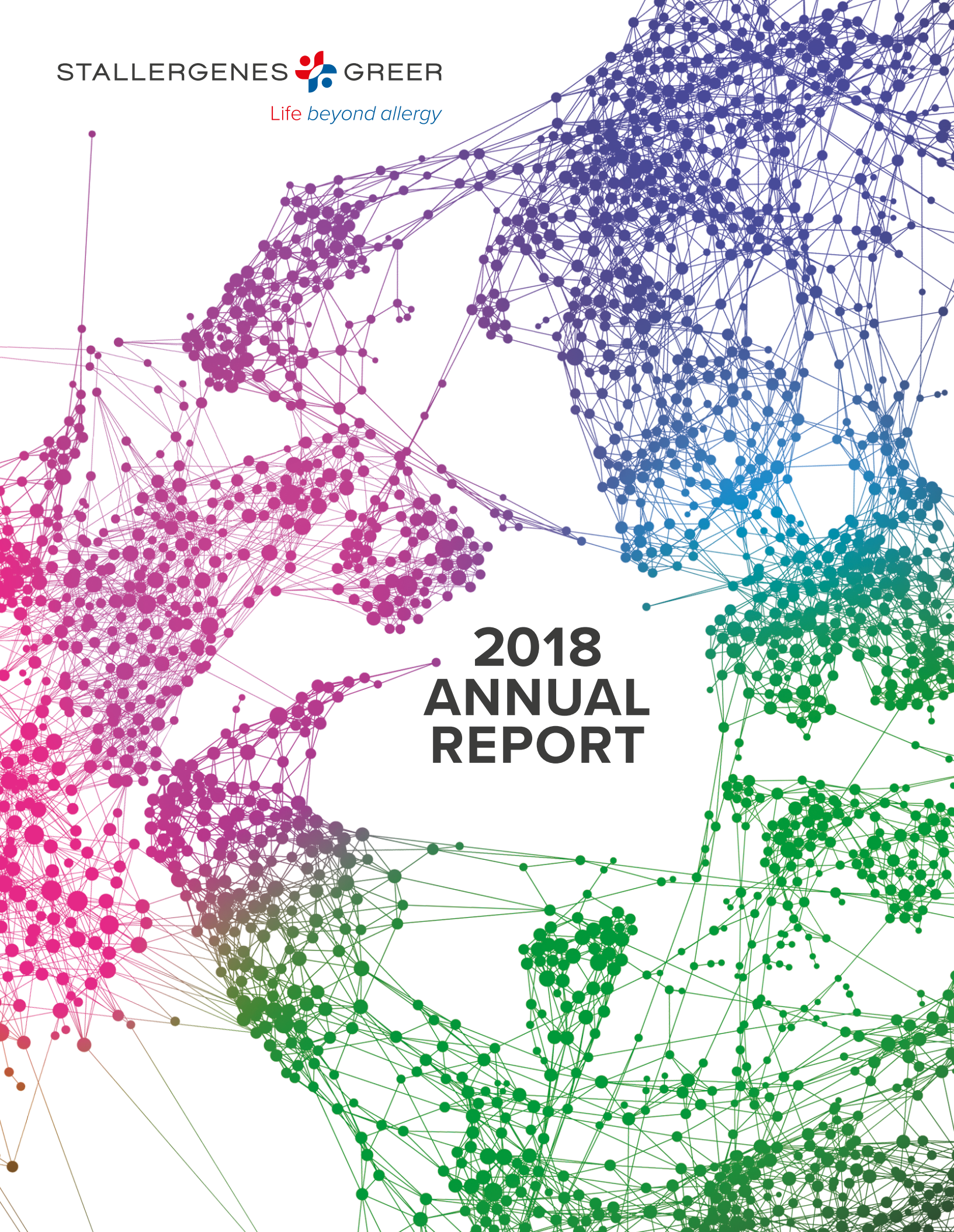
STALLERGENES GREER

Life *beyond allergy*



2018 ANNUAL REPORT

There are millions of conversations happening online related to how people experience, treat and live with allergies. Online communities are forming in which patients seek and offer advice on how to live with their allergies. Stallergenes Greer utilises innovative technology to search, analyse and visualise the world's collective intelligence to shed light upon the views of patients and to gain insights into where innovation is happening in the allergy space. This information is used to inform our product development efforts, to communicate the value our products in meeting patient needs, and to ensure that patients and customers remain at the centre of our current and future actions.

The visual clusters presented on the cover and within this Annual Report show different conversation topics that are happening online and in social media related to allergies. Each cluster represents a specific theme and the individual dots, or nodes, represent the conversation topics related to that theme.

This novel approach to listening and analysing collective intelligence is another way we seek to deliver on our purpose of enabling people with allergies to live normal lives.

STALLERGENES GREER

Our purpose is to enable people with allergies to live normal lives.

Our aspiration is to change the treatment paradigm of allergy therapies by delivering curative medicines and innovative tools for patients, delivering double-digit year-on-year revenue growth.

Life *beyond allergy*

Key Performance Indicators* 2018

NET SALES

Increase of 6% mainly driven by strong performances in Southern Europe and the United States.

EBITDA

Fuelled by an increase in sales and effective cost management

TABLET SALES

Sales of Oralair and Actair® decreased by 7%

FREE CASH FLOW

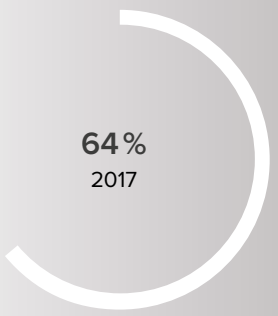
AFTER INVESTING ACTIVITIES

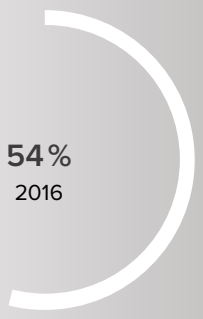
Significant improvement from 2017

NET INCOME / (LOSS)

Positive net income of €12.8 million a significant improvement over a net loss of €9.9 million in 2017

GROSS MARGIN
(IN % OF NET SALES)
Increase driven by efficiencies and improved capacity utilisation





* See Financial Review for more information about our 2018 financial performance.

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Corporate overview

5 **MANUFACTURING SITES**
in Antony and Amilly in France; Lenoir, North Carolina and San Diego, California in the U.S.; and Dutton, Ontario in Canada

19 **COUNTRIES**
with a direct presence; distribution networks in 73

1,167 **EMPLOYEES**
globally in 19 countries

Highlights and achievements in 2018

FEBRUARY
Actair received paediatric indication in Japan

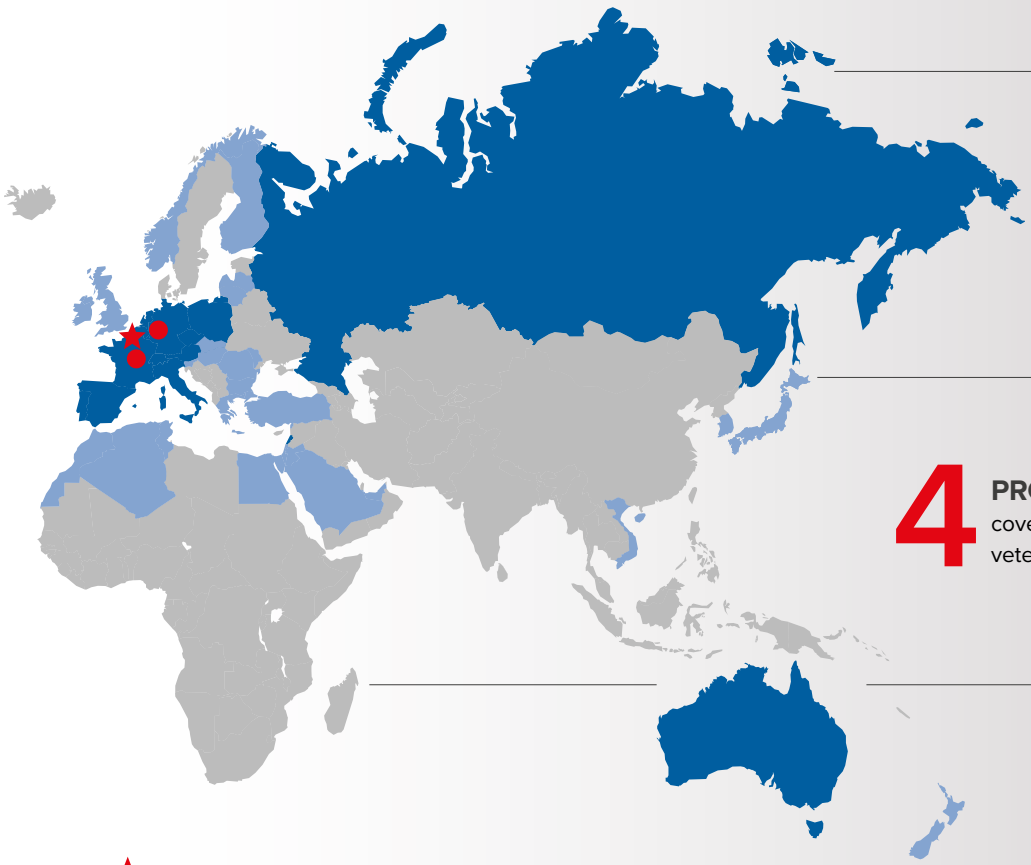
MARCH
2017 financial results released

APRIL
2017 Annual Report published

MAY
New research from France and Germany released as part of the BREATH real-world data program

JUNE
Stallergenes Greer's Annual General Meeting of Shareholders held in Paris, France

Employees in France participated in Ze Day quality and collaboration activities



2 **INNOVATION HUBS**
in Boston (U.S.) and Paris (France)

4 **PRODUCT SEGMENTS**
covering sublingual, subcutaneous, veterinary and other products

7 **DAYS AVERAGE PRODUCT LEAD TIME**
compared to industry average of 2–3 weeks*

* Lead time does not include back orders

AUGUST

- 1H financial results released
- Chairman and CEO Fereydoun Firouz's retirement as of 4 January 2019 announced
- Stefan Meister appointed Board Chairman and Michele Antonelli appointed CEO as of 5 January 2019

SEPTEMBER

- Employees in U.S. and Canada participated in Americas Day of Service volunteer activities

NOVEMBER

- Results from phase III clinical trial for STAGR320 released
- Oralair received U.S. paediatric indication

DECEMBER

- Annual holiday charitable giving events held at global locations

Messages from the incoming Chairman and the incoming CEO

As the incoming Chairman of Stallergenes Greer

I have the good fortune – and indeed the honour – to assume responsibility for an organisation that has strong foundations formed by an effective strategy and a culture that focuses on patient needs.

As a board member, I have participated in the company's ongoing turnaround and recovery. I saw the progress the teams made to create opportunities to move forward with a clear understanding of how to deliver immediate goals, as well as create long-term growth opportunities. This balance will be the basis for Stallergenes Greer's future accomplishments.

Looking to the future, I am confident that Stallergenes Greer will continue to be successful under the leadership of Michele Antonelli. Michele's extensive knowledge of the allergy industry and success as Head of the European and International business at

Dear shareholders

Stallergenes Greer is a special company with an inspiring purpose and highly dedicated people. Our aspiration to change the treatment paradigm of allergy therapies and deliver year-over-year growth remain our focus and motivation as we look to the future. While challenges remain, I am confident that we are moving forward with focus and clarity. The strategy and operational priorities that have guided us for the past four years will continue to guide us on our path to growth.

We believe one solution does not fit all patients, hence we offer different treatment options to patients that are tailored to their individual needs. We want to offer a comprehensive portfolio of allergy immunotherapy treatments globally and allow patients and their physicians to determine the administration method that best meets the disease and lifestyle needs of the patient: a tablet, a sublingual drop or a subcutaneous injection. We will continue to strengthen our portfolio by utilising our manufacturing capacity to grow in our existing markets; expanding into new geographic and customer segment markets; and leveraging our financial flexibility to pursue partnerships and assets to add to our portfolio.

We will remain committed to investing in technical operations, research and innovation. We are more efficient and nimble today than at any time in our company's history. We have powerful assets to work with, including flexible manufacturing capabilities, a legacy of excellence in allergy immunotherapy, and most importantly, a team comprised of resilient and determined colleagues. We will use these assets to gain additional market share, bring innovations to the market and return value to our shareholders.

It is a fascinating time to work at Stallergenes Greer. I am honoured to lead the nearly 1,200 people who comprise this great company through the opportunities and challenges that lie ahead.

Stallergenes Greer will, I am sure, create new opportunities and take the company to new heights.

I would like to recognise the contributions made by my colleagues Patrick Langlois and Paola Ricci who retired from the Stallergenes Greer Board of Directors during 2018; welcome Philip Broadley who joined the Board and has assumed the role of Chair of the Audit Committee; as well as extend my deep gratitude to Fereydoun Firouz who retired as Chairman and CEO after four years. It will be the continuity of the purpose, aspiration and strategic intent put in place during his tenure that will enable the next phase of our growth.

Stefan Meister
Chairman of the Stallergenes Greer Board of Directors as of 5 January 2019

Thank you for your support as shareholders and members of the Stallergenes Greer community. I am confident we will continue the momentum we have worked hard to gain and will reach new heights in our next phase of growth.

I look forward to the journey.

Michele Antonelli
Stallergenes Greer Chief Executive Officer as of 5 January 2019

A message from the exiting Chairman and CEO (2015 – 2019)

Dear shareholders,

2018 was a good year for Stallergenes Greer. The results clearly illustrate the strength of the path to recovery we began four years ago and that have, as a result, established a foundation for a future focused on operating and financial efficiency, consistent growth and innovation. We grew revenue once again and returned our company to positive territory on all our key financial measures – EBIT, EBITDA and cash flow – and we have continued to reinforce a culture that prioritises patient safety and product quality. Our teams delivered on our purpose and aspiration, putting the patient first and advancing our clinical pipeline.

As Chairman and CEO for Stallergenes Greer for the past four years, I am proud to have been involved in the advancement of Stallergenes Greer since its inception when we brought together two leaders in allergy immunotherapy: Stallergenes S.A. in France and Greer Laboratories, Inc. in the United States. I am pleased that the company is well-positioned for further success, which will be built on a continuity of leadership, strategy and culture.

Over the past four years, I have been witness to significant accomplishments, as well as difficult challenges, and have worked alongside individuals who are committed to our purpose, who work collaboratively to accomplish our shared goals, and who face challenges with great resilience. The evidence of those efforts is clear in our 2018 achievements.

First, I am pleased that, above all else, we put the patient at the centre of our business. We made strategic investments to ensure we offered patients a broad portfolio of allergens as well as diagnostic tools. We want patients to be able to consult directly with their physicians to determine the best treatment option for their lifestyle and disease needs.

Second, we advanced our innovation pipeline with the release of top-line results from the largest phase III trial on house dust mite allergies. This trial confirmed previous studies that demonstrated that STAGR320, our sublingual allergy immunotherapy tablet candidate, can bring relief to patients suffering with house dust mite-induced allergic rhinitis. The company can now assess in key markets an appropriate strategy with regulatory authorities for this new product, as well as its commercial viability.

Finally, we achieved significant financial milestones. A key priority for us as we entered 2018 was to achieve positive EBIT by driving top-line revenue and managing our costs. This balance is important to our long-term growth. We closed the year with €277.0 million in global sales and an EBIT of €17.6 million. In addition to improved gross margin as a percentage of sales, we also reached another important milestone with the achievement of positive cash flow. Having cash available, along with limited outstanding debt, enables us to consider innovative opportunities.

The key driver behind our profitability was the 6.4% year-over-year growth in net sales largely due to strong performances in key markets, including France and the United States. We also made a notable improvement in Italy with Staloral and regained market share with Oralair in the grass tablet segment. As a result, we delivered 7.8% year-over-year growth in Europe & International.

In the U.S., we responded to market challenges by delivering superior customer service, maintaining our leadership position in bulk allergen and creating new opportunities in order to deliver 9% year-over-year growth in local currency (US$). This comes at a time when the bulk allergen market is plateauing and the tablet market is declining.

These strong financial results came at a time when we were making investments to modernise all our global manufacturing facilities. Some of these investments we made in response to an injunction by the National Agency for Medicines and Health Products Safety (ANSM) in France that we received at the beginning of 2018.

The injunction was primarily related to the quality management system and processes at the Antony facility, mostly for production of subcutaneous products. Throughout 2018, we invested in technology and training to ensure that we meet the ANSM's expectations.

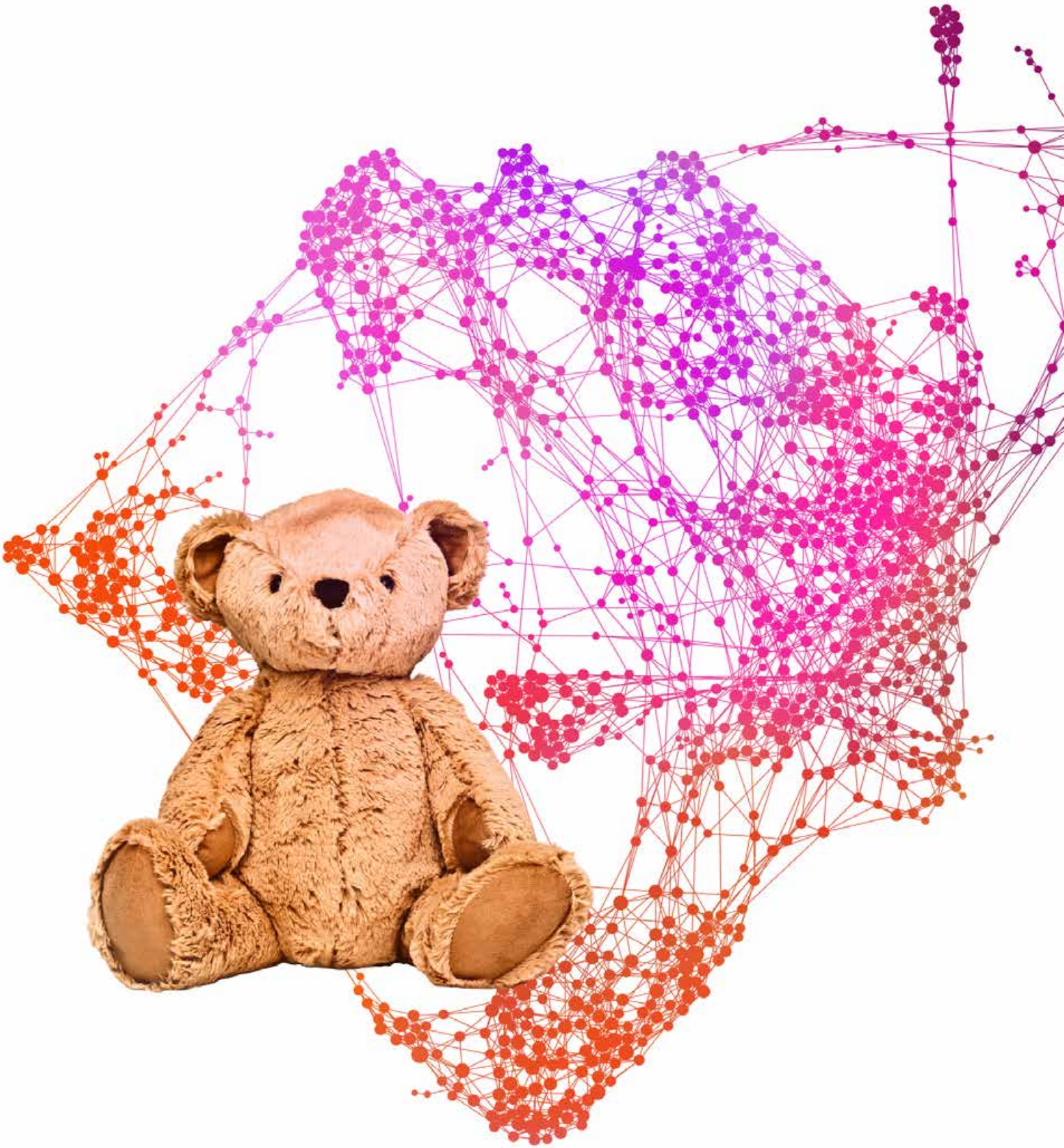
It has been a privilege to work with a dedicated team to achieve these and many other accomplishments. Stallergenes Greer is a company that can look to the future with great confidence, now under the leadership of Stefan Meister as Chairman and Michele Antonelli as CEO.

I would like to thank the Stallergenes Greer shareholders for their support and to extend a special thanks to the employees. Their individual actions have enabled Stallergenes Greer's collective success thus far and I am confident they will be the basis of our future strength.

Fereydoun Firouz
Chairman and CEO of Stallergenes Greer
Retired 4 January 2019

Our current development programmes include:

Programme	Scope	Phase I	Phase II	Phase III	Filing	Market	
Oralair Grass allergic rhinitis	Europe						Post-marketing studies ongoing
	U.S.						
STAGR320 (Actair) HDM allergic rhinitis	Europe						
	U.S.						
STAGR320 (Actair) HDM allergic rhinitis, paediatric Partnership with Shionogi & Co., Ltd.	Japan						
STAGR120 Japanese cedar allergic rhinitis Partnership with Shionogi & Co., Ltd.	Japan						



According to analyses of online conversations, physicians consider allergy immunotherapy to be the only cure for allergies.

Life *beyond allergy*

For people who are allergic to house dust mites, allergy immunotherapy is a disease-modifying treatment that addresses the underlying cause of allergy and can provide long-lasting reduction of allergy symptoms.

Our global market environment

Today, allergic diseases affect the lives of more than one billion people worldwide. The prevalence of allergic diseases has risen continuously over the last 60 years and is expected to affect up to four billion people by 2050. Globally, the market is characterised by unmet patient needs and opportunities for tailored treatment.

Stallergenes Greer is uniquely positioned to benefit from market trends and accelerate growth in the complex allergy market:

- **Comprehensive portfolio of treatment options allows the patient and physician to choose the best method of administration**
- **A lean operating model delivers profitability while we continue to invest in advancements in innovation and operations**
- **Investments in research validate the value propositions of our products in the marketplace**
- **Continuous improvement in operations ensures we can provide the right product to the right patient on time, every time**

Note: References for data included within the Global Market Environment can be found on page 31.

The prevalence of allergic diseases is increasing

We are exposed to a variety of substances every day, whether at home or outdoors, or while spending time with a beloved pet. An allergic reaction is the inappropriate response by the body's immune system to foreign substances, or allergens, such as house dust mites, pollen, food or pet hair. Today, there are more than 100 identified allergens, grouped into five families: respiratory allergens, hymenoptera venom, food allergens, chemical or medicinal allergens, and contact allergens. Allergic reactions are a common, chronic, often debilitating and sometimes even fatal condition.

The increasing prevalence and intensity of allergies is a trend that has continued in the industrialised world for more than 60 years. They currently affect over 13% of the world's population, and an estimated 20 to 30% of the developed world. This trend is associated with urbanisation and changes in lifestyle, such as modern hygiene standards and reduced microbial exposure, as well as changing dietary habits. As these factors develop, allergies are expected to impact up to four billion people over the next three decades.

Allergies impact quality of life and can trigger asthma

The limitations resulting from the body's reaction to allergens are multifaceted, but share one common theme: the patient's quality of life is no longer what it used to be. A possibly less well-known and often underestimated consequence is that allergies put patients at a greater risk of developing asthma. Patients with allergic rhinitis, a common type of allergy also known as hay fever, are three times more likely to develop asthma than other people, and the risk for patients with house dust mite-induced allergic rhinitis is about six times higher than those whose allergic rhinitis is caused by grass pollen.

Too many patients don't get therapy

Allergic rhinitis affects approximately 500 million people globally. However, only approximately 12% of people suffering from allergic rhinitis are treated with allergy immunotherapy (AIT) products due to low awareness among primary care prescribers, a complex

treatment pathway and a market that is dominated by lower cost symptomatic treatments. AIT is an allergy treatment that addresses the underlying cause of allergy, and may provide both quick (within a few weeks) and long-lasting improvement of all symptoms. This is in contrast to common symptomatic medications that are prescribed, such as antihistamines and corticosteroids, which only temporarily relieve some of the symptoms of an allergy.

The AIT market is expected to grow from its current market share of 12% of the approximately €10.6 billion global allergic rhinitis market by about 5% annually between 2018 and 2028. The market growth is expected to result from an increasingly influential role by primary care physicians in the delivery of healthcare as well as a growing middle class in developing countries that will gain access to medical treatment.

AIT represents roughly 12% of the global allergic rhinitis market.

Demand for tailored treatment options is growing

As the prevalence of allergic diseases increases, so does its complexity. Patients present to physicians with symptoms ranging from mild to severe, and are often allergic to multiple allergens simultaneously. In addition, a patient's lifestyle and habits can impact their likelihood of adhering to treatment. As a result, physicians need treatment methods that allow them to create a tailored approach that best addresses the individual patient's treatment needs, including type and severity of allergy, as well as the patient's preferred method of administration.

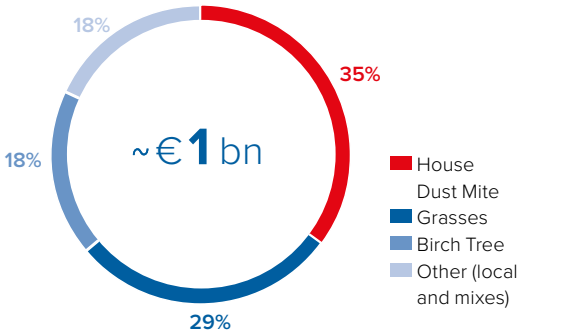
Innovation in science and technology is creating new medical opportunities

Next generation AIT approaches are expected to focus on novel subcutaneous short course formulations that may offer better results. Biologics, gene therapies and other new molecularly targeted compositions are starting to deliver on their promise to improve the treatment of allergies. In addition, advances in the areas of genetics and informatics are driving a transformation in our understanding of the disease. Innovations in technology also present opportunities to more efficiently and effectively address the growing volume of regulatory requirements, particularly regarding more stringent manufacturing requirements.

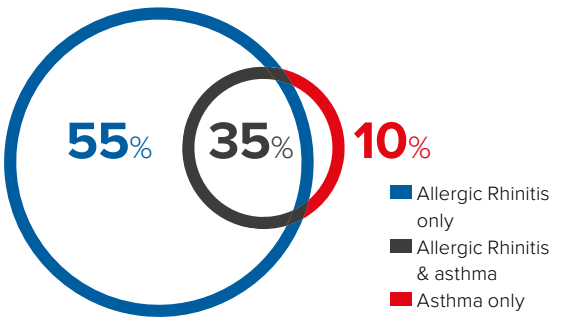
Rise in allergies gaining attention from payers, providers and regulators

As more patients seek treatment for their allergies, the AIT industry has gained greater attention from the healthcare community. Healthcare providers are seeking more clinical evidence related to the safety and efficacy of AIT; payers are more tightly controlling access and increasingly requiring data about the economic benefit to maintain coverage for treatment; and regulatory bodies are increasing their scrutiny and enacting more stringent requirements of biologics manufacturers.

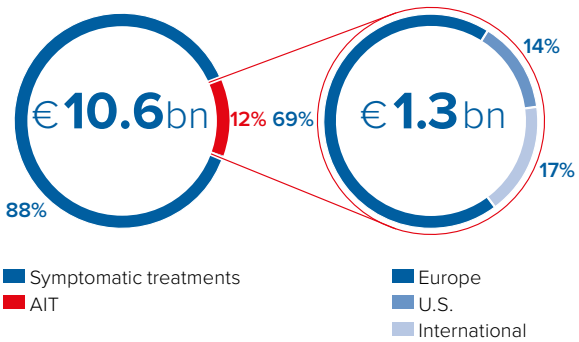
Global AIT Market per allergen



Allergic rhinitis patients at greater risk of developing asthma



Global allergic rhinitis market, 2018



Corporate strategy and business model

Stallergenes Greer is a fully integrated global biopharmaceutical company and has a large allergen and AIT product manufacturing capacity globally, enabling us to offer a diverse portfolio of personalised treatment options to patients. Our business model drives our strategy and positions us for future profitable growth.

OUR FOUR STRATEGIC PRIORITIES

LEADING IN OUR CORE BUSINESS

We continue to earn the trust and loyalty of our customers by focusing on patients in everything we do. We take actions to maximise leadership in our traditional market segment.

GROWING BEYOND OUR CORE

We go beyond our traditional base to shape and expand our presence in markets worldwide. We build on our current skills and seek to add new expertise.

DELIVERING ON INNOVATION

Our aspiration is to change the treatment paradigm of allergy therapies by delivering curative medicines and innovative tools to patients. We strive to bring the next generation of allergy products and technologies to the market.

DRIVING OPERATIONAL EXCELLENCE

We seek excellence in every part of our organisation. We aim for a lean operating model without compromising on quality. We draw on improved and sustainable production processes and procedures to consistently deliver the highest quality products.

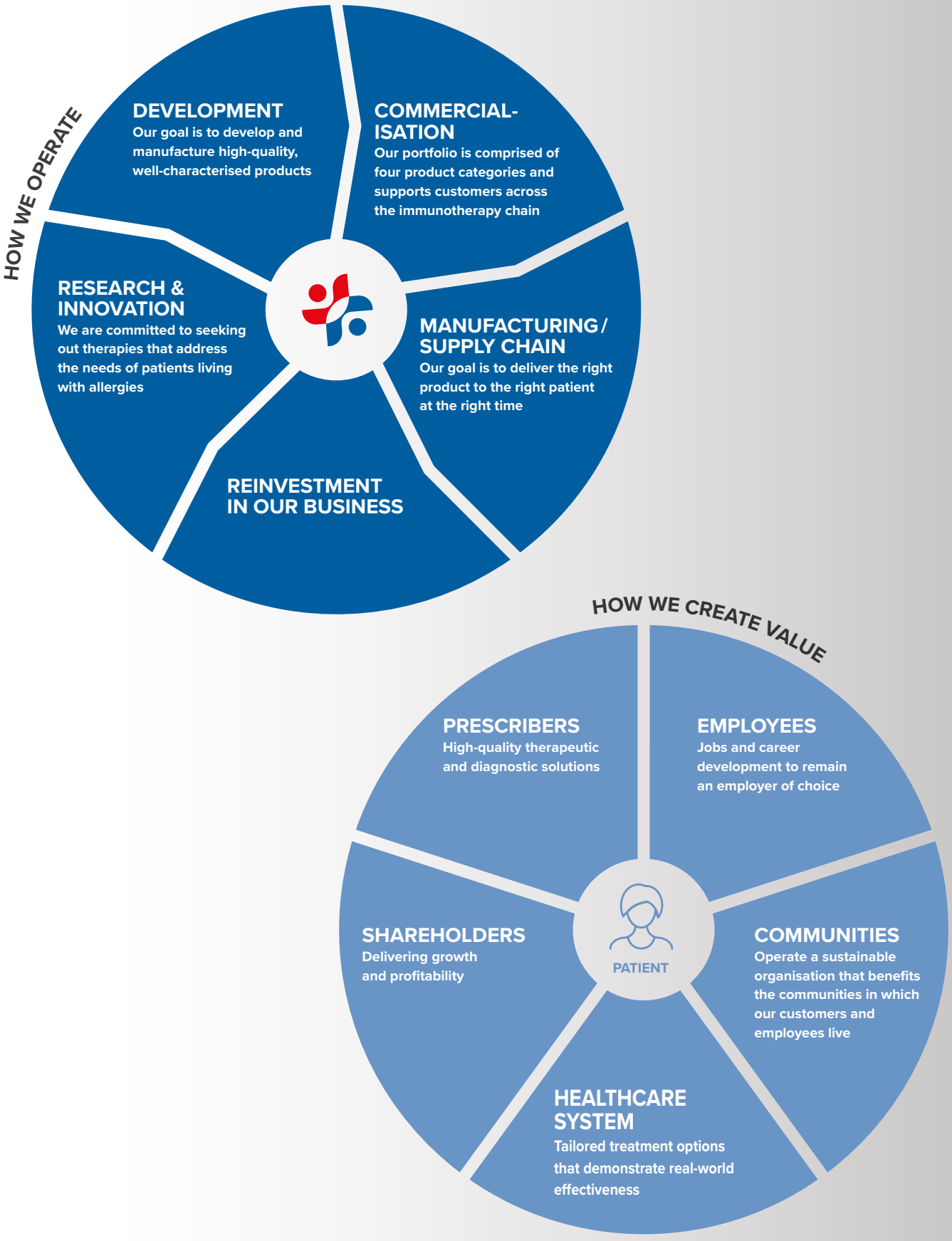
OUR PROGRESS IN 2018

- Increased our share in key European grass and birch tree tablet markets
- Returned Staloral to 100% of the 2014 sales of our top 14 references
- Increased sales of bulk allergen products in the U.S.

- Introduced Actair into registered Asia Pacific markets, including South Korea and New Zealand
- Solidified venom supply in Europe and International
- Created opportunities to grow our devices and ancillary products in the U.S.

- Advanced the clinical pipeline with release of phase III trial data for house dust mite tablet candidate STAGR320
- Released two real-world data studies as part of the BREATH program

- Efficiency and savings programs resulted in reductions in operating expenses
- Manufacturing improvements resulted in a global lead time of 7 days, compared to the industry average of two to three weeks
- Implemented investments in new technology and training at all our global manufacturing facilities


HOW WE OPERATE
DEVELOPMENT
Our goal is to develop and manufacture high-quality, well-characterised products
COMMERCIAL-ISATION
Our portfolio is comprised of four product categories and supports customers across the immunotherapy chain
RESEARCH & INNOVATION
We are committed to seeking out therapies that address the needs of patients living with allergies
MANUFACTURING / SUPPLY CHAIN
Our goal is to deliver the right product to the right patient at the right time
REINVESTMENT IN OUR BUSINESS
HOW WE CREATE VALUE
PRESCRIBERS
High-quality therapeutic and diagnostic solutions
EMPLOYEES
Jobs and career development to remain an employer of choice
SHAREHOLDERS
Delivering growth and profitability
PATIENT
COMMUNITIES
Operate a sustainable organisation that benefits the communities in which our customers and employees live
HEALTHCARE SYSTEM
Tailored treatment options that demonstrate real-world effectiveness

Developing our people and our culture

Employees are our most valued asset and creating a culture of inclusion, opportunity and recognition supports our goal of having a workforce that is proud of their career at Stallergenes Greer and engaged with the company to meet our business goals.

In 2018, we focused on reinforcing the importance of quality in our culture, creating opportunities for our employees to connect more personally with the senior management and developing the future leaders of Stallergenes Greer.

Nurture a culture of quality

As a manufacturer of biologic products that treat patients, product quality and patient safety are our highest priorities. To reinforce this commitment, a day-long event focusing on collaboration and quality was held at our manufacturing facility in Antony, France, called 'Ze Day'. Throughout Ze Day, employees participated in training and discussions about quality improvements. In addition, we fostered cross-departmental engagement and team building in a variety of unique ways, including creative art installations that encouraged teamwork, openness to new ideas and willingness to undertake unfamiliar tasks.

Enable open discussion

We face challenges as an organisation, and we face them together through open dialogue between employees at all levels. Throughout the year, we held multiple in-person and web-based meetings that provided employees with the opportunity to ask questions directly to any member of the Executive Committee. These events included formal meetings, team lunches, small group receptions and skip-level meetings between employees and leadership. We also enabled discussion amongst the Driving Excellence Team, the top global leaders within the organization. This team participated in multiple webinars with senior leadership and was encouraged to communicate corporate-level information to their teams to reinforce alignment across the organisation.

ABOVE: Employees at the Antony facility created unique works of art as part of Ze Day dedicated to collaboration and quality.

Develop beyond training

We believe that providing development opportunities beyond role-specific training is important in order to retain our talent and develop the next group of leaders. In addition to the training that is required of all Technical Operations employees to ensure we are meeting our quality commitments, we introduced leadership training for some of our supervisors in 2018. This included leadership coaching, management and finance training, Myers Briggs-Type Indicator assessments, and Six Sigma certification.

GREENHOUSE GAS EMISSIONS

The GHG emissions data from our major manufacturing facilities is outlined here. This data represents emissions on a full-year basis from 1 January to 31 December 2018.

Direct Emissions ($MTCO_2e$) in Antony (France)

2018	2012.34
2017	2,161.92
2016	2,055.06

RIGHT: North American employees served communities across the region in support of the Annual Day of Service.

We believe providing development opportunities beyond role-specific training is important.

Give back to our communities

We continued our commitment to supporting the communities in which our employees live and work during 2018 through a variety of activities, including fundraisers, food and clothing drives as well as educational events. In addition, we extended our Day of Service held each year at our Lenoir, North Carolina facility to the entire Americas region. In September, all employees in the U.S. and Canada were encouraged to participate in volunteer activities. In total, more than 300 employees supported 27 organizations with more than 1,300 hours of volunteer service.

Continue environmental commitment

We are committed to operating a sustainable organisation that protects our employees, the environment and our communities. We have a systematic approach to monitoring greenhouse gas (GHG) emissions data from our major manufacturing facilities. GHG emissions are monitored on a ratio per employee basis. The number of employees for the year ended 31 December 2018 was 1,167 compared to 1,241 for 2017 (please refer to note 4.4 of the Consolidated Financial Statements) resulting in GHG emissions of 6.2 $MTCO_2e$ per person in 2018, a decrease of 6% compared to 2017.

Direct Emissions ($MTCO_2e$) in Lenoir, North Carolina (U.S.)

2018	5,209.06
2017	5,658.00
2016	5,830.10

Total Direct Emissions ($MTCO_2e$)

2018	7,221.40
2017	7,819.92
2016	7,885.16

Patients are going online to seek and offer advice for their allergies. Conversations often focus on the identification of allergens and treatment options.

Life *beyond allergy*

At Stallergenes Greer, we offer a comprehensive portfolio of allergy treatments to help patients with specific needs, including those allergic to grasses and plant pollens.

Financial review

Dear Shareholders,

2018 was another significant year for Stallergenes Greer due to the substantial progress that has been made both operationally and financially. As a Group, we have taken important actions to further improve our operating performance and we have made substantial progress. This progress is clearly reflected in our 2018 financial performance.

Net sales increased 6.4% compared to 2017 due to a continued strong in-market performance of Stallergenes Greer which lead to market share gains in many of our key markets. The result of increased sales and carefully managed operations drove a significant improvement in EBITDA and a return to profitability on EBIT and Net Income level. In addition to a strong operating performance, the Group finished 2018 with a solid balance sheet and healthy cash position, which we will leverage to compete effectively in the marketplace and drive future growth.

Stallergenes Greer's financial year in review

Patients are our ultimate priority as we develop and supply treatments that enable allergy sufferers to live normal lives. As such, significant efforts were made in 2018 to provide patients worldwide with the highest quality products. While our business focus was to further improve Stallergenes Greer's profitability, we continued to invest in operating improvement programs, core Research & Development (R&D) initiatives and focused marketing activities in the Americas and Europe and International regions.

Our Europe and International region, in particular, showed a solid growth with an increase in sales by 7.8% compared to 2017. Sales in the U.S. were up 3.8% on a Euro basis, but up significantly more in USD (+9.0%).

The Group delivered its annual financial outlook for both Net Sales and EBITDA.

The Group's gross margin reached 64.7% compared to 63.7% in 2017. Selling, general and administrative expenses were managed actively and fell by 8.5% from €131.9 million in 2017 to €120.7 million in 2018. Net R&D costs were down 4.1% from €39.2 million in 2017 to €37.6 million in 2018. Importantly, while our operating result (EBIT) was still negative €5.4 million in 2017, we were able to reach profitability on EBIT level in 2018 (€17.6 million).

Net sales

Net sales reached €277.0 million for the year, significantly higher than net sales of €260.2 million in 2017, representing an increase of €16.8 million or 6.4%. This increase was mostly driven by the solid performance of our Europe and International region across several product categories, while the substantial local currency growth in the U.S. (+9.0%) was reduced to 3.8% as translated into Euros.

Southern Europe net sales totalled €136.4 million, an increase of €17.4 million or 14.7% compared to 2017 at €119.0 million. Northern and Central Europe net sales were €33.5 million, a decrease of €0.2 million compared to net sales of €33.7 million in 2017.

The International region achieved net sales of €15.7 million, representing a decrease of €3.9 million or 19.9% compared to €19.6 million in 2017. This decrease was due to a temporary shortage in injectable products from our Antony site and a new distribution strategy in Australia.

Net sales in the U.S. totalled €91.3 million for the year, representing an increase of 9.0% in U.S. Dollars as a

result of continued leadership in the bulk allergen extract business and new opportunities across the portfolio. On a Euro basis, U.S. sales increased by 3.8%. The Americas region overall recorded sales of €94.6 million, which includes the Company's activities in Canada and Latin America.

€277.0m **GROUP NET SALES**

↑6.4% INCREASE

Net sales by product group

The products marketed by the Group are split into four categories: sublingual products, subcutaneous products, veterinary products and other products.

The sublingual product category includes Staloral sublingual liquid solutions as well as Oralair and Actair tablets. Sublingual sales in 2018 increased by €16.2 million or 10.3% to €172.9 million. The increase was primarily due to the outstanding performance of Staloral, which continued to gain market share in France. Oralair achieved another year of increased share in a market that exhibited slower than expected growth or even a decline in several markets, including the U.S.

Subcutaneous sales include the products Alustal®, Phostal®, Alyostal® and Albey®, as well as bulk allergen extracts in the U.S. Sales in this segment totalled €70.1 million in 2018 compared to €70.4 million in 2017, an decrease of 0.4% or €0.3 million.

Veterinary sales in the U.S. totalled €9.4 million for the year compared to €10.2 million in 2017. The decrease was due to increased competition in the veterinary space.

Other sales include diagnostics and ancillary products. These totalled €24.6 million for 2018, representing an increase of €1.7 million or 7.4% compared to €22.9 million in 2017.

EBITDA (Earnings before Interest, Tax, Depreciation and Amortization) and adjusted EBITDA

2018 was a significant year for Stallergenes Greer as EBITDA improved by 83.6% and reached €40.2 million compared to an EBITDA of €21.9 million in 2017. This metric reflects the result of the Group before net financial expense, tax, depreciation and amortization.

EBITDA increased overall by €18.3 million, fuelled by a 6.4% or €16.8 million increase in sales while we reduced selling, general and administrative expenses by 8.5% from €131.9 million in 2017 to €120.7 million in 2018. Net R&D costs decreased from €39.2 million in 2017 to €37.6 million in 2018.

Adjusted EBITDA before transformation costs and share-based compensation was €43.3 million in 2018 compared to an adjusted EBITDA of €24.4 million in 2017.

We use EBITDA and adjusted EBITDA for business planning purposes and for measuring our performance relative to that of our competitors. We use both EBITDA and adjusted EBITDA as primary measures of performance. However, our use of the terms of EBITDA and adjusted EBITDA may vary from that of others in our industry.

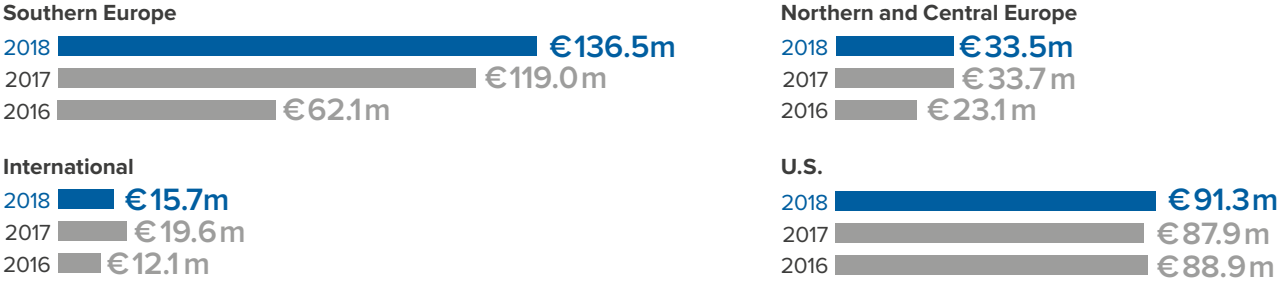
To support the Group's substantial improvement in profitability, we remained focused on tight control of operating expenditures and will continue to review all areas where efficiencies can be made.

Transformation costs

Transformation costs represent significant expenses that are exceptional in nature, including, but not restricted to, impairment charges, restructuring, integration and acquisition costs.

In 2018, transformation costs totalling €3.3 million were recorded, mostly related to our cost saving program at our corporate Headquarters and in the U.S. business. In comparison, during 2017 no transformation costs were recorded.

NET SALES BY REGION



Research & Development
The Group invested €38.4 million in R&D during the year (2017: €45.6 million) representing 13.9% of net sales (before R&D-related income). This investment relates to ongoing clinical programs, notably the development of STAGR320, a treatment of house dust mite allergies. The R&D-related income of €0.9 million was primarily a research tax credit received in France and was down by €5.5 million compared to 2017 due to lower R&D spending and a re-assessment of the research tax credits related to fiscal years 2014–2017 which had a negative impact of €3.5 million.

Net income, net income per share and dividend
Net income (Group share of net profit) was positive €12.8 million following a negative result (net loss of €9.9 million) in 2017. Net financial expenses were reduced to €0.9 million (2017: €1.8 million) from reduced borrowings. Income tax was €3.9 million versus €2.1 million in 2017. The net income per share for 2018 was €0.65, reflecting the €12.8 million net income of the Group. The Board of Directors did not recommend a dividend payment for 2018.

Net assets and net cash position
As a result of the business performance and robust measures to improve profitability, Stallergenes Greer continues to have a solid balance sheet. As at 31 December 2018, shareholders' equity in the Group was €471.2 million (31 December 2017: €447.3 million).

As at 31 December 2018, the Group had cash and cash equivalents of €73.9 million (31 December 2017: €50.8 million) and limited external debt with an outstanding debt balance of €18.7 million, including €13.1 million for a government-related research tax credit pre-financing in France. This compares to a debt balance of €18.5 million at 31 December 2017. Overall, this represents a net cash position of €55.2 million at 31 December 2018 (31 December 2017: €32.3 million).

This net cash position reflects our focus on cash while at the same time investing in significant operational improvements. We have made sure to invest in our operational facilities and R&D initiatives while significantly reducing administrative expenses and reducing non-essential capital expenditures. In addition, the €50 million revolving credit facility with UBS ensures we have significant funds available to invest in our strategic vision for the future.

The net cash flow from operating activities was positive at €41.7 million while we recorded a cash outflow of €4.2 million in 2017. Net cash outflow from investing activities of €18.5 million was mostly driven by investments in technical and quality operations in the US and France. Free cash flow (after investing activities) was positive €23.2 million in 2018 compared to a net outflow of €14.4 million in 2017. Cash flow from financing activities was mostly driven by movements in our UBS credit facility.

The careful use of the revolving credit facility enabled us to manage our interest expenses during 2018. The exchange gain on cash and cash equivalents for the period was €0.6 million (2017: loss of €1.4 million).

Financial risks

The Group has recently introduced a risk management framework. Financial risks mainly relate to:

- Liquidity and covenants
- Intangible assets and goodwill impairment
- Deferred tax assets and liabilities
- Pricing and reimbursement
- Off-balance-sheet commitments
- Foreign currency exposure

€40.2m

EBITDA
↑83.6%
INCREASE

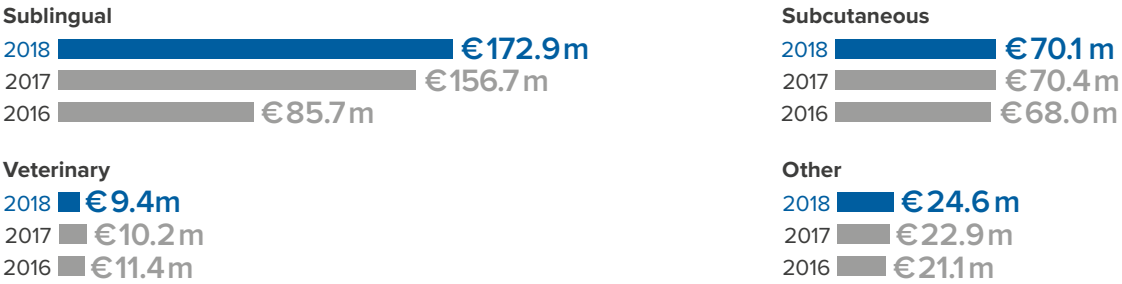
Liquidity and covenants
We are in a solid position to manage our available cash reserves and ensure that working capital and investment requirements can be funded. A revolving credit line entered into with UBS provides additional financial support and flexibility. In relation to the revolving credit line, the Group must comply with certain financial performance covenants, which specify EBITDA performance against a 12–month rolling EBITDA objective. We have met the terms of the covenants since the inception of the arrangement on 30 November 2016 and based on our internal plans, we expect to meet the covenants. In addition, our year-end net cash position of €55.2 million (2017: 32.3 million) and low drawing on the credit facility of €5.7 million provide financial flexibility going forward.

Intangible assets and goodwill impairment
As part of our annual reviews, the Group has performed an impairment analysis of its intangible assets and goodwill in accordance with IAS 36 (Impairment of Assets). As at 31 December 2018, the carrying value of the Group's cash-generating units (CGU) was €412.3 million (December 2017: €410 million), of which €264.6 million was allocated to the CGU of the U.S. and Canada, and the rest to the CGU of Europe and International.

Our analysis indicates that the carrying value of both CGU's is supported by the future cash flows of the respective CGU.

For the U.S. and Canada, we have used the latest projections for the commercial ramp-up of Oralair and we have risk adjusted our valuation model for the

NET SALES BY PRODUCT TYPE



future development of our house dust mite launch activities both for the Americas and for the Europe and International region to 30%.

Nevertheless, it should be noted that the headroom for the CGU of the Americas is not material. Going forward, Stallergenes Greer is planning to discuss and align the regulatory pathway for the approval and commercialization of our house dust mite tablet in the United States. Failure to agree on a commercially viable path to approval would lead to an impairment risk of approximately €30 million on Group level.

Stallergenes Greer plc Company accounts

When Stallergenes Greer was founded, the combination with Greer Laboratories was implemented as an acquisition of its legal entities Stallergenes Greer Inc. and Finares Holding AG. As a result, an investment value was recorded on the legal entity balance sheet of Stallergenes Greer plc. In contrast, Stallergenes SA Group was merged with the French branch of Stallergenes Greer plc and its assets and liabilities were recorded at historic balance sheet values on the legal entity balance sheet of Stallergenes Greer plc. No impairment is required for the assets and liabilities of the former Stallergenes SA group in the legal entity accounts of Stallergenes Greer plc.

Following our annual review and based on the risk-adjusted business plan, specifically for the future house dust mite business as outlined for the Group accounts, an impairment of €46.8 million was recorded in the 2018 accounts against the investment value of Stallergenes Greer International AG (formerly known as Finares Holding AG) as sole shareholder of Stallergenes Greer Inc. to an adjusted investment value of €266 million.

The impairment in the statutory accounts for Stallergenes Greer plc has no impact on the Group consolidated accounts, its 2018 operating result, EBITDA or equity.

Failure to agree on a commercially viable path to approval for our house dust mite product in the United States would also lead to an impairment risk of approximately €30 million on the level of Stallergenes Greer plc.

Deferred tax assets and liabilities

As a consequence of the production issues in 2015, the Group has losses carried forward which has generated significant deferred tax assets (DTA). As at December 2018, recorded DTAs were €27.3 million (December 2017: €26.8 million), predominantly due to the recent losses in France. Following the financial performance in 2018 and based on the business outlook for Stallergenes Greer we expect to be able to utilize these deferred tax assets within the next few years.

Pricing and reimbursement

The Company operates in highly regulated markets, and pricing as well as reimbursement regimes are under constant review by the respective regulatory bodies. Changes to the reimbursement and pricing schemes in France may result in a material reduction of sales and EBITDA. Please also refer to the section “Principal risks and uncertainties” in this Annual Report.

Off-balance-sheet commitments

The Group closely monitors any off-balance-sheet Commitments 2018 and reports all commitments to Group Finance, who review and evaluate the exposure accordingly. The details of all off-balance-sheet commitments are included in note 5.2 of the Consolidated Financial Statements.

Foreign currency exposure

Stallergenes Greer operates in a global marketplace with most of our customers and patients based in Europe and the United States. The Company reports sales and EBITDA in Euro while approximately 33% of net sales in 2018 were U.S. Dollar denominated.

The Group does not currently use hedging to manage foreign currency risk as expenses and costs are largely matched. However, the Group continues to monitor this exposure.

Matthias Vogt
Chief Financial Officer

Growing across markets and products

2018 was a strong year for the Europe and International region. We continued to focus on regaining the trust of our customers, and the results are seen in the 7.8% growth compared to 2017. That growth was driven by recaptured market share in our priority European markets, by expanding our business into new markets, and by strengthening our portfolio.

We also remained committed to quality and operational excellence as enablers of a long-term sustainable manufacturing platform to provide patients with the highest quality products. Most importantly, our purpose and aspiration remained our motivation and we put patients at the centre of our actions. We want to ensure that patients have access to the treatment method that best meets their disease and lifestyle needs. A decision they can make with their doctor, supported by our comprehensive portfolio of AIT treatment options.

Leading in our Core Business

The strong performance for the Europe & International region was primarily driven by France, related largely to an increase in the number of Staloral patients. We also saw share gains for Staloral in the birch tree AIT market in Germany and saw strong sales for Oralair in the grass pollen markets in France, Spain, Italy, and central Eastern Europe countries. We continued to regain share across our markets and product categories throughout 2018. This performance was achieved amidst an increasingly competitive environment and reflects our strength in the sublingual allergy immunotherapy market.

Growing Beyond Our Core

Providing the most comprehensive portfolio of AIT products in order to offer patients and physicians the ability to determine the most appropriate treatment remained a focus in 2018. We delivered on this promise in multiple ways. First, we introduced Actair, the house dust mite tablet, in South Korea and New Zealand, and made the product accessible to more patients in Japan with an approval for paediatric patient populations in February. Second, we solidified our supply of venom for the European market and worked closely with the authorities to provide an alternative solution for patients with a venom allergy during a market shortage. Finally, we took a leadership position in the dialogue with European regulatory authorities related to the reimbursement for injectable forms of Named Patient Products for specific populations.

Delivering on Innovation

We advanced our innovation pipeline by focusing on research. First, we completed our phase III trial for STAGR320, the house dust mite tablet candidate, meeting the primary end point and key secondary end points. Second, we began planning discussions to initiate a placebo-controlled trial for Staloral to investigate its potential to prevent asthma for patients with house dust mite-induced allergy. Finally, we released two additional studies as part of our BREATH real-world evidence program, which is designed to understand the real-world benefits of AIT outside of a clinical trial setting. These studies were retrospective longitudinal analyses of French and German prescription databases and further substantiated the long-term benefits of AIT to significantly reduce the need for allergic rhinitis and asthma medication in patients suffering from grass pollen- and birch tree pollen-induced allergies.

Driving Operational Excellence

Over the past several years, we have made continuous improvements to our manufacturing capabilities in France in order to put in place a manufacturing and quality system that meets the highest product quality standards. That included investments in new production capabilities at our manufacturing site in Amilly, France, as well as remediation efforts related to an injunction we received from the National Agency for Medicines and Health Products Safety (ANSM) in January.

The injunction was primarily related to the quality management systems and process at the facility in Antony, mostly for the production of subcutaneous treatments. Throughout 2018, the remediation plan focused on three key areas: upgrading our manufacturing capabilities in order to restore the supply of our subcutaneous products; introducing a comprehensive training curriculum for all manufacturing activities; and enhancing the current quality system to emphasize consistency and documentation across our operations.

These improvements were supported by programs designed to strengthen and reinforce our quality and continuous improvement culture. As an example, we held 'Ze Day' at our Antony facility in June, focused on creativity and collaboration as elements that unify the different roles and responsibilities that our teams hold across the organization. The day fostered community, encouraged employees to ask questions and raise solutions, and created opportunities for individuals to come together as one team.

We also launched an initiative during Ze Day which allows employees to suggest ideas for improvements to their managers.

€185.7m

GROWTH
↑7.8%
INCREASE

Advancing the Innovation Pipeline

In November 2018, Stallergenes Greer released results from the largest phase III clinical trial on house dust mite allergies. Begun in 2015, this global study gathered data on our tablet candidate to treat house dust mite-induced allergic rhinitis, STAGR320. The study met its primary research endpoint, with results indicating a statistically significant reduction of the Total Combined Score, the sum of the Rhinitis Total Symptom Score and the Rescue Medication Score, in patients treated with STAGR320 compared to patients on placebo. The study also reached key secondary endpoints, including overall quality of life, and showed that the treatment was generally well tolerated, confirming the favourable safety profile observed in previous studies.

The confirmatory, double-blind and placebo-controlled trial met its efficacy endpoints, demonstrating a favourable safety profile and validating previous clinical research which showed that STAGR320 can bring relief to patients suffering from house dust mite allergies. House dust mite allergy is one of the most common allergies, impacting the quality of life for patients across ages and geographies. The results of this study provide us with the confidence to seek further market registrations and assess the commercial viability of the product in key markets.

The research team in Antony supported the clinical trial, which was led by coordinating investigators Pascal Demoly, Professor at the Department of Pneumology and Addiction Heart Poumons Center at the University Hospital of Montpellier, France, President of the College of Allergology Teachers, President of the French Allergy Federation and Thomas Casale, MD, Professor of Medicine and Pediatrics at the University of South Florida.

Creating new opportunities in a competitive market

2018 was a record year for Stallergenes Greer Americas. The U.S. and Canada both delivered the highest sales in a single year during the more than 110 years that we have been operating in the region. That translated into 3.8% reported growth, and 9% growth in U.S. Dollars. This increase was driven by continued leadership in the legacy bulk allergen business and new opportunities captured in both markets.

These achievements were enabled by the region's focus on supporting the needs of both the patient and physician communities as well as by enabling patient choice. We made continuous investments in our commercial and operational infrastructures to offer a comprehensive portfolio of allergy immunotherapy products and administrations. We believe that the patient and physician should be able to work together to identify the best treatment solution, and we want to be the number one partner in AIT across North America. We pursued this goal in 2018 and delivered on our strategic priorities.

Leading in our core business

Stallergenes Greer has been a leading partner to the allergist community, offering bulk allergenic extracts, customised Named Patient Prescriptions and ancillary products. Our legacy of superior customer service and a robust portfolio of allergenic extracts allowed us to maintain our leadership position in the U.S. bulk allergen business with strong year-over-year growth in the category during 2018. In addition, we were able to capitalise on market opportunities for our diagnostic and ancillary products to deliver significant year-over-year growth.

Growth in our bulk allergen and diagnostic, devices and ancillary products businesses was offset by a year-over-year decline in the veterinary business of 8.2% (a decline of 4% in U.S. Dollars). The veterinary market in the U.S. for allergy immunotherapy products has seen impactful changes over the past several years, including increased competitive focus and the emergence of symptomatic treatments that are taking share from AIT treatments.

Growing beyond our core

In 2018, we focused on refining our go-to-market strategy for Oralair in the U.S. The grass tablet market has spent a two-year continual decline due to a variety of market-related challenges. As a result of our efforts during 2018, we improved the profitability of the business while continuing to hold a consistent share of the market.

With different market dynamics in Canada, we delivered a strong performance for Oralair. Throughout the year, Oralair continued to gain share in the grass tablet market. The performance in Canada was strengthened by the addition of customised Named Patient Prescriptions as a result of our acquisition of Medic Savoure at the end of 2017.

Delivering on innovation

The house dust mite tablet candidate STAGR320 is a key element of the innovation pipeline in the U.S. and Canada. A New Drug Submission for the product is being reviewed by Health Canada and based on the results from the phase III clinical trial completed in 2018, we believe there may be a a viable market opportunity for the product.

€91.3m

GROWTH
↑3.8%
INCREASE

Driving operational excellence

Delivering high quality products to our patients is our top priority, and we continued investments into our operational infrastructure throughout 2018 that modernised all our North American manufacturing facilities, including Lenoir, North Carolina, San Diego, California and Dutton, Ontario. These investments included the expansion of a new, state-of-the art clean room in Lenoir that has increased our capacity as well as flexibility; the introduction of technology and software that improve our visibility into the supply chain and production flow; and the implementation of lean manufacturing processes that have resulted in improved output, inventory management and resource allocation. These investments were made while the Americas region focused on supporting Stallergenes Greer's global commitment to disciplined financial management.

Quality and culture set the path for the future in the Americas

In 2018, the commercial and technical operations in North America aligned under the leadership of Tibor Nemes, President of Stallergenes Greer Americas and former Global Head of Technical Operations. This unification was designed to, and resulted in, greater cross-functional communication, improved agility to respond to market needs and regional alignment around common goals.

However, the benefits from the unification were the result of conscious efforts by Stallergenes Greer and Americas leadership to create a culture that was performance-driven, customer-centric and collaborative. Led by Nemes, the organisation introduced regional strategic priorities that were centred around a mission that 'We will continue to invest our time, attention and resources to ensure all our products meet the highest standards for patient safety and product quality.'

This quality-focused culture was reinforced by leadership training for mid- and senior-level managers, management skills training for employees at all levels and presentations and dialogues designed to allow teams to understand the different departmental roles and responsibilities.

These business-driven activities were complimented by culture building programs that brought colleagues together outside of the day-to-day responsibilities. That included the first-ever Americas Day of Service which saw more than 300 employees across the Americas region volunteer more than 1,300 hours at nearly 30 charities.

At Stallergenes Greer, we believe that an engaged team is focused on delivering high quality products for our patients. That commitment was reinforced in 2018 by the actions of each employee.

Offering a comprehensive portfolio of allergy immunotherapy products and ensuring that we can meet our market demands remain areas of focus for the Americas region. We achieved these in 2018 by responding to a market need and delivering high priority allergens when they were in short supply; expanding access to our tablet products; and improving our operating infrastructure to support a robust portfolio of allergens.

However, many of the challenges we have faced in the recent past will continue: competition within the bulk allergen space will intensify; uncertainty into the AIT tablet market will remain; and new entrants into the veterinary space will vie for share of the allergy treatment market. We will continue to assess our organisation, its size, structure and strategy, to respond to market dynamics and ensure that we are well positioned to deliver on our purpose of enabling people with allergies to live normal lives.

Principal risks and uncertainties

Stallergenes Greer is exposed to a number of risk factors which may affect its performance. The Group has a framework for reviewing and assessing these risks on a regular basis and has put in place and will continue to develop appropriate processes and procedures to mitigate them. However, no system of control or mitigation can completely eliminate all risks.

The Board has determined that the below risks could, if they were to occur, have a material adverse impact upon the Group's activity, earnings, financial situation or future prospects. The risks are not listed in order of significance.

Principal risk	Context	Mitigation
Legal and regulatory	The Group's activities are subject to extensive, complex and constantly evolving laws, regulations and political pressures which cover the research, development, approval, manufacturing, supply, pricing, promotion and sale of the Group's products, as well as the Group's engagements with healthcare professionals and healthcare organisations. The Group's failure to comply with the various laws, regulations, guidance, authorisations and controls which govern its activities could expose the Group to a number of adverse consequences, including increased costs, restrictions, fines and civil or criminal penalties.	The Group has a legal team led by the Interim General Counsel responsible for global legal operations and two regional regulatory teams directly accountable to the respective regional Presidents. These internal legal and regulatory teams are advised by outside legal and regulatory experts respectively. The Group has engaged outside experts to assist in the enhancement and implementation of its compliance programme on a global, regional and local basis. The Group also maintains insurance covering business interruptions, operating losses and third-party liabilities.
Production, distribution and product recalls	The Group's failure to comply with current good manufacturing practices; to implement adequate controls and governance of quality; to deliver a continuous supply of compliant finished product; to appropriately collect, review, follow up or report adverse events from all potential sources; or to act on any relevant findings in a timely manner could expose the Group to a number of adverse consequences, including increased costs, restriction or recall of products, fines and civil or criminal penalties.	The Group is reviewing and enhancing its quality control and manufacturing systems in accordance with current good pharmaceutical manufacturing practices and industry standards, and has engaged third-party experts to assist it in implementing a global quality management system.
	The Group has made significant progress to upgrade the systems at its facility in Antony, France, in response to an injunction received on 4 January 2018 from the National Agency for Medicines and Health Products Safety in France (ANSM). The injunction was primarily related to the quality management system and processes at the facility in Antony, mostly for the production of subcutaneous treatments.	With regard to the injunction from the ANSM, the Group has implemented a remediation plan to ensure that it meets the ANSM's requirements and is committed to working with the authorities for an outcome that is sustainable for both the French healthcare system and the Group.
	The demand for the Group's products, particularly SLIT treatments, continues to exceed the Group's capacity to supply them.	The Group is implementing measures, including upgrades to production equipment and quality systems, to reduce backorders and stock-outs. The Group seeks to manage these risks by diversifying its external suppliers.
	Although the Group has multiple manufacturing sites, each of the Group's products is produced at a single manufacturing site, without a second source.	The Group has dedicated internal and external resources focused on global quality and technical operations systems. The Group is investigating additional manufacturing sources for its products.

Principal risk	Context	Mitigation
Clinical studies	The Group's ability to develop clinical evidence in support of existing and new products is critical. Clinical studies are costly and complex, with results that are often unpredictable. In the course of these studies, unforeseen events may occur that could have a negative impact on completion or results. Poor clinical trial outcomes would prevent or delay the approval and launch of new products.	The Group designs studies based on hypotheses that are clear, with accurately defined endpoints to confirm or negate the hypotheses. The Group makes appropriate modifications in treatment protocols and patient selection to ensure higher "probabilities of success" in subsequent trial phases. The Group also works closely with expert investigators, seeking guidance and sharing results to help ensure positive trial outcomes.
Pricing dynamics	The Group's activity is partly dependent on being reimbursed for its products by health organisations whose policies are influenced or decided by government agencies. There are increased global initiatives generally aimed at limiting or abolishing reimbursements for certain new or existing medicines or controlling or reducing the price of the medicines concerned through regulation. These initiatives could have a negative impact on the Group's sales and profitability. In September 2014, the French health authority introduced a new regulatory framework relating to the reimbursement and price setting of Named Patient Prescriptions (NPP) in France. The full impact of this decree is yet to be understood, but it is possible that NPP sales prices in France will be subject to a 10% cut, starting in 2019. Additionally, the French Minister of Health has started a procedure for re-evaluation of the reimbursement rate by social security. The re-evaluation process has been completed, which has resulted in a lowering of public reimbursement coverage from 65% to 30% for sublingual NPP products, and in the decision that subcutaneous products will no longer be reimbursed by the social security. This has had negligible impact on market access for sublingual products since private insurance contributions did compensate for this reduction, therefore out-of-pocket expenses are not to be impacted for more than 98% of eligible patients. The decision on subcutaneous products is expected to have only a minor impact since the Group's subcutaneous business in France is relatively small.	The Group closely monitors global pricing dynamics and appropriately communicates the positive impact its products have on health outcomes. In the U.S., the Group has engaged external experts and has formed a cross-functional committee to review and approve all pricing decisions to help ensure compliance with federal laws and regulations regarding pricing and reimbursement. The Group is actively involved in discussion with the French health authorities in order to limit the adverse impact to the Group of any price and/or reimbursement cuts or changes.
Market conditions	If the Group succeeds in developing and obtaining regulatory approval for new products, the ability to generate revenue depends on the products being accepted by doctors and their patients or veterinarians and pet owners. If the Group's new products fail to achieve market acceptance, this could have a significant negative impact on the Group's ability to generate revenue.	In compliance with applicable law and regulation, the Group educates healthcare professionals, patients and payers about the efficacy, safety and cost-effectiveness of its products.
Competition	The Group operates in competitive markets. With respect to its sublingual and subcutaneous treatments, the Group faces competition from several companies that manufacture and/or distribute AIT products. The subcutaneous immunotherapy and sublingual immunotherapy products are in competition with multiple products in certain markets. If an existing or new competitor launches a new or more effective technology or product to treat allergy, it may render the Group's technologies or products less competitive or obsolete and have a material impact on the Group's sales.	The Group closely monitors the competitive environment.
Intellectual property	The Group's ability to enforce its intellectual property rights with regard to its trade secrets, expertise in manufacturing processes and methods, as well as in our materials, is critical to our success.	The Group protects its intellectual property through contracts with employees and third parties and actively prosecutes, maintains and defends its global patent portfolio.

Principal risk	Context	Mitigation
Inventory valuation	There is significant management judgement involved in valuing and accounting for inventory, because of the judgement involved in determining normal capacity and subjectivity involved in determining inventory allowances, including the materiality of the recorded amounts.	The Group continues to invest in improvements to its valuation systems and methodologies, which should reduce the impact of management judgement on future valuation assessments.
Key employees	In the highly competitive industry in which the Group operates, the Group's ability to attract and retain talent is critical to its success.	The Group strives to attract and retain its employees by offering competitive immediate and deferred remuneration packages, along with a focus on employee development.
Workplace health and safety	The Group works with multiple allergens, which can cause allergic reactions in certain employees who are already sensitised. In addition, some employees in the Group's plants could be exposed to chemical products.	The Group ensures that it provides its employees with a healthy and safe working environment by providing training and by working on risk identification and reduction in order to implement preventive and corrective measures. The Group has implemented information systems in the U.S. and Europe for the reporting of occupational risks and the implementation and monitoring of action plans. In the U.S., the system also provides for the storage and reporting of training data.
Third-party contracts	The Group is dependent on several major suppliers to procure certain of its allergen raw materials, to conduct clinical studies, to produce active substances, and for the pharmaceutical conditioning and packaging of allergen tablets. Potential risks concern the regulatory non-compliance of certain suppliers' activities, the possible termination of the contractual relationship for reasons beyond the Group's control, the ability of these suppliers to deliver the planned quantities of products or services within the agreed deadlines, as well as climatic vagaries.	The Group seeks to manage these risks by diversifying its providers, managing contractual relationships, conducting quality audits on its suppliers, setting up joint monitoring committees with suppliers for the activities concerned and bringing the production of strategic allergen raw materials in-house.
Reputation	The pharmaceutical industry is under increased scrutiny on information transparency and on how business is conducted. Damage to the Group's reputation and brand names can arise from a range of events, such as poor product performance, unsatisfactory customer service and other situations within or outside our control.	Our current processes ensure that all our statements are substantiated with facts and that we manage information transparently and consistently with our disclosure obligations. Our global functional reporting system enables us to identify potential issues and address them appropriately. Our policies provide the necessary framework to conduct business ethically and responsibly.
Share price	The Group's share price may fluctuate significantly and could be affected by a wide variety of events affecting the Group, its competitors, the pharmaceutical sector or financial markets in general. Despite being inherent to any listed company, the Company believes that, with its limited float, the stock price fluctuation risk is higher for Stallergenes Greer than for companies with greater floats.	The Group has put in place a liquidity contract with investment service provider Oddo Corporate Finance as disclosed on page 44 in the Directors' report.
Capital requirements	The Group's business requires adequate working capital in order to finance its operations. As described more fully on page 100 of the consolidated financial statements, in November 2016 the Group secured a €50 million revolving credit facility from UBS to finance the Group's operations. Failure by the Group to comply with financial or other covenants of the facility could trigger a requirement to repay the facility, which could negatively impact the Group's ability to finance its operations.	The Group monitors its cash position regularly with the objective of ensuring adequate working capital while minimising credit facility interest charges. A working capital reduction initiative has been initiated. In addition, only a portion of the revolving credit facility has been drawn. The Group's finance and legal departments have implemented controls to help ensure compliance with the requirements of the UBS facility.

Principal risk	Context	Mitigation
Information systems	The Group's activities – including production and distribution – are largely dependent on information systems and, despite the procedures and security measures in place, the activities of the Group may be disrupted by incidents connected to such systems, to the loss or alteration of critical data or the theft or corruption of data, in the case of malicious acts.	The Group's global IT function proactively manages cross-programme dependencies, implemented a controlled process for approving system changes, implemented system redundancy and security measures and established disaster recovery plans for critical business applications.
	In the U.S., the Group is operating with the ERP system which was implemented in 2004 with vendor software support ending September 2018 and hardware support ending September 2019.	To mitigate the risks associated with the ERP system in the U.S., a support contract with a specialized ERP services firm has been implemented along with additional in-house support capability for greater on-site technical capability. Third-party hardware support contracts to replace vendor agreements are under review.
Brexit	The vote for the U.K. to leave the E.U. creates uncertainty and potential complexity for the Group in the future. The Group expects that the process of withdrawal from the E.U. will be lengthy and the effect on its operations in the short term to be negligible. The longer-term impact of a withdrawal will depend upon the terms of the withdrawal.	The Group earns the vast majority of its sales and incurs the majority of its costs outside the U.K., which will likely mitigate the impact on the Group's financial results of any withdrawal by the U.K. from the E.U. The Group will closely monitor developments on its future objectives from Brexit as they unfold.

References

The data sources for market share information are IQVIA MIDAS, Symphony Health Solutions, US Specialty Pharmacy aggregated data and Annual Reports of companies representing ~40% of AIT market.

The source literature outlined below was used throughout the Strategic Report of our 2017 Annual Report:

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According to research into conversations happening online, allergy shots are preferred to other treatments and perceived to be more effective.

Life *beyond allergy*

Stallergenes Greer offers a variety of treatment methods to allow patients to select the method that best meets their lifestyle and disease needs.

Our Board of Directors

Current Board

1. Mr Stefan Meister (53)

Chairman of the Board

Member of the Audit Committee and the Remuneration and Appointment Committee

Appointed to the Board on 16 July 2015 (Last renewal: 7 June 2018). Appointed Chairman of the Board on 4 January 2019.

Mr Meister is Group Chief Operating Officer of the Waypoint Group, a business enterprise for the managers and advisers of the funds and investments associated with the Bertarelli family. Prior to that, Mr Meister was Chief Financial Officer of the Haniel Group, before which he was a member of the Executive Management Board of Celesio Group. Mr Meister began his career in 1991 at Novartis AG (Switzerland), holding various positions including Head of Controlling for the Pharma Division. Mr Meister is a Member of the Advisory Board of the Centre for Leadership and Value in Society at the University of St. Gallen, a Member of the "Schweizer Dialog" and an active member of the World Economic Forum's Family Business Community. Until May 2016, Mr Meister was a Member of the Board of Directors of the Swiss group, Straumann. Mr Meister is Swiss and holds a degree in economics from Basel University.

Positions outside the Company during 2018

As part of Mr Meister's position as Group Chief Operating Officer of the Waypoint Group he holds directorship positions in the following businesses and certain subsidiaries: Waypoint Group Holdings SA (Director), Affidea B.V. (Director), Boston Pharmaceuticals Inc (Director), Campus Holding SA (Director), Crosstree Real Estate Management Ltd (Director), Forestay Capital Management Ltd (Director), Gurnet Point Capital LLC (Director), Kedge Capital Fund Management Ltd (Director), Northill Capital Holdings Ltd (Director), Northill UK Management Holdings Ltd (Remuneration & Nomination Committee), Roxbury SA (Director).

2. Mr Michele Antonelli (59)

Chief Executive Officer

Appointed 4 January 2019

Mr Antonelli has more than 20 years of international experience in the biopharmaceutical industry with extensive expertise in manufacturing, commercial and general management. Mr Antonelli joined Stallergenes Greer in November 2015 as Executive Vice President, Head of International Operations. In February 2016, Mr Antonelli was appointed Executive Vice President, Head of Europe and International, overseeing both commercial and technical operations for the Company's Europe and International region. During the same period he served also as President of Stallergenes SAS. Prior to Stallergenes Greer, Mr Antonelli worked at UCB, the multinational biopharmaceutical company, where as Excom Member he held roles of various responsibility and scope in Belgium, Italy and France, most recently serving as Executive Vice President and Head of Immunology Europe, overseeing the region's commercial, medical, and market access activities. Prior to joining UCB, Mr Antonelli spent 16 years at Merck Serono, ultimately serving as Senior Vice President and Global Head of Biotech Manufacturing and Process Development. Mr Antonelli is Swiss and Italian, and graduated as Doctor in Sciences from University of Bari. He trained in Biotechnology at Catholic University in Piacenza and at Iowa State University, Ames IA.

3. Mr Jean-Luc Bélingard (70)

Independent Director (non-executive)

Appointed 9 June 2016 (Last renewal: 7 June 2018)

Mr Bélingard has more than 40 years' experience in the pharmaceutical industry, gained in particular with Merck & Co and Roche, where he was a member of the corporate Executive Committee. In 1999, Mr Bélingard joined the Pierre Fabre Group as Chief Executive Officer and Vice Chairman of the Board of Directors. From 2001, Mr Bélingard served as Chairman and Chief Executive Officer of Ipsen Group, a worldwide innovative pharmaceutical group operating in several specialised therapeutic fields (oncology, neurology and endocrinology). Since 2011, Mr Bélingard has been Chairman and Chief Executive Officer of bioMérieux. Mr Bélingard is a French citizen, a graduate of HEC Paris (École des Hautes Études Commerciales de Paris) and holds an MBA from Cornell University, New York.

Positions outside the Company during 2018

bioMérieux S.A. (listed company) (Director), Transgene S.A. (listed company) (Director), Pierre Fabre S.A. (Director), Laboratory Corporation (LabCorp) of America (listed company) (Director), Lupin Ltd. (India) (Director).

4. Mr Rodolfo Bogni (71)

Director

Appointed 16 July 2015 (Last renewal: 7 June 2018)

Mr Bogni is chairman of Northill UK, a director of Waypoint Capital Holdings and a trustee of the Prince of Liechtenstein Foundation and of LGT. Mr Bogni is a member of the Governing Council of the Centre for the Study of Financial Innovation, the Advisory Board of Oxford Analytica and the Council of Shakespeare's Globe Theatre. He is also a member of the Securities Institute, the London Mathematical Society and the

Vereinigung Basler Oekonomen. Mr Bogni started his banking career in the early 1970s with the Chase Manhattan Bank. He was later the Group Treasurer of the Midland Bank and then Chief Executive Officer, Private Banking of UBS. Mr Bogni has also served as Senior Independent Director of Old Mutual plc, a trustee of Fondazione Bruno Kessler, an independent director of Moody's (U.K., France and Germany) and a trustee of Common Purpose Charitable Trust. Mr Bogni is Italian and graduated as Doctor in Economics and Business Administration at Università L Bocconi, Milan.

Positions outside the Company during 2018
Waypoint Group Holdings SA (Director), Prince of Liechtenstein Foundation (Director), LGT Foundation (Director), Liber Foundation (Director).

5. Mr Philip Broadley (58)

Independent Director
Chairman of the Audit Committee
Appointed 7 June 2018

Mr Broadley has significant financial and international business experience, having previously been Group Finance Director of Prudential plc for eight years and Old Mutual plc for six years. He is currently a director of AstraZeneca plc and since 1 March 2019 chairs its audit committee. Mr Broadley is also a director and the audit committee chairman of Legal & General Group plc. He is Treasurer of the London Library and Chairman of Governors at Eastbourne College. He is a Fellow of the Institute of Chartered Accountants in England and Wales. Mr Broadley started his career at Arthur Andersen where he was a partner for seven years. He is a past Chairman of the 100 Group of Finance Directors in the U.K. and served as a member of the Code Committee of the Takeover Panel. He graduated with a degree in Philosophy, Politics and Economics from St Edmund Hall, Oxford and has a MSc in Behavioural Science from the London School of Economics.

Positions outside the Company during 2018
AstraZeneca plc (Director), Legal & General Group plc (Director).

6. Mrs Yvonne Schlaeppi (59)

Independent Director Member of the Audit Committee and the Remuneration and Appointment Committee
Appointed 9 June 2016 (Last renewal: 7 June 2018)

Mrs Schlaeppi has more than 30 years' experience as a global business strategist and international lawyer, with a long-standing focus in life sciences. Mrs Schlaeppi is currently Managing Partner and Co-Founder of Stratevise, a Boston-based, international strategic

advisory firm. She is also Chair of the Nominating and Governance Committee and member of the Audit Committee of AstroNova, Inc. (NASDAQ), as well as a member since 2015 of an advisory council at Brigham and Women's Hospital. From 2014–2015 Mrs Schlaeppi served on the Board of Directors of Greer Labs. Prior to Stratevise, Mrs Schlaeppi served on the senior management teams at three international groups: General Counsel at Global Enterprise Technologies, Passport & ID, a privately-held high-security document printing solutions provider and systems integrator, from 2007–2011, General Counsel and Corporate IP Officer at Organon BioSciences, a global pharmaceutical, animal health and biotech group based in the Netherlands, from 2006 until its sale to Schering-Plough in 2007, and General Counsel Europe at Johnson Controls, the NYSE-listed diversified industrial conglomerate, from 1994 until joining the law firm, Palmer & Dodge, as partner and chair of the international practice at Palmer & Dodge from which she went to Organon BioSciences. She began her career in 1985 in New York and Zurich as an international corporate attorney at a global law firm. Mrs Schlaeppi is a dual Swiss and U.S. citizen. She received her J.D. from Columbia University and BA from Princeton University, the Woodrow Wilson School of Public & International Affairs. She is a Board Leadership Fellow of the US National Association of Corporate Directors, 2017 and 2018.

Positions outside the Company during 2018
AstroNova, Inc. (Director, Chairman of the Nominating and Governance Committee and member of the Audit Committee since April 2018), Brigham and Women's Hospital (Member of the External Advisory Council, Channing Division of Network Medicine since July 2015).

7. Mr Elmar Schnee (59)

Lead Independent Director, Chairman of the Remuneration and Appointment Committee and Member of the Audit Committee

Appointed 9 June 2016 (Last renewal: 7 June 2018). Appointed Lead Independent Director on 29 August 2018

Mr Schnee has more than 25 years' experience in the pharmaceutical industry. Mr Schnee is currently Board Secretary of Mindmaze SA and was, from 2016 to March 2017, Chief Operating Officer. Mr Schnee is Chairman of the Board of Directors of Santhera AG, a Swiss speciality pharmaceutical company developing medicines for rare diseases. He is also a Member of the Board of Directors of Jazz Pharmaceuticals. From November 2013 to August 2015, Mr Schnee served as a Non-Executive Director of Cardiorentis Ltd., a biopharmaceutical company, where he served as Chairman and Chief Executive Officer from October 2011 until November 2013. From 2003 to 2011, Mr Schnee held various positions at Merck KGaA, a global pharmaceutical and chemical group, having joined in 2003 as Managing Director of Merck Santé SAS. In 2004, Mr Schnee assumed responsibility for global commercial operations

Our Board of Directors (Retired)

Mr Fereydoun Firouz (55)

Chairman and Chief Executive Officer, Executive Director. Retired 4 January 2019

16 July 2015 to AGM 2018 (Last renewal: 8 June 2017)

Mr Firouz stepped down from the Board and the role of CEO on 4 January 2019 after four years, during which he oversaw the creation of the Company through the successful integration of Stallergenes S.A. and Greer Laboratories, Inc. in 2015. Mr Firouz was instrumental in handling and resolving significant inherited problems impacting the supply of products and successfully developed and implemented a strategy to bring the Company back to a path of growth and profitability.

Mr Firouz co-founded Gurnet Point Capital, a venture/growth equity investment firm focused on making life science/healthcare investments, and served as Managing Director of Waypoint Capital Services Inc. Prior to those roles, Mr Firouz was President and CEO of EMD Serono, Inc., Head of the Global Business Unit Fertility and Endocrinology franchise and a member of the Executive Management Board of Merck Serono. He is a past Board Member of the Pharmaceutical Research and Manufacturers of America (PhRMA), the Biotechnology Innovation Organization (BIO) and the Massachusetts Biotech Council (MBC). Mr Firouz is a Swiss citizen. He received a Bachelor of Arts in Political Science from George Washington University. He has participated in executive MBA programmes at the Kellogg Business School and Babson College.

of the ethical pharmaceuticals division of Merck KGaA. In November 2005, Mr Schnee was appointed as Deputy Member of the Executive Board responsible for the pharmaceuticals business. In 2006, he was appointed as a member of the Executive Board and General Partner of Merck KGaA, with responsibility for global pharmaceutical activities. He served in this position until 2011. Prior to Merck KGaA, Mr Schnee held senior positions in strategy, business development and marketing at UCB SA, Sanofi-Synthélabo SA, Migliara/Kaplan Associates, Inc. and Fisons Pharmaceuticals PLC. He currently serves on the Board of Directors of four privately held life sciences companies. Mr Schnee holds a BA in Marketing and a Master's in Marketing and General Management from the Swiss Institute of Business Administration in Zurich.

Positions outside the Company during 2018
Mindmaze SA (Board Secretary), Damien AG (Director), Jazz Pharmaceutical plc (Director), Moleac Pte Ltd (Chairman), Noorik AG (Chairman), ProCom Rx (Chairman), Santhera AG (Chairman).

Committee memberships as at the date of this report

		PERMANENT BOARD COMMITTEES		AD HOC COMMITTEE
Board member	**Status/role**	**Audit Committee**	**Remuneration and Appointment Committee**	**Independent Committee**
Mr Jean-Luc Bélingard	Independent Non-Executive Director	–	Member	Member
Mr Philip Broadley	Independent Non-Executive Director	Committee Chairman	–	Member
Mr Stefan Meister	Chairman Non-Executive Director	Member	Member	–
Mrs Yvonne Schlaeppi	Independent Non-Executive Director	Member	Member	Member
Mr Elmar Schnee	Independent Non-Executive Director	Member	Committee Chairman	Committee Chairman
Mr Patrick Langlois Retired 7 June 2018	Independent Non-Executive Director	Committee Chairman	–	Member

Mr Patrick Langlois (73)

Independent Director Chairman of the Audit Committee. Retired 7 June 2018

16 July 2015 to AGM 2018 (Last renewal: 8 June 2017)

Mr Langlois has more than 30 years' experience in the healthcare and agrochemical sectors. Since 2005, he has been the General Partner at PJL Conseils Eurl in Paris, a consulting company for the healthcare industry. Before creating PJL Conseils, he was Group Executive Vice President and Chief Financial Officer of Aventis SA (1999 – 2002), having been Vice Chairman of the Management Board and Chief Financial Officer of the Aventis SA Group from 2002 – 2004. At Aventis SA, he was responsible worldwide for the company's finance and corporate development functions, and supervising businesses: dermatology, protein therapeutic and animal health. Mr Langlois is French, he graduated with a Certificate in Higher Banking Studies and holds a PhD in economics from the University of Rennes.

Mrs Paola Ricci (60)

Executive Director Group Head of Pharmaceutical Affairs. Retired 7 June 2018

16 July 2015 to AGM 2018 (Last renewal: 8 June 2017)

Mrs Ricci stepped down from the Board after three years of service. Mrs Ricci has over 30 years' pharmaceutical industry experience. She started her career at Serono in 1978 before moving to the U.S. to establish relations with R&D companies and investment firms in the emerging biotechnology sector. She subsequently returned to Serono's Geneva headquarters to lead the company's corporate R&D and worldwide regulatory affairs. Mrs Ricci has also been a member of Serono's Executive Committee and Managing Director of Serono Europe Ltd. She has been an active member of major professional and trade associations operating in the areas of health policy and regulation, including EFPIA, EuropaBio and IFPMA, with a particular focus on the promotion of innovation, biotechnology and orphan drugs. Mrs Ricci is a Swiss citizen.

Corporate governance

Internal regulations of the Board of Directors

The internal regulations of the Company's Board of Directors were adopted on 21 July 2015. They detail the duties of the Directors, including their duty of confidentiality, and govern the operation of the Board of Directors, including the decision-making process for transactions that have genuine strategic importance. A complete copy of the regulations can be found on our website at www.stallergenesgreer.com.

Corporate governance code

The Board of Directors has committed itself to the highest standards of corporate governance. It committed specifically in July 2015 to apply the standards of the AFEP-MEDEF Code, published by the Association Française des Entreprises Privées (AFEP) and the Mouvement des Entreprises de France (MEDEF), the corporate governance code of reference for publicly traded companies in France (as amended from time to time). The commitment applies insofar as it is compatible with English law and is subject to the provisions of Article 27.1 of the AFEP-MEDEF Code. This allows an issuer to deviate from a recommendation provided that it explains the specific circumstances that justify it.

Our Board of Directors has decided not to follow the following recommendations of the AFEP-MEDEF Code:

- **Article 7.1** relating to the representation of employees on the Board of Directors: the Company is not subject to the provisions of the French Commercial Code, including those which are restated in the AFEP-MEDEF Code;
- **Article 10.3** requiring internal rules to specify that at least one meeting a year be attended by Non-Executive Directors: all Committees are composed exclusively of Non-Executive Directors resulting in the direct and independent interaction of all Non-Executive Directors within those Committees;
- **Article 13.2** concerning staggered Directors' terms: it is not compatible with the one-year terms of office of our Directors; and
- **Article 21** concerning the termination of employment contracts of Executive Directors: to allow the Chief Executive Officer to benefit from an employment contract governed by U.S. law in accordance with Anglo-American practice.

The Company will continue to report to shareholders on its compliance with the AFEP-MEDEF Code in accordance with the Autorité des Marchés Financiers (AMF) General Regulation.

Because Stallergenes Greer plc's shares are listed and traded on Euronext Paris, the Company is not required to comply with the provisions of the U.K. Corporate Governance Code on the principles of good corporate governance or the code of best practice published by the Financial Reporting Council (FRC).

Role of the Chairman of the Board of Directors and Chief Executive Officer

Following the retirement of Fereydoun Firouz in January 2019, the functions of Chairman of the Board of Directors and Chief Executive Officer have been separated. The Chairman is accountable to the Board of Directors. The Chief Executive Officer reports to the Board (including the Chairman) and is responsible for all executive management matters affecting the Group. This is considered most appropriate for the Group's operating structure.

Directors' minimum shareholding requirement

Each Director must, starting at the latest within three months of his or her appointment, own at least 16 fully paid Company shares for the duration of his or her term of office.

Independent Directors

The Board of Directors considers its four Independent Directors – Jean-Luc Bélingard, Elmar Schnee, Yvonne Schlaeppi and Philip Broadley – to have met the independence criteria under the AFEP-MEDEF Code.

Lead Independent Director

The Board of Directors has appointed a Lead Independent Director to support the governance of the Group and functioning of the Board in situations where certain Directors, including the Chairman, are conflicted. The role of the Lead Independent Director in these situations is to:

- provide leadership to the Independent Directors;
- serve as a trusted intermediary for the other Directors; and
- provide an alternative channel for shareholders to raise concerns.

The AFEP-MEDEF Code can be found on the Internet:
French version:
http://www.afep.com/wp-content/uploads/2018/06/Code-Afep_Medef-révision-du-20-juin_VF.pdf

English version:
http://www.afep.com/wp-content/uploads/2018/06/Afep-Medef-Code-revision-June-2018-ENG.pdf

Review of operation

The Board of Directors has reviewed its membership, organisation and operation, as well as a corresponding review of its Committees in each considering the balance of their respective memberships in terms of diversity.

Internal control and risk management

The Board of Directors and the Audit Committee are responsible for identifying and understanding the material risks to which the Company is exposed. They also determine the nature and extent of the risks that the Company is willing to take in achieving its strategic objectives. To mitigate such risks, they have put sound risk management, compliance and control systems in place.

The Company's system of internal controls is designed to manage – rather than eliminate – the risk of failure to achieve business objectives. It can therefore only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Group has operating policies and controls in place that cover a range of issues, including financial reporting, compliance and appropriate employee policies. These policies are designed to ensure the accuracy and reliability of our financial reporting and govern the preparation of financial statements.

The Board of Directors is ultimately responsible for the Company's system of internal controls and risk management. It discharges its duties in these areas by:

- holding regular meetings to consider those matters for which it is responsible;
- receiving regular management reports that provide an assessment of key risks and controls;
- scheduling regular strategy reviews, covering areas including the material risks and uncertainties the business faces;
- ensuring there is a clear organisational structure, with defined responsibilities and levels of authority;
- ensuring the Company has documented policies and procedures in place; and
- scheduling regular reviews of financial issues.

The Finance Department is responsible for preparing the Company's financial statements. In doing so, it uses an established consolidation process and ensures that accounting policies are in accordance with International Financial Reporting Standards (IFRS) as adopted by the E.U. In addition, the Audit Committee reviews all accounting and financial information that the Company publishes.

During the last financial year, there were no changes in the Company's internal controls that have materially affected, or are reasonably likely to so affect, the Company's control over its financial reporting.

Further details of specific risks and uncertainties facing the business and the activities undertaken to mitigate them can be found on pages 28 to 31.

Activities of the Board of Directors during 2018

The Board of Directors dealt with a diverse range of matters during 2018. These matters are summarised here.

The following standing items are considered at each scheduled meeting:

- confirmation of compliance with Directors' duties and consideration of any new conflicts of interest;
- review of the minutes of previous meetings;
- review of actions from previous meetings;
- review of progress against agreed Board objectives;
- reports received from the Audit Committee and the Remuneration and Appointment Committee;
- reports received from the Chairman and Chief Executive Officer, the Chief Financial Officer and, when appropriate, the Global Head of Pharmaceutical Affairs, the Global Head of Business Development, the Global Head of People Operations and Talent Management, the General Counsel and Company Secretary and other managers. These reports cover key aspects of the business, including financial results, operations, regulatory and development strategy, human resources and governance.

There were six scheduled Board meetings, and five ad hoc Board meetings held during this period. Attendance at these and the Committee meetings held is set out in the table on page 40.

Apart from the standing items described above, the following is a summary of the material items considered by the Board in 2018:

In January, the Board:

- considered operational excellence initiatives;
- reviewed and approved a revised 2018 Budget;
- received an update on the ANSM inspection and injunction;
- received an update on business development activities; and
- received an update on technical operations in France and the U.S.

In February, the Board:
- reviewed the project plan for operational excellence initiatives; and
- approved a related party transaction in respect of assignment of office space in Boston.

In March, the Board:
- received an update on operational excellence initiatives
- received an update regarding the remediation of ANSM observations;
- considered a report from the Company's Statutory Auditor;
- reviewed and approved the financial statements and annual report for the financial year ended 31 December 2017;
- reviewed and approved the 2018 financial outlook;
- received an update concerning technical operations in the U.S.;
- received an update on business development activities; and
- received an update regarding the Company's research and development strategy and the STAGR320 program.

In April, the Board:
- reviewed the company's performance year-to-date and forecast for the remainder of 2018;
- received an update on operational excellence initiatives;
- adopted recommendations from the Remuneration and Appointment Committee regarding the election of Directors at the Company's next Annual General Meeting;
- reviewed and approved the Annual Report for the financial year ending 31 December 2017;
- reviewed and approved the circulation of the Annual General Meeting Notice to the Company's shareholders;
- received an update concerning technical operations in the U.S.; and
- reviewed and approved the Chairman's objectives for 2018.

In June, the Board:
- reviewed the Company's performance year-to-date and forecast for the remainder of 2018;
- received updates regarding the Company's headcount, global strategy, technical operations and enterprise risk management programme;
- received an update on the STAGR320 programme;
- received an update on technical operations;
- reviewed and approved the issuance of a revised outlook for 2018;
- received an update on business development activities; and
- received an update on the Company's communication objectives and strategy.

In August, the Board:
- reviewed the Company's performance year to date;
- considered a report from the Company's Statutory Auditor;
- reviewed and approved the condensed consolidated interim financial statements of the Company for the half year ended 30 June 2018;
- considered the senior leadership succession plan;
- appointed a Lead Independent Director;
- approved changes to the fee structure of the non-executive directors;
- approved 2017 incentive arrangements and certain operational matters to ensure the effective implementation of the long-term incentive plan;
- received an update on STAGR320 programme;
- received an update on proposed changes to the U.S. group holding structure and intragroup debt arrangements;
- received an update on the facility upgrades taking place in Antony;
- received an update on business development activities;
- received an update on operations in North America;
- received an update on certain legal matters; and
- approved the change in the Company's registered office.

In October, the Board:
- reviewed the Company's performance year to date:
- received an update from management in relation to the Company's investment in Adeo Health Science; and
- received an update on the STAGR320 programme.

Meeting attendance of members in 2018

	Board	Audit Committee	Remuneration and Appointment Committee	Independent Committee
Total number of meetings	**11**	**6**	**8**	**6**
Fereydoun Firouz	11	–	–	–
Jean-Luc Belingard	8	–	4	1
Philip Broadley*	4	3	0	6
Rodolfo Bogni	11	–	–	–
Patrick Langlois**	7	3	–	–
Stefan Meister	11	6	8	–
Paola Ricci***	7	–	–	–
Yvonne Schlaeppi	11	6	8	6
Elmar Schnee	11	6	8	6

* Philip Broadley joined the Board and Audit Committee on 7 June 2018
** Patrick Langlois retired from the Board and Audit Committee on 7 June 2018
*** Paola Ricci retired from the Board on 7 June 2018 and the company on 31 July 2018

In December, the Board:
- reviewed the Company's performance year to date;
- reviewed the Company's achievements and challenges since 2015;
- appointed Michele Antonelli to the Board and role of Chief Executive Officer;
- discussed the transition of responsibilities to the incoming chairman and Chief Executive Officer;
- received an update on recent ANSM inspection and on the status of the pending injunction;
- approved budget for 2019;
- received an update on the STAGR320 programme; and
- received an update concerning certain legal matters.

Committees of the Board

The Board has established the Audit Committee and the Remuneration and Appointment Committee. These Committees are entitled to make proposals to the Board of Directors relating to their respective areas of expertise. The Board has also established an ad hoc Independent Committee to assess and make recommendations to the Board regarding financing for business development opportunities. Should the need arise, the Board of Directors may also set up additional committees as appropriate.

Meeting attendance

The chart below shows the number of meetings attended out of number of meetings qualified to attend as a member.

Audit Committee

Composition

The Audit Committee currently consists of four Non-Executive Directors, three of whom are independent. The members of the Audit Committee are Philip Broadley (Independent – appointed 7 June 2018), Patrick Langois (Independent – retired 7 June 2018), Stefan Meister, Yvonne Schlaeppi (independent) and Elmar Schnee (independent). The Chairman is Philip Broadley.

All of these individuals have the necessary accounting and financial expertise required to qualify as Committee members.

The Chairman and Chief Executive Officer, and the Chief Financial Officer attend Audit Committee meetings as appropriate. The Audit Committee also met the Company's Statutory Auditors without management present.

Responsibilities

The Audit Committee is responsible for:
- monitoring the integrity of the Company's financial statements and financial reporting process;
- reviewing and, where necessary, challenging the proposed financial statements and all the material information presented within them;
- reviewing the adequacy and effectiveness of the Company's internal financial controls and its internal control and risk management systems;
- monitoring the statutory audit of the annual financial statements and the consolidated financial statements prepared by the Statutory Auditor; and
- ensuring the independence of the Statutory Auditor.

The Audit Committee also makes a recommendation to the Annual General Meeting regarding the appointment of the Statutory Auditor.

The Company's existing Statutory Auditor, EY LLP, was reappointed in 2018 for a term of one fiscal year. This will expire at the end of the Annual General Meeting in June 2019.

Committee activities during 2018

The Audit Committee met six times in 2018. Attendance at these meetings is set out in the table on page 40.

Apart from the standing items described above, the following is a summary of the material items considered by the Audit Committee in 2018:

In March, the Audit Committee:
- received an update on the close of the 2017 financial year;
- received a report from EY, the Statutory Auditor;
- discussed the results of the annual impairment review;
- recommended to the Board approval of the financial statements and annual report for the financial year ended 31 December 2017;
- considered guidance for financial year 2018; and
- discussed the calendar of financial events for 2018.

In April, the Audit Committee:
- reviewed the organisation and capabilities of the Finance Department.

In June, the Audit Committee:
- considered possible options regarding the corporate structure of the Company;
- considered R&D strategy; and
- considered corporate finance strategy.

In August, the Audit Committee:
- recommended approval by the Board of the draft condensed consolidated interim financial statements of the Company for the half year ended 30 June 2018;
- considered the Statutory Auditor's report concerning the interim financial statements;
- discussed single segment reporting;
- discussed revisions to the Company's financial and sales reporting timetable;
- received an update concerning legal matters; and
- approved audit fees for financial year ending 2018.

In October, the Audit Committee:
- discussed the reorganisation of the U.S. group holding structure and intragroup debt finance arrangements; and
- received a briefing on the functionality and performance of the enterprise resource planning system in North America.

In December, the Audit Committee:
- received an introduction from the new Head of Internal Audit;
- received an update on Company's performance year to date;
- considered a budget for 2019;
- received a presentation from Mazars LLP following a tax risk review.

Remuneration and Appointment Committee

Composition

The Remuneration and Appointment Committee consists of four Non-Executive Directors, three of whom are independent. The members of the Remuneration and Appointment Committee are Jean-Luc Bélingard (independent), Elmar Schnee (independent), Stefan Meister and Yvonne Schlaeppi (independent). The Chairman is Elmar Schnee.

Responsibilities

The role of the Remuneration and Appointment Committee is to advise the Board of Directors on matters relating to the remuneration and appointment of senior executives, Directors and employees. These include matters involving:

- the level and structure of remuneration for senior executives and Directors;
- the ongoing appropriateness and relevance of the Company's Remuneration Policy;
- the design of, and targets for, any performance-related pay schemes operated by the Company;
- the design of all share incentive plans;
- the policy for, and scope of, pension arrangements for senior management;
- contractual terms relating to termination, and any payments made upon termination;
- the composition and make-up of the Board of Directors and any of its committees;
- the periodic review of the Board of Directors' structure and the identification, as the need arises, of potential candidates for appointment as Directors or committee members;
- the succession planning for Directors and senior executives;
- the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the Company to remain competitive in the marketplace; and
- the consideration and development of appropriate corporate governance principles, including those relating to the regulation of related party transactions (that is, dealings with subsidiaries, associates and other closely aligned organisations or individuals).

Committee activities during 2018

The Remuneration and Appointment Committee met eight times in 2018. Attendance at these meetings is set out in the table on page 40.

A detailed report on the work of the Remuneration and Appointment Committee in 2018 is set out on pages 51 to 55.

Independent Committee

Composition

The Independent Committee consists of four Non-Executive Directors, all of whom are independent. The members of the Independent Committee are Jean-Luc Bélingard (independent), Philip Broadley (independent – appointed 7 June 2018), Patrick Langois (Independent – retired 7 June 2018), Elmar Schnee (independent), and Yvonne Schlaeppi (independent). The Chairman is Elmar Schnee.

Responsibilities

The role of the Independent Committee is to advise the Board of Directors on matters relating to potential business development activities.

Committee activities during 2018

The Independent Committee held six meetings during 2018. Attendance at these meetings is set out in the table on page 40.

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2018.

Information disclosed elsewhere in this Annual Report

The Company has chosen, in accordance with Section 414C of the Companies Act 2006, to set out in the Company's strategic report information required to be contained in the Directors' report.

The statements and reviews on pages 2 to 31 comprise the strategic report. This contains certain information, outlined below, that is incorporated by reference into this Directors' report, including:

- particulars of important events that have occurred since the end of the financial year;
- an indication of the Company's likely future business developments;
- an indication of the Company's R&D activities;
- information on the Company's policies for employing disabled persons and employee involvement; and
- the Company's disclosures regarding greenhouse gas (GHG) emissions.

In addition, the Corporate Governance Report (pages 38 to 42), the Directors' Remuneration Report (pages 46 to 47), the Remuneration Policy (pages 48 to 50) and the Financial Statements (pages 58 to 131) should be read in conjunction with this Directors' report and are incorporated herein by reference.

Directors

All Directors who held office during 2018 are identified on pages 34 to 37 of the Corporate Governance Report, along with their biographies.

Dividends

No dividends have been declared by the Board of Directors.

Overseas branches

The Company has a branch in France.

Capital structure

As at 31 December 2018, the share capital of the Company was allocated as outlined in the table below.

Voting and distribution rights

The Company has a single class of ordinary shares, all of which rank *pari passu* with each other in all respects.

With regard to voting, at any general meeting, voting on all resolutions shall be taken by poll in which every attending member present either in person or by proxy shall have one vote for every share of which he or she is the holder.

No securities exist that carry special rights with regard to the control of the Company.

There are no restrictions on voting rights, nor are there any agreements between holders of securities, that can result in restrictions on the transfer of securities or on voting rights.

With regard to distributions, the ordinary shares shall entitle holders to full participation in respect of equity and in the event of a winding up of the Company. The ordinary shares may be considered by the Directors when considering dividends from time to time. Dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms that it shall rank for dividends as from a particular date, it shall rank for dividends accordingly.

Capital structure

Shareholders	Number of shares	% of capital	% of voting rights
Ares Life Sciences I SARL	16,550,910	83.64	83.86
Public	3,186,293	16.10	16.14
Treasury shares	50,350	0.25	0.00
Total	**19,787,553**	**100.00**	**100.00**

To the knowledge of the Company, as at the date of this Annual Report, there are no shareholders other than those mentioned in the table above who, directly or indirectly, alone or jointly, hold more than 3% of the capital and/or the voting rights of the Company.

Transfer of shares

Under the Company's Articles of Association, there are no limitations that restrict the rights of members to hold the Company's shares. From time to time, certain restrictions may be imposed on the transfer of the Company's shares by laws and regulations such as insider trading laws. In limited situations, as permitted by the Company's Articles of Association, the Board may also decline to register a transfer. The Company is not aware of any agreements between holders of its shares that may result in restrictions on the transfer of securities.

Employee share schemes

Stallergenes Greer has three outstanding stock option plans. Further information regarding employee share schemes is given in note 5.5 of the Consolidated Financial Statements.

Other required disclosures

In accordance with Section 992 of the Companies Act 2006, the Directors disclose the following information:

- there exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- there exist no agreements between the Company and its Directors that provide for compensation for loss of office resulting from a takeover bid.

Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Company's Articles of Association, the corporate governance rules adopted by the Board of Directors, the Companies Act 2006 and related legislation. In accordance with the corporate governance rules adopted by the Board of Directors, the Directors of Stallergenes Greer are required to resign from office at each Annual General Meeting. The Directors may offer themselves for reappointment.

Amendment of the Company's Articles of Association

The Company's Articles of Association may be amended by a special resolution of the shareholders, which requires a majority of at least three-quarters of the shareholders to be present or represented.

Powers of the Board of Directors: Governance controls

The Board of Directors is responsible for the management of the business of the Company. It may exercise all the powers of the Company, in accordance with the provisions of the Company's Articles of Association and the internal regulations of the Board of Directors.

The Company's Articles of Association set out the rights of shareholders, including voting rights, distribution rights, attendance at general meetings and the powers and proceedings of Directors, as well as borrowing limits and other governance controls.

A copy of the Company's Articles of Association is available at www.stallergenesgreer.com.

Acquisition or disposal of own shares

Liquidity agreement

On 8 September 2015, the Company entered into a liquidity contract with Oddo & Cie and Oddo Corporate Finance to comply with the Règlement général of the French Financial Markets Authority (Autorité des Marchés Financiers) for the trading in the Company's shares on its behalf, subject to a maximum number of 300,000 shares and a minimum and maximum price of €1 and €100. The liquidity agreement was reapproved at the Annual General Meeting held on 7 June 2018 for the period expiring at the earlier of 30 June 2019 and the end of the Annual General Meeting due to be held in 2019. The purpose of the liquidity agreement is to trade on the Company's behalf in the market to foster regular and liquid trading in the Company's shares and to avoid price swings that are not warranted by market trends.

Summary of transactions under the liquidity agreement

	Purchased	Sold	Held*
Number of shares	126,469	126,293	33,523
Average transaction price**	€29.87	€30.56	€28.30
Total	**€3,776,994.55**	**€3,859,248.04**	**€948,700.90**

* As at December 2018
** Par value of €1 each.

Directors' and officers' liability insurance and the indemnification of Directors

The Company maintains Directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company's Articles of Association require the Company to indemnify each of its Directors to the extent permitted by law against liability incurred in connection with a claim by third parties.

Political donations

The Directors confirm that no political donations were made in the year ended 31 December 2018.

Financial instruments and risks

The financial risk management objectives and policies of the Company are outlined on pages 28 to 31 of the Strategic Report and in note 2.6 of the Consolidated Financial Statements.

Going concern

The Directors have made appropriate enquiries and consider that the Company has adequate resources to continue in operational existence for the next 12 months. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information (as defined in Section 418(3) of the Companies Act 2006) of which the Company's auditors are unaware. Each Director has also taken all required steps to make him or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the U.K. and Republic of Ireland", and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the following position of the Group and parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group and parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors' report was approved by the Board of Directors on 21 March 2019 and signed on its behalf by

Stefan Meister
Chairman

21 March 2019
Registered Office
Tower Bridge House
St Katharine's Way
London
E1W 1DD
United Kingdom

Directors' remuneration report

Dear shareholders,

As Chair of the Remuneration and Appointment Committee ("the Committee") and on behalf of the Board of Directors of Stallergenes Greer, I am very pleased to present the Remuneration Report for 2018.

2018 was a year where we made significant strides in re-establishing our market-leading position, transforming the business and building a high-performance culture, and returning to profitability. We continued to focus on delivering our profit objectives; managing costs appropriately; and seizing on growth opportunities in the allergy immunotherapy global market so people with allergies can live normal lives.

I believe our Remuneration Policy approved at the Annual General Meeting ("AGM") on 8 June 2017 continues to provide a solid, motivational, and meaningful foundation for developing our remuneration programs that aligns our pay with our company's strategy and shareholders' interests. Therefore, we are making no changes to the policy for 2019.

For 2019 our compensation philosophy will continue to focus on four key areas:

1. Attracting and retaining the right level of talent to drive long-term development
2. Pay for performance
3. Market competitive pay programs
4. Growth: Training and development programs to build and ensure bench strength and capability

Our Directors' Remuneration Policy

Our overall goal remains to have a remuneration strategy that stimulates sustainable value, creates growth and performance for the business, and rewards management performance accordingly, while taking into account all the variables that have impacted it over the course of the year.

The full Remuneration Policy as approved by the shareholders at the AGM in 2017 is available on our website: stallergenesgreer.com/investor-relations

Business context and Committee decisions on remuneration

The bonus for 2018 represents performance delivered from 1 January 2018 to 31 December 2018. The quantitative objectives in this period included:

- Meet EBIT expectations
- Achieve global sales target
- Achieve clinical trial milestones for the STAGR320 study
- Manage global operating expenditures

All of these objectives have been met or exceeded. In addition, recognizing the fast-changing environment in 2018 and how leadership responded, we took the decision to award Fereydoun Firouz a bonus of €982,533 which represents 125% of target bonus. Paola Ricci received a bonus of €268,879 which represents 125% of target bonus.

Paola Ricci retired from the Board on July 31, 2018 and as previously announced Fereydoun Firouz also retired at the end of last year. I'd like to thank both Fereydoun and Paola for their exemplary service to Stallergenes Greer over the past several years, and on behalf of the Board of Directors, wish them the best in their retirement and future endeavours. In addition, we would like to thank Fereydoun for remaining as an employee and providing transitional services to the company during 2019. Details of the amounts paid or payable in connection with their retirement, which are consistent with our approved Remuneration Policy, are included on pages 48 to 50.

Committee decisions on corporate appointments

Following the decision of Fereydoun Firouz to retire from his position as Chairman and CEO of Stallergenes Greer, we undertook a structured process of identifying a successor for the position of CEO based on our earlier initiated succession planning process. After several internal discussions, the Committee nominated Michele Antonelli, Head of the Europe and International region, to assume the role of CEO on 5th January 2019. Mr. Antonelli's appointment was approved at the December 2018 board meeting. Michele is a seasoned executive at Stallergenes Greer with extensive industry and management knowledge. His leadership of the European organization beginning in 2015 provided the Board with the confidence that he was the right person to lead Stallergenes Greer to its next phase of growth.

The format of this report and matters to be approved at our AGM on 13 June 2019

The remainder of this report is divided into the following two sections:

- A summary of the Remuneration Policy, which was approved at the 2017 AGM and to which no changes are proposed.
- The Remuneration Review, providing details of the payments made to directors in 2018, as well as other statutory disclosures, which is found on pages 51 to 55.

Resolutions to approve the Remuneration Review and this letter will be put to shareholders at our 2019 AGM.

I ask for your support on these resolutions and thank you for your trust and consideration. On behalf of the Remuneration and Appointment Committee and Board,

Elmar Schnee
Chairman of the Remuneration and Appointment Committee

21 March 2019

Remuneration policy

Our Remuneration policy was approved by shareholders at the 2017 Annual General Meeting with a 93% vote in favour and is intended to apply for three performance years until the Annual General Meeting in 2020. This chapter provides a summary of our Remuneration Policy. The full Remuneration Policy is included in our 2016 Annual Report (pages 60 to 65), which is available on our website.

Remuneration Policy – Executive Directors

The following table provides an overview of the Company's policy on the different elements of the remuneration package.

	Purpose and link to strategy	Operation	Maximum award opportunity	Performance measures
BASE SALARY	Element of fixed pay that reflects the size and scope of the role and its responsibilities. Its purpose is to attract and retain the right individuals and level of talent required to support achievement of both short and long-term value creation.	There may be reviews and changes to base salary during the year if considered appropriate by the Remuneration and Appointment Committee. The Remuneration and Appointment Committee will take account of relevant comparator group data as well as pay increases awarded to other groups of employees within the Company.	No specific maximum salary or maximum salary increase applies to base salaries. Pay levels will be appropriate to market.	n/a
BENEFITS	To attract and retain the right individuals and level of talent required to support achievement of both short and long-term value creation.	Benefits and allowances include, but are not limited to, cost of living, housing allowance, property management (home country), tax assistance, international supplementary medical coverage, home leave and tax equalisation. Other benefits may be provided to the directors if considered appropriate by the Committee, for example a one-time relocation allowance payable to new directors. The additional benefits will be disclosed in the Annual Report for the relevant year.	The current maximum benefit levels for the Chairman and Chief Executive Officer are set out below, these are subject to annual review and may be increased based on relevant market data or changes to the cost to the Company of providing this benefit: • Annual housing allowance has been capped at £76,800 net of taxes • Home leave will not exceed $20,000 per annum • Property management will not exceed $5,000 per annum • Annual cost of living adjustment will not exceed $20,000 net of taxes and will be reviewed annually Other benefits have no maximum value. The value of these benefits will be determined by the Committee.	n/a

	Purpose and link to strategy	Operation	Maximum award opportunity	Performance measures
PENSION	To attract and retain the right individuals and level of talent required to support achievement of both short and long-term value creation.	The Company's position on pension policy is to make a pension contribution in respect of individual Directors if this is required as part of a competitive remuneration package.	The Chairman and Chief Executive Officer receives a pension contribution based on Internal Revenue Service limits (to a maximum employer contribution of $11,000 for 2018) which currently equates to a 1:1 match for the first 3% employee contribution and a ½:1 match for the next 2% employee contribution (giving an effective employer contribution rate of 4%). The other Executive Director is a member of a defined contribution pension scheme and currently receives a contribution of 16% of base salary.	n/a
ANNUAL BONUS	To incentivise the delivery of the Company's business plan and key performance measures on an annual basis.	Annual bonus performance measures and targets are determined by the Committee at the start of each financial year. Annual bonus awards will be paid out in cash on an annual basis. The Remuneration and Appointment Committee retains the discretion to adjust the bonus payout.	Chairman and Chief Executive Officer: maximum 150% of base salary. Other Executive Directors: maximum 75% of base salary. The current annual bonus operates with a target of 120% of base salary for the Chairman and Chief Executive Officer and 60% of base salary for the other Executive Directors. These target percentages may be adjusted by the Remuneration and Appointment Committee. There is no defined threshold payout for bonus.	Performance is measured against a combination of key quantitative and qualitative objectives. The Remuneration and Appointment Committee will consider and agree relative weightings in respect of each financial year. Performance measures and targets will be disclosed in the Annual Report on Remuneration unless they are deemed by the Remuneration and Appointment Committee to be commercially sensitive.
LONG TERM INCENTIVE PLAN (LTIP)	To incentivise the delivery of key performance measures over the long term. To retain key executives and ultimately increase their share ownership in the Company, thus aligning their interests with those of shareholders.	The Board, unless delegated authority to the Remuneration and Appointment Committee, retains the discretion to determine the design and operation of the LTIP awards. However, an award will typically be made as either: a) a performance unit; or b) a market value option; or c) a premium priced option The Remuneration and Appointment Committee will consider the relative merits of each type of award and will ensure that any awards made are in a form that is appropriate to the business at that time. Full details of all awards made will be disclosed in the Annual Report on Remuneration in the relevant year.	The normal maximum annual value of an award at the date of award will be equivalent to no more than $4 million.	Performance measures and the relevant weightings if more than one measure will be determined by the Remuneration and Appointment Committee each year and disclosed in the Annual Report on Remuneration unless deemed to be commercially sensitive. The measures reflect the Company's strategic aims and could be based on one or more of the following: revenue, revenue growth, EBIT, EBITDA, EBITDA margin and other relevant measures. If awards are granted as market value options or premium priced options then no additional performance measures will be attached to the awards.

SHAREHOLDING GUIDELINES

The Chairman and Chief Executive Officer is required to have a shareholding in the Company over a period of time determined by the Committee. The Chairman and Chief Executive Officer will be required to invest at least 10% of any Long-Term Incentive Payment after taxes in shares of the Company.

Other Directors must, starting at the latest within three months of his or her appointment, own at least 16 fully-paid Company shares for the duration of his or her term of office.

Differences in remuneration policy for all employees

When determining the Executive Directors' remuneration, the Remuneration and Appointment Committee takes into consideration the remuneration of employees below board level. All elements of pay are based on the relevant roles and responsibility, as well as market norms for comparable roles.

Not all employees will be eligible for the benefits and variable pay arrangements described for the Executive Directors in the Remuneration Policy. Other employees of the Company may be offered some form of variable pay to drive performance at all employee levels. Some senior employees may be also eligible for share-based awards, as deemed necessary by the Committee.

Formal consultation on executive remuneration is not undertaken with colleagues.

Setting performance measures and targets

The Remuneration and Appointment Committee has selected the performance measures and targets in line with the short-term and long-term business objectives of the Company. The Committee reviews the performance measures and targets each year to ensure they remain relevant and continue to challenge the Executive Directors.

To set the agreed performance targets for variable pay, the Committee takes into account short-term and long-term strategic goals of the Company, the business plan for the coming years and the underlying financial performance of the Company. Long-term incentives will be based on delivering greater value to shareholders.

Committee discretion

The Committee retains the right to make discretionary amendments to the annual bonus plan and LTIP arrangements. If the Committee feels a variable award produced an unfair result taking account of performance during the year, the Committee may make amendments to the vesting of an award. Similarly, the Committee may make amendments to the performance conditions of the annual bonus plan or LTIP in the event that the Committee felt that the performance conditions have become irrelevant due to an unforeseeable change in circumstances. In the event such a change is made, the Committee will ensure that any new or revised performance measures are appropriate taking account of all of the circumstances.

If the Committee decides to use any of the discretions set out above, details of the discretion used will be disclosed in the relevant Annual Report. Discretion will not be used to increase awards above the maximum levels set out in the Remuneration Policy.

Remuneration Policy – Non-Executive Directors

Purpose and link to strategy	Operation	Maximum award opportunity	Performance measures
To attract and retain individuals of the calibre required to fulfil the Company's strategic and business objectives.	Fees for Non-Executive Directors are based on market practice and are reviewed by the Board each year. All Non-Executive Directors receive a basic fee each year with an additional fee provided for each committee chairmanship and membership. An additional fee is provided to the Chairs and Members of each committee per committee meeting attended during the year.	The aggregate annual maximum award opportunity is an amount equal to €100,000 multiplied by the number of Non-Executive Directors receiving fees.	n/a

Remuneration review

This section of the 2018 Annual Report on Remuneration provides details of the application of our Remuneration Policy for 2018.

Membership of the Remuneration and Appointment Committee

The table below shows the composition of the Remuneration and Appointment Committee and their attendance at meetings held in 2018:

Member	Position	Remuneration and Appointment Committee							
		24 Jan. 2018	20 Mar. 2018	12 Apr. 2018	5 Jun. 2018	9 Aug.2018	28 Aug. 2018	2 Oct.2018	11 Dec. 2018
Jean-Luc Bélingard	Member	X	X	X	✓	✓	✓	X	✓
Stefan Meister	Member	✓	✓	✓	✓	✓	✓	✓	✓
Yvonne Schlaeppi	Member	✓	✓	✓	✓	✓	✓	✓	✓
Elmar Schnee	Chairman	✓	✓	✓	✓	✓	✓	✓	X

The Remuneration and Appointment Committee held eight meetings during the year, and key activities included discussion on the following issues:

- Composition of the Board, Board Committees and remuneration arrangements;
- The vesting of 2016 long-term incentive awards;
- Determining 2018 variable compensation;
- Setting objectives for 2018 variable compensation; and
- The Company's overall compensation and rewards programmes and philosophy.
- appointment of Lead Independent Director;
- senior executive hiring;
- objectives of the Chairman and CEO;
- 2017 LTIP and incentive arrangements.

The Committee may decide to invite other individuals to meetings to provide advice to the Committee. Additional attendees to the Committee in 2018 included:

Attendee	Role
Andrew Suchoff	Global Head of People Operations and Talent Development
Devin Smith	General Counsel and Company Secretary
Lachlan Low	Company Secretary
Matthias Vogt	Chief Financial Officer
Fereydoun Firouz	Chairman and CEO

No Executive Director was present when his or her own remuneration was determined.

External advisors

No external advisors were used in 2018.

Remuneration outcomes for 2018

Executive Directors (Audited)

The table below sets out the single figure of total remuneration for Executive Directors for the financial year ended 31 December 2018.

	Salary		Benefits		Annual bonus		Pension		Total remuneration	
(in €)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Fereydoun Firouz[1]	621,037	650,731	435,852	436,117	982,533	750,438	8,960	11,910	2,048,382	1,849,196
Paola Ricci[2]	201,622	361,176	6,683	11,390	268,879	200,929	32,518	58,251	509,703	631,746

1. Fereydoun Firouz received his remuneration in U.S.-dollars and some expenses in Sterling. His pay for 2018 (except for the annual bonus) has been calculated using the actual exchange rate at time of payment. The annual bonus has been calculated based on the year-end rate for December 2018 as used to compile the numbers in the financial statements. The Sterling benefits have been converted to Euros using the average monthly exchange rate throughout the period.

2. Paola Ricci receives her remuneration in Swiss Francs. Her pay for 2018 (except for the annual bonus) has been calculated using the actual exchange rate at time of payment. The annual bonus has been calculated based on the year-end rate for December 2018 as used to compile the numbers in the financial statements. Mrs Ricci terminated employment on 31 July 2018. Mrs Ricci's salary, benefits, and pension reflect payments through July 2018.

Additional footnotes required for the table

I) BENEFITS
Benefits paid in the year consist of a housing allowance, cost of living allowance, health insurance and tax equalisation.

II) ANNUAL BONUS
- The bonus for 2018 represents performance delivered from 1 January 2018 to 31 December 2018. The quantitative objectives in this period included:
- Meet EBIT expectations
- Achieve global sales target
- Achieve clinical trial milestones for the STAGR320 study
- Manage global operating expenditures

All of these objectives have been met or exceeded. In addition, recognizing the fast-changing environment in 2018 and how leadership responded, we took the decision to award Fereydoun Firouz a bonus of €982,533, which represents 125% of target bonus. Paola Ricci received a bonus of €268,879 which represents 125% of target bonus. I'd like to thank both Fereydoun and Paola for their exemplary service to Stallergenes Greer over the past several years, and on behalf of the Board of Directors, wish them the best in their retirement and future endeavours. Further detail is provided in the Remuneration Review of the Annual Report on pages 51 to 55.

The actual targets are considered commercially sensitive and will be disclosed when the Committee determines that they are no longer commercially sensitive. The Chairman and Chief Executive Officer receives a pension contribution to a 401(k) retirement plan which is governed by IRS rules. The percentages are as set out in the policy table. The other current Executive Director is a member of a defined contribution scheme and received an employer contribution of 16% of salary during the year. No Director has an entitlement to a defined benefit pension.

Non-Executive Directors (Audited)

The table below sets out the single figure of total remuneration for Non-Executive Directors for the financial year ended 31 December 2018.

	Fixed fees		Variable fees		Total fees	
(in €)	Non-Executive Director's fee	Committee Chairman fees	Committee Member fees	Lead Independent Director Fee	2018	2017
Philip Broadley[1]	60,000	30,000			51,287	n/a
Jean-Luc Bélingard	60,000		15,000		75,000	25,200
Rodolfo Bogni	60,000				60,000	14,200
Patrick Langlois[2]					21,945	38,750
Stefan Meister						–
Yvonne Schlaeppi	60,000		30,000		90,000	36,550
Elmar Schnee	60,000	30,000	15,000	25,000	130,000	47,550
TOTAL					428,232	162,250

1. Philip Broadley was appointed a director and Chairman of the Audit Committee on 7 June 2018, therefore annual fees pro-rated.
2. NED fees were revised at the board meeting that took place on 29 August 2018 and the revised fees were backdated to 1 January 2018. Patrick Langlois was a director and Chairman of the Audit Committee until 7 June 2018 and his fees are therefore calculated under the old fee structure.
Fixed Fees: Mr Langlois' fees are as follows: Annual Independent Director Fee €2,365.75 (€5,500 pro-rated), annual Committee Chairman Fee: €1,892.60 (€4,400 pro-rated) and Annual Committee Member Fee €946.30 (€2,200 pro-rated) **Total = €5,204.66**
Variable Fees: Director Fee = €1,450; Committee Chairman Fee = €2,200 and Committee Member Fee = €2,200; Fee for Board Meetings attended = €1,450 x 7 = €10,150; and Fee for Committee Meetings attended = €2,200 x 3 = €6,600. **Total = €16,750**

Relative importance of spend on pay

The table below shows the total employee remuneration for 2017 and 2018. There were no distributions to shareholders during 2017 or 2018. There were no other significant distributions.

(€ thousand)	2017	2018
Total employee remuneration	117,080	119,317

Payments to past Directors (Audited)

There were no payments made to past Directors during the year.

Payments for loss of office (Audited)

All payments made for loss of office have been made in accordance with the current remuneration policy, disclosed in full in the 2016 Annual Report.

As disclosed on page 52, Paola Ricci received salary, benefits and pension entitlements up to the date of her retirement on 31 July 2018 and an annual bonus of €268,879. Paola Ricci did not hold any share options or long-term incentive awards at the time of termination and received no other payments for the loss of her office and employment.

Fereydoun Firouz will remain employed by the Company to provide transitional services until 4 January 2020. On his departure from the Company Fereydoun shall receive a payment of US$1,650,000 in severance and US$900,000 for fulfilling the restrictive covenants under his employment contract. No options or awards will be granted to Fereydoun Firouz under the Company's long-term incentive scheme or otherwise in 2019 and he will not be entitled to receive any other payment for the loss of his office or employment other than as disclosed above although his existing options will continue to vest in accordance with their terms.

Scheme interests awarded during the year

No long-term incentive awards were made in 2017 or 2018.

Percentage change in Chief Executive remuneration

The table below shows the change in the CEO's remuneration compared with the change in that of employees in the U.S. This group was chosen because the Remuneration and Appointment Committee consider it be the most comparable group as this is where the Chairman and Chief Executive is based.

	Percentage change 2017 – 2018		
	Base salary	Benefits	Annual bonus
CEO	0%	0%	25%
All employees	(6.2)%	1.5%	20%

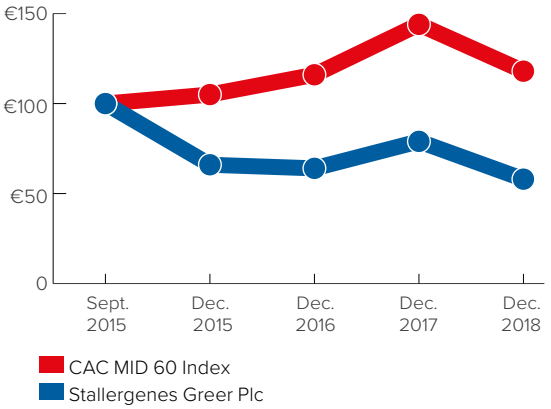
Any change in CEO base salary from 2017 to 2018 is a result of foreign currency fluctuations. There has been no change on a local currency basis.

The increase in CEO benefits reflects a full year of tax equalisation benefits (with the 2017 comparative figure representing a part year only).

Director	Plan	Date of grant	Awarded during the year	Exercised during the year	Lapsed during the year	Exercise price (€)	Share price on date of grant (€)	Share price on date of exercise	Date of vesting
Fereydoun Firouz	2018	–	–	–	–	–	–	–	–
	2017	–	–	–	–	–	–	–	–
	2016	30/09/2016	318,897	–	–	28.20	28.20	–	30/09/2018
		30/09/2016	318,897	–	–	28.20	28.20	–	30/09/2019
Paola Ricci	2018	–	–	–	–	–	–	–	–
	2017	–	–	–	–	–	–	–	–
	2016	–	–	–	–	–	–	–	–

Review of past performance

The graph below shows the value at 31 December 2018 of €100 invested in Stallergenes Greer on 8 September 2015, compared with €100 invested in CAC Mid 60 Index. The Company feels this is a relevant broad index for comparison purposes.



The table below shows the remuneration of the Chairman and Chief Executive Officer for 2017 and 2018, together with the bonus payment as a percentage of maximum.

Chief Executive	2017	2018
Total single figure (€ thousand)	1,849	2,048
Bonus (% of maximum)	80	100%

Directors' shareholding requirements and interests in shares (Audited)

The table below shows the Directors' shareholdings as at 31 December 2018.

Director	Ordinary shares held	Unvested shares
Fereydoun Firouz	100	637,794
Paola Ricci	16	–
Jean-Luc Bélingard	20	–
Stefan Meister	16	–
Yvonne Schlaeppi	30	–
Elmar Schnee	1,000	–
Rodolfo Bogni	16	–
Patrick Langlois	17	–
Philip Broadley	100	-

Statement of implementation of the Remuneration Policy in 2019

Base salary – fiscal year 2019

The Remuneration and Appointment Committee has determined that there will be no base salary increases.

	Salary in 2018 (€ thousand)	Salary at 1 Jan 2019 (€ thousand)	Percentage increase
Fereydoun Firouz	655	625	0
Paola Ricci	359	N/A	0
Michele Antonelli	N/A	601	N/A

1. Fereydoun Firouz receives his base salary in U.S.-dollars (USD 750,000). His salary has been calculated using the actual exchange rate at time of payment.
2. Paola Ricci receives her base salary in Swiss Francs (CHF 404,000). Her salary has been calculated using the actual exchange rate at time of payment.
3. The 'Salary in 2019' is based on the relevant exchange rate at the end of 2018.
4. Any changes in base salary from 2018 to 2019 are a result of foreign currency fluctuations. There have been no changes on a local currency basis.

Annual bonus – fiscal year 2019

The performance conditions that have been set for annual bonus achievement for the year commencing 1 January 2019 are based 100% on quantitative measures for the CEO. These objectives are based on sales, cost management and key milestones of strategic projects.

The performance measures have been selected to ensure continued alignment between executive remuneration and the achievement of strategic and business objectives of the Company. Details of the targets have not been disclosed due to commercial sensitivity. The Committee will disclose these targets for the relevant year when the Committee considers these performance objectives as no longer commercially sensitive.

Long-term incentive plan – fiscal year 2019

Awards may be made during 2019 under the LTIP as either performance-based cash or stock awards, market value options or premium priced options. The Remuneration and Appointment Committee will determine the most appropriate form of award at the time.

Should awards be made as performance units, the Remuneration and Appointment Committee will determine an appropriate performance measure (or measures) which reflect the Company's strategic aims.

Should awards be made as market value or premium priced options then no additional performance measures will be attached to the awards.

Full details of awards made, including any performance measures, will be disclosed in next year's Annual Report.

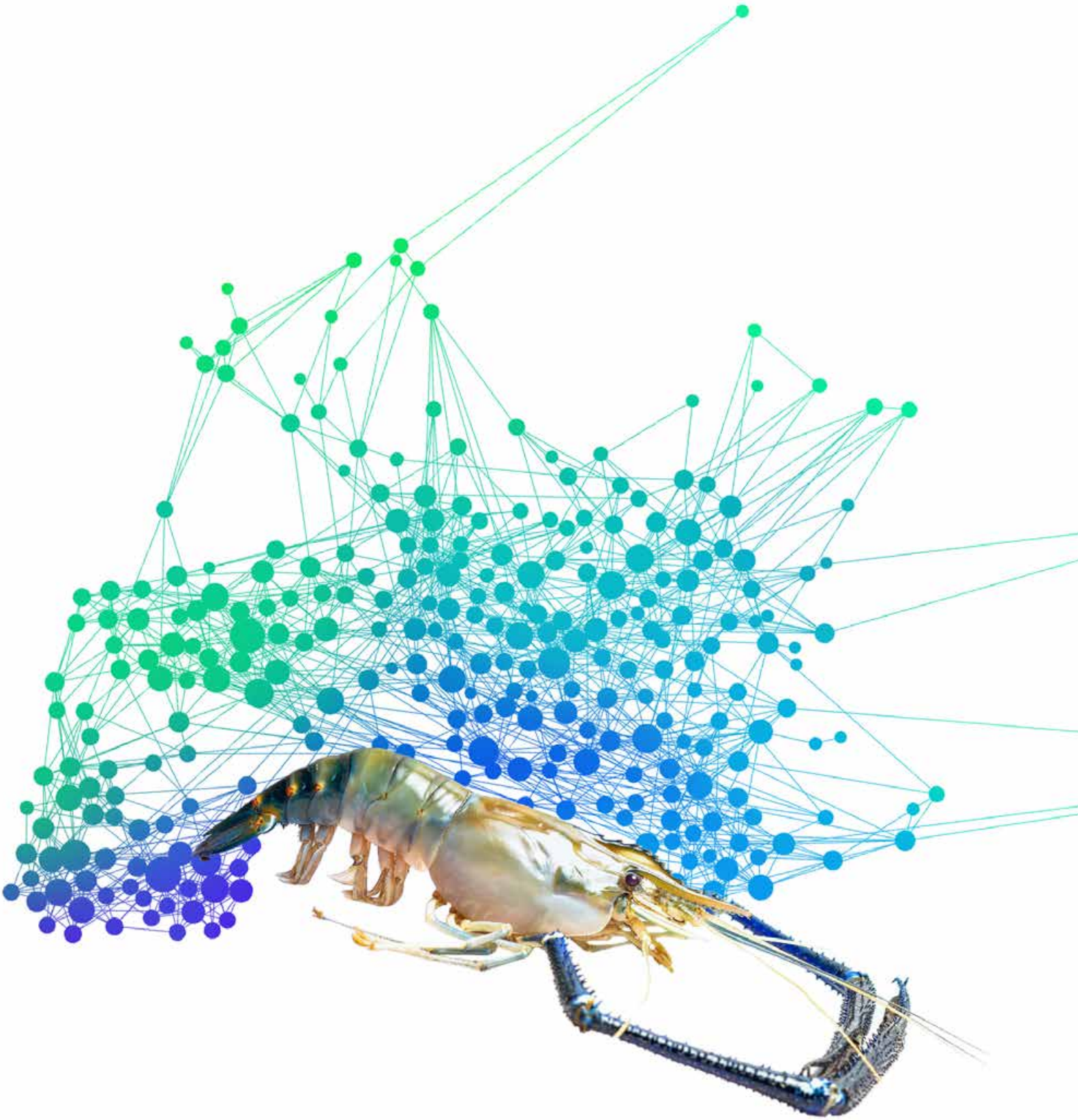
Statement of voting

The table below shows the voting outcomes for the 2016 Directors' Remuneration Report from the AGM on 8 June 2018.

Statement of voting	Votes for	% votes for	Votes against	% votes against	Votes withheld
Remuneration Report	17,074,529	96.23	668,332	3.77	2,724

Elmar Schnee
Chairman of the Remuneration and Appointment Committee

13 April 2018



Patients are allergic to a variety of foods, including nuts, fruits, vegetables and seafood and they are going online to share their experiences and gain information.

Life *beyond allergy*

Financial statements

Consolidated Financial statements

Independent auditor's report to the members of Stallergenes Greer plc

Opinion

In our opinion:

- Stallergenes Greer plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Stallergenes Greer plc which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2018	Balance sheet as at 31 December 2018
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of other comprehensive income for the year then ended	Related notes 1 to 5.15 to the financial statements including a summary of significant accounting policies
Consolidated statement of changes in equity for the year then ended	
Consolidated cash flow statement for the year then ended	
Related notes 2.1 to 5.6 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial
- statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Impairment of Goodwill and Intangibles in the Group accounts / Impairment of investments in the Company accounts • Improper revenue recognition / Management override of controls • Valuation of inventory
Audit scope	• We performed an audit of the complete financial information of three components and audit procedures on specific balances for one further component. • The components where we performed full or specific audit procedures accounted for 87% of Revenue and 93% of Total assets.
Materiality	• Overall Group materiality of EUR 2.5 million which represents 0.9% of Group Revenue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of Goodwill and Intangibles in the Group accounts / Impairment of investments in the Company accounts		
Refer to the Accounting policies (page 82); and Note 3.1 of the Consolidated Financial Statements (page 94) The Group has EUR 202m (2017: EUR 195m) of goodwill, mainly related to the US & Canada cash generating unit, and EUR 65m (2017: EUR 71m) of Other Intangible Assets. Recoverability of these assets is based on forecasted discounted future cash flow (DCF) models, which are inherently highly judgmental. We focused on the US & Canadian cash generating unit due to the limited headroom and the uncertainties related to commercial ramp up of tablets on the US market and the successful development and commercialisation of new products. In the Company accounts, the investments in Stallergenes Greer Holdings Inc. and Finares Holding AG, which represent the combined value recognised for the US Group acquired in May 2015, present a similar risk of impairment. Their carrying value as of 31 December 2018 is EUR 266m, after an impairment charge of EUR 234m recorded in 2017 and an additional impairment of EUR 47m in 2018.	We walked through management's impairment testing process, including controls over: - the underlying projections prepared through the forecasting process; - the assumptions applied; - the completeness and accuracy of the data used in the value in use modelling; and - the calculation of sensitivities. We tested the integrity of the impairment models and the appropriateness of the methodology used including comparability to prior periods. We performed our own sensitivities on the key assumptions used by management and determined whether adequate headroom remained. Our audit procedures included: - Assessing the historical accuracy of management's budgets and forecasts through comparison with actual performance; - Corroborating management's assumptions, with external data where applicable, involving our valuation specialists to assess if the assumptions used are within an acceptable range; - Performing sensitivity analysis on the main assumptions: discount rate, terminal growth rate, and revenue growth on new products; We also assessed the adequacy of related disclosures in the Group and Parent Company 's financial statements. Our procedures were mainly performed by the primary team including making inquiries with management both at Group level and in the regions.	We concluded that there is no further impairment required in the Financial Statements. We also conclude that the related disclosures provided in the Group and Company Financial Statements are appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Improper revenue recognition / Management override of controls		
Refer to the Accounting policies (page 89) In a context of financial recovery, there is a risk that management overrides revenue recognised in order to achieve target sales communicated to the markets and/or to achieve bonus targets. We considered that the risk of improper revenue recognition (Revenue EUR 277.1m, 2017: EUR 260.2m) was mainly related to: - Manual entries to adjust the revenues; - Cut-off issues as of year-end when the business seasonality generates high deliveries in the last months and product returns post year-end might not be properly provided for; - Discounts and rebates based on volumes which might not be properly provided for; - Deferred revenues estimate in collaboration agreements.	For full scoped entities, we performed walkthroughs of each significant class of revenue transactions and assessed the risk of management override for each category. We also validated that the Entity Level Controls in relation with revenue recognition were operating. We performed analytical review procedures as well as substantive procedures, including: - Data analysis correlating revenue to cash, and investigating entries outside of the excepted flow; - Journal entry testing focused on revenue entries showing some unusual characteristics and consolidation entries related to revenue; - Cut-off testing to check that revenue had been recognised in the appropriate accounting period; - Re-computing volume rebates and agreeing terms to the distribution agreements on a selected sample of agreements. For collaboration agreements, we have verified that the accounting was properly reflecting the agreements signed and the progress in its execution, in accordance with IFRS 15. Our procedures were performed by our component teams, instructed by the primary team who defined the audit strategy and was directly involved in the analytical review procedures and the areas of judgement.	Based on the procedures performed, we concluded that there is no material misstatement within the revenue recognised for the year ending 31 December 2018.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation of inventory – costing		
Refer to the Accounting policies (page 87); and Note 3.6 of the Consolidated Financial Statements (page 99) The Group held an inventory balance at the year-end of EUR 58.4m (2017: EUR 56.8m), as disclosed in Note 3.6. This is a material balance for the Group which requires management judgement in determining the assumptions behind the costing basis. We focused on the inventory in Stallergenes SAS (France) due to the judgements related to the normal capacity levels of the production in a period of ramp-up following the 2015 manufactory suspension.	We walked through the process to update standard costs and the documentation of the company's related controls. We corroborated management's judgements in determining normal production capacity by comparing with historical and budgeted level of production. We performed analytical review procedures as well as substantive procedures, including: - Analysing the variance between actual and budgeted cost absorption; - Testing on a sample basis the standard cost calculation, notably by vouching purchase invoices and testing the hourly rates calculation ; - Comparing the standard cost to the selling price to test the realisable value. These procedures were performed by our French component team, under the direction and supervision of the primary team.	As a result of the procedures performed, we concluded that management's judgements in determining the costing assumptions for the French entity were appropriate and in accordance with the Group's accounting policies and IFRS.

Recoverability of Deferred Tax Assets was included as a key audit matter last year in view of the significance of the amount capitalised and the uncertainties related to the French component profitability. Whilst there is still some judgement when estimating the future taxable income, the return to taxable profit of the French entity in 2018 and its continuing market recovery has decreased the risk of material misstatement on the Group accounts.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each entity.

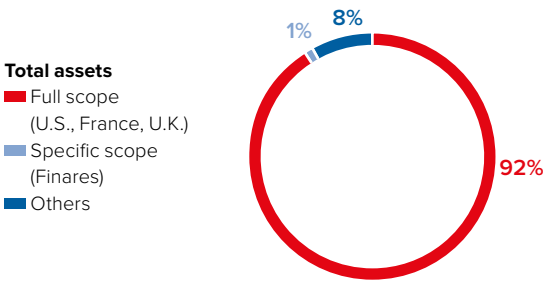
In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 25 reporting components of the Group, we selected 4 components covering entities within France, USA, UK and Switzerland, which represent the principal business units within the Group.

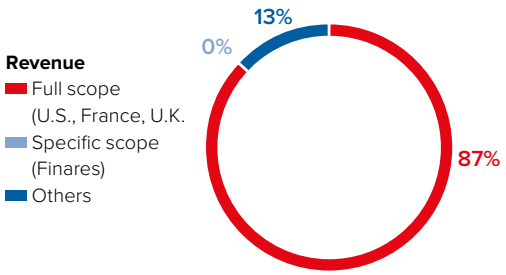
Of the 4 components selected, we performed an audit of the complete financial information of 3 components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 1 component ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 87% of the Group's Revenue and 93% of the Group's Total assets. For the current year, the full scope components contributed 87% of the Group's Revenue and 92% of the Group's Total assets. The specific scope component did not contribute materially to the Group's Revenue or the Group's Total assets but was selected based on its risk profile. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant tested for the Group.

Of the remaining 21 components that together represent 13% of the Group's Revenue, none are individually greater than 5% of the Group's Revenue. For these components, we performed other procedures, including analytical reviews and testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.





Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team, or by component auditors from other EY global network firms operating under our instruction. Of the 3 full scope components, audit procedures were performed on one of these directly by the primary audit team and on two directly by an EY component audit team. On the one specific scope component, audit procedures were performed directly by the primary audit team.

During the current year's audit cycle, visits were undertaken by the primary audit team to the component teams in the USA and in France. This visit involved discussing the audit approach with the component team and any issues arising from their work, meeting with local management, attending planning and closing meetings and reviewing key audit working papers on risk areas. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed key working papers and were responsible for the scope and direction of the audit process. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be EUR 2.5 million, which is approximately 0.9% of Group Revenue. We believe that Group Revenue provides us with the most relevant basis for the Group's current business still under recovery. Group Revenue is a key metric followed by management and most closely focused by the market participants.

We determined materiality for the Parent Company to be EUR 18.5 million, which is 3% of Equity.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% of our planning materiality, namely EUR 1.8 million.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was EUR 1 million to EUR 1.4 million.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of EUR 0.12 million, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 45, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group.
- We understood how Stallergenes Greer plc is complying with those frameworks by the oversight of those charged with governance, the culture of honesty and ethical behaviour and a strong emphasis placed on fraud prevention.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by assessing the group's group level controls, management's process to review and assess the group's principal risks and uncertainties and by gaining understanding of the mitigation measures applied.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved management inquiries, external confirmations and obtaining of inspection reports.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation of the audit committee we were appointed by the Company at its annual general meeting on 8 June 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 2 years, covering the year ended 31 December 2018.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sarah Kokot (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
20 March 2019

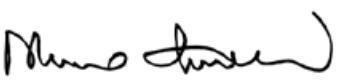
Notes:
1. The maintenance and integrity of the Stallergenes Greer plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1 Consolidated balance sheet as at

€ thousands	Notes	31/12/2018	31/12/2017
Goodwill	3.1	202,723	195,187
Other intangible assets	3.2	65,093	70,913
Property, plant and equipment	3.3	76,148	69,138
Non-current financial assets	3.4	2,736	3,957
Deferred tax assets	3.5	27,276	26,754
Other non-current assets		237	237
Non-current assets		374,213	366,186
Inventories	3.6	58,453	56,793
Trade receivables	3.7	33,025	33,199
Current financial assets		772	684
Other current assets	3.8	9,192	9,231
Current income tax receivable		2,997	611
Research tax credit and subsidies receivable	3.9	21,704	22,708
Cash and cash equivalents	3.10	73,946	50,849
Current assets		200,089	174,075
Total assets		574,302	540,261
Share capital	3.11	19,788	19,788
Share premium	3.11	539	539
Merger and contribution premium		342,149	342,149
Revaluation reserve		(348)	(236)
Retained earnings		109,067	85,086
Group shareholders' equity		471,195	447,326
Non-controlling interests		–	–
Total shareholders' equity		471,195	447,326
Provision for employee retirement obligations and related benefits	3.13	3,708	3,442
Non-current provisions	3.12	860	514
Non-current financial liabilities	3.10	6,318	6,318
Deferred tax liabilities	3.5	3,815	6,283
Non-current liabilities		14,701	16,557
Trade payables		21,680	19,793
Current provisions	3.12	1,264	2,115
Current financial liabilities	3.10	12,437	12,204
Income tax payable		2,566	1,313
Other current liabilities	3.14	50,459	40,953
Current liabilities		88,406	76,378
Total equity and liabilities		574,302	540,261

The notes included in sections 2 to 5 are an integral part of these consolidated financial statements. The Group financial statements from pages 70 to 116 were approved and authorised for issue by the Board of Directors on 20 March 2019 and were signed on its behalf by:



Michele Antonelli
Chief Executive Officer.
Company registration no: 08806009

1.2 Consolidated income statement for the year-ended

€ thousands	Notes	31/12/2018	31/12/2017
Net sales1	2.8	276,954	260,195
Other revenues		99	36
Total revenues		277,053	260,231
Cost of goods sold		(97,917)	(94,458)
Gross margin		179,136	165,773
Distribution costs		(10,806)	(11,413)
Selling and marketing expenses		(47,738)	(60,624)
Administrative expenses		(57,378)	(57,588)
Other general expenses		(4,768)	(2,281)
Selling, general and administrative expenses		(120,690)	(131,906)
Research and Development expenses (R&D)		(38,429)	(45,630)
R&D related income	4.2	865	6,412
Net R&D expenses		(37,564)	(39,218)
Operating profit / (loss) (EBIT) before transformation costs		20,882	(5,351)
Transformation costs	4.1	(3,322)	–
Operating profit / (loss) (EBIT)	4.1	17,560	(5,351)
Financial income		109	20
Financial expenses		(1,000)	(1,817)
Net financial expense		(891)	(1,797)
Profit / (loss) before tax and associates		16,669	(7,148)
Income tax	4.6	(3,910)	(2,145)
Share of loss from associated companies	4.5	–	(578)
Profit / (loss) for the period attributable to:			
Owners of the parent		12,759	(9,871)
Non-controlling interest		–	–
Group share of net profit / (loss)		12,759	(9,871)

1. The 2017 net sales figure includes a €5,112k unused reversal of the recall provision against sales. Refer to note 3.14 for further information.

The basic profit and diluted profit per share for 2018 was €0.65 (2017: loss of €0.50) (note 4.7).

1.3 Consolidated statement of other comprehensive income for the year-ended

€ thousands	31/12/2018	31/12/2017
Consolidated net profit / (loss) for the year	12,759	(9,871)
Currency translation adjustment	12,138	(34,888)
Change in value of available-for-sale financial assets	–	(285)
Tax effects	–	49
Total items liable to be reclassified to the income statement	12,138	(35,124)
Actuarial gains and losses	106	930
Tax effects	(45)	(175)
Change in value of equity investment at FVOCI	(135)	–
Tax effects	23	–
Total items not liable to be reclassified to the income statement	(51)	755
Other comprehensive income for the year, net of taxes	12,087	(34,369)
Consolidated comprehensive income	24,846	(44,240)
· Attributable to owners of the parent	24,846	(44,240)
· Attributable to non-controlling interests	–	–

1.4 Consolidated statement of changes in equity

€ thousands	Share capital	Share premium	Merger premium	Revaluation reserve	Retained earnings	Shareholders' equity Group share
At 31 December 2016	19,788	539	342,149	–	126,733	489,209
Consolidated net loss for the year	–	–	–	–	(9,871)	(9,871)
Other comprehensive income for the year	–	–	–	(236)	(34,133)	(34,369)
Consolidated comprehensive income	–	–	–	(236)	(44,004)	(44,240)
Attributable to owners of the parent:						
Share-based compensation	–	–	–	–	2,429	2,429
Treasury shares transactions	–	–	–	–	(72)	(72)
At 31 December 2017 published	19,788	539	342,149	(236)	85,086	447,326
Application of IFRS 15 and IFRS 9 (note 2.3)	–	–	–	–	(3,510)	(3,510)
At 1st January 2018 adjusted	19,788	539	342,149	(236)	81,576	443,816
Consolidated net profit for the year	–	–	–	–	12,759	12,759
Other comprehensive income for the year	–	–	–	(112)	12,199	12,087
Consolidated comprehensive income	–	–	–	(112)	24,958	24,846
Attributable to owners of the parent:						
Share-based compensation	–	–	–	–	2,363	2,363
Treasury shares transactions	–	–	–	–	170	170
At 31 December 2018	19,788	539	342,149	(348)	109,067	471,195

The revaluation reserve reflects the unrealised gains or losses recognised as other comprehensive income on equity investment at FVOCI (available-for-sale financial assets in prior year) that are subsequently measured at fair value at each reporting period.

1.5 Consolidated cash flow statement for the year-ended

€ thousands	Notes	31/12/2018	31/12/2017
Cash flow from operating activities			
Group share of net profit / (loss)		12,759	(9,871)
Share of loss from associated companies		–	578
Income tax	4.6	3,910	2,145
Net financial expense		891	1,798
Amortisation and depreciation charges	4.1	21,529	23,404
Change in provisions		(195)	(1,904)
Share-based compensation	5.5	2,363	2,429
Capital losses from disposal of assets		1,156	4,466
Financial losses excluding interests		(73)	(35)
Operating cash flow before changes in working capital		42,340	23,010
Current income tax paid		(5,722)	(3,768)
Change in subsidies and R&D tax credit receivables		(1,614)	(7,240)
Change in working capital of operating activities	5.1	6,731	(16,231)
Change in deferred income	5.1	(55)	11
Net cash flow from operating activities		41,680	(4,218)
Cash flow from investing activities			
Purchase of non-current assets		(24,863)	(12,643)
Acquisition of investments in consolidated undertakings, net of cash acquired		(123)	(1,403)
Proceeds from sale of non-current assets		5,652	5,269
Change in working capital of investment activities	5.1	816	(1,400)
Net cash flow from investing activities		(18,518)	(10,177)
Free cash flow after investing activities		23,162	(14,395)
Cash flow from financing activities			
Proceeds from issuance of ordinary shares		–	–
Treasury shares transactions		169	(72)
Net financial interest paid		(822)	(1,407)
Use/(repayment) of bank overdrafts		(4)	(227)
Repayment of borrowings		(5,522)	(15,054)
Proceeds from borrowings		5,502	12,095
Net cash flow from financing activities		(677)	(4,665)
Change in cash and cash equivalents		22,485	(19,060)
+ cash and cash equivalents – opening balance		50,849	71,262
+/- effect of translation adjustment on foreign currency denominated cash		612	(1,353)
= cash and cash equivalents – closing balance	3.10	73,946	50,849

2. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Stallergenes Greer plc Group ("Stallergenes Greer" or "Group") is dedicated to the diagnosis and treatment of allergies. Stallergenes Greer is a global healthcare company specializing in the diagnosis and treatment of allergies through the development and commercialization of allergy immunotherapy ("AIT") products and services.

The parent company, Stallergenes Greer plc, is a public limited company listed on Compartment B of the Euronext Paris stock exchange. It is incorporated and domiciled in the U.K. Its registered office is located in London at Tower Bridge House, St Katherine's Way, London E1W1DD.

2.1 Basis of preparation

The consolidated financial statements of Stallergenes Greer plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS interpretations committee ("IFRS IC") interpretations as adopted by the European Union ("EU") and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income (available-for-sale financial assets in prior year), and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 2.5.

The balance sheet date used for the preparation of the Group's consolidated financial statements and applicable to all companies included in the scope of consolidation is 31 December of each year.

IFRS 15 'recognition of revenue from contracts with customers' and IFRS 9 'financial instruments' became applicable on 1st January 2018, requiring Stallergenes Greer to update its accounting policies on revenue and financial instruments (see Note 2.3).

However, those updates do not materially affect the way in which Stallergenes Greer accounts for revenue or financial instruments.

2.2 Going concern

The Directors have considered the Group cash flow projections and assessed the robustness of the forecast through sensitivities around the key assumptions, in particular sales growth, selling, general and administrative costs, investment in R&D and manufacturing and investment in Working Capital needs. The Group has a solid cash position as of end 2018, with a €74m gross cash balance. The projections over the next 12 months are showing sufficient resources independently from external additional funding.

Based on this analysis, the Directors have concluded that the Group has sufficient resources to continue in operation for the foreseeable future, being a period of not less than 12 months from the date of this report. Accordingly, the financial statements continue to be prepared on going concern basis.

2.3 Changes in accounting policies and disclosures

2.3.1 New standards adopted as at 1 January 2018 are as follows:

The nature and effect of the changes as a result of adoption of IFRS 15 and IFRS 9 are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1st January 2018. Under this method, the Group elected to apply the standard to contracts that are not completed at this date.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 18 and related Interpretations. The effect was a negative adjustment in 2017 to net sales and to Equity as of January 1, 2018 due to a timing difference, which resulted in a positive net effect in 2018 due to the recognition of 2017 deferred sales within 2018, as presented in the table below.

The effect of adopting IFRS 15 as at 1st January 2018 was as follows:

Impact of changes in accounting policies on consolidated income statement

€ thousands	Balances as of 31 Dec 2018 with adoption of IFRS 15	Adjustments	Balances as of 31 Dec 2018 without adoption of IFRS 15
Net sales	276,954	(2,705)	274,249
Other revenues	99	(97)	2
Total revenues	277,053	(2,802)	274,251
Cost of goods sold	(97,917)	1,329	(96,588)
Gross margin	179,136	(1,473)	177,663
Distribution costs	(10,806)	(920)	(11,726)
Selling and marketing expenses	(47,738)		(47,738)
Administrative expenses	(57,378)		(57,378)
Other general expenses	(4,768)		(4,768)
Selling, general and administrative expenses	(120,690)	(920)	(121,610)
Research and Development expenses (R&D)	(38,429)		(38,429)
R&D related income	865		865
Net R&D expenses	(37,564)		(37,564)
Operating profit / (loss) (EBIT) before transformation costs	20,882	(2,393)	(18,489)
Transformation costs	(3,322)		(3,322)
Operating profit / (loss) (EBIT)	17,560	(2,393)	15,167

Impact of changes in accounting policies on consolidated balance sheet

€ thousands	Balances as of 31 Dec 2018 with adoption of IFRS 15	Adjustments	Balances as of 31 Dec 2018 without adoption of IFRS 15
Goodwill	202,723		202,723
Other intangible assets	65,093		65,093
Property, plant and equipment	76,148		76,148
Non-current financial assets	2,736		2,736
Deferred tax assets	27,276		27,276
Other non-current assets	237		237
Non-current assets	374,213		374,213
Inventories	58,453	200	58,653
Trade receivables	33,025	962	33,987
Current financial assets	772		772
Other current assets	9,192		9,192
Current income tax receivable	2,997		2,997
Research tax credit and subsidies receivable	21,704		21,704
Cash and cash equivalents	73,946		73,946
Current assets	200,089	1,162	201,251
Total assets	574,302	1,162	575,464
Share capital	19,788		19,788
Share premium	539		539
Merger and contribution premium	342,149		342,149
Revaluation reserve	(348)		(348)
Retained earnings	109,067	1,352	110,419
Group shareholders' equity	471,195	1,352	472,547
Non-controlling interests	–		
Total shareholders' equity	471,195	1,352	472,547
Provision for employee retirement obligations and related benefits	3,708		3,708
Non-current provisions	860		860
Non-current financial liabilities	6,318		6,318
Deferred tax liabilities	3,815		3,815
Non-current liabilities	14,701		14,701
Trade payables	21,680		21,680
Current provisions	1,264		1,264
Current financial liabilities	12,437		12,437
Income tax payable	2,566		2,566
Other current liabilities	50,459	(190)	50,269
Current liabilities	88,406	(190)	88,216
Total equity and liabilities	574,302	1,162	575,464

The net impact presented, is the net of period effect as presented in the table Impact of changes in accounting policies on consolidated income statement and the cumulative effect of the opening balance sheet adjustment, as the company elected for the modified retrospective method for 2017.

A. Sales

The concepts of “transfer of control” and “variable considerations” did not materially affect the way in which the Group recognises revenue. Revenue previously recognized as “net sales” by the Group relates to the sales of allergy immunotherapy products, net of commercial discounts and rebates. Under IFRS15, they will continue to be recognised at a point of time, when control is passed onto the customer which can be when the products are shipped from the manufacturing or at any time between the shipment and the reception by the customer.

B. Sales and commissions paid to distributors

Sales to distributors were previously recognised when the products were delivered to the distributor and related commissions paid recorded in operating expenses at the same time. Under IFRS 15, the accounting depends on the agent versus principal considerations for each distributor:

- when the distributor is considered as a Principal, revenue is recognised when the control is passed to the distributor, net of the commissions paid;
- when the distributor is considered as an Agent, revenue is recognised upon the transfer of control to the final customer and the commission paid recorded in operating expenses at the same time.

C. Collaboration agreements

The Group enters into collaboration agreements for the development and commercialisation of new products, for which it may receive some revenues in the form of upfront fees, milestones, profit sharing and/or sales royalties.

The Group has identified the performance obligations existing under these agreements, analysed if they are settled at a point in time or over the expected life of the contract and allocated the price to each performance obligations with reference to its relative standalone value within the contract.

The adoption of IFRS 15 had no impact on the accounting of revenues related to collaboration agreements. The main collaboration agreement is with Shionogi & Co., Ltd. for which the upfront recognition of the development fees for the transfer of the IP rights remained unchanged.

IFRS 9 ‘Financial instruments’

The Group applied IFRS 9 prospectively, with an initial application date of 1st January 2018. The Group has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 were not material and have been recognised directly in retained earnings.

The nature of these adjustments is described below:

A. Classification and measurement:

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Group’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ on the principal amount outstanding.

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39.

The following are the changes in the classification of the Group’s financial assets:

- Trade receivables and Other non-current financial assets classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. They continue to be measured at amortised cost.
- Equity investments classified as AFS financial assets as at 31 December 2017 are now classified and measured as Financial assets designated at fair value through OCI beginning 1st January 2018. The Group elected to classify irrevocably its non-listed equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

Financial liabilities: here have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

B. Impairment

The IAS 39's incurred loss approach has been replaced with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The simplified model applied by the Group had no significant impact on the impairment assessment.

On the date of initial application, 1 January 2018, the financial instruments of the Group were reclassified as follows:

		Measurement category			Carrying amount
	Original IAS 39	New IFRS 9 Category	Closing balance 31 Dec 2017 (IAS 39)	Adoption of IFRS 9	Opening balance 1 Jan 2018 (IFRS 9)
Non-current financial assets					
Deposits	Held to maturity (amortised cost)	Amortised cost	3,823	–	3,823
Loans and receivables	Amortised cost	Amortised cost	–	–	–
Equity securities	FVTPL	FVTPL	–	–	–
Equity securities (Adea Health Science Inc)	Available for sale	FVOCI	134	–	134
			3,957	–	3,957
Current financial assets					
Trade and other receivables	Amortised cost	Amortised cost	33,199	357	33,556
Liquidity Contract	Amortised cost	Amortised cost	670	–	670
Other short-term financial assets	FVTPL	FVTPL	15	–	15
Cash and cash equivalents	Amortised cost	Amortised cost	50,849	–	50,849
			84,732	357	85,090
Total financial asset balances			88,689	357	89,047

Categories of financial assets and financial liabilities:

31 December 2018	Amortised cost	FVTPL	FVOCI	Total
Financial assets				
Deposits	2,736	–	–	2,736
Loans and receivables	–	–	–	–
Equity securities	–	–	–	–
Trade and other receivables	33,025	–	–	33,025
Liquidity Contract	752	–	–	752
Other short-term financial assets	–	33	–	33
Cash and cash equivalents	73,946	–	–	73,946
Total financial assets	110,459	33	–	110,492
Financial liabilities				
Non-current borrowings	6,318	–	–	6,318
Current borrowings	12,431	–	–	12,431
Bank overdrafts	6	–	–	6
Trade and other payables	21,680	–	–	21,680
Other short-term financial liabilities	–	–	–	–
Total financial asset balances	40,435	–	–	40,435

Amendments to IAS 28 'Investments in Associates and Joint Ventures' – Annual Improvements 2014-2016 Cycle

Clarification that a venture capital organisation, or a mutual fund, unit trust and similar entities may elect, at initial recognition, to measure investments in an associate or joint venture at fair value through profit or loss separately for each associate or joint venture.

Amendments to IFRS 2 'Share-based compensation'

The amendments address the classification and measurement of share-based compensation transactions, which address several requests that the IASB and the IFRS Interpretations Committee received. The amendment contains clarifications and amendments surrounding:

- Accounting for cash-settled share-based compensation transactions that include a performance condition;
- Classification of share-based compensation transactions with net settlement features; and
- Accounting for modifications of share-based compensation transactions from cash-settled to equity-settled.

2.3.2 Standards, amendments and interpretations that are not yet effective and have not been adopted early are as follows:

At the date of authorisation of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards, amendments or Interpretations have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the Group's financial statements.

IFRS 16 'Leases'

IFRS 16 replaces the current guidance in IAS 17 and three related Interpretations. Under IAS 17, lessees were required to make a distinction between a finance lease (on-balance sheet) and an operating lease (off-balance sheet). IFRS 16 now requires lessees to recognise the lease liability reflecting future lease payments and a right to use asset for virtually all lease contracts. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months. The standard applies to annual periods beginning on or after 1 January 2019 with early application permitted. However, the Group have decided not to early adopt.

Management is in the process of assessing the full impact of the Standard. So far, the Group:

- has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts.;
- believes that the most significant impact will be that the Group will need to recognise a right of use asset and a lease liability for the office of several subsidiaries and vehicles currently treated as operating leases. At 31 December 2018 on the basis of current contracts, Stallergenes Greer' s estimate of the right of use asset and lease liability, determined in accordance with IFRS 16, will be between €6 million and €8 million. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense;
- is implementing a new IT system that will facilitate to record lease contracts.

The Group is electing to adopt IFRS 16 on 1 January 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of initial application. Comparative information is not restated.

Choosing this transition approach results in further policy decisions the Group need to make as there are several other transitional reliefs that can be applied. These relate to those leases previously held as operating leases and can be applied on a lease-by-lease basis. The Group are currently assessing the impact of applying these other transitional reliefs.

The Group is currently assessing the impact of the other new standards, amendments and interpretations that are not yet effective. The Group does not currently believe adoption of these would have a material impact on the consolidated results or financial position of the Group and is the reason behind the Group decision to not early adopt any of the above new standards and interpretations.

2.4 Significant accounting policies

2.4.1 Group structure and consolidation method

In accordance with IFRS 10, the consolidated financial statements include Stallergenes Greer plc and entities over which the Group exercises control, directly or indirectly, irrespective of percentage of equity held in these entities.

The Group considers that control is exercised when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its involvement with the entity and has the ability to affect those returns through its power over the entity. Group entities over which Stallergenes Greer plc directly or indirectly exercises exclusive control are fully consolidated from the date exclusive control is transferred to the Group. They are deconsolidated from the date control ceases to exist.

Full consolidation allows recognition of all assets, liabilities, income and expenses of the consolidated entities after elimination of all intra-Group transactions and results.

The entities over which the Group exercises significant influence and the joint ventures are accounted for using the equity method. The consolidated financial statements include the Group's share of the total amount of the profits and losses recognised by the equity-accounted entities.

The financial year of all consolidated entities coincides with the calendar year. The accounting policies of all subsidiaries are consistent with those of the Group.

2.4.2 Related undertakings of the Group

In accordance with section 409 of the Companies Act 2006, a full list of related undertakings showing the country of incorporation, the registered office address and principal activity as at 31 December 2018 is disclosed below.

Unless otherwise stated, the share capital disclosed comprises ordinary shares or common stock (or local equivalent thereof).

All subsidiary undertakings are controlled by the Group and their results are fully consolidated in the Group's financial statements.

The percentage of equity owned by the Group is 100% unless otherwise noted below. The stated ownership percentages represent the effective equity owned by the Group.

Entity name	Country of incorporation	Registered office	Principal activity
Stallergenes Argentina S.A.*	Argentina	Maipu 1300, 13th Floor, Buenos Aires, Argentina	Promotional entity
Stallergenes Australia Pty Ltd*	Australia	Quattro Building 2, Suite 2408, 4 Daydream Street, Warriewood, NSW 2102, Australia	Distribution entity
Stallergenes Österreich GmbH*	Austria	Mariahilferstrasse 103/1/Top 26, 1060 Vienna, Austria	Promotional entity
Stallergenes Belgium S.A.*	Belgium	277 Chaussée de Louvain, 1410 Waterloo, Belgium	Distribution entity
Novogen Importaçao e Exportaçao Ltda.*	Brazil	Rua São Pedro, 25, Centro, CEP 07700-000, City of Caieiras, São Paulo, Brazil	Promotional entity
Stallergenes Canada Inc.*	Canada	1001 Adelaide Street North, Suite 201, London ON N5Y2M6, Canada	Distribution entity
Stallergenes Hong Kong Limited*	China	Suite A 16th Floor Tesbury Centre, 24-32 Queens Road East, Hong Kong, China	Promotional entity
Stallergenes CZ, s.r.o.*	Czech Republic	Křenova 7, 162 00 Prague 6, Czech Republic	Promotional entity
Stallergenes S.A.S.*	France	6, rue Alexis de Tocqueville, 92160 Antony, Cedex, France	Manufacturing & distribution/R&D
Stallergenes GmbH*	Germany	Carl-Friedrich-Gauss-Strasse 50, 47475 Kamp-Lintfort, Germany	Distribution entity
Stallergenes Italia S.r.L.*	Italy	Via Gadames 57/7, 20151 Milan, Italy	Distribution entity
Stallergenes B.V.*	Netherlands	Amsterdam Sloterdijk Teleport Towers, Kingsfordweg 151, Amsterdam, 1043GR, The Netherlands	Distribution entity
Stallergenes sp.zo.o*	Poland	ul. Pańska 98/21, 00-837 Warsaw, Poland	Promotional entity
Stallergenes Portugal Produtos Farmaceuticos Lda*	Portugal	Rua Artilharia Um, nº 104, 1.º andar esq. 1070-015, Lisbon, Portugal	Distribution entity
Limited Liability Company Stallergenes Vostok*	Russia	9 Academica Ilyushina str., 125319 Moscow, Russia	Promotional entity
Stallergenes Ibérica S.A.*	Spain	C/Llacuna, 22-2º 1ª, 08005 Barcelona, Spain	Distribution entity
Stallergenes Greer International AG****	Switzerland	Zugerstrasse 76B, 6340 Baar, Switzerland	Holding entity
Stallergenes AG*	Switzerland	Aegertstrasse 11, 8305 Dietlikon, Switzerland	Distribution entity
Stallergenes Ilaç Promotion Limited Şirket*	Turkey	Fulya, Buyukdere Cd. Pekintas Is Merkezi K:4 Sisli, Istanbul, Turkey	Distribution entity
Stallergenes (UK) Ltd***	United Kingdom	Tower Bridge House, St Katherine's Way, London E1W 1DD	Distribution entity
Stallergenes Greer Holdings Inc.**	United States	179 Lincoln Street, Suite 303, Boston MA 02111, US	Service company
Allermed Laboratories, Inc.**	United States	7203 Convoy Court, San Diego, California 92111, U.S.	Manufacturing & distribution
Greer Laboratories, Inc.**	United States	639 Nuway Circle NE, Lenoir, North Carolina 28645, U.S.	Manufacturing & distribution/R&D

* Indicates entities held through the French branch of Stallergenes Greer plc.
** Indicates entities indirectly owned by Stallergenes Greer plc.
*** The financial statements for the year ended 31 December 2017 of this entity have been exempted from audit under Section 479A of the Companies Act 2006 by way of a parent guarantee from Stallergenes Greer plc. The entity is owned through the French branch of Stallergenes Greer plc. The financial statements for the year ended 31 December 2018 accounts will either be exempted from Audit or will not be audited as the entity will be wound up.
**** Indicates entities directly owned by Stallergenes Greer plc.

On 6 August 2018, the Group completed the liquidation of its Argentinian subsidiary, Stallergenes Argentina S.A.

Related undertakings other than subsidiaries

Entity name	Country of incorporation	Registered office	Principal activity
Mobile Chamber Experts GmbH (25%)	Germany	Geschäftsanschrift: c/o ECARF, Robert-Koch-Platz 7, 10115 Berlin	Provision of mobile environmental exposure chambers for use in clinical studies

2.4.3 Foreign currency transactions

A. Functional and presentation currency

Items included in the financial statement of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euros ("EUR"), which is the Group's presentation currency for its consolidated financial statements and Company's functional currency.

B. Foreign currency denominated transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "finance income or expenses". All other foreign exchange gains and losses are presented in the income statement within "administrative expenses" or "other general expenses".

C. Group companies

The assets and liabilities of foreign subsidiaries (U.S., Czech, Swiss, British, Turkish, Australian, Polish, Argentinian, Russian, Brazilian, Chinese and Canadian) are translated into Euro at the prevailing exchange rate on the balance sheet date. Income and expenses for each income statement are translated into Euro at the average exchange rate for the year. Translation adjustments resulting from this conversion are directly allocated to a separate item of comprehensive income. Upon the partial or complete disposal of a foreign subsidiary, the translation differences accumulated under other items of comprehensive income are taken to profit and loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.4.4 Goodwill

Positive goodwill is posted to the balance sheet at cost less accumulated impairment.

An impairment test is carried out once a year or more frequently if events or changes in circumstances indicate that goodwill may have been impaired. For the purpose of the test, goodwill is allocated by Cash Generating Unit ("CGU") on a reasonable and consistent basis. As at 31 December 2018, the Group considers there to be two CGUs (2017: two CGUs) in line with the regional structure of the manufacturing facilities, which serve only their respective region.

These CGUs are defined as:

- U.S. & Canada; and
- Europe & International.

Impairment is recognised as soon as the carrying value of the CGU to which the goodwill belongs exceeds the recoverable value. The recoverable value is defined as the higher of the asset's fair value less costs of disposal and value in use. Impairments of goodwill are expensed through the income statement and may not be subsequently reversed where the recoverable value of the CGU once again exceeds its carrying value.

2.4.5 Non-controlling interests

Non-controlling interests are recognised based on the non-controlling interests proportionate share of the fair value of net assets acquired. The Group does not report any non-controlling interests as all consolidated entities are wholly-owned.

2.4.6 Intangible assets

Intangible assets are valued at the Group's acquisition cost or production cost. This cost includes all costs directly attributable to commissioning these intangible assets or is their fair value on the date of the business combination. Additionally, the Group may capitalise salaries relating to time spent by employees developing and implementing software as part of the cost of an intangible asset. Intangibles are subsequently measured at cost after deducting accumulated amortisation and impairments.

The amortisation method and periods of use are reviewed at each balance sheet date.

Intangible assets with a finite useful life are amortised over their expected useful life. An impairment test is carried out when there is an internal or external indication of impairment. A provision for impairment is then recognised when the recoverable value of the relevant assets falls below its net carrying value. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units).

A. Research and Development costs acquired

Research and Development costs when acquired relate to payments made for the separate acquisition of Research and Development from a third party.

In line with IAS 38 paragraph 25, there is a presumption that the criteria for recognition has been met when an intangible asset Is acquired externally.

B. Internally generated Research and Development costs

Internally developed costs are recognised as intangible assets when it is probable that the future economic benefits expected from the asset will flow to the Group and its cost can be measured reliably.

These conditions are fulfilled if all of the following criteria are met:

- technical feasibility necessary to complete the development project;
- intention of the Group to complete the project;
- ability of the Group to use the intangible asset;
- evidence of the likelihood of future economic benefits attached to the asset;
- availability of technical, financial and other resources to complete the project; and
- reliable measurement of development costs.

Due to the risks and uncertainties relating to regulatory authorisations and the development process, capitalisation criteria are not considered fulfilled until regulatory authorisation to market the products has been granted.

Other internally generated Research and Development costs are expensed.

C. Outsourced Research and Development costs

Research and Development costs outsourced to Clinical Research Organisations ("CROs") or partners are expensed.

D. Other intangible assets

Other intangible assets mainly include:

- Marketing authorisation;
- Product technology;
- Software, either purchased or developed internally and software licences;
- Externally acquired trade name; and
- Externally acquired customer lists.

Marketing authorisations are capitalised at their acquisition cost and amortised over their useful lives, which corresponds to the lower of the legal protection period and the useful economic life.

Product technology is capitalised based on its acquisition cost. It is amortised on a straight-line basis over 10 years.

Software has a finite useful life and is amortised on a straight-line basis from the time the asset is ready to be commissioned over a period of 3 to 5 years, except for integrated professional management software of the Enterprise Resource Planning ("ERP") category, which is amortised over 8 years due to their operational significance and probable useful life. Software amortisation is allocated based on usage into cost of goods sold, distribution, selling, marketing, general and administrative expenses and R&D costs.

Marketing licences and other contractual commitments are capitalised based on their acquisition cost, which includes costs directly attributable to their acquisition. They are amortised on a straight-line basis over 10–15 years, which corresponds to their useful lives.

Brands/trademarks are capitalised based on their acquisition cost and amortised on a straight-line basis over their useful lives. If they are deemed to have an indefinite useful life they are not amortised but are tested for impairment at least annually and when there is an external or internal indication of impairment.

Externally acquired customer lists are amortised on a straight-line basis over 12 years, which corresponds to their probable useful life.

An impairment test is carried out when there is an internal or external indication of impairment. A provision for write-down is recognised when the recoverable value of the concerned assets falls below its net book value.

Intangible assets in progress are allocated to the relevant category on completion and amortised in line with one of the above policies.

2.4.7 Property, plant and equipment ("PPE")

Property, plant and equipment is recognised at acquisition cost, less, if applicable, accumulated depreciation and impairment.

The historical cost includes expenditure that is directly attributable to the acquisition of the items including installation and transfer to its location of use.

In accordance with IAS 23, interest costs are included in asset costs when justified by the significance and timeframe for completion of the relevant non-current assets.

Investment grants relating to property, plant and equipment are posted to balance sheet liabilities under "grants" and consistently spread over the financial years corresponding to the costs they are supposed to offset in the income statement.

Significant components of property, plant and equipment that have been identified as having different useful lives are recognised separately.

Costs relating to the replacement or renewal of a property, plant or equipment component are recognised as separate assets and the replaced asset is disposed of. Other subsequent expenses relating to property, plant and equipment are only recognised under assets when it is likely that future economic benefits associated with these costs will flow to the Group and the costs may be measured reliably. All other subsequent expenses are recognised as an expense in the financial year they are incurred.

Land is not depreciated. Other assets are depreciated on a straight-line basis when the asset is ready to be commissioned in order to bring the cost of each asset (or its revalued amount) down to its residual value by recognising a constant annual depreciation charge, based on the following useful lives:

- Buildings 20–39 years
- Fixtures & fittings 3–10 years
- Machinery & equipment 5–10 years
- Other tangible assets & motor vehicles 3–5 years

Asset residual values and useful economic lives are reviewed, and adjusted if appropriate, on an annual basis at the end of each reporting period.

Depreciation of property, plant and equipment is recognised under the various functional captions of the income statement. Tangible assets under construction are transferred to the relevant category above on completion and depreciated in line with the relevant policy.

An impairment test is carried out when there is an internal or external indication of impairment. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). A provision for impairment is then recognised when the recoverable value of the concerned assets falls below their net carrying value.

Capital gains and losses on the disposal of property, plant and equipment are measured as the difference between the price and the net carrying value. These are therefore recognised in the relevant functional line items in the income statement.

2.4.8 Leases

A. Operating leases

Leases for which a substantial portion of the risks and rewards incident to ownership of the assets is effectively retained by the lessor are classified as operating leases. Payments made in respect of contracts of this nature are recognised in the income statement as an expense for the period on a straight-line basis over the term of the lease.

2.4.9 Financial assets and liabilities

A. Financial assets

1. Classification and initial measurement

The Company classifies its financial assets, other than those designated and effective as hedging instruments, into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within financial expense, financial income or other financial items, except for impairment of trade receivables which is presented within other expenses.

2. Subsequent measurement

2.1. Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these financial assets are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

3. Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss.

Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

3.1. Financial assets at fair value through other comprehensive income (FVOCI)

The Group accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

The category also contains an equity investment which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. Fair value movement on equity at FVOCI is never recycled to profit and loss.

The equity investment in Adeo Health Science, Inc. previously classified as available-for-sale (AFS) investments under IAS 39 are now measured at fair value through comprehensive income as the cash flows are not solely payments of principal and interest (SPPI).

B. Impairment

Impairment is measured and recognised as follows:
The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix

C. Financial liabilities

Financial liabilities are initially recognised at the fair value of the counterpart received, less transaction costs directly attributable to the transaction, unless the Group designated a financial liability at fair value through profit or loss. They are subsequently measured at amortised cost using the effective interest rate method, except for derivatives and financial liabilities designated at fair value through profit or loss which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within financial expense or financial income.

D. Determination of fair value

The fair value of financial instruments are determined by the following methods, by preference:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of trade debtors, other current assets, cash and cash equivalents, trade payables, financial liabilities and other current liabilities approximates to their carrying amount.

E. Derecognition

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when contractual obligations are waived, cancelled or extinguished.

2.4.10 Inventory

Inventories are held at the lower of cost or net realisable value. Cost is determined using the first-in, first-out ("FIFO") method. Raw materials and other supplies are valued at cost, which includes the purchase price and other directly attributable expenses.

Inventories of finished goods and work-in-progress are valued at production cost, which includes the purchase of raw materials and direct production costs, as well as a portion of indirect production costs based on the normal activity level of the facility. The net realisable value represents the estimated selling price under normal business conditions, after deducting selling expenses.

2.4.11 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently at amortised cost, after deducting provisions for bad debts. The value of the provision represents the difference between the carrying value of the asset and estimated future cash flows, discounted at the initial effective interest rate. The value of the provision is recognised in the income statement under "selling and marketing expenses".

2.4.12 Cash and cash equivalents

"Cash and cash equivalents" include cash, sight deposits and other short-term, highly-liquid deposits with initial maturity of three months or less. Bank overdrafts are included under current liabilities in the balance sheet under "current financial liabilities".

2.4.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. No such costs were recognised in the year (2017: €nil).

2.4.14 Treasury shares

In accordance with IAS 32, treasury shares are deducted from equity regardless of the purpose for which they are held. No gain or loss is recognised in the income statement when purchasing, selling, writing down or cancelling treasury shares.

2.4.15 Dividend distribution

Dividends to be paid by the Group are recognised as a liability in the financial statements in the period they were approved by the shareholders. These amounts are recognised in the statements of changes in equity. Interim dividends are recognised when paid.

2.4.16 Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

2.4.17 Deferred income tax

The deferred tax assets and liabilities of consolidated entities are presented under non-current assets and non-current liabilities, respectively.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent of the existence of deferred tax liabilities against which they could be used and that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.4.18 Earnings per share

Basic earnings/loss per share represents the result on continuing operations after taxation attributable to the equity shareholders of the parent entity, divided by the weighted average number of ordinary shares in issue during the year, less the weighted average number of ordinary shares held in treasury during the year.

Diluted earnings/loss per share represents the result on continuing operations after taxation attributable to the equity shareholders of the parent, divided by the weighted average number of ordinary shares in issue during the year, less the weighted average number of ordinary shares held in treasury during the year, plus the weighted average number of dilutive shares resulting from share options and other potential ordinary shares outstanding during the year.

2.4.19 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

2.4.20 Employee benefits

The Group operates various post-employment schemes, including both defined-benefit and defined-contribution pension plans and post-employment medical plans.

A. Defined-contribution pension obligations

Employees of some subsidiary entities are members of a defined-contribution plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

B. Defined-benefit obligations

Employees of some subsidiary entities are members of defined-benefit plans, which define a benefit they will receive on retirement.

The liability recognised in the balance sheet in respect of defined-benefit plans is the present value of the defined-benefit obligation at the end of the reporting period less the fair value of plan assets. The defined-benefit obligation is calculated annually by independent actuaries for material defined-benefit plans and internally for small schemes using the projected unit credit method taking into account the following assumptions: life expectancy, personnel turnover rate and salary increase.

Amounts payable are discounted and a financial discounting coefficient is applied to future payments. The selected discount rate is a market rate at the balance sheet date based on first-rate corporate bonds (“Eurozone AA rated corporate bonds +10 years”) extrapolated over the average period observed. Provisions are recognised for the full value of the commitments or their net value, which only includes accrued benefits not covered by a fund. Actuarial gains and losses are recognised in other comprehensive income. Current service costs, past service costs and net interest costs are classified in the relevant functional line items in the income statement.

C. Other long-term employee obligations

Within the Group, commitments not covered by plan assets relating to other long-term employee benefits include seniority awards for employees of some subsidiary entities.

2.4.21 Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for share options or free shares of Stallergenes Greer plc. These plans are measured at fair value, subject to social contributions, and recognised as an expense in the income statement over the vesting period of the rights associated with these plans.

The fair value of option plans is measured using the "Black Scholes" or "binomial" valuation model, taking account of an annual review of options effectively exercised and acquired, as well as the expected number of exercisable options. The corresponding costs are classified in the functional items of the income statement.

Details of stock option and free share plans in effect and their measurement under IFRS are provided in note 5.5.

2.4.22 Provisions

A provision is recognised when the Group has an actual, legal or implicit obligation resulting from a past event, the value of which can be measured reliably and the settlement of which is expected to result in an outflow from the Group of resources embodying economic benefits. Forecast outflows likely to occur in more than twelve months are classified as non-current liabilities. Other provisions are classified as current liabilities. Charges and reversals relating to the use of other provisions are recognised in the functional items of the income statement.

2.4.23 Revenue recognition and cost allocation

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity.

Revenues arising from product sales are recognised as "net sales" after deduction of rebates and discounts, when the significant controls incidental to ownership of the products have been transferred to a third party. This is normally on delivery to the customer.

Other revenues arising in particular from licence agreement royalties or from the distribution of products is presented under "other revenues". Royalty revenues are recognised in accordance with the substance of the relevant agreement.

Research and Development income linked to the partnership with Shionogi & Co., Ltd as well as other development agreements are accounted for in the income statement as development services are rendered. Consequently, upfront payments received early in the contract are recognised as deferred income and spread over the completion of service.

Costs are classified as follows:

- Expenses corresponding to the cost of resources used by the various departments are classified as "cost of goods sold," "distribution costs," "selling and marketing expenses," "administrative expenses," and "research and development costs" based on an analysis of their activities; and
- General expenses that cannot be attributed to the operations of the various departments are classified as "other general expenses". They notably include translation differences, capital gains and losses on non-current assets and income and charges not directly relating to the activities of operational departments (costs or income from litigations and restructuring costs).

2.4.24 Research tax credit

Stallergenes SAS benefits from the French Government Crédit d'Impôt Recherche ("CIR" or "Research Tax Credit") tax accreditation scheme that allows any company based in France to gain tax credits or rebates on their Research and Development expenditure within the European Union.

The tax credit received may be offset against corporation tax or income tax payable in respect of the year in which research expenditure is incurred. In the event of a surplus, the tax credit received will be offset against taxes owed for the subsequent three years. Any residual unused portion at the end of this period is then refunded to the company and is treated as a receivable from the French state. This receivable is offset against the tax liability and recognised as grants receivable. The tax credit is classified in the income statement as "R&D related income" (see note 4.2).

The Group has the option of managing cash flow by obtaining CIR pre-financing from the Public Investment Bank ("Banque Publique d'Investissement" or "BPI"). CIR pre-financing the payment of the research tax credit ensures that Stallergenes SAS has cash available to cover Research and Development expenditure when incurred.

In order to benefit from CIR pre-financing from the BPI, Stallergenes SAS assigns its CIR receivables and accrued receivables to BPI. As the receivable has been ceded to BPI, BPI will receive the cash from the State and enact a transfer to Stallergenes SAS for the balance. If the final amount is less than expected, Stallergenes SAS will reimburse BPI. For accounting purposes, the pre-financing transaction is considered as secured debt.

2.4.25 Transformation costs

Transformation costs represent significant expenses that are exceptional in nature, including, but not restricted to, impairment charges, restructuring, integration and acquisition cost. Refer to note 4.1 for details of transformation costs incurred during the year.

2.5 Critical accounting estimates

During the preparation and presentation of the financial statements, Group management uses its own judgement to value or estimate certain items presented in the financial statements. The likelihood that future events will occur is also assessed. These valuations and estimates are reviewed at each balance sheet date and compared to actual events, in order to restate the assumptions made if necessary.

2.5.1 Taxation

Current tax is provided at the amounts expected to be paid, and deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted by the balance sheet date. The Group is subject to taxation in numerous jurisdictions and significant judgement is therefore required when determining the Group's worldwide provision for income taxes.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised, based on management's assumptions relating to the amounts and timing of future taxable profits. This is in line with the long-range business plan established by management.

Where the final tax outcome is different from the amounts originally estimated and recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Refer to note 3.5 for the carrying amount of the balance subject of the estimate.

2.5.2 Goodwill and other intangible impairments

Goodwill is deemed to have an indefinite life and, as such, is not amortised. Annual impairment tests are performed of the CGUs to which goodwill is allocated. Impairment tests are based on future cash flows discounted using risk-adjusted discount rates. The assumptions used in these impairment tests and carrying amount of the balances subject to the estimate are set out in note 3.1. In each case, the valuations indicate sufficient headroom such that a reasonably possible change to key assumptions is unlikely to result in an impairment of the related goodwill.

Impairment tests on other intangible assets are undertaken if events occur which call into question the carrying values of the assets.

The assumptions relating to future cash flows, estimated useful lives and discount rates are based on business forecasts and are therefore inherently judgemental. Future events could cause the assumptions used in these impairment tests to change with a consequent adverse effect on the future results of the Group.

2.5.3 Pensions and other post-employment benefits

The costs of providing pensions and other post-employment benefits are charged to the income statement in accordance with IAS 19 “employee benefits” over the period during which benefit is derived from the employee’s services. The costs are assessed based on assumptions selected by management. These assumptions include future earnings and pension increases, discount rates, expected long-term rates of return on assets and mortality rates. Refer to note 3.13 for the carrying amount of the balance subject of the estimate.

2.5.4 Legal and other disputes

The Group provides for anticipated settlement costs where an outflow of resources is considered probable and a reliable estimate can be made of the likely outcome of the dispute and legal and other expenses arising from claims against the Group. These estimates take into account the specific circumstances of each dispute and relevant external advice, are inherently judgemental and could change substantially over time as new facts emerge and each dispute progresses.

2.5.5 Outsourced clinical trials

Outsourced clinical trials to CROs are subject to percentage of completion contracts over several years. Financial information relating to the percentage of completion of these contracts may only be available several months after completion. Under these conditions, management is required to make an estimate based on the revised contractual budgets of the trials in question and their estimated percentage of completion. Variances with expenses effectively invoiced are recognised as invoices pending or prepaid expenses on the balance sheet.

2.6 Financial risk management

2.6.1 Market risks

The foreign exchange risk to the Group is not considered significant even though it makes sales in several foreign currencies as the income and the expenses are mainly denominated in Euros and U.S.-Dollars.

In 2018, 61% of the Group’s sales were denominated in Euros and 35% in U.S.-Dollars and 56% of the Group’s expenses were denominated in Euros and 35% in U.S.-Dollars. Income of 4% and expenses of 9% were incurred in a mix of other foreign currencies.

The Group regularly reviews its foreign exchange risk and hedging instruments are used when the risk is considered significant and specifically when the foreign exchange markets are particularly volatile. Net foreign exchange gains for the year were recognised as “other general expenses” totalling a loss of €881k (2017: €958k). No foreign exchange risk hedging derivatives were left unwound at 31 December 2018.

The U.S.-Dollar is the main currency to which the Group is exposed and if the Euro strengthened against the U.S.-Dollar by 10%, the impact would be as follows:

- On net sales would be a decrease of €8,678k;
- On trade receivables would be a decrease of €959k;
- On trade payables would be a decrease of €606k; and
- On cash would be a decrease of €1,129k.

2.6.2 Credit risk

The credit risk on trade receivables primarily concerns hospitals and distributors. These are long-term partners and no significant default has been noted over the past ten years. Any significant delay in payment is subject to corrective action and, if applicable, provisions are recognised by the sales department.

The credit risk on financial deposits is managed by only dealing with first-rate banking institutions.

The Group does not hold any collateral as security.

2.6.3 Interest rate and liquidity risk

As at 31 December 2018, the Group’s interest-bearing debt totalled €18,755k (2017: €18,522k). A change in the interest rate level by one percentage point would consequently equal a change in interest expense in the year by €197k (2017: €139k). The interest rate exposure is not currently hedged but this is reviewed as required. Refer to note 3.10 for an overview over the Group’s liquidity.

2.7 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets and reduce debt.

At 31 December 2018, the Group had limited external debt with an external loan of €18,749k (2017: €18,511k) and overdrafts of €6k (2017: €11k) totalling €18,755k (2017: €18,522k). The Group's cash and cash equivalents are €73,946k (2017: €50,849k) with a resulting net cash position of €55,191k (2017: €32,327k). The Group established a robust forecasting mechanism to monitor short-term financing requirements, has plans in place to monitor cash flows and maintain banking relationships with several significant European banks.

2.8 Segment reporting

Stallergenes Greer plc operates a single business activity of allergy immunotherapy. The "Chief Operating Decision Maker" ("CODM") is considered the Chairman and Chief Executive Officer ("CEO") as well as the Executive Committee ("EC") which corresponds to the Group's management organisation. The Company operates under a matrix structure whereby individual members of the EC are responsible for geographic segments of the Group's total allergy immunotherapy business. In assessing the Group performance, the CODM and the EC review the financial information on an integrated basis for the Group as a whole, substantially on the same basis as the Group's IFRS financial statements.

Resources are allocated on a Group-wide basis according to need. In particular, commercial spend, capital expenditures and R&D resources are allocated based on the overall Group priorities and strategic choice. As a result, there is a single operating segment as defined under IFRS 8. Revenues for this operating segment are analysed into four product lines and four geographic regions as disclosed below.

Sales were as follows, by product line:

€ thousands	**2018**	**%**	**2017**	**%**
Sublingual products	172,855	63	156,715	60
Subcutaneous products	70,128	25	70,363	27
Other products	24,616	9	22,922	9
Veterinary	9,355	3	10,195	4
Net sales	276,954	100	260,195	100

The products marketed by the Group are split into four categories: (1) sublingual products; (2) subcutaneous products; (3) veterinary products; and (4) other products.

1. Sublingual products

These represent the core product line of the Group and currently offer two forms of treatment: liquid sublingual (drops placed under the tongue, Staloral®) and solid sublingual (rapidly dissolving tablets placed under the tongue, Oralair®).

2. Subcutaneous products

These include a range of subcutaneous allergen extracts including:

- allergen extracts from Greer Laboratories;
- allergen extracts absorbed by calcium phosphate with Phostal®, or by aluminium hydroxide with Alustal®; and
- hymenoptera venom range with Alyostal® venom and Albey®, the recommended treatments for hymenoptera venom allergies (the allergy immunotherapy is a particularly effective treatment for hymenoptera venom allergies, which can be life-threatening).

3. Veterinary products

These include products and services offered by the Group to veterinary dermatologists and reference laboratories in the U.S. market, and to non-U.S. distributors. Bulk extracts represent the majority of sales to these customers; however, ancillary products such as sterile empty vials are also sold. The Group also offers enzyme-linked immunosorbent assay ("ELISA") components and prescription services.

4. Other products

These include skin-testing devices offered by the Group enabling the identification of the allergen or allergens responsible for the allergy, sterile diluents and sterile empty vials, syringes, and other compendial products.

The Group does not have any significant customers accounting for more than 5% of Group sales.

Sales analysed by geographic region (by destination of the distribution centres):

€ thousands	**2018**	**%**	**2017**	**%**
Southern Europe[1]	136,404	49	118,974	46
Northern & Central Europe[2]	33,548	12	33,658	13
International markets	15,726	6	19,645	8
United States	91,276	33	87,918	33
Net sales	276,954	100	260,195	100

1. Portugal, Spain, France and Italy.
2. Including Greece and Switzerland.

Non-current assets reported by legal entities:

€ thousands	**2018**	**%**	**2017**	**%**
Southern Europe[1]	59,354	35	62,699	37
Northern & Central Europe[2]	25,378	15	26,624	16
International markets	2,424	1	2,749	2
United States	84,334	49	78,926	45
Non-current assets*	171,490	100	170,998	100

1. Portugal, Spain, France and Italy.
2. Including Greece and Switzerland.
* Excluding Goodwill.

2.9 Subsequent events

No material event had occurred after the balance sheet date at the date the 2018 consolidated financial statements were approved by the Board of Directors on 20 March 2019.

3. NOTES TO THE CONSOLIDATED BALANCE SHEET

3.1 Goodwill

€ thousands	Gross value	Impairment	Net goodwill
31 December 2016	216,550	–	216,550
Addition on acquisition of subsidiary	380	–	380
Translation adjustment	(21,743)	–	(21,743)
31 December 2017	195,187	–	195,187
Translation adjustment	7,536	–	7,536
31 December 2018	202,723	–	202,723

No events took place during the year that would have required an adjustment to goodwill.

On 1st October 2017, the Group acquired Medic Savoure Limited ("Medic Savoure"), an allergy company based in Canada, which has resulted in adjustment to goodwill of €380k (CAD 572k). Medic Savoure was merged into Stallergenes Canada Inc. on the same day.

The carrying value of goodwill translated at year-end exchange rates, is allocated to the following CGUs:

€ thousands	2018	2017
U.S. & Canada	165,699	158,164
Europe & International	37,024	37,023
Total	202,723	195,187

In accordance with IAS 36, the Group carries out annual impairment tests on goodwill by comparing the value in use of the CGU to which goodwill has been allocated, to their carrying value (net assets and goodwill). The value in use of each CGU is calculated as the net present value of the projected post-tax cash flows plus a terminal value. There would be no material difference in valuation if the Group assessed the pre-tax cash flows using a pre-tax discount rate.

The post-tax discount rate used by the Group is 9.7% (versus 10.0% for the prior year) for U.S. and 9.0% (versus 10.0% for the prior year) for Europe & International.

Details relating to the discounted cash flow models used in the impairment tests of the U.S. and Europe & International impairment tests are summarised below.

The assumptions have been aggregated as the same methodology of the assumptions were used for both regions, with only the underlying data supporting the calculation differing.

Valuation basis	Value in use		
Key assumptions	• Sales growth forecasts • EBITDA • Terminal growth rate • Discount rate • Tax rate		
Period of specific projected cash flows	5 years		
Determination of assumptions	• Sales growth is forecast based on both internal and external market information. Sales were computed on a bottom-up basis by geography and key products • For the purpose of this exercise, the launch of STAGR320 in Americas and Europe has been computed separately. Furthermore, the valuation based on these projections have been risk adjusted to reflect regulatory and commercial risk • EBITDA reflects past experience, adjusted for future changes. EBITDA is driven by: - sales assumptions computed on a bottom-up basis; - cost of goods sold ("COGS") that comprise a better absorption of fixed costs given the higher anticipated volumes; and - operating costs reflecting the Group's anticipated volume • Terminal growth rate is based on management's estimates of long-term growth rates for each CGU. The terminal growth rate is in line with the practice of the Company's peers. The terminal growth rate for STAGR320 has been estimated separately. • Discount rate is based on externally verified valuations with adjustments for risk, using 20-year sovereign bonds for the different geographies		
Terminal growth and discount rate		Terminal growth rate	Post tax discount rate
	U.S. & Canada	3.5%	9.7%
	Europe & International	2.0%	9.0%

As part of our annual reviews, the Group has performed an impairment analysis of its intangible assets and goodwill in accordance with IAS 36 (Impairment of Assets). As at 31 December 2018, the carrying value of the Group's cash-generating units (CGU) was €412.3 million (December 2017: €410 million), of which €264.6 million was allocated to the CGU of the U.S. and Canada, and the rest to the CGU of Europe and International.

Our analysis indicates that the carrying value of both CGU's is supported by the future cash flows of the respective CGU.

For the U.S. and Canada, we have used the latest projections for the commercial ramp-up of Oralair and we have risk adjusted our valuation model for the future development of our house dust mite launch activities both for the Americas and for the Europe and International region to 30%.

Nevertheless, it should be noted that the headroom for the CGU of the Americas is not material. Going forward, Stallergenes Greer is planning to discuss and align the regulatory pathway for the approval and commercialization of our house dust mite tablet in the United States. Failure to agree on a commercially viable path to approval would lead to an impairment risk of approximately €30 million on Group level.

No goodwill impairment was recognised in respect of the year ended 2018 (2017: €nil).

3.2 Other intangible assets

€ thousands	Marketing authorisation	Product technology	Software	Customer lists	Trade name	Others	Intangible assets in progress	Total intangible assets
Gross value at 31 December 2016	5,110	37,761	41,760	45,907	18,119	11,334	125	160,116
Additions	–	–	1,043	–	–	–	583	1,626
Additions on acquisition of subsidiary	–	–	(5)	784	–	–	–	779
Disposals and other decreases	(4,153)	–	(354)	–	–	–	(137)	(4,644)
Transfers	–	–	369	–	–	–	(495)	(126)
Translation adjustment	(296)	(3,611)	(27)	(5,576)	(2,193)	(1,292)	–	(12,995)
Gross value at 31 December 2017	661	34,150	42,786	41,115	15,926	10,042	76	144,756
Additions	–	–	967	–	–	–	678	1,645
Additions on acquisition of subsidiary	–	–	–	–	–	–	–	–
Disposals and other decreases	–	–	–	–	–	–	–	–
Transfers	–	–	8	–	–	–	(8)	–
Translation adjustment	–	1,142	15	1,885	755	447	–	4,244
Gross value at 31 December 2018	661	35,292	43,776	43,000	16,681	10,489	746	150,645
Accumulated amortisation and impairment at 31 December 2016	(2,217)	(20,483)	(24,128)	(13,768)	–	(9,092)	–	(69,688)
Amortisation expense	(382)	(2,514)	(4,300)	(3,515)	–	(148)	–	(10,859)
Additions on acquisition of subsidiary	–	–	3	–	–	–	–	3
Disposal	1,834	–	92	–	–	–	–	1,926
Translation adjustment	104	1,755	13	1,872	–	1,031	–	4,775
Impairment losses, net of reversals	–	–	–	–	–	–	–	–
Accumulated amortisation and impairment at 31 December 2017	(661)	(21,242)	(28,320)	(15,411)	–	(8,209)	–	(73,843)
Amortisation expense	–	(2,403)	(3,776)	(3,438)	–	(130)	–	(9,747)
Additions on acquisition of subsidiary	–	–	–	–	–	–	–	–
Disposal	–	–	–	–	–	–	–	–
Translation adjustment	–	(698)	7	(836)	–	(365)	–	(1,892)
Impairment losses, net of reversals	–	–	–	–	–	–	(70)	(70)
Accumulated amortisation and impairment at 31 December 2018	(661)	(24,343)	(32,089)	(19,685)	–	(8,704)	(70)	(85,552)
Net value at 31 December 2017	–	12,908	14,466	25,704	15,926	1,833	76	70,913
Net value at 31 December 2018	–	10,949	11,687	23,315	16,681	1,785	676	65,093

Amortisation of the above intangible assets are included within the functional income statement areas of cost of goods sold, distribution costs, selling and marketing expenses, administrative expenses, other general expenses, and Research and Development costs.

The intangible assets have been part of the annual impairment test of their respective CGU (refer to note 3.1).

In 2017, the Group wrote off intangible assets related to Antigen Laboratories business licenses as the Group ceased to manufacture the product.

3.3 Property, plant and equipment

€ thousands	Land and buildings	Fixtures and fittings	Machinery & equipment	Other tangible assets	Tangible assets in progress	Total tangible assets
Gross value at 31 December 2016	34,832	6,882	66,256	46,278	17,226	171,474
Additions	1,579	47	2,051	1,473	923	6,073
Additions on acquisition of subsidiary	22	–	13	86	–	121
Disposals and other decreases	–	(8)	(371)	(892)	(1,261)	(2,532)
Transfers	–	–	–	–	125	125
Translation adjustment	(1,276)	(49)	(2,035)	(598)	(804)	(4,762)
Gross value at 31 December 2017	35,157	6,872	65,914	46,347	16,209	170,499
Additions	–	167	2,423	3,654	13,081	19,325
Additions on acquisition of subsidiary	–	–	–	–	–	–
Disposals and other decreases	–	–	(3,900)	(507)	(6)	(4,413)
Transfers	3,512	–	861	598	(5,155)	(184)
Translation adjustment	576	23	650	214	438	1,901
Gross value at 31 December 2018	39,245	7,062	65,948	50,306	24,567	187,128
Accumulated depreciation and impairment at 31 December 2016	(9,816)	(1,987)	(47,075)	(32,292)	–	(91,170)
Depreciation expenses	(1,080)	(369)	(6,478)	(4,160)	–	(12,087)
Additions on acquisition of subsidiary	(22)	–	(24)	(91)	–	(137)
Disposals	–	3	290	492	–	785
Translation adjustment	109	22	1,232	333	–	1,696
Impairments, net of reversals	–	–	–	–	(448)	(448)
Accumulated depreciation and impairment at 31 December 2017	(10,809)	(2,331)	(52,055)	(35,718)	(448)	(101,361)
Depreciation expenses	(1,140)	(430)	(4,574)	(3,890)	–	(10,034)
Additions on acquisition of subsidiary	–	–	–	–	–	–
Disposals	–	–	2,112	497	–	2,609
Transfers	43	–	37	104	–	184
Translation adjustment	(49)	(13)	(512)	(128)	–	(702)
Impairments, net of reversals	–	–	(1,179)	(316)	(181)	(1,676)
Accumulated depreciation and impairment at 31 December 2018	(11,955)	(2,774)	(56,171)	(39,451)	(629)	(110,980)
Net value at 31 December 2017	24,348	4,541	13,859	10,629	15,761	69,138
Net value at 31 December 2018	27,290	4,288	9,777	10,855	23,938	76,148

Property, plant and equipment does not include any leased assets.

Disposals mainly concern the scrapping of leasehold improvement due to the move of some offices in France and in U.S, as well as a water damage in France.

Tangible assets in progress mainly concern the installation of two new additional manufacturing lines in Lenoir (U.S.) and in Antony (France).

Impairment charges included in 2018 total €1,676k (2017: €448k) correspond mainly to the write-off of leasehold improvements, furniture and equipment due to the closure of the London office during the year.

3.4 Non-current financial assets

€ thousands	Non-current loans and receivables	Equity investment at FVOCI	Total non-current financial assets
Gross value at 31 December 2016	6,011	–	6,011
Disposal on sale of subsidiary	(1,366)	–	(1,366)
Additions and other increases	1,414	419	1,833
Disposals and other decreases	(232)	–	(232)
Fair value adjustment	–	(285)	(285)
Transfers	(1,616)	–	(1,616)
Translation adjustment	(388)	–	(388)
Gross value at 31 December 2017	3,823	134	3,957
Additions and other increases	26	–	26
Disposals and other decreases	(1,224)	–	(1,224)
Fair value adjustment	–	(134)	(134)
Transfers	–	–	–
Translation adjustment	111	–	111
Gross value at 31 December 2018	2,736	–	2,736

Equity investment at FVOCI (available-for-sale financial assets in prior year) comprise a 5.65% interest in Adeo Health Science, Inc. that was acquired in September 2017.

Included within non-current assets is a cash account of €2,427k (2017: €2,777k), which the Group has provided as collateral to Wells Fargo mainly for the corporate cards issued throughout the U.S.

3.5 Deferred tax assets and liabilities

The movements in deferred tax assets and liabilities during the year are shown below. Deferred tax assets and liabilities are only offset where there is a legal and enforceable right of offset and there is an intention to settle the balances net.

€ thousands	Deferred tax asset	Deferred tax liability
31 December 2016	35,377	17,750
Change recognised in income statement	(8,978)	(10,641)
Deferred tax booked in other comprehensive income	–	236
Addition on acquisition of subsidiary	840	727
Translation adjustment	(485)	(1,789)
31 December 2017	26,754	6,283
Change recognised in income statement	475	(2,790)
Deferred tax booked in other comprehensive income	–	22
Change in accounting policy	–	86
Translation adjustment	47	214
31 December 2018	27,276	3,815

€ thousands	31/12/2018	31/12/2017
Provisions for pensions and other employee benefits	417	334
Fair value of available-for-sale assets	71	49
Tax losses available for carry-forward	28,268	29,338
Temporary differences	(3,351)	(5,897)
Other	(1,944)	(3,353)
Total net deferred tax asset/(liability)	23,461	20,471

The net deferred tax liability of €3,351k (2017: €5,897k) on temporary differences relates mainly to deferred tax liabilities on intangible assets and property, plant and equipment offset by deferred tax assets on inventories and on accrued expenses held by Greer Laboratories, Inc.

The Group has not recognised €3,790k (2017: €3,369k) of potential deferred tax assets as at 31 December 2018 of which €3,762k (2017: €2,963k) arose on temporary differences and €28k (2017: €406k) to losses carried forward. Deferred tax assets are recognised for tax losses and temporary differences carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable.

As a consequence of the production issues in 2015, the Group has losses carried forward which has generated significant deferred tax assets. As of December 2018, recorded deferred tax assets were €27,276k (2017: €26,754k), predominantly due to the recent losses in France and a lesser extent to U.S. losses carried forward. In 2018, the Group used a net amount of €1,070k of these deferred tax assets, and plan to accelerate its use from 2019 onwards.

In 2017 tax reforms in France and the U.S. resulted in a decrease in the tax rate to be applied to those losses carried forward with the Group recording a reduction of the deferred tax asset of €10,355k, increasing the tax expense for the year. This change in tax rate also impacted deferred tax liabilities recognised in respect of intangibles based in the U.S. with a decrease of the deferred tax liability by €9,368k.

3.6 Inventories

€ thousands	Raw materials	Merchandise	Work-in-progress	Finished goods	Total inventories
Net value at 31 December 2017	24,159	3,092	10,882	18,660	56,793
Net value at 31 December 2018	24,093	3,859	13,928	16,573	58,453

The cost of inventories recognised as an expense within COGS amounted to €41,472k (2017: €38,944k) as per note 4.1.

Inventory write-offs in the year totalled €1,725k (2017: €498k).

3.7 Trade receivables

€ thousands	31/12/2018	31/12/2017
Gross value	34,089	34,629
Provision	(1,064)	(1,430)
Net value	33,025	33,199

€ thousands	Trade receivables not yet due	Overdue < 3 months	Overdue > 3 months < 1 year	Overdue > 1 year	Total overdue	Total gross trade receivables	Provision	Total net trade receivables
Gross value at end 2017	16,812	12,423	4,132	1,262	17,817	34,629	(1,430)	33,199
As number of days of net sales	23	17	6	2	25	48	(2)	46
Gross value at end 2018	15,146	8,467	6,389	4,087	18,943	34,089	(1,064)	33,025
As number of days of net sales	20	11	8	5	25	44	(1)	43

The increase in the Group trade receivables over one year is driven by delays in cash collection in the context of a change in distribution strategy in Australia. In addition, in France, the collection of trade receivables has been reduced due to administrative delays faced with the social security system and private insurances. These receivables have not been impaired as the Group doesn't anticipate any payment default.

The fair value of trade and other receivables approximates their carrying value. The maximum exposure to credit risk at the reporting date is the gross carrying value of the receivable mentioned above. The Group does not hold any collateral as security.

3.8 Other current assets

€ thousands	31/12/2018	31/12/2017
Tax (excluding income tax) and employee-related receivables*	4,376	3,995
Prepaid expenses	3,798	3,737
Other receivables	1,019	1,499
Total	9,193	9,231

* Tax and employee receivables mainly relate to VAT receivables.

3.9 Research tax credit and subsidies receivables

The research tax credit and subsidies receivable of €21,704k (2017: €22,708k) relates to the research tax credit as well as the competitiveness and employment tax credit for the 2015, 2016, 2017 and 2018 financial year-ends. 2015 and 2016 tax credits are pre-financed by BPI. The liability for the pre- financing of the tax credits is recorded upon receipt of the funds. Refer to note 3.10 for further information.

3.10 Cash and borrowings

€ thousands	>5 years	1–5 years	<1 year	2018	2017
Cash equivalents	–	–	315	315	333
Cash	–	–	73,631	73,631	50,516
Cash and cash equivalents (A)	–	–	73,946	73,946	50,849
Bank overdrafts	–	–	6	6	11
Borrowings	–	6,318	12,431	18,749	18,511
Total borrowings (B)	–	6,318	12,437	18,755	18,522
Net debt position (A)–(B)	–	(6,318)	61,509	55,191	32,327

In November 2016, the Group signed a €50,000k three-year multicurrency Revolving Loan Facility with UBS Switzerland AG. The arrangement fee of €625k was paid in February 2017 as part of the agreement and was recognised as a prepaid expense. The fee is being amortised evenly to the income statement over the expected usage of the facility. A portion of these costs may be allocated to future drawdowns in accordance with IFRS 9 “Financial Instruments”. The credit agreement is collateralised by the pledge of all the shares and any other securities held in Stallergenes SAS and Stallergenes Greer Holdings Inc.

As of 31 December 2018, the Group had drawn $6,500k (€5,723k) (2017: $6,500k or €5,218k) against the €50,000k three-year multicurrency Revolving Loan Facility (“the facility”). Interest is charged at a floating rate based on Euribor or Libor depending upon the drawdown currency plus a variable margin. The margin the Group pays on its borrowings ranges between 1.50% and 2.80%, determined by the Group’s EBITDA level. The facility includes an unused facility fee of 45% on the applicable margin. The credit agreement contains quantitative covenants related to EBITDA levels upon which testing commenced on a quarterly basis beginning 31 December 2016.

The non-current borrowings of €6,318k (2017: €6,318k) and current borrowings of €6,753k (2017: €6,753k) corresponds to the debt recorded in counterpart of the cash received as part of the pre-financing of the research tax credit as well as the competitiveness and employment tax credit.

The Group also has bank overdrafts corresponding to simple credit facilities with banks at 31 December 2018 for an amount of €6k (2017: €11k).

The credit ratings of the institutions in which the Group holds its cash and short-term deposits are as follows:

Cash and cash equivalents (€ thousands)	31/12/2018	31/12/2017
A	2,148	–
A1	1,566	4,015
A2	207	2,092
A3	24	–
Aa2	23,206	8,083
Aa3	43462	33,496
Ba2	347	242
Unrated private bank	2,631	1,830
Other	355	1,091
Total	73,946	50,849

3.11 Share capital and share premium

€ thousands	No of shares (thousands)*	Ordinary shares	Share premium
31 December 2016	19,788	19,788	539
Shares issued on merger	–	–	–
Share options exercised	–	–	–
31 December 2017	19,788	19,788	539
Shares issued on acquisition of subsidiaries	–	–	–
Share options exercised	–	–	–
31 December 2018	19,788	19,788	539

* Includes 50k treasury shares as at 31 December 2018 (2017: 50k).

The Company is authorised to issue an unlimited number of ordinary shares at no par value. All shares of the Company are classed as equity.

The ordinary shares have full rights attached to them in respect of voting and participation in dividends or distributions of capital (including on winding up). The ordinary shares do not confer any rights of redemption. At a general meeting of the Company, through a vote of a show of hands, every member present in person or by proxy shall have one vote, and on a vote on a poll, every member present in person or by proxy shall have one vote for every share of which they are the holder or the duly appointed proxy.

Voting rights attached to a share shall not be exercisable at any general meeting, adjournment thereof or on a poll called at or in relation to that meeting unless all amounts payable to the Company in respect of that share have been paid.

Movements in share capital from 1 January 2018 to 31 December 2018
There have been no movements within share capital during the 2018 financial year.

During the year, 126,469 shares were purchased and 126,293 shares were sold by the investment services provider in charge of the liquidity contract.

Movements in share capital from 1 January 2017 to 31 December 2017
There were no movements within share capital during the 2017 financial year.

During the year, 121,097 shares were purchased and 119,829 shares were sold by the investment services provider in charge of the liquidity contract.

3.12 Provisions

€ thousands	31/12/2018	31/12/2017
Provisions for pensions and other benefits (refer to note 3.13)	3,708	3,442
Other provisions for liabilities	120	379
Other provisions for charges	740	135
Non-current provisions	4,568	3,956
Provisions for litigation	106	386
Other provisions for liabilities	1,158	1,729
Current provisions	1,264	2,115
Total provisions	5,832	6,071

Other provisions for liabilities of €120k and €1,158k (2017: €379k and €1,729k) includes employee-related provisions of €879k (2017: €1,033k). The balance includes several not significant amounts. The change in the year includes an unused provision reversal of €620k (2017: €1,759k) and a used provision reversal of €305k (2017: €61k).

The other provisions for charges mainly include the cost of the 2018 awards made as part of the LTIP scheme. This cash-based plan is 100% based on the achievement of a certain level of financial performance.

Charges relating to the acquisitions of entitlements on the provisions for pensions and other benefits are recognised under "other general expenses".

Actuarial gains and losses were due to the change in legal regulations for the calculation of benefits, the change in mortality table and changes in discount rates.

€ thousands	Provisions for pensions and other benefits	Provisions for litigation	Other provisions for liabilities	Other provisions for charges	Total provisions
31 December 2016	4,488	–	4,406	425	9,319
Additional provisions	489	141	877	13	1,520
Used during year	(485)	–	(2,930)	(6)	(3,421)
Transfers	–	245	(245)	(297)	(297)
Actuarial gains and losses recognised in other comprehensive income	(930)	–	–	–	(930)
Translation adjustment	(120)	–	–	–	(120)
31 December 2017	3,442	386	2,108	135	6,071
Additional provisions	382	–	1,312	735	2,429
Used during year	(67)	(280)	(2,143)	(133)	(2,623)
Transfers	–	–	–	–	–
Actuarial gains and losses recognised in other comprehensive income	(106)	–	–	–	(106)
Translation adjustment	57	–	–	4	61
31 December 2018	3,708	106	1,277	741	5,832

3.13 Post-employment related benefits

The liabilities in the Group balance sheet in respect of pensions and other post-employment obligations are as follows:

€ thousands	31/12/2018	31/12/2017
Balance sheet obligations for:		
Defined-benefit obligations	3,680	3,414
Other post-employment benefits	28	28
Total post-employment related benefits	3,708	3,442

The expected contributions to be made into the schemes during 2019 are estimated to be €478k.

A. Defined-benefit obligations

The Group operates defined-benefit plans in France, Italy and Switzerland.

A defined-benefit plan is a post-employment benefit plan other than a defined-contribution plan. The Group's net obligation in respect of defined-benefit pension plans are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets (at bid price) are deducted. The Group determines the net interest on the net defined-benefit liability/asset for the period by applying the discount rate used to measure the defined-benefit obligation at the beginning of the annual period to the net defined-benefit liability/(asset).

The discount rate is the yield at the reporting date on bonds that have a credit rating of at least AA, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid.

Re-measurements arising from defined-benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined-benefit plans in employee benefit expenses in profit or loss.

The calculation of the defined-benefit obligations is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of benefits available in the form of any future refunds from the plan or reductions in future contributions and takes into account the adverse effect of any minimum funding requirements.

The Group recognises gains and losses on the settlement of a defined-benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined-benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement.

Swiss pension plan

The Group operates a pension scheme in respect of its employees in Switzerland. This scheme operates such that the employer and employee contribute on a monthly basis. This is designed to build a pension fund that will be used to determine a pension on retirement based on the conversion rate set by the pension regulator. As explained below, this pension scheme is accounted for as a defined-benefit pension scheme as it meets the definition within IAS 19 (revised).

The Group and employees also make additional contributions in respect of death or disability benefits. The pension scheme is regulated to require that the funds achieve a minimum investment return, established by the government on a yearly basis. The return is set each year by the Swiss government based on market conditions and take into account the relatively conservative investment criteria that must be followed by the pension investment company. The primary obligation to ensure that each pension fund achieves at least the minimum return lies with the pension investment company: a company controlled by its member-employers and member-employees, which pools the funds across many employers and is able to smooth out any under-performance over a number of years. If the investment target is not met, the effect is usually assessed over a number of years.

If the deficit persists over this period or is substantial, it will first be met from past reserves (from years when the investment return has exceeded the minimum required). If a deficit remains, or is significant, members may agree (or be required by the regulator) to make a higher rate of future contribution in order to restore the investment funds to a fully funded level over a number of years. These additional contributions would be shared equally between the employer and the employee.

French retirement obligation

Stallergenes SAS is required under French law to pay employees an end-of-career benefit known as an Indemnité de Fin de Carrière ("IFC"). The liability recognised in the balance sheet in respect of the French retirement obligation represents a long-term employee benefit and is accounted for as a one-off long-term service award payable upon retirement. The long-term employee benefit payable upon retirement is calculated annually by independent actuaries using the projected unit credit method. The present value of the long-term employee benefit is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid. Service costs are included in employee benefit expenses.

As a means of managing cash flow, Stallergenes SAS has in place a collective insurance contract with SOGECAP (written under the terms of Article 39 of the General Tax Code) pursuant to which it manages (in collective funds) amounts deposited from time to time by Stallergenes SAS (at its discretion) in respect of its estimated IFC liabilities. On the retirement of an employee, Stallergenes SAS has the option of meeting any IFC liability out of its own funds or out of amounts contributed to, and managed by, SOGECAP.

Italian "Trattamento di Fine Rapporto" ("TFR")
Pursuant to Article 2120 of the Italian Civil Code, employees are entitled to receive a statutory termination indemnity from their employer on the termination of their employment relationship ("TFR"). The local company is required to make annual accruals in respect of the TFR liability. Employees can direct their annual accruals to be paid as a contribution into a defined-contribution pension fund; recorded by the local company in the TFR book reserve; or paid monthly as part of their salary.

When an employee leaves the local company following the cessation of their employment, they receive a benefit amount equal to the annual accruals, revalued each year, as established by law. Before the passing of Italian Law No. 296/2006, under international accounting principles, statutory termination indemnities were considered as a "defined-benefit plan", while now only indemnities accrued up to 31 December 2006 by companies with more than 50 employees continue to qualify as such, and indemnities accrued after such date are treated as a "defined-contribution plan". The statutory termination indemnity constitutes a future obligation for which the local company assumes actuarial risks.

As required by IAS 19, the local company uses the projected unit credit method to determine the present value of its defined-contribution obligations and the related current service costs. This calculation requires the application of objective and mutually compatible actuarial assumptions concerning demographic variables (mortality rate, disability, and retirement age) and financial variables (discount rate and future increases in salary levels).

Due to the size of the Italian scheme being immaterial, the assumptions have not been disclosed.

The post-employment retirement plans have been aggregated for the purposes of this disclosure note as they are geographically both located within Europe and are valued on a similar basis, with the only differing characteristic being the method of settlement upon retirement.

The amount recognised in the balance sheet for the obligation is made up as follows:

€ thousands	**31/12/2018**	**31/12/2017**
Present value of funded obligations	13,441	12,090
Fair value of plan assets	(9,733)	(8,648)
Balance sheet liability	3,708	3,442

The movement in the net defined benefit assets/liabilities in the year is as follows:

€ thousands	Actuarial debt	Plan assets	Balance sheet provision
Balance at 31 December 2016	15,073	(10,585)	4,488
Cost of services provided during the year	1,029	–	1,029
Financial costs (discounting effect)	135	13	148
Actual return of plan assets	–	(300)	(300)
Past service costs	405	–	405
Benefits paid	(727)	539	(188)
Employer contributions	–	(267)	(267)
Employee contributions	89	(89)	–
Actuarial gains and losses from changes in demographic assumptions	(206)	–	(206)
Actuarial gains and losses from changes in financial assumptions	(82)	–	(82)
Experience-based actuarial gains and losses	(476)	(9)	(485)
Plan curtailment/termination	(2,600)	1,620	(980)
Currency translation differences	(550)	429	(121)
Balance at 31 December 2017	12,090	(8,648)	3,442
Cost of services provided during the year	1,047	–	1,047
Financial costs (discounting effect)	141	7	148
Actual return of plan assets	–	8	8
Past service costs	(80)	–	(80)
Benefits paid	430	(525)	(95)
Employer contributions	–	(283)	(283)
Employee contributions	94	(94)	–
Actuarial gains and losses from changes in demographic assumptions	(307)	–	(307)
Actuarial gains and losses from changes in financial assumptions	(377)	–	(377)
Experience-based actuarial gains and losses	501	(77)	424
Plan curtailment/termination	(267)	–	(267)
Currency translation differences	169	(121)	48
Balance at 31 December 2018	13,441	(9,733)	3,708

The Group commissions an actuarial review of its defined pension obligations on an annual basis and as a result, the impact of revaluation gains and losses during the year have been recognised in other comprehensive income.

Actuarial assumptions used to measure the Group's obligations

Actuarial valuations of the Group's benefit obligations were computed by management with assistance from external actuaries as at December 2018 and 2017. These calculations were based on the following financial and demographic assumptions:

	2018		2017	
	France	Switzerland	France	Switzerland
Discount rate	1.65% or 1.15%	1.00%	1.45% or 1.20%	0.70%
Inflation rate	2.00%	1.00%	2.00%	0.50%
Salary increase	2.75%	2.00%	2.75%	2.00%
Retirement age	63 to 65	64 to 65	63 to 65	64 to 65
Mortality table	INSEE TD/TV 2012-2014	BVG 2015 GT	INSEE TD/TV 2012-2014	BVG 2015 GT
Interest rate for projection	1.65%	1.00%	1.45%	0.70%

The average life expectancy, assumed for an individual retiring at the age of 65, for a man is expected to be 22.6 (2017: 22.5) years and for a female 25.6 (2017: 25.5) years in Switzerland. No assumption has been made for France as the benefit is a lump sum payment upon retirement with no further obligation to be fulfilled.

Sensitivity analysis

The sensitivity analysis is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur and a change in some of the assumptions is likely to be correlated. The sensitivity analysis of pension schemes and other post-employment benefits shows that a 0.25% reduction in the discount rate would result in an increase of approximately €225k (2017: €246k) in obligations in France and €201k (2017: €151k) in obligations in Switzerland.

Plan assets comprise:

	As at 31/12/2018		As at 31/12/2017	
	€ thousands	(%)	€ thousands	(%)
Cash*	86	0.88	3,125	36.14
Equity*	2,351	24.15	–	–
Bonds*	1,358	13.96	–	–
Property*	518	5.32	–	–
Insurance policies**	5,420	55.69	5,523	63.86
Total plan assets	9,733	100.00	8,648	100.00

* The above assets are only attributable to the Swiss pension plan.

** The French retirement obligation does not comprise any plan assets as it is funded through an insurance contract with a third-party provider. The Italian post-employment benefits do not comprise any plan assets as are provided for by Article 2120 of the Italian Civil Code.

The amounts recognised in the income statement are as follows:

€ thousands	31/12/2018	31/12/2017
Current service costs	1,047	1,029
Past service costs (plan modifications)	(80)	405
Net interest	148	148
Total included in employee benefit expenses	1,115	1,582

Amounts recognised in the statement of comprehensive income are as follows:

€ thousands	31/12/2018	31/12/2017
Actuarial losses recognised in other comprehensive	(106)	(930)

B. Defined-contribution schemes

A defined-contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined-contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

The cost relating to defined-contribution pension schemes for the year is included within "pension costs and other post-employment benefits" in note 4.4.

3.14 Other current liabilities

€ thousands	31/12/2018	31/12/2017
Fixed asset payables	2,436	1,751
Provision for recall	4,851	4,851
Employee and social security taxes payable	27,954	21,464
Other taxes payable	6,106	4,142
Deferred income and accrued expenses	9,112	8,745
Total	50,459	40,953

The provision for recall of €4,851k (2017: €4,851k) reflects management's best estimate of the reduction in 2015 net sales arising as a direct result of the recall of products and temporary suspension of production and distribution at the Antony site. The provision is calculated based on the volume of returns received from customers and certain key assumptions around the legal and contractual obligation that the Company may have to its customers who have returned products.

Deferred income mainly relates to the deferred revenues of the Shionogi &Co., Ltd., contract milestone instalments, as well as other contract milestones spread over the duration of the agreement. Research and Development income linked to the collaboration with Shionogi & Co., Ltd as well as other development agreements are accounted for in the income statement as development services are rendered. Consequently, upfront payments received early in the contract are recognised as deferred income and spread over the completion of service.

4. NOTES TO THE CONSOLIDATED INCOME STATEMENT

4.1 Operating loss by nature of expense

€ thousands	2018	2017
Net sales	276,954	260,195
Other revenue	99	36
Other operating revenue	865	6,412
Raw materials and consumables used	(41,472)	(38,944)
Personnel costs	(119,317)	(117,080)
External charges	(41,697)	(53,343)
Amortisation and depreciation charges	(19,781)	(22,952)
Change in provisions	(1,748)	(448)
Operating leases	(3,147)	(4,569)
Other expenses and income	(33,194)	(34,657)
Total expenses	(260,356)	(271,993)
Operating loss	17,562	(5,351)

Transformation costs are analysed as follows:

€ thousands	2018	2017
Personnel costs	(435)	–
External charges	(156)	–
Operating expenses	(1,234)	–
Amortisation and depreciation charges	(1,497)	–
Total transformation costs	(3,322)	–

As part of the Group's efforts to further streamline its operations, the Board has decided in January 2018 to significantly reduce cost and geographical footprint within the Group. The transformation costs of €3,322k in the income statement at 31 December 2018 reflect employee termination costs and associated consultancy, tax and legal advice costs, as well as the write-off of leasehold improvements, furniture and equipment in the United Kingdom and in the United States where offices were moved during the year (Refer to note 3.3).

No transformation cost was incurred in 2017.

4.2 Income from Research and Development

€ thousands	2018	2017
Research tax credit	863	6,319
Income from Shionogi & Co., Ltd., contract	–	–
Other net R&D related income	2	93
R&D related income	865	6,412

The Research and Development related income was primarily a research tax credit received in France and was down compared to 2017 due to lower Research and Development spending and a re-assessment of the research tax credits related to fiscal years 2014-2017 which had a negative impact of €3,450k.

4.3 Auditor remuneration

During the year, the Group (including its subsidiaries) obtained the following services from the Company's auditors:

€ thousands	2018	2017
Fees payable to the Company's auditors and associates for the audit of the parent company and consolidated financial statements	474	228
Fees payable to the Company's auditors and its associates in respect of other services:	–	–
The audit of the subsidiary companies	73	390
Audit related assurance services	–	–
Total auditor remuneration	547	618

4.4 Employees and Directors

A. Employee benefit expense

Please note the employee benefit expenses include Executive Directors.

€ thousands	**2018**	**2017**
Wages & salaries, including restructuring costs and other termination benefits	(93,267)	(91,326)
Social security costs	(23,372)	(23,321)
Share options granted to Directors and employees	(2,363)	(2,429)
Pension costs and other post-employment benefits	(315)	(4)
Total employee benefit expense	(119,317)	(117,080)

€ thousands	**2018**	**2017**
Manufacturing	(39,928)	(35,479)
Distribution	(6,386)	(6,628)
Marketing and sales	(24,839)	(31,116)
Administration	(27,107)	(24,530)
Research and Development	(20,707)	(19,712)
Head office	85	385
Transformation cost	(435)	–
Total personnel costs	(119,317)	(117,080)

Average number of people employed:

€ thousands	**2018**	**2017**
Manufacturing	557	539
Distribution	95	117
Marketing and sales	217	256
Administration	123	139
Research and Development	175	190
Average number of people (including Executive Directors)	1,167	1,241

B. Directors' emoluments

The Directors' emoluments were as follows:

€ thousands	**2018**	**2017**
Aggregate emoluments	2,517	2,411
Company contributions to defined-contribution pension scheme	41	70

During the year, €1,710k (2017: €1,611k) was recognised under long-term incentive schemes. No further amounts were recognised for post-employment benefits during the year. The retirement benefits concern two directors.

Highest-paid Director

The highest-paid Director's emoluments were as follows:

€ thousands	**2018**	**2017**
Total amount of emoluments*	2,039	1,837
Company contributions to defined-contribution pension scheme	9	12
Total	2,048	1,849

* No payments were made in respect of long-term incentive schemes and other post-employment benefits. No share options were exercised by the Director during the year.

4.5 Investments in equity-accounted entities

The following table presents the total assets, liabilities and shareholders' equity of the equity-accounted entity and the Group's share of the net result:

€ thousands	2018	2017
Total assets	2,176	2,176
Liabilities (except shareholders' equity)	3,517	3,517
Shareholders' equity	(1,341)	(1,341)
Net result – Group	(62)	(62)

At 31 December 2018 and 2017, investments in equity-accounted entities related solely to the Mobile Chambers GmbH joint venture, which is 25% owned by the Group. Towards the end of 2017, Mobile Chambers GmbH entered into administration. The loan was written off as a result of this and consisted of a principle amount of €620k, free capital of €245k and €9k of interest capitalised.

4.6 Income tax

A. Breakdown of income tax charge

€ thousands	Operating result (EBIT)	Net financial income/(expense)	Net loss
2017 loss before tax	(5,351)	(1,798)	(7,149)
Current tax	*(3,268)*	*(540)*	*(3,808)*
Deferred tax	*1,663*	–	*1,663*
Income tax	(1,605)	(540)	(2,145)
2017 consolidated net loss before share of loss from associated companies	(6,956)	(2,338)	(9,294)
2018 loss before tax	17,562	(891)	16,671
Current tax	*(7,383)*	*208*	*(7,175)*
Deferred tax	*3,265*	–	*3,265*
Income tax	(4,118)	208	(3,910)
2018 consolidated net loss	13,444	(683)	12,761

B. Tax reconciliation

€ thousands	2018	2017
Group share of net profit / (loss)	12,759	(9,870)
Share of loss from associated companies	–	(578)
Income tax	(3,910)	2,145
Profit / (loss) before tax	16,669	(7,148)
Parent company tax rate	19.00%	19.25%
Theoretical income tax profit / (charge) on result before tax	(3,167)	1,376
Impact of permanent differences	254	453
Impact of different tax rate	2,309	(1,826)
Deferred tax not recognised	(469)	(985)
Current tax adjustment in respect of prior year	(1,718)	(445)
Other tax adjustments	(1,119)	(718)
Effective income tax charge	(3,910)	(2,145)

The tax rate differences between the parent company and subsidiaries is due mainly to the tax rate of 34.43% in France and 22.4% in the U.S.

4.7 Earnings per share

A calculation of basic earnings per share has been based on the following profit / (loss) attributable to ordinary shareholders and weighted average number of ordinary shares outstanding:

€ thousands	**2018**	**2017**
Profit / (loss) after tax	12,759	(9,871)
Weighted average number of ordinary shares outstanding	19,734,409	19,738,742
Basic and diluted profit / (loss) per share	€0,65	€(0.50)

The weighted average number of ordinary shares outstanding comprises the ordinary shares in issue less the weighted average number of shares held in treasury during the year.

The basic and diluted profit / (loss) per share is based on a profit / (loss) for the year attributable to equity holders of the parent company. Shares that may be issued under share options and free share plans (see note 5.4) could potentially dilute earnings per share in the future.

5. OTHER NOTES

5.1 Change in working capital requirements

€ thousands	2018	2017	(Increase)/ decrease 2018	Translation adjustment	Other movements
Inventories	58,453	56,793	(473)	1,003	1,130
Trade receivables	33,025	33,199	3,735	356	(4,265)
Other current assets	9,192	9,230	(125)	87	–
Trade payables	(21,680)	(19,792)	(1,658)	(230)	
Other current liabilities	(45,467)	(37,158)	(8,210)	(355)	256
Operating working capital requirements	33,523	42,272	(6,731)	861	(2,879)
Deferred income	(2,556)	(2,044)	55	(23)	(544)
Liabilities to non-current asset providers	(2,368)	(1,551)	(817)		
Other working capital requirements	(4,924)	(3,595)	(762)	(23)	(544)
Total working capital requirements	28,599	38,677	(7,493)	838	(3,423)
Inventories	58,453	56,793			
Trade receivables and other current assets	42,217	42,429			
Trade payables and other current liabilities	(72,139)	(60,745)			
Balance sheet working capital requirements for control	28,531	38,477			
Change in working capital requirements of operating activities	–	–	6,731		
Change in deferred income	–	–	(55)		
Change in working capital requirements of investment activities	–	–	816		
Working capital requirements in cash flow statement for control	–	–	7,493		

5.2 Commitments and contingent assets and liabilities

5.2.1 Off-balance sheet commitments related to the Group's operating activities

The following table provides a breakdown of the Group's off-balance sheet commitments related to its operating activities at 31 December 2018:

€ thousands	Total	<1 year	1–5 years	>5 years
Operating leases[1]	6,622	2,723	3,815	84
Firm and irrevocable purchase commitments:[2]				
· Non-current assets	4,231	4,231	–	–
· Raw materials	17,431	17,431	–	–
Research and Development licensing agreements:				
· Future services commitments[3]	113	113	–	–
· Potential milestone payments payable[4]	–	–	–	–
· Potential milestone payments receivable[4]	(16,000)	–	(16,000)	–
Total	12,397	24,498	(12,185)	84

1. Includes commitments given as part of rentals of movable and immovable property. The commitment corresponds to rent payable over the non-cancellable period of the lease.
2. Irrevocable purchase commitments include firm commitments to suppliers of non-current assets and raw materials.
3. Commitments to provide future benefits related to Research and Development agreements correspond to commitments to finance Research and Development work.
4. Commitments corresponding to potential milestone payments on projects at development stage deemed to be reasonably feasible. Contingent payments related to the achievement of a certain level of sales once the product is being marketed are excluded from this item. Company applying the variable constraint consideration did not anticipate the recognition of milestone payments which are subject to regulatory approval despite the performance obligation was performed, as it is not highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur

Operating leases

As part of its day-to-day operations, the Group rents some of its premises and equipment. Minimum future rental charges over the non-cancellable period of operating leases were €6,622k at 31 December 2018 (2017: €17,521k).

Firm commitments to acquire assets

Future Group capital expenditure resulting from existing commitments at 31 December 2018 totals €4,231k (2017: €3,079k).

As part of its production activity, the Group is committed to raw material procurement contracts of €17,431k (2017: €8,967k).

Research and Development licensing agreements

As part of its operations, the Group concludes Research and Development licensing agreements. These agreements provide for payments to be made upon signing the agreement and when various development milestones are achieved, as well as royalties, commitments to financing research work over the next few years, payments conditional upon the achievement of certain development milestones, securing marketing authorisations or achieving sales targets once the product is being marketed.

The line "potential milestone payments" on Research and Development agreements includes commitments for the future provision of Research and Development or technology financing, potential milestone payments associated with projects currently being developed whose future financial effects are either known or probable and which can be reliably estimated. Contingent payments related to the achievement of certain levels of sales once the product is being marketed are excluded from this item.

Potential milestone payments receivable in relation to Research and Development projects totalled €16,000k at 31 December 2018 (2017: €16,000k). This milestone is related to the partnership agreement commenced on 6 September 2010 with Shionogi & Co., Ltd for the development and distribution of two immunotherapy tablets in Japan: house dust mite tablets and Japanese cedar pollen tablets.

5.2.2 Off-balance sheet commitments related to the Group's financing activities

Undrawn credit facilities

Undrawn credit facilities break down as follows:

€ thousands	Total	<1 year	1–5 years	>5 years
Credit facilities granted but not drawn down	37,991	37,991	–	–

As at 31 December 2018, total undrawn credit facilities amounted to €37,991k (2017: €44,503k).

Guarantees

€ thousands	2018	2017
Guarantees given:		
• Guarantees given to banks on credit facilities	2,171	87
• Other guarantees given	418	1,608
Guarantees received	–	–

The Group has pledged all the shares of Stallergenes Greer Holdings, Inc. as well as all the shares and any other securities of Stallergenes SAS held by Stallergenes Greer plc as security for the new revolving loan facility obtained by Finares Holding AG in November 2016.

As disclosed in note 2.4.2, Stallergenes (UK) Ltd has taken advantage of the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement to prepare individual financial statements for audit. As a condition of the exemption, the parent company (Stallergenes Greer plc) has guaranteed the year-end liabilities of the subsidiary until they are settled in full. The liabilities of the subsidiary at the year-end amounted to €837k (2017: €1,573k).

5.3 Contingent liabilities

During the year the Group assigned the lease of a property previously occupied by the holding company, to a third party. The company remains liable as guarantor of the property, until the end of the lease on 22 September 2025.

Stallergenes Greer pursued investments in Technical and Quality Operations capabilities at all its manufacturing sites in 2018 to comply with evolving regulatory requirements and the latest Good Manufacturing Practice (GMP) biological manufacturing standards; to strengthen its quality culture across the organisation; and to ensure product quality and patient safety for all released and distributed products.

Stallergenes Greer continues its ongoing improvements of the manufacturing facilities in France and closely collaborates with the French National Agency for Medicines and Health Products Safety (ANSM) to meet the requirements stated in its injunction dated 4 January 2018, in particular with respect to its injectable products.

As part of the proceedings related to the injunction, the company received notification of potential financial penalties in the event of non-compliance with the agreed timelines. Stallergenes Greer is working with the ANSM regarding this notification and it would be premature to make any conclusion about the outcome.

In 2013, a qui tam complaint was filed against Greer Laboratories Inc. regarding false claims for government reimbursement for its "unlicensed" custom mixes. The Companies has filed a motion for summary judgement on 7 March 2019 and as of 21 March 2019, the likelihood of a favourable or unfavourable result cannot be reasonably determined and it is not possible to make a reliable estimate of the possible financial effect.

5.4 Related parties

The Group's parent entity Ares Life Sciences I S.a.r.l (incorporated in Luxembourg) owns 83.64% of the Company's shares. The remaining 16.36% of the shares are widely held. The ultimate controlling party of the Group is the Bertarelli family.

The following transactions were carried out with related parties:

- During the year, the Group paid €25k (2017: €704k) for transactions during the year to Waypoint Corporate Services Limited, an entity under common control, of which €3k (2017: €112k) was outstanding at year-end.
- During the year, the Group paid €688k (2017: €611k) under support services agreements to Bemido S.A., an entity under common control, of which €151k (2017: €59k) was outstanding at year-end.
- The Group granted a loan to Mobile Chambers GmbH for €620k and free capital of €245k plus €9k of interest capitalised. The loan was written off in 2017. The interest income for the year was €nil (2017: €40k).
- During the year, a separation agreement was signed between the Company and its Chairman and CEO, which is disclosed in the Remuneration report.

Key management includes Directors (executive and non-executive), CFO, Group General Counsel and Company Secretary.

€ thousands	**2018**	2017
Fixed remuneration[1]	1,694	2,319
Pension	87	112
Share options[2]	1,945	1,750
Variable remuneration[3]	1,514	1,247
Senior executives' total remuneration	5,240	5,428
Attendance fees of other Board members	300	56
Services rendered by members of the Board	–	106
Total remuneration of Non-Executive Directors	300	162
Key management total remuneration	5,540	5,590

1. Includes base salaries and other employee benefits.
2. Share options for Directors are further explained in note 4.4B.
3. Variable remuneration represents cash bonuses.

5.5 Share-based compensation

	Share options no.	Free shares no.	Total no.
31 December 2016	1,154,566	17,844	1,172,410
Granted	40,000	–	40,000
Shares lapsed	(215,690)	(261)	(215,951)
Free shares issued	–	(17,583)	(17,583)
Share options exercised	–	–	–
31 December 2017	978,876	–	978,876
Granted	–	–	–
Shares lapsed	(71,557)	–	(71,557)
Free shares issued	–	–	–
Share options exercised	–	–	–
31 December 2018	907,319	–	907,319

Summary of share scheme interest

Details of the current stock options and free shares schemes are as follows:

Date of option allocation	Performance conditions	Date options lapse	Subscription price	Allocated but not exercised	Of which exercisable at 1.1.2019	Fair value of one option1	Cost (€k) 2018	Cost (€k) 2017
4 May 2007	Yes for 20,000	4/5/17	€53.96	–	–	€18.12	–	–
12 November 2010	Yes	12/11/20	€62.00	7,000	7,000	€10.20	–	–
30 September 2016	No	30/9/20	€28.20	409,005	409,005	€5.98	793	1,268
30 September 2016	No	30/9/21	€28.20	451,314	–	€6.39	1,335	1,037
2 October 2017	No	31/12/20	€43.00	20,000	20,000	€8.99	144	36
2 October 2017	No	31/12/21	€43.00	20,000	–	€10.33	92	23
Share options	–	–	€29.11	907,319	436,005	–	2,363	2,364

Date of allocation of free shares	Performance conditions	Date shares vested	Date available for sale	Number of free shares outstanding	To be vested in 2018	Fair value of one share1	Cost (€k) 2018	Cost (€k) 2017
26 September 2012	No	26/9/15	26/9/17	–	–	€42.24	–	–
23 July 2013	No	23/7/16	23/7/18	–	–	€52.23	–	–
14 April 2014	No	14/4/17	14/4/19	–	–	€53.68	–	65
Free shares	–	–	–	–	–	–	–	65
Total cost calculated	–	–	–	–	–	–	2,363	2,429
Social security contributions on allocation	–	–	–	–	–	–	–	–
Total cost recognised	–	–	–	–	–	–	2,363	2,429

1. Excluding social contributions. Valued using the Black-Scholes model.

No new stock options or free shares has been granted during the year.
For 30 September 2016 plan and 2 October 2017 plan the vesting date has been met and stock options can now be exercised during the next 2 years.

In 2017, awards were made during the year for participants of the scheme on 2 October 2017. The options are exercisable starting one and two years from the grant date. The options have an exercise period of two years after vesting. The Group has no legal or constructive obligation to repurchase or settle the options in cash. The awards have been valued by a third-party valuation specialist using the Black-Scholes binomial model.

As at 31 December 2018, the Directors held the following interests in share awards:

Director	Grant date	Award	Vesting Performance period	Share price at grant date	Fair value of awards at grant date	At 31/12/2017	Awards exercised / released in the year	Awards granted in the year	At 31/12/2018
F. Firouz	30/9/2016	318,897	30/9/2018	€28.20	5.98	318,897	–	–	318,897
F. Firouz	30/9/2016	318,897	30/9/2019	€28.20	6.39	318,897	–	–	318,897
JL. Bélingard	–	–	–	–	–	–	–	–	–
S. Meister	–	–	–	–	–	–	–	–	–
E. Schnee	–	–	–	–	–	–	–	–	–
R. Bogni	–	–	–	–	–	–	–	–	–
Y. Schlaeppi	–	–	–	–	–	–	–	–	–
P. Broadley	–	–	–	–	–	–	–	–	–

5.6 Reconciliation of net income to EBITDA and adjusted EBITDA

€ thousands	2018	2017
Group share of net loss	12,759	(9,871)
Add back:		
Tax expense	3,910	2,145
Net financial expense	891	1,798
Amortisation and depreciation	21,529	23,404
Capital losses and impairments	1,156	4,466
EBITDA	40,245	21,942
Transformation costs, not already considered in amortization, depreciation and capital losses	687	–
Share-based compensation	2,363	2,429
Adjusted EBITDA	43,295	24,371

To supplement our financial information presented in accordance with IFRS we use the following financial measures to clarify and enhance an understanding of the company's performance: EBITDA and adjusted EBITDA. We believe that the presentation of these financial measures enhances an investor's understanding of our financial performance. We further believe that these financial measures are useful financial metrics to assess our operating performance from period-to-period by excluding certain items that we believe are not representative of our core business. We define our core business as those operations relating to the Group's ongoing performance. We use these financial measures for business planning purposes and in measuring our performance relative to that of our competitors. We utilise both EBITDA and adjusted EBITDA as primary measures of performance.

EBITDA consists of net income before interest, taxes, depreciation and amortisation. Adjusted EBITDA consists of EBITDA adjusted for (i) certain non-cash items included within net income, specifically share-based compensation, (ii) items the Group does not believe are indicative of ongoing operating performance, specifically transformation and significant transaction costs. We believe that making such adjustments provides investors meaningful information to understand our operating results and ability to analyse financial and business trends on a period-to-period basis.

We believe these financial measures are commonly used by investors to evaluate our performance and that of our competitors. However, our use of the terms EBITDA and adjusted EBITDA may vary from that of others in our industry. These financial measures should not be considered as alternatives to income before income taxes, net income, earnings per share or any other performance measures derived in accordance with IFRS as measures of operating performance.

EBITDA and adjusted EBITDA have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under IFRS. Some of these limitations are:

EBITDA and adjusted EBITDA:

- do not reflect the interest expense on our debt;
- eliminate the impact of income taxes on our results of operations;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and EBITDA and adjusted EBITDA do not reflect any expenditures for such replacements; and
- other companies in our industry may calculate EBITDA and adjusted EBITDA differently than we do, limiting their usefulness as comparative measures.

We compensate for these limitations by using EBITDA and adjusted EBITDA along with other comparative indicators, together with IFRS measurements, to assist in the evaluation of operating performance. Such IFRS measurements include income before income taxes, net income, earnings per share and other performance measures.

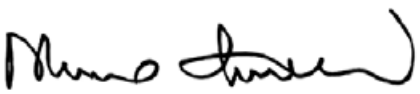
Company Financial statements

1. COMPANY FINANCIAL STATEMENTS

1.1 Balance sheet

€ thousands	Notes	31/12/2018	31/12/2017
Non-current assets			
Intangible assets	5.3	202	254
Tangible assets	5.4	165	1,861
Investments in subsidiary undertakings	5.5	506,437	553,482
Deferred taxation	5.6	23,238	22,313
Non-current financial assets	5.7	9,364	12,525
Other non-current assets		237	237
Total non-current assets		539,643	590,672
Trade and other debtors	5.8	72,299	81,627
Cash at bank and in hand		44,957	33,557
Current assets		117,256	115,184
Total assets		656,899	705,856
Capital and reserves			
Called up share capital	5.9	19,788	19,788
Share premium account		539	539
Merger premium		342,149	342,149
Revaluation reserve		(348)	(236)
Profit and loss account (loss for the year of €52,882k (2017: loss of €254,278k))		257,283	309,707
Total equity		619,411	671,947
Non-current provisions		535	431
Non-current financial liabilities	5.10	6,318	6,318
Deferred taxation	5.6	–	–
Total non-current liabilities		6,853	6,749
Creditors: amounts falling due within one year			
Trade and other creditors	5.11	30,635	27,160
Total creditors: amounts falling due within one year		30,635	27,160
Total equity and liabilities		656,899	705,856

The Company financial statements from page 118 to 131 were approved and authorised for issue by the Board on 20 March 2019 and were signed on its behalf by:



Michele Antonelli
Chief Executive Officer
Company registration no: 08806009

1.2 Statement of changes in equity

€ thousands	Share capital	Share premium	Merger premium	Revaluation reserve	Retained earnings	Total shareholders' equity
At 31 December 2016	19,788	539	342,149	–	563,849	926,325
Net loss for the year	–	–	–	–	(254,278)	(254,278)
Other comprehensive income for the year	–	–	–	(236)	–	(236)
Share-based compensation	–	–	–	–	208	208
Treasury share transactions	–	–	–	–	(72)	(72)
At 31 December 2017	19,788	539	342,149	(236)	309,707	671,947
Net loss for the year	–	–	–	–	(52,882)	(52,882)
Other comprehensive income for the year	–	–	–	(112)	–	(112)
Share-based compensation	–	–	–	–	289	289
Treasury share transactions	–	–	–	–	169	169
At 31 December 2018	19,788	539	342,149	(348)	257,283	619,411

The revaluation reserve reflects the unrealised gains or losses recognised as other comprehensive income on equity investment at FVOCI that are subsequently measured at fair value at each reporting period.

2. GENERAL INFORMATION

Stallergenes Greer plc (the "Company") is a public limited company incorporated and domiciled in the United Kingdom. Its head office is located in London at Tower Bridge House, St Katherine's Way, London E1W1DD.

3. STATEMENT OF COMPLIANCE

The individual financial statements of Stallergenes Greer plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual profit and loss account. The loss for the year was €52,882k (2017: loss of €254,278k).

4.2 Going concern

The Directors have considered the Group cash flow projections and assessed the robustness of the forecast through sensitivities around the key assumptions, in particular sales growth, selling, general and administrative costs, investment in R&D and manufacturing and investment in Working Capital needs. The Group has a solid cash position as of end 2018, with a 74m gross cash balance. The projections over the next 12 months are showing sufficient resources independently from external additional funding.

Based on this analysis, the Directors have concluded that the Group has sufficient resources to continue in operation for the foreseeable future, being a period of not less than 12 months from the date of this report. Accordingly, the financial statements continue to be prepared on going concern basis.

4.3 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with.

The Company has taken advantage of the following exemptions:

- A reconciliation of the number of shares outstanding at the beginning and end of the period in terms of para 4.12(a)(iv).
- The requirement to prepare a statement of cash flows in terms of Section 7 of FRS 102 and para 3.17(d).
- Certain financial instrument disclosures providing equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated in terms of para 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A.
- Certain disclosure requirements of Section 26 in respect of share-based compensation provided that (i) for a subsidiary the share-based compensation concerns equity instruments of another group entity; or (ii) for an ultimate parent the share-based compensation concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the group; and in both cases the equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated in terms of para 26.18(b), 26.19–26.21, 26.23.
- Key management personnel compensation in total in terms or para 33.7.

4.4 Foreign currency

A. Functional and presentational currency

The financial statements are presented in Euros (EUR), which is the Company's functional and presentation currency.

B. Transactions and balances

Expenses and revenues denominated in a currency other than the Company's functional currency are converted using the average exchange rate of transactions carried out during the period. Foreign currency-denominated liabilities and receivables are converted at the exchange rate prevailing at the balance sheet date. Exchange differences resulting from these transactions are accounted for in the income statement.

4.5 Investments in subsidiary companies

Investments in subsidiaries are initially measured at cost and are subsequently accounted for at the lower of cost or recoverable amount with impairment losses reported in the income statement. Gains and losses arising on the disposal of investments are also included in the income statement in the period to which they relate.

Investments in subsidiaries are reviewed for impairment on an annual basis. Any impairments are recognised in the income statement during the year.

4.6 Intangible assets

Intangible assets are valued at the Company's acquisition cost or production cost. This cost includes all costs directly attributable to commissioning these intangible assets, or is their fair value on the date of the business combination. Additionally, the Company may capitalise salaries relating to time spent by employees developing and implementing software that is capitalised as an intangible asset. Accumulated amortisation and impairments, if applicable, are deducted from this cost.

The amortisation method and periods of use are reviewed at each balance sheet date.

Intangible assets with a finite useful life are amortised over this period. An impairment test is carried out when there is an internal or external indication of impairment. A provision for impairment is then recognised when the recoverable value of the concerned assets falls below its net book value. The recoverable amount is the higher of the assets fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units).

A. Software

Software has a finite useful life: it is therefore amortised on a straight-line basis from the time the asset is ready to be commissioned, over a period of three to five years, except for integrated professional management software of the "ERP" category, which is amortised over 8 years due to its operational significance and probable useful life. Software amortisation is allocated based on usage into cost of goods sold, selling, marketing, general and administrative expenses and R&D costs.

4.7 Tangible assets

Tangible assets are recognised at acquisition cost, less, if applicable, accumulated depreciation and write-downs.

The acquisition cost of property, plant and equipment includes all costs directly attributable to its creation or acquisition and its transfer to the location of operation for commissioning as intended by management.

Interest costs are included in asset costs when justified by the significance and timeframe for completion of the relevant non-current assets.

Significant components of property, plant and equipment that have been identified as having different useful lives are recognised separately.

Costs relating to the replacement or renewal of a property, plant or equipment component are recognised as separate assets and the replaced asset is removed from the accounts. Other subsequent expenses relating to property, plant and equipment are only recognised under assets when it is likely that future economic benefits associated with these costs will flow to the Company and the costs may be measured reliably. All other subsequent expenses are recognised as an expense in the financial year they are incurred.

Assets are depreciated on a straight-line basis when the asset is ready to be commissioned in order to bring the cost of each asset down to its residual value by recognising a constant annual depreciation charge, based on the following useful lives:

· Fixtures & fittings	5–10 years
· Office equipment	3–5 years
· Leasehold improvements	5–10 years or over the lease term, if it is shorter
· Machinery	5–10 years

For the purpose of assessing impairment, assets are assessed at the lowest levels for which there are largely independent cash inflows (cash generating units). A provision for write-down is then recognised when the recoverable value of the concerned assets falls below its net book value.

4.8 Leased assets

A. Operating leased assets

Leases for which a substantial portion of the risks and rewards incidental to ownership of the assets is effectively retained by the lessor are classified as operating leases. Payments made in respect of contracts of this nature are recognised in the income statement as an expense for the period and on a straight-line basis over the term of the lease.

4.9 Financial instruments

The Company has elected to apply the "Recognition and Measurement" standard included under IFRS 9.

A. Financial assets

1. Classification and initial measurement

The Company classifies its financial assets, other than those designated and effective as hedging instruments, into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within financial expense, financial income or other financial items, except for impairment of trade receivables which is presented within other expenses.

2. Subsequent measurement

2.1. Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding

After initial recognition, these financial assets are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments as well as listed bonds that were previously classified as held-to-maturity under IAS 39.

2.2. Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss.

Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

2.3. Financial assets designated at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The company elected to classify irrevocably its equity investment in Adeo Health Science, Inc. previously classified as available-for-sale (AFS) investments under IAS 39, under this category.

3. Impairment

The Company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses.

These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

B. Financial liabilities

Financial liabilities are initially recognised at the fair value of the counterpart received, less transaction costs directly attributable to the transaction, unless the Company designated a financial liability at fair value through profit or loss. They are subsequently measured at amortised cost using the effective interest rate method, except for derivatives and financial liabilities designated at fair value through profit or loss which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within financial expense or financial income.

C. Financial instrument fair value

Financial instruments are carried at fair value, which is determined by the following methods, by preference:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of trade debtors, other current assets, cash and cash equivalents, trade payables, financial liabilities and other current liabilities approximates to their carrying amount.

D. Derecognition

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Financial liabilities are derecognised when contractual obligations are waived, cancelled or extinguished.

4.10 Share-based compensation

The Company operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for share options or free shares of Stallergenes Greer plc's shares. These plans are measured at fair value, subject to social contributions, and recognised as an expense in the income statement over the vesting period of the rights associated with these plans.

The fair value of option plans is measured using the "Black-Scholes" or "binomial" valuation model, taking account of an annual review of options effectively exercised and acquired, as well as the expected number of exercisable options. The corresponding costs are classified in the functional items of the income statement.

Details of stock option and free share plans in effect and their measurement under IFRS are included in note 5.4 of the Group consolidated financial statements. The free shares schemes relate to existing schemes acquired by the Company following the merger with Stallergenes SA. During the year, no new share options or free shares were allocated to employees, and no free shares were issued or stock options exercised.

4.11 Cash and cash equivalents

"Cash and cash equivalents" include cash, sight deposits and other short-term, liquid deposits with original maturity of 3 months or less. Bank overdrafts are shown within borrowings in current liabilities.

4.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.13 Treasury shares

Treasury shares are deducted from equity regardless of the purpose for which they are held. No gain or loss is recognised in the income statement when purchasing, selling, writing down or cancelling treasury shares.

4.14 Distributions to equity holders

Dividends and other distributions to the Company's shareholders are recognised as a liability in the financial statements in the period they were approved by the shareholders. These amounts are recognised in the statements of changes in equity. Interim dividends are recognised when paid.

4.15 Taxation

A. Current tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Company operates and generates taxable income. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

B. Deferred tax

The deferred tax assets and liabilities of the Company are presented under non-current assets and non-current liabilities, respectively.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reversed to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

4.17 Provisions

A provision is recognised when the Company has an actual, legal or implicit obligation resulting from a past event, the value of which can be measured reliably and the settlement of which is expected to result in an outflow from the Company of resources embodying economic benefits. Forecast outflows likely to occur in more than twelve months are classified as non-current liabilities. Other provisions are classified as current liabilities. Charges and reversals relating to the use of other provisions are recognised in the functional items of the income statement.

4.18 Critical accounting judgements and estimation uncertainty

During the preparation and presentation of the financial statements, company management uses its own judgement to value or estimate certain items presented in the financial statements. The likelihood that future events will occur is also assessed. These valuations and estimates are reviewed at each balance sheet date and compared to actual events, in order to restate the assumptions made if necessary.

Taxation

- Current tax is provided at the amounts expected to be paid, and deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts, at the rates that have been enacted or substantively enacted by the balance sheet date.
- Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised, based on management's assumptions relating to the amounts and timing of future taxable profits.
- Where the final tax outcome is different from the amounts originally estimated and recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Investment carrying value

- Investments are included at cost, less provision for any impairment. In determining whether an impairment has occurred, management considers factors that include the nature and condition of the investment along with the expected future cash flows that can be reasonably estimated.

5. NOTES TO THE COMPANY FINANCIAL STATEMENTS

5.1 Operating loss

Included in operating loss is auditor's remuneration of €367k (2017: €90k) for audit services.

5.2 Employees and Directors

Total emoluments including Executive Directors is as follows:

€ thousands	2018	2017
Wages & salaries, including restructuring costs and other termination benefits	6,768	7,697
Social security costs	663	719
Share options granted to Directors and employees	289	208
Pension costs and other post-employment benefits	–	(46)
Total employee benefit expense	7,720	8,578

€ thousands	2018	2017
Manufacturing	458	787
Marketing and sales	–	392
Administration	5,334	6,401
Research and Development	1,504	889
Head office	355	109
Transformation cost	69	–
Total personnel costs	7,720	8,578

Average number of people employed

	2018	2017
Manufacturing	2	2
Marketing and sales	–	2
Administration	8	11
Research and Development	3	1
Average number of people (including Executive Directors):	13	16

The Directors' emoluments were as follows:

€ thousands	2018	2017
Aggregate emoluments	2,517	2,458
Company contributions to defined-contribution pension scheme	41	70

The Directors' emoluments disclosed above are paid and borne by the Company but include remuneration for services provided to the consolidated group. Due to the nature of the services rendered and fee charged by the Company to the Group undertakings, the Directors do not consider it possible to identify separately the amounts of the emoluments relating solely to the services provided to the Company.

€1,710k were recognised under long-term incentive schemes in 2018 (2017: €1,611k). No amounts were recognised for post-employment benefits during the year other than the pension contributions in the above table. The retirement benefits concern two directors.

Highest-paid Director

The highest-paid Director's emoluments were as follows:

€ thousands	2018	2017
Total amount of emoluments*	2,039	1,869
Company contributions to defined contribution pension scheme	9	12
Total	2,048	1,881

* No payments were made in respect of long-term incentive schemes and other post-employment benefits. No share options were exercised by the Director during the year.

5.3 Intangible assets

€ thousands	Software
Cost at 31 December 2017	347
Additions	
Cost at 31 December 2018	347
Accumulated amortisation and impairment at 31 December 2017	(93)
Amortisation	(52)
Accumulated amortisation and impairment at 31 December 2018	(145)
Closing net book value at 31 December 2017	254
Closing net book value at 31 December 2018	202

Intangible assets represent software costs relating to the implementation of a new accounting consolidation tool.

5.4 Tangible assets

€ thousands	Leasehold Improvements	Fixtures & fittings	Machinery & equipment	Total tangible assets
Cost at 31 December 2017	1,518	528	359	2,405
Additions	–	–	–	–
Cost at 31 December 2018	1,518	528	359	2,405
Accumulated depreciation and impairment at 31 December 2017	(257)	(102)	(185)	(544)
Depreciation expenses	(82)	(42)	(75)	(199)
Impairments, net of reversal	(1,179)	(243)	(74)	(1,496)
Accumulated depreciation and impairment at 31 December 2018	(1,158)	(388)	(333)	(2,239)
Net book value of fixed assets at 31 December 2017	1,261	426	174	1,861
Net book value of fixed assets at 31 December 2018	–	140	26	166

Impairment charges included in 2018 total €1,496k (2017: nil) correspond to the write-off of leasehold improvements, furniture and equipment due to the closure of the London office during the year.

5.5 Investments in subsidiary undertakings

A complete list of the Company's subsidiaries is included in note 2.4.2 of the consolidated Group financial statements included in this Annual Report.

The carrying value of the Company's investment in subsidiary companies was as follows:

€ thousands	2018	2017
At 1 January	553,482	790,777
Additions in year		1,372
Disposals	(100)	(2,994)
Impairments to investments during the year	(46,945)	(235,673)
At 31 December	506,437	553,482

The disposal in 2018 relates to the liquidation of the Argentinian subsidiary which was dormant since 2017.

As part of its annual reviews Stallergenes Greer plc has performed an impairment analysis of its "investments in subsidiary undertakings" on its legal entity balance sheet based on the latest long-range business plan and related sensitivity scenarios around it.

Following our annual review and based on the risk adjusted long range business plan an impairment of €46,800k has been recognized in 2018 against the investment value of Stallergenes Greer International AG to an adjusted investment value of €266,000k.

Furthermore, impairments were recognised to subsidiaries in Brazil, Switzerland and Italy to reduce the value recognised to their respective recoverable amounts. Impairments previously booked to reduce the value of the subsidiary in Argentina and Netherland has been reversed, respectively due to the liquidation of the entity and the improvement of the recoverable value of the entity.

The impairment in the statutory accounts for Stallergenes Greer plc has no impact on the Group consolidated accounts, its 2018 operating result, EBITDA or Equity.

During 2017, Medic Savoure Limited ("Medic Savoure"), an allergy immunotherapy company incorporated and operating in Canada, was acquired during October for €1,372k. Medic Savoure was merged into Stallergenes Canada Inc. on the same day. 2017 disposals related to the sale of Alergo Pharma during the year as well as the liquidation of a Moroccan subsidiary that was dormant.

When Stallergenes Greer was founded, the combination with Greer Laboratories was implemented as an acquisition of its legal entities Stallergenes Greer Holdings Inc. and Stallergenes Greer International AG. As a result, an investment value of €546,825k was recorded on the legal entity balance sheet of Stallergenes Greer plc. In contrast, Stallergenes SA Group was merged with the French branch of Stallergenes Greer plc and its assets and liabilities were recorded at historic balance sheet values on the legal entity balance sheet of Stallergenes Greer plc. No impairment is required for the assets and liabilities of the former Stallergenes SA group in the legal entity accounts of Stallergenes Greer plc.

Based on the risk adjusted long range business plan an impairment of €234,026k has been recognized in 2017 against the investment value of Stallergenes Greer Holdings Inc. and Stallergenes Greer International AG to an adjusted investment value of €312,800k.

Furthermore in 2017, impairments were recognised to subsidiaries in Argentina, China and the United Kingdom as these entities have since become dormant. Impairments were also recognised to subsidiaries in Brazil and Italy to reduce the value recognised to their respective recoverable amounts.

Stallergenes (UK) Ltd has taken advantage of the exemption available under Section 479A of the Companies Act 2006 in respect of the requirement to prepare individual financial statements for audit. As a condition of the exemption, the Company has guaranteed the year-end liabilities of the subsidiary until they are settled in full. The liabilities of the subsidiary at the year-end amounted to €837k (2017: €1,573k).

5.6 Deferred taxation

Deferred taxation liabilities recognised represent corporation tax in France on the activities of the French branch:

€ thousands	2018	2017
Tax losses carried forward	23,162	22,260
Others	76	53
Total deferred tax asset	23,238	22,313

At 31 December 2018, the Company had a deferred tax asset in the U.K. of €3,762k (2017: €3,032k). This deferred tax asset has not been recognised as there is insufficient evidence that it is recoverable. The deferred tax asset would be recoverable if the Company were to generate profits in the U.K. in the future.

The deferred tax assets on losses carried forward recognised in 2018 corresponds to the tax loss of the year generated by the fiscal integration group formed by Stallergenes SAS and the French branch establishment of Stallergenes Greer plc.

5.7 Non-current financial assets

€ thousands	2018	2017
Long-term loans to Group undertakings	9,317	11,691
Amounts due from associated companies	–	–
Rental deposits	47	699
Equity investment at FVOCI	–	135
Liquidity contract	–	–
Total	9,364	12,525

Long-term loans to Group undertakings represents loans to Group entities, which have no fixed repayment date. A €7,860k ($10,000k) loan was issued to a subsidiary during the year (2017: €10,000k). The loan bears interest at LIBOR + plus a margin of 2,3% per annum. No other loans issued to Group entities bear interest.

The decrease in the rental deposits between 2017 and 2018 is due to the reimbursement of the deposit following the move of the UK office.

Equity investment at FVOCI comprise a 5.65% interest in Adeo Health Science, Inc. that was acquired in September 2017.

5.8 Trade and other debtors

€ thousands	2018	2017
Amounts due from Group undertakings	6,185	6,032
Short-term loans due from Group undertakings	43,190	59,760
Tax and VAT receivable	22,134	14,557
Prepayments and accrued income	38	608
Liquidity contract	752	670
Total	72,299	81,627

Amounts due from Group undertakings mainly represent management fees receivable from associated Group companies.

The short-term loans due from Group undertakings are part of the Group's treasury management process where excess cash reserves are pooled and managed centrally. These loans are repayable on demand and non-interest bearing.

Included within Tax and VAT receivable is an amount of €19,687k (2017: €14,306k) which represents the 2016 to 2018 research tax credit from the French State due to the formation of a French consolidated tax group in France as part of the French Branch of the Company.

Prepayments and accrued income include prepayments of expenses due in early 2019 and invoices to be recharged to other Group entities for services paid for by the Company on their behalf.

The liquidity contract of €752k (2017: €670k) relates to cash held by a liquidity provider on behalf of the Company at year-end. The purpose of this contract is to enable the liquidity provider to trade on behalf of the Company in the market so as to foster regular and liquid trading in its shares and to avoid price swings that are not generated by market trends.

5.9 Share capital

	2018		2017	
*Allotted and fully paid**	**No. thousands**	**€ thousands**	**No. thousands**	**€ thousands**
At 1 January	19,788	19,788	19,788	19,788
Issued during year	–	–	–	–
At 31 December	19,788	19,788	19,788	19,788

* Included in share capital at year-end are 50k Treasury shares detailed below.

The Company is authorised to issue an unlimited number of ordinary shares at no par value. All of the shares of the Company are classed as equity.

The ordinary shares have attached to them full rights in respect of voting and participation in dividends or distributions of capital (including on winding up). The ordinary shares do not confer any rights of redemption. At a general meeting of the Company, on a vote of a show of hands, every member present in person or by proxy shall have one vote, and on a vote on a poll, every member present in person or by proxy shall have one vote for every share of which they are the holder or the duly appointed proxy.

Voting rights attached to a share shall not be exercisable at any general meeting, adjournment thereof or on a poll called at or in relation to that meeting unless all amounts payable to the Company in respect of that share have been paid.

Movements in share capital in the period to 31 December 2018

There have been no movements within share capital during the 2018 financial year.

During the year, 126,469 shares were purchased and 126,293 shares were sold by the investment services provider in charge of the liquidity contract.

Movements in share capital in the period to 31 December 2017

There were no movements within share capital during the 2017 financial year.

During the year, 121,097 shares were purchased and 119,829 shares were sold by the investment services provider in charge of the liquidity contract.

5.10 Non-current financial liabilities

€ thousands	2018	2017
Borrowings	6,318	6,318
Total	6,318	6,318

The non-current borrowings of €6,318k (2017: €6,318k) relates to the liability recorded upon receipt of the funds as part of the pre-financing of the research tax credit as well as the competitiveness and employment tax credit.

5.11 Trade and other creditors

€ thousands	2018	2017
Trade creditors	314	755
Amounts due to Group undertakings	257	3,865
Loans due to Group undertakings	11,655	10,977
Corporation tax	1,386	–
Accruals and deferred income	1,551	1,834
Other current liabilities	15,472	9,729
Total	30,635	27,160

Trade creditors represents amounts due to external providers at 31 December 2018.

Amounts due to Group undertakings only includes intercompany payables of €257k. In 2017, amounts due to Group undertakings included intercompany payables of €942k as well as a $3,500k loan from Finares Holding AG bearing interest at 2.80%. The balance of the loan at 31 December 2017 was €2,923k. The loan was repaid on 31 May 2018.

The loans due to Group undertakings represent short-term loans, which are managed as part of the Group's treasury management process as detailed above in note 5.8 (2017: €10,977k). These loans are repayable on demand and non-interest bearing.

Accruals and deferred income comprise mostly of the audit fee accrual for 2018, legal fees and the operating lease liability for the leased property in London (2017: €1,834k).

Other current liabilities represent accruals for employee benefits and employee taxes payable as well as the tax credit to be allocated to entities within the consolidated French tax group formed by the French Branch of the Company.

5.12 Capital and other commitments

The Company had the following commitments under non-cancellable operating leases:

€ thousands	2018	2017
Operating leases payments due:		
In less than one year	–	967
In one to five years	–	3,587
In more than five years	–	2,232
Total	–	6,786

In 2017, the amounts due under operating leases represented rental lease contracts in the U.K. and France. Following the termination of the UK and French leases contracts during the year, the Company had no more commitments at 31 December 2018.

5.13 Contingent liabilities

During the year the company assigned the lease of a property previously occupied by the company, to a third party.

The company remains liable as guarantor of the property, until the end of the lease on 22 September 2025.

5.14 Related party transactions

The Company has taken the exemption from disclosing transactions with its wholly owned subsidiaries.

The following transactions were carried out with related parties:

During the year, the Company paid €25k (2017: €704k) for transactions during the year to Waypoint Corporate Services Limited, an entity under common control, of which €3k (2017: €112k) was outstanding at year-end.

During the year, the Company paid €688k (2017: €611k) under support services agreements to Bemido S.A., an entity under common control, of which €151k (2017: €59k) was outstanding at year-end.

The Company granted a loan to Mobile Chambers GmbH for €620k and free capital of €245k plus €9k of interest capitalised. The loan was written off in 2017. The interest income for the year was €nil (2017: €40k).

5.15 Controlling parties

The Company's parent entity Ares Life Sciences I S.a.r.l (incorporated in Luxembourg) owns 83.64% of the Company's shares. The remaining 16.36% of the shares are widely held. The ultimate controlling party of the Company is the Bertarelli family.

Concept, design and realisation:
PETRANIX Corporate and Financial Communications AG
www. PETRANIX.com

Images:
Ed Tyler, www.edtyler.com
Quid, Inc., quid.com
Getty Images, www.gettyimages.com
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Printer:
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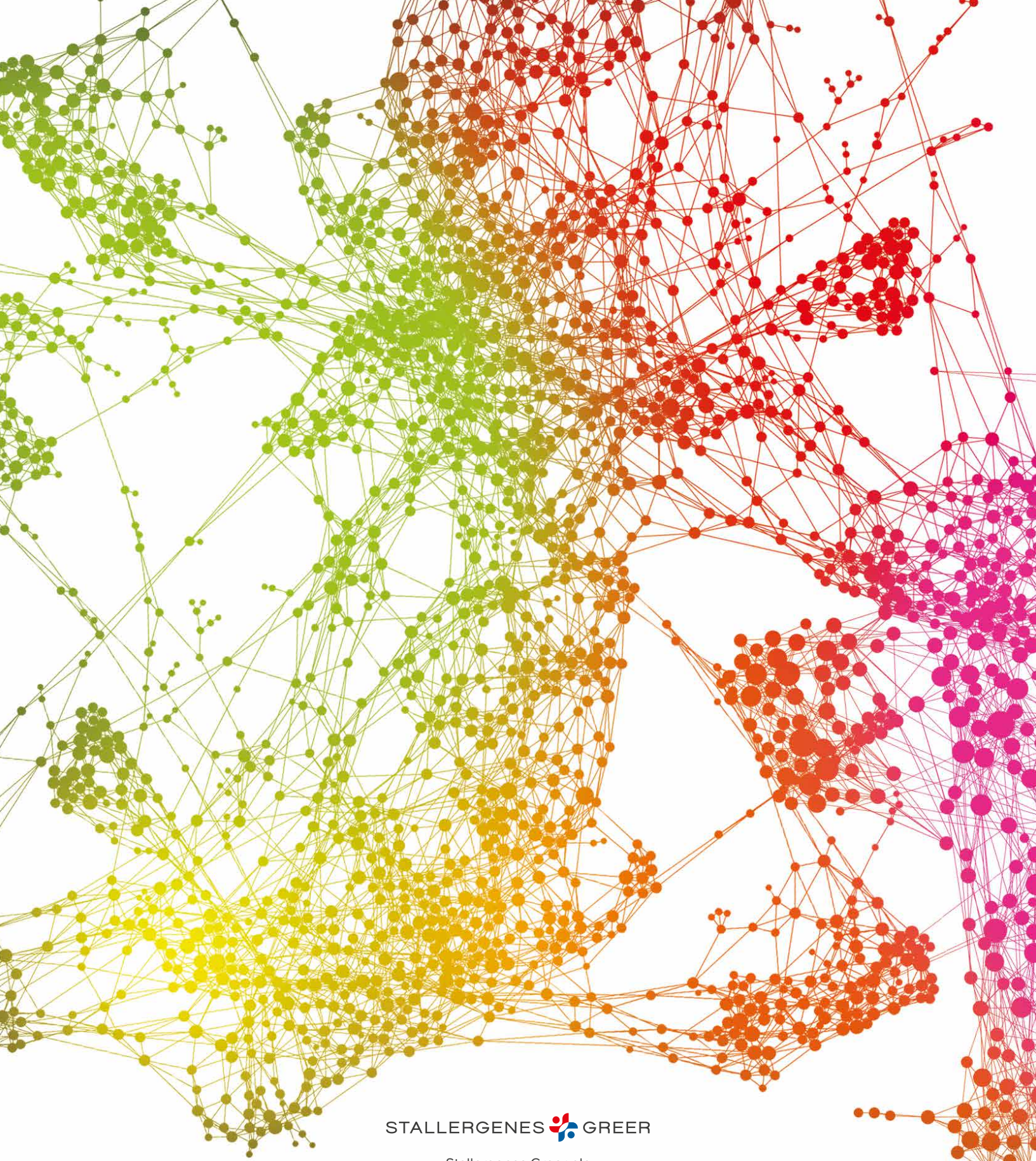
Pureprint Group Limited is FSC® certified and ISO 14001 certified showing that it is committed to all round excellence and improving environmental performance is an important part of this strategy.

Forward-looking disclosure statement

This document (including information incorporated by reference in this document), oral statements made and other information published by the Company contain statements that are or may be forward-looking with respect to the financial condition and/or results of operations and businesses of the Company. These statements can be identified by the use of forward-looking terminology such as “believe,” “expects,” “project,” “estimated,” “forecast,” “should,” “plan,” “may,” “will,” or the negative of any of these, or other variations thereof, or comparable terminology indicating expectations or beliefs concerning future events. These forward-looking statements include risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Without being exhaustive, such factors include economic situations and business conditions, including legal and product evaluation issues, fluctuations in currencies and demand, and changes in competitive factors. Actual results may differ materially from those set forth in the forward-looking statements, due to these and other various factors. Save as required by applicable law, neither the Company nor any other person assumes any obligation to update these forward-looking statements or to notify any person of any such update.



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