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

Consolidated Annual Accounts for the year ended 31 December 2006, prepared in accordance with the International Financial Reporting Standards (IFRSs) adopted by the European Union

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

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LABORATORIOS ALMIRALL, S.A. (formerly Almirall Prodesfarma, S.A.) and Subsidiaries
(ALMIRALL GROUP)

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER 2006 AND 2005
(Thousands of euro)

ASSETS	**Note**	**31 December 2006**	**31 December 2005**	**EQUITY AND LIABILITIES**	**Note**	**31 December 2006**	**31 December 2005**
				Share capital		18.972	21.516
Goodwill	7	47.308	39.955	Share premium		61.029	84.029
Intangible assets	8	85.238	73.674	Legal reserve		3.794	4.303
Property, plant and equipment	9	151.488	147.292	Other reserves of the parent company		137.595	270.554
Financial assets	10	54.264	90.031	Consolidation reserves		338.156	341.837
Deferred tax assets	20	112.422	97.159	Reserves of first-time application		57.054	57.054
NONCURRENT ASSETS		**450.720**	**448.111**	Exchange differences		(637)	1.501
				Profit for the year		147.250	117.725
				EQUITY	14	**763.213**	**898.519**
				Deferred revenue	15	46.634	4.347
				Deferred tax liabilities	20	48.410	47.760
				Provisions	18	14.569	10.246
				Other noncurrent liabilities	17	29.380	26.665
				NONCURRENT LIABILITIES		**138.993**	**89.018**
Inventories	12	94.556	93.656				
Trade accounts receivable and other	13	100.137	93.899	Bank borrowings and other financial liabilities	16	5.782	7.291
Current tax assets	20	45.052	44.807	Trade accounts payable		143.105	138.516
Current financial investments	10	398.389	455.697	Current tax liabilities	20	21.977	30.325
Cash and other liquid assets	10	23.043	62.958	Other current liabilities	17	41.103	37.630
Other current assets		2.276	3.243	Provisions	19	-	1.072
CURRENT ASSETS		**663.453**	**754.260**	**CURRENT LIABILITIES**		**211.967**	**214.834**
TOTAL ASSETS		**1.114.173**	**1.202.371**	**TOTAL EQUITY AND LIABILITIES**		**1.114.173**	**1.202.371**

Notes 1-30 described in the Consolidated Annual Report and Annex are an integral part of the consolidated balance sheets at 31 December 2006 and 2005.

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

LABORATORIOS ALMIRALL, S.A.
(formerly Almirall Prodesfarma, S.A.) and Subsidiaries
(ALMIRALL GROUP)

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 AND 2005

(Thousands of euro)

	Note	2006	2005
Revenue	19	757.989	736.132
Change in inventories of work in process and finished products		6.561	11.229
Procurements	19	(247.325)	(237.601)
Gross margin		**517.225**	**509.760**
Other income	19	96.138	62.281
Staff costs	19	(185.508)	(187.499)
Depreciation and amortisation charge	8 and 9	(28.738)	(29.978)
Net change in provisions	19	(2.251)	(5.984)
Other operating expenses		(281.558)	(220.202)
Net gains / (losses) in the sale of noncurrent assets	19	24.147	541
Other gains / (losses), ordinary operations		250	(110)
Impairment losses on property, plant and equipment, intangible assets and goodwill	7, 8 and 9	(6.000)	(5.080)
Impairment losses on long-term financial assets		-	452
Financial income	19	21.945	17.122
Financial expenses	19	(8.142)	(7.484)
Exchange differences	19	(1.702)	4.089
Results before taxes from continuing operations		**145.806**	**137.908**
Corporate income tax	20	(4.430)	(20.183)
Consolidated net profit for the year attributed to the parent company		**141.376**	**117.725**
Results for the year from discontinued operations	22	5.874	-
Net profit for the year attributed to the parent company		**147.250**	**117.725**
Earnings per share (euro)	23		
A) Basic		42,74	32,88
B) Diluted		42,74	32,88

Notes 1-30 described in the Consolidated Annual Report and Annex are an integral part of the consolidated income statements for the years ended December 2006 and 2005.

Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRSs, as adopted by the European Union (see Notes 2 and 30).
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LABORATORIOS ALMIRALL, S.A. (formerly Almirall Prodesfarma, S.A.) and Subsidiaries
(ALMIRALL Group)

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY IN THE YEARS
ENDED ON 31 DECEMBER 2006 AND 2005
(Thousands of euro)

						Reserves at companies					
	Notes	**Share Capital**	**Share Premium**	**Legal reserve**	**Other reserves, parent company**	**Fully consolidated**	**Accounted for by equity method**	**Gains and losses registered in equity**	**Exchange differences**	**Profits (losses) attributed to parent company**	**Equity**
Balance at 31 December 2004	**14**	**21.516**	**84.029**	**4.303**	**284.769**	**188.442**	**121.550**	**4.647**	**1.775**	**92.572**	**803.603**
Changes in scope of consolidation		-	-	-	-	121.550	(121.550)	-	-	-	-
Distribution of profits (losses)		-	-	-	10.129	82.443	-	-	-	(92.572)	-
Dividends		-	-	-	(24.344)	-	-	-	-	-	(24.344)
Exchange differences		-	-	-	-	66	-	-	(274)	-	(208)
Revenue and expenses registered in equity		-	-	-	-	-	-	1.743	-	-	1.743
Profit (loss) for the period		-	-	-	-	-	-	-	-	117.725	117.725
Balance at 31 December 2005	**14**	**21.516**	**84.029**	**4.303**	**270.554**	**392.501**	**-**	**6.390**	**1.501**	**117.725**	**898.519**
Changes in scope of consolidation		-	-	-	-	(328)	-	-	-	-	(328)
Distribution of profits (losses)		-	-	-	121.038	(3.313)	-	-	-	(117.725)	-
Dividends		-	-	-	(30.050)	-	-	-	-	-	(30.050)
Reduction of capital		(2.544)	(23.000)	(509)	(223.947)	-	-	-	-	-	(250.000)
Exchange differences		-	-	-	-	-	-	-	(2.138)	-	(2.138)
Revenue and expenses registered in equity		-	-	-	-	-	-	(40)	-	-	(40)
Profit (loss) for the period		-	-	-	-	-	-	-	-	147.250	147.250
Balance at 31 December 2006	**14**	**18.972**	**61.029**	**3.794**	**137.595**	**388.860**	**-**	**6.350**	**(637)**	**147.250**	**763.213**

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

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LABORATORIOS ALMIRALL, S.A. (formerly Almirall Prodesfarma, S.A.) and Subsidiaries
(ALMIRALL GROUP)

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

	Note	2006	2005
Cash flow from continuing activities			
Profit before taxes		145.806	137.908
Amortisation and depreciation charges	8 and 9	28.738	29.978
Net change in noncurrent provisions	18	4.323	1.771
Net change in provisions, noncurrent financial assets	10	-	2
Results from sale of noncurrent assets	19	(24.147)	(541)
Finance income	19	(21.945)	(17.122)
Finance costs	19	8.142	7.484
Exchange differences	19	1.702	(4.089)
Impairment losses on assets	7, 8 and 9	6.000	5.080
Allocation of deferred revenue to income	15	(8.320)	(1.193)
		140.299	**159.278**
Adjustments for changes in working capital			
Change in inventories		(900)	(13.203)
Change in trade accounts receivable and other		(6.238)	(3.539)
Changes in trade accounts payable		4.589	13.380
Changes in other current assets		967	(2.224)
Changes in other current liabilities		3.473	8.017
Changes in current provisions		(1.072)	1.072
Adjustments for changes in other noncurrent items:			
Incorporation of deferred revenue	15	50.607	19
		51.426	**3.522**
Taxes paid		**(27.636)**	**(21.230)**
Net cash flow from operating activities (I)		**164.089**	**141.570**
Cash flow from investing activities			
Finance income	19	21.945	17.122
Exchange differences	19	(1.702)	4.089
Net changes in financial assets held for sale	10	760	(2.681)
Investments:			
Goodwill	7	(11.901)	-
Intangible assets	8	(28.062)	(40.327)
Property, plant and equipment	9	(32.224)	(31.330)
Financial assets	10	(7.368)	(5.804)
Divestments:			
Intangible and property, plant and equipment	8 and 9	33.120	2.772
Financial assets	10	42.375	6.533
Discontinued operations	22	11.237	-
Changes in scope of consolidation	3-b, 10 & 11	(328)	132.333
Net cash flows from investing activities (II)		**27.852**	**82.707**
Cash flow from financing activities			
Financial expenses	19	(8.142)	(7.484)
Equity instruments:			
Change in revenue and expenses registered against equity		(40)	1.743
Dividends paid	14	(30.050)	(24.344)
Reduction of capital	14	(250.000)	-
Exchange differences	14	(2.138)	(208)
Liability instruments			
Bank borrowings	16	(1.509)	1.766
Other noncurrent liabilities	17	2.715	(435)
Net cash flow from financing activities (III)		**(289.164)**	**(28.962)**
Net change in cash and other cash equivalents (I+II+III)		**(97.223)**	**195.315**
Cash and cash equivalents at beginning of period		**518.655**	**323.340**
Cash and cash equivalents at end of period		**421.432**	**518.655**

Notes 1-30 described in the Consolidated Annual Report and Annex are an integral part of the consolidated cash flow statements at 31 December 2006 and 2005.

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

Laboratorios Almirall, S.A. (formerly Almirall Prodesfarma, S.A.) and Subsidiaries

Notes to the consolidated annual accounts for the year ended 31 December 2006

1. The Group's activities

Laboratorios Almirall, S.A. is the parent company of a group of companies (hereafter Grupo ALMIRALL) whose object is basically the purchase, manufacture, storage, marketing and intermediation in the sale of pharmaceutical products and specialties as well as all types of inputs used in the preparation of these pharmaceutical products and specialties.

The object of the parent company also includes:

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

b) Research in pharmaceutical and chemical principles and products.

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

d) The purchase, subscription, holding, transfer and sale of all types of securities, domestic and foreign, for its own account and without brokerage activity. These activities shall not include those the law expressly reserves for collective investment undertakings and those the Law on the Securities Market reserves for stock brokerage companies.

This corporate object may be pursued, fully or partially, directly, on its own, or indirectly through ownership of shares, holdings or any other rights or interests in companies or any other type of institutions, with or without legal personality, resident in Spain or abroad and engaged in activities identical or similar to those included in the object of the parent company.

The parent company's corporate domicile is located at Ronda General Mitre 151, Barcelona.

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

2. Bases of presentation of the annual accounts and consolidation principles

a) Basis of presentation

The 2006 consolidated annual accounts of Grupo ALMIRALL, which were obtained based on the accounting records maintained by the parent company and by the remaining companies comprising the Group, were prepared by the Directors of the parent company at the Meeting of the Board of Directors of 21 March 2007.

These consolidated annual accounts were prepared in accordance with the IFRSs adopted by the European Union and reflect all of the accounting standards and principles and the valuation criteria to be applied on a mandatory basis and present fairly the consolidated equity and financial position, on a consolidated basis, of Grupo ALMIRALL at 31 December 2006 and of the results from its operations, changes in equity and consolidated cash flow of the Group during the year ended at that date.

However, as the accounting principles and valuation criteria applied in the preparation of the Group's 2006 consolidated annual accounts may differ from those used by some of its constituent companies, in the process of consolidation, the adjustments and reclassifications required to unify the principles and criteria, and to adapt them to the International Financial Reporting Standards, were applied.

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

The Group's 2005 consolidated annual accounts, after being reformulated, were approved by the parent company's General Shareholders' Meeting of 23 March 2007. While the present 2006 consolidated annual accounts of the Group have not yet been approved by the parent company's General Shareholders' Meeting, the parent company's Board of Directors expects the consolidated annual accounts to be approved without amendment.

b) Adoption of International Financial Reporting Standards

The consolidated annual accounts of Grupo ALMIRALL for the year ended 31 December 2005 were the first ones prepared in accordance with the International Financial Reporting Standards as provided under Regulation (EC) No 1606/2002 of The European Parliament and of The Council of 19 July 2002 (by virtue of which all companies governed by the law of a member State of the European Union, and whose securities are listed on a regulated market in any of the member States are required to file consolidated annual accounts for the years beginning from 1 January 2005 in accordance with the IFRSs adopted by the European Union). In Spain, the obligation to file consolidated annual accounts under the IFRSs approved in Europe was also regulated in Final Provision 11 of Law 62/2003 of 30 December 2003 on fiscal, administrative, and social measures.

In this connection, the parent company took as opening balance sheet in accordance with the IFRSs the consolidated financial statements at 1 January 2004 (date of transition). This is the starting point for accounting under the International Financial Report Standards for Grupo ALMIRALL. Notes 2.c) and 30 of the Group’s 2005 consolidated annual accounts include a detailed explanation of the accounting impact of transition to the IFRSs.

The principal accounting policies and valuation rules adopted by Grupo ALMIRALL are presented in Note 5.

With respect to application of the IFRSs, Grupo ALMIRALL chose the following main options:

- To present the balance sheet items classified under current and noncurrent components.
- To present the income statement by nature.
- To present the statement of changes in equity to reflect changes in all headings.
- To present the cash flow statement using the indirect method.

In relation to the optional early application of International Financial Reporting Standards already issued but not yet in effect, the Group did not choose to apply any of these options. Their application would in any case not significantly affect the Group's equity.

Where other rules and the interpretations now in the draft phase are concerned, the Directors do not expect substantial impacts in the future from their application.

c) Responsibility for information and estimates

The information provided in these consolidated annual accounts is the responsibility of the Board of Directors of the Group. In the consolidated annual accounts of the Group for the year ended 31 December 2006, estimates prepared by the Group's Directors and the consolidated entities were used to quantify some assets, liabilities, revenue, expenditure and commitments recorded therein. These estimates substantially refer to the following:

- Goodwill recovery valuation (Notes 5-a, 5-d, 6-e and 7),
- Useful life of intangible assets and property, plant and equipment (Notes 5-b and 5-c),
- Assessment of the technical and economic feasibility of capitalised development projects in progress (Notes 5-b and 5-d),
- Impairment losses in certain property, plant and equipment and intangible assets derived from the nonrecoverability of the recorded book value of the assets (Notes 5-d, 6-e, 7 and 8),
- Fair value of specific unlisted assets (Note 5-f),
- Assessment of litigation, commitments and assets and contingent liabilities at closing (Note 24).
- Assessment of the criteria for revenue recognition and benefits to be recorded in connection with agreements executed with third parties relating to licences, co-development and co-promotion of products (Notes 5-ll and 6-a).
- Estimation of time allocation of promotional expenses paid in advance or of a multi-year nature (Note 6-f).
- Estimation of timely provisions for insolvencies in accounts receivable, product returns and obsolescence of inventories on hand (Notes 5-i, 5-k and 5-h).

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

d) Functional currency

These consolidated annual accounts are denominated in euro as this is the currency of the Group's main operating environment.

3. Consolidation principles and changes in scope of consolidation

a) Consolidation principles

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

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

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

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

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

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

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

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

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

b) Changes in the scope of consolidation

The main changes in the scope of consolidation during 2006 are described below:

a) On 16 January 2006 the company Blitz F06-509 GmbH was incorporated (during the year it changed its corporate name to Almirall Sofotec GmbH) with payment by Laboratorios Almirall, S.A. of €27 thousand, approximately. Later in 2006, the capital was increased by €25,000 thousand, fully subscribed by Laboratorios Almirall, S.A. against payment of €1,800 thousand and acquisition of certain liabilities that Almirall Sofotec, GmbH had incurred with a third party in the amount of €23,200 thousand (Note 7).

Shown below is the contribution to the 2006 consolidated income statement of the said company on its inclusion in the scope of consolidation:

	Thousands of euro Revenue/(Expense)
Procurements	(585)
Staff costs	(2,670)
Depreciation and amortisation charge	(1,199)
Other operating expenses	(2,402)
Financial income	1
Income tax	(164)
Total	**(7,019)**

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

   This change in the scope of consolidation did not give rise to any goodwill or change in the value of the assets and liabilities previously booked by the Group.

c) In 2006 the Group removed the subsidiary Almirall Prodesfarma, S.A. (Chile) from the scope of consolidation. The equity contributed by that subsidiary at 31 December 2005 amounted to €328 thousand. Also, the assets and liabilities contributed by that subsidiary at 31 December 2005 were not significant.

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

The main changes in the scope of consolidation during 2005 are provided below:

a) During 2005, the Group acquired all voting, financial and other rights not held in prior years in the subsidiaries Chemol International, Ltd. and Expharm, S.A., respectively.

   The value of these acquisitions should correspond to the underlying book value of the holdings. As a result of these acquisitions, the holdings in Chemol International, Ltd. and Expharm, S.A., which were previously accounted for using the equity method, were fully consolidated. For simplification purposes and because the impact is not material, the application of the full consolidation method became effective from 1 January 2005.

   Later, during 2005, the above-mentioned companies conducted a merger by absorption and changed the acquiring company's name (Chemol International, Ltd.) to that of the acquired company (Expharm, S.A.).

b) During 2005, the Group acquired all voting, financial and other rights not held in prior years in the subsidiaries Almirall International, B.V. and Almochem, S.L., accounted for up to that time using the equity method. As a result, Almochem, S.L., which was previously accounted for using the equity method, was fully consolidated. The merger by absorption into Almirall International, B.V. by Almirall Prodesfarma, B.V. also occurred later in 2005. For simplification purposes and because the impact is not material, application of the fully consolidated method became effective 1 January 2005.

The detailed listing at 31 December 2004 of the key equity blocks on the individual balance sheets of the companies consolidated in the past using the equity method and described above, are listed in the following table:

	Thousands of euro			
	Chemol International, Ltd	Expharm, S.A.	Almirall International, BV.	Almochem, S.L.
Current assets	13,715	17,219	8	115,353
Noncurrent assets	59	3,450	287	1
	13,774	**20,669**	**295**	**115,354**
Equity	13,766	18,186	288	114,447
Noncurrent liabilities	-	-	-	9
Current liabilities	8	2,483	7	898
	13,774	**20,669**	**295**	**115,354**

Market value adjustments to balance sheet items for the foregoing companies are insignificant. No significant goodwill has been recorded.

4. Distribution of the parent company's profits

The proposed distribution of profits recorded in the parent company's annual accounts for 2006 and 2005 were as follows:

	Thousands of euro	
	2006	2005
Distribution base:		
Profits for the year	466,793	121,038
Distribution:		
Voluntary reserves	44,051	121,038
Reserve for investment in Canary Islands	2,492	-
Dividends	420,000	-
Total	**466,793**	**121,038**

5. Valuation rules

The Group's 2006 consolidated annual accounts were prepared by the Directors of the parent company as provided in the International Financial Reporting Standards (IFRSs) approved by the European Union and in accordance with Law 62/2003 of 30 December 2003.

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

a) Goodwill

The main figure included in this item corresponds to goodwill from the merger of the parent company with Prodesfarma, S.A. (Note 7) during 1997.

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

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

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

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

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

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

Impairment losses on goodwill are not subject to later reversal (Note 5-d).

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

b) Intangible assets

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

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

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

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

	Percentage Annual
Industrial property	10%-20%
Software	33%

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

Research and development

a) Internally generated

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

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

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

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

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

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

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

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

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

b) Separate acquisition

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

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

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

Industrial property

Patents, trademarks, and licences for production, marketing and/or distribution of products are initially recorded at purchase price and are amortised throughout the estimated useful lives of the related products (normally using the straight-line method) with the limit, if applicable, of the duration of licence agreements signed with third parties. These periods normally do not exceed 10 years.

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

Software

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

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

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

c) *Property, plant and equipment*

Property, plant and equipment are normally carried at present cost, in the case of Spanish companies, in accordance with various legal provisions, including Royal Decree-Law 7/1996 (Note 9).

Replacements or renewals of complete elements that increase the useful life of the asset or its economic capacity are recorded as increases of property, plant and equipment, and the replaced or renewed components are subsequently withdrawn from the accounting system.

Periodic maintenance, upkeep and repair expenditure is allocated to profits or losses according to the accrual principle, as costs in the year when incurred.

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

Annual depreciation allowances for property, plant and equipment are applied with a balancing entry in the consolidated income statement and are basically equivalent to the depreciation percentages determined to reflect the years of estimated useful life of the asset, with the understanding that the land on which buildings and other constructions are built has an indefinite useful life and is therefore not subject to depreciation. Average useful life figures are listed below for a number of different assets:

	Years of useful life
Constructions	33-50
Technical facilities and machinery	8-12
Laboratory equipment and furnishings	6-10
Data processing hardware	4-6
Transportation equipment	5-6.25

Certain asset items are depreciated according to the accelerated method under which a constant percentage is applied to the value not yet depreciated. This percentage is determined based on the years of estimated useful life and the coefficient established under Legislative Royal Decree 4/2004 of 5 March 2004 approving the consolidated text of the Law on the Corporate Income Tax as amended. Had linear coefficients been used, the effects on reserves and profits for the year would not have been significant.

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

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

At the date of each balance sheet, the Group reviews the book amounts of its property, plant and equipment and intangible assets to determine whether indications exist that the assets have undergone losses in value due to impairment. Should any indication exist, the recoverable value of the asset is calculated to determine the extent of the loss in value due to impairment (if applicable). Should the asset not generate cash flows on its own independently of other assets, the Group calculates the recoverable amount of the cash generating unit to which the asset belongs. Intangible assets with an indefinite useful life or those for which amortisation has not begun are subject to value impairment tests once a year.

The recoverable amount is the higher amount between the fair value less the cost of sale and value in use. In assessing the value, estimated future cash flows in respect of the present value are discounted using a discount rate before taxes that reflects the current market valuations in respect of the time value of money and the specific risks of the asset for which the estimated future cash flows have not been adjusted.

If it is estimated that the recoverable amount of an asset (or cash generating unit) is less than its book value, the book value of the asset (cash generating unit) is reduced to its recoverable amount. An impairment loss is immediately recorded as an expense.

When a loss in value due to impairment is later reversed, the book value of the asset (cash generating unit) is increased to reflect the revised estimate of its recoverable amount, but such that the increased book value does not exceed the book value that would be determined in the absence of any value impairment loss in the asset (cash generating unit) during prior years. A reversal of a loss in value due to impairment is immediately recorded in income, up to the aforementioned limit.

For goodwill, impairment analysis involves three steps: first, the recoverable value of goodwill assigned specifically to cash generating units is determined (if possible); second, the loss attributable to asset items included in the cash generating unit is assessed, and if applicable the relevant impairment is recorded as described above. Last, the unassigned recoverable value of goodwill, including all related cash generating units is assessed. If goodwill impairment losses need to be recognised, they are not reversible (Note 5-a).

e) Lease agreements

Financial leases

Financial leases are defined as those in which the risks and benefits attributed to a leased asset are transferred to the lessee who normally has the option of purchasing the asset at the end of the agreements under conditions agreed when the operation is finalised.

The assets acquired by financial lease are classified under "Property, plant and equipment" depending on the nature of the asset subject to the contract, and are recorded with a liability balancing entry of equal value, as the lowest amount between the fair value of the leased asset and the sum of current values of the minimum amounts payable to the lessor plus the price of exercising the purchase option. These assets are depreciated with criteria similar to those applied to all property, plant and equipment of the same type.

Current and noncurrent “Bank borrowings and other financial liabilities” on the consolidated balance sheet reflects total debt in connection with the present value of rental payments. Financial expenses on the transaction are recorded in the consolidated income statement at the time each payment is made, for the duration of the agreement, reflecting the effective interest rate applicable to these operations, so that the rent remains constant throughout the life of the agreements.

Operating leases

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

f) Financial investments and cash and cash equivalents

Grupo ALMIRALL determines the most appropriate classification for each financial investment at the time of acquisition, and revises these classifications at the end of the year. Financial investments, both current and noncurrent, are classified in the following categories:

- Financial assets held for trading: all assets acquired for the main purpose of generating profits as a result of short-term purchase and sale operations.

  Assets included in this category appear on the consolidated balance sheet at fair value and fluctuations in value are recorded under “Financial costs” and “Financial income" in the consolidated income statements, as applicable.

- Loans and accounts receivable: are valued at the time they are recorded on the balance sheet at market value, and are later carried at amortised cost using the effective interest rate.

- Investments to be held to maturity: financial investments that the group intends and has the capacity to hold until maturity, which are recorded at amortised cost using the effective interest rate.

- Investments available for sale: all investments not included in any of the three foregoing categories. The accounting entry of these figures on the balance sheet for 2006 and 2005 reflected market value at closing date, and changes in the value of these investments are charged or credited to “Gains and losses registered in equity" under consolidated equity. When these investments are transferred, the cumulative value of the changes in equity is allocated in full to the consolidated income statement.

Changes in market value of these assets as a result of impairment losses, exchange rate fluctuations, and application of the effective interest rate or the existence of unpaid dividends are recorded through the consolidated income statement.

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

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

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

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

Classification of current and noncurrent financial assets

On the accompanying consolidated balance sheet, financial assets are classified to reflect their maturities, i.e., as current when maturities are less than or equal to 12 months from the date of the balance sheet, or noncurrent when their maturities are longer.

g) Noncurrent assets classified as held for sale

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

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

h) Inventories

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

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

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

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

i) Customers, sales and services

Customer balances are recorded as described in Note 5-f. At each closing the recoverable value is determined and reduced, if applicable, to reflect adjustments to cover the balances when circumstances reasonably permit them to be classified as doubtful claims.

j) Liability instruments

Bank loans

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

Trade and other accounts payable

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

Classification of debts as current or noncurrent

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

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

k) Provisions

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

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

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

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

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

Provision for product returns

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

As a significant share of returns will occur in a period exceeding 12 months, they are classified as noncurrent.

l) Grants (deferred revenue)

Grants intended to cover costs of personnel retraining are recorded as revenue when all of the conditions have been met, and in the time frames where the related costs are offset and deducted in the corresponding expenditure reporting.

Grants related to property, plant and equipment are considered deferred revenue and are applied to profit throughout the estimated useful life of the relevant assets.

ll) Recognition of revenue and expenses

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

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

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

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

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

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

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

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

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

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

m) Corporate income tax; deferred tax assets and liabilities

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

Laboratorios Almirall, S.A. is subject to the income tax under the tax consolidation regime, Chapter VII, Title VII of Legislative Royal Decree 4/2005 of 5 March 2005 approving the consolidated text of the Law on the Corporate Income Tax, as amended. The companies comprising the Group for tax purposes in 2006 and 2005 were: Laboratorios Almirall, S.A., Laboratorios Farmacéuticos Prodes, S.L., Laboratorio Temis Farma, S.L. (formerly Laboratorios Funk, S.L.), Laboratorios Berenguer-Infale, S.L., Industrias Farmacéuticas Almirall Prodesfarma, S.L., Laboratorio Omega Farmacéutica, S.L., Laboratorios Tecnobío, S.A., Laboratorios Farmacéuticos Almirall, S.L., Alprofarma, S.L. (formerly, Alpro – Farma, S.L.), Pantofarma, S.L., Laboratorios Farmacéuticos Romofarm, S.L, Ranke Química, S.L. and Almirall Europa, S.A., the first acting as parent company. As a result, expenditure under the consolidated income tax reflects the advantages derived from tax losses and deductions pending application and not recorded when companies comprising this tax group are subject to individual taxation.

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

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

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

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

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

n) Discontinued operations

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

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

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

o) ***Transactions in foreign currencies***

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

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

1) Conversion of foreign currencies to the functional currency of the subsidiaries:

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

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

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

   - Assets and liabilities, using the exchange rates at the close of the year.

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

   - Equity, at historical exchange rates.

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

p) Information on environment

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

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

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

q) Earnings per share

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

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

r) Consolidated cash flow statements

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

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

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

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

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

6. Key accounting judgements and estimates

a) Revenue recognition

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

- Initial non-refundable payments;

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

- Royalties;

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

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

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

- It was a non-refundable payment.

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

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

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

In addition, the agreement included future payments to be received of US$10 and US$15 million in completion and success payments, respectively, for two paediatric studies related to the product. As these studies have not been completed to date, the group has not recorded any revenue for these potential receivables (Note 24).

Operation with Forest Laboratories

On 6 April 2006 the Group signed an agreement with a third party (Forest Laboratories Holdings Ltd., a subsidiary of Forest Laboratories, Inc.) to develop and, possibly, jointly market and distribute a drug to treat Chronic Obstructive Pulmonary Disease ("COPD"). The commercial name of the product in Europe is "Eklira" and it is in development phase III.

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

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

As consideration for the agreement the Group has obtained the non-refundable amount of US$60 million (€48.7 million, approximately, at the time of receipt), and maintains the right to receive certain sums for achievement of milestones relating to the marketing and eventual marketing of the product (Note 24).

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

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

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

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

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

A different interpretation of the premises established above or of the estimates assumed could give rise to modifications in the timing of the release to income of the non-refundable amount initially received (Notes 15 and 19).

b) Valuation of intangible assets

Operation with Meda Pharma GmbH & Co KG.

In 2006 the Group acquired from a third party (Meda Pharma GmbH & Co KG.), for €25 million, a series of intangible assets involving intellectual property, know-how and patents in the inhalator field that will be mainly applied to develop an inhalator that will serve as support for administering one of the main products which the Group has in the development phase (Note 8). Part of those intangible assets (patents) are the intellectual property rights on an inhalator ("Novolizer") currently used for administering drugs marketed by the said third party, which has reserved the exclusive right of use, free of charge and in perpetuity, of the inhalator to produce and market the said drugs.

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

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

Acquisition of developments in progress

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

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

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

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

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

At the close of 2006 and 2005 various legal proceedings and claims instituted against the consolidated entities originating from the normal course of their activities were in progress. Both the Group's legal advisors and its Directors deem that the conclusion of these proceedings and claims will not have significant bearing on the annual accounts in future years (Note 24).

d) Deferred tax assets

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

In this connection, the consolidated balance sheets at 31 December 2006 and 2005 reflect assets for deductions pending of €90.8 million and €79.8 million, respectively. In addition, the consolidated balance sheet at 31 December 2006 records €4.6 million in tax credits for tax losses to be carried forward against future earnings (Note 20).

e) Impairment of goodwill

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

f) Accrual of marketing expenses

In 2006 the Group reached an agreement with a third party to pursue a plan for commercial co-promotion in the European market of the main inhalator platform to which the Group is committing resources (Note 6-b), and which is currently being used by the said third party in certain markets. The terms of the agreement stipulate that the Group will pay an overall sum of €65 million to the third party until 2008.

The expense of this co-promotion has been time allocated on the basis of the Group’s projection of the promotional expenditure that will actually be carried out by the other company, such that approximately €40 million were accrued in 2006 in the income statement as a result of that projection. It is estimated that €21 million and €4 million, approximately, will be taken to the income statement in 2007 and 2008, respectively. That estimate is checked, at each annual closing, against the statistics on product promotional expenses published by an independent body, and corrected if necessary.

7. Goodwill

The changes in this item of the consolidated balance sheet throughout 2006 and 2005 are listed below:

	Thousands of euro				
	Balance at 1 January 2006	Additions	Retirements (Note 22)	Impairment losses	**Balance at 31 December 2006**
Irinol Farma, S.A. (formerly Pras-Farma, S.A.)	**4,548**	**-**	(4,548)	**-**	**-**
Total consolidation goodwill	4,548	**-**	**(4,548)**	**-**	**-**
Laboratorios Almirall, S.A.	**35,407**	-	-	-	**35,407**
Almirall Sofotec, GmbH	**-**	11,901	-	-	**11,901**
Total merger/acquired goodwill	**35,407**	**11,901**	**-**	**-**	**47,308**
Total	**39,955**	**11,901**	**(4,548)**	-	**47,308**

In 2005 there was no change in the various sections of the preceding table.

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

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

As a result of the research and development activities carried on by the Group in recent years in certain new drugs to treat diseases of the respiratory system, in 2006 the subsidiary Almirall Sofotec, GmbH acquired from a third party, for €20 million (VAT not included), a group of assets related to those activities. It also took on part of the staff of that third party involved in those activities. The approximate market value of the production assets acquired was €8 million (Note 9), approximately €12 million less than the amount paid.

Given that in the preceding years the Group had an arrangement with the said third party to pursue those research and development activities, the overprice paid has been considered an advance in respect of the margin of the research and development activities which the Group would necessarily have had to carry on to be able to conclude the processes carried out. That advance payment will be taken to the income statement on a straight-line basis during the projected time horizon for pursuit of the research and development activities that were pre-established previously. The impact on the 2006 consolidated income statement would not have been significant had the allocation begun in the said year.

8. Intangible assets

The breakdown of the balance of this item on the consolidated balance sheet at 31 December 2006 and 2005 is provided below:

	Thousands of euro						
	Cost					Accumulated amortisation and impairment losses	Net
	Industrial property	R&D expenditure	Software	Advances and fixed assets in progress	Total		
Balance at 1 January 2005	97,396	-	14,596	1,527	113,519	(61,888)	51,631
Changes in scope / method of consolidation	163	-	-	-	163	32	195
Additions or allowances	20,265	17,775	1,862	681	40,583	(17,423)	23,160
Increase/decrease owing to transfers or movements from other accounts, withdrawals and reductions	(3,022)	-	771	(2,037)	(4,288)	3,232	(1,056)
Exchange differences	(274)	-	13	-	(261)	5	(256)
Balance at 31 December 2005	**114,528**	**17,775**	**17,242**	**171**	**149,716**	**(76,042)**	**73,674**
Additions or Allowances	27,068	-	1,201	-	28,269	(15,772)	12,497
Increase/decrease owing to transfers or movements from other accounts	-	-	304	(171)	133	(261)	(128)
Withdrawals or reductions	(3,012)	-	-	-	(3,265)	2,667	(598)
Exchange differences	(508)	-	(15)	-	(523)	316	(207)
Balance at 31 December 2006	**138,076**	**17,775**	**18,479**	**-**	**174,330**	**(89,092)**	**85,238**

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

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

Also, the Group maintains the obligation to pay, as part of the payment for that acquisition, 1% of net sales of the products that may be eventually obtained from the principal drug the Group has in the development phase (“Eklira”- Note 6-a). That obligation covers the United States market and most of the countries of the European Union for a term of seven years as from the first launch of the eventual product. In addition, the Group should contribute to the development of a pharmaceutical product that is administrable with the inhalator on which the intellectual property rights have been obtained (Note 6-b) and which may be sold in Europe. The beneficiaries of the end product of that development will be both the Group and the third party involved.

Neither of the foregoing obligations has been considered to increase the value of the asset acquired, because of their contingent nature, in the first case, and because the Group is direct beneficiary of the development to be carried out, in the second.

Additions for 2005 under "Industrial property" corresponded primarily to the acquisition cost of licences to market a product for the Italian market for €18.5 million.

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

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

The amount of fully amortised intangible assets in operation by for the Spanish companies at 31 December 2006 and 31 December 2005 is €53 million approximately; and the amounts relating to foreign companies are insignificant.

The aggregate amount of Research and development expenses recognised as expenses on the accompanying consolidated income statement for 2006 and 2005 is €87 million and €66 million, respectively, without taking into account the impact of the impairment described in the following paragraph. These figures include amortisation of assets allocated to research and development activities, accrued staff expenditure for the Group and outlays in connection with third parties.

Impairment losses

In 2006 the Group recorded impairment losses of approximately €6 million on the development in progress acquired the previous year, as a consequence of worsening expectations for the marketing of the projected therapeutic indications. This impairment loss has been recorded under “Impairment losses in property, plant and equipment, intangible assets, and goodwill” in the 2006 consolidated income statement.

Similarly, in 2005 the Group recorded impairment losses of approximately €5 million in connection with the acquisition in prior years of certain trademarks as a result of the negative sales outlooks for these trademarks in future years. This impairment loss, which the Group considers definitive, was recorded under "Impairment losses in property, plant and equipment, intangible assets, and goodwill" in the 2005 consolidated income statement.

The details and changes of impairment losses of intangible assets recorded during 2006 and 2005 an included in the "Accumulated amortisation and impairment losses" column in the foregoing table are provided below:

	Thousands of euro				
	Balance at 1 January 2005	Additions	Balance at 31 December 2005	Additions	Balance at 31 December 2006
Industrial property	3,270	5,080	8,350	-	8,350
R&D expenditure	-	-	-	6,000	6,000

9. Property, plant and equipment

The changes under this item of the consolidated balance sheet in 2006 and 2005 are listed below:

	Thousands of euro								
	Cost							Accumulated depreciation	Net
	Land and constructions	Technical facilities and machinery	Other facilities, tools, and furnishing	Other fixed assets	Advances and fixed assets in progress	Assets under financial lease arrangements	Total		
Balance at 1 January 2005	39,736	44,924	157,915	17,586	16,088	28,968	305,217	(170,445)	134,772
Additions or allowances	5,106	3,189	15,942	501	6,553	-	31,291	(17,635)	13,656
Increase/decrease, transfers or movements from other accounts	28,649	89	7,704	(378)	(15,258)	(29,168)	(8,362)	7,187	(1,175)
Withdrawals or reductions	-	-	-	-	-	-	-	-	-
Exchange differences	-	21	9	20	-	200	250	(211)	39
Balance at 31 December 2005	**73,491**	**48,223**	**181,570**	**17,729**	**7,383**	-	**328,396**	**(181,104)**	**147,292**
Additions or allowances	3,128	3,950	19,914	322	4,918	-	32,232	(18,966)	13,266
Increase/decrease, transfers or movements from other accounts	777	98	5,788	309	(6,983)	-	(11)	11	-
Withdrawals or reductions	(8,584)	(1,500)	(10,884)	(1,707)	-	-	(22,675)	13,613	(9,062)
Exchange differences	-	-	(8)	(19)	-	-	(27)	19	(8)
Balance at 31 December 2006	**68,812**	**50,771**	**196,380**	**16,634**	**5,318**	-	**337,915**	**(186,427)**	**151,488**

The additions in 2006 and 2005 were mainly due to improvements in production centres of Group chemical and pharmaceutical plants, and to the acquisition of the tangible assets described in Note 7.

The withdrawals made in 2006 were mainly due to disposal of one of the Group's production plants (Note 22) and of the building formerly housing a research and development centre (Note 19).

Property, plant and equipment in progress at the close of 2006, in the approximate amount of €5 million, was mainly due to the investments made in relation to physical assets needed for executing a research and development project. Property, plant and equipment in progress at the close of 2005 basically reflected investments in existing production plants and improvements to research and development centres located in Spain amounting to approximately €7 million. Transfers of property, plant and equipment in progress by the Group during both years basically reflected the entry into operation of a new research and development centre in 2006 and in 2005 mainly reflects investment projects in production and research and development centres that became operational during those years.

The fully depreciated assets of Spanish companies at 31 December 2006 and 31 December 2005 totalled approximately €118 million, and the figures corresponding to foreign companies are insignificant.

As a result of the merger in 1997 and pursuant to Law 43/1995, the company recorded a revaluation under "Land and constructions" of the assets of the acquired company (up to the limit of the independent expert assessment at the time these companies were acquired) for a net book value of €421 thousand.

The effect at 31 December 2006 and 2005 of the revaluation of property, plant and equipment recognised by the companies in 1996 is as follows:

	Thousands of euro							
	2006				2005			
	Cost increase	Accumulated depreciation	Disposals	Net effect	Cost increase	Accumulated depreciation	Disposals	Net effect
Land and constructions	2,858	(714)	(822)	1,322	2,858	(656)	(571)	1,631
Technical facilities and machinery	1,520	(1,517)	(2)	1	1,520	(1,517)	(2)	1
Other facilities, tools, and furnishing	4,511	(4,403)	(83)	25	4,511	(4,366)	(83)	62
Other property, plant and equipment	101	(81)	(20)	-	101	(81)	(20)	-
Total	**8,990**	**(6,715)**	**(927)**	**1,348**	**8,990**	**(6,620)**	**(676)**	**1,694**

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

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

At 31 December 2006 and 2005 intangible assets include €10 million and €2 million, respectively, corresponding to the net value of property, plant and equipment owned by entities and subsidiaries of the Group based in foreign countries.

10. Financial assets

Noncurrent

The breakdown of the balance of this item on the consolidated balance sheets at 31 December 2006 and 2005 and the change in the years ended on those dates is as follows:

	Thousands of euro						
	Investments in Group companies and associates	Long-term securities portfolio	Long-term loans	Securities investment funds	Deposits and guarantees provided	Provisions	Total
Balance at 1 January 2005	**429**	**699**	**160**	**87,565**	**744**	**(2,793)**	**86,804**
Changes in consolidation scope or method	-	-	-	1,277	-	-	1,277
Additions or allowances	64	41	-	8,049	351	(2)	8,503
Disposals	(6)	-	(52)	(6,892)	(37)	454	(6,533)
Exchange differences	-	-	-	(25)	-	5	(20)
Balance at 31 December 2005	**487**	**740**	**108**	**89,974**	**1,058**	**(2,336)**	**90,031**
Additions or allowances	6	-	178	6,514	854	-	7,552
Disposals	(295)	-	(287)	(43,479)	(674)	1,600	(43,135)
Transfers	-	(41)	41	-	-	-	-
Exchange differences	-	-	-	(184)	-	-	(184)
Balance at 31 December 2006	**198**	**699**	**40**	**52,825**	**1,238**	**(736)**	**54,264**

Current

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

	Thousands of euro	
	2006	2005
Short term securities portfolio	394,416	407,387
Short-term deposits	3,942	48,278
Short-term guarantees	30	32
Others	1	-
Total	**398,389**	**455,697**

The Group's investments in financial instruments are classified using the following guidelines:

- Financial assets held for trading: the Group considers this item to include financial investments made through the subsidiary Alpro Cartera, S.I.C.A.V., which are part of its overall investment portfolio aimed at generating short-term profits.

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

- Financial assets held to maturity: This item primarily includes fixed-income investments through euro deposits, deposits in foreign currencies and repurchase arrangements (excluding those acquired through Alpro Cartera, S.I.C.A.V.).

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

	Thousands of euro	
	2006	2005
Financial assets held for trading	63,725	58,852
Financial assets available for sale	64,375	77,613
Financial assets held to maturity	324,553	409,263
Total	**452,653**	**545,728**

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

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

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

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

Changes in fair value recognised through reserves or income statements during 2005 and 2006 for investments held through fully consolidated companies are listed below:

	Thousands of euro	
	2006	2005
Initial balance	10,571	9,282
Changes in scope of consolidation (Note 3-b)	-	(1,784)
Disposal due to sale (Note 14)	(4,414)	(1,466)
Revaluation for the period recognised in profits (Note 19)	691	392
Revaluation for the period recognised for reserves (Note 14)	3,654	4,147
Ending balance	**10,502**	**10,571**

Similarly the parent company held public debt securities in agencies of the Autonomous Community of the Canary Islands amounting to €1.8 million at 31 December 2006 and 31 December 2005, in compliance with the requirements under Law 19/1994 of 6 July 1994, and these assets must be held continuously for a period of five years.

In addition, most of the bank accounts included under "Cash" were remunerated at an average interest rate of 2.71% and 1.89% per annum during 2006 and 2005, respectively.

Last, Group companies and associates not included in the scope of consolidation because they were inactive and/or insignificant, and related information for 2006 and 2005 are provided below:

2006

	Thousands of euro					
Name	Almirall Prodes P.Q., Lda.	Almirall , Inc.	Almirall Prodesfarma, S.A. (Chile)	Cofarin	Genius Pharma, A.I.E.	Almirall Europa, S.A.
Address	Portugal	U.S.A.	Chile	Dominican Republic	Spain	Spain
Activity	Pharmaceuticals industry	Pharmaceuticals industry (inactive)	Pharmaceutical laboratory	Pharmaceutical laboratory	Inactive	Inactive
Share of capital owned	100%	100%	100%	100%	28%	100%
Consolidation method	N/A	N/A	N/A	N/A	N/A	N/A
Capital	5	N/D	8	N/D	12	61
Reserves	-	N/D	216	N/D	-	(1)
Net profits (losses) for the year	29	N/D	28	N/D	-	1
Dividends received during the year	-	-	-	-	-	-
Interim dividends distributed during the year	-	-	-	-	-	-
Book value of holdings (Group)						
Cost	55	52	6	20	3	62
Allowance	(18)	(10)	-	(20)	-	-

N/D: Not available

2005

	Thousands of euro							
Name	Almirall Prodes P.Q., Lda.	Laboratorios Sefton, S.A.	Almirall Inc.	Cofarin	Almirall Prodesfarma, S.A.	Almirall Prodesfarma, S.A.	Genius Pharma, A.I.E.	Almirall Europe, S.A.
Address	Portugal	Spain	U.S.A.	Dominican Republic	Venezuela	Ecuador	Spain	Spain
Activity	Pharmaceuticals industry	Pharmaceuticals industry	Pharmaceuticals industry (inactive)	Pharmaceuticals laboratory	Pharmaceuticals industry	Pharmaceuticals industry	Inactive	Inactive
Share of capital owned	100%	49%	100%	100%	100%	100%	28%	100%
Consolidation method	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Capital	5	60	52	N/D	46	191	3	61
Reserves	33	1	N/D	N/D	N/D	(249)	-	-
Net profits (losses) for the year	N/D	-	N/D	N/D	N/D	N/D	-	(1)
Interim dividends distributed during the year	-	-	32	-	-	-	-	-
Book value of holdings (Group)								
Cost	55	34	52	20	47	215	3	61
Allowance	(18)	-	(10)	(20)	(34)	(266)	-	-

N/D: Not available

11. Investments accounted for using the equity method

In 2006 there was no change in this item.

The change during 2005 in the application of the equity method to associates is shown below:

	Thousands of euro							
	Balance at 1 January	Changes in scope or method of consolidation	Profit (loss)	Attributable consolidation adjustments	Dividend distribution	Valuation of financial assets at fair value	Exchange differences	Balance at 31 December
2005	**133,805**	**(133,805)**	**-**	**-**	**-**	**-**	**-**	**-**

The column “Changes in scope or method of consolidation” corresponded to the inclusion of Chemol International, Ltd., Expharm, S.A., Almirall International, BV. and Almochem, S.L. in the Group using the full consolidation method as described in Note 3-b.

12. Inventories

The composition of this item at 31 December 2006 and 2005 is provided below:

	Thousands of euro	
	2006	2005
Raw materials and processing	16,216	20,215
Products in progress	10,642	26,015
Finished goods	77,137	55,203
Advances to suppliers	394	15
Provisions	(9,833)	(7,792)
Balance at 31 December	**94,556**	**93,656**

Changes in the allowance for obsolescence during 2006 and 2005 and the amount of inventories consumed by the Group are listed in Note 19.

13. Trade accounts receivable and other assets

The composition of this item at 31 December 2006 and 2005 is listed below:

	Thousands of euro	
	2006	2005
Customers, sales and services	91,740	88,463
Other accounts receivable	11,583	9,323
Provisions	(3,186)	(3,887)
Total accounts receivable	**100,137**	**93,899**

The line "Other accounts receivable" in the preceding table includes €5.6 million, approximately, for the amount pending receipt on the re-invoicing to a third party of development expenses, as explained in Note 19.

14. Equity

Capital stock

On 7 November 2001, the parent company redenominated its capital stock in euro, and the amount changed from Pta 3,580 million to €21,516,233.34, represented by 3,580,000 shares with a face value of €6.010121 each, totally subscribed and paid in.

The parent company at this date adjusted the face value per share to €6.01 creating a restricted reserve of €433.34.

At the close 2006 and 2005 shareholders in Laboratorios Almirall, S.A. with holdings exceeding 10% are listed below:

Shareholder	2006	2005
Grupo Plafin, S.A.	64.41%	68.00%
Todasa, S.A.	35.23%	31.07%

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

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

- Share capital: €2,544 thousand
- Voluntary reserves: €227,000 thousand
- Share premium reserves: €20,456 thousand

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

Reserves for retired capital

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

The approximate balance of this reserve at 31 December 2006 and 2005 was €30.5 million and €28 million, respectively.

Legal reserve

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

The €3.8 million and €4.3 million recorded in this account at 31 December 2006 and 2005, respectively, corresponded to the balance of the legal reserve of the parent company, Laboratorios Almirall, S.A.

The balances of the "Legal reserve" account for consolidated subsidiaries at 31 December 2006 and 2005 amounted to €1.7 million.

Share Premium

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

In 2006, as a result of the operation described in "Capital Stock" above, the balance of the share premium was reduced by €20.5 million. In addition, as a consequence of the capital reduction carried out, €2.5 million of the share premium have been considered as restricted reserves for retired capital.

Canary Islands investment reserve (RIC)

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

The balance of this reserve at 31 December 2006 and 2005 was approximately €6.8 million and €5.5 million, respectively.

Revaluation reserve

As permitted by corporate legislation, the parent company revalued its noncurrent assets during 1996. This balance may be earmarked, without accruing taxes, to eliminate accounting losses, both those accumulated during prior years and those for the current one, or any that may occur in the future, and for increases in capital. From January 2007 (10 years after the date of the balance sheet reflecting the revaluations), the funds can be earmarked to freely available reserves provided that the monetary capital gain has been realised. The capital gain will be considered realised in the component corresponding to accounting amortisation, or when the revalued equity components have been transferred or retired from the accounting system.

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

The balances of the "Revaluation reserve" account of consolidated subsidiaries amounted to €6.6 million.

Other restricted reserves

Until the share of goodwill from the merger included as intangible assets (Note 7), which in the parent company's individual annual accounts at 31 December 2006 and 2005 amounted to €5.1 million and €15.2 million, respectively, has been fully amortised, any distribution of profits is prohibited unless the available reserves are equal to the unamortised balances.

Reserves in consolidated companies

The balance of this account derives from the following:

	Thousands of euro	
	2006	2005
Laboratorios Almirall, S.A. (*)	381,728	274,701
Other fully consolidated companies	13,482	124,190
Total reserves in consolidated companies	**395,210**	**398,891**

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

Gains and losses recognised in equity

Financial assets available for sale

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

The detailed listing and changes on the balance in this item throughout 2006 and 2005 are provided below:

	Thousands of euro	
	2006	2005
Initial balance	6,390	4,647
Disposal, sales	(2,869)	(953)
Revaluation for the period	2,375	2,696
Effect of changed tax rate	454	-
Ending balance	**6,350**	**6,390**

Exchange differences

This item on the accompanying balance sheet reflects the net amount of exchange gains and losses arising from the conversion to the group's functional currency of equity in companies operating under their local regulations in currency other than the euro.

The detailed listing of companies in this section at the end of 2006 and 2005 is provided below:

	Thousands of euro	
	2006	2005
Almirall Prodesfarma, S.A. (Chile)	-	(34)
Almirall Prodesfarma, S.A. de C.V.	(849)	227
Almirall Prodesfarma, A.G.	174	1,012
Chemol, S.A.	263	942
Expharm, S.A.	(225)	(646)
Total	**(637)**	**1,501**

15. Deferred revenue

At 31 December 2006 and 2005, the balance of "Deferred revenue" was as follows:

	Thousands of euro
Balance at 1/01/2005	**5,521**
Additions	19
Released to income	(1,193)
Balance at 31/12/2005	**4,347**
Additions	51,007
Cancellations	(400)
Released to income	(8,320)
Balance at 31/12/2006	**46,634**

The additions for 2006 were mainly in respect of the amount of the initial receipt of the non-refundable sum described in Note 6-a, for €48.7 million; approximately €6 million were released to the 2006 consolidated income statement (Note 19).

The rest of the amounts recorded in “Other deferred revenue" for 2006 and 2005 corresponds to sums received during the year and in prior years for the transfer of licences for products resulting from internal research, recorded as indicated in Note 5-ll.

16. Bank borrowings and other financial liabilities

The composition of bank borrowings at 31 December 2006 and 2005 is as follows:

	Thousands of euro						
			Noncurrent				
	Limit	Current	2008	2009	2010	Other	Total
Loans from credit institutions	(*)	5,782	-	-	-	-	-
Total at 31 December 2006		**5,782**	**-**	**-**	**-**	**-**	**-**
			Noncurrent				
	Limit	Current	2007	2008	2009	Other	Total
Loans from credit institutions	(*)	7,291	-	-	-	-	-
Total at 31 December 2005		**7,291**	**-**	**-**	**-**	**-**	**-**

(*) At 31 December 2006 and 2005 the Group had no credit facilities, discount lines, etc. Bank borrowings corresponds to notes in collection proceedings the amounts of which have been advanced by financial companies responsible for collections management.

17. Other liabilities

The composition of this item was as follows at 31 December 2006 and 2005:

	Thousands of euro					
		Noncurrent				
	Current	2008	2009	2010	Other	Total
PROFIT loans and other	2,871	3,675	3,872	3,964	12,745	24,256
Accounts payable, purchase of noncurrent assets	15,945	5,000	-	-	-	5,000
Remunerations pending payment	22,116	-	-	-	-	-
Other debts	171	124	-	-	-	124
Total at 31 December 2006	**41,103**	**8,799**	**3,872**	**3,964**	**12,745**	**29,380**
		Noncurrent				
	Current	2007	2008	2009	Other	Total
PROFIT loans and other	-	2,786	3,586	3,872	15,609	25,853
Accounts payable, purchase of noncurrent assets	8,121	-	-	-	-	-
Remunerations pending payment	21,314	-	-	-	-	-
Other debts	8,195	812	-	-	-	812
Total at 31 December 2005	**37,630**	**3,598**	**3,586**	**3,872**	**15,609**	**26,665**

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

Debts as a result of noncurrent asset purchases for 2006 correspond, in the amount of €15 million, to the amount not yet paid for the acquisition of intangible assets carried out in the year and described in Note 6-b. Also, the rest of the balance at 31 December 2006 and the balance outstanding at 31 December 1005 basically include disbursements pending on the purchase of products and marketing licences in 2005 and in prior years.

18. Provisions

The changes during 2006 and 2005 under "Provisions" on the consolidated income statement were as follows:

	Thousands of euro					
	2006			2005		
	Provision for returns	Other Provisions	Total	Provision for returns	Other Provisions	Total
Balance at 1 January	**8,475**	**1,771**	**10,246**	**8,475**	**-**	**8,475**
Additions or allowances	312	4,872	5,184	-	1,771	1,771
Reductions	(861)	-	(861)	-	-	-
Balance at 31 December	**7,926**	**6,643**	**14,569**	**8,475**	**1,771**	**10,246**

Provision for returns

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

Other Provisions

This reflects the Group's estimate of the disbursements to be made in future to cover other liabilities derived from the nature of its activities. The change recorded in this balance in 2006 was mainly due to the allocation made to cover the liability arising from the arbitration award dictated in relation to a trade dispute with a third party, as well as to cover the Group's best estimate of the outflow of funds that may arise as a result of a trade commitment acquired with one of its main suppliers, in the respective and approximate amounts of €2.4 million and €1.8 million.

19. Revenue and expenses

Revenue

The table below lists the revenue for 2006 and 2005 distributed by therapeutic specialities.

	Thousands of euro	
	2006	2005
Anti-infective	8,224	9,343
Cardiovascular	153,030	149,037
Digestive	125,515	107,710
Oncology	6,747	15,148
Osteomuscular	87,843	90,513
Respiratory	167,041	167,262
Central nervous system	167,358	145,521
Urological	19,473	25,024
Other therapeutic specialities	12,326	17,278
Miscellaneous	10,432	9,296
Total	**757,989**	**736,132**

The table below lists the revenue contribution during 2006 and 2005 of the Group's top 10 products:

	Thousands of euro	
	2006	2005
Ebastina	98,323	98,643
Atorvastatina	83,657	78,314
Aceclofenaco	60,865	61,943
Salmeterol+Fluticasona	56,377	54,503
Venlafaxine	53,382	49,645
Lansoprazol	36,196	36,799
Almotriptan	44,781	33,263
Candesartan	30,803	27,418
Almagato	25,643	26,908
Escitalopram	36,235	25,403
Total	**526,262**	**492,839**

Other income

	Thousands of euro	
	2006	2005
Collaboration in product promotion	27,589	24,992
Revenue under co-promotion agreements	27,628	25,817
Revenue from the sale or transfer of product marketing rights	2,157	2,403
Revenue under co-development agreements	31,492	-
Royalties	904	2,161
Subsidies	1,342	2,006
Other	5,026	4,902
Total	**96,138**	**62,281**

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

Also, in 2006 the respective and approximate sums of €25.5 million and €6 million have been included in the line “Revenue under co-development agreements” in respect of recovery from a third party of the part it must pay of the development expenses of a product previously paid by the Group (Note 6-a), and to the release to income of the non-refundable amount initially received (Note 15).

Procurements

This item is broken down as follows:

	Thousands of euro	
	2006	2005
Purchases	243,326	240,644
Change in inventories	3,999	(3,043)
Total	**247,325**	**237,601**

Staff costs

Composition of staff costs:

	Thousands of euro	
	2006	2005
Wages and salaries	138,770	135,970
Social Security to be paid by the company	30,380	29,866
Indemnities	6,603	11,303
Other staff costs	9,755	10,360
Total	**185,508**	**187,499**

The Group's average number of employees is provided below, distributed by occupational category:

	Number of personnel	
	2006	2005
Managers	61	65
Supervisors	220	225
Technical staff	2,104	2,005
Administrative staff	582	659
Other	8	18
Total	**2,975**	**2,972**

Operating leases

Lease expenses for 2006 and 2005 are provided below:

	Thousands of euro	
	2006	2005
Operating leases recorded in profit for the year	16,395	14,411

At the date of the balance sheet, the Group held agreements for future minimum rental payments under noncancellable operating leases with the following maturities:

	Thousands of euro	
	2006	2005
In one year	16,894	16,080
2-5 years	45,595	47,908
Over 5 years	90	598

The assets referred to by the rental commitments acquired and the average duration of the agreements are provided below:

	Average contract duration (years)
Rental items:	
Buildings	3
Commercial space	4
Office equipment	4
Transportation equipment	4

Net change in provisions

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

	Thousands of euro	
	2006	2005
Change in provisions for inventories	2,054	1,210
Change in allowance for bad debts	(334)	2,628
Losses on uncollectible loans	1,080	375
Change in provision for returns	(549)	1,771
Total	**2,251**	**5,984**

	Thousands of euro			
	Allowance for bad debts	Provision for inventories	Trade provisions	Total
Balance at 1 January 2005	**1,288**	**6,708**	**-**	**7,996**
Change in provisions:				
Allocation	2,720	8,468	1,072	12,260
Application	(92)	(7,258)	-	(7,350)
Cancellation	(29)	(126)	-	(155)
Balance at 31 December 2005	**3,887**	**7,792**	**1,072**	**12,751**
Change in provisions:				-
Allocation	1,026	9,833	-	10,859
Application	(1,360)	(7,779)	-	(9,139)
Cancellation	(367)	(13)	(1,072)	(1,452)
Balance at 31 December 2006	**3,186**	**9,833**	**-**	**13,019**

"Current provisions" for 2005 correspond to the estimate made of potential future disbursements according to product quality guarantee conditions established in contracts maintained with third parties. Owing to the nature of this item, the changes during that year were recorded against "Revenue" in the accompanying income statement.

Net gains from the sale of assets

The detailed listing of net gains (losses) in the sale of noncurrent assets during 2006 and 2005 is listed below:

	Thousands of euro			
	2006		2005	
	Gains	Losses	Gains	Losses
Disposals or retirements of intangible assets	850	(7)	1,157	(296)
Disposals or retirements of property, plant and equipment	23,892	(588)	36	(356)
	24,742	**(595)**	**1,193**	**(652)**
Gains (losses) from the sale of noncurrent assets	**24,147**		**541**	

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

Financial income and costs

The itemisation of net finance income (expenses) and exchange differences for 2006 and 2005 are provided below:

	Thousands of euro			
	2006		2005	
	Gains	Losses	Gains	Losses
Revenue from other marketable securities	17,301	-	12,145	-
Other similar income and interest	3,953	-	4,563	-
Finance costs and similar charges	-	(8,142)	-	(7,484)
Net change in fair value of other financial instruments (Note 10)	691	-	392	-
Other financial profits (losses)	-	-	22	-
Exchange differences	4,594	(6,296)	11,477	(7,388)
	26,539	**(14,438)**	**28,599**	**(14,872)**
Net finance income (losses)	**12,101**		**13,727**	

Auditors' compensation

Fees for audit services for 2006 and 2005 for the various companies comprising Grupo ALMIRALL, provided by the main auditor and related institutions, amounted to €720 thousand and €426 thousand, respectively. Fess for other auditors for auditing the annual accounts of subsidiaries amounted to €3 thousand during 2006 and 2005.

Fees for other professional services provided to the various Group and multigroup companies by the main auditor and related institutions amounted to €60 thousand and €699 thousand, respectively, in 2006 and 2005.

20. Tax situation

Consolidated tax group

Laboratorios Almirall, S.A. is subject to corporate income tax under the tax consolidation regime, Chapter VII, Title VII of Legislative Royal Decree 4/2005 of 5 March 2005 approving the consolidated text of the Law on the Corporate Income Tax, as amended. The companies comprising the Group for tax purposes for 2006 and 2005 are: Laboratorios Almirall, S.A., Laboratorios Farmacéuticos Prodes, S.L., Laboratorio Temis Farma, S.L. (formerly Laboratorios Funk, S.L.), Laboratorios Berenguer-Infale, S.L., Industrias Farmacéuticas Almirall Prodesfarma, S.L., Laboratorio Omega Farmacéutica, S.L., Laboratorios Tecnobío, S.A., Laboratorios Farmacéuticos Almirall, S.L., Alprofarma, S.L. (formerly Alpro – Farma, S.L.), Pantofarma, S.L., Laboratorios Farmacéuticos Romofarm, S.L, Ranke Química, S.L. and Almirall Europa, S.A., the first acting as parent company. As a result, Laboratorios Almirall, S.A. is responsible for filing and settling corporate income tax returns with the tax authorities.

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

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

Years subject to tax inspection

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

On 5 February 2007 the consolidated tax group was notified of the commencement of a tax audit of 2002 to 2004 for corporate income tax and of 2003 and 2004 for the other taxes.

Also, Almochem, S.L. has 2001 and 2002 open for review by the tax authorities for non-resident income tax, since it is currently being audited in this connection. On 19 March 2007, the tax authorities made a regularisation proposal amounting to €3.5 million (tax owed + late-payment interest), which was signed on a protested basis by that company. It is planned to submit the related pleadings by the stipulated deadline. The Group and its external advisers consider that the likelihood of effective settlement by the tax authorities of the aforementioned amount or of any other material amount is remote and, accordingly, the consolidated balance sheets for 2006 and 2005 do not contain any provision in this connection.

As regards the Group's foreign companies, Almirall SaS (France) and Almirall GmbH (Germany) are currently having 2003 and 2004 and 2002 to 2004, respectively, audited for tax purposes. In both cases the subject of the tax audit are the losses incurred by the two companies for the products developed in-house purchased from the parent company.

In the case of France, the latest rectifying proposal of the tax authorities amounts to €1.4 million (tax owed + late-payment interest). The Group has decided not to recognise any provision in this regard because it considers that there is little chance of this proposal being successful. The Group and its external advisers consider that the possibility of the aforementioned amount or of any other material amount having to be effectively paid over to the tax authorities is remote and, therefore, the consolidated balance sheets for 2006 and 2005 do not include any provision in this connection.

In the case of Germany, an extension of the tax audit to cover 2005 and 2006 has been applied for and it is considered that the maximum effect that might arise would be a reduction of the prior years' tax losses by approximately €23.6 million. The tax credit for those losses has not been capitalised in the consolidated balance sheets for 2006 and 2005.

The other foreign companies have all the years stipulated in the legislation applicable to them open for review by the tax authorities.

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

__Balances maintained with the tax authorities__

Debit and credit balances with the tax authorities at 31 December 2006 and 2005 were as follows:

	Thousands of euro	
	2006	2005
VAT receivable	9,524	7,791
Receivable from social security agencies	2	4
Corporate income tax receivable	33,648	36,600
Receivable from official agencies	1,878	412
Total credit balances	**45,052**	**44,807**
VAT payable	1,281	2,440
Personal income tax	2,433	3,330
Payable to social security agencies	8,558	4,316
Corporate income tax payable	3,761	9,686
Drug tax and other debts	5,944	10,553
Total debit balances	**21,977**	**30,325**

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

__Corporate income tax__

Corporate income tax on recorded earnings on the consolidated income statement for 2006 and 2005 is as follows:

	Thousands of euro	
	2006	2005
Corporate income tax:		
- Recognised in the income statement		
For continuing operations	4,430	20,183
For discontinued operations (Note 22)	3,163	-
- Recognised in equity	453	938
Total	**8,046**	**21,121**

Reconciliation of accounting and tax profits

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

	Thousands of euro	
	2006	2005
Consolidated profits before taxes (continuing operations)	145,806	137,908
Permanent differences:		
- Individual companies		
Increase	19,897	11,282
Decrease	(364,213)	(7,223)
- Consolidation adjustments		
Increase	360,490	109,216
Decrease	(12,840)	(1,735)
Adjusted accounting profit	149,140	249,448
Tax rate	35%	35%
Gross tax	**52,199**	**87,307**
Deductions:		
- Applied in settlements	(28,698)	(52,196)
- Capitalised but not yet taken	(10,956)	(8,172)
Other taxes paid abroad	1,013	-
Adjustment of deferred tax assets and liabilities	2,866	679
Capitalised tax credits for loss carryforwards	(4,572)	-
Theoretical corporate income tax expense	**11,852**	**27,618**
Effect of rate differences between countries	(7,300)	(7,144)
Other changes	(122)	(291)
Corporate income tax expense	**4,430**	**20,183**

The increase in the base owing to permanent differences in individual companies derives mainly from different tax treatment of certain provisions recorded and expenses incurred during the year. The decrease in the base owing to permanent differences in individual companies derives mainly from the distribution of dividends in the consolidated tax group, as well as the reversal of a provision considered a non-deductible expense when it was set aside in previous years.

The increase in the base owing to permanent differences in the consolidation adjustments is fundamentally due to the elimination of dividends and to the elimination of the reversal of the provision cited in the preceding paragraph.

The type and amount of incentives applied during 2006 and 2005 and those pending deduction at 31 December 2006 and 31 December 2005, are as follows:

		Thousands of euro			
		2006		2005	
Type	Year generated	Offset	Available for offsetting	Offset	Available for offsetting
Research and development	2001	1,304	-	1,207	1,219
	2002	16,605	3,780	-	20,385
	2003	-	18,719	10,000	18,719
	2004	-	20,088	-	20,088
	2005	-	19,379	-	19,379
	2006	765	28,780	-	-
		18,674	90,746	11,207	79,790
Double taxation	2005	-	-	37,154	-
	2006	322	-	-	-
		322	-	37,154	-
Export activities	2005	-	-	3,125	-
	2006	1,750	-	-	-
		1,750	-	3,125	-
Reinvestment of extraordinary profits	2006	7,564	-	-	-
		7,564	-	-	-
Other deductions	2005	-	-	710	-
	2006	388	-	-	-
		388	-	710	-
	Total	**28,698**	**90,746**	**52,196**	**79,790**

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

In addition, in relation to tax incentives for investments in the Canary Islands, at 31 December 2006, the Group was required to register investments in that Autonomous Community with the following amounts and terms:

	Thousands of euro			
	Investment			
Year generated	Committed	Executed	Pending	Limit
2002	2,606	2,606	-	2007
2003	2,979	558	2,421	2008
2005	2,492	-	2,492	2010
2006	2,742	-	2,742	2011
Total	**10,819**	**3,164**	**7,655**	

Deferred taxes

Under current tax legislation in the different countries where the consolidated entities are located, during 2006 and 2005 certain temporary differences arose which must be taken into account when quantifying the corresponding income tax expense. Deferred taxes recorded in both tax years are provided below:

	Thousands of euro			
	2006		2005	
	Cumulative taxable base differences	Cumulative effect on payment	Cumulative taxable base differences	Cumulative effect on payment
Deferred tax assets:				
Intangible asset amortisation	40,512	12,366	38,604	13,511
Provisions	6,230	2,018	9,580	3,353
Valuation of inventories	7,160	2,290	-	-
Other	4,404	430	1,443	505
	58,306	17,104	49,627	17,369
Tax credits:				
Tax loss carryforwards available	14,906	4,572	-	-
Deductions available for offsetting	N/A	90,746	N/A	79,790
Total deferred tax assets and tax credits	**72,946**	**112,422**	**49,627**	**97,159**
Deferred tax liabilities:				
Accelerated amortisation , R.D. 27/84, 2/85, 3/93	44,141	13,282	41,997	14,699
Assets under finance leases	10,023	3,007	13,097	4,584
Capitalisation of intangible assets	11,775	3,533	17,775	6,221
Amortisation of goodwill	30,811	9,243	24,780	8,673
Tax effect, reversal of provisions, portfolio of subsidiaries	54,913	16,474	28,934	10,127
Market valuation of financial instruments	9,070	2,721	9,830	3,441
Other	499	150	42	15
Deferred tax liabilities	**161,232**	**48,410**	**136,455**	**47,760**

The increase owing to temporary differences for individual companies substantially derives from the different tax treatment of amortisation allowances for goodwill in connection with the merger and certain industrial property items (Notes 7 and 8).

The decrease owing to temporary differences for individual companies is basically the result of different tax treatment for depreciation and amortisation of noncurrent assets.

Similarly, temporary differences owing to consolidation adjustments relate to the elimination of internal margins and the tax impact of the impacts of applying the IFRSs.

At 31 December 2006 and 2005, the Group companies had tax losses generated during those tax years and prior years eligible to be carried forward against future profits, in the respective amounts of €78.8 million and €74.9 million. With relation to these tax losses, the Group has only recorded approximately €4.6 million in deferred tax credits on the accompanying consolidated balance sheet at 31 December 2006. In addition, the accompanying consolidated balance sheets include deferred tax liabilities at 31 December 2006 and 2005 of €16.5 million and €10.1 million, respectively, reflecting the tax impact of the reversal of the portfolio allowance carried out in the consolidation process for companies holding the aforementioned tax losses.

21. Business and geographical segments

Segmentation criteria

The main criteria for defining segmented group information in the consolidated annual accounts for the years ended 31 December 2006 and 2005 are provided below.

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

Primary segments - business

The lines of business described below are established to reflect the organisational structure of Grupo ALMIRALL effective at the close of 2006, and constitute the basis on which the Group presents information in respect of the following segments:

a) Marketing through its own network

b) Marketing with licensees

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

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

Secondary segments - geographical

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

Bases and methodology for reporting business segments

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

To determine the information by segments in the consolidated income statements, the consolidated balances of each segment was considered, and the relevant consolidation adjustments were attributed to each segment. Operations between segments were also eliminated. Allocation of consolidation adjustments was not reflected in the information on the consolidated balance sheets.

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

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

-Allocation to income of the initial payment made by “Forest Laboratories” (Notes 6-a and 15): having regard to the nature of the consideration, the allocation of the initial amount disbursed by the third party has been included under “Other income” of the segment “Marketing with licensees”.

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

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

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

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

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

- Gross Margin: Revenue - Procurements

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

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

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

In addition, to obtain segmented data for "Trade accounts payable" under current liabilities on the segmented consolidated balance sheet, "Marketing through own network", in reference to the domestic market, the Group has prepared an estimate of the theoretical balance attributable to the segment when the real information divided into closures for the 2006 and 2005 years is not available. The estimates were based on the following assumptions.

- Calculation base: expenditure assigned to segments under "Procurements" and "Other operating expenses".

- Average value-added tax rate: 4% applicable to “Procurements” and 16% applicable to “Other operating expenses”.

- Average payment period: based on the real average payment period for the Group's Spanish companies, an average rotation of 84 and 92 days was applied for 2006 and 2005, respectively.

Information by segment for these activities is provided below:

Financial information by segment

Segmentation by business

Segmented income statement for the year ended 31 December 2005:

	Thousands of euro				
	Marketing through own network	Marketing with licensees	Corporate management and profits (losses) not allocated to other segments	Adjustments and reclassifications	Total
Revenue	657,153	60,122	18,857	-	736,132
Procurements	(244,301)	(6,619)	(18,265)	42,813	(226,372)
Gross margin	**412,852**	**53,503**	**592**	**42,813**	**509,760**
Other income	56,566	2,447	3,268	-	62,281
Staff costs	(105,767)	(559)	(81,173)	-	(187,499)
Depreciation and amortisation charge	(5,268)	-	(24,714)	-	(29,982)
Net change in provisions	-	-	(5,984)	-	(5,984)
Other operating expenses	(128,330)	(4,795)	(87,073)	-	(220,198)
Operating profit (loss)	**230,053**	**50,596**	**(195,084)**	**42,813**	**128,378**
Other					(4,197)
Net finance income (losses)					13,727
Profit before taxes					**137,908**
Corporate income tax					(20,183)
Net Profit attributed to the parent company					**117,725**

Segmented balance sheet at 31 December 2005:

	Marketing through own network	Marketing with licensees	Corporate management and profits (losses) not allocated to other segments	Adjustments and reclassifications	Total
ASSETS					
Goodwill	4,548	-	35,407	-	**39,955**
Intangible assets	61,473	9,446	22,772	(20,017)	**73,674**
Property, plant and equipment	2,472	32	145,906	(1,118)	**147,292**
Financial assets	343	-	420,020	(330,332)	**90,031**
Deferred tax assets	2	-	97,157	-	**97,159**
NONCURRENT ASSETS	**68,838**	**9,478**	**721,262**	**(351,467)**	**448,111**
Inventories	-	-	134,479	(40,823)	**93,656**
Trade accounts receivable and other	113,557	14,642	195,381	(229,681)	**93,899**
Current tax assets	4,109	11	56,126	(15,439)	**44,807**
Current financial investments	-	-	470,721	(15,024)	**455,697**
Cash and cash equivalents	-	-	67,765	(4,807)	**62,958**
Other current assets	773	592	1,878	-	**3,243**
CURRENT ASSETS	**118,439**	**15,245**	**926,350**	**(305,774)**	**754,260**
TOTAL ASSETS	**187,277**	**24,723**	**1,647,612**	**(657,241)**	**1,202,371**
EQUITY AND LIABILITIES					
Equity					**898,519**
Noncurrent liabilities	13,326	4,101	85,218	(13,627)	**89,018**
Current liabilities	150,875	22,952	291,564	(250,557)	**214,834**
TOTAL EQUITY AND LIABILITIES	**164,201**	**27,053**	**376,782**	**(264,184)**	**1,202,371**

Segmented income statement for the year ended 31 December 2006:

	Thousands of euro				
	Marketing through own network	Marketing with licensees	Corporate management and profits (losses) not allocated to other segments	Adjustments and reclassifications	Total
Revenue	678,114	60,827	19,048	-	757.989
Procurements	(253,680)	(7,177)	(20,018)	40.111	(240.764)
Gross margin	**424,434**	**53,650**	**(970)**	**40.111**	**517.225**
Other income	59,414	7,594	29,130	-	96.138
Staff costs	(105,675)	(555)	(79,278)	-	(185.508)
Depreciation and amortisation charge	(8,725)	-	(20,013)	-	(28.738)
Net change in provisions	-	-	(2,251)	-	(2.251)
Other operating expenses	(126,871)	(3,824)	(150,863)	-	(281.558)
Operating profit (loss)	**242,577**	**56,865**	**(224,245)**	**40.111**	**115.308**
Other					18.397
Net finance income (losses)					12.101
Profit before taxes from continuing operations					**145.806**
Corporate income tax					(4.430)
Net profit from continuing operations					**141.376**
Profit for the year from discontinued operations					5.874
Net profit for year attributed to parent company					**147,250**

Segmented balance sheet at 31 December 2006:

	Thousands of euro				
	Marketing through own network	Marketing with licensees	Corporate management and profits (losses) not allocated to other segments	Adjustments and reclassifications	Total
ASSETS					
Goodwill	-	-	47,308	-	**47,308**
Intangible assets	51,463	8,304	41,961	(16,490)	**85,238**
Property, plant and equipment	2,327	25	149,136	-	**151,488**
Financial assets	478	-	405,744	(351,958)	**54,264**
Deferred tax assets	-	-	112,422	-	**112,422**
NONCURRENT ASSETS	**54,268**	**8,329**	**756,571**	**(368,448)**	**450,720**
Inventories	-	-	132,120	(37,564)	**94,556**
Trade accounts receivable and other	100,901	8,208	53,622	(62,594)	**100,137**
Current tax assets	6,800	22	37,789	441	**45,052**
Current financial investments	-	-	380,719	17,670	**398,389**
Cash and cash equivalents	-	-	26,424	(3,381)	**23,043**
Other current assets	1,069	-	1,207	-	**2,276**
CURRENT ASSETS	**108,770**	**8,230**	**631,881**	**(85,428)**	**663,453**
TOTAL ASSETS	**163,038**	**16,559**	**1,388,452**	**(453,876)**	**1,114,173**
EQUITY AND LIABILITIES					
Equity					**763,213**
Noncurrent liabilities	15,399	3,287	138,456	(18,149)	**138,993**
Current liabilities	114,323	15,063	125,567	(42,986)	**211,967**
TOTAL EQUITY AND LIABILITIES	**129,722**	**18,350**	**264,023**	**(61,135)**	**1,114,173**

Geographical segmentation

The listing under “Revenue”, “Total assets” and “Addition of property, plant and equipment and intangible assets” by geographical segment where the Group operates is provided below, by location of asset:

	Thousands of euro					
	Revenue		Total segment assets		Additions of property, plant and equipment and intangible assets	
	2006	2005	2006	2005	2006	2005
Spain	517,112	520,640	998,260	1,367,470	51,242	52,145
Europe and Middle East	156,698	130,906	499,756	470,801	21,089	19,668
America Asia and Africa	65,131	65,729	15,277	15,240	71	61
Not allocated	19,048	18,857	-	-	-	-
Consolidation adjustments	-	-	(399,120)	(651,141)	-	-
Total	**757,989**	**736,132**	**1,114,173**	**1,202,371**	**72,402**	**71,874**

22. Discontinued operations

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

The table below provides details of the effects of the discontinued operation into the main balance sheet items at 31 December 2005, as well as the estimated effects on the income statement for the year ended at that date:

	Mn euro
	2005
Income statement	
Revenue	12.0
Expenses	(10.2)
Profit (loss) before taxes	1.8
Expenses, applicable taxes	(0.7)
Net profit (loss) attributable to definitively discontinued operations	1.1

	Mn euro
	2005
Balance sheet	
Property, plant and equipment	1.5
Inventories	2.3
TOTAL	**3.8**

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

The effect of the discontinued operation on the 2006 consolidated income statement is not significant.

The effect of discontinued activities on the data reflected in the corresponding cash flow statements is insignificant in all areas.

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

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

23. Earnings per share

Basic earnings per share

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

Accordingly:

	2006	2005
Net profit (loss) for the year (thousands of euro)	147,250	117,725
Weighted average number of shares in circulation (thousands of shares)	3,445	3,580
Basic earnings per share (euro)	42.74	32.88

Diluted earnings per share

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

24. Commitments acquired, contingent liabilities, and contingent assets

a) Commitments acquired

At 31 December 2006 and 2005 the Group held contingent disbursement commitments for the acquisition of product licences and intellectual property as indicated in Note 8.

In addition, as a result of the Group's research and development activities, at the close of 2006 and 2005 firm agreements were signed to carry out these activities for approximately €62 million and €89 million, respectively, which should be met in future years. Further, as a result of the Group’s research and development activities, at 31 December 2006 and 2005 there were commitments acquired to invest in property, plant and equipment amounting to approximately €5.5 million and €11 million, respectively.

Commitments acquired for leasing the parent company's central office are outlined in detail in the Note on leases (Note 19).

b) Contingent liabilities

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

c) Contingent assets

As described in Note 6-a, in prior years, the Group signed a contract for the sale of distribution rights for a product with a third party that established, among other compensation, payments of US$15 and US$10 million to be collected for finalisation and success, respectively, of two paediatric studies relating to the product in question. As none of the studies in reference has been completed to date, the Group has not recorded any revenue under these potential collections.

In addition, as a result of the agreement reached with a third party in 2006 (Note 6-a), the Group is to receive US$50 million and US$80 million if certain milestones relating to the successful conclusion of the development phases of the products covered by that agreement are achieved. The agreement also establishes receipts for achievement of sales milestones of the possible eventual products in the United States market, which could reach as high at US$160 million. And the agreement likewise establishes the right of the Group to receive certain royalties (calculated as a variable staggered percentage of annual sales in the United States market) in respect of those eventual products.

25. Post-balance sheet events

On 12 February 2007 the parent company announced its intention to apply for listing of its shares on the Spanish stock exchanges and to offer some of these shares on the Spanish and international securities markets. The listing and related offering of securities will take place during 2007, provided that market conditions are favourable.

On 27 March 2007 the Group signed a loan agreement and credit facility with a syndicate of banks for €150 million and €100 million, respectively. On 29 March the parent company drew half of the said credit and the entire loan, for an aggregate of €200 million. The loan received is payable in five annual instalments until 27 March 2012, while the credit facility is to be repaid in a single payment in 2012. The interest rate establishes for this financing is the Euribor plus a market in market conditions. The margin will vary in the future on the basis of certain financial ratios.

26. Operations with related parties

Operations between the parent company and its subsidiaries, which are related parties, were eliminated in the consolidation process and are not provided in detail in this note. Operations between the parent company and its associates are provided below. Operations between the parent company and its subsidiaries are broken down in the individual financial statements.

Balances and operations with other related parties

During 2006 and 2005, the companies in the Group carried out the following transactions with related parties. And the related balances at 31 December 2006 and 2005 were as follows:

				Thousands of euro	
Company	Related party	Item	Year	Transactions - Revenue/(Expenses)	Balance - Debit/Credit
Laboratorios Almirall, S.A.	Chemtop, S.L.	Consulting services	2006	(1,187)	-
			2005	(2,021)	(539)
Laboratorios Almirall, S.A.	Picking Pack, S.L.	Office materials	2006	(220)	-
			2005	(241)	-
Laboratorios Almirall, S.A.	Walton, S.L.	Rent	2006	(2,292)	-
			2005	(1,929)	-

27. Compensation of the Board of Directors and Senior Management

For the present consolidated annual accounts, in identifying the members of senior management, the Group included the members of its Board of Directors who form part of its Management Committee.

The amount accrued during 2006 and 2005 for members of senior management for all compensation purposes except fees for attendance at Board Meetings (wages, gratuities, compensation in kind, indemnities, loyalty plans and social security contributions) amounted to €2,366 thousand and €1,600 thousand respectively.

There are no other commitments in terms of pensions or life insurance to members of senior management at 31 December 2006 or 2005.

The amounts accrued and paid during 2006 and 2005 to current and past Members of the Board of Directors, after discounting the amounts corresponding to the participation in the Group's senior management, amounted to €86 thousand and €126 thousand, respectively.

There are no other life insurance or pension commitments to the past and present Members of the Board of Directors of the parent company at 31 December 2006 or 2005.

28. Other information on the Board of Directors

With regard to the information required under Article 127 ter 4 of Spanish Law on Corporations, during 2006 and 2005, present and past members of the Board of Directors of Laboratorios Almirall, S.A. maintained no direct or indirect holdings in companies with the same, similar, or complementary nature to the activities that constitute the object of the parent company other than indirect holdings maintained by Jorge Gallardo Ballart, Antonio Gallardo Ballart and Daniel Bravo Andreu, Ruarti XXI, S.L. and Caleta XXI, S.L. in the other companies of Grupo ALMIRALL as a result of their status as shareholders in the parent company.

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

Company	Name	Activity	Type of arrangement	Company through which the activity was carried out	Position or functions in the company indicated
Almirall GmbH	Luciano Conde Conde	Directorship	As an Independent professional	-	Director
Almirall NV	Luciano Conde Conde	Directorship	As an Independent professional	-	Director
	Joan Figueras Carreras	Directorship	As an Independent professional	-	Director
Almirall, SaS	Luciano Conde Conde	Directorship	As an Independent professional	-	Chairman
Almirall B.V.	Jorge Gallardo Ballart	Directorship	As an Independent professional	-	Director
	Luciano Conde Conde	Directorship	As an Independent professional	-	Director
Almirall, S.p.A.	Luciano Conde Conde	Directorship	As an Independent professional	-	Director
Almirall – Produtos Farmacêuticos, Lda.	Luciano Conde Conde	Directorship	As an Independent professional	-	Director
	Joan Figueras Carreras	Directorship	As an Independent professional	-	Director
Almirall Marketing Farmacêutico, Unipessoal Lda.	Luciano Conde Conde	Directorship	As an Independent professional	-	Director
	Joan Figueras Carreras	Directorship	As an Independent professional	-	Director
Almirall Prodes – Produtos Farmacêuticos, Lda	Luciano Conde Conde	Directorship	As an Independent professional	-	Director
	Joan Figueras Carreras	Directorship	As an Independent professional	-	Director
Almirall S.A.	Jorge Gallardo Ballart	Directorship	As an Independent professional	-	Director
	Luciano Conde Conde	Directorship	As an Independent professional	-	Director
Almirall, S.A. de C.V.	Luciano Conde Conde	Directorship	As an Independent professional	-	Director
	Joan Figueras Carreras	Directorship	As an Independent professional	-	Director
Almirall, Inc	Luciano Conde Conde	Directorship	As an Independent professional	-	Chairman
Almirall Sofotec GmbH	Per-Olof Andersson	Directorship	As an Independent professional	-	Director
Almirall Production SaS	Luciano Conde Conde	Directorship	As an Independent professional	-	Chairman
Almirall Prodesfarma B.V.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
Almirall International B.V.	Jorge Gallardo Ballart	Directorship	As an employee	Laboratorios Almirall, S.A.	Director
	Luciano Conde Conde	Directorship	As an Independent professional	-	Director
Almirall AG	Jorge Gallardo Ballart	Directorship	As an Independent professional	-	Director
Chemol S.A.	Jorge Gallardo Ballart	Directorship	As an Independent professional	-	Director
Expharm S.A.	Jorge Gallardo Ballart	Directorship	As an Independent professional	-	Director
Gyles de Suyrot SaS	Jorge Gallardo Ballart	Directorship	As an Independent professional	-	Chairman

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

29. Information on the environment

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

Grupo ALMIRALL's property, plant and equipment includes specific environmental protection assets (limitation of fumes, subsoil drainage, etc.) having a net book value at 31 December 2006 and 2005 of €3.6 million and €4 million, respectively.

The income statements for 2006 and 2005 include expenditure related to environmental protection of €1,355 thousand and €1,254 thousand, respectively.

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

30. Explanation added for translation to English

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

ANNEX: INFORMATION ON INVESTEES

Name	Laboratorios Farmacéuticos Almirall, S.L. (1)	Laboratorio Omega Farmacéutica, S.L. (1)	Laboratorios Farmacéuticos Romofarm, S.L. (1)	Laboratorios Farmacéuticos Prodes, S.L. (1)	Laboratorio Temis Farma, S.L. (1)	Alprofarma, S.L. (1)	Laboratorios Tecnobio, S.A. (1)
	Thousands of euro						
Address	Spain	Spain	Spain	Spain	Spain	Spain	Spain
Activity	Intermediation Services	Intermediation Services	Intermediation Services	Intermediation Services	Intermediation Services	Intermediation Services	Intermediation Services
2006							
Share of capital owned:							
Directly	100%	100%	100%	100%	100%	100%	100%
Indirectly	-	-	-	-	-	-	-
% of voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	120	120	60	120	120	60	61
Reserves	1.291	978	12	30	878	8	31
Net profits (losses) for the year	62	136	366	60	118	(2)	217
Book value of holdings (Group)	1.340	1.070	60	95	1.114	60	127
Cost	1.340	1.070	60	95	1.114	60	127
Provision	-	-	-	-	-	-	-
2005							
Share of capital owned:							
Directly	100%	100%	100%	100%	100%	100%	100%
Indirectly	-	-	-	-	-	-	-
% of voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	120	120	60	120	120	60	61
Reserves	3.542	3.040	130	1.235	2.037	(8)	7.062
Net profits (losses) for the year	171	163	429	134	130	16	259
Book value of holdings (Group)	1.340	1.070	60	95	1.114	60	127
Cost	1.340	1.070	60	95	1.114	60	127
Provision	-	-	-	-	-	-	-

N.B. All information on the companies indicated was obtained from the individual financial statements of the various companies involved. Accordingly, the effects that would be obtained by applying consolidation criteria to the holdings are not reflected.

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

Name	Laboratorios Berenguer-Infale, S.L. (1)	Pantofarma, S.L. (1)	Industrias Farmacéuticas Almirall Prodesfarma, S.L. (1)	Ranke Química, S.L. (1)	Almirall Prodesfarma, BV (1)	Almirall, NV (1)	Almirall - Produtos Farmacêuticos, Lda (1)
	Thousands of euro						
Address	Spain	Spain	Spain	Spain	Netherlands	Belgium	Portugal
Activity	Intermediation Services	Intermediation Services	Production of specialty goods	Production of raw material	International holding	Pharmaceuticals laboratory	Pharmaceuticals laboratory
2006							
Share of capital owned:							
Directly	100%	100%	100%	100%	100%	0,01%	-
Indirectly	-	-	-	-	-	99,99%	100%
% of voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	120	360	1.200	1.200	46.673	1.203	1.500
Reserves	163	73	41.828	16.149	(35.732)	454	2.305
Interim dividend	-	-	-	(49.500)	-	-	-
Net profits (losses) for the year	65	43	3.611	50.317	(425)	769	315
Book value of holdings (Group)	157	216	41.982	10.840	10.516	2.428	3.055
Cost	157	216	41.982	10.840	48.900	3.515	3.055
Provision	-	-	-	-	(38.384)	(1.087)	-
2005							
Share of capital owned:							
Directly	100%	100%	100%	100%	100%	0,01%	-
Indirectly	-	-	-	-	-	99,99%	100%
% of voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	120	360	1.200	1.200	46.673	1.203	1.500
Reserves	1.154	553	73.184	107.362	(142.219)	34	2.067
Net profits (losses) for the year	86	83	3.622	49.017	108.002	420	238
Book value of holdings (Group)	157	216	49.171	10.840	12.462	1.658	3.055
Cost	157	216	49.171	10.840	48.900	3.515	3.055
Provision	-	-	-	-	(36.438)	(1.857)	-

N.B. All information on the companies indicated was obtained from the individual financial statements of the various companies involved. Accordingly, the effects that would be obtained by applying consolidation criteria to the holdings are not reflected.

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

Name	Almirall, BV (1)	Irinol Farma, S.A. (1)	Almirall S.A. de C.V. (1)	Almirall International, BV (1)	Gilles de Suyrot, S.A.S. (3)	Subgrupo Almirall, S.A.S. (1)	Almochem, S.L. (3) 2006 (2) 2005
	Thousands of euro						
Address	Netherlands	Spain	Mexico	Netherlands	France	France	Spain
Activity	Intermediation Services	Pharmaceuticals laboratory	Pharmaceuticals laboratory	International holding	Holding	Pharmaceuticals laboratory	Pharmaceuticals laboratory
2006							
Share of capital owned:							
Directly	-	-	0,74%	100%	-	-	-
Indirectly	100%	100%	99,26%	-	100%	100%	95%
% of voting rights	100%	100%	100%	100%	100%	100%	95%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	4.000	150	30.606	52.601	1.230	12.510	300
Reserves	(3.884)	9.544	(20.057)	95.189	556	4.772	84
Net profits (losses) for the year	374	(401)	2.454	(5.571)	(14)	(1.236)	(31)
Book value of holdings (Group)	647	7.047	12.971	142.221	1.220	2.990	287
Cost	8.000	7.047	30.891	219.769	1.801	9.829	287
Provision	(7.353)	-	(17.920)	(77.548)	(581)	(6.839)	-
2005							
Share of capital owned:							
Directly	-	-	0,74%	100%	-	-	-
Indirectly	100%	100%	99,26%	-	100%	100%	95%
% of voting rights	100%	100%	100%	100%	100%	100%	95%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	4.000	150	28.707	52.601	1.230	12.510	300
Reserves	(4.599)	6.893	(16.223)	97.371	564	6.862	60
Net profits (losses) for the year	536	1.456	(642)	(5.571)	(7)	(2.090)	42
Book value of holdings (Group)	-	8.499	11.584	143.138	1.234	4.225	287
Cost	8.000	8.499	30.660	214.769	1.801	9.829	287
Provision	(8.000)	-	(19.076)	(71.631)	(567)	(5.604)	-

N.B. All information on the companies indicated was obtained from the individual financial statements of the various companies involved. Accordingly, the effects that would be obtained by applying consolidation criteria to the holdings are not reflected.

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

	Thousands of euro						
Name	Expharm, S.A. (1)	Almirall, AG (1)	Chemol, S.A. (1)	Prasfarma Oncológicos, S.L. (company sold)	Alpro Cartera SICAV, S.A. (2)	Almirall GmbH (1)	Almirall SpA (1)
Address	Switzerland	Switzerland	Switzerland	Spain	Spain	Germany	Italy
Activity	License management and raw material marketing	License management and raw material marketing	Raw material marketing	Pharmaceuticals laboratory	Institución de inversión colectiva	Pharmaceuticals laboratory	Pharmaceuticals laboratory
2006							
Share of capital owned:							
Directly	-	100%	100%	-	99,99%	-	-
Indirectly	100%	-	-	-	-	100%	100%
% of voting rights	100%	100%	100%	-	99,99%	100%	100%
Consolidation method	Full	Full	Full	-	Full	Full	Full
Capital	66	146	456	-	54.048	5.000	8.640
Reserves	(126)	83.637	22.393	-	7.232	4.677	5.358
Net profits (losses) for the year	5.556	21.477	33.365	-	1.082	(5.994)	(2.898)
Book value of holdings (Group)	2.697	5.826	4.802	-	57.030	3.684	11.100
Cost	2.697	5.826	4.802	-	57.030	43.000	45.230
Provision	-	-	-	-	-	(39.316)	(34.130)
2005							
Share of capital owned:							
Directly	-	100%	100%	100%	99,99%	-	-
Indirectly	100%	-	-	-	-	100%	100%
% of voting rights	100%	100%	100%	100%	99,99%	100%	100%
Consolidation method	Full	Full	Full	Full	Full	Full	Full
Capital	64	218	482	6.006	54.048	5.000	8.640
Reserves	29.953	62.498	21.730	(1)	6.042	5.186	7.696
Net profits (losses) for the year	1.208	24.353	2.073	-	1.190	(5.508)	(2.338)
Book value of holdings (Group)	2.793	5.826	4.802	6.006	57.030	4.678	13.998
Cost	2.793	5.826	4.802	6.006	57.030	38.000	45.230
Provision	-	-	-	-	-	(33.322)	(31.232)

N.B. All information on the companies indicated was obtained from the individual financial statements of the various companies involved. Accordingly, the effects that would be obtained by applying consolidation criteria to the holdings are not reflected.

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

Name	Thousands of euro: Almirall Prodesfarma, S.A. (Chile) (2) 2006 (1) 2005	Almirall Sofotec, GmbH (1)
Address	Chile	Germany
Activity	Pharmaceuticals laboratory	R&D Centre
2006		
Share of capital owned:		
Directly	3,03%	100%
Indirectly	96,97%	-
% of voting rights	100%	100%
Consolidation method	Not consolidated	Full
Capital	8	10
Reserves	216	-
Net profits (losses) for the year	28	266
Book value of holdings (Group)	6	25.027
Cost	6	25.027
Provision	-	-
2005		
Share of capital owned:		
Directly	3,03%	-
Indirectly	96,97%	-
% of voting rights	100%	-
Consolidation method	Full	-
Capital	10	-
Reserves	240	-
Net profits (losses) for the year	43	-
Book value of holdings (Group)	6	-
Cost	6	-
Provision	-	-

N.B. All information on the companies indicated was obtained from the individual financial statements of the various companies involved. Accordingly, the effects that would be obtained by applying consolidation criteria to the holdings are not reflected.

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