

LABORATORIO REIG JOFRÉ, S.A.
and
AND SUBSIDIARIES

The Group's consolidated financial statements prepared in accordance with the
International Financial Reporting Standards adopted by the European Union (EU-IFRS)

December 31, 2016 and 2015

LABORATORIO REIG JOFRE, S.A. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2016 AND 2015

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Consolidated Statements of Financial Position at December 31, 2016 and 2015

(In Euros)

<u>Asset</u>	<u>Note</u>	<u>31/12/2016</u>	<u>31/12/2015</u>
Goodwill	6.0	27,946,893	25,165,817
Other intangible assets	6.0	32,084,385	32,606,879
Property, plant and equipment	7.0	37,000,425	28,645,914
Available-for-sale assets	10	1,167,058	1,185,232
Other non-current financial assets	10	591,049	9,088,104
Deferred tax assets	23	11,795,175	15,351,894
Total non-current assets		110,584,985	112,043,840
Inventory	12	33,008,585	24,892,981
Trade and other receivables	10	36,048,884	34,318,332
Current tax assets		1,770	-
Other current financial assets	10	11,144,454	2,382,742
Other current assets	11	6,662,284	3,975,557
Cash and cash equivalents	13	8,181,654	9,440,170
Total current assets		95,047,631	75,009,782
Total assets		205,632,616	187,053,622

The accompanying report forms an integral part of the consolidated financial statements.

Consolidated Statement of Financial Position at December 31, 2016 and 2015

(In Euros)

<u>Equity and Liabilities</u>	<u>Note</u>	<u>31/12/2016</u>	<u>31/12/2015</u>
Capital		31,607,110	126,428,440
Reserves		95,829,378	(4,533,839)
Treasury shares		(2,092,374)	(4,917,032)
Other equity instruments		638,193	-
Profit attributable to the Parent		7,676,288	8,749,701
Translation differences		(330,066)	436,893
Other comprehensive income from assets available for sale		(19,039)	8,978
Equity attributable to the Parent	14	133,309,490	126,173,141
Non-controlling ownership interests	16	(16,964)	1,344
Total shareholders' equity		133,292,526	126,174,485
Grants	17	210,254	102,496
Provisions	18	613,531	1,070,453
Financial liabilities Bank borrowings	19	11,989,392	4,520,937
Financial liabilities from financial leases	8, 19	5,244,334	5,828,683
Derivative financial instruments	19	-	273,998
Other financial liabilities	19	6,880,690	4,761,639
Deferred tax liabilities	23	3,346,745	3,768,083
Total non-current liabilities		28,284,946	20,326,289
Provisions	18	314,339	400,748
Financial liabilities Bank borrowings	19	12,692,240	6,720,668
Financial liabilities from financial leases	8, 19	592,771	586,042
Derivative financial instruments	19	101,110	-
Other financial liabilities	19	402,345	889,281
Trade and other payables	19	25,787,514	27,034,509
Current tax liabilities	23	1,652,749	2,321,162
Other current liabilities	20.0	2,512,076	2,600,438
Total current liabilities		44,055,144	40,552,848
Total equity and liabilities		205,632,616	187,053,622

The accompanying report forms an integral part of the consolidated financial statements.

Consolidated Income Statements for the years ended on December 31, 2016 and 2015

(In Euros)

	Note	31/12/2016	31/12/2015
Revenue	4.0	161,134,290	156,909,656
Changes in inventories of finished goods and work in progress		3,657,720	(1,610,542)
Work performed by the Group on non-current assets		342,806	-
Procurements	24	(65,024,011)	(57,523,146)
Other operating revenue		3,780,539	1,566,784
Expenses for employee benefits	24	(45,977,794)	(42,190,845)
Other operating expenses	24	(42,227,136)	(40,044,452)
Depreciation and amortization	6, 7	(5,946,361)	(5,398,214)
Allocation of grants for non-financial fixed assets and other	17	42,362	42,363
Impairment and loss on disposal of property, plant and equipment	7.0	1,965,542	-
Operating profit		11,747,957	11,751,604
Financial revenue		164,745	211,121
Financial expenses		(1,238,683)	(1,075,633)
Change in fair value of financial instruments	19	172,888	145,459
Impairment and loss on disposal of financial instruments	5	1,410,880	(301,335)
Exchange differences		(296,669)	321,278
Financial income	24	213,161	(699,110)
Results of companies measured by the equity method		-	(45,538)
Profit before tax from continuing operations		11,961,118	11,006,956
Income tax expense	23	(4,294,278)	(2,257,325)
Profit after tax from continuing operations		7,666,840	8,749,631
Consolidated profit for the year		7,666,840	8,749,631
Income attributable to the parent		7,676,288	8,749,701
Profit attributable to non-controlling interests	16	(9,448)	(70)
Earnings per share (basic and diluted)	15	0.12	0.01

The accompanying report forms an integral part of the consolidated financial statements.

Consolidated Comprehensive Income Statements for the years ended December 31, 2016 and 2015

(In Euros)

	31/12/2016	31/12/2015
Consolidated profit for the year	7,666,840	8,749,631
Other comprehensive income:		
Items to be reclassified to profit and loss		
Translation differences of financial statements in foreign operations	(766,959)	(620,874)
Available-for-sale financial assets	(37,356)	(47,712)
Tax effect	9,339	13,359
Other comprehensive income for the period, net of tax	(794,976)	(655,227)
Total comprehensive income for the year	6,871,864	8,094,404
Total comprehensive income attributable to the Parent	6,881,312	8,094,474
Total comprehensive income attributable to non-controlling interests	(9,448)	(70)

The accompanying report forms an integral part of the consolidated financial statements.

Consolidated statements of changes in equity for years ending December 31, 2016 and 2015

(In Euros)

<i>In Euros</i>	<u>Other comprehensive income</u>									
	Capital	Reserves	Treasury shares	Other equity instruments	Income attributable to the parent	Translation differences	Available-for-sale financial assets	Equity attributable to the Parent	Non-controlling interests	Shareholders' equity
Balance at January 1, 2015	126,428,441	(6,791,795)	(4,901,950)	-	2,308,394	1,057,767	43,331	118,144,188	27,516	118,171,704
Profit for the year	-	-	-	-	8,749,701	-	-	8,749,701	(70)	8,749,631
Other comprehensive income	-	-	-	-	-	(620,874)	(34,353)	(655,227)	-	(655,227)
Total comprehensive income for the year	-	-	-	-	8,749,701	(620,874)	(34,353)	8,094,474	(70)	8,094,404
Dividends (note 16)	-	-	-	-	-	-	-	-	(26,102)	(26,102)
Reserves	-	2,308,394	-	-	(2,308,394)	-	-	-	-	-
Other movements	(1)	1	-	-	-	-	-	-	-	-
Net movement in treasury shares	-	(50,439)	(15,082)	-	-	-	-	(65,521)	-	(65,521)
Transactions with shareholders or owners	(1)	2,257,956	(15,082)	-	(2,308,394)	-	-	(65,521)	(26,102)	(91,623)
Balance at December 31, 2015	126,428,440	(4,533,839)	(4,917,032)	-	8,749,701	436,893	8,978	126,173,141	1,344	126,174,485
Profit for the year	-	-	-	-	7,676,288	-	-	7,676,288	(9,448)	7,666,840
Other comprehensive income	-	-	-	-	-	(766,959)	(28,017)	(794,976)	-	(794,976)
Total comprehensive income for the year	-	-	-	-	7,676,288	(766,959)	(28,017)	6,881,312	(9,448)	6,871,864
Dividends (note 16)	-	-	-	-	-	-	-	-	(8,860)	(8,860)
Capital reduction (note 14)	(94,821,330)	94,821,330	-	-	-	-	-	-	-	-
Business combinations (note 5)	-	-	-	638,193	-	-	-	638,193	-	638,193
Reserves	-	8,749,701	-	-	(8,749,701)	-	-	-	-	-
Net movement in treasury shares	-	(3,207,814)	2,824,658	-	-	-	-	(383,156)	-	(383,156)
Transactions with shareholders or owners	(94,821,330)	100,363,217	2,824,658	638,193	(8,749,701)	-	-	255,037	(8,860)	246,177

The accompanying report forms an integral part of the consolidated financial statements.

LABORATORIO REIG JOFRE, S.A. AND SUBSIDIARIES

Balance at December 31, 2016	31,607,110	95,829,378	(2,092,374)	638,193	7,676,288	(330,066)	(19,039)	133,309,490	(16,964)	133,292,526
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The accompanying report forms an integral part of the consolidated financial statements.

Consolidated cash flow statements for the years ended on December 31, 2016 and 2015

<i>In Euros</i>	31/12/2016	31/12/2015
Cash flows from operating activities		
Profit before tax	11,961,118	11,006,956
Adjustments to income/loss		
Amortization	5,946,361	5,398,214
Impairment adjustments in property, plant and equipment	(1,965,542)	-
Impairment adjustments in trade receivables	(65,347)	169,580
Impairment adjustments in inventories	779,109	236,211
Impairment adjustments for other financial assets	-	301,335
Change in provisions	(322,143)	36,593
Allocation of government grants to income	(42,362)	(42,363)
Financial revenue	(164,745)	(211,121)
Financial expenses	1,238,683	1,075,633
Exchange differences	296,669	(321,278)
Change in fair value of financial instruments	(172,888)	(145,459)
Participation in income of companies accounted for using the equity	-	45,538
Other adjustments to profit	(1,326,727)	(665,319)
Changes in working capital		
Changes in inventories	(8,873,015)	(1,289,653)
Change in trade and other receivables	(1,664,597)	(4,617,386)
Change in other assets	(2,678,429)	1,016,365
Change in trade and other payables	(1,583,410)	2,550,588
Change in other liabilities	(92,690)	(531,762)
Other flows from operating activities		
Interest payments	(1,238,683)	(1,075,633)
Interest charges	164,745	211,121
Corporate tax payments	(1,685,870)	(276,582)
Net cash generated by operating activities	(1,489,763)	12,871,578
Cash flows from investing activities		
Payments for investments		
Subsidiaries, net of cash and cash equivalents	(1,187,436)	(1,904,801)
Property, plant and equipment	(10,723,397)	(8,895,365)
Intangible assets	(1,520,350)	(1,580,308)
Other financial assets	(223,023)	(756,326)
Receipts from disposals		
Property, plant and equipment	-	18,499
Other financial assets	57,375	3,956,854
Net cash generated by investment activities	(13,596,831)	(9,161,447)
Cash flow from financing activities		
Receipts and payments for equity instruments		
Acquisition of the parent's equity instruments	(966,180)	(76,551)
Disposal of the parent's equity instruments	583,023	11,030
Receipts and payments for financial liability instruments		
Issue		
Bank borrowings and leasings	19,987,807	-
Other	1,669,349	2,808,374
Repayment and depreciation		
Bank borrowings and leasings	(6,547,780)	(4,745,712)
Other	(889,281)	(590,509)
Dividend payments and remuneration of other equity instruments		
Dividends paid	(8,860)	(26,102)
Net cash generated by financing activities	13,828,078	(2,619,470)
Effect of changes in exchange rates on cash		
Net increase in cash and cash equivalents	(1,258,516)	1,090,661
Cash and cash equivalents at beginning of year	9,440,170	8,349,509
Cash and cash equivalents at year-end	8,181,654	9,440,170

The accompanying report forms an integral part of the consolidated financial statements.

1. General Information

Laboratorio Reig Jofre, S.A., (formerly Natraceutical, S.A.) (the Company or Parent) was incorporated on June 1, 1993, and its registered office is located in Sant Joan Despí (Barcelona), calle Gran Capità, 10.

Its corporate purpose is as follows:

- The preparation and research of active ingredients and nutraceutical ingredients from natural sources, specifically aimed at disease prevention or for use as nutritional supplements incorporated into products of daily consumption (functional foods). The obtaining of patents for such products and their benefits following their validation, for the subsequent cession of their use and commercialization to third parties.
- The preparation of chemical and food products based on vegetable products by physical and chemical means, as well as the commercialization, importation, exportation and, in general, all types of intermediation in the manufacture and commercialization of the same, their extracts or derivatives, as well as the operation of agricultural plantations and tropical products related to the above-mentioned activities.
- The manufacture, purchase and sale, research, development, innovation and registration, both nationally and internationally, of raw materials, pharmaceuticals, biotechnology products, nutritional supplements, health products, medical devices, cosmetics, pharmacy, food and other products related directly or indirectly to health, cosmetics and/or human or animal food.
- The above-mentioned activities, together with any other activities that are complementary to those which fall within the corporate purpose, may be undertaken by the Company, in whole or in part, directly and indirectly, through the ownership of shares in companies or interests in companies or entities with identical or similar corporate purposes, as well as through the transfer of rights, licensing and/or authorizations of any kind.

The Reig Jofre Group's main activities are:

- The manufacture of pharmaceutical products and specialties for marketing and for third-parties, and the undertaking of research and development studies for third-parties.
- The importing, exporting, purchasing wholesaling and retailing and exploitation of authorised food supplements and dietary and cosmetic products.

On June 26, 2014, the Boards of Directors of Natraceutical, S.A., (hereinafter, Natraceutical or the Absorbing Company) and Laboratorio Reig Jofre, S.A., (hereinafter Reig Jofre or the Absorbed Company), approved the merger between the two companies. The merger was effected through the takeover of Reig Jofre (acquired company), through the dissolution without liquidation thereof and the block transfer of all its assets to Natraceutical (acquiring company), which acquired, by universal succession, its rights and obligations. As the sole shareholder of the acquired company received 74% of the shares of the company resulting from the merger, Reig Jofre is considered the accounting acquirer, making this a "reverse" merger, which is characterized by the presentation, in accounting terms, of the legal acquired company as the accounting acquirer, and the legal acquiring company as the accounting acquiree. This structure allowed Natraceutical, S.A., (now called Laboratorio Reig Jofre, S.A.) to maintain its condition as a listed company.

On October 24, 2014, the respective shareholders' meetings approved the aforementioned merger, which for accounting purposes was recorded at December 31, 2014, when it was registered in the Companies Register. An exemption for the obligation to launch a takeover bid had been obtained previously from the National Stock Market Commission.

On October 24, 2014, the General Shareholders Meeting of Natraceutical, S.A., approve the change of the registered offices to the current offices of Laboratorio Reig Jofre, S.A., and the change of the corporate name from Natraceutical, S.A., to Laboratorio Reig Jofre, S.A.

Laboratorio Reig Jofre, SA is the parent company of a group of subsidiaries (hereinafter the Group), which have been fully consolidated.

The information relative to the subsidiaries included in the scope of consolidation is detailed in Annex 1.

The Group's main industrial facilities are located in Sant Joan Despí and Toledo (Spain) and Malmoe (Sweden).

2. Basis of presentation

The consolidated financial statements have been prepared from the accounting records of Laboratorio Reig Jofre, S.A., and the consolidated entities. The consolidated financial statements corresponding to the year ended on December 31, 2016 (FY 2016) have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other applicable provisions of the regulatory financial information framework, in order to present a true image of the consolidated equity and the consolidated financial position of Laboratorio Reig Jofre, SA and subsidiaries at December 31, 2016, and the consolidated financial performance, cash flows and changes in consolidated equity for the year ended on the indicated date.

The Group adopted IFRS-EU on October 1, 2011, and on the same date applied IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

The directors of the Company consider that the consolidated financial statements for 2016, which were prepared on March 30, 2017, will be approved without modification by the General Shareholders Meeting.

a) Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared using the historical cost basis, with the following exception:

- Derivative financial instruments and financial assets available for sale have been registered at fair value.

b) Comparative information

For comparative purposes, the consolidated financial statements present, in addition to the figures corresponding to 2016 and with each of the items of the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statements, the consolidated statement of changes in equity and the consolidated report, the figures corresponding to the year ended on December 31, 2015 (FY 2015), which have been obtained through the consistent application of IFRS-EU.

As indicated in article one of Royal Decree 602/2016 of December 2, the report for 2016 includes the additional information on transactions with related parties indicated in note 26 (c). In accordance with the single transitional provision, such information must not be presented for comparative purposes, and as such the financial statements for 2016 are not directly comparable with those of the previous year.

c) Relevant accounting estimates and assumptions, relevant judgements in the application of accounting policies and changes in estimates

The preparation of the consolidated financial statements under IFRS-EU requires the application of relevant accounting estimates and judgements, estimates and assumptions in the process of applying the Group's accounting policies. Thus, there follows a summary of a breakdown of the aspects that have required a greater degree of judgement, complexity or in which the assumptions and estimates are significant to the preparation of the consolidated financial statements:

- Assessment of the recoverability of tax credits, including tax loss carryforwards and rights of deduction. Deferred tax assets are recognized to the extent that taxable profits are to be available in the future against which to charge the temporary differences, based on management assumptions relative to the amount and the schedule for the payment of future tax profits (see note 3 (q) and 23).

- The assumptions used to test the impairment of non-current assets and goodwill: impairment tests are carried out annually in the relevant cash generating units, based on future, risk-adjusted cash flows and the discounting of the appropriate interest rates. The key assumptions used are specified in note 6. The assumptions relative to the future cash flows adjusted to risk and discount rates are based on business forecasts and are, therefore, inherently subjective. Future events could cause a change in the assumptions, with a consequent adverse effect on the Groups' future results income. To the extent that has been considered significant, a sensitivity analysis for the effect of the changes in these assumptions and the effect on the recoverable value of the cash-generating unit (CGU) has been revealed. The measurements indicate the existence of sufficient margin, and as such it is unlikely that a reasonably possible change in any of the key assumptions gives rise to an impairment of the corresponding goodwill.
- Useful lives of plant, property and equipment and intangible assets: the estimated useful lives assigned to each category of plant, property and equipment and intangible assets are specified in notes 3 (f) and 3 (g). Although the estimates are calculated by the Group's management based on the best information available at December 31, 2016, it is possible that future events require changes in these estimates in subsequent years. Given the large number of individual items of property, plant and equipment, it is not considered likely that a reasonably possible change in the assumptions trigger a significant adverse effect.
- The impairment loss due to customer insolvencies: the revision of individual balances based on the creditworthiness of customers, current market trends and the aggregate historical analysis of insolvencies implies a high degree of judgement. In relation to the write down derived from the aggregate analysis of the historical experience of bad debt, a reduction in the volume of the balances implies a decrease in write downs, and vice versa (see note 3 (j) (viii) and 11).
- The estimate of net realizable value of inventories: In order to allocate appropriate impairment losses.

There have been no changes in the judgements used in previous years relating to the existing uncertainties.

Furthermore, although the estimates effected by the Company's Directors have been calculated in accordance with the best information available at December 31, 2016, it is possible that events that may occur in the future require their amendment in the coming years. The effect on the consolidated financial statements of the amendments which, when applicable, are derived from the adjustments to be effected in the coming years would be registered prospectively.

d) Standards and interpretations issued that are not effective at January 1st, 2016 and which the Group expects to adopt as of January 1, 2017, or later (they have not been adopted in advance)

- IFRS 9 Financial instruments. Effective for years beginning on or after January 1, 2018. Pending adoption by the EU.
- IFRS 15 Revenue from contracts with customers. Effective for years beginning on or after January 1, 2018. Pending adoption by the EU.
- IFRS 16 Leases. Effective for years beginning on or after January 1, 2019. Pending adoption by the EU.
- Amendments to IAS 7. Effective for years beginning on or after January 1, 2017. Pending adoption by the EU.

The Parent's Directors are analyzing the potential impacts of the application of these standards and consider that their application will not have a significant impact on the consolidated financial statements. The standards will be applied by the Group to the consolidated financial statements as of their corresponding effective dates. The standards applicable in 2016 were not material.

3. Accounting principles

a) Subsidiaries

Subsidiaries are understood as those companies over which the Company, directly or indirectly, exercises control. The Company controls a subsidiary when its involvement in the same is exposed, or when it has the right to variable returns and has the capacity to influence these returns through the power it exercises over the same. The Company has such power when it has substantive rights in force which provide it with the ability to direct the

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relevant activities. The Company is exposed, or has the right, to variable returns for its involvement in the subsidiary when the returns obtained for such involvement vary in accordance with the company's economic performance.

Information on the subsidiaries included in the Group's consolidation is included in Annex I.

The revenues, expenses and cash flows of the subsidiaries are included in the consolidated financial statements from the date of acquisition, understood as that on which the Group effectively obtains control of the same. Subsidiaries are de-consolidated as of the date on which control is lost.

Transactions and balances with Group companies and unrealized profits or losses have been eliminated on consolidation.

The accounting policies of the subsidiaries have been adapted to the Group's accounting policies for transactions and other events which, being similar, have occurred in similar circumstances.

The financial statements of the subsidiaries used in the consolidation process refer to the same presentation date and the same period as those of the Parent.

b) Non-controlling interests

Non-controlling interests are presented in the consolidated equity separately from the equity imputed to the Parent's shareholders. Non-controlling interests in the consolidated income statement and the consolidated comprehensive income for the year are also presented separately in the consolidated income statement and the consolidated statement of comprehensive income.

The Group's interest and the non-controlling interests in the consolidated income statement, consolidated comprehensive income and the changes in equity of the subsidiaries, having taken into account the adjustments and eliminations resulting from consolidation, is determined in accordance with the ownership shares at year-end, without considering the possible exercise or conversion of potential voting rights and after discounting the effect of dividends, agreed or not, from preferential shares with cumulative rights which have been classified in equity accounts.

c) Business combinations

The Group has applied the exemption under IFRS 1 "First-time Adoption of International Financial Reporting Standards", and as such only the business combinations effected after October 1, 2011, the transition date to IFRS-EU, have been recorded using the purchase method. Acquisitions of entities prior to this date were registered in accordance with the previous GAAP, after considering the necessary corrections and adjustments at the transition date.

The Group has applied IFRS 3 "Business Combinations", revised in 2008, to transactions carried out as of October 1, 2011.

The Groups uses the acquisition method for the accounting of business combinations.

The acquisition date is the date on which the Group obtains control of the acquired business.

The consideration paid for the business combination is determined at the date of acquisition by the sum of the fair values of the assets delivered, the liabilities incurred or assumed, the equity instruments issued and any contingent consideration that depends on future events or the fulfilment of certain conditions in exchange for control of the acquired business.

The consideration paid excludes any disbursement which is not part of the exchange for the acquired business. The acquisition-related costs are recognised as expenses as they are incurred.

At the acquisition date, the Group recognizes the assets acquired and liabilities assumed at fair value. Liabilities assumed include contingent liabilities to the extent that they represent present obligations arising from past events and their fair value can be measured reliably.

Non-current assets or disposable groups of items that are classified as held for sale, liabilities for long-term employee benefits, transactions based on equity payments, deferred tax assets and liabilities and intangible assets arising from the acquisition of previously-granted rights are exempt from the application of this criterion.

The assets and liabilities assumed are classified and designated for further measurement on the basis of contractual agreements, economic conditions, financial and operating policies and other conditions existing at the acquisition date, except for leases and insurance.

The excess between the consideration delivered and the net amount of the assets acquired and the liabilities assumed, less the value allocated to the non-controlling interests, is recorded as goodwill. Where applicable, the defect, after measuring the amount of the consideration paid, the value assigned to non-controlling interests and the identification and measurement of the net assets acquired, is recognized in income.

d) Joint arrangements

Joint agreements are considered agreements in which there is a contractual agreement to share control over an economic activity, in such a manner that the decisions about the relevant activities require the unanimous consent of the Group and the other participants or operators. The assessment of the existence of joint control is carried out considering the definition of control relative to subsidiaries.

(i) Joint ventures

Investments in joint ventures are accounted for using the equity method.

The Group's interest in the profits or losses of the joint ventures obtained as of the date of acquisition is recorded as an increase or decrease in the value of the investments with a credit or charge to "Income from companies accounted for using the equity method" of the consolidated income statement.

The Group's interest in the profit and loss and in the changes in equity of the subsidiaries is determined in accordance with the ownership interest at year-end, without considering the possible exercise or conversion of potential voting rights.

The losses corresponding to the Group are limited to the value of the net investment, except in cases in which the Group has assumed legal or constructive obligations or made payments on behalf of the entities. For the purposes of recognising impairment losses, net investment is considered as the result of adding the carrying amount resulting from the application of the equity method, corresponding to any other item that, in substance, forms part of the investment.

The accounting policies have been subject to timing and measurement homogenization in the same terms referred to in the subsidiaries.

e) Transactions and balances in foreign currency

(i) Functional and presentation currency

The consolidated financial statements are presented in Euros, rounded up to the nearest Euro, which is the Parent's functional and presentation currency.

(ii) Transactions, balances and flows in foreign currency

Transactions in foreign currencies have been converted into Euros applying the spot exchange rates between the functional currency and the foreign currency on the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are converted into Euros applying the rate existing at year end, while non-monetary assets and liabilities valued at historical cost are translated applying the exchange rate corresponding to the date on which the transaction occurred. Finally, conversion to Euros of non-monetary assets measured at fair value has been effected with the application of the exchange rate on the date on which the quantification was carried out.

In the presentation of the consolidated cash flow statement, flows from foreign currency transactions are translated into Euros at the exchange rates prevailing at the date on which they were produced. The effect of the changes in exchange rates on cash and cash equivalents denominated in foreign currency are presented separately in the cash flow statement as "Effect of exchange differences on cash".

The differences observed in the settlement of foreign currency transactions and the translation into Euros of assets and liabilities denominated in foreign currencies are recognized in income.

(iii) Conversion of foreign operations

The conversion to Euros of foreign operations whose functional currency is not that of a hyper-inflationary country has been carried out by applying the following criteria:

- The assets and liabilities, including the goodwill and the adjustments to net assets derived from the acquisition of businesses, including the comparative balances, are converted to the exchange rates prevailing on the balance sheet date;
- Revenues and expenses, including comparative balances, are translated at the average exchange rate for the year. This method does not differ significantly from the application of the exchange rate corresponding to the date of the transaction;
- The exchange differences resulting from the application of the previous criteria are recognised in exchange differences on other comprehensive income.

f) Property, plant and equipment

(i) Initial recognition

Property, plant and equipments is recognized at cost or imputed cost, less accumulated depreciation and, where applicable, accumulated impairment loss.

On October 1, 2011, the Group applied the exemption relative to fair value or remeasurement as imputed cost under IFRS 1 First-time Adoption of International Financial Reporting Standards.

(ii) Amortization

Depreciation of property, plant and equipment is effected by systematically allocating the depreciable amount over the service life. For these purposes, the depreciable amount is understood as the acquisition cost less the residual value. The Group determines the depreciation cost independently for each item which has a cost that is significant in relation to the total cost of the item and a service life other than that of the rest of the item's components.

Depreciation of property, plant and equipment is determined by applying the criteria listed below:

	Amortization method	Estimated service life
Buildings and constructions	Straight line	33.33
Plant and machinery	Straight line	10
Other fixtures, tools and furniture	Straight line	6.66-10
Other property, plant and equipment	Straight line	4-10

The Group reviews residual values, service lives and the depreciation method of the property, plant and equipment at the end of each year. Amendments to the criteria initially established are recognized as changes to estimations.

Subsequent costs

After initial recognition of the asset, only those costs that will generate future economic benefits that can be classified as probable and the amount of these costs can be measured reliably are capitalized. In this sense, the costs derived from the daily maintenance of property, plant and equipment are registered as they are incurred.

(iii) Impairment of assets

The Group measures and determines impairment losses and reversals of impairment losses of property, plant and equipment in accordance with the criteria described in section (h) below.

g) Intangible assets

(i) Goodwill

Goodwill arises from business combinations, corresponding to the excess existing between the consideration delivered and the net amount of the assets acquired and the liabilities assumed, less the value allocated to the non-controlling interests.

Goodwill is not amortized, but is tested for impairment an annual, or shorter term, basis if there are indications of a potential loss of asset value. For this purpose, the goodwill acquired in the business combination is allocated to each of the cash-generating units (CGU), or groups of cash generating units, that are expected to benefit from the combination's synergies, and the criteria referred to in section (h) below are applied. Following the initial recognition, goodwill is measured at its cost less accumulated impairment losses.

(ii) Internally generated intangible assets

Any expenses incurred during the research phase of projects are recognized as an expense when incurred.

Costs related to development activities are capitalized from the time the product approval is obtained, provided that the following conditions are met:

- The Group is in possession of technical studies justifying the feasibility of the production process;
- The Group holds a commitment to complete the production of the asset in order that is in a condition to be sold or used internally;
- The asset will generate sufficient profit;
- The Group has the technical and financial resources to complete the development of the asset and has developed budgetary control and analytical accounting systems that enable the monitoring of the budgeted costs, the amendments introduced and the costs actually charged to the individual projects.

The cost of the assets generated internally by the Group is determined following the same principles as those used in determining the production cost of inventories. Production costs are capitalized through the payment of the costs imputable to the asset in the accounts in "Work performed by the Group for its non-current assets" in the consolidated income statement.

(iii) Patents, trademarks and licenses

Patents, trademarks and licenses are initially recorded at acquisition cost and relate mainly to the registration of trademarks and pharmaceutical specialities acquired from third parties.

(iv) Service life and amortizations

For each intangible asset acquired, the Group assesses whether the useful life is finite or indefinite. For this purpose, an intangible asset is understood as having an indefinite useful life when there is no foreseeable limit to the period during which it is to generate net cash flows.

Intangible assets with indefinite service lives are not amortized, but is tested for impairment an annual, or shorter term, basis if there are indications of a potential loss of value.

Intangible assets with finite service lives are amortized by systematically allocating the depreciable amount the service life by applying the following criteria:

	Amortization method	Estimated service life
Development	Straight line	5
Patents, trademarks and licenses	Straight line	10

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Customer base	Straight line	11
Software	Straight line	3

For these purposes, the depreciable amount is understood as the acquisition or attributed cost less the residual value.

The Group reviews residual values, service lives and the depreciation method of the intangible assets at the end of each year. Amendments to the criteria initially established are recognized as changes to estimations.

(v) Impairment of assets

The Group measures and determines impairment losses and reversals of impairment losses of intangible assets in accordance with the criteria described in section (h) below.

h) Impairment of non-financial assets subject to amortization or depreciation

The Group's policy is to evaluate the existence of evidence that may point to the potential impairment of the non-financial assets subject to amortization or depreciation, in order to verify whether the carrying value of the assets exceeds their recoverable value.

The Group also, and independently of the existence of any indication of impairment, checks, at least on an annual basis, the potential impairment that may affect the goodwill, as well as the intangible assets that are not yet available for use.

The recoverable value of assets is the higher of the fair value less sales costs and the value in use. The value in use of assets is determined by the expected future cash flows from the use of the asset, the expectations relative to possible variations in the amount or timing of the flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors that market participants would consider in assessing future cash flows related to the asset.

Negative differences resulting from the comparison of the book values of the assets with their recoverable amounts are recognized in income.

The recoverable value must be calculated for individual assets, except when the asset generates cash inputs that are, on the whole, independent of those corresponding to other assets or groups of assets. In such cases, the recoverable amount is determined for the cash-generating unit (CGU) to which it belongs.

Initially, losses related to the impairment of the CGU reduce, where appropriate, the value of the allocated goodwill and, subsequently, the CGU's remaining assets. They are pro rata in accordance with the carrying value of each of the assets, with the limit for each being the greater of the fair value less disposal costs or disposal by other means, the value in use and zero.

At each reporting date, the Group assesses whether there are any indications that an impairment loss recognized in prior years has ceased to exist or may have decreased. Goodwill impairment losses are not reversible. Impairment losses on other assets are only reversible if there has been a change in the estimates used to determine the recoverable amount.

The reversal of the impairment loss is credited to income. Nevertheless, the reversal of the loss cannot increase the carrying amount of an asset above the carrying amount that it would have had, net of depreciation, had no impairment loss been recorded.

The amount corresponding to the reversion of the impairment of a CGU is allocated among the assets of the same, except for goodwill, and prorated in accordance with the carrying value of the assets, with the limit per asset being the lower of the recoverable value and the book value, net of depreciation, that would have been reflected if no impairment had been registered.

i) Leases

(i) Classification of leases

The Group classifies contracts which initially substantially transfer the assets' risks and rewards of ownership to the lessee as finance leases. Otherwise, the contracts are classified as operating leases.

(ii) Lessee accounting

The Group has the right to use certain assets under lease agreements.

- Finance leases

At the beginning of the lease term, the Group recognizes an asset and a liability at the lower of the fair value of the leased property or the present value of the minimum lease payments. Initial direct costs are included as higher asset value. Minimum payments are divided between the finance charge and the reduction of outstanding debt. Financial expenses are charged to the consolidated income statement by applying the effective interest rate method.

The accounting principles applied to the assets used by the Group by virtue of the signing of leasing contracts classified as financial are the same as those detailed in section (f) Property, plant and equipment.

- Operating leases

Payments under operating leases, net of the incentives received, are recognized as expenses on a straight line basis over the lease term, unless another systematic basis of allocation is more representative by virtue of a more appropriate reflection of the time pattern of the lease's profit.

j) Financial Instruments

(i) Classification of financial instruments

Financial instruments are classified on initial recognition as financial assets, financial liabilities or equity instruments, in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument in IAS 32 "Financial Instruments: Presentation".

Financial instruments are recognized when the Group becomes a party to the contract or legal transaction in accordance with the provisions thereof.

For the purpose of measurement, financial instruments are classed in the categories of financial assets and liabilities at fair value through profit and loss, separating those which are designated initially from those held for trading, loans and accounts receivable, held-to-maturity investments, financial assets available for sale and financial liabilities at amortized cost. The classification in the previous categories is based on the nature of the instrument and the Group's intentions at the time of initial recognition.

(ii) Offsetting principles

Financial assets and financial liabilities are offset only when the Group has the enforceable right to legally offset the recognized amounts and intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

(iii) Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss are those that are classified as held for trading or which have been designated from the time of their initial recognition.

A financial asset or financial liability is classified as held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing in the near future;

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- In the initial recognition, it forms part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a designated and effective hedging instrument or a derivative that is a financial guarantee contract).

Financial assets and liabilities at fair value through profit or loss are initially recognised at their fair value. The operation costs directly attributable to the purchase or issue are recognised as expenses as they are incurred.

Subsequent to their initial recognition, they are recognized at fair value and any changes are registered in results. The fair value is not reduced by transaction costs that may be incurred on sale or disposal by other means.

(iv) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market other than those classified in other financial asset categories. These assets are initially recognized at fair value, including transaction costs, and subsequently measured at amortized cost using the effective interest rate.

(v) Available-for-sale financial assets

The Group classifies non-derivative financial instruments that are designated as such or which do not comply with requirements for inclusion in the above categories in this category.

Financial assets available for sale are initially recognised at fair value plus the operation costs directly attributable to the acquisition.

After initial recognition, financial assets classified in this category are measured at fair value, the gain or loss recognized in other comprehensive income in shareholders' equity, except for impairment losses. The amounts recognized in other comprehensive income are recognized in income when the financial assets are de-registered and, where applicable, there is impairment loss.

(vi) Fair value

To determine the fair value of financial assets or liabilities, the Group uses, to the extent possible, market data. Based on the factors used for measurement, the fair values are ranked in accordance with the following levels:

- Level 1: quoted prices (unadjusted) in existing markets for assets or liabilities that are identical to those that are being considered.
- Level 2: factors other than the prices considered in Level 1 that are derived directly from the asset or liability in question, such as those that may arise directly from the price.
- Level 3: factors which are not based on data obtained directly from the market.

In those cases in which the factors employed to determine the fair value of an asset or a liability are included in different hierarchical levels, the fair value is determined entirely on the significant component located in the lowest hierarchical level.

(vii) Amortized cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus, as applicable, the cumulative amortisation using the effective interest rate method of any difference between that initial value and the maturity amount, and minus any reduction for impairment or uncollectability.

(viii) Impairment of financial assets measured at amortized cost

The amount of the loss impairment of financial assets measured at amortised cost is the difference between the financial asset's carrying amount and the present value of estimated effective future cash flows (excluding future

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credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets at a variable interest rate, the effective interest rate corresponding to the measurement date under the contractual terms it is used.

The Group recognizes the impairment losses and defaults on loans and other receivables and debt instruments by recording an allowance account for financial assets. When the impairment loss and default are considered irreversible, the book value is eliminated against the amount in the allowance account.

Impairment loss is recognized against income and is reversible in subsequent years if the decrease can be objectively related to an event subsequent to its recognition. However, the reversal of the loss is limited to the amortized cost that would have corresponded to the assets if the impairment loss had not been registered. The reversal of the loss is recognized against the amount in the allowance account.

The Group reviews the recoverability of customer balances individually, in accordance with the credit quality of the same, current market trends and historical analysis of insolvencies at an aggregate level.

Balances for sales corresponding to Public Administrations are not subject to impairment due to late payment as the Directors do not consider a payment period in excess of one year.

(ix) Impairment of financial assets available for sale

In the case of financial assets available for sale, the reduction in the fair value has been recorded directly in other comprehensive income in equity. It is recognized in income when there is objective evidence of impairment, even though the financial asset has not been de-recognised in the consolidated statement of financial position. The amount of the impairment recognised in income is calculated as the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in income.

The impairment losses corresponding to investments in equity instruments are not reversible, and as such they are registered directly against the asset and not as a corrective provision.

The increase in the fair value of debt instruments, which may be objectively related to an event subsequent to the recognition of the impairment, is credited to income up to the amount of the previously-recognised impairment and the excess, where applicable, which is credited to the other comprehensive income in equity.

(x) De-recognition of financial assets

The Group applies the financial asset de-registration criteria to a part of a financial asset or a part of a group of similar financial assets or to a financial asset or a group of similar financial assets.

Financial assets are de-recognised when the rights to receive the associated cash flows have matured or have been transferred and the Group has substantially transferred all risks and rewards of ownership.

The de-recognition of a financial asset in its entirety implies the recognition of profit from the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including the assets obtained or liabilities assumed and any deferred gain or loss in other comprehensive income.

(xi) Financial liabilities

Financial liabilities, including trade and other payables, which are not classified as at fair value through the income statement, are initially recognized at fair value less, where applicable, any transaction costs that are directly attributable to the issue thereof. Subsequent to initial recognition, liabilities classified under this category are measured at amortized cost using the effective interest rate.

(xii) De-recognition and changes in financial liabilities

The Group de-registers financial liabilities or a part of the same when it has fulfilled the obligation under the liability or is legally released from the primary responsibility for the liability, either by virtue of a judicial process or by the creditor.

k) Inventory

Inventories are measured at the lower of the acquisition or production cost and net realizable value.

The acquisition cost includes the amount invoiced by the vendor after deducting any discounts or other similar items and interest included in the par value of the debts, together additional expenses incurred until the goods are made available for sale and any others directly attributable to the acquisition, as well as non-recoverable indirect taxes.

The estimate of the products that will be returned in relation to sales for which the customers hold the right of return, net of the effect of any reduction in the value thereof, is recognized as inventory on consignment at the time of sale.

Discounts from providers are recognized when it is probable that they will comply with the conditions governing their concession as a reduction of the cost of the inventories from which they arose and the excess, if any, as a reduction of the procurements item in the consolidated income statement.

The production cost of inventories includes the purchase price of raw materials and other consumables and the costs directly related to the units produced, as well as systematically-calculated part of the indirect, variable or fixed costs incurred during their transformation. The allocation of fixed overhead costs is performed in accordance with the normal production capacity or real production, whichever is the greater of the two.

The cost of raw materials and other procurements, the cost of goods and the cost of processing are allocated to the different SKUs using the weighted average price method.

The Group uses the same cost formula for all inventories having a similar nature and use within the Group.

The cost value of inventories is subject to impairment charged to income in cases in which the cost exceeds the realizable net value. For these purposes, net realizable value is understood as:

- Raw materials and other supplies: replacement cost. Notwithstanding the foregoing, the Group does not make adjustments in cases where it is expected that the finished products to which the raw materials and other supplies are incorporated are to be disposed of for value equal to or greater than their production cost;
- Goods and finished products: the estimated sales price, less the any necessary sales costs;
- Unfinished products: the estimated sales price of the corresponding finished products, less the any estimated costs for the completion of production and those related to their sale.

The reduction in the value previously recognised is reversed against profit if the circumstances that caused the reduction have ceased to exist or when there is clear evidence of an increase in the net realizable value as a consequence of a change in the economic circumstances. The reversal of the decrease in value is limited to the lower of the cost and new net realizable value of the inventories.

l) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits with banks. This concept also includes other short-term, highly-liquid investments, provided that they are easily convertible into certain amounts of cash and they are subject to an insignificant risk of changes in value. For this purpose, investments with maturities of less than three months as of the date of acquisition are included.

The Group classifies cash flows corresponding to interest received and paid as operating activities, and dividends received and paid as investment and financing activities, respectively.

m) Government grants

Government grants are recognized when there is reasonable assurance of compliance with the conditions attached to the granting and payment of the same.

(i) Capital subsidies

Capital subsidies granted in the form of monetary assets are credited to "Subsidies" in the consolidated statement of financial position, and they are charged to "Other operating income" in the consolidated income statement as the corresponding financed assets are amortized.

(ii) Revenue grants

Operating grants are recognized as income and credited to "Other operating income" in the consolidated income statement.

n) Short-term employee benefits

The Group recognizes the expected cost of short-term remuneration in the form of paid leave, the rights to which are accumulated as the employees render the services that grant them the right to perceive the same. If the permissions are not cumulative, the expenditure is recognized as the permissions occur.

The Group recognizes the expected cost of profit-sharing or incentive plans when it has a present, legal or implicit obligation resulting from past events and when the value of the obligation can be reliably estimated.

o) Provisions

Provisions are recognised when the Group has a present obligation, either legal or implicit, as a result of past events, an outgoing of resources incorporating future economic profits is likely in order to settle the obligation, and the amount of the obligation can be reliably estimated.

The amounts recognized in the consolidated balance sheet correspond to the best estimate at the closing date of the expenditure required to settle the present obligation, once considered the risks and uncertainties related to the provision and, where significant, the financial effect produced by the discount, provided that the disbursements to be made in each period can be reliably determined. The discount rate is determined before taxes, considering the time value of money and the specific risks that have not been considered in the future flows related to the provision.

The financial effect of the provisions is recognized as interest expense in the consolidated results.

Provisions are reversed when an outflow of resources to settle the obligation is not considered probable. The reversal is charged against the item in results in which the corresponding expenditure was registered and the excess, where applicable, is recognised in "Other operating income" in the consolidated income statement.

p) Revenue recognition

Income from the sale of goods or services is recognized at the fair value of the consideration received or receivable derived from the same. Discounts for prompt payment, volume or other types of discounts, as well as interest compounded into the nominal amount of the credits, are recorded as a reduction of the same.

Discounts granted to clients are recognized at the moment in which it is probable that the conditions that may determine their concession as a reduction in income from sales are met.

(i) Sale of goods

The Group is dedicated to the marketing of proprietary pharmaceutical specialties and licensed products in the areas of dermatology, women's care, respiratory, anti-infective, pediatrics and consumer healthcare products, as well as the marketing of nutraceutical products. It also has manufacturing activities for third parties specialized in the sterile injectable products, lyophilised products, penicillanic antibiotics and cephalosporins.

Revenue from the sale of goods is recognized when the Group:

- Transfers the risks and rewards of ownership of the goods to the buyer;
- There remains no implication in the current management of the goods sold, to the degree usually accepted with ownership, and there is no effective control of the same;

- The amount of the revenue and costs incurred or to be incurred can be measured reliably; and
- It is probable that the profits associated with the transaction will be received.

The Group sells certain goods, in relation to which the buyer acquires rights of return. In such cases, the sale of the goods is recognized at the time when the above conditions are met and it is possible to make a reliable estimate of the amount of the returns, in accordance with experience and other relevant factors. The estimated reimbursements are recorded against revenue and credited to the provision for sales returns, and the estimated cost value corresponding to the goods that are estimated to be returned, net of the effect of any reduction in value., is recognised as inventory on consignment.

(ii) Provision of services

Revenue derived from the provision of services is recognised considering the degree of completion of the provision at the balance sheet date, provided that the outcome of the transaction can be estimated reliably. This circumstance occurs when the amount of revenue, the degree of implementation, the costs already incurred and those to be incurred can be reliably measured and it is probable that the economic profits of the service are to be received.

(iii) Interest and dividends

Interest is recognized by the method of effective interest rate, which is the rate that equals the book value of a financial instrument with estimated effective cash flows over the expected life of the instrument, based on the corresponding contractual conditions and without considering future credit risk losses.

Dividend income from investments in equity instruments is recognized in income when the rights have arisen in favour of the Group upon its perception.

q) Capital Gains Tax

Expenses or income derived from corporate tax includes both current tax and deferred tax.

Current tax is the amount payable or recoverable in the concept of capital gains tax on the consolidated profit or tax loss for the year. Current tax assets and liabilities are measured at the amount expected to be paid or recovered from the tax authorities, using the regulations and rates that are applicable or which have practically been approved at year end.

Deferred taxes liabilities are the amounts payable in the future as taxes related to taxable timing differences, while deferred tax assets are the amounts to be recovered in the concept of tax on earnings due to the existence of deductible timing differences, compensable loss carryforwards or deductions pending application. For this purpose, temporary difference is understood as the difference between the book value of the assets and liabilities and their tax base.

Current or deferred corporate tax is recognized in earnings, except when it arises from a transaction or financial event which is recognized in the same year or in a different year in equity, or from a business combination.

At December 31, 2016 and 2015, the parent company and the subsidiaries Laboratorios Medea, SA, Laboratorio Farmacéutico Orraván, SL, Laboratorio Ramon Sala, SL and Forte Pharma Iberica, SLU, consolidate taxation with Reig Jofre Investments, SL, head of the tax group. At December 31, 2016, tax rate for capital gains tax applicable in Spain is 25%, 22% in Sweden, 20% in UK and 33.3% in France.

(i) Recognition of deferred tax liabilities

The Group recognizes deferred tax liabilities in all cases, except when:

- when they arise from the initial recognition of the goodwill or of an asset or a liability in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting profit nor the tax base;
- they correspond to differences relating to investments in subsidiaries, associates and joint ventures over which the Group has control at the time of the reversal and a future reversal is unlikely.

(ii) Recognition of deferred tax assets

The Group recognizes deferred tax assets whenever:

- it is likely that future taxable profits will be sufficient to offset the deferred tax assets, or when the applicable tax law provides for the possibility of the future conversion of deferred tax assets into an enforceable credit against the Public Administration. Notwithstanding, active that arise from the initial recognition of assets or liabilities in a transaction other than a business combination that, at the time of the transaction, affects neither the accounting profit nor the tax base, are not recognisable;
- they correspond to temporary differences related to investments in subsidiaries, associates and joint businesses to the extent that the temporary differences will reverse in the foreseeable future and are expected to generate positive future taxable income to offset the differences.

It is considered probable that the Group has sufficient taxable profit to recover the deferred tax assets, provided that there are sufficient taxable timing differences related to the same taxation authority and the same taxable subject, the reversal of which is expected in the same tax year as the reversal of the deductible timing differences or in fiscal years in which a tax loss arising from a deductible timing difference may be carried back or forward. When the only future tax gains are to derive from the existence of taxable temporary differences, deferred tax assets arising from tax loss carryforwards are limited to 70% of the amount of the deferred tax liabilities recognized.

In order to determine future taxable income, the Group takes into account the tax planning opportunities, providing it intends to adopt them or it is likely that they are to be adopted.

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that are to be applied in the periods in which the asset or the liability is to be realised, based on the regulations and rates which have been approved or which are pending approval and after having considered the tax consequences derived from the manner in which the Group expects to recover the assets or settle the liabilities. For this purpose, the Group has considered the deduction for reversal of temporary measures developed in the thirty-seventh transitional provision of Law 27/2014, of November 27, on Corporate Income Tax, as an adjustment to the tax rate applicable to the deductible temporary difference associated with the non-deductibility of the amortization carried out in 2013 and 2014 and the updating of the balances of Law 16/2012 of December 27.

At year-end, the Group reviews the book value of deferred tax assets in order to reduce the same to the extent that the existence of sufficient future taxable income against which they can be offset is unlikely.

Deferred tax assets that do not meet the above conditions are not recognized in the consolidated statement of financial position. At year-end, the Group reconsiders whether the conditions have been met to recognize deferred tax assets that had not previously been recognized.

(iv) Offsetting and classification

The Group only offsets current tax assets and liabilities if there is a legal right before the tax authorities and when the Company intends to settle the debts resulting from the net amount or to capitalize the assets and settle the debts simultaneously.

The Group only offsets corporate deferred tax assets and liabilities if there is a legal right to offset them before the tax authorities and the assets and liabilities correspond to the same taxation authority, and to the same tax payer of different taxable subjects who intend to liquidate or write-off the current tax assets and liabilities at their net amount or write-off the assets and liquidate the liabilities simultaneously in each of the future years in which the liquidation or recovery of significant amounts of deferred tax assets or liabilities is expected.

Deferred tax assets and liabilities are recognized in the consolidated statement of financial position as non-current assets or liabilities, irrespective of the date of realization or settlement.

r) Distributions to shareholders

Dividends, whether satisfied in cash or in kind, are recognized as a reduction in equity upon their approval by the General Shareholders Meeting.

For distributions in kind, either in the form of non-monetary assets, business, investments in other entities or disposal groups, which are proportional for all the Company's shareholders, the liability is recognized on the date indicated above, measured at the fair value of the assets to be delivered.

The fair value of the liability is reviewed and adjusted at each reporting date and settlement date against equity. On the settlement date, the difference between the book value of the assets transferred and the liability in the consolidated income statement is recognized.

s) Segment Reporting

An operating segment is a Group component that carries out business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Maximum Decision-Making Authority (MDMA) in order to make decisions about the resources to be allocated to the segment, assess its performance and in relation to which separate financial information is available. The Group MDMA's management is based on two segments, as indicated in note 4.

t) Classification of assets and liabilities between current and non-current

The Group presents the consolidated financial statements classifying assets and liabilities as current and non-current. To these effects, current assets or liabilities meet the following criteria:

- Assets are classified as current when they are expected to be realized or intended for sale or consumption during the normal operating cycle of the Group, are held primarily for trading purposes, they are expected to be realized within twelve months after the closing date or they are cash or cash equivalents, except in those cases where they cannot be exchanged or used to settle a liability, at least within the twelve months subsequent to the closing date.
- Liabilities are classified as current when they are expected to be settled during the normal operating cycle of the Group, are held primarily for trading purposes, they are expected to be settled within twelve months after the closing date or when the Group does not hold the unconditional right to defer the settlement of the liabilities during the twelve months subsequent to the closing date.
- Financial liabilities are classified as current when they must be settled within the twelve months after the closing although the original term is for a period longer than twelve months and there is a refinancing or restructuring agreement for long-term payments that has concluded subsequent to the closing date or prior to the preparation of the consolidated financial statements.

Derivative financial instruments that are not held for trading are classified as current or non-current, in accordance with their maturity or periodic settlement.

u) Environment

The Company takes measures to prevent, reduce or repair any damage which, as a result of its activities, may have an environmental impact.

The expenses incurred in environmental activities are recognized as "Other operating expenses" in the period in which they are incurred.

Property, plant and equipment acquired in order to be used permanently in the activity and whose main purpose is to minimize environmental impact and to protect and improve the environment, including the reduction or elimination of future contamination generated by the Group's operations are recognized as assets through the application of measurement, presentation and disclosure criteria that are consistent with those mentioned in paragraph (f) above.

4. Segment Reporting

The Group is internally organized into business units based on the countries in which it operates. Management is focused on two business segments, corresponding to "Sale of pharmaceutical products" and "Sale of nutritional supplements."

The "Sale of pharmaceutical products" segment includes the manufacturing and marketing of products for third parties, research and development, and others. The "Sale of nutritional supplements" segment includes the importing, exporting, purchasing wholesaling and retailing and exploitation of authorised food supplements and dietary and cosmetic products.

a) Geographical Information

In presenting geographical information, the segment's revenues are determined using the customers' geographical location as criterion. The segment's assets are determined in accordance with the geographical location of the same.

The breakdown of the main figures expressed by geographic areas for the years ended December 31, 2016 and 2015 are as follows:

In Euros

	Sale of pharmaceuticals		Sale of nutritional supplements		Total ordinary income	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Domestic	76,477,681	60,281,081	977	3,690,053	76,478,658	63,971,134
European Union	45,251,950	56,380,141	20,043,032	23,284,520	65,294,982	79,664,661
Rest of Europe	2,648,781	1,536,017	-	-	2,648,781	1,536,017
Africa	1,704,551	2,461,843	379,049	425,027	2,083,600	2,886,870
America	3,316,953	2,911,247	185,336	207,818	3,502,289	3,119,065
Asia	9,567,800	4,431,792	132,981	347,536	9,700,781	4,779,328
Oceania	1,248,240	952,581	176,959	-	1,425,199	952,581
	140,215,956	128,954,702	20,918,334	27,954,954	161,134,290	156,909,656

The breakdown of non-current assets expressed by segment and by geographical area is as follows:

Non-current assets	Sale of pharmaceuticals		Sale of nutritional supplements	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Domestic				
Property, plant and equipment	36,599,103	28,288,337	1,532	3,473
Intangible assets	6,088,347	1,870,582	-	-
Rest of European Union				
Property, plant and equipment	342,217	258,164	1,186	1,345
Intangible assets	10,609,451	11,840,225	24,496,754	25,156,118
Other European countries				
Property, plant and equipment	-	-	56,387	94,595
Intangible assets	-	-	18,836,726	18,905,771

b) Information on corporate expenses

The consolidated Income Statements for the years ended on December 31, 2016 and 2015 include expenses which are considered corporate. The breakdown is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Personnel expenses	4,024,884	3,468,677
Other operating expenses	3,476,805	3,502,529
TOTAL	7,501,689	6,971,206

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c) Main customer or product

There are no significant customers, products or services that need to be differentiated.

5. Business combinations

On May 30, 2016, the parent acquired 100% of Oryzon Genomics Diagnostics, SL, which owns 50% of Geadic Biotech, AIE (of which the Company held 50% prior to the acquisition). Geadic Biotech is a biotechnology company which owns GynEC®-DX, the first in vitro molecular diagnostic test for the early diagnosis of endometrial cancer, based on the detection of biomarkers in endometrial aspirate.

The acquisition was instrumentalized through the payment in cash of 1,196,010 Euros and the delivery of 221,518 shares in the parent, valued at 638,193 Euros.

The breakdown of the consideration delivered, of the fair value of the net assets acquired and the goodwill is as follows:

Consideration granted	<i>In Euros</i>
Cash paid	1,196,010
Settlement of pre-existing relationships (note 18)	(221,188)
Equity instruments delivered	638,193
Total consideration granted	<u>1,613,015</u>
Fair value of prior investment in the business	1,410,880
Fair value of net assets acquired	(7,553)
Goodwill (note 6)	<u>3,031,448</u>

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The amounts recognized by significant classes at the date of acquisition of the assets, liabilities and contingent liabilities are as follows:

	<i>In Euros</i>	
	Fair value	Previous carrying amount
Brands (note 6)	161,971	161,971
Other intangible assets (note 6)	488,280	488,280
Property, plant and equipment (note 7)	97,198	97,198
Non-current financial assets	53,191	53,191
Deferred tax assets	131,373	131,373
Inventory	21,698	21,698
Trade and other receivables	608	608
Current tax assets	2,498	2,498
Other current financial assets	65,000	65,000
Other current assets	8,298	8,298
Cash and cash equivalents	8,574	8,574
Total assets	1,038,689	1,038,689
Deferred tax liabilities	(37,530)	(37,530)
Other financial liabilities	(964,638)	(964,638)
Trade and other payables	(39,746)	(39,746)
Other current liabilities	(4,328)	(4,328)
Total liabilities	(1,046,242)	(1,046,242)
Total net assets acquired	(7,553)	(7,553)

6. Intangible assets

The composition and changes in the accounts included in intangible assets during the years ended on December 31, 2016 and 2015 are as follows:

<i>In Euros</i>	Goodwill	Customer base	Development	Concessions	Software	Patents, trademarks and licenses	Total
Cost							
Balance at December 31, 2014	25,405,979	7,253,000	1,594,094	981	1,732,894	40,757,919	76,744,867
Registrations	-	-	257,111	-	209,096	1,114,101	1,580,308
Transfers (note 7)	-	-	350,075	-	8,980	28,333	387,388
Translation differences	(240,162)	-	-	-	-	279,559	39,397
Balance at December 31, 2015	25,165,817	7,253,000	2,201,280	981	1,950,970	42,179,912	78,751,960
Registrations	-	46,012	438,859	-	98,013	937,466	1,520,350
Business combinations (note 5)	3,031,448	-	462,238	-	26,042	161,971	3,681,699
Transfers (note 7)	-	-	100,000	-	8,860	-	108,860
De-recognitions	-	-	(245,431)	-	(9,170)	-	(254,601)
Translation differences	(250,372)	-	-	-	(9,030)	(699,426)	(958,828)
Balance at December 31, 2016	27,946,893	7,299,012	2,956,946	981	2,065,685	42,579,923	82,849,440
Depreciation							
Balance at December 31, 2014	-	-	(1,452,990)	(981)	(1,498,320)	(15,810,598)	(18,762,889)
Amortisation for the year	-	(659,364)	(262,716)	-	(175,017)	(997,190)	(2,094,287)
Translation differences	-	-	-	-	-	454	454
Balance at December 31, 2015	-	(659,364)	(1,715,706)	(981)	(1,673,337)	(16,807,334)	(20,856,722)
Amortisation for the year	-	(736,446)	(347,726)	-	(247,822)	(878,219)	(2,210,213)
Translation differences	-	-	-	-	8,646	108,068	116,714
De-recognitions	-	-	245,431	-	9,170	-	254,601
Balance at December 31, 2016	-	(1,395,810)	(1,818,001)	(981)	(1,903,343)	(17,577,485)	(22,695,620)
Impairment							
Balance at December 31, 2015	-	-	-	-	-	(122,542)	(122,542)
Balance at December 31, 2016	-	-	-	-	-	(122,542)	(122,542)
Carrying amount							
At December 31, 2015	25,165,817	6,593,636	485,574	-	277,633	25,250,036	57,772,696
At 31 December, 2016	27,946,893	5,903,202	1,138,945	-	162,342	24,879,896	60,031,278

"Patents, trademarks and licenses" includes amounts paid for the right to manufacture and market pharmaceutical products, as well as patent registration costs and the payment for rights to the co-development of a product with another pharmaceutical company. This section includes an amount of 18,461 thousand Euros, corresponding to the "Forte Pharma" brand acquired in the business combination effected in 2014, and whose useful life is indefinite.

The registrations during 2016 and 2015 correspond mainly to the acquisition of licenses for the sale of dermatological products in the UK.

The R&D expenses recognized as expenses in 2016 and 2015 are included in note 24.

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a) Goodwill and impairment analysis by CGU

The composition and changes in the goodwill are as follows:

In Euros

Cash Generating Unit	31/12/2015	Business combinations (note 5)	Translation differences	31/12/2016
Laboratorio Farmacéutico Orraván, S.L.	14,729	-	-	14,729
Bioglán, A.B.	6,588,606	-	(250,372)	6,338,234
Natraceutical, S.A.	18,562,482	-	-	18,562,482
Oryzon Genomics Diagnóstico, S.L.	-	3,031,448	-	3,031,448
	25,165,817	3,031,448	(250,372)	27,946,893

Cash Generating Unit	31/12/2014	Business combinations	Translation differences	31/12/2015
Laboratorio Farmacéutico Orraván, S.L.	14,729	-	-	14,729
Bioglán, A.B.	6,828,768	-	(240,162)	6,588,606
Natraceutical, S.A.	18,562,482	-	-	18,562,482
	25,405,979	-	(240,162)	25,165,817

The goodwill of Laboratorio Farmacéutico Orraván, S.L., Bioglán, A.B., and Oryzon Genomics Diagnóstico, S.L., corresponds to the pharmaceutical products segment, whilst that of Natraceutical, S.A., corresponds to the nutritional supplements segment.

For the purpose of carrying out impairment testing, the goodwill has been allocated to the Group's cash-generating units (CGU) in accordance with the country of operation, which represents the lowest level to which the goodwill is allocated and is monitored for internal management purposes by the Group's management.

The recoverable amount from a cash generating unit (CGU) is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management and which cover a 5-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates indicated below.

The most significant goodwill within the pharmaceutical products segment comes from Bioglan, AB and includes the premium paid by that company on the carrying value of the dermatological products manufacturing and marketing business which was acquired in 2009.

The key assumptions used in the calculations of the Bioglán, A.B., impairment test during the years ended on December 31, 2016 and 2015, are as follows:

<i>In percentage</i>	31/12/2016	31/12/2015
Bioglán, A.B.		
Gross margin on sales	8.0%	7.4%
Average growth rate	2%	2%
Discount rate	9.85%	9.85%
Discount rate after taxes	7.5%	7.5%

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The key assumptions used in the calculations of the Natraceutical, S.A., impairment test during the years ended on December 31, 2016 and 2015, are as follows:

<i>In percentage</i>	<u>31/12/2016</u>	<u>31/12/2015</u>
Natraceutical, S.A.		
Gross margin on sales	70.0%	70.7%
Average growth rate	2%	2%
Discount rate	6.53%	9.8%
Discount rate after taxes	6.5%	7.5%

The Group has determined the budgeted gross margin based on past performance and expectations of market development. The weighted average growth rates are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

During the years ended on December 31, 2016 and 2015, no impairment loss was recognised for the goodwill.

As the recoverable amount for the UGE Bioglan A.B. is much higher than the net book value of the net assets of the same, no specific information of the sensitivity analysis of the impairment test is included.

In relation to reasonably possible changes in the key assumptions used by the Management to determine the recoverable value of the CGU Natraceutical, S.A., increases of up to half a point in the discount rate employed would mean that the recoverable value would still be higher than the carrying amount of said CGU.

b) Fully depreciated assets

The cost of the intangible assets that are fully amortised and still in use at December 31, 2016 and 2015 is as follows:

<i>In Euros</i>	<u>31/12/2016</u>	<u>31/12/2015</u>
Patents, trademarks and licenses	14,481,301	13,681,987
Software	2,473,139	2,086,853
Development	1,701,325	1,693,177
Administrative concessions	981	981
	<u>18,656,746</u>	<u>17,462,998</u>

7. Property, plant and equipment

The composition and changes in the accounts included in property, plant and equipment during the years ended on December 31, 2016 and 2015 are shown on Annex II.

The registrations from the years ended on December 31, 2016 and 2015 relate mainly to the acquisition of plant and machinery needed to improve the productive capacity of the Group's factories, mainly in Sant Joan Despi (Barcelona) and Toledo, and which include new freeze-drying machinery and certain works to prepare the facilities for the FDA audit.

a) Property, Plant and Equipment subject to Guarantees

As collateral for a loan held with the Institut Català de Finances, the Company took a real estate mortgage on the property in which the factory is located in Toledo. These properties were transferred during the year ended on September 30, 2014, to Reig Jofre Investments, S.L., at their market value (in accordance with the report of an independent expert), amounting to 4,723,000 Euros, through the distribution of a dividend in kind. The transaction did not include the liabilities associated with the property and which were not transferred. Subsequently, the Company leased, for its own use for a period of 10 years and at an monthly rent of 36 thousand Euros, to be updated in accordance with the CPI (without the inclusion of a multiplier), the buildings transmitted to Reig Jofre Investments, SL. The lease contract, which may be renewed by agreement between the parties with notice before its completion, includes a purchase option at market value plus a 7% spread. The Company's Directors have evaluated the lease of the building, and have concluded that it is an operating lease. This loan, with a maturity in November 2016, was settled during 2016. At December 31, 2015, the outstanding principal corresponding to the loan amounted to 523,904 Euros.

b) Fully depreciated assets

The cost of the property, plant and equipment that is fully amortised and still in use at December 31, 2016 and 2015 is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Plant and machinery	10,886,441	9,207,803
Other fixtures, tools and furniture	6,080,157	5,684,733
Other property, plant and equipment	1,325,704	1,149,554
	<u>18,292,302</u>	<u>16,042,090</u>

c) Insurance

The Group has contracted several insurance policies to cover the risks to which the property, plant and equipment is subject. The coverage of these policies is considered sufficient.

d) Impairment

The impairment recorded in the "Land" and "Buildings" refers to the impairment losses corresponding to two leased industrial warehouses located in Sant Joan Despi. The adjustment was calculated as the difference between the net book value of these properties and their fair value less sales costs. The fair value was determined by the valuation of the property by an independent expert, Tasaciones Inmobiliarias, S.A. During the current year, a new appraisal was undertaken to determine the present value by the company Risc Valor, S.L., resulting in a value of 8,038,300 Euros. Consequently, the impairment has been partially reversed, by the amount of 1,965,542 Euros.

e) Methodology for estimating the fair value of tangible assets

The fair value of real assets corresponding to the dividend paid in kind and the two industrial buildings in Sant Joan Despi were calculated by value comparison approach, taking samples of similar warehouses in the municipality near to the property, which corresponds to level 2 of the hierarchy established by IFRS 13.

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8. Finance leases

The Group has the following asset classes contracted under leasing agreements:

<i>In Euros</i>	Land	Buildings	Total
Cost	6,471,640	5,128,360	11,600,000
Accumulated depreciation and impairment losses	(1,156,059)	(2,405,641)	(3,561,700)
Net book value at December 31, 2016	5,315,581	2,722,719	8,038,300

	Land	Buildings	Total
Cost	6,593,099	5,649,776	12,242,875
Accumulated depreciation and impairment losses	(2,252,635)	(3,131,485)	(5,384,120)
Net book value at December 31, 2015	4,340,464	2,518,291	6,858,755

The most relevant lease contract corresponds to an industrial building in Sant Joan Despi, and was signed on July 30, 2010, with a cash cost of 11,600 thousand Euros, a duration of 15 years and a monthly fee of 70 thousands of Euros. This contract includes a purchase option equivalent to a monthly quota.

The breakdown of the minimum payments and current value of finance lease liabilities, by maturity, is as follows:

<i>In Euros</i>	31/12/2016		31/12/2015	
	Minimum payments	Current value	Minimum payments	Current value
Up to 1 year	788,542	582,771	803,740	586,042
Between one and five years	3,154,168	2,582,180	3,214,961	2,543,216
More than five years	2,842,078	2,662,154	3,685,606	3,285,467
Total minimum payments and current value	6,784,788	5,837,105	7,704,307	6,414,725
Less current part	(788,542)	(592,771)	(803,740)	(586,042)
Total non-current	5,966,246	5,244,334	6,900,567	5,828,683

9. Operating leases

As mentioned in note 7, the Group has leased, for its own use for a period of 10 years and at a monthly rent of 36 thousand Euros, to be updated in accordance with the CPI, the buildings in which the Toledo factory transmitted to Reig Jofre Investments, SL, is located. The lease contract, which may be renewed by agreement between the parties with notice before its completion, includes a purchase option at market value plus a spread.

The remaining operating leases correspond mainly to car rental and to a warehouse in Sant Joan Despi, for an annual amount of 200 thousand Euros, updateable in accordance with the CPI and with maturity in October 2026.

The amount of operating lease payments recognized as expenses is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015

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Lease expenses (note 24)	2,976,901	3,185,962
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The future minimum payments for non-cancellable operating leases are as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Up to 1 year	2,456,342	2,073,902
Between one and five years	6,093,460	4,528,931
More than five years	3,218,602	3,429,109
	11,768,404	10,031,942

10. Financial assets

The classification of financial assets by category and class is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
<u>Loans and Receivables</u>		
Deposits and guarantees	143,803	181,077
Loans	441,729	8,901,828
Other financial assets	5,517	5,199
<u>Available-for-sale assets</u>		
Equity instruments	1,167,058	1,185,232
Total non-current financial assets	1,758,107	10,273,336

<i>In Euros</i>	31/12/2016	31/12/2015
<u>Loans and Receivables</u>		
Loans	10,625,070	2,084,801
Deposits and guarantees	480,871	262,200
Other financial assets	1,063	35,452
Trade and other receivables	36,048,884	34,318,332
<u>Available-for-sale assets</u>		
Equity instruments	37,450	289
Total current financial assets	47,193,338	36,701,074

The book value of financial assets does not differ significantly from their fair value.

10.1 Loans and receivables**a) Loans**

Long-term "Loans" at December 31, 2016 (Long-term "Loans" at December 31, 2015) corresponds mainly to the consideration pending payment received by Natraceutical S.A., in relation to the sale of a subsidiary in July 2013. The loan matures on June 30, 2017, and accrues interest equal to 1-month Euribor plus a spread of 2%. The original sale operation includes the guarantees customary to such operations, and which would reduce the payment to be received if the potential contingencies were to materialize. The directors of the parent company do not consider probable such contingencies.

Short-term "Loans" at December 31, 2016 also includes a fully-impaired loan granted to Reig Jofre Investments, S.L. for 1,945,070 Euros (1,904,801 Euros at December 31, 2015).

b) Deposits and guarantees

"Deposits and guarantees" corresponds to the amounts delivered to lessors as collateral for the leases maintained. These amounts are presented at their paid value, which does not significantly differ from their fair value.

c) Trade and other receivables

The breakdown of trade and other receivables is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Customer receivables for sales and provision of services	37,666,133	35,993,669
Personnel	60,318	67,577
Less valuation adjustments from bad debts	(1,677,567)	(1,742,914)
Total	36,048,884	34,318,332

The breakdown of the seniority of the debt is included in note 27 (b). The movement of impairment loss through uncollectability is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Balance at beginning of year	(1,742,914)	(2,134,521)
Allocations	(27,934)	(301,325)
Reversals	93,281	131,745
Applications	-	561,187
Balance at end of year	(1,677,567)	(1,742,914)

10.2 Available-for-sale assets

"Equity instruments" mainly includes publicly traded shares and cash deposits in mutual funds available for sale, measured at fair (official listing prices), whose changes in value are recorded in equity.

11. Other current assets

The breakdown of "Other current assets" included in the consolidated statements of financial position is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Prepaid insurance expenses	5,254	17,310
Prepaid lease expenses	39,118	151,770
Value added tax and similar	6,372,604	3,388,040
Other	245,308	418,437
Total	6,662,284	3,975,557

12. Inventory

The breakdown of inventories is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
<i>Production and distribution business</i>		
Sales personnel	3,498,685	2,687,013
Raw and ancillary materials	15,155,563	12,017,119
Semi-finished products	4,614,038	1,929,746
Finished products	11,083,783	8,823,478
Impairment adjustments	(1,343,484)	(564,375)
	33,008,585	24,892,981

The breakdown of the impairment losses and reversals in the consolidated income statement is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Production and distribution business		
Finished products	(779,109)	(236,211)
	(779,109)	(236,211)

The Group companies have contracted several insurance policies to cover the risks to which the inventories are subject. The coverage of these policies is considered sufficient.

13. Cash and cash equivalents

The breakdown of cash and cash equivalents is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Cash and banks	8,181,654	9,440,170
Total	8,181,654	9,440,170

14. Shareholders' equity

The composition and changes in the consolidated equity are presented in the consolidated statement of changes in equity.

a) Capital

At December 31, 2016, the issued capital consists of 63,214,220 ordinary nominative shares with a par value of 0.5 Euros each, fully-subscribed and paid in (with a par value of 2 Euros each at December 31, 2015). All shares of the share capital bear equal rights. There are no ongoing capital increases or authorised capital increases pending execution.

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In order to create a voluntary reserve, on June 22, 2016 the Ordinary and Extraordinary General Shareholders' Meeting approved the reduction of the parent's share capital by an amount of 94,821,330 Euros through the reduction of the par value of all the 63,214,220 nominative shares representing the Company's share capital by 1.50 Euros each, resulting in a new par value for each share of 0.50 Euros. As a result of the above, the Company's share capital was established at the amount of 31,607,110 Euros, represented by 63,214,220 shares of 0.50 Euros par value each.

On June 11, 2015, the Company's General Shareholders Meeting agreed on the reverse split and cancellation of the 1,264,284,408 currently outstanding shares, for their exchange for new shares to be issued, at a ratio of one new share for every twenty existing shares, resulting in a maximum of 63,214,220 shares of two Euros (2 €) par value. On July 29, 2015, the Company's Board of Directors resolved to execute the cancellation and reverse split of the shares, with effect on September 22, 2015, following the registration of the reverse split and the subsequent modification of the bylaws in the Company's record in the Companies Register.

The Company's shares are publicly traded.

At December 31, 2016 and 2015, the companies that hold a shareholding exceeding 10% correspond to Reig Jofre Investments Ltd., which holds 74% of the shares in the Company, and Natra, S.A., which holds 12.96% of the shares in the Company.

The Group manages its capital to ensure that its investees can continue to operate under the principle of going concern. In turn, the Group is committed to maintaining leverage levels consistent with the objectives of growth, solvency and profitability.

b) Reserves

The breakdown of reserves is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Legal reserve	7,508,789	5,612,828
Revaluation reserve	437,003	437,003
Voluntary reserves	87,883,586	(10,583,670)
	95,829,378	(4,533,839)

Legal Reserve

The legal reserve has been provisioned under Article 274 of the Revised Text of the Corporate Enterprises Act, which establishes that, in all cases, an amount equal to 10 percent of the year's profit shall be allocated to the legal reserve, up to the amount at which such reserve is equivalent to at least 20 percent of the share capital.

It cannot be distributed and if it is used to offset losses, in the event that there are not sufficient alternative reserves available for this purpose, it must be replenished with future profits.

At December 31, 2016 and 2014, the Company has allocated this reserve in excess of the minimum limit as established in the Revised Text of the Corporate Enterprises Act. At December 31, 2015, this reserve had not been allocated the mentioned minimum required amount.

Other comprehensive income

The composition and changes in the accounts included in "Other comprehensive income" during the years ended on December 31, 2016 and 2015 are presented in the consolidated statement of changes in equity.

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c) Treasury stock

During 2016, the parent purchased a total of 301,204 treasury shares for the amount of 966,180 Euros and sold 182,609 shares for the amount of 583,023 Euros.

At December 31, 2016, the Company holds 355,421 treasury shares acquired at an average price of 14.91 Euros per share, approximately, and its composition is as follows:

	31/12/2016		
	Number	Euros	
		Nominal	Cost
Laboratorio Reig Jofre, S.A.	355,421	177,711	5,300,189

During 2015, the parent purchased a total of 20,258 treasury shares for the amount of 76,551 Euros and sold 2,700 shares for the amount of 11,029 Euros.

At December 31, 2015, the Company held 236,826 treasury shares acquired at an average price of 20.76 Euros per share, approximately, and their composition was as follows:

	31/12/2015		
	Number	Euros	
		Nominal	Cost
Laboratorio Reig Jofre, S.A.	236,826	473,652	4,917,032

d) Other equity instruments

Corresponds in its entirety to the delivery of 221,518 shares in the parent, valued at 638,193 Euros, for the purchase of Oryzon Genomics Diagnóstico, SL (see note 5).

e) Distribution of profit

The results of the Parent and the subsidiaries are applied in the manner agreed upon by the respective General Shareholders Meetings.

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The distribution of the Parent's results corresponding to the year ended on December 31, 2015, and approved by the Company's shareholders was as follows:

	<u>31/12/2015</u>
<u>Basis of distribution</u>	
Profit for the year	18,959,610.54
	<u>18,959,610.54</u>
<u>Distribution</u>	
Reserve for goodwill	33,946.29
Legal reserve	1,895,961.05
Other reserves	17,029,703.20
	<u>18,959,610.54</u>

The proposed distribution of Parent's profit for the year ended December 31, 2016, is as follows:

	<u>31/12/2016</u>
<u>Basis of distribution</u>	
Profit for the year	680,124.25
	<u>680,124.25</u>
<u>Distribution</u>	
Voluntary reserves	680,124.25
	<u>680,124.25</u>

15. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to holders of the parent's equity instruments between the weighted average number of outstanding ordinary shares during the years, excluding treasury shares.

The breakdown of the calculation of basic earnings per share is as follows:

	<u>31/12/2016</u>	<u>31/12/2015</u>
Income of the year attributable to shareholders of the parent company (in Euros)	7,676,288	8,749,701
Weighted average of outstanding ordinary shares	62,934,122	928,697,010
Basic earnings per share (in Euros per share)	<u>0.12</u>	<u>0.01</u>

Diluted earnings per share are calculated by dividing the profit attributable to holders of the parent's equity instruments between the weighted average number of outstanding ordinary shares for all the dilutive effects inherent to potential ordinary shares. At December 31, 2016 and 2015, earnings per basic and diluted shares are the same, due to the absence of potential dilutive effects.

The weighted average of outstanding ordinary shares was determined as follows:

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	<u>31/12/2016</u>	<u>31/12/2015</u>
Outstanding ordinary shares at beginning of year	62,977,394	1,259,898,866
Effect of share split at September 22, 2015	-	(1,201,070,188)
Effect of treasury shares	<u>(43,272)</u>	<u>17,549</u>
Weighted average number of outstanding ordinary shares at year-end	<u>62,934,122</u>	<u>928,697,010</u>

16. Non-controlling interests

The composition and movement of non-controlling interests at December 31, 2016, are as follows:

<i>In Euros</i>	<u>31/12/2015</u>	<u>Profit for the year</u>	<u>Dividends</u>	<u>31/12/2016</u>
Laboratorios Medea, S.A	196	235	(134)	297
Laboratorio Farmacéutico Orraván, S.L	10,552	9,311	(8,726)	11,137
Reig Jofre Europe PTE. LTD.	(9,404)	(18,994)	-	(28,398)
Total	<u>1,344</u>	<u>(9,448)</u>	<u>(8,860)</u>	<u>(16,964)</u>

The composition and movement of non-controlling interests at December 31, 2015, are as follows:

<i>In Euros</i>	<u>31/12/2014</u>	<u>Profit for the year</u>	<u>Dividends</u>	<u>31/12/2015</u>
Laboratorios Medea, S.A	585	136	(525)	196
Laboratorio Farmacéutico Orraván, S.L	26,931	9,198	(25,577)	10,552
Reig Jofre Europe PTE. LTD.	-	(9,404)	-	(9,404)
Total	<u>27,516</u>	<u>(70)</u>	<u>(26,102)</u>	<u>1,344</u>

During FY 2015, the Company carried out a capital increase in Reig Jofre UK Limited amounting to 4,055,900 pounds sterling, by means of which it gave entry into the share capital to a partner (Compañía Española de Financiación del Desarrollo, Cofides, S.A.), with a 49% interest. Given the nature of the contract between the parties, the transaction was recognized for accounting purposes as a financing transaction and not as an equity transaction. As such the Group recorded the liability corresponding to the current value of the best estimate of the payable amount, amounting to 2,808,374 Euros.

17. Grants

The changes in non-repayable grants, subject to conditions attached to the concession of the same, are as follows:

<i>In Euros</i>	<u>31/12/2016</u>	<u>31/12/2015</u>
Balance at beginning of year	102,496	144,859
Grants granted during the year	150,120	-
Grants recognized in income	(42,362)	(42,363)
Balance at end of year	<u>210,254</u>	<u>102,496</u>

Part of the amount reflected in this heading corresponds to a grant awarded in October 2008 by the Ministry of Industry, Tourism and Trade for an initial amount of 403,000 Euros and destined for use in an energy-efficiency project in a freeze-drying process.

18. Provisions

The breakdown of provisions is as follows:

	Non-current	
	31/12/2016	31/12/2015
<i>In Euros</i>		
Tax provision	-	360,555
Provision for post-employment compensation	613,531	502,005
Provision for other liabilities	-	207,893
Total non-current provisions	613,531	1,070,453

	Current	
	31/12/2016	31/12/2015
<i>In Euros</i>		
Provision for other liabilities	85,284	20,748
Provisions for other business operations	229,055	380,000
Total current provisions	314,339	400,748

"Provisions for other business operations" comprises provisions for sales returns.

Non-current "Provisions for other liabilities" corresponded to the losses generated by Geadic Biotech, A.I.E. that the Company was obliged to assume through the commitment acquired by absorbing part of the this company's negative equity, based on its ownership interest.

"Tax provision" is the best estimate of the amount payable in respect of the municipal capital gain derived from the transfer of the property in Toledo. In 2015, an appeal was lodged before the competent body against this tax. As there was no estimated date for the resolution of the appeal in the short-term, it was classified as a non-current liability. During the current year, a resolution has been received and payment of this tax has been made.

The changes in provisions are as follows:

<i>In Euros</i>	Provisions for other business operations	Tax provision	Provision for post-employment compensation	Provisions for other liabilities	Total
Balance at December 31, 2014	292,000	360,555	446,852	289,663	1,389,070
Net provision	88,000	-	55,153	(14,170)	128,983
Payments	-	-	-	(46,852)	(46,852)
Balance at December 31, 2015	380,000	360,555	502,005	228,641	1,471,201
Net provision	(20,000)	-	48,037	77,831	105,868
Payments	(130,945)	(360,555)	-	-	(491,500)
Financial effect	-	-	9,036	-	9,036
Recognitions (note 5)	-	-	-	(221,188)	(221,188)
Translation differences	-	-	54,453	-	54,453
Balance at December 31, 2016	229,055	-	613,531	85,284	927,870

19. Financial liabilities

The classification of financial liabilities by category and class, as well as comparison of the fair value and book value, is as follows:

<i>In Euros</i>	31/12/2016				
	At amortized costs or cost				At fair value
	Carrying amount		Fair value		value
	Non-current	Current	Non-current	Current	Current
<i>Liabilities at fair value through profit or loss</i>					
Derivative financial instruments	-	-	-	-	101,110
<i>Debits and payables</i>					
Bank borrowings	11,989,392	12,692,240	11,989,392	12,692,240	-
Finance leases	5,244,334	592,771	5,244,334	592,771	-
Other financial liabilities	6,880,690	402,345	6,743,585	402,345	-
Trade and other payables	-	25,787,514	-	25,787,514	-
Total	24,114,416	39,474,870	23,977,311	39,474,870	101,110

<i>In Euros</i>	31/12/2015				
	At amortized costs or cost				At fair value
	Carrying amount		Fair value		value
	Non-current	Current	Non-current	Current	Non-current
<i>Liabilities at fair value through profit or loss</i>					
Derivative financial instruments	-	-	-	-	273,998
<i>Debits and payables</i>					
Bank borrowings	4,520,937	6,720,668	4,520,937	6,720,668	-
Finance leases	5,828,683	586,042	5,828,683	586,042	-
Other financial liabilities	4,761,639	889,281	4,697,101	889,281	-
Trade and other payables	-	27,034,509	-	27,034,509	-
Total	15,111,259	35,230,500	15,046,721	35,230,500	273,998

a) Liabilities at fair value through profit or loss

The Group uses variable to fixed interest rate swaps to minimize the risk of any interest rate fluctuations arising mainly from its bank loans, which mature on July 31, 2017. During the years ended on December 31, 2016 and 2015, the change in the fair value of the mentioned derivatives represented an income of 172,888 Euros and 145,459 Euros, respectively.

The financial derivatives are measured in accordance with the observable market data (Level 2 in the fair value hierarchy), by the method of discounted cash flows from the contract.

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The breakdown of the derivative financial instruments is as follows:

	31/12/2016		31/12/2015	
	Notional amount	Fair value	Notional amount	Fair value
<i>In Euros</i>				
<i>Interest rate derivatives</i>				
Interest rate swap	5,894,613	101,110	6,451,699	273,998
Total	5,894,613	101,110	6,451,699	273,998

b) Debits and payables

The Group's main debts correspond to:

- During the three-month financial period ended on December 31, 2014, the Group obtained two bank loans amounting to 4,050,000 Euros in total. Of the other loans, one for 1,300,000 Euros and with a maturity in November 2015 was settled in 2015. The final maturity of the other loan, for 2,276,585 Euros at December 31, 2016 (2,714,029 Euros at December 31, 2015) and which accrues interest at the market rate, is November 2021.
- In addition to the previous two loans, the Group also has two bank loans amounting to 10,600,000 Euros (3,600,000 Euros at December 31, 2015). During 2016, the Group cancelled a loan of 3,000,000 Euros and obtained a loan of 10,000,000 Euros. These loans outstanding at December 31, 2016, have their final maturities in March 2019 and January 2023 and accrue interest at market rates and Euribor +1.8, respectively. At December 31, 2016 and 2015, the balance pending amortization amounts to 10,283,128 Euros and 2.938.081 Euros, respectively.
- Bank credit facilities with a credit limit of 22,623,265 Euros (45,441,265 Euros at December 31, 2015), of which 9,062,747 Euros had been employed at December 31, 2016 (4,508,221 Euros at December 31, 2015). These discount lines accrue market interest rates.
- Recourse factoring arrangement to finance the Nutritional Supplements Division's operating activities. This factoring accrues interest at 3-month Euribor plus 0.5%. The balance at December 31, 2016 and 2015, of the factoring is 1,076,141 Euros and 930,874 Euros, respectively.
- A mortgage loan granted by the Institut Català de Finances corresponding to the financing of the Toledo warehouse. This loan, with a maturity in November 2016, was settled during 2016. At December 31, 2015 and 2014, the balance pending amortization amounted to 523,904 Euros. The loan accrued interest at 1.04% during the year ended on December 31, 2015
- Financial leases include several contracts granted by banks at market interest rates for the financing of property and plant for the Group's production plants. As mentioned in Note 8, the most relevant lease contract corresponds to an industrial building in Sant Joan Despí, and was signed on July 30, 2010, with a cash cost of 11,600 thousand Euros and a duration of 15 years.
- Various loans from CDTI, the value of which at December 31, 2016, was 1,166,772 Euros (883,314 Euros at December 31, 2015), with a final maturity in 2024. These loans have accrued interest at a rate of zero or less than 1%.
- A loan from the Ministry of Industry maturing in 2024 and with an interest rate of 3.95%: at December 31, 2016, and 2015, the balance pending amortization was 427,851 Euros and 481,333 Euros, respectively.

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The breakdown of trade and other payables is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Suppliers	16,310,903	20,148,247
Creditors	5,816,111	3,119,414
Personnel	3,660,500	3,766,848
Total	25,787,514	27,034,509

The maturities of the other financial liabilities are as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Up to 1 year	39,575,980	35,230,500
One to two years	3,676,553	2,406,267
Three to five years	10,730,683	5,735,723
More than five years	9,707,180	7,243,267
Total financial liabilities	63,690,396	50,615,757

20. Other current liabilities

The breakdown of other current liabilities is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Value added tax and similar	246,262	163,817
Social Security	1,420,667	1,480,652
Withholdings	714,690	709,962
Other	130,457	246,007
Total	2,512,076	2,600,438

21. Contingencies

At December 31, 2016 and 2015, the Group has extended the following guarantees:

Creditor	Guarantee	<i>In Euros</i>	
		31/12/2016	31/12/2015
Ministry of Science and Technology	Industrial research project	3,027	3,027
Pharmaceutical industry	Other	38,265	38,265
State Treasury	Alcohol inspection	488,584	477,818
State Treasury	Sugar production	7,425	10,425
State Treasury	Alcohol inspection	44,029	44,029
Ministry of Science and Technology	Loan	227,634	227,634
Tax Agency	Other	88,195	88,195
Toledo City Council	Municipal capital gain	490,573	473,500
Social Security Treasury	Other	3,851	3,851
Ministry of Economy and Competitiveness	Other	29,993	29,993
Customs	Other	-	55,148
Other	Other	72,103	125,000
		1,493,679	1,576,885

The Group does not expect significant liabilities to arise as a result of the guarantees granted.

22. Information on the average payment period to suppliers. Third additional provision “Duty of Disclosure” of Law 15/2010 of 5 July

The information on deferred payments to suppliers by the consolidated Spanish companies is presented below:

	31/12/16	31/12/15
	Days	
Average payment period to suppliers	72	67
Ratio of transactions paid	73	37
Ratio of transactions pending payment	69	62
	Amount in Euros	
Total payments effected	90,307,437	70,471,440
Total outstanding payments	16,537,918	14,152,478

23. Capital Gains Tax

At December 31, 2016 and 2015, the parent company and the subsidiaries Laboratorios Medea, SA, Laboratorio Farmacéutico Orraván, SL, Laboratorio Ramon Sala, SL and Forte Pharma Iberica, SLU, consolidate taxation with Reig Jofre Investments, SL, head of the tax group. The tax rate for capital gains tax applicable in Spain is 25% (28% in 2015), 22% in Sweden, 20% in UK and 33.3% in France.

On November 27, 2014, Law 27/2014, of 27 November, on corporate income tax, was approved, establishing a general decrease in the tax rate from 30% to 28% for 2015 and to 25% as of 2016. Notwithstanding, a deduction for reversal of temporary measures was incorporated in order to neutralize the reduction in the tax rate for taxpayers who have been affected by the 30% limitation of the deduction of depreciation or who have benefited from the updating of balances, two measures provided for in Law 16/2012 of December 27, giving rise to the adoption of various tax measures aimed at consolidating public finances and boosting economic activity. The rules for the application of negative tax bases have also been changed, with the elimination of the time limit. Nevertheless, as of 2017 a quantitative limitation in 70 percent of the tax base prior to its compensation is to be introduced, with a minimum amount of 1 million Euros (60% in 2016) admitted. Subsequently, RDL 3/2016 has introduced amendments to Law 27/2014, including amendments relative to tax periods beginning on or after January 1, 2016, establishing the reduction of the quantitative limitation to 25 percent of the taxable base prior to its compensation, provided that the net turnover is at least 60 million Euros, whilst maintaining the minimum amount of 1 million Euros.

a) Income tax expense

The breakdown of the income tax expense is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Current tax		
For the year	2,675,488	2,825,805
Tax credits	(1,429,403)	(494,928)
	1,246,085	2,330,877
Deferred Taxes		
Origination and reversal of temporary differences	(463,148)	(443,400)
Recognition of unused tax deductions	-	(54,011)
Reversal of the provision for the amortization of goodwill	(72,818)	8,583
Deferred tax assets from losses in consolidated companies	3,584,159	415,276
	4,294,278	2,257,325

b) Reconciliation between the accounting and tax income

The relationship between corporate tax expense and profit from the continuing activities is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Profit for the year before tax	11,961,118	11,006,956
25% tax rate (28% in 2015)	2,990,280	3,081,948
Effect of differences in tax rates	34,372	28,374
Non-deductible expenses	(344,250)	123,859
Effect of changes in rate of deferred taxes	-	(19,224)
Tax credits and relief for the year	(1,429,403)	(548,939)
Unrecognized tax credits	536,298	6,583
Income from reversal of a reduction in deferred tax assets	2,506,981	(415,276)
Expense / (income) from income tax	4,294,278	2,257,325

c) Years open for inspection

The Group's Spanish companies have the following years open to inspection for the main applicable taxes by the tax authorities:

Tax	Years open
Corporate tax	2012-2016
Value Added Tax	2013-2016
Personal Income Tax	2013-2016
Customs revenue	2013-2016
Investment income	2013-2016
Tax on Economic Activities	2013-2016
Social Security	2013-2016
Alcohol tax	2013-2016

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As a result, among other factors, such as different interpretations of existing tax legislation, additional liabilities may arise as a result of an inspection. Notwithstanding, the parent Company's Directors consider that such liabilities, if any, would not significantly affect the consolidated financial statements.

d) Deferred tax assets and liabilities recognized

The breakdown of deferred tax assets and liabilities by asset and liability type is as follows:

<i>In Euros</i>	31/12/2016			31/12/2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Goodwill	94,556	(1,394,412)	(1,299,856)	29,519	(1,457,274)	(1,427,755)
Intangible assets	-	(2,987,463)	(2,987,463)	-	(3,169,502)	(3,169,502)
Accelerated depreciation	-	(694,794)	(694,794)	-	(1,003,816)	(1,003,816)
Available-for-sale financial assets	7,121	-	7,121	-	(2,218)	(2,218)
Leased assets	-	(103,337)	(103,337)	-	(163,868)	(163,868)
Provisions	445,367	-	445,367	338,031	-	338,031
Disposal of properties in Toledo	-	(727,825)	(727,825)	-	(650,843)	(650,843)
Revaluation	102,808	-	102,808	185,909	-	185,909
Monetary adjustment	111,113	-	111,113	111,113	-	111,113
Non-deductible amortization	169,152	-	169,152	242,379	-	242,379
Inventory margin	75,495	-	75,495	75,495	-	75,495
Credit loss carry forwards and unused tax credits	13,350,649	-	13,350,649	17,048,886	-	17,048,886
Net assets and liabilities	14,356,261	(5,907,831)	8,448,430	18,031,332	(6,447,521)	11,583,811

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Deferred tax assets and liabilities are presented in the consolidated statement of financial position and are offset to the extent that there is a legal right to offset before the tax authorities and the assets and liabilities correspond to the same tax authority. The breakdown is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Assets		
Goodwill	94,556	21,739
Available-for-sale financial assets	7,121	-
Provisions	445,367	338,031
Revaluation	102,808	185,909
Monetary adjustment	111,113	111,113
Non-deductible amortization	169,152	242,379
Inventory margin	75,495	-
Tax credits	-	54,011
Credit loss carryforwards	12,353,048	16,219,457
Subtotal assets	13,358,660	17,172,639
Intangible assets	(37,529)	-
Accelerated depreciation	(694,794)	(1,003,816)
Available-for-sale financial assets	-	(2,218)
Leased assets	(103,337)	(163,868)
Disposal of properties in Toledo	(727,825)	(650,843)
Subtotal liabilities	(1,563,485)	(1,820,745)
Total assets	11,795,175	15,351,894
Liabilities		
Goodwill	(1,394,412)	(1,449,494)
Intangible assets	(2,949,934)	(3,169,502)
Subtotal liabilities	(4,344,346)	(4,618,996)
Inventory margin	-	75,495
Credit loss carryforwards	997,601	775,418
Subtotal assets	997,601	850,913
Total liabilities	(3,346,745)	(3,768,083)

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e) Movement in deferred tax balances

The changes in deferred tax assets and liabilities during the years ended on December 31, 2016 and 2015, are as follows:

31/12/2016						
<i>In Euros</i>	December 31, 2015	Recognized in profit / loss	Recognized in Equity	Translation differences	Business combinations	December 31, 2016
Goodwill	(1,427,755)	72,818	-	55,081	-	(1,299,856)
Intangible assets	(3,169,502)	219,569	-	-	(37,530)	(2,987,463)
Accelerated depreciation	(1,003,816)	309,022	-	-	-	(694,794)
Available-for-sale financial assets	(2,218)	-	9,339	-	-	7,121
Leased assets	(163,868)	60,531	-	-	-	(103,337)
Provisions	338,031	107,336	-	-	-	445,367
Disposal of properties in Toledo	(650,843)	(76,982)	-	-	-	(727,825)
Revaluation	185,909	(83,101)	-	-	-	102,808
Monetary adjustment	111,113	-	-	-	-	111,113
Non-deductible amortization	242,379	(73,227)	-	-	-	169,152
Inventory margin	75,495	-	-	-	-	75,495
Credit loss carry forwards and unused tax credits	17,048,886	(3,584,159)	-	(245,451)	131,373	13,350,649
Net assets and liabilities	11,583,811	(3,048,193)	9,339	(190,370)	93,843	8,448,430

31/12/2015						
<i>In Euros</i>	December 31, 2014	Recognized in profit / loss	Recognized in Equity	Translation differences	December 31, 2015	
Goodwill	(1,472,008)	(8,583)	-	52,836	(1,427,755)	
Intangible assets	(3,389,070)	219,568	-	-	(3,169,502)	
Accelerated depreciation R&D	(231)	231	-	-	-	
Accelerated depreciation	(1,328,208)	324,392	-	-	(1,003,816)	
Available-for-sale financial assets	(15,577)	-	13,359	-	(2,218)	
Leased assets	(205,531)	41,663	-	-	(163,868)	
Provisions	176,884	161,147	-	-	338,031	
Disposal of properties in Toledo	(650,843)	-	-	-	(650,843)	
Revaluation	362,208	(176,299)	-	-	185,909	
Monetary adjustment	111,113	-	-	-	111,113	
Non-deductible amortization	445,176	(202,797)	-	-	242,379	
Inventory margin	-	75,495	-	-	75,495	
Credit loss carry forwards and unused tax credits	17,664,780	(361,265)	-	(254,629)	17,048,886	
Net assets and liabilities	11,698,693	73,552	13,359	(201,793)	11,583,811	

Deferred tax assets generated by tax losses that are pending application are recognized to the extent that it is probable that sufficient future taxable income against which to offset the asset will be generated.

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At December 31, 2016, the balance of deferred tax assets in the consolidated statement of financial position includes credit loss carryforwards amounting to 13,350,649 Euros (16,994,875 Euros at December 31, 2015). At December 31, 2015, it included unused tax credits for the amount of 54,011 Euros. The breakdown by company is as follows:

	31/12/2016	31/12/2015
Laboratorio Reig Jofre, S.A.	12,432,676	14,686,822
Forte Pharma Ibérica, S.L.U.	-	1,586,646
Bioglán, A.B.	786,600	775,418
Oryzon Genomics Diagnóstico, S.L.	131,373	-
	13,350,649	17,048,886

There is no time limit to the offsetting of credit loss carryforwards, while unused tax credits expire between 2016 and 2023. The Parent's Directors consider their recovery in subsequent years to be probable, based on the business plans prepared by management, which include sales increases of between 2% and 4%, as well as the maintenance of operating margins similar to those at present. In this sense, in the analysis for 2016, Management has taken into account the impact of the planned merger of the parent with several of its subsidiaries included in the scope of the tax consolidation as an opportunity for tax planning.

At 31 December 2016, the Group has not recognised the tax loss carryforwards amounting to 9,730 thousand Euros derived from the parent and from Forté Pharma Ibérica, S.L., as deferred tax assets. (€ 6,022 thousand corresponding to negative tax bases and € 1,237 thousand corresponding to unused tax credit at 31 December 2015).

The breakdown of the deferred tax assets and liabilities with a capitalization or reversal period of more than 12 months is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Deferred tax assets related to temporary differences	964,511	925,446
Credit loss carryforwards	13,350,649	15,811,792
Total assets	14,315,160	16,737,238
Deferred tax liabilities	(5,216,409)	(5,972,788)
Net	9,098,751	10,764,450

24. Revenue and expenses**a) Procurements**

This heading comprises purchases and changes in inventories, the cost of goods sold and other discounts associated with the purchases of such goods.

The breakdown of the procurements is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Consumption of goods		
Domestic purchases	7,098,487	14,731,988
Intra-community acquisitions	10,269,764	895,568
Import purchases	139,216	96,930
Changes in inventories	(811,672)	(1,221,304)
	<u>16,695,795</u>	<u>14,503,182</u>
Consumption of raw materials and other		
Domestic purchases	19,188,344	16,356,334
Intra-community acquisitions	14,455,772	13,706,046
Import purchases	17,475,020	13,795,971
Changes in inventories	(3,138,444)	(2,110,851)
	<u>47,980,692</u>	<u>41,747,500</u>
Work performed by other companies	<u>347,524</u>	<u>1,272,464</u>
	<u>65,024,011</u>	<u>57,523,146</u>

b) Expenses for employee benefits

The breakdown of expenses for employee benefits is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Wages and salaries	34,857,418	32,039,232
Social Security paid by the company	10,028,852	9,197,181
Other employee benefit costs	1,091,524	954,432
	<u>45,977,794</u>	<u>42,190,845</u>

c) Other operating expenses

The breakdown of other operating expenses is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Independent professional services	9,334,769	7,597,470
Advertising, publicity and public relations	6,501,638	7,147,098
Leases (note 9)	2,976,901	3,185,962
Repairs and maintenance	2,954,676	2,821,328
Environmental expenses (note 25)	172,098	219,351
Transport	2,195,824	2,440,860
Insurance premiums and commissions	975,498	941,392
Supplies and other services	10,414,449	12,051,770
Research and development expenses (note 6)	3,298,290	2,503,612
Taxes	758,948	735,744
Losses, impairment and changes in provisions	(65,347)	191,175
Other operating expenses	2,709,392	208,690
	42,227,136	40,044,452

d) Financial income

The breakdown of the financial income is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Financial revenue	164,745	211,121
Financial debt expenses	(213,178)	(231,770)
Financial leasing finance expenses	(216,098)	(237,640)
Financial expenses for derivative interests	(178,981)	(175,136)
Other finance expenses	(630,426)	(431,087)
Impairment and loss on disposal of financial instruments	1,410,880	(301,335)
Change in fair value of financial instruments (note 19)	172,888	145,459
Exchange differences	(296,669)	321,278
	213,161	(699,110)

25. Other information

a) Information on employees

The average number of employees in the Group during the years ended on December 31, 2016 and 2015, by category, is as follows:

	Average number	
	31/12/2016	31/12/2015
Managerial staff	31	31
Professionals, technicians and similar	288	271
Administrative employees	67	61
Rest of salaried staff	517	485
Total	903	848

The gender distribution of the Group's staff by categories and of the Company's Directors at December 31, 2016 and 2015, is as follows:

	31/12/2016		31/12/2015	
	Women	Men	Women	Men
Managers	2	6.0	2	6.0
Managerial staff	13	20.0	13	18
Professionals, technicians and similar	189	92	188	87
Administrative employees	49	17	48	15
Rest of salaried staff	287	260	260	242
Total	540	395	511	368

The average number of employees in the Company with a disability equal to or greater than 33% (or local equivalent) during the years 2016 and 2015, by category, is as follows:

	Average number	
	31/12/2016	31/12/2015
Professionals, technicians and similar	7.0	7.0
Administrative employees	2	2
Rest of salaried staff	2	2
Total	11	11

b) Audit fees

The auditors KPMG Auditores, S.L., have accrued fees for professional services provided during the years ended on December 31, 2016 and 2015 as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Audit services	87,500	84,800
Total	87,500	84,800

The amounts indicated in the table below include the total fees relative to the services provided during the years ended at December 31, 2016, and 2104, independently of when they were invoiced.

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During the years ended on December 31 2016 and 2015, other companies from the KPMG group have invoiced the Group the following sums for professional services:

<i>In Euros</i>	31/12/2016	31/12/2015
Others services	15,000	20,000
Total	15,000	20,000

During the years ended on December 31, 2016 and 2015, other companies affiliated to KPMG International have accrued fees for professional services in the following amounts:

<i>In Euros</i>	31/12/2016	31/12/2015
Audit services	48,500	38,843
Others services	-	-
Total	48,755	38,843

During the years ended on December 31, 2016 and 2015, other auditors have accrued fees for professional services in the following amounts:

<i>In Euros</i>	31/12/2016	31/12/2015
Audit services	34,744	34,456
Others services	-	-
Total	34,744	34,456

c) Environmental Information

Expenses incurred by the Group in environmental protection and improvement corresponding to the cleaning of productive waste during the year ended on December 31, 2016 amounted to 172,098 Euros (219,351 Euros at December 31 2015).

26. Related parties

a) Balances with related parties

Short-term "Loans" (note 10.1 (a)) includes a loan granted to Reig Jofre Investments, S.L. for 1,945,070 Euros (1,904,801 Euros at December 31, 2015).

The item "Trade and other payables and receivables" includes a debit balance amounting to 394 Euros in 2015 to be received from Reig Jofre Investments, S.L.

The amount included in "Current tax liabilities" reflects the balance payable by the Group to Reig Jofre Investments, S.L., resulting from the tax consolidation.

The item "Trade and other payables" includes a credit balance amounting to 43,350 Euros (196,234 Euros in 2015) payable by the Group to Reig Jofre Investments, S.L.

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b) Transactions with related parties

During the years ended on December 31, 2016, and 2015, the Group carried out the following transactions with related parties, which correspond fully to Reig Jofre Investments, S.L.

<i>In Euros</i>	31/12/2016	31/12/2015
Other operating revenue	323,270	2,040
Financial revenue	26,613	28,823
Total revenue	349,883	30,863
Lease expenses	581,206	566,118
Services received	260,000	280,000
Other operating expenses	-	50,000
Total expenses	841,206	896,118

All transactions with related parties are effected at market prices.

c) Information regarding the Company's Directors and Senior Management

During 2016, remuneration has been accrued in favour of the Directors amounting to 334,150 Euros (417,197 Euros at December 31, 2015) in the concept of salaries and wages, and 304,000 Euros (344,000 Euros at December 31, 2015) in the concept of remuneration of the Directors.

During 2016, remuneration has been accrued in favour of the parent's senior management staff amounting to 637,505 Euros (426,069 Euros at December 31, 2015).

At December 31, 2016 and 2015, no advances or loans have been granted to members of the Board of Directors. No guarantees have been extended by the Group companies on behalf of the members of their management bodies; neither have any obligations been contracted in relation to pensions in favour of such members.

During 2016, civil liability insurance premiums amounting to 21,230 Euros have been paid for damages caused by acts or omissions in the exercise of the position.

d) Conflicts of interest involving the directors of the Parent

The Company's Directors and the people related to the same have not incurred in any conflict of interest that has required communication, in accordance with the provisions of Article 229 of the Revised Text of the Corporate Enterprises Act (TRLSC).

27. Risk policy and management

The Group's activities are exposed to various financial risks: market risk (including foreign exchange risk), credit risk, liquidity risk and interest rate risk in the cash flows. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise potential adverse effects on the Group's financial performance. The Group uses derivatives to hedge certain risks.

Risk management is controlled and centralized by the Group in accordance with policies approved by the Board of Directors. The parent's financial department assesses and hedges financial risks in close collaboration with the Group's operating units. The Board approves policies for global risk management, as well as for specific areas such as foreign exchange risk, interest rate risk, liquidity risk, use of derivative and non-derivative instruments and investment of excess liquidity.

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a) Market risk

The Group is therefore exposed to currency risk on the transactions performed by it in foreign currencies, particularly in relation to the US dollar, the Swedish krona and the pound sterling. The exchange rate risk arises from future commercial transactions, in which the recognised assets and liabilities are denominated in a currency other than the companies' functional currency.

In the years ended December 31, 2016 and 2015, the Group carried out the following transactions in foreign currency:

<i>In Euros</i>	31/12/2016					
	United States dollars	Swedish Krona	Euros	Pound sterling	Other	Total
Sales	6,794,517	551,013	1,102,037	3,046,586	553,729	12,047,882
Total sales	6,794,517	551,013	1,102,037	3,046,586	553,729	12,047,882
Purchases	(11,192,229)	(204,100)	(3,125,063)	(2,168,056)	(247,850)	(16,937,298)
Total purchases	(11,192,229)	(204,100)	(3,125,063)	(2,168,056)	(247,850)	(16,937,298)

<i>In Euros</i>	31/12/2015					
	United States dollars	Swedish Krona	Euros	Pound sterling	Other	Total
Sales	6,787,512	554,600	1,079,386	2,678,533	744,339	11,844,370
Total sales	6,787,512	554,600	1,079,386	2,678,533	744,339	11,844,370
Purchases	(8,306,043)	(1,282)	(2,270,091)	(1,935,244)	(289,849)	(12,802,509)
Total purchases	(8,306,043)	(1,282)	(2,270,091)	(1,935,244)	(289,849)	(12,802,509)

On December 31, 2016 and 2015, if the Euro had depreciated / appreciated by 10% in relation to the American dollar or the Swedish krona, whilst the other remained variables constant, the consolidated profit after tax would not have been modified by a significant amount.

The breakdown of the Group's exposure to exchange rate risk at December 31, 2016 and 2015 is detailed below. The attached tables reflect the carrying value of the Group's financial instruments or classes of financial instruments denominated in foreign currency (currency other than the functional currency):

<i>In Euros</i>	31/12/2016					
	United States dollars	Swedish Krona	Euros	Pound sterling	Other	Total
Trade receivables	1,054,495	54,305	193,499	334,098	115,232	1,751,629
Cash and cash equivalents	677,779	138,236	-	514,036	-	1,330,051
Total current assets	1,732,274	192,541	193,499	848,134	115,232	3,081,680
Short-term suppliers	1,669,230	763,677	879,780	214,402	23,977	3,551,066
Total current liabilities	1,669,230	763,677	879,780	214,402	23,977	3,551,066

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<i>In Euros</i>	31/12/2015					
	United States dollars	Swedish Krona	Euros	Pound sterling	Other	Total
Trade receivables	1,205,312	136,214	102,250	809,438	110,021	2,363,235
Total current assets	1,205,312	136,214	102,250	809,438	110,021	2,363,235
Short-term suppliers	1,472,522	-	785,211	137,663	17,107	2,412,503
Total current liabilities	1,472,522	-	785,211	137,663	17,107	2,412,503

b) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies to ensure that sales are made to customers with an appropriate credit history. The Group has policies to limit the amount of risk to which it is exposed from banks.

The breakdown of the Group's exposure to credit risk at December 31, 2016 and 2015 is detailed below. The attached tables reflect the analysis of the financial assets by the dates of the remaining maturities:

<i>In Euros</i>	Interest rate	Maturity	31/12/2016	31/12/2015
Loans	2%	2018	441,729	8,901,828
Other financial assets	0.6% - 3.5%	2018 - 2026	149,320	186,276
Total non-current assets			591,049	9,088,104
Trade and other receivables	-	2017	36,048,884	34,318,332
Other financial assets	0.15% - 3.5%	2017	11,107,004	2,382,453
Current tax assets	-	2017	1,770	-
Other assets	-	2017	6,662,284	3,975,557
Cash and cash equivalents	-	-	8,181,654	9,440,170
Total current assets			62,001,596	50,116,512

The yield generated by these financial assets during the year ended on December 31, 2016, was 164,745 Euros (211,121 Euros at December 31, 2015).

The distribution of trade and other receivables at the date of the Consolidated Statement of Financial Position by geographic region is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Spain	22,035,686	14,047,677
Rest of Europe	9,320,550	16,339,025
Asia	2,975,943	2,870,035
America	722,604	776,965
Africa	828,246	173,180
Oceania	165,855	111,450
	36,048,884	34,318,332

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Commercial loans are initially measured at their nominal value and value adjustments are effected as deemed necessary in accordance with the risk of insolvency, i.e., for those loans with a certain age or for those which, due to their specific circumstances, are considered to be doubtful accounts.

The seniority of the unimpaired trade and other receivables at the date of the Consolidated Statement of Financial Position is as follows:

<i>In Euros</i>	31/12/2016	31/12/2015
Active	27,448,169	25,142,573
0-30 days	4,410,678	4,333,573
31-90 days	1,398,214	1,924,219
91-181 days	1,735,138	1,551,659
181-365 days	640,532	1,084,374
More than 365 days	416,153	281,934
	36,048,884	34,318,332

At December 31, 2016, the Group has allocated valuation adjustments for uncollectible trade receivables and other receivables for the amount of 1,677,567 Euros (1,742,914 Euros at December 31, 2015).

Sovereign risk with Spanish public authorities for outstanding balances for sales at December 31, 2016 and 2015 amounts to 1,310,512 Euros and 2,114,478 Euros, respectively.

The concentration of the balances of the 10 largest customers amounts to 10,169,407 Euros at December 31, 2016 (10,868,271 Euros at December 31, 2015).

c) Liquidity risk

The Group conducts prudent liquidity risk management, based on maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the capacity to close out market positions. Given the dynamic nature of the underlying businesses, the Group's Financial Department aims to maintain flexibility in funding through the availability of credit facilities.

The breakdown of the Group's exposure to liquidity risk at December 31, 2016 and 2015 is detailed below. The attached tables reflect the analysis of the estimated future payments of the financial assets by the contractual dates of the remaining maturities:

31/12/2016							
<i>In Euros</i>	Book value	Contractual cash flows	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	More than 5 years
Bank borrowings	24,681,632	25,349,948	12,874,740	2,679,573	2,592,886	5,105,586	2,097,163
Finance leases	5,837,105	6,784,788	788,542	788,542	788,542	1,577,084	2,842,078
Derivative financial instruments	101,110	101,110	101,110	-	-	-	-
Other financial liabilities	7,283,035	7,446,465	516,383	567,278	586,784	799,671	4,976,349
Trade and other payables	25,787,514	25,787,514	25,787,514	-	-	-	-
	63,690,396	65,469,825	40,068,289	4,035,393	3,968,212	7,482,341	9,915,590

31/12/2015

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<i>In Euros</i>	Book value	Contractual cash flows	Up to 1 year	1 to 2 years	2 to 3 years	3 to 5 years	More than 5 years
Bank borrowings	11,241,605	11,624,548	6,866,128	1,271,834	1,271,834	1,768,932	445,820
Finance leases	6,414,725	7,704,306	803,740	803,740	803,740	1,607,480	3,685,606
Derivative financial instruments	273,998	268,629	173,894	94,735	-	-	-
Other financial liabilities	5,650,920	5,667,770	908,174	330,525	329,181	577,644	3,522,246
Trade and other payables	27,034,509	27,034,509	27,034,509	-	-	-	-
	50,615,757	52,299,762	35,786,445	2,500,834	2,404,755	3,954,056	7,653,672

d) Interest rate risk in cash flows and fair value

As the Group does not possess significant interest-bearing assets during long periods, income and cash flows the Group's operating activities are not significantly affected by the changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings underwritten at variable rates expose the Group to cash flow interest rate risk. The funding is subject to a variable rate. As a result, the Group is exposed to interest rate risk on operating cash flows.

The Group manages the interest rate risk of the cash flows using floating to fixed interest rate swaps. These interest rate swaps have the economic effect of converting borrowings at variable interest rates to fixed rates. Generally, the Group obtains long-term borrowings at a variable rate and swaps them to a fixed rates which are generally lower than those that would be available if the Group had obtained the borrowings directly fixed interest rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at certain intervals (usually monthly), the difference between the fixed interests and the floating interests calculated on the basis of the contracted notional principals.

If, during the years ended December 31, 2016 and 2015, interest rates had been 50 basis points higher or lower, whilst the other remained variables constant, the consolidated profit after tax would not have been modified by a significant amount.

e) Fair Value Hierarchy

The following table details the financial instruments at fair value, by levels and in accordance with the measurement method. The hierarchy of levels defined by the applicable regulations is as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: data other than the quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e., derived from prices).
- Level 3: Significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level variable that is relevant to the fair value measurement in its entirety. For this purpose, the relevance of a variable is assessed with respect to the totality of the measurement at fair value. If a fair value measurement uses observable variables that require significant adjustment based on unobservable inputs, the measurement is Level 3. Assessing the relevance of a particular variable in order to measure the fair value measurement in its entirety requires judgement and the consideration of specific factors to the asset or liability.

The breakdown of the financial instruments measured at fair value of assets and liabilities of the consolidated statement of financial position in accordance with IFRS 13 is as follows:

<i>In Euros</i>	31/12/2016			
	Fair value	Level 1	Level 2	Level 3

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Equity instruments	1,167,058	725,212	441,846	-
Non-current assets	1,167,058	725,212	441,846	-
Equity instruments	37,450	-	37,450	-
Current assets	37,450	-	37,450	-
Derivative financial instruments	(101,110)	-	(101,110)	-
Current liabilities	(101,110)	-	(101,110)	-

<i>In Euros</i>	31/12/2015			
	Fair value	Level 1	Level 2	Level 3
Equity instruments	1,185,232	762,569	422,663	-
Non-current assets	1,185,232	762,569	422,663	-
Equity instruments	289	-	289	-
Current assets	289	-	289	-
Derivative financial instruments	(273,998)	-	(273,998)	-
Non-current assets	(273,998)	-	(273,998)	-

The derivative financial instruments correspond to interest rate swaps and are measured by discounting the contract's cash flows. They are calculated using interest rates in line with the projected flows published on the date of measurement. The discount rate includes the Group's own credit risk.

The fair value of unlisted instruments, bank loans, creditors under finance leases and other non-current financial assets and liabilities is estimated by discounting future cash flows using the rates available for debts with similar conditions, credit risk and maturities, and is very similar to the book value (see note 19).

28. Events after closure

From December 31, 2016 until the date of preparation of these Consolidated Financial Statements, there have been no significant events.

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Notes to the Consolidated Financial Statements

ANNEX 1- Breakdown of the subsidiaries at December 31, 2016

Corporate name	Registered office	Activity	Auditor	% of direct ownership	% of indirect ownership
Laboratorios Medea, S.A.	C/Gran Capità 10, Sant Joan Despí (Barcelona)	Sale of pharmaceutical specialties and biological products.	KPMG Auditores, S.L.	99.99%	-
Laboratorio Farmacéutico Orraván, S.L.	C/Gran Capità 10, Sant Joan Despí (Barcelona)	Marketing of pharmaceuticals and chemicals	KPMG Auditores, S.L.	99.70%	-
Laboratorio Ramón Sala, S.L.	C/Gran Capità 10, Sant Joan Despí (Barcelona)	Manufacture and sale of pharmaceuticals and chemicals	Unaudited	-	100.00%
Bioglán, A.B.	Box 503 10, 20213, Malmoe (Sweden)	Manufacturing, marketing and research of pharmaceutical specialties	KPMG AB	100.00%	-
Laboratoires Forte Pharma, SAM	Monaco	Marketing of nutritional pharmaceutical and pharmacy products	KPMG GLD & Associés	73.20%	26.80%
Forte Services, SAM	Monaco	Provision of management and administration services	KPMG GLD & Associés	100.00%	-
Forte Pharma Ibérica, S.L.U.	Barcelona	Marketing of nutritional pharmaceutical and pharmacy products	Unaudited	100.00%	-
S.A., Laboratoires Forte Pharma Benelux	Belgium	Marketing of nutritional pharmaceutical and pharmacy products	Unaudited	-	100.00%
Laboratoires Forte Pharma UK Ltd.	United Kingdom	Marketing of nutritional pharmaceutical and pharmacy products	Unaudited	-	100.00%
Reig Jofre UK Limited	United Kingdom	Marketing of pharmaceutical products	Unaudited	51.00%	-
Reig Jofre Europe PTE. LTD.	Singapore	Marketing of pharmaceutical products	Unaudited	60.00%	-
Oryzon Genomics Diagnóstico, S.L.	Cornellà de Llobregat (Barcelona), calle Sant Ferran 74	Research, development and other health activities	Unaudited	100%	-
Geadic Biotec AIE	C/Gran Capità 10, Sant Joan Despí (Barcelona)	Research, development and other health activities	Unaudited	50%	50%

ANNEX 1- Breakdown of the subsidiaries at December 31, 2015

Corporate name	Registered office	Activity	Auditor	% of direct ownership	% of indirect ownership
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This Annex forms part of note 1 to the consolidated financial statements.

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Notes to the Consolidated Financial Statements

Laboratorios Medea, S.A.	C/Gran Capità 10, Sant Joan Despí (Barcelona)	Sale of pharmaceutical specialties and biological products.	KPMG Auditores, S.L.	99.99%	-
Laboratorio Farmacéutico Orraván, S.L.	C/Gran Capità 10, Sant Joan Despí (Barcelona)	Marketing of pharmaceuticals and chemicals	KPMG Auditores, S.L.	99.70%	-
Laboratorio Ramón Sala, S.L.	C/Gran Capità 10, Sant Joan Despí (Barcelona)	Manufacture and sale of pharmaceuticals and chemicals	Unaudited	-	100.00%
Bioglán, A.B.	Box 503 10, 20213, Malmoe (Sweden)	Manufacturing, marketing and research of pharmaceutical specialties	KPMG AB	100.00%	-
Laboratoires Forte Pharma, SAM	Monaco	Marketing of nutritional pharmaceutical and pharmacy products	KPMG GLD & Associés	73.20%	26.80%
Forte Services, SAM	Monaco	Provision of management and administration services	KPMG GLD & Associés	100.00%	-
Forte Pharma Ibérica, S.L.U.	Barcelona	Marketing of nutritional pharmaceutical and pharmacy products	Unaudited	100.00%	-
S.A., Laboratoires Forte Pharma Benelux	Belgium	Marketing of nutritional pharmaceutical and pharmacy products	Unaudited	-	100.00%
Laboratoires Forte Pharma UK Ltd.	United Kingdom	Marketing of nutritional pharmaceutical and pharmacy products	Unaudited	-	100.00%
Reig Jofre UK Limited	United Kingdom	Marketing of pharmaceutical products	Unaudited	51.00%	-
Reig Jofre Europe PTE. LTD.	Singapore	Marketing of pharmaceutical products	Unaudited	60.00%	-

This Annex forms part of note 1 to the consolidated financial statements.

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Notes to the Consolidated Financial Statements

ANNEX 11 - Changes in property, plant and machinery corresponding to the years ended on December 31, 2016 and 2015 (in Euros)

Cost	Land	Buildings	Plant and machinery	Other fixtures, tools and furniture	Other property, plant and equipment	Unfinished PP&E	Total
Balance at December 31, 2014	6,471,640	5,685,514	29,965,215	9,522,171	1,618,554	3,134,816	56,397,910
Registrations	-	-	346,897	257,116	155,296	7,545,887	8,305,196
De-recognitions	-	-	-	-	-	(18,499)	(18,499)
Transfers (note 6)	-	28,954	1,818,076	365,371	-	(2,599,789)	(387,388)
Translation differences	-	3,095	30,767	9,245	-	734	43,841
Balance at December 31, 2015	6,471,640	5,717,563	32,160,955	10,153,903	1,773,850	8,063,149	64,341,060
Registrations	-	2,070	863,620	218,780	138,098	8,923,209	10,145,777
Transfers (note 6)	-	21,700	6,250,692	698,897	2,620	(7,082,769)	(108,860)
Business combinations (note 5)	-	-	63,089	27,392	6,717	-	97,198
Translation differences	-	(6,528)	(5,506)	(21,543)	-	(219)	(33,796)
Balance at December 31, 2016	6,471,640	5,734,805	39,332,850	11,077,429	1,921,285	9,903,370	74,441,379
Depreciation							
Balance at December 31, 2014	-	(1,254,392)	(19,502,475)	(6,218,312)	(1,339,089)	-	(28,314,268)
Amortisation for the year	-	(215,069)	(2,296,070)	(671,954)	(120,834)	-	(3,303,927)
Translation differences	-	(3,066)	(27,825)	(8,356)	-	-	(39,247)
Balance at December 31, 2015	-	(1,472,527)	(21,826,370)	(6,898,622)	(1,459,923)	-	(31,657,442)
Amortisation for the year	-	(215,075)	(2,677,443)	(699,549)	(144,081)	-	(3,736,148)
Translation differences	-	5,437	4,329	15,032	-	-	24,798
Balance at December 31, 2016	-	(1,682,165)	(24,499,484)	(7,583,139)	(1,604,004)	-	(35,368,792)
Impairment							
Balance at December 31, 2014	(2,252,635)	(1,785,069)	-	-	-	-	(4,037,704)
Allocation for the year	-	-	-	-	-	-	-
Balance at December 31, 2015	(2,252,635)	(1,785,069)	-	-	-	-	(4,037,704)
Reversal for the year	1,096,576	868,966	-	-	-	-	1,965,542
Balance at December 31, 2016	(1,156,059)	(916,103)	-	-	-	-	(2,072,162)
Carrying amount							
At December 31, 2015	4,219,005	2,459,967	10,334,585	3,255,281	313,927	8,063,149	28,645,914
At 31 December, 2016	5,315,581	3,136,537	14,833,366	3,494,290	317,281	9,903,370	37,000,425

This Annex forms part of note 7 to the consolidated financial statements.

LABORATORIO REIG JOFRE, S.A. AND SUBSIDIARIES

The directors of Laboratorio Reig Jofre, SA, assembled on March 30, 2017 and in compliance with the requirements of Article 253 of the Revised Text of the Corporate Enterprises Act and of Article 37 of the Commercial Code, proceed to prepare the Consolidated Financial Statements and the Management Report of the financial year from January 1, 2016 and December 31, 2016. The consolidated financial statements and the consolidated management report are comprised of the attached documents preceding this writing.

Signatories:

Reig Jofre Investments, SL (represented
by Isabel Reig López)

Ignasi Biosca Reig

Alejandro García Reig

Anton Costas Comesaña

Maria Luisa Francolí Plaza

Ramon Gomis i de Barbarà

Ramiro Martinez-Pardo del Valle

Emilio Moraleda Martínez

Consolidated management report for the year ended on December 31, 2016



Consolidated Management Report for the year ended on December 31, 2016





As of January 1, 2015, the new company Laboratorio Reig Jofre, SA (hereinafter, the "Company") is the result of the merger of the pharmaceutical company Laboratorio Reig Jofre, SA, by the listed Spanish company Natraceutical, SA, leader in Europe in the field of nutritional supplements sold in pharmacies through its brand Forté Pharma.

The merger enabled the resultant company to become the 5th Spanish pharmaceutical company listed on the Spanish stock market in terms of turnover.

The new Reig Jofre is a pharmaceutical group whose activity is focused on the research, development, manufacture and marketing of medicines and nutritional supplements, and on the specialized manufacturing for third parties.

Reig Jofre focuses its R&D activity towards the development of new pharmaceutical products or variations on known active ingredients in order to modify their release, improve their dosage and obtain new routes of administration or indications, as well as to the development of generic specialities for manufacturing by the Company and by licensees. Reig Jofre has extensive experience in the development and manufacture of lyophilised injectables, beta-lactam antibiotics, topical dermatological products and nutraceuticals.

Two major synergies that have arisen from the merger have been the diversification of the product portfolio with OTC medicines and nutritional supplements, and the access to new markets through the Company's own sales networks.

- **Research areas**

Reig Jofre's R&D team is composed of technicians with ample experience in the following areas of research:

1. Bioequivalence studies.
2. Clinical pharmacokinetics and bioavailability studies.
3. Drug interaction studies.
4. Preclinical pharmacokinetics.
5. Preclinical toxicokinetics.
6. Analysis and identification of metabolites.



Based on this experience, and with a specialized emphasis on the therapeutic areas of dermatology, gynaecology and respiration, the R&D team focuses its activity on:

1. Development of new pharmaceutical products or variations on known active ingredients in order to modify their release, improve their dosage and obtain new routes of administration or indications.
2. Development of generic specialties for licensing to third parties, maintaining manufacturing in the company's production facilities.

With regard to dosage forms, Reig Jofre combines the strengths of its R&D team with a high-end production capacity in three areas of high added-value:

1. Penicillanic antibiotics in all dosage forms (vials with sterile powder, oral forms, envelopes and syrups).
2. Cephalosporin antibiotics in vials with sterile powder.
3. Lyophilized vials for all types of active ingredients, by means of:
 - a) Thermal analysis in lyophilization.
 - b) Application of DSC (differential scanning calorimetry), FDM (lyophilization microscope) and DTA-ER (differential thermal analysis and electrical resistance) techniques.
 - c) Development and optimization of lyophilization recipes in pilot plant.
 - d) Industrial scale process.
 - e) Applications in generics, proteins, monoclonal antibodies, vaccines, etc.

The Group also has extensive development and production strength in:

1. Liquid dosage forms: oral and topical solutions in ampoules and sterile vials, syrups, liquids in single-dose sachets and swabs.
2. Semi-solid forms: ointments, emulsions, micro-emulsions, and creams.
3. Solid oral dosage forms: capsules, tablets, coated tablets and lozenges.



Finally, Reig Jofre's R&D team has extensive experience in coordinating and conducting preclinical and clinical (Phase I-IV) ADMET studies required for the development both of proprietary products and of third-party products.

To this end, Reig Jofre has a mass spectrometry (LC_MS/MS) service that is mainly specialized in bioanalysis and covered by a "Good Laboratory Practice" (GLP) certification.

- **Regulatory Services**

As an added-value service which complements the R&D projects developed for third-parties, Reig Jofre has a technical team with extensive experience in the regulatory field on a worldwide level, and especially in Europe and USA. The team offers:

1. Preparation of registration dossiers for presentation in EU and non-EU countries in SENs and e-CTD formats using specific software.
2. Experience in registration processes at European level, via domestic mutual recognition or decentralized procedures. Regulatory support, from the presentation of the registration to the approval of the drug by answering the allegations requested by the various regulatory authorities, including post-approval regulatory work, such as presenting variations or renewals.
3. The possibility to design the development of products for third-parties, in accordance with the ICH Q8 standards and to prepare the presentation of the commercialization authorization application.

- **Manufacturing**

Thanks to high production and technology standards maintained in its manufacturing plants in Spain and Sweden, Reig Jofre provides manufacturing services to large multinational laboratories and local companies. Reig Jofre manufactures for a hundred customers in fifty countries worldwide, mainly in its three areas of expertise:



- Penicillanic antibiotics in all dosage forms (vials with sterile powder, oral forms, envelopes and syrups).
- Cephalosporin antibiotics in vials with sterile powder.
- Lyophilized vials for all types of active ingredients.

As well as:

- Ampoules and vials in sterile liquid forms.
- Liquids: oral and topical solutions, syrups, liquids in single-dose sachets and swabs.
- Semi-solids, ointments, emulsions, micro-emulsions, creams.
- Oral solids: capsules, tablets, coated tablets and lozenges.

With proven experience and a solid scientific focus, Reig Jofre specializes in the stabilization of active ingredients for the manufacture of injectable lyophilized products, as well as in the design and development of release systems to improve the effectiveness of bio-molecules.

I. **Strategy**

Reig Jofre's development vectors are based on four strategic pillars, which should ensure the Group's long-term growth and profitability, as well as the generation of value for all its stakeholders:

▪ **R&D**

The development of new indications and/or dosage forms of known active compounds, generic drugs with special focus on beta-lactam antibiotics and lyophilised injectables, topical dermatological products, OTCs and the extension of the Forté Pharma nutritional supplements range. Similarly, the identification of collaborative projects with start-ups and research in biotechnology.

▪ **Internationalization**

Formalization of agreements with licensees in markets in which the Company does not have a direct presence for the marketing of prescription drugs, OTCs, health products,



cosmetics and the Forté Pharma range of nutritional supplements, which were developed by the R&D team (out licensing).

- **Specialty products under own brands**

Marketing of the entire range of proprietary products in countries in which there is direct presence through medical, pharmaceutical and hospital channels and the active pursuit of strategic marketing opportunities (in licensing).

- **Manufacturing and regulatory advice services**

Specialized manufacturing for third parties in the Company's four plants in Spain and Sweden, with a special focus on penicillanic antibiotics in all dosage formats, cephalosporin antibiotics in vials, dermatological creams and, especially, lyophilized vials, including biotech.

We provide high-quality processes, with a strong scientific approach based on the design of experiments.

II. Business performance

The 2016 turnover and profitability figures reflect a favourable progression in line with the future growth prospects.

Evolution of turnover and EBITDA 2012-2016



(Data from 2012 to 2014 proforma)

										New RJ	New RJ
	RJ	NTC	2012	RJ	NTC	2013	RJ	NTC	2014	2015	2016
Turnover	105.2	25.9	131.1	121.6	31.4	153	123	29.5	152.5	156.9	161.13
				15.6%	21.2%	16.7%	1.2%	-6.1%	-0.3%	2.9%	2.7%
EBITDA	10.6	0.9	11.5	15.7	2.6	18.3	14.5	0.5	15	17.2	15.69
				48.10%	188.90%	59.10%	-7.6%	-80.8%	-18.0%	14.7%	-8.8%
	10%	3%	9%	13%	8%	12%	12%	2%	10%	11%	10%

Reig Jofre closed 2016 with a turnover of 161.1 million Euros, representing an increase of 2.7% compared to the previous year.

RJF Pharma, the company's development, manufacturing and marketing division, accounted for 79% of sales and grew by 2%, thanks to the advancement of the three units of which it is comprised: antibiotics, injectables and lyophilizes +1.5%; dermatology, respiratory-ENT and gynaecology +25.5%; to the contrary, nutritional supplements and consumer healthcare registered a decrease of 15.4%.

RJF CDMO, the development and specialized manufacturing for third parties division, contributed 21% of turnover and registered an increase of 5.3%, thus correcting a weak start to the year.

Thanks to a significant effort in the containment of manufacturing costs and to the fruits of economies of scale, it has been possible to increase the gross margin by 2.4% compared to the previous year. However, neither this improvement in gross margin or the increase in operating revenues from deferred sales in contracts with commercial partners have allowed the Company to reach the EBITDA figures registered during the previous year. This is due to the increase in operating costs caused by a determined investment policy to deal with ongoing industrial and commercial growth projects, which included an increase in the workforce, the expansion of productive capacity and increased investments in R&D, partially included in higher operating costs in the income statement.

In 2016, Reig Jofre recorded a reversal of an impairment that allowed the operating income to be situated at the same level as in the previous year, despite greater depreciation due to the increase in investments.



The increase in the financial result allowed the Group to increase its profit before taxes by 8.7%, to 11.9 million Euros.

Reig Jofre closed the 2016 financial year with a net profit of 7.66 million Euros, a decrease of 12.4% over the previous year, due to the significant increase in corporate tax expense produced by the effect of the Royal Decree of December 2016 on the limitation on the use of tax credits, which has gave rise to an expense of 2.7 million Euros.

It is considered that there are no risks and uncertainties that may affect the future development of the Group, except those which are inherent to its sector.

III. Investments and financial structure

Following the merger with Natraceutical, throughout 2016 Reig Jofre confirmed its firm commitment to its four strategic pillars: R&D, strengthening its product portfolio in its therapeutic areas of interest, internationalization and increased competitiveness in the productive capacity.

In this regard, the Group has increased its investments (capex) in its production facilities and R&D projects and other intangibles, which rose from 9.9 million Euros in 2015 to 11.6 million Euros at the end of 2016. Particularly relevant were the investments in the production capacity in Spain aimed at supporting expansion in Asia (Japan and Indonesia) and, during a second phase, in the US market.

Reig Jofre closed 2016 with 52.5% of its revenue being generated outside Spain. In its continuing effort to grow its internalization, the Group has established business relationships in 5 new international markets on the five continents, including Ethiopia, Syria and the Czech Republic, among others. In 2016, European markets concentrated 88% of revenue, while countries in the rest of the world contributed 12%.

With regard to the strengthening of its product portfolio, Reig Jofre has obtain approval for 52 marketing authorizations for proprietary antibiotic/injectable molecules in 28 international markets. Additionally, the Group has 100 registration processes in progress, with approval expected during the coming one to three years



Reig Jofre ended the year with a net debt of 21.08 million Euros, 1.34 times its EBITDA, and maintains a clear commitment to growth, aiming to reach a turnover of 200 million Euros and EBITDA of 25 million Euros in 2019, according to the business plan submitted by the Group in late 2015.

IV. Business performance

The Group's future prospects are optimistic, with a strong focus on investment in R&D and the launch of proprietary products, as well as export growth.

It is considered that there are no risks and uncertainties that may affect the future development of the Group, except those which are inherent to its sector.

For this year, Laboratorio Reig Jofre has identified a number of industrial and commercial synergies derived from the merger with Natraceutical. Such synergies are structured in the following blocks:

1. Manufacture of products which Natraceutical had outsourced to other European producers
2. Cost savings for services that can be integrated into Reig Jofre's existing corporate structures and which to date were outsourced
3. Cross-selling of products from both companies in their sales networks and complementary markets and distribution channels
4. Joint research into new products
5. Shared regulatory services

The Group has also identified opportunities for organic and inorganic growth in its 4 strategic pillars:

1. R&D
2. Internationalization
3. Marketing
4. CDMO (and Contract and Development Manufacturing of specialized products)



As a result of the merger, the financial situation has improved. With a level of debt of 1.34 times Ebitda, the Group has as relevant growth and financing potential. The cash position amounts to 8.2 million Euros, which gives an idea of the Company's margin when addressing the medium-term investment plan that has been designed.

The Group has a financial asset amounting to 8.5 million Euros corresponding to a loan with the French group Naturex, to be repaid no later than June 2017.

Other matters

Subsequent to year-end 2016, there have been no noteworthy aspects that have had an impact on the consolidated financial statements.

As mentioned in the 2016 consolidated financial statements, at December 31, 2016, the Company possessed a total of 355,421 treasury shares, having made purchases of a total of 301,204 treasury shares and sales of a total of 182,609 treasury shares during FY 2016.

V. Stock Market Information

On December 31, 2014, the merger by the takeover of Laboratorio Reig Jofre, S.A., by Natraceutical, S.A., was registered with the Valencia Companies Registry. As a result of the merger, and as agreed by the Natraceutical, S.A., Extraordinary General Shareholders Meeting held on October 24, 2014, Natraceutical, S.A., changed its corporate name to "Laboratorio Reig Jofre, S.A.". Nevertheless, neither the Company's tax identification number (*NIF*), which remains A-96.184.882, nor the identification number of the Company's shares (*ISIN*), which remains the ES0165359011, were modified.

Since January 13, 2015, Natraceutical S.A., now denominated Laboratorio Reig Jofre, S.A., have been listed under the "RJF" ticker code.

As a consequence of the takeover of Laboratorio Reig Jofre, S.A., Natraceutical, S.A., issued 935,570,462 new shares, resulting in the number of outstanding shares following the merger of both companies reaching 1,264,284,408.

On July 29, 2015, the reverse split agreement relative to all the Company's shares, in the proportion of one new share for each twenty pre-existing shares, was approved, effective at



September 22, 2015. As a consequence, on December 31, 2015, the subscribed share capital amounted to 63,214,220 ordinary, nominative shares with a par value of 2.00 Euros each, all fully subscribed and paid-in.

In order to create a voluntary reserve, on June 22, 2016 the Ordinary and Extraordinary General Shareholders' Meeting approved the reduction of the parent's share capital by an amount of 94,821,330 Euros through the reduction of the par value of all the 63,214,220 nominative shares representing the Company's share capital by 1.50 Euros each, resulting in a new par value for each share of 0.50 Euros.

VI. Payments to suppliers

The information on deferred payments to suppliers by the consolidated Spanish companies is presented below:

	31/12/16	31/12/15
	Days	
Average payment period to suppliers	72	67
Ratio of transactions paid	73	37
Ratio of transactions pending payment	69	62
	Amount in Euros	
Total payments effected	90,307,437	70,471,440
Total outstanding payments	16,537,918	14,152,478

VII. Corporate Governance

This 2016 Annual Corporate Governance Report was approved by the Company's Board of Directors at its Meeting, and is available in both the Company's and in the CNMV's websites: (www.reigjofre.com) and (www.cnmv.es), respectively.