) on disposal of non-current assets	**(5,838)**		**216**	

The amount included under Gains/(loss) on disposal of assets" in 2013 relates mainly to the termination of a marketing licence contract amounting to €5.3 million, as described in note 9.

Financial income and expense-

The detail of net financial income/(expense) and exchange differences in 2013 and 2012 is as follows:

	Euro thousand			
	2013		2012	
	Income	Expense	Income	Expense
Income from other marketable securities	128	(1,309)	2,875	-
Other income and comparable interest	330	(204)	576	-
Financial and similar expenses	-	(3,814)	-	(7,928)
Exchange differences	3,859	(4,414)	5,569	(5,976)
	4,317	**(9,742)**	**9,020**	**(13,904)**
Financial results	**(5,425)**		**(6,025)**	

Transactions denominated in foreign currency-

Transactions carried out in foreign currency are as follows:

	Amount in euro (thousand)			
	Expense		**Income**	
	2013	**2012**	**2013**	**2012**
Australian dollar	4	4	-	-
Canadian dollar	5,487	2,080	(110)	-
Swiss franc	4,478	4,925	(5,258)	(5,003)
Czech koruna	80	82	(851)	(1,027)
Danish krone	22	11,551	(1,185)	(9,898)
Pound sterling	38,224	30,025	(34,961)	(34,148)
Hungarian forint	43	19	(397)	(316)
Japanese yen	3,559	25,903	(10,958)	(15,602)
Lithuanian litas	-	-	-	-
Latvian Lats	1	6	-	-
Mexican Peso	134	10,879	(22,767)	(23,812)
Norwegian krone	-	27	(1,880)	-
Polish zloty	120	2,861	(4,882)	(5,064)
Chinese yuan renminbi	-	1	-	-
Swedish krona	41	22	(4,866)	-
US dollar	33,540	36,314	(16,362)	(56,382)
South-African rand	24	-	-	-

Auditors' remuneration

In 2013 and 2012 the fees for audit services and other services provided by the Group's auditor, PricewaterhouseCoopers Auditores, S.L.or by other companies of the PwC network as a result of the other attest services and other services provided to the Group were as follows (Thousand Euros):

Description	Services provided by the auditor and by related companies	
	2013	2012
Audit services	550	550
Other attestation services	31	46
Total audit and related services	**581**	**596**
Tax advisory services	174	169
Other services	177	230
Total other professional services	**351**	**399**

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 Corporate Income Tax Law. The companies composing the tax group for 2013 and 2012 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.L., Laboratorios Farmacéuticos Romofarm, S.L., Ranke Química, S.L. and Almirall Europa, S.A., with Almirall, S.A. as the Parent. Consequently, Almirall, S.A. is responsible to the tax authorities for preparing and filing 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, understood as the tax base.

The Group's other subsidiaries file individual 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 2009 to 2013 open for review by the tax authorities for corporate income tax and 2010 to 2013 for the other taxes applicable to them.

In 2013 a partial tax inspection commenced of the years 2010 and 2011 in relation to personal income tax. At the date of these consolidated annual accounts, there are no assessments or communication related to this inspection.

With respect to the foreign Group companies, the arbitration process in Almirall S.A.S. (France) of the years 2003 and 2004 ended with no significant effects. 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 for prudence, a provision was established for this amount, an appeal has currently been filed against such assessments.

In 2013 an inspection was initiated of Almirall AG (Switzerland) of the years 2010 and 2011 in connection with the main taxes applicable under the canton regime. At the date of these consolidated accounts, the process has ended without a significant impact.

The Group's foreign companies' returns for all applicable taxes are open to inspection for the corresponding years under local legislation.

The opinion of the Group and its external advisors is that the probability of assessments or any other significant aspects resulting from such inspections is 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 material liabilities arising in this connection additional to those already recognised is remote.

Tax receivables and payables-

The detail of the current tax receivables and payables at 31 December 2013 and 2012 is as follows:

	Euro thousand	
	31/12/2013	31/12/2012
VAT refundable	14,008	19,054
Social security taxes receivable	14	9
Income tax refundable	23,016	39,315
Other debts	1,066	71
Total balances receivable	**38,104**	**58,449**
Current tax account payable	174	56
VAT payable	4,512	8,560
Personal income tax	4,864	8,454
Social security payable	5,861	4,775
Income tax payable	2,427	2,204
Total balances payable	**17,839**	**24,049**

“Current Tax Account Payable” includes the outstanding balances payable by the Parent in connection with VAT, personal income tax withholdings and advance income tax of the consolidated tax group of which Almirall, S.A. is the Parent.

Corporate income tax refundable includes tax receivable for 2013.

Income tax recognised-

The detail of the income tax recognised in the consolidated income statement and in equity in 2013 and 2012 is as follows:

	Euro thousand	
	2013	2012
Income tax:		
- Recognised in the income statement	(56,012)	(27,471)
- Recognised in equity	(310)	3,006
Total	**(56,322)**	**(24,465)**

Reconciliation of the accounting profit to the taxable profit-

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

	Euro thousand	
	2013	**2012**
Consolidated profit before tax (continuing operations)	(89,729)	48,820
Permanent differences:		
- Individual companies		
Increase	41,336	11,112
Decrease	(55,598)	(57,232)
- Consolidation adjustments		
Increase	21,769	22,617
Decrease	(804)	(1,204)
Adjusted accounting results	(83,026)	24,113
Tax rate	30%	30%
Gross tax	**(24,908)**	**7,234**
Tax credits:		
- Applied in assessments and relating to the year	(29,028)	(4,054)
- Recognised but not yet applied	(1,020)	(33,376)
Income tax paid abroad	259	4,125
Adjustment of deferred tax assets and liabilities	3,913	-
Theoretical tax expense accrued	**(50,784)**	**(26,071)**
Effect of different tax rates between countries	(3,713)	(2,184)
Other changes	(1,515)	784
Income tax expense (income) charge	**(56,012)**	**(27,471)**

The increase in the taxable profit as a result of the permanent differences of the individual companies arising in 2013 and 2012 is due mainly to the differing tax treatment of certain expenses accrued in those years. The decrease in the taxable profit as a result of the permanent differences of the individual companies was due mainly to the distribution of tax-free dividends by subsidiaries and the partial exemption of intellectual property income.

The detail, by nature and amount, of the tax incentives applied in 2013 and 2012 and of those not yet applied at 31 December 2013 and 2012 is as follows:

Nature	Year arising	Euro thousand			
		2013		2012	
		Offset	Losses available for offset	Offset	Available for offset
Research and development	2006	-	16,980	-	16,980
	2007	-	42,452	-	42,452
	2008	-	34,841	-	34,841
	2009	-	26,883	-	26,883
	2010	-	34,628	-	34,628
	2011	-	35,844	-	35,844
	2012	-	32,842	-	32,842
	2013	-	28,660	-	-
		-	**253,130**	**-**	**224,470**
Double taxation	2011	-		-	-
	2012	-	115	4,054	66
		-	**115**	**4,054**	**66**
Other deductions	2010	-		-	-
	2012	-	1807	-	468
		-	**1807**	**-**	**468**
	Total	**-**	**255,052**	**4,054**	**225,004**

The timeline for the application of available deductions is 18 years from the time of their generation. Application is limited to 50% of tax payable (60% from 2015), in accordance with current legislation.

The aforementioned deferred tax assets were recognised on the balance sheet as the Group's Directors consider that, on the basis of the best estimate of future results, it is probable that such assets may be recovered within 10 years although there are no plans to offset R&D deductions recognised until 2015 as from which time the significant impacts of the new products referred to in Note 6 are expected to be recognised.

Deferred taxes-

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

	2013	**2012**
Deferred tax assets	322,150	251,361
Deferred tax liabilities	(135,229)	(71,799)
Deferred tax assets (net)	**186,920**	**179,562**

The gross movement in the deferred tax account is as follows:

	2013	2012
At 1 January	179,562	137,088
Credit to income statement	69,146	39,468
Business combinations (note 7)	(61,478)	-
Tax (charged) paid directly to equity	(310)	3,006
As at 31 December	**186,920**	**179,562**

In accordance with current tax legislation in the countries in which the consolidated entities are located, in 2013 and 2012 certain temporary differences have arisen which should be taken into account when quantifying the corresponding corporate income tax expense. The detail of deferred taxes recognised in both years is as follows:

	Euro thousand			
	2013		2012	
	Accumulated differences in tax bases	Accumulated effect in tax payable	Accumulated differences in tax bases	Accumulated effect in tax payable
Deferred tax assets:				
Amortisation of intangible assets	36,073	10,824	22,330	6,699
Provisions	112,676	33,935	32,598	9,532
Retirement benefit commitments	18,897	5,438	20,081	5,778
Difference between opening and closing inventories	11,136	3,563	7,425	2,449
Market measurement of financial derivatives	-	-	1,546	464
Other	26,104	6,704	5,279	430
	204,886	60,464	89,259	25,354
Tax credits:				
Tax losses available for offset.	22,111	6,633	6,343	1,004
Deductions pending offset	-	255,052	-	225,004
Total deferred tax assets and tax credits:	**226,997**	**322,149**	**95,602**	**251,361**
Deferred tax liabilities:				
Unrestricted amortisation/ depreciation R.D. 27/84, 2/85, 3/93	50,048	15,003	55,060	16,466
Assets held under finance lease	7,184	2,003	7,686	2,154
Capitalisation of intangible assets	12,739	3,822	14,517	4,355
Assignment of capital gains to assets	251,941	74,796	47,217	13,215
Amortisation of goodwill	67,634	20,400	71,135	21,393
Tax effect reversal provision subsidiary portfolio	45,593	14,078	45,596	14,079
Other	17,761	5,127	195	137
Deferred tax liabilities	**452,899**	**135,229**	**241,406**	**71,799**

The increase in deferred tax assets basically relates to the different tax treatment afforded to the amortisation charge and, if appropriate, the impairment of goodwill and certain intellectual property (see Notes 8 and 9) and the different accounting and tax treatment of retirement benefit obligations (see Note 19) and the tax effect of restructuring provisions (Note 20).

The increase in deferred tax liabilities relates mainly to the assignment of capital gains to the assets acquired from Aqua Pharmaceuticals (Note 7) and the difference between the tax base of the assets included in the acquisition of Almirall Hermal, GmbH (see Notes 8 and 9) and the fair value attributed to them and which has not yet been realised.

In 2013 the Spanish tax consolidated Group generated tax losses in the year amounting to EUR 21 million and the related tax credits are recognised in the accompanying consolidated balance sheet. Such tax credits may be applied over 18 years as from the year in which they were generated.

22. Business and geographical segments

Segmentation criteria

Set out below is a description of the main criteria when defining the Group's segmented information in the consolidated financial statements for the years ended 31 December 2013 and 2012.

Business segments:

The business lines described below were established based on the organisational structure of the Group and are the basis of primary segment information reported.

a) Sales through own network.

b) Sales through licensees.

c) Research and development activities

d) Therapeutic dermatological products in USA.

e) Corporate management and results not allocable to other segments

The operating segments reported in these notes are those with income, profits and / or assets which exceed 10% of the relevant consolidated figure. Therefore the column "Corporate management and results not allocated to other segments" includes income and expenses that are not directly related and allocated to business areas and which mainly refer to the Group's corporate assets and production centres.

During 2013, as a result of the acquisition of Aqua Pharmaceuticals Inc a new segment was included (therapeutic dermatological products in USA), mainly formed by that company.

Basis and methodology of business segment reporting-

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

For the purposes of determining 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 the segmented information in the consolidated balance sheets.

Segment revenues, including Revenues and Other income relate to those directly attributable to the segment.

In addition, with respect to the revenues received by the Group as a result of the agreements reached indicated in Note 6, such revenue has 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 receipts for milestones or initial disbursements taken on a deferred basis to the income statement, mainly in the own network sales and licensee segments.

Revenues allocable to the R&D activities segment relate to the capitalisation of development expenses and expenses reinvoiced 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 "Raw materials and consumables", "Staff costs" , "Amortisation/ Depreciation" and "Other operating expenses". In this respect, the amounts carried under “Raw materials and consumables" 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, among others). Such costs are included by nature in the segment “Corporate management and results not assigned to other segments". Therefore they are eliminated before obtaining the Group's consolidated income statement figures.

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

The Group does not disclose in the consolidated financial statements financial income, financial expenses and the corporate income tax expense per segment as this information is not used by the Board of Directors to take the Group's management decisions, or information on significant customers as none of them represents, individually, a percentage of more than 10% of the Group's revenues.

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

Intangible assets (goodwill, intangible assets etc) are assigned on the basis of the cash generating unit ensuring the recovery of the value of those assets. Specifically, goodwill has been assigned as follows:

- Almirall S.A.: has been signed to the segment “Corporate management and results not assigned to other segments", 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 Sofotec, GmbH: has been assigned to the segment “R&D activity “since that Company is one of the Group's R&D centres.
- Almirall Hermal, GmbH: has been assigned to the segment “own network marketing" since the main cash generating unit with respect to such goodwill is this segment.
- Aqua Pharmaceuticals: this company has been assigned to the segment “therapeutic dermatology in USA " since the main cash generating unit with respect to such goodwill is this segment (Note 7).

The Group has no criteria in place for distributing equity or liabilities by segment and therefore no breakdown is provided of that information. In addition, certain balance sheet items, including current and non-current financial assets held by the Group, cash and equivalents and other less significant items, are considered to be linked to the segment “Corporate management and results not allocable to other segments”.

Segment reporting

Segment reporting by business-

Segment income statement for the year ended 31 December 2013

	Sales through own network	Sales through licensees	Research and development activities	Dermatology in USA (Note 7)	Corporate management and results not allocable to other segments	Adjustments and reclassifications	Total
Revenue	576,180	98,743	-	-	17,968	-	692,891
Raw materials and other consumables	(185,514)	(24,462)	-	-	(20,432)	55,380	(175,028)
Gross margin	**390,666**	**74,281**	**-**	**-**	**(2,464)**	**55,380**	**517,863**
Other income	23,757	3,911	-	-	104,924	-	132,592
Staff costs	(122,699)	3	(37,474)	-	(71,970)	-	(232,140)
Amortisation/depreciation	(9,959)	-	(10,499)	-	(48,987)	-	(69,445)
Net change in provisions	-	-	-	-	(1,863)	-	(1,863)
Other operating expenses	(153,945)	6,767	(78,694)	-	(105,391)	-	(331,263)
Operating profit/(loss)	**127,820**	**84,962**	**(126,667)**	**-**	**(125,751)**	**55,380**	**15,744**
Results on disposals and other	(5,306)	-	-	-	(9,886)	-	(15,192)
Restructuring costs	(77,616)	-	(2,710)	-	-	-	(80,326)
Impairment	(500)	-	-	-	(4,078)	-	(4,578)
Financial results	-	-	-	-	(5,377)	-	(5,377)
Profit /(loss) before taxes	**44,398**	**84,962**	**(129,377)**	**-**	**(145,092)**	**55,380**	**(89,729)**
Income tax:				-	56,012	-	56,012
Results attributed to parent company	**44,398**	**84,962**	**(129,377)**	**-**	**(89,080)**	**55,380**	**(33,717)**

Assets at 31 December 2013, segmented:

ASSETS	Sales through own network.	Sales through licensees	Research and development activities	Dermatology in USA	Corporate management and results not allocable to other segments	Total
Goodwill	227,743	-	6,350	66,715	35,407	336,215
Intangible assets	194,884	-	118,936	246,851	34,454	595,125
Property, plant and equipment	1,226	-	40,297	110	119,673	161,306
Financial assets	238	-	-	-	23,089	23,327
Deferred tax assets	1,724	-	-	3,510	316,915	322,149
NON-CURRENT ASSETS	**425,815**	**-**	**165,583**	**317,186**	**529,538**	**1,438,122**
Inventories	39,048	18,147	-	3,773	36,774	97,742
Trade and other receivables	55,601	11,506	2,950	19,759	9,652	99,468
Current tax assets	6,185	-	-	2,837	29,082	38,104
Current investments	-	-	-	55	8,302	8,356
Cash and equivalents	-	-	-	5,954	74,901	80,855
Other current assets	2,865	-	-	722	6,487	10,074
CURRENT ASSETS	**103,699**	**29,653**	**2,950**	**33,100**	**165,198**	**334,599**
TOTAL ASSETS	**529,514**	**29,653**	**168,533**	**350,286**	**694,736**	**1,772,721**

The goodwill assigned to Almirall Hermal GmbH is detailed in Note 8. Such goodwill is assigned to the sales through own network segment since the acquisition of that company included manufacturing and marketing operations.

Non-current assets involving fixed assets located abroad are detailed in Note 9.

Non-current asset additions during the year ended 31 December 2013:

	Sales through own network.	Sales through licensees	Research and development activities	Dermatology in USA	Corporate management and results not allocable to other segments	Total
Total non-current assets	1,703	-	29,294	313,676	59,329	404,002

Segment income statement for the year ended 31 December 2012

	Sales through own network	Sales through licensees	Research and development activities	Corporate management and results not allocable to other segments	Adjustments and reclassifications	Total
Revenue	577,056	87,841	-	17,985	-	682,882
Raw materials and other consumables	(218,588)	(17,913)	-	(20,484)	48,830	(208,155)
Gross margin	**358,468**	**69,928**	**-**	**(2,499)**	**48,830**	**474,727**
Other income	84,306	75,380	56,317	1,284	-	217,287
Staff costs	(109,855)	(16)	(39,258)	(75,302)	-	(224,431)
Amortisation/depreciation	(38,639)	-	(11,662)	(17,736)	-	(68,037)
Net change in provisions	(887)	-	-	(1,159)	-	(2,046)
Other operating expenses	(143,236)	(3,270)	(108,586)	(86,467)	-	(341,559)
Operating profit	**150,157**	**142,022**	**(103,189)**	**(181,879)**	**48,830**	**55,941**
Results on disposals /other	-	-	-	(491)	-	(491)
Impairment	(2,000)	-	-	-	-	(2,000)
Financial results	-	-	-	(4,630)	-	(4,630)
Profit /(loss) before taxes	**148,157**	**142,022**	**(103,189)**	**(187,000)**	**48,830**	**48,820**
Income tax:	-	-	-	27,471	-	27,471
Net results attributed to parent company	**148,157**	**142,022**	**(103,189)**	**(159,529)**	**48,830**	**76,291**

Segment balance sheet at 31 December 2012:

ASSETS	Sales through own network.	Sales through licensees	Research and development activities	Corporate management and results not allocable to other segments	Total
Goodwill	227,743		7,143	35,407	270,293
Intangible assets	252,091	-	74,607	31,509	358,207
Property, plant and equipment	1,504		43,140	112,393	157,037
Financial assets	-			8,769	8,769
Deferred tax assets	1,546			249,815	251,361
NON-CURRENT ASSETS	**482,884**	**-**	**124,890**	**437,893**	**1,045,667**
Inventories	51,632	8,924		31,850	92,406
Trade and other receivables	53,906	18,314	16,662	9,919	98,801
Current tax assets	14,423			44,026	58,449
Current investments	-			16,699	16,699
Cash and equivalents	-			35,592	35,592
Other current assets	1,316			7,177	8,493
CURRENT ASSETS	**121,277**	**27,238**	**16,662**	**145,263**	**310,440**
TOTAL ASSETS	**604,161**	**27,238**	**141,552**	**583,156**	**1,356,107**

The goodwill assigned to Almirall Hermal GmbH is detailed in Note 8. This goodwill is assigned to the corporate management segment since the acquisition of that company included production and marketing activities which are not separable from the point of view of goodwill.

Non-current assets involving fixed assets located abroad are detailed in Note 9.

Non-current asset additions during the year ended 31 December 2012:

	Sales through own network.	Sales through licensees	Research and development activities	Corporate management and results not allocable to other segments	Total
Total non-current assets	12,451	-	31,340	35,839	79,630

Revenues -

Set out below is a detail of the contribution to revenue of the Group's main therapeutic areas in 2013 and 2012:

	Euro thousand	
	2013	2012
Respiratory	210,991	173,390
Gastrointestinal and Metabolism	143,757	147,167
Dermatology	134,780	130,167
CNS	80,817	83,242
Osteomuscular	43,541	45,817
Cardiovascular	43,163	63,931
Urology	17,077	18,672
Other therapeutic specialities	18,765	20,496
Total	**692,891**	**682,882**

The distribution by geographical area of revenue in 2013 and 2012 is detailed in Note 20.

23. Dividends paid by the Parent:

The dividends paid by the Parent in 2012 and 2013, which in both cases related to the dividends approved out of 2013 and 2012 profit, respectively, is as follows:

	2013			2012		
	% of nominal amount	Euro per share	Amount (Euro thousand)	% of nominal amount	Euro per share	Amount (Euro thousand)
Ordinary shares	129%	0.15	26,739	144%	0.17	29,458
Total dividends paid	**129%**	**0.15**	**26,739**	**144%**	**0.17**	**29,458**
Dividends	129%	0.15	26,739	144%	0.17	29,458

The dividend pay-out for 2013 and 2012 was arranged as a flexible dividend, offering shareholders the power to choose between receiving newly issued parent company shares or the amount in cash equivalent to the dividend. Three percent (4% in 2012) of right holders have chosen cash payment while the remaining 97% (96% in 2012) have opted for the new shares at unit par, issued as a result of the capital increase.

24. Earnings per share

Basic 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 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 such 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:

	2013	**2012**
Net profit for the year (Euro thousand)	(33,717)	76,291
Weighted average number of shares outstanding (thousand shares)	172,984	173,190
Basic earnings per share (euros)	**(0.20)**	**0.44**

During 2013 there was a bonus share issue within the context of the flexible dividend programme. In accordance with IAS 33 this issue entailed the adjustment of earnings per share for the year ended 31 December 2012, included in these consolidated annual accounts and was taken into account in the calculation of the basic and diluted earnings per share for 2013.

25. Commitments entered into, contingent liabilities and contingent assets

a) Commitments acquired

At 31 December 2013 and 2012 the Group had contingent payment obligations for the acquisition of product licences and intellectual property as indicated in Note 9 and as a result of the business combination indicated in Note 7.

Also, as a result of the research and development activities carried out by the Group, at 31 December 2013 and 2012 firm agreements had been entered into in relation to the performance thereof amounting to approximately EUR 12 million (31 December 2012: approximately EUR 10 million), which will have to be settled in future years.

There are no commitments to purchase property, plant and equipment involving significant amounts at 31 December 2013 and 2012.

The lease commitments entered into by the Group are detailed in Note 20.

b) Contingent liabilities

There were no other contingent liabilities at the date of authorisation for issue of these consolidated financial statements that might result in significant cash outlays additional to those discussed in Note 7 and Note 21.

c) Contingent assets

As a result of the agreements entered into with a third party in previous years (Note 6-a), the Group has collection rights with respect to certain regulatory milestones and the attainment of sales figures in the US market up to a maximum of USD210 million at 31 December 2013 (USD 225 million at 31 December 2012).

Under the agreement signed with Kyorin, the Group has collection rights with respect to certain regulatory milestones up to a maximum of EUR 5.5 million and certain commercial milestones up to JPY 2,500 million (all related to the Japanese market).

Additionally, in relation to the licence agreement with Berlin Chemie AG (Note 6-a) the group has collection rights with respect to certain milestones related to the development and possible sale of certain products and associated royalties at sales level. These contingent assets may amount to a total of EUR 85 million at 31 December 2013 (USD 105 million at 31 December 2012).

As we are currently dealing with contingent assets, they are not recognised in the consolidated financial statements.

26. Related -party transactions

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

Balances and transactions with other related parties

In 2013 and 2012 the Group companies performed the following transactions with related parties, and at 31 December 2013 and 2012 the balances receivable therefrom and payable thereto were as follows:

				Euro thousand	
Company	Related party	Transaction	Year	Transactions - Income/ (Expenses)	Balance – Receivable /(Payable)
Almirall S.A.	Grupo Corporativo Landon, S.L	Leases	2013	(2,336)	-
			2012	(2,225)	-
Almirall S.A.	Grupo Corporativo Landon, S.L	Reinvoicing of work	2013	244	56
			2012	257	53

The Group's headquarters are leased from Grupo Corporativo Landon S.L. under a contract maturing in 2017.

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

27. Remuneration of the Board of Directors and Managers

For the purposes of the consolidated financial statements, the Group considers the members of the Management Committee who are not members of the Board of Directors as executives.

The amount accrued in 2013 by managers who are not members of the Parent's Board of Directors for all items (salaries, bonuses, per diems, benefits in kind, indemnities, incentive plans and social security contributions) totalled EUR 2,105 thousand (2012: EUR 1,952 thousand).

The amount indicated above includes the remuneration accrued by Company managers, paid and not paid, by the Group in 2013 and 2012 in respect of multi-year incentive and loyalty plans and the SEUS Plan (see Note 5-u) amounting to EUR 627 thousand and EUR 469 thousand, respectively. The year end balance of the provision for such plans amounts to EUR 1,622 thousand in 2013 (EUR 1,845 thousand in 2012).

At 31 December 2013 and 2012, there were no other pension obligations with senior managers

In 2013 and 2012 the amount earned by the current and former members of the parent's Board of Directors for all types of remuneration (salaries, bonuses, attendance fees and per diems, compensation in kind, life insurance plans, indemnities, incentive plans and social security contributions) amounted to EUR 4,831 thousand and EUR 3,345 thousand, respectively. There are life insurance policies accrued amounting to EUR 8.1 thousand (EUR 7.7 thousand in 2012).

The amount indicated above includes the remuneration accrued, paid and not paid, in 2013 and 2012 by the Parent's Board of Directors in respect of multi-year incentive and loyalty plans, and SEUS plan amounting to EUR 1,450 thousand and EUR 1,245 thousand, respectively. The year end balance of the provision for such plans amounts to EUR 4,376 thousand in 2013 (EUR 3,218 thousand in 2012).

At 31 December 2013 and 2012, there were no other pension commitments with the current and former members of the Board of Directors of the Parent.

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

28. Other disclosures concerning the Board of Directors

In relation to the disclosures required under Article 229 of the Spanish Companies Act 2010, in 2013 , the current and former members of the Board of Directors of Almirall, S.A., or the parties related thereto, as defined in Article 231 of the Spanish Companies Act 2010, did not hold direct or indirect ownership interests in companies engaging in an activity that is identical, similar or complementary to that which constitutes the object s of the Parent, other than those disclosed in this note and the indirect ownership interests held by Mr Jorge Gallardo Ballart, Mr Antonio Gallardo Ballart and Mr Daniel Bravo Andreu in the other companies of the Almirall Group as shareholders of the Parent.

In this respect, we have received confirmation from members of the Board of Directors who have held positions in companies with an identical, analogous or complementary kind of activity to that which constitutes the Parent's objects:

- Sir Tom McKillop: Member of the Board of Directors of UCB, S.A. and holding of an interest in the capital of Astra Zecana PLC (12,543 shares).
- Mr Gerhard Mayr: Member of the Board of Directors of UCB, S.A.
- Ms Karin Dorrepaal (member of the Board of Directors of Almirall, S.A. as from January 2013): She has an interest in the capital of Astra Zeneca PLC (7,500 shares) and holds non-executive positions in Gerreshiemer AG (Germany), Industry Board de Triton Private Equity (Germany), Pion AG (Germany) and Grontmij N.V. (Netherlands)

Moreover, the current and former members of the Board of Directors have carried out on their own or third party's behalf the following activities in companies having a kind of activity which is, identical, analogous or complementary to that which makes up the corporate objects of the Parent, including the Group's subsidiaries.

Director	Type of regime	Company	Position
	Own account	Laboratorios Miralfarma, S.L.	Administrator
	Own account	Laboratorio Omega Farmacéutica, S.L.	Administrator
	Own account	Laboratorios Tecnobio, S.A.	Administrator
	Own account	Laboratorios Almofarma, S.L.	Administrator
	Own account	Laboratorio Temis Farma, S.L.	Administrator
	Own account	Laboratorios Berenguer -Infale, S.L.	Administrator
	Own account	Alprofarma, S.L.	Administrator
	Own account	Pantofarma, S.L.	Administrator
	Own account	Laboratorios Farmacéuticos Romofarm, S.L.	Administrator
	Own account	Industrias Farmacéuticas Almirall, S.L.	Administrator
	Own account	Ranke Química, S.L.	Administrator
Luciano Conde Conde	Own account	Almirall Europa, S.A.	Administrator
	Own account	Almirall Hermal, GmbH (Germany)	Administrator
	Own account	Almirall Sofotec, GmbH (Germany)	Administrator
	Own account	Almirall GmbH (Austria)	Administrator
	Own account	Almirall NV (Belgium)	Administrator
	Own account	Almirall Limited (Canada)	Administrator
	Own account	Almirall ApS (Denmark)	Administrator
	Own account	Almirall, SAS (France)	President
	Own account	Almirall Production, SAS (France)	President
	Own account	Almirall B.V. (Netherlands)	Administrator
	Own account	Almirall, S.p.A. (Italy)	Administrator
	Own account	Almirall, S.A. de C.V. (Mexico).	Administrator

	Own account	Almirall de México, S.A. de C.V. (Mexico).	Administrator
	Own account	Almirall sp. z o.o. (Poland)	Administrator
	Own account	Almirall – Produtos Farmacêuticos Lda. (Portugal)	Administrator
	Own account	Almirall Limited (UK)	Administrator
	Own account	Almirall Inc (USA)	Secretary
	Own account	Almirall International B.V. (Netherlands)	Administrator
Eduardo Sanchis Yrau	Own account	Almirall Inc (USA)	President

29. Information on the environment

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

The Almirall Group's property, plant and equipment include certain environmental protection assets (smoke abatement, subsurface drainage, etc.) with a carrying amount of approximately EUR 1.8 million and EUR 2.2 million at 31 December 2013 and 2012, respectively.

The income statement for 2013 and 2012 includes environmental protection expenses amounting to EUR 1.2 million and EUR 1.3 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. No grants or income were received in connection with these activities.

30. Exposure to risks and capital management

The Group's activities are exposed to various types of financial risk: market risk (including exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on uncertainty in financial markets and seeks to minimise the potential adverse impact on its financial profitability. The Group uses derivatives to hedge certain risks.

Risk management is carried out by the Group's Treasury Department, which identifies, evaluates 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 exchange risk, interest rate risk, liquidity risk, use of derivatives and non-derivatives and investing excess liquidity.

Interest rate risk

In the past, in order to eliminate the uncertainties arising from fluctuations in the interest rates on the Group's long-term bank borrowings, the Group arranged certain hedging transactions. Such loans expired in 2012 and therefore at the 2013 year end, there is no interest rate hedging

In 2012 the Group arranged a credit line for a maximum of EUR 125 million, for which there is no interest rate hedging.

Also, in late December 2013 the Group arranged a loan amounting to USD 320 million (EUR 254 million) for the purchase of Aqua Pharmaceutical, as indicated in note 7 and 16.

Foreign currency risk

The Group is exposed to foreign currency risk on certain transactions arising from its ordinary business. This relates mainly to revenue received in USD from sales of finished goods, payments in USD for clinical trials, raw materials purchases and the payment of royalties in JPY, as well as collections and payments made by the Mexican, UK, Polish, Canadian and Danish subsidiaries in local currencies.

In the case of collections the risk represents approximately 17.30% of revenue and other income, and in the case of payments approximately 19.66% of procurements and other operating expenses.

The Group analyses foreseeable collections and payments in foreign currency and the performance and trend thereof on a quarterly basis. In 2013 the Group reduced its exposure to foreign currency risk in higher volume transactions through the arrangement of one-off exchange insurance to cover payments in yen for the purchase of raw materials and to cover cash inflows in USD, mainly in respect of collections. Similarly, cash surpluses in foreign currency have been sold in order to avoid exposure to the volatility of the currency market and its resulting impact on the income statement.

At the year end the company acquired a subsidiary in the US, the operation of which is financed in the same currency as the acquisition, see Note 7.

Liquidity risk

The Group's liquidity policies ensure compliance with the payment commitments entered into, diversifying the hedging of financing needs and debt maturities. The prudent management of the liquidity risk includes maintaining sufficient cash and realisable assets and available funds to cover credit obligations.

The Company calculates its cash requirements using two fundamental forecasting tools that differ in terms of timescale.

On the one hand, a one-year monthly cash budget is set based on the projected financial statements for the current year. On the other, a shorter-term cash budget is set (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.

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

Lastly, medium- and long-term liquidity planning and management is based on the Group’s Strategic Plan spanning a five-year time frame.

At 31 December 2013 an amount of EUR 187 million has been used, taking into account cash and equivalents amounting to EUR 89 million (note 11), bank financing and available credit lines amounting to EUR 98 million (note 16) which, together with the financing received from Group companies, ensures sufficient liquidity despite negative working capital at 31 December 2013.

Fair value measurement

The measurement of assets and liabilities carried at fair value should be detailed by level according to the following hierarchy defined by IFRS 7:

Level 1 Listed price (not adjusted) on active markets for identical assets and liabilities.

Level 2 Data other than listed price included in level 1 that are observable for assets or liabilities, directly (prices) or indirectly (deriving from prices) .

Level 3 Data for assets and liabilities that are not based on observable market data.

The detail at 31 December 2013 and 2012 of the Group's assets and liabilities measured at fair value according to the above levels is as follows (Euro thousand):

2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets	6,822	-	-	6,822
Intangible assets		-	246,753	246,753
Inventories		-	3,773	3,773
Total assets	**6,822**	**-**	**250,526**	**257,348**
Financial	-	-	(16,179)	(16,179)
	-	-	-	-
Total liabilities	**-**	**-**	**(16,179)**	**(16,179)**

2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets	6,727	-	-	6,727
Available-for-sale financial assets	**6,727**	-	-	**6,727**
Total assets	**-**	**-**	**-**	**-**
Liabilities	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

Credit risk:

The Group manages its credit risk through the case-by-case analysis of the items composing its accounts receivable. For preventative purposes, credit limits are established for sales to wholesalers, pharmacies and local licensees. In view of the low relative importance of hospital sales, collection management is performed directly after the transaction, once the debt has fallen due.

Allowances are recognised for the total amounts deemed to be uncollectable, once all relevant collection management efforts have been made. The amount recognised in this connection in 2013 and 2012 was EUR 2,825 thousand and EUR 1,161 thousand, respectively.

In relation to the impairment of its financial assets for credit risk, in order to minimise any such risk the Group invests mainly in very short-term floating-rate instruments (promissory notes) 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

Almirall, S.A. manages its capital to guarantee the continuity of the activities of the Group companies of which it is the Parent while maximising returns for shareholders through the optimal balance between debt and equity.

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

At 31 December 2013 and 2012 the leverage ratios were as follows (Euro thousand):

	31 December 2013	31 December 2012
Bank loans	281,422	-
Retirement benefit commitments (1)	52,370	52,206
Cash and cash equivalents	(89,211)	(52,291)
Net debt	**244,581**	**(85)**
Equity	888,334	923,667
Share capital	20,754	20,463
Leveraging ratio(1)	**28%**	**0%**

(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

Supplier payment periods of the Spanish companies of the consolidable group observe the limits laid down in Law 15/2010, amending Law 3/2004 on measures to combat delinquency in business operations. The Law stipulates maximum payment periods of 85 days for 2010 and 2011, 75 days for 2012 and 60 days as from 1 January 2013.

Payments on business operations carried out during the year which are pending payment at the year end, with respect to the maximum terms allowed by Law 15/2010, are as follows:

	Payments made and pending at the balance sheet date			
	2013		**2012**	
	Euro thousand	**%**	**Euro thousand**	%
Payments for the year within maximum legal term	681,348	95.95%	636,962	97.57%
Remainder	28,744	4.05%	15,865	2.43%
Total payments during the year	710,093	100%	652,827	100%
Average payment period exceeded (days)	**90**		**107**	
Balance payable at year end in excess of maximum legal limit	**762**		**517**	

This balance relates to the suppliers of the Spanish companies in the consolidated group which, by nature are trade creditors owed for goods and services supplied.

32. Events after the balance sheet date

On 23 January 2014 the shareholder Grupo Platin carried out a placement in qualifying investments of a package of 8,700,000 of Almirall, S.A., representing 5.0303% of share capital. The placement price amounted to EUR11.75 per share (EUR 102,225 thousand for all shares).

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.
	Euro thousand						
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 2013							
% 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
Capital	120	120	60	120	120	60	61
Reserves	1,988	2,183	1,826	950	1,913	59	1,426
Net profit/(loss) for the year	3	158	156	59	155	5	154
31 December 2012							
% 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
Capital	120	120	60	120	120	60	61
Reserves	1,982	2,007	1,671	861	1,761	53	1,047
Net profit/(loss) for the year	6	176	155	89	152	6	164

Note: All information on the companies has been obtained from their individual financial statements. Therefore it does not reflect the effect that would apply from the consolidation of the investments. Dormant companies not included in the consolidation are not included.

APPENDIX: INFORMATION ON GROUP COMPANIES 2/4

	Euro thousand						
Name	Laboratorios Berenguer - Infale, S.L.	Pantofarma, S.L.	Industrias Farmacéuticas Almirall, S.L.	Ranke Química, S.L.	Almirall Internacional, BV	Almirall, NV	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 2013							
% 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
Capital	120	360	1,200	1,200	52,502	1,203	1,500
Reserves	1025	675	53,107	19,733	43,845	1,332	588
Net profit/(loss) for the year	134	91	2,463	1365	9,757	193	352
31 December 2012							
% 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
Capital	120	360	1,200	1,200	52,602	1,203	1,500
Reserves	936	588	50,768	18,784	36,420	987	598
Net profit/(loss) for the year	89	88	2,339	949	9,416	346	-10

Note: All information on the companies has been obtained from their individual financial statements. Therefore it does not reflect the effect that would apply from the consolidation of the investments. Dormant companies not included in the consolidation are not included.

APPENDIX: INFORMATION ON GROUP COMPANIES 3/4

	Euro thousand						
Name	Almirall, BV	Subgroup Almirall S.A. de C.V. (**)	Almirall Limited	Subgroup Almirall, S.A.S. (***)	Almirall SP, Z.O.O.	Almirall GmbH	Almirall, AG
Management	Netherlands	Mexico	UK	France	Poland	Austria	Switzerland
Activity	Intermediary services	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory	Sale of pharmaceutical specialities	Pharmaceutical laboratory	Management of licences and sales of raw materials.
31 December 2012							
% 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
Capital	4,000	24,125	563	13,783	14	36	652
Voluntary	540	2,334	3,373	6,256	1,200	2,117	254
Net profit/(loss) for the year	140	2,202	551	1,189	67	356	8,648
31 December 2012							
% 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
Capital	4,000	24,125	563	13,783	14	36	652
Reserves	384	2,135	2,689	5,893	1,119	1,914	719
Net profit/(loss) for the year	157	324	712	363	42	203	11,131

Note: All information on the companies has been obtained from their individual financial statements. Therefore it does not reflect the effect that would apply from the consolidation of the investments. Dormant companies not included in the consolidation are not included.

(**) Includes the subsidiaries Almirall S.A. de C.V. and Almirall de México S.A. de C.V.
(***) Includes the subsidiaries Almirall, SAS and Almirall Production SAS.

APPENDIX: INFORMATION OF GROUP COMPANIES 4/4

	Euro thousand						
Name	Almirall SpA	Almirall Sofotec, GmbH	Almirall Hermal, GmbH	Almirall Aps	Almirall Limited	Almirall Inc	Subgroup (****) Aqua
Management	Italy	Germany	Germany	Denmark	Canada	USA	Pharmaceuticals
Activity	Pharmaceutical laboratory	R&D centre	Pharmaceutical laboratory	Pharmaceutical laboratory	Pharmaceutical laboratory	International holding company	Pharmaceutical laboratory
31 December 2013							
% interest held							
- Directly	-	100%	100%	100%	100%	100%	-
- Indirectly	100%	-	-	-	-	-	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full Full consolidation	Full Full consolidation
Capital	8,640	25	25	17	516	101,574	39,182
Reserves	27,262	29,046	52,173	709	-	-	(35,926)
Net profit/(loss) for the year	6,515	1,288	5,304	900	125	(4,813)	3,256
31 December 2012							
% interest held						Company incorporated in 2013	Company added to group in 2013
- Directly	-	100%	100%	100%	100%		
- Indirectly	100%	-	-	-	-		
% voting rights	100%	100%	100%	100%	100%		
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation		
Capital	8,640	25	25	17	516		
Reserves	21,029	27,477	52,772	322	(13)		
Net profit/(loss) for the year	6,265	1,745	(1,337)	424	-		

Note: All information on the companies has been obtained from their individual financial statements. Therefore it does not reflect the effect that would apply from the consolidation of the investments. Dormant companies not included in the consolidation are not included.

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