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

Consolidated annual accounts for the year ended 31 December 2018, prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union

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

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

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

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER
(Thousands of Euros)

ASSETS	Note	31 December 2018	31 December 2017	EQUITY AND LIABILITIES	Note	31 December 2018	31 December 2017
				Issued capital	14	20,862	20,754
Goodwill	8	315,966	341,815	Share premium	14	229,953	219,890
Intangible assets	9	1,121,215	730,316	Legal reserve	14	4,151	4,151
Property, plant and equipment	10	115,235	128,317	Other reserves	14	872,568	1,209,391
Financial assets	11	142,316	191,959	Valuation adjustments	14	(36,971)	(20,547)
Deferred tax assets	21	280,404	268,675	Translation differences	14	23,512	4,002
NON-CURRENT ASSETS		**1,975,136**	**1,661,082**	Profit (Loss) for year		77,674	(303,961)
				EQUITY		**1,191,749**	**1,133,680**
				Deferred income	15	98,992	130,368
				Financial liabilities	16	546,070	250,000
				Deferred tax liabilities	21	134,877	140,163
				Retirement benefit obligations	19	70,645	71,157
				Provisions	18	47,298	50,572
				Other non-current liabilities	17	55,807	52,098
Inventories	12	92,333	83,743	**NON-CURRENT LIABILITIES**		**953,689**	**694,358**
Trade and other receivables	13	192,803	90,360				
Current tax assets	21	38,878	57,054	Financial liabilities	16	2,618	72
Other current assets		4,086	3,980	Trade payables	17	191,019	140,604
Current investments	11	1,080	68,684	Current tax liabilities	21	14,286	12,639
Cash and cash equivalents		85,190	211,542	Other current liabilities	17	36,145	195,092
CURRENT ASSETS		**414,370**	**515,363**	**CURRENT LIABILITIES**		**244,068**	**348,407**
TOTAL ASSETS		**2,389,506**	**2,176,445**	**TOTAL LIABILITIES AND EQUITY**		**2,389,506**	**2,176,445**

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts as at 31 December 2018

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

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

CONSOLIDATED INCOME STATEMENTS AT 31 DECEMBER
(Thousands of Euros)

Continuing operations	**Note**	**2018**	**2017**
Revenue	20	756,934	639,381
Other income	20	54,047	116,404
Operating income		**810,981**	**755,785**
Procurements	20	(162,592)	(173,005)
Staff costs	20	(183,101)	(204,072)
Amortisation and depreciation charge	9 and 10	(90,180)	(103,660)
Net change in valuation adjustments	20	(14,452)	(8,218)
Other operating expenses	20	(251,470)	(251,051)
Net gain (loss) on asset disposals	20	441	(2,222)
Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill	20	(22,636)	(323,573)
Profit (Loss) from operations		**86,991**	**(310,016)**
Change to fair value in financial instruments	20	(1,508)	(4,500)
Financial income	20	981	1,606
Finance costs	20	(5,563)	(22,387)
Exchange gains (losses)	20	(5,927)	14,234
Profit (Loss) before tax		**74,974**	**(321,063)**
Corporate income tax	21	2,700	17,102
Net profit (loss) for the year attributable to the Parent company		**77,674**	**(303,961)**
Earnings (Loss) per share (Euros):	24		
A) Basic		0,45	(1,76)
B) Diluted		0,45	(1,76)

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2018.

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

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

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

	Note	2018	2017
Profit (Loss) for the year		**77,674**	**(303,961)**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Retirement benefit obligations	19	(1,110)	(929)
Corporate income tax on items that will not be reclassified	21	311	260
Change in the fair value of investments in equity at fair value with changes in other comprehensive income	11	(12,957)	-
Items that will not be reclassified to profit or loss		**(13,756)**	**(669)**
Items that may be reclassified subsequently to profit or loss			
Other change in value		32	-
Gains (Losses) on translations of foreign currencies	14	19,510	(48,970)
Total items that may be reclassified subsequently to profit or loss		**19,542**	**(48,970)**
Other comprehensive income for the year, net of tax		**5,786**	**(49,639)**
Total comprehensive income for the year		**83,460**	**(353,600)**
Attributable to:			
- Owners of the Parent company		83,460	(353,600)
- Non-controlling interests		-	-
Total comprehensive income attributable to owners of the Parent company arising on:			
- Continuing operations		83,460	(353,600)
- Discontinued operations		-	-

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2018.

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

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

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

	NOTE	Subscribed capital	Share premium	Legal reserve	Other reserves	Valuation adjustments recognised in equity	Translation differences	Profit (Loss) attributable to the Parent company	Equity
Balance at 31 December 2016	14	**20,754**	**219,890**	**4,151**	**1,166,912**	**(19,878)**	**52,972**	**75,479**	**1,520,280**
Distribution of profit		-	-	-	75,479	-	-	(75,479)	-
Dividends		-	-	-	(33,000)	-	-	-	(33,000)
Total comprehensive income for the year		-	-	-	-	(669)	(48,970)	(303,961)	(353,600)
Balance at 31 December 2017	14	**20,754**	**219,890**	**4,151**	**1,209,391**	**(20,547)**	**4,002**	**(303,961)**	**1,133,680**
Change in accounting policy (Nota 2b)		**-**	**-**	**-**	**-**	**(2,700)**	**-**	**-**	**(2,700)**
Total Net Equity restated at the beginning of the year		**-**	**-**	**-**	**-**	**(23,247)**	**4,002**	**(303,961)**	**1,130,980**
Distribution of profit		-	-	-	(303,961)	-	-	303,961	-
Dividends (Note 14)		108	10,063	-	(32,862)	-	-	-	(22,691)
Total comprehensive income for the year		-	-	-	-	(13,724)	19,510	77,674	83,460
Balance at 31 December 2018	14	**20,862**	**229,953**	**4,151**	**872,568**	**(36,971)**	**23,512**	**77,674**	**1,191,749**

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2018.

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

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

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

	Note	2018	2017
Cash flows			
Profit (Loss) before tax		74,974	(321,063)
Adjustments to profit or loss:			
Charge for amortisation and depreciation	9 and 10	90,180	103,660
Net change in provisions and valuation adjustments		15,761	12,098
Net profit (loss) for disposals of assets	20	(441)	2,222
Financial income	20	(981)	(1,606)
Finance costs	20	5,563	22,387
Translation differences		5,927	(14,234)
Impairment losses	20	22,636	323,573
Change in the fair value of financial instruments	20	1,508	4,500
Changes in other non-current assets and liabilities		-	(4,700)
Effects of the AstraZeneca transaction:			
Incorporation of deferred income of the AstraZeneca transaction	15 and 20	(31,376)	(31,364)
Change in the fair value of the AstraZeneca financial asset	6 and 20	(51,036)	(67,682)
		132,715	**27,791**
Adjustments to changes in working capital:			
Changes in inventories	12	(17,622)	6,291
Changes in trade and other receivables	13	(21,572)	97,301
Changes in trade payables		46,673	(61,176)
Changes in other current assets		(3,177)	(17,058)
Changes in other current liabilities	17	(2,373)	(37,580)
Adjustments to changes in other items:			
Changes in other non-current liabilities	17 and 19	3,130	(590)
		5,059	**(12,812)**
Cash inflows (outflows) for tax:		**5,435**	**(8,885)**
Net cash flows from operating activities (I)		**143,209**	**6,094**
Cash flows from investing activities			
Interest received	20	427	1,606
Investments:			
Intangible assets	9 y 17	(585,510)	(50,269)
Property, plant and equipment		(13,375)	(18,786)
Financial assets		(29)	(48)
Business combinations	7 y 20	(17,500)	-
Disposals:			
Intangible assets and property, plant and equipment	11	407	272
Financial assets	3	6,032	62
Business unit		1,552	-
Net cash flows from investing activities (II)		**(607,996)**	**(67,163)**
Cash flows from financing activities			
Interest paid	20	(2,549)	(18,866)
Equity instruments:			
Dividends paid	14	(22,690)	(33,000)
Liability instruments:			
Bank borrowings issued/refund	16	48,925	250,000
Issuance / Refund Obligations and other negotiable securities	16	247,145	(323,500)
Net cash flows from financing activities (III)	11	**270,831**	**(125,366)**
Net change in cash and cash equivalents (I+II+III))	11	**(193,956)**	**(186,485)**
Cash and cash equivalents at the beginning of the year	11	**280,226**	**466,711**
Cash and cash equivalents at end of the year	11	**86,270**	**280,226**

The accompanying Notes 1 to 32 to the consolidated annual accounts and the Appendix are an integral part of the consolidated annual accounts for the year ended 31 December 2018.

1. Group activities

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

The Parent company's corporate purpose also includes:

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

b) Research into chemical and pharmaceutical ingredients and products.

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

d) The provision of prevention services of the companies and companies participating in the company under the article 15 of Royal Decree 39/1997, of January 17, which establishes the Regulation of Prevention Services, and regulations of developing. This activity may be regulated and developed in a joint manner for related companies and participants in it according to the article 21 of the aforementioned legal text. It is expressly stated that said activity is not subject to administrative authorization as established by law. This activity may be subcontracted to other specialized entities under the provisions of article 15 of RD 39/1997.

e) Manage and Direct the participation of the Company in the social capital of other entities, through the corresponding organization of personal and material

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

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

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

a) Regulatory financial reporting framework applicable to the Group

Almirall Group's consolidated annual accounts for the year ended 31 December 2018, which were obtained from the accounting records held by the Parent company and by the other companies composing the Group, were formally prepared by the Parent company's directors on 22 February 2019.

These consolidated annual accounts were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and take into account all the mandatory accounting policies and rules and measurement bases, the Spanish Commercial Code, the Spanish Companies Law and all other applicable Spanish corporate and commercial law. Accordingly, they present fairly the equity and financial position of the Almirall Group at 31 December 2018 and the results of its operations, the changes in consolidated equity, the

changes in other consolidated comprehensive income and the consolidated cash flows at the Group in the year then ended.

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

However, since the accounting standards and measurement bases used to prepare the Group's consolidated annual accounts for 2018 may differ from those used by certain Group companies, the required adjustments and reclassifications were made on consolidation to unify them and to bring them into line with International Financial Reporting Standards.

The Group's consolidated annual accounts for 2017 were approved by the Parent company's shareholders at the General Meeting held on 10 May 2018. The Group's consolidated annual accounts for 2018 are awaiting approval by the Parent company's shareholders at the next General Meeting. However, the Parent company's Board of Directors considers that the aforementioned consolidated annual accounts will be approved without any changes.

b) *Adoption of International Financial Reporting Standards*

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

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

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

- To present the consolidated balance sheet on a current / non-current basis.

- To present the consolidated income statement by nature.

- To present the statement of cash flows using the indirect method.

- To present the income and expense in two separate statements: a consolidated income statement and a consolidated statement of comprehensive income.

As is detailed below, in 2018 new accounting standards (IAS/IFRS) and interpretations (IFRIC) have come into effect. Similarly, at the date of preparation of these consolidated annual accounts, new accounting standards (IAS/IFRS) and interpretations (IFRIC) have been published, which are set to come into effect for the accounting periods starting on or after 1 January 2019.

Mandatory standards, amendments and interpretations for all years starting 1 January 2018

IFRS 4 (Amendment) "Application of IFRS 9" Financial instruments "with IFRS 4" Insurance contracts "- Amendments to IFRS 4", IFRS 9 "Financial instruments", IFRS 15 "Revenue from contracts with customers" , IFRS 15 (Amendment) "Clarifications of IFRS 15" Revenue from contracts with customers ", Annual Improvements of IFRS. Cycle 2014 - 2016, IFRS 2 (Amendment) "Classification and valuation of transactions with share-based payments", IAS 40 (Amendment) "Transfers of investment properties" and IFRIC 22 "Transactions in foreign currency and anticipated consideration".

These standards have been taken into account with effect January 1, 2018, reflecting their impact on these consolidated annual accounts, which has not been significant except for:

IFRS 9 – "Financial instruments"

The Group has applied IFRS 9 retroactively, without restating the comparative information.

- Valuation of financial assets: the Group will measure its financial assets at amortised cost excluding investments in equity instruments and derivative financial instruments and the financial held with Astrazeneca (See Note 11), which are measured at fair value. No relevant impacts derive from the valuation criteria used in this regard until December 31, 2017.

- Impairment of financial assets: the Group will move from applying the "incurred loss" model established in IAS 39 in the recognition of impairment of financial assets, to applying as of January 1, 2018 the "expected credit loss" model. The Group applies the simplified approach to recognize the expected credit loss mainly from Trade Debtors. The impact of the additional allocation required (charged to Other Net Equity Reserves) on the balances of financial assets (Trade debtors) held on January 1, 2018 to apply the new "expected credit loss" model amounts to EUR 2.7 million.

- Valuation of investments in equity instruments: for the purposes of the first application of this standard, the Group has decided to recognize changes in the fair value of this type of investments within the Statement of Comprehensive Income, provided that they are not classified as held for trading or are the result of a contingent consideration resulting of a business combination according to IFRS 3 (see Note 11).

IFRS 15 – "Revenue from ordinary activities from contracts with customers"

With the first application of IFRS 15, the Group has decided to opt for the retroactive method with the accumulated effect of the first application recognized at 1 January 2018, without restating the comparative information.

The nature of the different impacts analysed is explained as follows:

- Income from long-term contracts for licenses granted to the different "partners" with whom the Group works in the countries where it sells its products has been analysed. The following types of income are systematically generated from these contracts, which, for the purpose of applying IFRS 15, are considered contracts with customers:

  - Sales, of either raw material or any products modified in a manufacturing process. As this component of the income is differentiated from the other components of the contracts and the price at which these transactions are carried out is a market price, the recording of this income from 1 January 2018 as a result of the new standard will generally be similar to the way in which it is currently being recorded under IAS 18.
  - Royalties receivable related to the sales of the "partners", which total EUR 6 million at December 31, 2018 (EUR 9.9 million in 2017), as stated in Note 20. They will continue to be recorded in accordance with the criteria followed under IAS 18 based on the sales made.
  - Receivables related to milestones for certain levels of sales of different "partners" totalling EUR 4.6 million in 2018 (EUR 3.5 million in 2017), in accordance with Note 20. Generally, from our analysis, we have detected that the milestones which these receivables are related to have a contingent nature and they should be recorded as they have been recorded to date.(at the date when the milestone is achieved and to remunerate the sales already made).

Even though for the first of these points no impact on the application of this standard has been detected, for the following point referred to Royalties and income related to the achievement of milestones, the income will be recognized in "Revenue" instead of "Other income" if the contracts signed with the "partners" fall under the scope of IFRS 15.

- Sales of licenses for development and subsequent commercialization (Astrazeneca): in the components of the sales contracts that certain rights were transferred for development and subsequent commercialization, and in which there is a significant continued involvement during the development period by Almirall, the part of the initial charge assigned to said component ("upfront payment") is deferred linearly to the consolidated profit and loss

account during the foreseen period of development (foreseen until approximately 2021-2023). (See note 7a) of the consolidated annual accounts of 2017).To the extent that it is a sale of the rights to a license, an activity that the Group also carries out with other companies, which, besides involving a continuous involvement by Almirall during the period of development of the molecules, it will generate revenues from thousands of royalties and future royalties, like any other type of sale or collaboration that Almirall makes with other companies, we consider that this transaction is within the scope of IFRS 15. From the analysis of the framework of IFRS 15 the only identified impact is the classification of this in the consolidated profit and loss account as "Net Sales" instead of "Other income". The income recorded in 2018 amounts to EUR 31.4 million (EUR31.4 million in 2017) according to note 20.

- Contracts with multiple components and guarantees related to the sale of aesthetic machines in ThermiGen, LLC. Initially, there is no impact regarding IAS 18 as the components and other income are different components of income and are valued at arm's length. The other income includes costs charged to the final customer such as shipment costs, costs for installing the machines and training, and extensions of guarantees, and for insignificant amounts considering the consolidated annual accounts as a whole.

Standards, amendments and interpretations that have not yet entered into force but which may be adopted early:

At the date of signing of these consolidated annual accounts, the IASB and the IFRS Interpretations Committee had published the standards, modifications and interpretations detailed below, although the Group has not adopted them in early:

IFRS 9 (Amendment) "Component of prepayment with negative compensation" and IFRIC 23, "Uncertainty about the treatment of income tax". Such addendum and interpretation will be effective for annual periods beginning on or after January 1, 2019, although early application is permitted. The Group does not believe that these standards have a significant impact on the consolidated annual accounts when they come into force.

IFRS 16 – "Leases"

IFRS 16 will enter into force in 2019 and will replace IAS 17 and interpretations issued on it.

The Group has initiated the analysis of the impacts of IFRS 16 "Leases" which establishes that the assets for the right of use and the liabilities derived from the operating lease agreements must be recognized in the consolidated balance sheet (with the exception of the short-term lease and those that are aimed at low-value assets). In addition, the criteria for the recording of lease expense will change, which will be recorded as an expense for amortization of the asset and financial expense for updating the lease liability.

The group has created a team for the project that has reviewed all of the Group's lease agreements over the last year in light of the new lease accounting rules under IFRS 16. The standard will mainly affect the accounting treatment of the operating leases of the Group, which correspond mainly to leases of offices and transport elements.

At the date of presentation of the financial information, the Group has non-cancellable operating lease commitments for EUR 24.4 million, see note 20. Of these commitments EUR1.9 million from euros to low-value leases that will be recognized on a straight-line basis as an expense in results.

For the rest of the lease commitments, the Group expects to recognize assets for right of use of approximately EUR 22.5 million on January 1, 2019, lease liabilities for the same amount (after adjustments for advance payments and payments of accumulated leases recognized as of December 31, 2018). Total net non-current assets will be approximately EUR 7.9 million higher, and net current assets will be EUR 7.9 million lower due to the presentation of a part of the liability as current liabilities.

The Group expects net profit after taxes to decrease by approximately EUR 0.3 million in 2019 as a result of the adoption of the new rules. The adjusted EBITDA used to value the results of the segments is expected to increase approximately EUR 7.7 million, given that the operating lease payments were included in the EBITDA, but the amortization of assets for right of use and interest on the lease liability is excluded from this measure.

The operating cash flows will increase and the financing cash flows will decrease by approximately EUR7.8 million, since the reimbursement of the principal part of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as lessor are not material and, therefore, the Group does not expect a significant impact on the financial statements. However, additional disclosures will be required as of next year.

The Group will apply the standard from its mandatory adoption date of January 1, 2019. The Group intends to apply the simplified transition approach and will not restate comparative figures for the year prior to initial adoption. The right-of-use assets for real estate leases will be valued at the time of the transition as if the new rules had always been applied. The remaining assets for use rights will be valued at the amount of the lease liability at the time of adoption (adjusted for any advance payment or accrued lease expense).

Standards, addendums and interpretations of existing standards that can not be adopted in advance or that have not been adopted by the European Union

At the date of signing of these consolidated annual accounts, the IASB and the IFRS Interpretations Committee had published the standards, modifications and interpretations detailed below that are pending adoption by the European Union:

IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or contribution of assets between an investor and its associates or joint ventures", IFRS 17 "Insurance contracts", IAS 28 (Addendum) "Long-term interests in associates and businesses sets ", Annual Improvements of IFRS. Cycle 2015 - 2017, IAS 19 (Modification) " Addendum, reduction or liquidation of the plan", IFRS 3 (Addendum) "Definition of a business", IAS 1 (Addendum) and IAS 8 (Addendum) "Definition of material".

As stated, the Group has not considered early application of the standards/amendments/interpretations stated above and analysing the effect of these new standards/amendments/interpretations on the Group's consolidated annual accounts, in case they are adopted by the European Union.

c) Comparison of information

As indicated in section b) of this Note, effective January 1, 2018, the Group has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers without restating the comparative information. Consequently, such changes in accounting policies must be taken into account when comparing the financial statements that form part of these consolidated annual accounts with those for the year ended December 31, 2017.

d) Functional currency

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

e) Estimates mates

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

In the Group's consolidated annual accounts for the year ended 31 December 2018, estimates by the Group's executives and consolidated entities, which were later approved by the Parent company's directors, were used occasionally to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The impairment losses on certain items of property, plant and equipment, intangible assets and goodwill arising from the non-recovery of the carrying amount recognised on these assets (see Notes 5-d, 7-e, 8 and 9).

- The useful life of the intangible assets and property, plant and equipment (see Notes 5-b and 5-c).

- Assessment of the recovery of deferred tax assets (see Note 21).

- The fair value of certain unlisted financial assets (see Notes 5-j, 7-a and 11).

- Assessment of lawsuits, obligations and contingent assets and liabilities at year-end (see Notes 5-l and 25).

- Estimate of the appropriate write-downs for inventory obsolescence and impairment of accounts receivable (see Notes 5-f, 5-g and 5-k).

- Estimate of provisions for restructuring (Note 17).

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

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

- Brexit: the Group maintains operations in the United Kingdom, so it has been assessed whether the pending departure of the United Kingdom from the European Union (Brexit) could affect any estimate or judgment made in the preparation of the consolidated financial statements. The Group is implementing different action plans to deploy contingency measures to be prepared in case of a Brexit without agreement. These action plans include a wide range of actions ranging from the regulatory area to the supply chain, legal, labor or systems, among others. In general terms, the Group is prepared to face any Brexit scenario since the focus has been to be prepared for the worst scenario regardless of the final political result. Therefore, no product of the Group sold directly in the United Kingdom or in any other market, whose supply chain is impacted by Brexit at any point, is at high risk. Additionally, as disclosed in Note 20, the Group's% turnover in said market amounts to 3%.

Although these estimates were made on the basis of the best information available at 31 December 2018 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, recognising the effects of any changes in estimates in the related consolidated income statement.

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

a) Basis of consolidation

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

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

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

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

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

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

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

Also, the accompanying consolidated annual accounts do not include the tax effect that may arise as a result of including the results and reserves from these subsidiaries in the Parent company's equity since it is not considered that any reserves will be transferred that might give rise to further taxation pursuant to IAS 12.

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

b) *Changes in the scope of consolidation*

In 2018, the following changes were made to the Group's composition, which have not had a significant effect on these annual accounts:

- Liquidation of the Almirall Production S.A.S. by its parent company Almirall S.A.S. on December 10, 2018.

In 2017, the following changes were made to the Group's composition, which have not had an effect on its scope of consolidation (mergers between the Group companies):

- Merger by absorption of Taurus Pharma GmbH by its parent company, Almirall Hermal, GmbH.

- Merger by absorption of Laboratorios Miralfarma, S.L., Laboratorios Almofarma, S.L., Laboratorio Temis Farma, S.L., Laboratorios Berenguer-Infale, S.L., Alprofarma, S.L., Pantofarma, S.L. and Laboratorios Farmacéuticos Romofarm, S.L., all of which are sole shareholder companies wholly owned by ALMIRALL, S.A., by Laboratorio Omega Famarcéutica, S.L., surviving company of the merger, which changed its name to Laboratorios Almirall, S.L.

These transactions involve reorganizations within the Group that do not originate results within the Group, but rather maintain the previous value of the assets and liabilities indicated.

4. Scrip dividend

At the formulation date of these consolidated annual accounts, the Board of Directors of Almirall, S.A. has agreed to propose in the Shareholders' meeting the distribution of a dividend, charged against reserves for an amount of EUR 35.3 million (equivalent to 0.203 euros per share). For the purpose of carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders called "Scrip dividend", already implemented in 2018. In this way, its shareholders are offered an alternative that allows them to receive shares issued by the parent company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend.

5. Accounting standards

The Group's consolidated annual accounts for the year ended 31 December 2018 were prepared by the directors of the Parent company in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union, pursuant to Law 62/2003, of 30 December.

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

a) Goodwill

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

Any excess of the cost of equity instruments representing the capital of acquired subsidiaries over their corresponding underlying carrying amounts, adjusted at the date of first time consolidation, is allocated as follows:

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

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

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

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

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

b) Intangible assets

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

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

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

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

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

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

Development costs-

a) *In-house development*

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

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

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

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

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

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

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

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

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

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

No significant capitalisation of internal development costs has been made in 2017 and 2016.

b) Separate acquisition

A research and development project in progress acquired separately or through a business combination is always capitalised in accordance with Paragraph 25 of IAS 38 since the price paid for the acquisition reflects the probability of expected future economic benefits of the asset flowing to the Group, i.e. the price paid reflects the probability of the aforementioned project's success. When the Group acquires intangible assets with contingent payments subject to future events, it records them in line with the aggregate cost method.

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

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

Intellectual property-

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

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

Computer software-

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

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

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

c) Property, plant and equipment

Property, plant and equipment are measured at cost (calculated on the basis of a separate acquisition or through a business combination).

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

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

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

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

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

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

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

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

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

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

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

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

In general, the methodology used by the Group for the impairment tests is based on the value in use of the assets (goodwill and intangible assets) affected by the cash generating unit based on the estimation of projections of cash flows based on budgets approved by the Direction of the Company covering a period of 5 years. Cash flows beyond the 5-year period are extrapolated using the standard growth rates indicated below.

The methodology used by the Almirall Group to carry out the impairment tests for development expenses (Note 9) not subject to amortization as they have not been yet commercialized for which signs of impairment have been detected, are based on projections detailed financial terms ranging from 10 to 17 years, depending on the asset) to which a probability of success of the project will be applied and a perpetual income will be estimated for the following years based on a growth rate depending on the expected remaining life of the products.

The financial projections for each cash-generating unit or asset consist of an estimation of the net cash flows after taxes, calculated on the basis of an estimation of gross sales and margins and other costs projected for the cash-generating unit. The projections are based on reasonable and supported assumptions.

The main assumptions used in the impairment tests in the years ended 31 December 2018 and 2017 were as follows:

Cash-Generating Unit or Asset	Accounting assets at 31 December 2018 *(thousands of euros)*	Assumption 2018 (*)	Assumption 2017 (*)
Almirall LLC (formerly, Aqua Pharmaceuticals, LLC)	Goodwill: - Intangible asset: 81.339	d.r.b.t.: 16.1% d.r.a.t.: 7.5% g.r.c.i.: (15)%	d.r.b.t.: 9% d.r.a.t.: 8% g.r.c.i.: (15)%
Almirall LLC portfolio (“Allergan portfolio”)	Goodwill: - Intangible asset: 471,219	d.r.b.t.: 9.6% d.r.a.t.: 7.5% g.r.c.i.: (20%)	d.r.b.t.: - d.r.a.t.: - g.r.c.i.: -
Almirall Hermal GmbH	Goodwill: 227,743 Intangible asset: 6,215	d.r.b.t.: 11.1% d.r.a.t.: 7.5% g.r.c.i.: (2%)	d.r.b.t.: 12% d.r.a.t.: 8% g.r.c.i.: (2%)
Poli Group Pipeline Segment sold by third parties	Intangible asset: P 3058 1,116 P 3074 16,960	d.r.b.t.: 12.4% d.r.a.t.: 9% g.r.c.i.: (15%)	d.r.b.t.: 14% d.r.a.t.: 9% g.r.c.i.: (15%)
Poli Group Pipeline Internal network segment	Intangible asset: P 3058 4,940 P 3074 4,449	d.r.b.t.: 11.2% d.r.a.t.: 9% g.r.c.i.: (15%)	d.r.b.t.: 12% d.r.a.t.: 9% g.r.c.i.: (15%)
Poli Group Marketed Segment sold by third parties	Goodwill: 45,416 Intangible asset: 234,987	d.r.b.t.: 12.2% d.r.a.t.: 7.5% g.r.c.i.: (1%)	d.r.b.t.: 12% d.r.a.t.: 8% g.r.c.i.: (1%)
Poli Group Marketed Internal network segment	Goodwill: 7,400 Intangible asset: 52,789	d.r.b.t.: 10.3% d.r.a.t.: 7.5% g.r.c.i.: (0%)	d.r.b.t.: 12% d.r.a.t.: 8% g.r.c.i.: (0%)
ThermiGen	Goodwill: - Intangible asset: -	d.r.b.t.: 7.5% d.r.a.t.: 7.5% g.r.c.i.:(2%)	d.r.b.t.: 10% d.r.a.t.: 8% g.r.c.i.: (2%)

AstraZeneca license	Intangible asset: 75.474	d.r.b.t.: 12.6% d.r.a.t.: 9.5% g.r.c.i.: (20%)	- - -
Sun Pharma license	Intangible asset: 94,132	d.r.b.t.: 11.8% d.r.a.t.: 9.5% g.r.c.i.: (0%)	d.r.b.t.: 11% d.r.a.t.: 9.5% p.o.s.:(85%)
Athenex license	Intangible asset: 22,089	d.r.b.t.: 10.5% d.r.a.t.: 9.5% g.r.c.i.: (15%)	- - -
Other license	Intangible asset: 9,648	d.r.b.t.: 13.4% d.r.a.t.: 9.5% g.r.c.i.: (2%)	d.r.b.t.: 13%-15% d.r.a.t.: 9.5% g.r.c.i.: (2%)

(*) Discount rate before taxes (d.r.b.t.), Discount rate after taxes (d.r.a.t.) and Growth rate for continual income (g.r.c.i.).

Gross average margins for these projected cash-generating units range between 63% and 92%.

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

The key variables in the impairment tests carried out by the Group relate mainly to the sales of each different medication, which are almost all currently at the marketing stage, and the discount rates applied. Using these variables (discount rate and cash flows) either before or after taxes does not represent a significant change to the results of the analysis carried out. These variables are based on historical experience weighted by outside information available. Changes in assumptions are based on the evidence obtained by the Group in accordance with the indicators applied.

Cash generating unit	Sensibility analysis	Impact (million euros)
Almirall LLC (formerly, Aqua Pharmaceuticals, LLC)	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- +9 / (9) - 1 / (1) - 1 / (1)
Almirall LLC portfolio ("Allergan portfolio")	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- None - None - None
Poli Group Pipeline Segment sold by third parties	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- None - None - None
Poli Group Pipeline Internal network segment	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- None - None - None
Poli Group Marketed Segment sold by third parties	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- None - None - None
Poli Group Marketed Internal network segment	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- None - None - None
Astrazeneca license	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- None - None - None
Almirall Hermal GmbH	- Increase / Decrease estimated net sales by 10% - Increase / Decrease by 5 points in the growth rate - Increase / Decrease by 1 point in the discount rate	- None - None - None
Sun Pharma license	- Increase / Decrease estimated net sales by 10% - Increase / decrease by 5 points the probability of success - Increase / Decrease by 1 point in the discount rate	- None - None - None
Athenex license	- Increase / Decrease estimated net sales by 10% - Increase / decrease by 5 points the probability of success - Increase / Decrease by 1 point in the discount rate	- None - None - None
ThermiGen	- Increase / Decrease estimated net sales by 10% - Increase / decrease by 5 points the probability of success - Increase / Decrease by 1 point in the discount rate	- None - None - None

e) Leases

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

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

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

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

The Group does not have any finance leases at 31 December 2018 and 2017.

f) Inventories

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

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

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

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

g) Receivables from sales and services

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

h) Cash and cash equivalents

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

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

i) Financial instruments (excluding derivative financial instruments)

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

In the years ended 31 December 2018 and 2017, the measurement bases applied by the Group to its financial instruments were as follows:

Financial assets-

(i) Classification

As of January 1, 2018 and in accordance with the application of IFRS 9, the Group classifies its financial assets in the following valuation categories:

- those that are valued after fair value (either with changes in other comprehensive income or results), and

- those that are valued at amortized cost.

The classification depends on the business model of the entity to manage the financial assets and the contractual terms of the cash flows.

For assets valued at fair value, gains and losses will be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the group made an irrevocable election at the time of initial recognition to account for the equity investment at fair value with changes in other comprehensive income.

(ii) Recognition and derecognition of accounts

Conventional purchases and sales of financial assets are recognized on the trading date, the date on which the Group agrees to buy or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets expire or are transferred and the Group has transferred substantially all the risks and benefits inherent to the property.

(iii) Valuation

At the time of initial recognition, the Group values a financial asset at its fair value plus, in the case of a financial asset other than at fair value through profit or loss (VRR), the transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets recorded at fair value through profit or loss are recognized as expenses in results.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely the payment of principal and interest.

Debt instruments

The subsequent valuation of the debt instruments depends on the group's business model to manage the asset and the characteristics of the cash flows of the asset. There are three valuation categories in which the group classifies its debt instruments:

- Amortized cost: The assets held for the collection of contractual cash flows when these cash flows represent only payments of principal and interest are valued at amortized cost. Interest income from these financial assets is included in financial income according to the effective interest rate method. Any gain or loss that arises when derecognized is recognized directly in profit or loss and is presented in other receivables / (losses) together with gains and losses from exchange differences. Impairment losses are presented as a separate item in the income statement.

- Fair value with changes in other comprehensive income: Assets held for the collection of contractual cash flows and for selling financial assets, when the cash flows of the assets represent only payments of principal and interest, are valued at value reasonable with changes in other comprehensive income. Movements in the carrying amount are carried to other comprehensive income, except for the recognition of gains or losses from impairment of value, ordinary income from interest and gains or losses from exchange differences that are

recognized in profit or loss. When the financial asset is written off in accounts, the accumulated gain or loss previously recognized in other comprehensive income is reclassified from equity to profit and loss and recognized in other gains / (losses). Interest income from these financial assets is included in financial income according to the effective interest rate method. Gains and losses from exchange differences are presented in other gains and losses and the impairment expense is presented as a separate item in the income statement.

- Fair value with changes in results: Assets that do not meet the criterion for amortized cost or for fair value with changes in other comprehensive income are recognized at fair value through profit or loss. A gain or loss on an investment in debt that is recognized subsequent to fair value through profit or loss is recognized in income and is presented net in the income statement within other gains / (losses) in the year in which it arises.

Equity instruments

The Group subsequently values all investments in equity at fair value. When the Group's Management has chosen to present gains and losses in the fair value of investments in equity in other comprehensive income, there is no subsequent reclassification of gains and losses in fair value to results, following the downgrade in financial statements, the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gains / (losses) in the income statement when applicable. Impairment losses (and reversals of impairment losses) on investments in equity measured at fair value with changes in other comprehensive income are not presented separately from other changes in fair value.

(iv) Impairment losses

As of January 1, 2018, the Group evaluates on a prospective basis the expected credit losses associated with its assets at amortized cost and at fair value with changes in other comprehensive income. The methodology applied to impairment of value depends on whether there has been a significant increase in credit risk.

For trade accounts receivable, the Group applies the simplified approach allowed by IFRS 9, which requires that the expected losses during its life be recognized from the initial recognition of accounts receivable, see note 13 for more details.

(v) Accounting policies applied until December 31, 2017

The Group has applied IFRS 9 retroactively, but has opted not to restate the comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classification

Until December 31, 2017, the Group classified its financial assets in the following categories:

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

- Financial assets held to maturity: asset collections for a fixed or determinable amount which have a fixed date of maturity. The Group expresses its intention and capacity to keep these assets in its possession from the time they are purchased through to maturity. They are subsequently measured at amortised cost using the effective interest method.

- Financial assets at fair value through profit or loss: financial assets whose returns are managed and evaluated in accordance with fair value criteria. They are initially recognised as such based on the specific characteristics of the asset (see Note 7).

- Financial assets held for trading: acquired by the Group to generate a short-term benefit from fluctuations in their prices or from differences between their purchase and sale prices. The Group did not have this type of asset at 31 December 2017.

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

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

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

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

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

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

Impairment losses

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

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

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

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

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

(b) Available for sale assets

At the end of each period, the Group assesses whether there is any objective evidence of impairment of a financial asset or group of financial assets. In the case of investments in equity instruments classified as available for sale, a significant or prolonged decline in the fair value of the instrument to below its cost is considered evidence that the asset has become impaired. If there this type of evidence exists for available-for-sale financial assets, the cumulative loss, determined as the difference between acquisition cost and current fair value, less any impairment losses previously recognised in the income statement on the financial asset, is eliminated from equity and recognised in the income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed in the future.

Financial liabilities-

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

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

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

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

The fair value of the liability component of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on the basis of amortized cost until it is extinguished with the conversion or maturity of the bonds. The rest of the income obtained is allocated to the conversion option that is recognized and included in the shareholders' equity, net of the effect of the income tax.

Financial debt is eliminated from the balance sheet when the obligation specified in the contract has been paid, cancelled or expired. The difference between the carrying amount of a financial liability that has been cancelled or assigned to another party and the consideration paid, including any assigned asset different from the cash or liability assumed, is recognized in the income statement as other financial income or expenses.

When the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt swap for equity), a gain or loss is recognized in profit or loss for the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

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

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

j) Derivative financial instruments and hedge accounting

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

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

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

Derivatives are initially recognized at fair value on the date on which the derivative contract is signed and subsequently they are revalued at their fair value on the date of each balance. The accounting for subsequent changes in fair value depends on whether the derivative has been designated as a hedging instrument and, if so, on the nature of the item being hedged. The group designates certain derivatives such as:

- Variations in the value of assets and liabilities due to shifts in prices, interest rates and/or exchange rates to which the position or balance to be hedged is subject ("fair value hedges").

- Fluctuations in estimated cash flows arising on financial assets and liabilities, obligations and transactions forecast and highly probable that an entity is planning to carry out ("cash flow hedges").

- The net investment in a foreign operation ("hedge of a net investment in a foreign operation").

(i) Cash flow hedges that qualify for hedge accounting

The effective part of the changes in the fair value of the derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity. The loss or gain related to the ineffective part is recognized immediately in the result of the exercise within other gains / (losses).

When option contracts are used to hedge forecasted transactions, the Group designates only the intrinsic value of the option contract as the hedging instrument.

Gains or losses corresponding to the effective portion of the change in the intrinsic value of option contracts are recognized in the cash flow hedge reserve in equity. Changes in the time value of option contracts that are related to the hedged item ("aligned time value") are recognized within other comprehensive income in the hedge cost reserve in equity.

When forward contracts are used to hedge forecasted transactions, the Group generally designates only the change in the fair value of the forward contract related to the cash component as the hedging instrument. Gains or losses related to the effective portion of the change in the cash component of forward contracts are recognized in the cash flow hedge reserve in equity. The change in the term element of the contract related to the hedged item ("matured term element") is recognized in other comprehensive income in the reserve of hedge costs within equity. In some cases, the gains or losses corresponding to the effective part of the change in the fair value of the full-term contract are recognized in the cash flow hedge reserve in equity.

The amounts accumulated in equity are reclassified in the years in which the hedged item affects the income for the year, as follows:

- When the hedged item subsequently results in the recognition of a non-financial asset (such as inventories), both the deferred gains and losses on coverage and the deferred time value or the deferred forward points, if any, are included in the initial cost of the asset. Deferred amounts are recognized financially in the income for the year, since the hedged item affects the result (for example, through cost of sales).

- The gain or loss corresponding to the effective portion of the interest rate swaps covering variable rate loans is recognized in income within the financial expense at the same time as the interest expense on the covered loans.

The accounting for hedges, if considered as such, is interrupted when the hedging instrument expires, or is sold, terminated or exercised, or fails to meet the criteria for accounting for hedges. Any cumulative profit or loss corresponding to the hedging instrument that has been recorded in equity is maintained within equity until the anticipated transaction occurs. When the operation that is being hedged is not expected to occur, the accumulated net gains or losses recognized in equity are transferred to the net results of the period.

(ii) Net investment hedges

Hedges of net investments in businesses abroad are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument related to the effective portion of the hedge is recognized in other comprehensive income and accumulates in reserves in equity. The loss or gain relating to the ineffective part is recognized immediately in results within other gains / (losses).

Gains and losses accumulated in equity are reclassified to profit or loss when the business is partially disposed of abroad.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in income and included in other gains / (losses).

At 2018 and 2017 there are no derivative financial instruments contracted that meet the requirements for hedge accounting (Note 16).

k) Provisions and contingencies

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

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

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

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

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

Litigation and/or claims in process-

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

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

At the end of 2017 and 2016, a number of legal proceedings and claims had been initiated against the Group in the ordinary course of its business. The Company's legal advisers and directors consider that the provisions recognised are sufficient and that the outcome of litigation and claims will not have a material effect on the consolidated annual accounts for the years in which they are settled.

Provision for restructuring-

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

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

The Group companies Almirall Hermal, GmbH, Almirall AG and Polichem, S.A. (in the group since 2016) have retirement benefit obligations (or post-employment benefit obligations). The obligations of Almirall AG and Polichem, S.A. are not material with respect to the Group's consolidated annual accounts. The obligations assumed by Almirall Hermal GmbH are funded by two defined benefit plans, a defined contribution plan with employer contributions and two defined contribution plans with employee contributions.

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

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

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

The amount of the obligations assumed was calculated as follows:

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

- Actuarial assumptions. In 2018 and 2017 the main assumptions used in the actuarial valuation of the aforementioned obligations were as follows:

2018	Almirall Hermal, GmbH	Almirall, AG	Polichem, S.A.
Mortality tables	Heubeck 2018G	BVG 2015 GT	BVG 2015 GT
Discount rate	1.75%	0.90%	0.90%
Salary increase rate	2.25%	1.75%	1.50%
Benefit increase rate	1.75%	0.00%	0.00%
Turnover rate	3.00%	8.31%	-
Retirement age	63	64 - 65	64 - 65

2017	Almirall Hermal, GmbH	Almirall, AG	Polichem, S.A.
Mortality tables	Heubeck 2005G	BVG 2015 GT	BVG 2015 GT
Discount rate	1.75%	0.65%	0.60%
Salary increase rate	2.25%	1.75%	1.50%
Benefit increase rate	1.75%	0.00%	0.00%
Turnover rate	3.00%	8.88%	-
Retirement age	63	64 – 65	64 - 65

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

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

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

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

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

Defined contribution plans cover similar contingencies to those under the defined benefit plans described above for all employees. Contributions are made to non-related entities such as insurance companies and the amount recognised as an expense in this respect in 2018 and 2017 totals EUR 1.5 million and EUR 1.9 million, respectively.

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

m) Termination benefit costs

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

n) Government grants

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

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

o) Recognition of income and expense

As mentioned in Note 2, effective January 1, 2018, the IFRS 15 Ordinary Income from Contracts with Customers the Group has applied without re-expressing the comparative figures for fiscal year 2017 has come into force.

Ordinary revenue is recognized when the control of a good or service is transferred to the customer (thus the concept of control replaces the previous concept of risks and benefit)

The Group recognizes its ordinary income when it satisfies an obligation through the transfer of goods or services committed to customers and is recorded for an amount that reflects the consideration that the Group expects it to pay.

In this regard, the Group recognizes ordinary income from contracts with customers based on a five-step model established in IFRS 15:

- Step 1. Identification of contracts with customers: A contract is defined as an agreement between two or more parties, which creates rights and obligations and establishes certain criteria that must be met for each contract. Contracts can be written, verbal or tacit by virtue of the usual commercial practices of a company.

- Step 2. Identification of separate performance obligations: A performance obligation is a promise in a contract with a customer for the transfer of a good or service.

- Step 3. Value of the price of the contract transaction: The price of the transaction is the amount of the consideration to which the Group expects to be entitled in exchange for the transfer of the goods or services promised to a customer, without taking into account the amounts charged on behalf of third parties. This consideration promised in a contract with a client may consist on a fixed amount, in a variable amount, or both.

- Step 4. Assignment of the transaction price to the separate execution obligations of the contract: In a contract that has more than one execution obligation, the Group distributes the transaction price among the execution obligation in amounts that represent the consideration to which the Group expects to have the right in exchange for fulfilling each execution obligation.

- Step 5. Recognition of ordinary income when (or as) the Group fulfills an execution obligation. The Group meets an execution obligation and recognizes income over time, if one of the following criteria is met:

a) The Group's execution does not create an asset with an alternative use for the Group, and the Group has an enforceable right to the payment of what has been executed to date.

b) The Group's execution creates or improves an asset that the client controls as the asset is created or improved.

c) The client at the same time receives and consumes the benefits provided by the execution of the Group as it carries it out .

For obligations where none of the indicated conditions is met, the income is recognized at the moment in which the execution obligation is fulfilled.

When the Group fulfills an obligation through the delivery of the promised goods or services, it creates a contractual asset for the amount of the consideration obtained with the contract.

When the amount of the good or service received by a customer exceeds the amount of income recognized, this generates a contractual liability.

The following is a detail of the main activities through which the Group generates operating income from contracts with customers

(a) *Long-term revenue contracts for licenses granted to different "partners" (business partners)*

The Group has long-term contracts for licenses granted to the different "partners" (business partners) with the different countries where the Group markets its products. Derived from these contracts the following types of income will occur:

- Sales, either raw material or any product that has been modified in a production process. Given that this income component is differentiated from other components of the contracts, and that the price at which these transactions are made is a market price, the registration as of January 1, 2018 derived from the new regulations is , in general terms, similar to the way in which they were recorded under IAS 18. This income is recorded under the heading "Revenues", in line with previous years.
- Royalties to be collected linked to "partners" (business partners). The registration criteria followed under IAS 18 of recognition of them has been maintained. As of January 1, 2018, this income is recorded under the "Revenue " caption (previous years they were recorded under the "Other income" caption).
- Milestones related to the achievement of certain levels of sales. In general terms, the milestones associated to a contingent event, and as such, the registration is made on the date of achievement of the contingent milestone and related to sales already occurred. As of January 1, 2018, this income is recorded under the "Revenue " caption (previous years they were recorded under the "Other income" caption).

(b) *Income from sales of licenses for development and subsequent commercialization*

In the components of sales contracts where certain rights are transferred for the development and subsequent commercialization, and in which there is a significant continuous involvement during the period of development by the Group, the part of the initial charge assigned to that component (" upfront payment ") is deferred annually to the consolidated profit and loss account during the planned development period. This sale of the rights of a license, is an activity that the Group also performs with other companies, which, beyond involving continuous involvement by the Group during the period of development of the molecules, will generate income by milestones (milestones) and future royalties. . As of January 1, 2018, this income is recorded under the "Revenue " caption (previous years they were recorded under the "Other income" caption).

p) Corporate income tax and deferred tax assets and liabilities

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

Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VII of Legislative Royal Decree 4/2004 of 5 March, approving the Corporate Income Tax Law. The companies composing the tax group for 2018 are: Almirall, S.A., Laboratorios Almirall, S.L., Industrias Farmacéuticas Almirall, S.A., Laboratorios Tecnobío, S.A., Ranke Química, S.A. y Almirall Aesthetics, S.A., which is the head of the tax group.The companies composing the tax group for 2017 were: Almirall, S.A., Laboratorios Almirall, S.L. (company resulting from the change of name of Laboratorio Omega Farmacéutica, S.L., surviving company of the merger carried out in 2017 of Laboratorios Miralfarma, S.L., Laboratorios Almofarma, S.L., Laboratorio Temis Farma, S.L., Laboratorios Berenguer-Infale, S.L., Alprofarma, S.L., Pantofarma, S.L. and Laboratorios Farmacéuticos Romofarm, S.L.), Industrias Farmacéuticas Almirall, S.A., Laboratorios Tecnobío, S.A., Ranke Química, S.L. and Almirall Aesthetics, S.A. which is the head of the tax group. Consequently, the consolidated income tax expense includes the benefits arising from the application of tax loss and tax credit carryforwards that would not have been recognised had the companies that make up the aforementioned tax group filed individual tax returns.

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

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

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

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

q) Borrowing costs

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

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

Other borrowing costs are expensed currently in the income statement.

r) Foreign currency transactions

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

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

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

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

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

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

- Assets and liabilities are translated at the exchange rates prevailing at the reporting date.
- Income, expenses and cash flows are translated at the average exchange rates for the year.
- Equity items are translated at the historical exchange rates.

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

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

s) Information on the environment

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

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

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

t) Earnings per share

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

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

u) Consolidated statement of cash flows

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

- Cash flows: inflows and outflows of cash and cash equivalents, understood as short-term highly liquid investments with a low risk of shifts in value.
- Operating activities: the company's ordinary activities and other activities that cannot be classified as investment or finance activity.

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

- Financing activities: activities that, not forming part of the operating activities, result in changes in the size and composition of equity and liabilities.

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

v) Share-based payment systems for listed shares

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

Under the Plan, the Parent company undertakes to grant the executives long-term cash-settled variable remuneration tied to the price of the Parent company's shares, following the fulfilment of certain requirements and conditions. Note 27 provides a detail of the liability calculated in accordance with IFRS 2 at 31 December 2018 and 2017.

w) Share capital

Ordinary shares are classified as equity.

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

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

6. Changes in accounting policies

a) IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 related to the recognition, classification and valuation of financial assets and financial liabilities, derecognition of financial instrument accounts, impairment of the value of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments as of January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. The new accounting policies are established in notes 5 (j) and (k) of this consolidated report. In accordance with the transitional provisions of IFRS 9, paragraphs (7.2.15) and (7.2.26), the comparative figures have not been restated.

On January 1, 2018 (date of initial application of IFRS 9), Group Management has evaluated which business models apply to the financial assets held by the group and has classified its financial instruments in the appropriate categories of IFRS 9 (see Note 11).

Impairment of the value of financial assets

The Group was required to review its impairment methodology under IFRS 9 for each of the financial asset classes. The impact of the change in the methodology for impairment of value on retained earnings and the Group's net worth is detailed in Note 2 b.

b) IFRS 15 Ordinary Revenue from Contracts with Customers

The Group adopted IFRS 15 Ordinary Revenue from Contracts with Customers as of January 1, 2018, which resulted in changes in accounting policies and adjustments to the amounts recognized in the consolidated financial statements. In accordance with the transitional provisions of IFRS 15, the Group has adopted the new rules without restating the comparative figures for the year 2017. See details of the impacts in Note 2 b).

7. Critical accounting judgements and estimates

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

a) Revenue recognition and fair value of outstanding revenue

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

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

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

As a result of the operation with AstraZeneca UK Limited on 1 November 2014, Almirall, S.A. entered into an agreement with AstraZeneca UK Limited. Under the agreement it transferred the rights to part of its respiratory franchise, which included various components, receiving in exchange some cash payments and other deferred payments on complying with certain future milestones.

This operation has had the following effects in these consolidated annual accounts:

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

  As a result of this operation, a financial asset was generated, valued at fair value at year end with changes to the results, and formed by the following components of future collection established in the sale agreement in relation to the future development of the sales activity of the Eklira business unit:

- "Milestone events": events related to the first launches and to obtaining benchmark prices in certain countries with a 25-90% probability of occurring.

- "Sales-related payments": events related to reaching a certain level of sales. At 31 December 2018 there are no outstanding additional milestones.

- "Potential payments": events related to the payment of royalties, which is linked to the sales obtained in each future year. Sales revenue is related to the sales variable based on sales reported by AstraZeneca at the end of the corresponding year.

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

The main assumptions and considerations used by the independent experts to value the financial asset at 31 December 2018 are as follows:

- Estimated level of sales reached in a territory during a year.
- Discount rate: based on the country where the cash flows are obtained, giving an overall weighted average of approximately 11.6%.
- Probability of success allocated: it affects the valuations of the "milestones events" and "sales-related payments".

For the purpose of sensitivity analyses of variations considered reasonably possible with respect to the independent expert's appraisal made at 31 December 2018, the following should be taken into account:

- If the estimation of sales revenue for 2019 to 2035 is reduced/increased by 5% every year, the effect would be a reduction/increase of the financial asset by EUR (7.3)/7.3 million, respectively.

- If the discount rate used is reduced/increased by one percentage point, the effect would be an increase/reduction of the financial asset by EUR 5.2/(4.9) million, respectively.

- If the probabilities assigned to "milestone events" and "sales-related payments" are reduced/increased by five percentage points, the effect would be a reduction/increase of the financial asset by EUR (5.8)/5.8 million, respectively.

- Sales of licences for development and the subsequent marketing: of the components in the sales agreements which transferred certain rights for development and subsequent marketing, in which there is significant ongoing involvement over the development period by Almirall, the initial payment assigned to this component ("upfront payment") is recognised on a straight-line basis in the consolidated income statement over the expected development period (expected until 2021-2023, approximately) (see deferred income in Note 15). Once the product in question has been launched, an analysis is conducted of recognition of future royalties based on the date from which the amount thereof can be estimated reliably.

b) Measurement of intangible assets

Acquisition of developments in progress

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

Contingent payments in the purchase of marketing rights for certain products that are in the development phase, are capitalized when they are incurred to the extent that they respond to compliance with certain milestones (for example, obtaining regulatory approval), which comes to confirm the highest value of the asset in question. On the contrary, when the contingent payments are related to the execution of normal activities of the development phase that do not comply with the condition to capitalize or royalties on future sales, they will be recognized in the consolidated profit and loss account when they are incurred.

Deferred payments, when considered certain, are recognized as a liability at fair value.

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

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

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

At 31 December 2018 and 31 December 2017, certain litigations and claims arising from the ordinary course of their operations were ongoing against the consolidated companies. The Group's legal advisers and directors consider that the outcome of these litigation and claims will not have a material effect on the consolidated annual accounts for future years (see Note 25).

d) Deferred tax assets

In calculating its deferred tax assets whose recoverability is reasonably assured, the Group establishes a time limit for their compensation based on best estimates. In addition, on the basis of estimates of the taxable profit of each of the Group companies, the Group has determined the expected period over which the deferred tax assets will be realised, also taking into account the timing of deduction of the tax credit and tax loss carryforwards by the legally established deadlines (see Note 21). However, as the likelihood of recovery of these deferred tax assets, the Group has considered a period of up to 10 years and therefore, in recognising the asset, it has not taken into account those tax credits which, on the basis of estimates of future taxable profit, need a longer period of time, even if it is permitted under tax legislation, considering that it will not be a likely case of recovery withing the 10-year period.

e) Impairment of goodwill and intangible assets

The calculation of potential impairment losses on goodwill and intangible assets requires judgements and estimates to be made on the recoverable amount. These judgements and estimates relate mainly to the calculation of the cash flows associated with the relevant cash-generating units and to certain assumptions in relation to the interest rates

used to discount the cash flows (see Notes 5-d and 8). Other assumptions used to analyse the recoverable amount of goodwill and intangible assets could give rise to other considerations in the impairment of them.

8. Goodwill

The changes in "Goodwill" in the consolidated balance sheets in 2018 and 2017 were as follows:

			Thousands of Euros				
	Balance at 31 December 2016	Additions	Changes	Balance at 31 December 2017	Additions	Changes	Balance at 31 December 2018
Almirall, S.A.	35,407	-	-	35,407	-	-	35,407
Almirall Hermal, GmbH	227,743	-	-	227,743	-	-	227,743
Almirall LLC (formerly, Aqua Pharmaceuticals, LLC)	87,234	(81,503)	(5,731)	-	-	-	-
Poli Group (Note 7)	52,816	-	-	52,816	-	-	52,816
ThermiGen, LLC (Note 7)	29,565	-	(3,716)	25,849	(26,583)	734	-
Total	**432,765**	**(81,503)**	**(9,447)**	**341,815**	**(26,583)**	**734**	**315,966**

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

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

The goodwill of Almirall LLC (formerly, Aqua Pharmaceuticals, LLC) was the difference between the acquisition value of the shares of this company and their underlying carrying amount when the acquisition was made at the end of 2013, after allocation to the identifiable assets and liabilities of the differences between their fair value and carrying amount in the company's annual accounts. The changes in 2017 are a result of the effect of the exchange rate on translating the goodwill corresponding to Almirall LLC (formerly, Aqua Pharmaceuticals, LLC), recorded at the level of the subsidiary Almirall Inc., to the presentation currency of the consolidated statements. The effect amounted to EUR -5.7 for 2017. In addition, in 2017, an impairment was recognised for the loss of value of Almirall LLC (formerly, Aqua Pharmaceuticals, LLC)'s goodwill, as explained in the section on impairment losses of this note.

The goodwill of the Poli Group arose as a result of the difference existing between the acquisition cost of the shares of the Poli Group companies in February 2016 and the underlying carrying amount thereof at the acquisition date.

The goodwill of ThermiGen arose as a result of the difference existing between the acquisition cost of this company's shares in February 2016 and the underlying carrying amount thereof at the acquisition date, with the difference between its fair value and carrying amount having been allocated to the identifiable assets and liabilities in the Group's financial statements. The changes in 2018 and 2017 are a result of the effect of the exchange rate on translating the goodwill corresponding to ThermiGen, recorded at the level of the subsidiary Almirall Aesthetics Inc., to the presentation currency of the consolidated statements. The effect amounted to ERU 0.7 million (EUR -3.7 for 2017). In addition, in 2018, an impairment has been recognised for the loss of value of ThermiGen's goodwill, as explained in the section on impairment losses of this note.

Impairment losses

At 31 December 2018 (and at 31 December 2017), the recoverable amount of all goodwill tested for impairment has been estimated on the basis of calculations of value in use as described in Note 5-d. With respect to the cash generating units these calculations use five-year cash flow projections based on financial budgets approved by management. Cash flows for more than the five year period are extrapolated using the estimated growth rates indicated in Note 5-d.

On September 21, 2018, the Group announced the search for strategic options for its aesthetic business, which is carried out through the subsidiary ThermiGen, LLC. At the close of fiscal year 2018, as a consequence of the operating performance of said subsidiary below what was expected as of the last quarter of the year and as a result of a low performance of new products developed internally and launched at that date, and the lack of synergies with the rest of the Group's business in the United States, the Group has decided to carry out a review of the business plan foreseen for the coming years with respect to the one carried out at the end of the previous year (as well as the closing of the first half of 2018) on which the impairment test was based on the intangible assets (including goodwill) arising from the purchase of said subsidiary in 2016. The new business plan contemplates a significant reduction of the financial perspectives (both sales and of margins) for the next future years. From the update of the impairment test of the recoverable value of the assets assigned to this CGU based on the revised business plan on this subsidiary at the end 2018, and in accordance with the key assumptions indicated in Note 5 d), an impairment loss of EUR 75.2 million has been recognized, corresponding to EUR26.6 million of impairment of goodwill, EUR43.8 million of impairment of intangible assets (Note 9) , EUR2.2 million of impairment of property, plant and equipment (Note 10) and EUR2.6 million of the inventory as of December 31, 2018 (Note 12).

During the first six months of 2017, the business activity of the US subsidiary Almirall LLC (formerly, Aqua Pharmaceuticals, LLC) was adversely affected mainly for three reasons: a rebalance of inventories in the distribution channel; an inappropriate award of the US Patient Care Programme (PCP) resulting in an impairment of the Gross Sales/Net Sales relationship, and the recent launching of an Acticiate generic on the US market. During the second half of the year this trend has been increased dramatically as a result of the introduction of additional generics on the market as well as a much higher than expected increase in costs that has been impacted in relation to the American Patient Assistance Program (PAP) and a general reduction of the market in which the products of the subsidiary are marketed. Even though the Group take important steps to mitigate the impacts, these new relevant events, which impacts were impacting the profit and loss account during 2017, required a review of the business plan for the following years, which was the basis for the impairment test on intangible assets (including goodwill) generated from the purchase of this subsidiary in 2013 at the end of the previous year (as well as the first half of the year 2017).The new plan showed a significant reduction related to expected gains (in sales and also in gross profit) for the next future years. As a result of the update of the impairment test based on the business plan reviewed on this subsidiary at the end of 2017, and in accordance with the new assumption included in Note 5 d), an impairment loss totalling USD 246.4 million (EUR 203.9 million) was recognised, corresponding to EUR 81,5 million of impairment of goodwill and EUR 164.9 million of impairment of intangible assets (Note 9).

The impairment losses are recorded in “Impairment Losses on Property, Plant and Equipment, Intangible Assets and Goodwill” in the accompanying consolidated income state (Note 20).

According to the estimates and projections available to the directors of the Parent company, except for the matter commented above regarding the cash-generating unit formed by the subsidiary ThermiGen, LLC as a whole, the projected results and discounted cash flows of the other cash-generating units adequately support the value of the rest of the goodwill recognised.

The goodwill is allocated to subsidiaries except for the goodwill of Almirall, S.A. which is allocated to the Parent company.

The sensibility tests are detailed in note 5 d).

9. Intangible assets

The detail of the intangible assets in the accompanying consolidated balance sheets at 31 December 2018 and 2017 and of the changes therein is as follows:

	Intellectual property	Development expenditure	Computer applications	Advances and non-current assets in the course of construction	Total
Cost					
At 31 December 2016	**1,349,087**	**84,652**	**81,432**	**163,060**	**1,678,231**
Additions	70,822	-	1,456	26,418	98,696
Disposals	(2,880)	-	32		(2,848)
Transfers	3,516	-	4,301	(1,479)	6,338
Translation differences	(49,184)	(1,871)	(165)	(1,313)	(52,533)
Exclusions from the scope of consolidation (Note 3b)	-	-	-	-	-
Business combinations (Note 7)	-	-	-	-	-
At 31 December 2017	**1,371,361**	**82,781**	**87,056**	**186,686**	**1,727,884**
Additions	497,469	-	2,222	-	499,691
Disposals	(11,224)	-	(20)	(62,199)	(73,443)
Transfers	94,733	-	3,616	(96,216)	2,133
Translation differences	24,473	781	56	988	26,298
At 31 December 2018	**1,976,812**	**83,562**	**92,930**	**29,259**	**2,182,563**
Accumulated amortisation					
At 31 December 2016	**(546,105)**	**(950)**	**(55,979)**	**-**	**(603,034)**
Amortisation charge	(74,494)	-	(10,406)	-	(84,900)
Disposals	543	-	(32)	-	511
Transfers	(3,462)	-	-	-	(3,462)
Translation differences	2,489	829	65	-	3,383
At 31 December 2017	**(621,029)**	**(121)**	**(66,352)**	**-**	**(687,502)**
Amortisation charge	(62,332)	-	(9,286)	-	(71,618)
Disposals	11,138	-	10	-	11,148
Transfers	-	-	-	-	-
Translation differences	(1,393)	(355)	(44)	-	(1,792)
At 31 December 2018	**(673,616)**	**(476)**	**(75,672)**	**-**	**(749,764)**
Impairment losses					
At 31 December 2016	**(77,129)**	**-**	**(5,072)**	**-**	**(82,201)**
Impairment losses recognised in the year	(175,093)	-	-	(20,000)	(195,093)
Reversal of impairment recognised in prior years	-	-	-	-	-
Translation differences	7,252	-	-	-	7,252
At 31 December 2017	**(244,970)**	**-**	**(5,072)**	**(20,000)**	**(270,042)**
Impairment losses recognised in the year	(13,582)	-	-	20,000	6,418
Reversal of impairment recognised in prior years	(7,936)	-	-	-	(7,936)
Translation differences	**(253,696)**	**(52,816)**	**(5,072)**	**-**	**(311,584)**
At 31 December 2018					
Carrying amount					
At 31 December 2016	**725,853**	**83,702**	**20,381**	**163,060**	**992,996**
Cost	1,371,361	82,781	87,056	186,686	1,727,884
Accumulated amortisation	(621,029)	(121)	(66,352)	-	(687,502)
Impairment losses	(232,178)	(52,816)	(5,072)	(20,000)	(310,066)
At 31 December 2017	**518,154**	**29,844**	**15,632**	**166,686**	**730,316**
Cost	1,976,812	83,562	92,930	29,259	2,182,563
Accumulated amortisation	(673,616)	(476)	(75,672)	-	(749,764)
Impairment losses	(253,696)	(52,816)	(5,072)	-	(311,584)
At 31 December 2018	**1,049,500**	**30,270**	**12,186**	**29,259**	**1,121,215**

Most of the above intangible assets have finite useful lives and have been acquired from third parties or as part of a business combination and none of the assets have been pledged as security.

In 2018, the main additions to intangible assets amounted to EUR500 million mainly correspond to:

- Following the Group's criteria when acquiring intangible assets with contingent payments subject to future events, these are accounted for in accordance with the accumulated cost model. As a result, the Industrial Property heading has been increased by the present value of future payments (EUR 24.7 million), related to the acquisition of an exclusive license to commercialize two products for the reduction of cholesterol on date 21 of December 2017, subject to different milestones re-estimated at December 31, 2018, based on the evolution of sales in Spain of both products during the year.

- Effective September 21, 2018, the Group acquired, through the subsidiary Almirall LLC, a portfolio of five products from the Medical Dermatology division in the United States (which belonged to Allergan Sales, LLC and Allergan Pharmaceuticals International Limited ("Allergan")) composed of four mature and growing products for acne and dermatosis, and a new innovative product (SeysaraTM (sarecicline)), for the oral treatment of acne. The consideration for this transaction consisted of an initial cash payment of USD 550 million (EUR 472.7 million, of which EUR 460.7 million correspond to the acquired portfolio and the rest to acquired stocks (see Note 12)) carried out on September 21, 2018, together with a subsequent increase in the price of USD 12 million (EUR 10.3 million) after meeting the milestone related to the regulatory approval of the product "SeysaraTM (sarecicline)" on 2 October of 2018 by the FDA and a contingent consideration ("earn-out") that can reach about 100 million dollars payable in the first quarter of 2022, mainly based on compliance with a certain amount of sales of said portfolio acquired in 2021. The method used to determine the fair value of the contingent consideration (determined at EUR 0 million) has consisted of the deration of the possible payment scenarios to be performed in 2022, weighted by the probability of occurrence assigned for the future event considered to be close to zero. The fair value at the date of acquisition of the assets acquired has been determined basically using valuation techniques and has been carried out by an independent expert.

In 2017, the main additions to intangible assets during the financial year ending 31 December 2017 amounted to 92 million euros mainly corresponded to:

- Initial payment for the agreement signed with Symatese, under which the latter granted an exclusive licence to Almirall for the global sale of a new range of facial fillers with hyaluronic acid. Certain milestones related to various events corresponding to the development of this product have been established under this agreement.

- Amount related to the “Up-front payment” and the current value for the future payments subject to various events with a 100% probability of occurring (events related to reaching a certain level of net sales in 2019) arising from the agreement signed with AstraZeneca dated December 21, 2017, under which the latter granted an exclusive licence to Almirall for the sale of two products for cholesterol reduction in Spain. As of December 31, 2017 both amounts are pending of payment and, taking into account the interest accrued from the acquisition of the asset, are included in “Suppliers of assets" (note 17), including the interest accrued up to year end.

- Amount related to the “Up-front payment” for the agreement signed with Athenex dated December 11, 2017, under which the latter granted an exclusive licence to Almirall to research, develop and sell in the USA and Europe, including Russia, first-in-class topical treatment, currently at stage III of development. As of December 31, 2017, both amounts are pending payment and, taking into account the interest accrued from the acquisition of the aforementioned asset, they are included in the "Fixed assets suppliers" caption (Note 17), including accrued interest until the close of the exercise. Certain milestones related to various events corresponding to the development of this product have been established under this agreement. This licence is currently in force as the licenced product is expected to be launched in 2021 after it has been approved by the antitrust authorities. In addition to this payment, Athenex is also entitled to receive payments for milestones related to launches and additional indications for an amount of up to 65 million dollars. Likewise, the contract contemplates payments for the attainment of sales milestones, estimated at up to 155 million dollars. The contract also contemplates the payment of additional staggered royalties from 15% based on annual net sales, which will increase in case of higher sales. .

At the beginning of the second half of 2016, the pre-conditions of the agreement signed with Sun Pharmaceutical Industries Ltd, (Sun Pharma), in accordance with which the company granted an exclusive licence to trade, develop, manufacture and sell a compound to treat chronic plaque psoriasis in 44 European countries to Almirall, S.A., were met. The Group has recognised a total intangible asset for EUR 156.9 million corresponding to the sum of the payment made for EUR 45.3 million and the current value of the future payments subject to different bureaucratic events and studies which are almost certain to occur (milestones marking the end of certain compulsory clinical trials and notification of the corresponding approvals by regulatory agencies, where it is highly likely that the approvals will be obtained as the project in question has had positive results at stage III), reviewed at their update value at its updated value at the date of acquisition, totalling EUR 111.6 million. This outstanding amount, modified by the interest accrued from the acquisition of this asset, was recognised under “Suppliers of assets” (Note 17), and included the interest accrued up to year end. This licence is still in force as the licensed product is expected to be launched at the end of 2018 or the beginning of 2019 (at 31 December 2016 it was expected to be launched in 2018) following the notification received from the European Medicines Agency (EMA), after the corresponding permits for their sale have been obtained. In addition, based on the signed agreement, Sun Pharma may receive future payments for regulatory, development and sales events as well as royalties for net sales based on certain milestones. A total of 30 million dollars (EUR 26.3 million) was paid in 2017.

As a result of the communication received by the European Medicines Agency (EMA) on November 14, 2017, by which the launch of the product tildrakizumab in the European markets was postponed to the end of 2018 or the beginning of 2019 due to an extension of the scope of the centers where the clinical trials that were being examined are carried out, the Company updated the analysis of the deterioration test with the new business plan taking into account the new circumstances surrounding the launch of this product, which led to the recognition of an impairment loss of 20 million euros. As a result of the postponement mentioned above and the departure of biosimilar products in the year 2018, a fact that has a negative impact on the generation of the value of the product, on August 23, 2018 an addendum to the initial contract signed in 2016 was signed, in which is agreed the change of the economic amount of several conditions initially established that imply a reduction of the amounts associated with the upfront payment (including future payments subject to compliance with certain bureaucratic milestones), and increase in the scaling of percentages on sales and milestones associated with future sales. As a result, the corresponding part of the cost of said intangible recognized in 2016 (EUR 62.2 million) has been written off in line with the associated liability pending payment included under the heading of "Long and short-term fixed assets", amounting to EUR 21.6 and 40.6 million, respectively. Additionally, and after the approval by the European Medicines Agency (EMA) of the product launch on September 18, 2018 and review of the impairment test based on the new business plan taking into account the new value of the intangible asset adjusted and to the extent that the new business case allows the recovery of the value of the new asset, the impairment recorded in fiscal year 2017 is reversed against the profit and loss account for the year 2018. The key assumptions and methodology of the test impairment are included in Note 5 d). As of December 31, 2018, there are no outstanding amounts related to the acquisition of this license.

The transfers for the year 2018 correspond to the license mentioned above with Sun Pharma, which, after approval by the EMA, has been transferred to Intellectual Property for a gross value of EUR 94.7 million. The product has been released to the market during the month of November 2018.

Impairment losses are recorded under "Impairment losses on property, plant and equipment, intangible assets and goodwill" in the accompanying consolidated income statement.

The key hypotheses and methodology of the impairment test are included in Note 5 d).

The detail of the main headings under "Intangible Assets" (Intellectual property and development expenditure) is, by carrying amount, as follows:

	2018	2017
Other acquired development costs	2,805	2,379
Development costs acquired as a result of the acquisition of control of Polichem Group.	27,465	27,465
Licences and other marketing rights as a result of the acquisition of control of Almirall Hermal, GmbH	6,215	12,902
Product technology a result of the acquisition of control of Almirall LLC (formerly, Aqua Pharmaceuticals, LLC)	81,339	53,320
Licences and other marketing rights as a result of the acquisition of control of Polichem Group	287,776	308,506
Intellectual property, relations with clients and exclusive distribution agreement as a result of the acquisition of control of ThermiGen	-	46,380
Licences and other marketing rights as a result of the sales agreement with AstraZeneca	75,474	59,160
Licences and other marketing rights as a result of the sales agreement with Sun Pharma	94,132	-
Licences and other marketing rights as a result of the sales agreement with Allergan	471,219	-
Other Licences and other marketing rights	33,345	37,886
Total Intellectual Property and Development Expenditure	**1,079,770**	**547,998**

The aggregate amount of the research and development expenditure recognised as an expense in the accompanying consolidated income statement for 2018 and 2017 was approximately EUR 87.6 million and EUR 87.9 million, respectively. These amounts include the depreciation of the assets associated with R&D activities and the amortisation of the expenses incurred by Group personnel and by third parties.

At 31 December 2018 and 31 December 2017, there are no internal capitalised R&D expenses.

"Intellectual Property" includes mainly the following intangible assets:

- Licences and other marketing rights resulting from the takeover of Almirall Hermal, GmbH for EUR 6.2 million at 31 December 2018 (EUR 12.9 million at 31 December 2017).

- Technology acquired from Almirall LLC (formerly, Aqua Pharmaceuticals, LLC) in 2013. This technology was assigned to each product and is defined as a set of intangible assets which basically include product formulation and the value of trademarks or brand names and patents or sales licences and which are grouped together insofar as they are considered to be inter-related, they have no value on a stand-alone basis or they are expected to have the same useful life. The useful lives of the intangible assets acquired were estimated at 15 years. The changes in the year correspond to amortisation of EUR 5 million in 2018 (EUR 20 million in 2017) and to the revaluation of EUR 9.8 million (EUR 3.4 million in 2017) for its translation to the presentation currency of the consolidated annual accounts. In addition, in 2018 there has been a reversal of part of the impairment recognised for the loss of value of this subsidiary's intangible assets in 2017, as explained in the section on impairment losses of this note.

- Intangible assets acquired from Poli Grupo in 2016 for an amount of EUR 428.4 million, mainly related to product technology and development expenses. This technology, assigned to each product, was defined as a set of intangible assets that basically includes the formulation of the product, the value of trademarks or trade names and patents or marketing licenses, and that were grouped together as they were considered to be interrelated. they had no value on their own and were expected to have the same lifespan. The estimated value of said product technology amounted to 348.2 million euros with an estimated useful life of 14-18 years. The total of development expenses (80.2 million euros) corresponded to the "pipeline" of products purchased that were in progress until the sale of the associated products. The movement of the year corresponds to the amortization of 2018 for the amount of 20.7 million euros (EUR 20.7 million in 2017).

- Intangible assets acquired from Thermigen LLC in 2016 for an amount of EUR 64.2 million, mainly relating to "Intellectual Property" (46.0 million euros with an estimated useful life of 13 years), "Distribution Agreement exclusive "(12.7 million euros with an estimated useful life of 5 years) and" Relations with customers "for which consumable sales are made on a recurring basis, once they have purchased the medical equipment (5.1 million of euros with an estimated useful life of 9 years). The movement of the year corresponds to the amortization of 2018 for the amount of 6.2 million euros (6.4 million euros in 2017) and to the revaluation as a consequence of its conversion to the presentation currency of the consolidated annual accounts for the value of 2.1 million euros (-6.8 million euros in 2017). In addition, in 2018, an impairment due to the loss of value of the intangible assets of this subsidiary was carried out for an amount of 43.8 million euros, as explained in Note 8.

- Portfolio of 5 products specialized in the treatment of acne, psoriasis and dermatosis, which belonged to Allergan Sales, LLC and Allergan Pharmaceuticals International Limited ("Allergan") acquired on September 21, 2018 for an amount of 471.2 million euros corresponding to trademarks, intellectual property, regulatory approval documents, and licenses to exclusively distribute dermatological products in the United States with an estimated useful life of 4-14 years. As explained in this same note, the net book value at the end of the year amounts to 471.2 million euros. The movement of the year corresponds to the amortization of 2018 for the amount of 7.4 million euros and to the revaluation as a consequence of its conversion to the presentation currency of the consolidated annual accounts for a value of 7.6 million euros.

Impairment losses

The Group has prepared the corresponding impairment tests for the main intangible assets, both those that are ongoing and current. Note 5 d) shows the main key assumptions used for the impairment tests, as well as the corresponding sensitivity analysis.

The detail of the impairment losses on intangible assets in 2018 and 2017 included in “Impairment Losses” in the above table and of the changes therein is as follows:

	Thousands of Euros						
	Balance at 31 December 2016	Additions	Disposals	Balance at 31 December 2017	Additions	Translation differences	Balance at 31 December 2018
Intellectual property	77,129	164,822	(9,773)	232,178	13,582	7,936	253,696
Development expenditure	-	52,816	-	52,816	-	-	52,816
Computer applications	5,072	-	-	5,072			5,072
Intangible and non-current assets	-	20,000	-	20,000	(20,000)	-	-
Total impairment losses	**82,201**	**237,638**	**(9,773)**	**310,066**	**(6,418)**	**7,936**	**311,584**

The movements in 2018 correspond to:

- Reversal of impairment of technology acquired from Almirall LLC (formerly, Aqua Pharmaceuticals, LLC) for a total of EUR 29.9 million, based on the impairment test mentioned in Note 8. This reversal is derived from the improvement of the Indirect costs imputed in the projections made after incorporating the portfolio acquired from Allergan (since it is synergistic with the structure already existing in that subsidiary).

- Impairment of intangible assets acquired from ThermiGen LLC in the amount of EUR 43.8 million, as explained in Note 8.

- Reversal of impairment on intangible assets in progress linked to the license with Sun Pharma, as described in this note.

As of December 31, 2018 and as a result of the impairment tests carried out and indicated in Note 5 d), the amount of impairment of the Industrial Property corresponds mainly to:

- Impairment of the development rights and sale of a product of the respiratory area totalling EUR 45 million (EUR 45 million at 31 December 2017) due to the strategic decision made in 2016 to not sell this product.

- Impairment of the technology acquired from Almirall LLC (formerly, Aqua Pharmaceuticals LLC) in 2013 allocated to each product and defined as a group of intangible assets totalling EUR 131.9 million (EUR 164.8 million in 2017), in accordance with the impairment test stated in Note 8.

- Impairment of intangible assets acquired from ThermiGen LLC, amounting to EUR 43.8 million.

- Impairment of development expenses acquired as a result of the takeover of the Polichem Group following the decision to terminate the research activities for both projects in the US and one of them in Europe. Details are as follow:

    - P 3058 (Onicomicosis) impaired by an amount of 7 million euros

    - P 3073 (Nail Psoriasis) impaired by an amount of 45,7 million euros

The impairment losses generated have been recognised under “Impairment Losses on Property, Plant and Equipment, Intangible Assets and Goodwill” in the accompanying consolidated income statements for 2018 and 2017.

10. Property, plant and equipment

The changes in "Property, Plant and Equipment" in the consolidated balance sheets in 2018 and 2017 were as follows:

	Land and buildings	Plant and machinery	Other fixtures, tools and furniture	Other items of property, plant and equipment	Advances and property, plant and equipment in the course of construction	Total
Cost						
At 31 December 2016	**104,155**	**95,000**	**268,694**	**20,728**	**5,342**	**493,919**
Additions	391	1,153	4,576	858	10,660	17,638
Disposals	-	(108)	(762)	-	(21)	(891)
Transfers	611	574	2,654	604	(7,318)	(2,875)
Translation differences	(722)	493	(711)	(226)	(6)	(1,172)
At 31 December 2017	**104,435**	**97,112**	**274,451**	**21,964**	**8,657**	**506,619**
Additions	-	2,659	3,552	878	6,288	13,377
Disposals	(13,677)	(8,684)	(24,794)	(411)		(47,566)
Transfers	4,492	1,902	5,025	536	(10,187)	1,768
Translation differences	96	(100)	262	80	1	339
At 31 December 2018	**95,346**	**92,889**	**258,496**	**23,047**	**4,759**	**474,537**
Accumulated depreciation						
At 31 December 2016	**(43,903)**	**(61,332)**	**(234,622)**	**(18,014)**	**-**	**(357,871)**
Depreciation charge	(2,602)	(3,279)	(10,712)	(2,167)	-	(18,760)
Disposals	(3)	107	662	(98)	-	668
Transfers	-	-	-	-	-	-
Translation differences	375	(2)	266	772	-	1,411
At 31 December 2017	**(46,133)**	**(64,506)**	**(244,406)**	**(19,507)**	**-**	**(374,552)**
Depreciation charge	(2,127)	(3,235)	(9,633)	(3,567)	-	(18,562)
Disposals	7,530	8,421	21,907	386	-	38,244
Transfers	(4,019)	-	-	-	-	(4,019)
Translation differences	(49)	1	(129)	1,997	-	1,820
At 31 December 2018	**(44,798)**	**(59,319)**	**(232,261)**	**(20,691)**	**-**	**(357,069)**
Impairment losses						
At 31 December 2016	**(3,750)**	-	-	-	-	**(3,750)**
Impairment losses	-	-	-	-	-	-
At 31 December 2017	**(3,750)**	-	-	-	-	**(3,750)**
Impairment losses	3,750		(2,233)	-	-	1,517
At 31 December 2018	**-**	**-**	**(2,233)**	**-**	**-**	**(2,233)**
Carrying amount						
Cost	104,435	97,112	274,451	21,964	8,657	506,619
Accumulated depreciation	(46,133)	(64,506)	(244,406)	(19,507)	-	(374,552)
Impairment losses	(3,750)	-	-	-	-	(3,750)
At 31 December 2017	**54,552**	**32,606**	**30,045**	**2,457**	**8,657**	**128,317**
Cost	95,346	92,889	258,496	23,047	4,759	474,537
Accumulated depreciation	(44,798)	(59,319)	(232,261)	(20,691)	-	(357,069)
Impairment losses	-	-	(2,233)	-	-	(2,233)
At 31 December 2018	**50,548**	**33,570**	**24,002**	**2,356**	**4,759**	**115,235**

The additions in 2018 and 2017 were due mainly to improvements at the production centres at chemical and pharmaceutical plants and at the Group's research and development centres.

At 31 December 2018 and 2017 the Group does not have any impaired assets which are not in use.

The transfers of property, plant and equipment in the course of construction made by the Group in the years ended 31 December 2018 and 2017 relate mainly to the transfer of investment projects at the production centres that came into service during these years.

Disposals in 2018 correspond to the divestment of various non-strategic assets. On the one hand, in September 2018, the sale of the offices where the subsidiary Polichem SA was located, for a value of 5.3 million euros became effective. On the other hand, in November the building where part of the productive facilities (currently in disuse) were located in the past was sold for a value of 0.8 million euros. This last asset was impaired, which is why it has been canceled for an amount of 3.8 million euros, taking into account in the net result of the sale of this fixed asset, with a charge under the heading "Net profits / (Losses)". by disposition of assets "in the consolidated income statement (Note 20). Additionally, the tangible assets where the subsidiary ThermiGen LLC is located, as explained in Note 8, have been impaired. During 2017, no impairment charges or reversals were made on property, plant and equipment.

As of December 31, 2018 and 2017, the net book value of property, plant and equipment owned by subsidiaries located in foreign countries amounts to 20.9 and 29.5 million euros, respectively, of which 19 million are in the company Almirall Hermal, GmbH located in Germany, being insignificant in the rest of the countries.

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

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

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

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

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

As detailed in Note 5 i), as of January 1, 2018, in accordance with the application of IFRS 9, the Group classifies its financial assets in the following valuation categories:

- those that are valued after fair value (either with changes in other comprehensive income or results), and

- those that are valued at amortized cost.

In this sense, this classification is distributed as follows:

- Financial assets measured at fair value through profit or loss: these assets do not meet the criteria to be classified at amortized cost in accordance with IFRS 9 because their cash flows do not only represent principal and interest payments. As a result, this heading includes the balances receivable derived from the recognition of the sale of business to Astrazeneca described in Note 7, as well as those derivative financial instruments that do not meet the necessary requirements to be considered hedges.

- Financial assets measured at fair value through changes in other comprehensive income: equity instruments are considered included in this heading, as is the case of the shares in AB-Biotics, S.A. and in Suneva Medical Inc., (which have been disposed of and valued at fair value, respectively, in the year ended December 31, 2018).

- Financial assets valued at amortized cost: this caption includes fixed income investments made through euro deposits, deposits in foreign currency and repos, mainly. At the date of initial application, the Group's business model is to maintain these investments to collect contractual cash flows that represent only principal and interest payments on the principal amount.

Non-current

The detail of the balance of the non-current financial assets in the consolidated balance sheets at 31 December 2018 and 2017 and of the changes therein in the years then ended is as follows:

	Thousands of euros				
	Investments in Group companies and associates	Long-term equity instruments	Deposits and guarantees given	Assets at fair value through profit or loss	Total
31 December 2016	**60**	**14,572**	**6,671**	**173,138**	**194,441**
Additions or charge for the year	-	-	51	54,879	54,930
Disposals/Decrease in value	(60)	-	(1)	-	(61)
Short-term transfer	-	4,567	-	(55,020)	(50,453)
Translation differences	-	(1,731)	(154)	(574)	(2,459)
Impairment	-	(4,439)	-	-	(4,439)
31 December 2017	**-**	**12,969**	**6,567**	**172,423**	**191,959**
Additions or charge for the year	-	-	4	51,277	51,281
Disposals/Decrease in value	-	(539)	(750)	-	(1,289)
Short-term transfer	-	-	-	(87,286)	(87,286)
Translation differences	-	324	53	198	251
Impairment	-	(12,957)	-	-	(12,633)
Other	-	203	(390)	220	33
31 December 2018	**-**	**-**	**5,484**	**136,832**	**142.316**

The movements of the "Financial assets - Long-term securities portfolio" caption in the accompanying consolidated balance sheet mainly correspond to:

- Disposal of all the shares that the Group had of the Spanish biotechnology company AB-Biotics, S.A. (representing 3.55% of the share capital), a company that is listed on the Alternative Stock Market (MAB). This share was valued at fair value (539 thousand euros at December 31, 2017), and it has been sold for an amount of 1 million euros.

- Change in the fair value of the participation in the share capital through the subsidiary Almirall Inc., in 6,137 shares of the company Suneva Medical Inc, representing 0.01% of its share capital (5.49% at December 31) of 2017), for an acquisition cost of 15 million US dollars at the time of acquisition. At December 31, 2018, the Group valued this investment at fair value, based on the entry of new shareholders in the month of June 2018, so that Almirall's share has been practically diluted, resulting in a fair value close to zero, which meant a decrease in value amounting to 8,551 thousand euros (equivalent to 10 million USD). In accordance with the provisions of IFRS 9 for this type of equity instruments, said loss of value has been recorded with a charge to Other comprehensive income.

- Change in the fair value of the participation in Dermelle LLC, which was generated on April 23, 2017 as a result of the conversion of a loan held by the subsidiary Almirall Inc with that entity, representing 9% of its capital Social. In view of the impossibility for the Group to have access to the updated financial data of said entity and based on an assessment obtained from an independent third party, the Group has determined that its fair value is close to zero and has proceeded to record a loss of value for the entire investment. In accordance with the

provisions of IFRS 9 for this type of equity instruments, the loss was recorded with a charge to other comprehensive income, amounting to 4,406 thousand euros (equivalent to 5.2 million USD).

The caption "Financial assets - Long-term loans and other financial assets" includes, mainly for the amount of 136,658 thousand euros (172,865 thousand euros as of December 31, 2017), the financial asset corresponding to the fair value of future payments to receive long-term payments from AstraZeneca as described in Note 7. The movement for fiscal year 2018 is mainly due, on the one hand, to the change in the fair value of the asset, assuming an increase of 51.1 million euros. euros in said asset and, on the other hand, the decrease derived from the short-term transfer, based on the expectations of the time horizon of collection, of certain milestones receivable whose fair value at December 31, 2018 amounts to 87, 3 million euros (Note 13).

The fair value update of said financial asset as of December 31, 2018 has been made using the same method used by the independent expert in the initial valuation. This has been estimated at 223.9 million euros (as of December 31, 2017 amounted to 172.9 million euros), with a long-term part (136.6 million euros, see Note 11) and another short-term part recorded. term (87.3 million euros, see Note 13). The variation in the value of this financial asset during the year 2018 was due to the change in the discount rate used in the estimate for the amount of 0.3 million euros (-0.2 million euros as of December 31, 2017) , the oscillation of the euro / US dollar exchange rate for the amount of 1.5 million euros (-3.7 million euros as of December 31, 2017), the financial update that resulted in an income amounting to 28.7 million euros (18.3 million euros as of December 31, 2017), as well as the reestimation of anticipated flows and probabilities assigned to the different future milestones amounting to 20.5 million euros (27.9 million euros a December 31, 2017). As a result, the total amount of 51.1 million euros of fair value change is recorded in the "Other income" caption in the consolidated income statement for the corresponding year (Note 20).

Current (financial assets and other cash equivalents)-

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

	Thousands of euros	
	31/12/2018	31/12/2017
Short-term investments	1,000	51,000
Short-term deposits	-	17,556
Short-term guarantees	80	128
Total	**1,080**	**68,684**

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

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

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

	Thousands of Euros	
	31/12/2018	31/12/2017
Loans and receivables	5,484	5,922
Available-for-sale financial assets	-	13,173
Financial assets at fair value through profit or loss (Financial Assets with AZ)*	136,658	172,865
Financial assets at fair value through profit or loss	174	-
Held-to-maturity financial assets	1,080	68,684
Total	**143,396**	**260,644**

(*) Includes only the non-current part of the fair value of the future payments receivable from AstraZeneca. As of December 31, 2018, there were 87.3 million euros in the short term.

In accordance with the hierarchy levels established by IFRS 13 and indicated in Note 30, the financial assets for which their fair value is estimated are Level 1 (equity instruments in listed companies), 2 (derivative financial instruments) and 3 (equity instruments in unlisted companies).

Additionally, the bank accounts included in the Cash captions have not been mostly remunerated during the annual periods ended December 31, 2018 and 2017.

Finally, as in the previous year, as of December 31, 2018, there are no companies that are inactive and / or outside the scope of the consolidation.

12. Inventories

The detail of "Inventories" at 31 December 2018 and 31 December 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Raw materials and packaging	36,853	26,301
Work in progress	12,875	13,250
Goods held for resale and finished products	64,003	54,567
Advances to suppliers	95	903
Write-downs of inventories (Note 20)	(21,493)	(11,278)
Total	**92,333**	**83,743**

The changes in the impairment allowance for Inventories is included in Note 20. None of the inventories have been pledged as security. As mentioned in Note 8, the impairment of part of the stocks of the subsidiary ThermiGen LLC, for an amount of 2.6 million euros, has been carried out.

There are no commitments to purchase inventories involving significant amounts at 31 December 2018 and 31 December 2017.

13. Trade and other receivables

The detail of "Trade and Other Receivables" at 31 December 2018 and 31 December 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Trade receivables for sales and services	125,111	100,983
Other receivables	90,351	5,884
Write-downs of accounts receivable (Note 20)	(22,659)	(16,507)
Total receivables	**192,803**	**90,360**

The heading "Other debtors" as of December 31, 2018 mainly includes 87.3 million euros corresponding to the fair value of future payments to be received in the short term by AstraZeneca, as described in Note 7-a Note 11 of these consolidated annual accounts (0 million euros at December 31, 2017 in the short term).

At 31 December 2018 and 31 December 2017 the overdue balances written down amount to EUR 22,659 thousand and EUR 16,507 thousand, respectively. In addition, as a result of the first application of the "expected loss" model (simplified approach) provided in IFRS 9 (Note 3), the Group has recognized a correction for impairment on the balances of financial assets (Trade debtors) of 3,230 thousand euros at December 31, 2018 (2,700 thousand euros as of January 1, 2018).

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

At 31 December 2018 the percentage of receivables from public authorities related to the hospital business as a percentage of the total trade receivable balance for sales and services stands at 1.9% (4% at 31 December 2017).

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

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

The trade receivable balance denominated in foreign currency amounts to EUR 79,589 thousand at the end of 2018 and EUR 34,947 thousand at the end of 2017. In view of the associated amounts and maturities the potential impact for the exchange rate fluctuations that may arise are not considered significant.

14. Equity

Share capital-

At 31 December 2018 the Parent's share capital consists of 173,853,667 shares with a par value of EUR 0.12 each, fully subscribed and paid in (172,951,120 shares with a par value of EUR 0.12 each at 31 December 2017).

On June 14, 2018, 902,547 new shares of the Parent Company, from the flexible dividend, are admitted to trading on the stock exchanges of Barcelona, Madrid, Bilbao and Valencia. These shares are representative of the holders of 28.70% of the free allocation rights that chose to receive new shares instead of cash. As a consequence, the share capital of the Parent Company after the capital increase was increased by 108,305.64 euros, reaching 30 June 2018 to 20,862,440.04 euros (represented by 173,853,667 shares).

At 31 December 2018 and 2017, all the Parent's shares were listed on the Spanish stock exchanges. The articles of association do not lay down any restrictions on their transferability. Also, pre-emption rights and purchase and sale options have been granted to the ultimate shareholders of the Parent in respect of the shares of one of the aforementioned shareholders in accordance with the agreement entered into on 28 May 2007.

The shareholders with significant direct or indirect ownership interests in the share capital of Almirall, S.A. of over 3% of the share capital which are known to the Parent company, in accordance with the information contained in the official records of the Spanish National Securities Market Commission (CNMV) at 31 December 2018 and 31 December 2017, are as follows:

Name or company name of direct holder of the ownership interest	2018 % of ownership of the Almirall Group	2017 % of ownership in Almirall Group
Grupo Plafin, S.A.	41,1%	41,3%
Grupo Corporativo Landon S.L	25,2%	-
Todasa, S.A.	-	25,3%
Scopia Capital	4,0%	4,0%
Total	**70.3%**	**70.6%**

At 31 December 2018 and 31 December 2017, the Parent is unaware of other ownership interests over 3% in the Parent’s share capital or any voting rights held at the Parent company under 3% that permit significant influence to be exercised.

Redeemed capital reserves-

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

The balance of this reserve at 31 December 2018 and 31 December 2017 amounted to EUR 30,539 thousand.

Legal reserve-

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

EUR 4,151 thousand disclosed under this heading at 31 December 2018 relates to the balance of the legal reserve of the Parent company (EUR 4,151 thousand at 31 December 2017).

Share premium-

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

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

As a result of the increase in capital due to the flexible dividend, this reserve has increased by the difference between the nominal value of the shares and the equivalent value to the dividend, which amounts to €10,063 thousand.

The balance under this heading amounts to EUR 229,872 thousand at 31 December 2018 (EUR 219,890 at 31 December 2017).

Canary Islands investment reserve-

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

At 31 December 2018 and 31 December 2017 the balance of this reserve included in "Other Reserves of the Parent Company" is EUR 3,485 thousand.

Other reserves-

The detail is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Canary Islands investment reserves	3,485	3,485
Redeemed capital reserve	30,539	30,539
Merger reserve	4,588	4,588
Other reserve	833,956	1,170,778
Total other reserves	**872,568**	**1,209,391**

The "Other reserves" caption includes the "Revaluation reserve" of the Parent Company as of December 31, 2018, which amounts to 2,539 thousand euros (2,539 thousand euros as of December 31, 2017) and is available.

Valuation adjustments and others-

The amount of this caption EUR (36,971) thousand at 31 December 2018 and EUR (20,547) thousand at 31 December 2017, mainly relates to:

- Net accumulated actuarial losses for recalculations of the valuations of retirement benefit obligations due to variations in the calculation hypotheses: EUR – 24,249 thousand at 31 December 2018 and EUR -23,450 thousand at 31 December 2017.

- Financial assets valued at fair value with changes in other comprehensive income: as explained in Note 11, according to the application of IFRS 9, the Group has recorded impairment losses on the Suneva investees under this heading. Medical Inc and Dermelle LLC.

Translation differences-

This heading in the accompanying consolidated balance sheet includes the net amount of the exchange differences arising in the translation to the Group's presentation currency of the assets and liabilities of the companies that operate in a different functional currency. The detail of "Translation Differences" by company in 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Almirall, S.A.	-	68
Almirall Limited (UK)	(1,283)	(1,196)
Almirall, A.G.	100	(7)
Almirall SP, Z.O.O.	(95)	(52)
Almirall Aps	(4)	2
Almirall Limited (Canadá)	-	(880)
Almirall Inc / Amirall LLC (EEUU)	33,075	18,905
Almirall Aesthetics, Inc/ThermiGen	(6,011)	(6,993)
Subgrupo Poli	(2,270)	(5,845)
Total Translation differences	**23,512**	**4,002**

The movement of the financial year ending 31 December 2018 and 2017 has been as follows:

	Thousands of Euros
Balance at 31 December 2016	**52,972**
Variation due to exchange differences	(30,448)
Transfer to profit and loss	(18,522)
Balance at 31 December 2017	**4,002**
Variation due to exchange differences	19,510
Transfer to profit and loss	-
Balance at 31 December 2018	**23,512**

The transfer to the 2017 income statement was for the positive translation differences accumulated and generated up to 31 March 2017, after taxes, totalling EUR 6,050 thousand, for a loan in dollars (whose nominal at this date totalled USD 201.5 million) granted by the Parent company to the group company Almirall Inc. As the loan was not expected to be repaid, the Group considered that it formed part of a net investment in the business abroad. However, in 2017, the estimation regarding the permanent nature of the loan changed and the loan was expected to be repaid by the subsidiary in the foreseeable future, which resulted in a reclassification of the accumulated translation differences for the loan in the 2017 income statement since it was considered a net investment in the business abroad. This change, which was corroborated by the partial repayment of the loan for USD 14.9 million during 2017, was mainly due to the change of strategy regarding the financing of this subsidiary after an assessment of the environment and situation of the market where the subsidiary operates.

15. Deferred income

At 31 December 2018 and 31 December 2017, the detail of "Deferred Income" is as follows:

	Thousands of Euros
Balance at 31 December 2016	**162,171**
Other disposals	(439)
Recognised in profit or loss (Note 20)	(31,364)
Balance at 31 December 2017	**130,368**
Other disposals	-
Recognised in profit or loss (Note 20)	(31,376)
Balance at 31 December 2018	**98,992**

The main component of the balances at 31 December 2018 and 2017 set out above consist of amounts of the initially non-reimbursable collections described in Note 7-a to the consolidated annual accounts for 2016. The initial collections for the AstraZeneca rights transfer agreements yet to be taken to the income statement at 31 December 2018 are valued at EUR 99 million (EUR130 million at 31 December 2017). Deferred income is taken to the income statement on a straight-line basis over the estimated time the development phase will last. At 31 December 2018, and in accordance with IFRS15 as detailed in Note 2, the “Revenues” caption in the income statement includes €31,376 thousand relating to the allocation of the deferred income for the established development plan (€31,364 thousand registered under “Other income” in 2017).

In 2018 and 2017, the Group has not signed any agreements which imply any deferred income in addition to the deferred income stated in Note 6 of these notes to the consolidated annual accounts.

16. Financial liabilities

As detailed in Note 5 i), as of January 1, 2018, in accordance with the application of IFRS 9, the Group classifies its financial liabilities in the following valuation categories:

- those that are valued after fair value (either with changes in other comprehensive income or results), and

- those that are valued at amortized cost

In this sense the classification is as follows:

- Financial liabilities measured at fair value through profit or loss: included in this heading are liabilities related to bonds and other marketable securities issued that the Group may purchase in the short term based on changes in value, portfolio of financial instruments jointly identified and managed for which there is evidence of recent actions to obtain short-term gains, or derivative financial instruments, provided that it is not a financial guarantee contract or has been designated as hedging instruments. As of December 31, 2018, the Group has the following financial instruments: forward exchange rate hedging, equity swap on shares of Almirall, S.A. and the issuance of a Convertible Bond as described in Note 16.

- Financial liabilities valued at amortized cost: this heading mainly includes revolving lines of credit. On the date of initial application, the group's business model is to maintain these loans to pay contractual cash flows that represent only principal and interest payments on the principal amount.

Mainly for the purpose of financing the investment made in the USA (in the subsidiary Almirall LLC (formerly, Aqua Pharmaceuticals, LLC)), in March 2014, the Parent company issued non-convertible senior bonds for an aggregate

nominal amount of up to EUR 325 million maturing in 2021. The bonds bore interest at a fixed annual rate of 4.625% payable on a half-yearly basis. As a result of this issuance, the Company is subject to a series of covenants including the fulfilment of "ratio debt" which sets the maximum level of debt permitted for the Parent company and the limitation of asset sales that will not permit the sale of assets unless a significant part of this sale is used to repay the debt or to purchase new assets within twelve months. As a result of the sale operation to Astrazeneca in November 2014 summarised in Note 6, the cash flows of which were not reinvested in a period of less than one year, in November 2015, the Company made an offer to repurchase these non-convertible bonds, as a result of which debt was repurchased for the sum of EUR 1.5 million of nominal value at the same value.

In 2017, the Almirall Group decided to cancel the non-convertible senior bonds issued in 2014. Under the terms and conditions of these non-convertible bonds, the Group may cancel the bonds before their due date, with penalty costs for the period between the date of early cancellation and the date of termination according to the initial agreement. Therefore the cancellation of the bonds made on 4 April 2017, had an impact totalling EUR 17.6 million in “Financial expense” of the accompanying consolidated income statement, which included the interest accrued in 2017 for the non-convertible bonds up to their cancellation, the cost of issuing these bonds pending allocation in the income statement at this date and the penalty costs for the early cancellation.

In 2017, the Parent company also entered into an agreement for a revolving credit line for a maximum of EUR 250 million for four years, which accrues an average interest of less than 1%. Unless the Group fails to comply with any covenants of the agreement, it is not required to return the amount drawn down, which, at 31 December 2018 and totals EUR 150 million (EUR 250 million in 2017), until the policy matures and therefore it has been classified as long term. Under the agreement, the Group is required to comply with various covenants including, mainly, the requirement to comply with a specific “Net financial Debt Ratio/EBITDA”. This covenant is considered to have been completed on December 31, 2018.

On May 10, 2018, the Ordinary General Shareholders' Meeting approved the execution of a swap transaction of interest and shares ("Equity swap"). This operation is made effective through a contract dated May 11, 2018 with Banco Santander, S.A., by which Almirall S.A. must pay a variable interest to the bank as a compensation and Banco Santander, S.A. commits, as acquirer of underlying common shares of Almirall S.A. (with a maximum nominal limit of 2.95% of the share capital (5,102,058 shares) or EUR 50 million, and with a term of 24 months), to deliver the dividend received for its investment in Almirall S.A. and sell the shares of Almirall, S.A. to the company itself at expiration date.

As a result, under the heading "Liabilities for derivative financial instruments", the fair value of the derivative corresponding to the difference between the fair value of the underlying asset (2,513,914 shares equivalent to 35.1 million euros, corresponding 1.4% of the share capital of the Parent Company) and the acquisition cost thereof for Banco Santander, which as of December 31, 2018 amounts to 1.5 million euros. It is considered that the value of the derivative of the option that would imply the acquisition of the total of the maximum shares (50 million euros) would not be significant at the closing date. Said derivative, when it does not comply with the accounting coverage requirements, is recorded with changes in value in the profit and loss account (Note 20).

Additionally, under certain conditions in which the fair value is lower than 85% of the cost value, the Group must partially settle this debt with the bank (thereby reducing the fair value of the derivative). For this reason, the Group has chosen to classify this asset/liability as current.

Also at December 31, 2018 Almirall, S.A. maintains a liability of 0.7 million euros corresponding to a forward exchange rate hedge.

Additionally, on September 21, 2018, Almirall, S.A. formalized a bridge loan amounting to 400 million euros to finance the subsidiary of the Group, Almirall LLC (formerly, Aqua Pharmaceuticals, LLC) (100% owned by Almirall Inc.), in the acquisition of a portfolio of the Division of Medical Dermatology of Allergan in the United States (see Note 9). On December 4, 2018, the Parent Company refinanced and fully amortized the bridge loan amounting to 400 million euros through:

- Unsecured senior syndicated loan of the type "Club Bank Deal" led by BBVA for an amount of 150 million euros (with a single maturity on December 14, 2023) and which accrues an annual interest of 2.1% payable semi-annually. Within the contract of this line of credit, the Company is obliged to comply with a series of covenants, among which the fulfilment of a certain "Net Financial Debt / EBITDA Ratio" stands out.

Issuance of single unsecured senior-level bonds with final maturity on December 14, 2021 for a maximum aggregate nominal amount of 250 million euros, eventually convertible into or exchangeable for ordinary shares of the parent company to approve the General Shareholders' Meeting before June 30, 2019. The Bonds earn a fixed annual interest of 0.25% payable semi-annually. Once the convertible conditions have been met, the Bonds will become convertible bonds at the option of the Noteholders at a conversion price set at 18,1776 Euros per share, after applying a conversion premium of 27.5% on the weighted average price of the ordinary shares of the Parent during the period between the opening and closing of the market on the day of the prospectus. This conversion price is subject to some adjustments in accordance with the terms and conditions of the Bonds. The Parent Company will deliver new or existing shares (decision that will correspond to the Parent Company) and the bondholders will exercise their conversion rights. In the event that the Board Agreements are proposed but not approved by the General Meeting before June 30, 2019 or the Board Agreements are proposed and approved at the General Meeting before June 30, 2019 but the rest of the Convertibility Conditions do not meet the terms indicated in the terms and conditions, subject to prior notification to the bondholders can decide to amortize in advance, in full, but not in part, the Bonds, for the greater value between (i) 102% of the nominal value of the Bonds, plus accrued interest, or (ii) 102% of the listed price of the Bonds, plus interest accrued. Additionally, in the event that the bondholders are not notified of the modification of the Bonds within the terms provided in the terms and conditions and provided that the Parent Company has not notified the early redemption of the Bonds in accordance with the preceding paragraph, each bondholder may, subject to prior notice, request the amortization of its Bonds for the greater value between (i) 102% of the nominal value of the Bonds plus accrued interest, or (ii) 102% of the listed price of the bonds. Bonds, plus interest accrued. Likewise, at any time, each bondholder may, subject to prior notification for a specific period of time, request the amortization of its Bonds, at their nominal value plus accrued interest, in the event of a change of control in the Issuer or to reduce its floating capital below certain limits and, if any of these events occurred prior to the Modification Date, for the greater value between the nominal value of the Bonds plus the interest accrued, or the price of the Bonds, plus interest accrued.

For this instrument, in accordance with IFRS 9, the fair value of the derivative financial instrument embedded instrument (the financial liability for the bond), is represented by the conversion option of the instrument in ordinary shares. The value of the initial recognition of the derivative instrument was determined on a residual basis after deducting from the total amount of the instrument, the fair value assigned to the derivative financial instrument.

At the initial recognition (December 14, 2018), the conversion option was valued at 23.4 million euros, classified under "Liabilities for derivative financial instruments" and an amount of 226, 6 million euros as a component of the bond.

In subsequent valuations, the value of this option will be determined as the difference between the price of the bond and its bond component ("mark-to-market"). As of December 31, 2018, the value of this option does not differ significantly from the initially recognized value

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

The accrued interest payable at 31 December 2018 amounts to EUR 407 thousand (EUR 72 thousand at 31 December 2017).

The detail of the bank borrowings and other financial liabilities at 31 December 2018 is as follows:

	Limit	Amount drawn down (*)	Current	Non-current		
				2.021	Subsequent years	Total
Credit lines	263,105	150,000	-	150,000	-	150,000
Loans with credit institutions	150,000	148,925	-	-	148,925	148,925
Obligations	250,000	223.745	-	223,745	-	223,745
Liabilities for derivative financial instruments	N/A	25.611	2,211	23,400	-	23,400
Accrued interest payable	N/A	407	407	-	-	-
Total at 31 December 2018	**650,000**	**548,688**	**2,618**	**397,145**	**148,925**	**546,070**

(*) Amount drawn down netted of the issuance costs

The detail of the bank borrowings and other financial liabilities at 31 December 2017 was as follows:

	Limit	Amount drawn down	Current	Non-current		
				2018	Subsequent years	Total
Credit lines	250,000	250,000	-	-	250,000	-
Obligations	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-
Total at 31 December 2017	**250,000**	**250,000**	**-**	**-**	**250,000**	**-**

The average cost of the debt for the fiscal years ended on December 31, 2018 and 2017 was 0.87% and 0.81% respectively.

In application of IAS 7, the reconciliation of the cash flows arising from the financing activities with the corresponding liabilities of initial and final financial position is included below, separating the movements that represent Cash flows from those that do not.

	Amount as at 01.01.2018	Effective Flows	Interest paid	Interest due	Other	Amount as at December 31, 2018
Credit lines	250,000	(100,000)	-	-	-	150,000
Loans with credit institutions	-	148,925	-	-	-	148,925
Obligations	-	247,145	-	-	-	247,145
	250,000	**296,070**	**-**	**-**	**-**	**546,070**
Accrued interest payable	72	-	(2,549)	2,884	-	407
Liabilities for derivative financial instruments	-	-	-	-	2,211	2,211
Financial liabilities	**250,072**	**296,070**	**(2,549)**	**2,884**	**2,211**	**548,688**

	Amount at 01.01.2017	Effective Flows	Interest paid	Interest due	Other	Amount at December 31, 2017
Credit lines	-	250,000	(468)	468	-	250,000
Obligations	317,187	(323,550)	-	-	6,363	-
	317,187	**(73,550)**	**(468)**	**468**	**6,363**	**250,000**
Interests	3,843	-	(18,398)	14,627	-	72
Financial liabilities	**321,030**	**(73,550)**	**(18,866)**	**15,095**	**6,363**	**250,072**

17. Other liabilities

a) Trade payables

The detail at 31 December 2018 and 2017 is as follows:

	Thousand of Euros	
	31/12/2018	31/12/2017
Suppliers	68,927	50,430
Trade payables	122,092	90,174
Total short term trade payables	**191,019**	**140,604**

b) Other liabilities

The detail at 31 December 2018 and 2017 is as follows:

	Thousands of Euros					
	Current	Non-current				
		2020	2021	2022	Remainder	Total
Research-related loans	3,259	2,467	2,243	2,026	2,737	9,473
Payables for purchases of non-current assets	3,584	33,451	-	-	-	33,451
Wages and salaries payable (Note 20)	27,883	286	921	5,144	2,165	8,516
Other liabilities	1,419	-	4,367	-	-	4,367
Total at 31 December 2018	**36,145**	**36,204**	**7,531**	**7,170**	**4,902**	**55,807**

	Thousands of Euros					
	Current	Non-current				
		2019	2020	2021	Remainder	Total
Research-related loans	1,943	2,296	2,446	2,499	5,410	12,561
Payables for purchases of non-current assets	132,755	27,329	3,600	1,400	-	32,329
Wages and salaries payable (Note 20)	29,029	1,301	515	1,137	-	2,948
Advances and guarantees received	1,891	-	-	-	-	-
Other liabilities	29,474	-	-	4,169	-	4,169
Total at 31 December 2017	**195,092**	**30,926**	**6,561**	**9,200**	**5,410**	**52,098**

The research-related loans relate to the interest-free loans granted by the Ministry of Science and Technology to promote research. They are presented in accordance with Note 5-i. These loans are granted subject to the fulfilment of certain investments and levels of expenditure over the years that they are granted. They mature between 2019 and 2026.

Payables for non-current asset purchases in 2018 and 2017 relate mainly to the outstanding payments for the acquisition of goods, products and marketing licences made in the year and in prior years. The balance at 31 December 2017 included the part which was reimbursable for the agreement reached with Sun Pharma in the short and long term totalling EUR 56,4 million and EUR 24,3 million which corresponded to the balancing entry in euros of the current value at 31 December 2017 of the future outstanding payments totalling USD 102 million for the

purchase of the licence referred to (see Note 9). As of December 31, 2018, the liability for such agreement is fully settled. It also includes current and non-current payables for the agreement with AstraZeneca, which correspond to the counter value in euros of the current value at 31 December 2018 of the future payables for the purchase of this licence amounting EUR 33.4 million.

At 31 December 2018 and 2017 the balance of "Wages and Salaries Payable" includes, mainly, the outstanding balances with the personnel corresponding to the accrued parts of the extra payments, as well as the bonus for the Group's objectives.

At 31 December 2017, as a result of the AstraZeneca transaction described in Note 7, the Group recognised an amount of EUR 11,8 million for research, launching and sales costs payable by the Group. In addition, there was also included the contingent payment amounting to EUR 17.5 million to be done with respect to the purchase of Poli Group related to the compliance of certain level of the net sales that have been paid on June 5, 2018.

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

18. Provisions

The changes in 2018 and 2017 in “Provisions” in the accompanying consolidated balance sheets were as follows:

	Thousand euros	
	2018	2017
Balance at 1 January	**50,572**	**17,792**
Additions or charge for the year	2,714	3,561
Disposals or transfers	(5,988)	29,219
Balance at 31 December	**47,298**	**50,572**

Relates to the provision for non-current remunerations (see Note 5-v) and the estimate made by the Group of the future payments required by it to settle other liabilities arising as a result of the nature of its business. During 2017 an amount of EUR 31 million was transferred from the short to the long term given that it was expected that these obligations will be settled in a period exceeding one year. This reclassification included the amount related to the provision related to the restructuring processes that were accounted for in the short term and in the year 2017 the Group reassessed that they would be settled in the long term (see Note 17).

19. Retirement benefit obligations

The changes in "Retirement Benefit Obligations" in the accompanying consolidated balance sheets in 2018 and 2017 are as follows:

	Thousands of Euros
Balance at 31 December 2016	**71,939**
Additions	450
Cancelations	(1,232)
Balance at 31 December 2017	**71,157**
Additions	660
Cancelations	(1,172)
Balance at 31 December 2018	**70,645**

The retirement benefit obligations correspond to the subsidiaries Almirall Hermal, GmbH, Almirall, AG and Polichem, S.A. and to non-financed plans (there are no plan assets).

The changes in the defined benefit obligations are as follows:

	2018	2017
At 1 January	**71,157**	**71,939**
Current service costs	380	386
Borrowing costs	884	1,246
Contributions of plan participants	(35)	-
Actuarial gains/(losses)	1,110	929
Benefits paid	(1,856)	(1,746)
Other changes	(995)	(1,597)
At 31 December	**70,645**	**71,157**

The actuarial losses recognised relate mainly to the effect of the variation in the discount rate used in the actuarial calculations in 2018 and 2017.

The amounts recognised in the consolidated income statement are as follows:

	2018	2017
Current service costs	380	386
Borrowing costs	884	1.246
Others	(441)	-
Total (included under staff costs)	**823**	**1.632**

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

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

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

20. INCOME AND EXPENSE

Revenue

The detail, by business line, of revenue in 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Sales through own network	618,259	533,588
Sales through licensees	110,590	79,826
Corporate management and revenue not allocated to other segments	28,085	25,967
Total	**756,934**	**639,381**

	Thousands of Euros	
	2018	2017
Product sales income	714,895	639,381
Royalties income	6,035	-
Income from up-front payments (Note 15)	31.376	-
Income from other up-front payments	4,628	-
Total	**756,934**	**639,381**

The detail of revenue, by geographical area, in 2018 and 2017 is as follows:

	Thousands of Euros	
	2018	2017
Spain	244,856	199,371
Europe and the Middle East	297,196	282,812
America, Asia and Africa	158,044	131,232
Corporate management and revenue not allocated to other segments	56,838	25,967
Total	**756,934**	**639,381**

The main countries where the revenues come, in 2018 and 2017 are:

	2018	2017
Spain	32%	31%
United States	15%	13%
Germany	20%	18%
Italy	6%	7%
France	3%	4%
United Kingdom	3%	4%
Other	21%	23%
Total	**100%**	**100%**

Other income-

	2018	2017
Income from marketing agreements (deferred income recognised in profit or loss) (Note 15)	-	31,364
Income from AstraZeneca agreement (Note 6-a and 11)	51,036	67,682
Re-invoicing of services rendered to AstraZeneca	1,589	2,676
Other	1,432	14,682
Total	**54,047**	**116,404**

As of December 31, 2018, the "Other income" caption has decreased due to the effect of the application of IFRS 15 with effect January 1, 2018, whose impact in the amount of 31,376 thousand euros (Note 2) has been reclassified to the "Revenue" caption.

During 2017 under "Income from AstraZeneca agreement ", it was included the financial impact of Milestones, Royalties and Sales related payments, as well as the impact of the collection that occurred as a result of a Milestone related to the achievement of a certain amount of net sales and that had an impact of 25 million euros due to the collection of 63.2 million euros.

During 2017 the caption "Others” mainly included EUR 3.5 million of “up-front payments” related to different distribution agreements signed by the Group.

Procurements-

The detail of "Procurements" is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
Purchases	142,979	165,513
Changes in inventories of raw materials and other consumables	10,552	3,303
Changes in inventories of goods held for resale, finished products and work in progress	9,061	4,189
Total	**162,592**	**173,005**

Staff costs

The detail of "Staff Costs" is as follows:

	Thousands of Euros	
	2018	2017
Wages and salaries	146,324	148,463
Social Security payable by the Company	22,828	22,833
Termination benefit costs	2,485	10,484
Other employee benefit costs	11,464	22,292
Total	**183,101**	**204,072**

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

	2018			2017		
	Men	Women	Total	Men	Women	Total
Board Member	1	-	1	1	-	1
Senior management	35	11	46	44	11	55
Middle management	155	124	279	175	132	307
Technical personnel	481	575	1,056	494	638	1,132
Administrative personnel	150	258	408	154	255	409
Other	-	1	1	-	1	1
Total	**822**	**969**	**1,791**	**868**	**1,037**	**1,905**

The average number of employees in 2018 with a 33% or higher disability is 11 people (4 technical employees, 7 administrative employees) (10 people (4 technical employees,6 administrative employees) at 31 December 2017).

At the end of 2018 and 2017 the headcount is as follows:

	2018			2017		
	Men	Women	Total	Men	Women	Total
Board member	1	-	1	1	-	1
Senior management	33	12	45	39	11	50
Middle management	151	119	270	160	119	279
Technical personnel	483	605	1,088	490	627	1,117
Administrative personnel	154	246	400	142	243	385
Other	-	1	1	-	1	1
Total	**822**	**983**	**1,805**	**832**	**1,001**	**1,833**

The number of employees at the end of 2018 with a 33% or higher disability is 11 people (4 administrative and 7 in "Others") (3 people (2 administrative and 1 in "Others") to December 31 of 2017

At 31 December 2018 and 2017, 269 and 260 Group employees, respectively, were engaged in research and development activities.

Other operating expenses-

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

	Thousands of Euros	
	2018	2017
Rentals and royalties	18,299	20,179
Repair and upkeep expenses	18,909	14,884
Independent professional services	40,174	81,184
Transport	20,634	21,189
Insurance premiums	3,195	2,922
Banking and similar services	2,381	428
Utilities	4,257	4,266
Other services	142,405	106,707
Taxes other than income tax	1,216	(708)
Total	**251,470**	**251,051**

Within the heading "Other services" are included grants amounting to 602 thousand euros in 2018 (483 thousand euros in 2017).

Operating leases

The rental costs incurred in 2018 and 2017 were as follows:

	Thousands of Euros	
	2018	2017
Operating leases recognised in profit (loss) for the year	11,370	12,236

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

	Thousands of Euros	
	2018	2017
Within one year	8,523	2,877
2 to 5 years	15,863	6,051

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

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

Net change in valuation adjustments

The detail of “Net Change in Valuation Adjustments” in the accompanying consolidated income statements and of the changes in the short-term provisions is as follows:

	Thousands of Euros	
	2018	2017
Change in valuation adjustment for bad debts	(3,104)	(7,992)
Change in valuation adjustment of inventories	(10,555)	(1,006)
Change in other current provisions	(793)	780
Total	**(14,452)**	**(8,218)**

Net gain (loss) on asset disposals-

The detail of the net gain (loss) on disposals of non-current assets in 2018 and 2017 is as follows:

	Thousands of Euros			
	2018		2017	
	Income	Expense	Income	Expense
On disposal or derecognition of intangible assets (Note 9)	-	(548)	-	(2,067)
On disposal or derecognition of property, plant and equipment	2,424	(1,435)	-	(155)
	2,424	**(1,983)**	**-**	**(2,222)**
Net gain (loss) on disposals of assets	**441**		**(2,222)**	

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

Finance income and expense-

The detail of net finance income (expense) in 2018 and 2017 is as follows:

	Thousands of Euros			
	2018		2017	
	Income	Expense	Income	Expense
Variation in the fair value of financial instruments	-	(1,508)	-	(4.500)
Financial expenses for non-convertible bonds (note 16)	-	(75)	-	(17.629)
Other income (expense) on marketable securities	167	(5,488)	215	(4.758)
Other income and similar interest	275	-	1,391	-
Income for disposals of financial instruments (Note 11)	539	-	-	-
Exchange differences	11,025	(16,952)	23,851	(9,617)
	12,006	**(24,023)**	**25,457**	**(36,504)**
Financial profit (loss)	**(12,017)**		**(11,047)**	

The expense recorded under the heading "Variation in the fair value of financial derivatives" corresponds to the update of the fair value of the Equity swap explained in Notes 15 and the result of the sale of the shares of AB Biotics described in Note 9. In 2017 this caption included the re-estimate at year end of the contingent consideration payable (earn-out) for the acquisition of Poli Group.

“Financial expenses for non-convertible bonds” include financial expenses for interest accrued in 2017 regarding the issuing of non-convertible bonds made in 2014 (Note 16). In addition, in 2017, it includes the penalty cost for cancelling the non-convertible bonds before their due date, as stated in Note 16.

Under the heading "Other income and negotiable interests", in 2018 it includes financial expenses derived from bank loans and loans with other companies.

Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill

In 2018, the heading " Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill " includes the impairment related to the goodwill of ThermiGen LLC for an amount of 26.6 million euros (Note 8), the impairment of the industrial property acquired to ThermiGen LLC for the amount of 43.8 million (Note 9), of the fixed assets affected by the operation for an amount of 2.2 million euros (Note 10) and on the part of the amount of 2.6 million euros (Note 12), with the total amount in the consolidated income statement amounting to 75.2 million euros.

Additionally, the reversal of the impairment of certain technology acquired to Almirall LLC (formerly, Aqua Pharmaceuticals LLC) is included in the amount of 29.9 million euros (Note 9), and the reversal of the impairment of development rights and commercialization of a compound for the treatment of psoriasis for an amount of 20 million euros (Note 9).

In 2017 " Loss (Gain) on recognition (reversal) of impairment of property, plant and equipment, intangible assets and goodwill " included mainly the impairments related to the goodwill of Aqua Pharmaceuticals for an amount of 81.5 million euros, see Note 8, the impairment of certain technology acquired from Aqua Pharmaceuticals for an amount of 164.8 million euros, see Note 9, impairment of development expenses acquired as a result of taking control of Polichem Group for an amount of 52.7 million euros, see Note 9, as well as the deterioration of the rights of development and commercialization of a compound for the treatment of psoriasis for an amount of 20 million euros, see Note 9, and also the deterioration made on the participation that maintains the Group in Suneva Medial for an amount of 4.4 million euros, see Note 11.

Transactions denominated in foreign currency-

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

	Amount in Euros (thousands)			
	Expense		Income	
	2018	2017	2018	2017
Australian Dollar	23	-	-	-
Canadian Dollar	28	54	77	168
Swiss Franc	6,237	9,195	7,881	8,012
Czech Koruna	35	56	1,174	1,584
Danish Krone	2,855	2,548	960	1,006
Pound Sterling	13,419	14,729	25,959	26,623
Hungarian Forint	40	43	608	544
Japanese Yen	6,069	5,328	3,630	2,979
Kenyan Shilling	-	1	-	-
Mexican Peso	4	133	-	-
Norwegian Krone	429	421	1,216	1,038
Polish Zloty	890	721	2,950	3,275
Renminbi	235	304	-	-
Swedish Krona	693	426	3,331	3,163
US dollar	101,502	92,322	119,910	64,434

Auditors' remuneration-

In 2018 and 2017 the fees for audit and other services provided by the Group's auditor, PricewaterhouseCoopers Auditores, S.L. or by other companies in the PwC network were as follows (in thousands of euros):

Description	2018		
	Annual accounts audit	Tax advise	Other Services
PricewaterhouseCoopers Auditores, S.L.	271	-	47 (*)
Other PwC entities	353	176	20
	624	**176**	**67**

(*) Other services done by PricewaterhouseCoopers Auditores, S.L. related to agreed upon procedures.

Description	2017		
	Annual accounts audit	Tax advise	Other Services
PricewaterhouseCoopers Auditores, S.L.	213	-	6 (*)
Other PwC entities	505	204	103
	718	**204**	**109**

(*) Other services done by PricewaterhouseCoopers Auditores, S.L. related to agreed upon procedures.

21. Tax situation

Consolidated Tax Group-

Almirall, S.A. files consolidated tax returns as provided for in Title VII, Chapter VII of Legislative Royal Decree 4/2004 of 5 March, approving the Corporation Tax Law. The companies composing the tax group for 2018 are: Almirall, S.A., Laboratorios Almirall, S.L. (company resulting from the change of name of Laboratorio Omega Farmacéutica, S.L., surviving company of the merger carried out in 2017 of Laboratorios Miralfarma, S.L., Laboratorios Almofarma, S.L., Laboratorio Temis Farma, S.L., Laboratorios Berenguer-Infale, S.L., Alprofarma, S.L., Pantofarma, S.L. and Laboratorios Farmacéuticos Romofarm, S.L.), Industrias Farmacéuticas Almirall, S.L., Laboratorios Tecnobío, S.A., Ranke Química, S.A. and Almirall Aesthetics, S.A., with Almirall, S.A. as the Parent company. At December 31st 2017 the companies composing the Group were : Almirall S.A., Laboratorios Almirall S.L., (company resulting from the change of name of Laboratorio Omega Farmacéutica, S.L., surviving company of the merger carried out in 2017 of Laboratorios Miralfarma, S.L., Laboratorios Almofarma, S.L., Laboratorio Temis Farma, S.L., Laboratorios Berenguer-Infale, S.L., Alprofarma, S.L., Pantofarma, S.L. and Laboratorios Farmacéuticos Romofarm, S.L.), Industrias Farmacéuticas Almirall, S.L., Laboratorios Tecnobío, S.A., Ranke Química, S.A. and Almirall Aesthetics, S.A., with Almirall, S.A. as the Parent company.

Consequently, the consolidated Coporation Tax expense includes the tax relief generated from tax-loss carryforwards and tax credits pending offset/application which would not have been recorded had the companies of the tax group been taxed individually.

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

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

Year subject to tax inspection -

In July 2016, the tax authorities notified Almirall, S.A., in its capacity as representative of the tax group, of the initiation of a review of Corporate Income Tax (tax consolidation regime) for 2011, 2012 and 2013 and Value Added Tax, Withholdings and advance tax payments on income from capital, Withholdings and advance tax payments on employment/professional income, Withholdings and advance tax payments on lease income and Withholdings and advance tax payments on non-residents for the period June 2012 to December 2013.

Those tax inspections ended with the final signature in conformity at July 27th 2018.

Consequently, the Parent Company and the companies Spanish tax group of which the Parent Company of the Group is headquartered, are open to inspection for the years 2014 to 2018 for the Corporate Tax, from the years 2015 to 2018 for the rest of taxes that are applicable to them.

During 2016 the following reviews have been started by the tax authorities with the foreign companies of the group indicated, which at the date of preparation of these annual accounts are still ongoing:

- Almirall Hermal GmbH (Germany), for 2009, 2010, 2011, 2012 and 2013, in relation to Corporate Income Tax, Value Added Tax and Withholdings and advance tax payments on account of Personal Income Tax.

During 2017 the following reviews have been started by the tax authorities with the foreign companies of the group indicated, which at the date of preparation of these annual accounts have concluded with no significant amounts arising as a result.

- Almirall Inc and related parties (US). Estate inspection in New York for 2013 and 2014.
- Almirall Inc and related parties (US). Federal inspection related to taxes for 2015.
- Taurus GmbH (Germany). Inspection for all tax for 2013, 2014 and 2015.

During 2018 the following reviews have been started by the tax authorities with the foreign companies of the group indicated, which at the date of preparation of these annual accounts are still ongoing:

- Almirall AG (Switzerland). Federal inspection related to taxes for 2013, 2014, 2015 and 2016.
- Almirall AG (Switzerland). Cantonal inspection related to taxes for 2015, 2016 and 2017.
- Almirall AG (Switzerland). Value Added Tax inspection for 2014, 2015, 2016 and 2017
- Almirall Ltd (UK). Value Added Tax inspection for the period from October 2014to October 2018
- Almirall Inc and related parties (USA). Corporate income tax inspection for 2017
- Almirall Aesthetics Inc and related parties (USA). Federal inspection related to taxes for 2016.
- Almirall NV (Belgium). General inspection for 2016 and 2017.

For the Group's foreign companies, their applicable taxes for the corresponding years are open to inspection in each of the local jurisdictions.

Generally, in view of the varying interpretations that can be made of the applicable tax legislation, the outcome of the tax audits of the open years that are being or could be conducted by the tax authorities in the future could give rise to tax liabilities which cannot be objectively quantified at the present time. However, the directors of the Parent

consider that the possibility of any material liability arising in this connection other than those already recognised is remote.

Tax receivables and payables-

The detail of the current tax receivables and payables at 31 December 2018 and 2017 is as follows:

	Thousands of Euros	
	31/12/2018	31/12/2017
VAT refundable	11,142	8,061
Income tax refundable	27,726	47,238
Other receivables	10	1,755
Total balances receivable	**38,878**	**57,054**
Tax payable	3,823	1,909
VAT payable	2,568	3,137
Personal income tax withholdings	2,547	3,412
Social security payable	5,348	4,181
Income tax payable	**14,286**	**12,639**

"Income Tax Refundable" includes the tax refundable for 2018 and 2017 relating to the consolidated Spanish tax group led by the Parent Almirall, S.A., which has been refunded at the date of these consolidated annual accounts.

Income tax recognized-

The detail of the income tax recognised in the consolidated income statement and in equity in 2018 and 2017 is as follows:

	Thousand of Euros Expense/ (Income)	
	2018	**2017**
Income Tax:		
-Recognised in the income statement	(2,700)	(17,102)
-Recognised in equity	(311)	(260)
Total	**(3,011)**	**(17,362)**

Reconciliation of the accounting profit to the taxable profit-

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

	Thousands of Euros	
	2018	**2017**
Consolidated profit (loss) before tax (continuing operations)	74,974	(321,063)
Permanent differences:		
- Of individual companies		
Increase	246,278	334,580
Decrease	(273,759)	(86,653)
- Consolidation adjustments		
Increase	192,666	24,238
Decrease	(207,787)	(359,844)
Adjusted accounting profit (loss)	32,372	(408,743)
Tax rate	25%	25%
Gross tax payable (refundable)	**8,093**	**(102,186)**
Tax credits:		
Tax credit used in the year and other consolidation adjustments	(1,500)	39,766
Income tax of Almirall, S.A. paid abroad	76	2,282
Deferred tax assets and liabilities regularization	(22,090)	18,187
Tax credits regularization coming from losses on previous years	(1,982)	-
Other	304	10,100
Theoretical income tax expense	**(17,099)**	**(31,851)**
Effect of different tax rates between countries	6,013	(23,449)
Other movements	8,386	38,198
Expense/ (Income) accrued for corporate income tax	**(2,700)**	**(17,102)**

The increase in the taxable base for permanent differences related to the affiliate companies for 2018 and 2017, relates mainly to the different tax treatment of certain accrued expenses in those years. The decrease in the base due to permanent differences in the year 2018 has its origin, basically, due to the reduction in the tax base of income from the assignment of intangible assets as well as to reversals of impairment losses, while the increases correspond basically to the different tax treatment of impairment .

The decrease in the permanent differences for 2018 arising from the consolidation adjustments correspond mainly to certain valuation adjustments on equity instruments of subsidiaries from Almirall Aesthetics INC related to the impairments explained in Note 8.

The increase in the permanent differences in the year 2018 arising from the consolidation adjustments correspond mainly to certain valuation adjustments on equity instruments of the subsidiaries of Almirall Inc as a result of the reversal of the impairments explained in Note 8.

The amount of deductions applied and / or adjusted during fiscal year 2018 relates to Euros 2,833 thousand adjustment of deductions for research and development activities pending of application generated in 2007 and the partial monetization of the deduction for research and development generated in the year 2017.

The detail of the tax incentives recognised in 2018 and 2017 and the amounts not yet recognised at 31 December 2018 and is as follows:

Nature	Year earned	Thousand of Euros			
		2018		2017	
		Offset	Available for offset	Offset	Available for offset
Research and development	2007	2,833	26,625	-	29,458
	2008	-	34,841	-	34,841
	2009	-	26,883	-	26,883
	2010	-	34,628	-	34,628
	2011	-	35,845	-	35,845
	2012	-	32,841	-	32,841
	2013	-	28,923	-	28,923
	2014	-	23,685	-	23,685
	2015	-	14,840	-	14,840
	2016	-	12,259	5,440	12,259
	2017	3,755	10,259	-	14,015
	2018	-	14,881	-	-
		6,588	**297,349**	**5,440**	**288,218**
Innovations in technology	2012	-	965	-	965
	2013	-	1,302	-	1,302
	2014	-	701	-	701
		-	**2,969**	**-**	**2,969**
International double taxation	2016				-
	2017	1,883	-		1,883
	2018	76			
		1,960	**-**	**-**	**1,883**
Re-investment of extraordinary income	2012	-	55	-	55
	2013	-	2	-	2
	2014	-	10	-	10
		-	**67**	**-**	**67**
Donations	2016				-
	2017	98	-		98
	2018	56			
		154	**-**	**-**	**98**
Tempory measures	2016			-	-
	2017	219	-		219
	2018	37			
		257	**-**	**-**	**219**
Total reported tax incentives		**8,959**	**299,546**	**5,440**	**293,454**
Total deferred tax assets recognised in balance sheet			**199,042**		**205,033**

Currently the application of deductions to avoid double international taxation pending application has no time limit. However, the current Corporate Tax legislation establishes 50% of the full tax rate as the limit of application.

On the other hand, the time limit for the application of deductions for scientific research and technological innovation activities is 18 years since its generation, being subject to the limit of application to 50% of the tax rate in accordance

with the legislation current, to the extent that it is foreseen that the deduction generated each year by the Parent will exceed 10% of the full installment.

However this term is reduced to 15 immediate and successive years from its generation for those amounts not deducted corresponding to the rest of deductions

Deferred taxes-

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

	2018	2017
Deferred tax assets	280,404	268,675
Deferred tax liabilities	(134,877)	(140,163)
Deferred tax assets (net)	**145,527**	**128,512**

The gross changes in the deferred taxes are as follows:

	2018	2017
At January 1st	128,512	94,072
Credit to profit or loss	16,704	34,180
Tax (charged) refunded directly to equity	311	260
At 31 December	**145,527**	**128,512**

In accordance with current tax legislation in the countries in which the consolidated entities are located, in 2018 and 2017 certain temporary differences have arisen which should be taken into account when quantifying the corresponding income tax expense. The detail of deferred taxes recognised in both years is as follows:

	Thousand of Euros			
	2018		2017	
	Accumulated differences in taxable profit (tax loss)	Accumulated effect on tax payable	Accumulated differences in the taxable profit (tax loss)	Accumulated effect on tax payable
Deferred tax assets:				
Amortisation and depreciation of non-current assets	146,796	32,329	149,618	32,042
Write-offs	95,495	23.932	50,037	12,413
Retirement benefit obligations	40,386	11.832	40,500	11,885
Measurement of inventories	30,047	8.966	12,347	4,393
Other	14,386	3.550	3,345	864
	327,109	**80,609**	**255,847**	**61,595**
Tax credits:				
Tax loss carryforwards	2,698	752	23,744	3,779
Tax credit carryforwards	-	199,042	-	205,033
Total deferred tax assets and tax relief:		**280,403**		**268,675**
Deferred tax liabilities:				
Accelerated amortisation/depreciation (Royal Decree 27/84, Royal Decree 2/85, Royal Decree 3/93)	28,066	6,988	34,652	8,754
Assets held under finance leases	4,673	1,168	5,175	1,294
Capitalisation in intangible assets	2,223	1,044	3,870	1,447
Gains recognised in assets	322,701	85,984	343,792	94,153
Amortisation of goodwill	105,835	28,229	96,231	25,828
Tax effect of reversal of write-offs to investments (subsidiaries)	16,508	5,353	16,508	5,353
Other	32,475	6,110	21,367	3,334
Deferred tax liabilities		**134,876**		**140,163**

The deferred tax assets indicated above, totalling EUR 280,404 thousand, are mainly from Almirall, S.A., which reports a total of EUR 199,042 thousand in deferred tax assets in its annual accounts at 31 December 2018 (mainly due to the deductions pending application stated above). These deferred tax assets were recognised in the consolidated balance sheet the Parent company's directors consider that it is probable that these assets will be recovered in full within 10 years in line with their best estimates of future profit. The basis of the estimated future profit underpinning this analysis was as follows:

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

- Estimated additional effects expected in profit or loss over the coming years as a result of the expected future investments/acquisitions at medium term and taking into account the relevant investments made in 2018. Estimated target returns and the probability of achieving them were also considered.

During fiscal year 2018, an amount of Euros 23,221 thousand has been capitalized as deferred tax assets due to temporary differences of Almirall LLC (formerly Aqua Pharmaceuticals, LLP) due that the Group has no doubts about its future recoverability, taking into account sales projections and results in based on the events that occurred during the year (see Note 9).

22. Business and geographical segments

Segmentation criteria

Set out below is a description of the main criteria used to separate the Group's segment reporting in the consolidated annual accounts for the years ended 31 December 2018 and 2017.

The business segments detailed in this note are those for which the financial information is available in the Group and on which the preparation of the reports is based and whose results are reviewed on a monthly basis by the Group Management (Management Committee) in order to the taking operational decisions, decide on the resources that should be allocated to each segment and evaluate their performance.

Business segments:

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

a) Sales through own network.

b) Sales through licensees.

c) Research and development activities.

d) Therapeutic dermatological products in the US.

e) Corporate management and results not allocated to other segments.

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

In this sense, the professional judgments used by the Group to consider that the activity of "research and development" and "corporate management and results not assigned to other segments", are based on the fact that the expenses and income information of those segments are not taken in the decision making in the rest of the segments, they are analyzed separately by the highest authority of the Group in the decision-making process in order to decide on the resources to be allocated to said activity

In the case of the segment called "Research and development activity", although revenue from ordinary activities does not normally occur, its breakdown is fundamental for the Group's understanding since said activity is considered absolutely key and strategic in the market in which the Group operates. On the other hand, the resources allocated to this component are based on an analysis that is totally independent from the rest of the Group's components.

On the other hand, the segment of "Corporate management and results not assigned to other segments" groups those revenues and expenses that, given their nature, are not directly related to the rest of the segments detailed and are not assignable to these, since they are not directly related to the business areas. The figures broken down in this segment are mainly derived from the corporate assets broken down below, from the expenses associated with the Group's production centers, as well as from all expenses not included in the operating result. In this sense, the Group considers that the effort that would be necessary in the event of disaggregating said expenses in the rest of the segments, would require absolutely arbitrary distribution guidelines and would not address the way in which the Group's organizational structure is established. which is the basis on which the financial information is broken down internally.

Basis and methodology of segment reporting by business-

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

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

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

The revenues received by the Group as a result of the agreements indicated in Note 6 have been assigned, if possible, on the basis of the business segment directly related to the territories or activity associated with those agreements, irrespective of whether they relate to amounts received for milestones or initial disbursements recognised on a deferred basis in the consolidated income statement, mainly in the own network sales and licensee segments and research and development activities. However, the change to fair value of the assets generated from the sale operation with AstraZeneca has been included in the segment “Corporate management and results not assigned to other segments” as it is an operation that is analyzed and monitored at a corporate level independently of the rest of the segments, as it is not related to the recurring business.

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

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

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

As mentioned before the expenses that are not directly attributable to a business segment are not distributed and are assigned to the segment "corporate management and results not assigned to other segments", because this is how Management does the decision-making of The Group analyzes the reporting information and makes decisions about the resources to invest in each segment.

The amortization assigned to the segment "corporate management and results not allocated to other segments" is the one related to those assets linked to both the company's production centers and the Group's headquarters (9 and 10 million euros, respectively). These amortizations are considered non-assignable expenses to the business segments related to commercialization criteria, since they are not directly attributable to any of the established segments and therefore the Management does not take them into account in making decisions that affect them.

On the other hand, impairment losses are, in general terms, broken down into the segment in which the asset subject of the valuation adjustment is assigned.

With respect to the restructuring costs, being non-recurring expenses, being decided by the Management and having a marked strategic nature, it is not considered appropriate (and in fact it is not done in any of the internal analyzes) to include them in any of the other segments given that they would invalidate the conclusions that any user of financial information would reach regarding their profitability.

With respect to the general and administrative expenses included in the segment "corporate management and results not allocated to other segments", find below the causes that lead the Management not to impute them to the rest segments:

- Costs linked to the Group's production centers and which are not directly attributable to manufacturing.

- Costs linked to the head office, the shared services centers and support areas that mainly include the expenses of the Human Resources, Finance and General Operations departments ("Marketing", "Market Access" and "Global Medical Affairs")). These costs are difficult to attribute to the rest of the segments as they would be, on the one hand, under a totally subjective criterion and, on the other hand, would not be in accordance with the way that the Group Management evaluates the profitability of the other segments.

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

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

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

- Almirall, S.A.: allocated to the “Corporate Management and Results not allocated to Other Segments" segment given its structural nature in the Group's current make-up and the fact that it cannot be assigned to any segment in particular, as detailed in Note 8.
- Almirall Hermal, GmbH: allocated to the “Own Network Marketing” segment since the main cash-generating unit with respect to the aforementioned goodwill is this segment.
- Almirall LLC (formerly, Aqua Pharmaceuticals LLC): allocated to the “Dermatology in the US" segment since the main cash-generating unit with respect to the aforementioned goodwill is this segment (Note 8).
- Poli Group: The assets, income and expenses have been distributed between the segment “Sales by own network” and “Sales by licence holders” in line with the Cash-Generating Units used for the purpose of the impairment tests stated in Note 5-d.
- ThermiGen: It has been assigned to the segment of “Dermatology area in the USA”.

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

Additionally, the main assets that are included in the segment "corporate management and results not assigned to other segments" are:

- Almirall, S.A. Goodwill: originated in 1997 as a result of the merger with Prodesfarma S.A. As indicated in note 8 of this consolidated report, given its structural nature in the current configuration of the Group and not being able to be assigned in an objective manner to any other specific segment, it was decided to include it in the segment "corporate management and results" not assigned to other segments. "

- Intangible assets mainly related to the agreement with Sun Pharma for the license mentioned in note 9 of the accompanying consolidated accounts, as well as other assets of lower value that correspond mainly to patents and computer software. The referred license is in progress because the launch associated with the licensed product is expected to be carried out at the end of 2018 or the beginning of 2019, once the corresponding authorizations have been obtained. Consequently, it was considered more appropriate not to include it in the marketing segment through licensees.

- Property, plant and equipment linked to the Group's production centers, to Headquarters and to shared service centers, consistently with the allocation of expenses in the segmented profit and loss account.

- Financial assets related to the agreement with AstraZeneca as indicated in note 11 of the attached consolidated report, in line with the allocation of the income in the segmented profit and loss account. In addition, this segment also includes the investment in equity instruments of the Suneva Medical company, as well as other lower-value financial assets corresponding to deposits, including the deposit used as collateral in the sale of ThermiGen as explained in Note 11 of the consolidated annual accounts.

Deferred tax assets related to the Spanish tax consolidation group as detailed in note 21 of the attached consolidated annual accounts, as well as deferred tax assets generated in Almirall Hermal, GmbH, and holding companies such as Almirall Aesthetics , Inc and Almirall, Inc.

These assets have not been assigned to any other business segment since their analysis, being assets of holding companies or companies that are separated into several segments, is carried out according to the territories where the corresponding tax regulations are applicable and not such as the primary distribution of the segment note is broken down.

- Inventories whose references are not directly assignable to any business segment since they do not correspond to any finished product but mainly to raw materials, materials and semi-finished products whose destination is not yet known.

- Current financial investments and cash and other liquid assets correspond mainly to the amount of "Cash Pooling" to which all of the integrated companies are housed within the Group's consolidation perimeter, with the exception of Almirall LLC (formerly, Aqua Pharmaceuticals, LLC) (included in the segment US Dermatology ") and the recent acquisitions of Poli Group and ThermiGen (included in the marketing segments through its own network and licensees to the corresponding extent). These assets derived from cash pooling are managed jointly from the central office.

Segment reporting-Segment reporting by business-

Income statement for the year ended 31 December 2018 by segment

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Adjustments and reclassifications	Total
Revenue	508,382	110,590	2,151	109,877	25,934	-	756,934
Procurements	(149,257)	(32,611)	-	(20,960)	(22,054)	62,290	(162,592)
Gross margin	**359,125**	**77,979**	**2,151**	**88,.917**	**3,880**	**62,290**	**594,342**
Other income	216	421	-	589	52,821	-	54,047
Staff costs	(55,524)	(1,364)	(24,352)	(25,716)	(46,770)	(29,375)	(183,101)
Amortisation/depreciation	(30,987)	(10,096)	(7,190)	(22,624)	(9,145)	(10,138)	(90,180)
Net change in provisions, allowances and write-offs	-	-	-	(3,618)	(3,634)	(7,200)	(14,452)
Other operating costs	(80,813)	(6,170)	(56,018)	(48,522)	(44,370)	(15,577)	(251,470)
Profit from operations (*)	**192,017**	**60,770**	**(85,409)**	**(10,974)**	**(47,218)**	**-**	**109,186**
Gains (losses) on sales of non-current assets/other	-	-	-	-	441	-	441
Staff restructuring costs	-	-	-	-	-	-	-
Impairment losses	-	-	-	(42,636)	20,000	-	(22,636)
Financial profit (loss)	-	-	-	(2,003)	(10,014)	-	(12,017)
Profit (loss) before tax	**192,017**	**60,770**	**(85,409)**	**(55,613)**	**(36,791)**	**-**	**74,974**
Income tax	-	-	-	31,693	(28,993)	-	2,700
Net results attributable to Parent company	**192,017**	**60,770**	**(85,409)**	**(23,920)**	**(65,784)**	**-**	**77,674**

(*) Before results for sale of assets/others, impairment and staff restructuring costs.

Assets at 31 December 2018 by segment

ASSETS	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Goodwill	235,143	45,416	-	-	35,407	315,966
Intangible assets	147,565	234,987	-	567,558	171,105	1,121,215
Property, plant and equipment	408	-	30,635	1,478	82,714	115,235
Financial assets	225	19	-	384	141,688	142,316
Deferred tax assets	3,548	9,262	-	23,236	244,358	280,404
NON-CURRENT ASSETS	**386,889**	**289,684**	**30,635**	**592,656**	**675,272**	**1,975,136**
Inventories	47,549	3,547	-	15,317	25,920	92,333
Trade and other receivables	30,219	22,482	-	53,211	86,891	192,803
Current tax assets	1,674	17	-	4,888	32,299	38,878
Other current assets	445	34	-	2,520	1,087	4,086
Current financial assets	-	-	-	-	1,080	1,080
Cash and cash equivalents	-	599	-	21,307	63,284	85,190
CURRENT ASSETS	**79,887**	**26,679**	**-**	**97,243**	**210,560**	**414,370**
TOTAL ASSETS	**466,776**	**316,363**	**30,635**	**689,899**	**885,832**	**2,389,506**

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

Additions to non-current assets by segment in the year ended 31 December 2018

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Total additions to non-current assets	24,773	-	4,543	471,045	12,707	513,068

Income statement for the year ended 31 December 2017 by segment

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Adjustments and reclassifications	Total
Revenue	450,923	79,827	-	82,663	25,968	-	639,381
Procurements	(145,345)	(40,972)	-	(16,943)	(22,699)	52,954	(173,005)
Gross margin	**305,578**	**38,855**	**-**	**65,720**	**3,269**	**52,954**	**466,376**
Other income	688	36,972	2,364	7,747	68,633	-	116.404
Staff costs	(55,691)	(1,545)	(24,772)	(45,130)	(39,577)	(28,086)	(194,801)
Amortisation/depreciation	(33,344)	(11,229)	(8,215)	(28,679)	(12,535)	(9,659)	(103,661)
Net change in provisions, allowances and write-offs	1,248	-	-	(9,466)	-	-	(8,218)
Other operating costs	(75,564)	(5,245)	(55,001)	(51,843)	(37,645)	(15,209)	(240,507)
Profit from operations (*)	**142,915**	**57,808**	**(85,624)**	**(61,651)**	**(17,855)**	**-**	**35,593**
Gains (losses) on sales of non-current assets/other	-	-	-	(586)	(12,180)	-	(12,766)
Staff restructuring costs	-	-	-	-	(9,271)	-	(9,271)
Impairment losses	-	-	-	(246,406)	(77,167)	-	(323,573)
Financial profit (loss)	-	-	-	(17,480)	6,433	-	(11,047)
Profit (loss) before tax	**142,915**	**57,808**	**(85,624)**	**(326,123)**	**(110,040)**	**-**	**(321,063)**
Income tax	-	-	-	(4,520)	21,622	-	17,102
Net results attributable to Parent company	**142,915**	**57,808**	**(85,624)**	**(330,643)**	**(88,418)**	**-**	**(303,961)**

(*) Before results for sale of assets/others, impairment and staff restructuring costs.

Assets at 31 December 2017 by segment(*)

ASSETS	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Goodwill	235,143	45,416	-	25,752	35,504	341,815
Intangible assets	147,615	251,206	4	115,701	215,790	730,316
Property, plant and equipment	643	-	36,268	4,296	87,110	128,317
Financial assets	173	16		1,130	190,640	191,959
Deferred tax assets	4,131	8,737		630	255,177	268,675
NON-CURRENT ASSETS	**387,705**	**305,375**	**36,272**	**147,509**	**784,221**	**1,661,083**
Inventories	33,868	2,845	-	21,280	25,750	83,743
Trade and other receivables	33,130	30,195	2,000	22,132	2,903	90,360
Current tax assets	7,980	395	-	10,927	37,752	57,054
Other current assets	299	361	-	1,808	1,512	3,980
Current financial assets	89	-	-	-	68,595	68,684
Cash and cash equivalents	-	1,644	-	17,318	192,580	211,542
CURRENT ASSETS	**75,366**	**35,440**	**2,000**	**73,465**	**329,092**	**515,363**
TOTAL ASSETS	**463,071**	**340,815**	**38,272**	**220,974**	**1,113,313**	**2,176,445**

(*) Certain segmented information has been modified in order to correct its consistency with the segmentation of the income statement as prepared for the Management and to make it comparative with the year 2017 based on the evolution of the financial information provided to the Direction.

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

Additions to non-current assets by segment in the year ended 31 December 2017

	Sales through own network	Sales through licensees	Research and development activity	Dermatology in the US	Corporate management and results not allocated to other segments	Total
Total additions to non-current assets	59,603	8	4,168	7,500	45,055	**116,334**

Revenue by therapeutic area-

Set out below is a detail of the contribution to revenue of the Group's main therapeutic areas in 2018 and 2017:

	Thousands of Euros	
	2018	**2017**
Respiratory	83,221	60,346
Gastrointestinal and Metabolism	116,606	113,443
Dermatology	306,794	269,651
CNS	61,708	60,340
Osteomuscular	33,755	32,608
Cardiovascular	66,002	25,594
Other specialist therapies	88,848	77,399
Total	**756,934**	**639,381**

Revenue, by geographical area, in 2018 and 2017 is detailed in Note **20**.

23. Dividends paid by the Parent company

The dividends paid by the Parent company in 2018 and 2017, which related to the dividends approved out of profit earned in the previous year, are as follows:

	2018			**2017**		
	% of nominal amount	**Earnings per share (Euros)**	**Amount (Thousands of Euros)**	**% of nominal amount**	**Earnings per share (Euros)**	**Amount (Thousands of Euros)**
Ordinary shares	158%	0.19	32,861	158%	0.19	33,000
Total dividend paid	**158%**	**0.19**	**32,861**	**158%**	**0.19**	**33,000**

The dividend payment of 2018 has been instrumented as a flexible dividend in which the shareholders have been offered the right to choose between receiving new issued shares of Parent Company or the amount in cash equivalent to the dividend. The payment in cash has been chosen for 71.3% of the rights (which has meant a disbursement of EUR 22.7 million) and the remaining 28.7% has opted to receive new shares at the nominal unit value that have been issued as capital increase (Note 14).

24. Earnings per share

Basic earnings per share

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

Accordingly:

	2018	2017
Net profit (loss) for the year (thousands of euros)	77,674	(303,961)
Weighted average number of shares outstanding (Thousands of shares)	173,446	173,446
Basic earnings per share (euros)	**0.45**	**(1.75)**

In 2018 and 2017 there were no changes in the shares outstanding.

25. Commitments acquired, contingent liabilities and contingent assets

a) Commitments acquired

As a result of the research and development activities carried out by the Group, firm agreements for approximately EUR 4.3 million were entered into at 31 December 2018 (EUR 0.6 million in 2017) in relation to the performance of the above research and development activities which would be paid in future years.

There are no commitments to purchase property, plant and equipment for significant amounts at 31 December 2018 and 2017.

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

b) Contingent liabilities

There are no other contingent liabilities in addition to the ones included in this consolidated annual accounts (contingent payments for acquisition of intangible assets (See Note 9)

c) Contingent assets

As a result of the operation with AstraZeneca described in Note 7-a, the Group is entitled to receive a payment of certain amounts for milestones related to certain regulatory and commercial events.

26. Related-party transactions

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

Balances and transactions with other related parties

In 2018 and 2017 the Group companies performed the following related-party transactions. The balances in this respect at 31 December 2018 and 2017 were as follows:

			Thousands of Euros	
Related party	Transaction	Year	Transactions - Income (Expense)	Balance receivable (payable)
Grupo Corporativo Landon, S.L.	Leases	2018	(2,843)	(4)
		2017	(2,695)	-
Grupo Corporativo Landon, S.L.	Re-invoicing of projects	2018	203	-
		2017	108	56

The Group's headquarters are rented from Grupo Corporativo Landon, S.L. under a lease which runs out in 2017, which has been renewed with the same conditions during February 2018.

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

27. Remuneration of the Board of Directors and Executives

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

In 2018 and 2017 the amounts earned by executives who are not members of the Parent's Board of Directors for all items (salaries, bonuses, per diems, remuneration in kind, compensation, incentive plans and social security contributions) totalled EUR 3,938 thousand and EUR 4,187 thousand, respectively.

The above amounts include remuneration paid and payable to the Group's executives. For incentive and loyalty plans that cover more than one year and SEUS plans (see Note 5-x) the remuneration earned amounted to EUR 1,446 thousand and EUR 487 in 2018 and 2017, respectively. The ending balance of the provision for these plans amounts to EUR 2,635 thousand in 2018 (EUR 1,424 thousand in 2017).

At 31 December 2018 and 2017, the Group did not have any other pension obligations to executives.

In 2018 and 2017 the amount earned by the current and former members of the Parent company's Board of Directors for all types of remuneration (salaries, bonuses, per diems, remuneration in kind, life insurance plans, indemnities, incentive plans and social security contributions) amounted to EUR 2,117 thousand and EUR 6,187 thousand, respectively. The life insurance policies amount to EUR 14.1 thousand (EUR 12.4 thousand in 2017).

In 2018, insurance premiums for civil liability totalling EUR 104 thousand have been accrued (EUR 99 thousand at 31 December 2017), which cover possible damages caused whilst members of the Board of Directors and Top Management carried out the duties of their offices.

The amount indicated above includes the remuneration paid and payable by the Parent company's Board of Directors for multi-year incentive and loyalty plans, and SEUS plans amounting to EUR 1,637 thousand and EUR 498 thousand in 2018 and 2017, respectively. The ending balance of the provision for these plans amounts to EUR 2,366 thousand in 2018 (EUR 1,528 thousand in 2017).

At 31 December 2018 and 2017, there were no other pension obligations to the current and former members of the Board of Directors of the Parent company.

A part of the SEUS Plan (unfunded Stock Plan), the members of the Group's Board of Directors and Senior Management have not received any shares or share options in the year and they have not exercised any options and do not have any options which have not yet been exercised.

28. Directors: other disclosures

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

29. Information on the environment

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

The Almirall Group’s property, plant and equipment include certain environmentally friendly assets (smoke abatement, underfloor drainage, etc.). The carrying amount of the assets is approximately EUR 2 million and EUR 1.6 million at 31 December 2018 and 2017, respectively.

The consolidated income statements for 2018 and 2017 include expenses related to protection of the environment amounting to EUR 0.9 million and EUR 0.9 million, respectively.

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

30. Exposure to risk and capital management

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

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

Interest rate risk

At the beginning of 2014 the Group's Parent company issued high-yield bonds at a fixed rate of interest of 4.625% y and as at April 3, 2017, the Parent company prepaid all the amount of said Bonds in advance together with the corresponding interest.

On the other hand, during the first quarter of 2017, the company signed a new credit line for 4 years, enabled for a

maximum amount of 250 million euros at a fixed interest rate, with the average of said rate of 0, 81%, so the Company is not exposed to interest rate volatility. As of the closing date of 2017, the company had arranged the entire amount of this credit facility. At the closing date 2018, the Group had 150 million euros available, while at the end of 2017 the entire amount of the policy was available.

With respect to the other line of credit that the company had enabled since 2014 for a maximum provision of 25 million euros, it was also canceled during the first quarter of 2017.

In September 2018, the parent company signed a temporary loan of 400 million euros with a fixed interest rate of 1.25%. This loan was canceled in December 2018 and was refinanced, on the one hand, with a syndicated loan of 150 million euros with a fixed rate of 2.1% and, on the other hand, with the issuance of convertible bonds (250 million euros). of euros), also at a fixed interest rate of 0.250%. When dealing with all types of financing with a fixed interest rate, the Group is not exposed to interest rate volatility.

Foreign currency risk

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

The Group analyzes quarterly the forecasts of collections and payments in currency as well as the evolution and trend of the same. During the years 2017-2018, the Group has reduced its exposure to risk by exchange rate in those commercial transactions of greater volume, by contracting timely exchange insurance to cover payments in yen for the purchase of raw materials, and to cover cash receipts in USD for collections as well as the anticipated payment in USD for the purchase of Allergan's portfolio

The Parent Company of the Group was a borrower with the subsidiary Almirall, Inc., this loan was not covered because the forecasts of the evolution of the dollar were favorable and the coverage supposed a cash outflow of the amount of the revaluation. This loan until 2017 was considered as additional value of the net investment and, therefore, the exchange differences generated until that moment were recorded in as conversion differences, without affecting the consolidated profit and loss account. However, during 2017 the estimation of the nature of this loan has been modified considering that the aforementioned loan has to be repaid by the subsidiary in the foreseeable future, which has led to reclassification to the profit and loss account for the year. the cumulative conversion differences derived from it.

During 2018, the loan that the Company had with the subsidiary Almirall, Inc in USD was canceled, capitalizing the remaining amount to be returned. On the other hand, and to finance part of the purchase of the Allergan portfolio, a new loan was made with the subsidiary Almirall, Inc in USD. This loan has been covered with exchange insurance to minimize the exchange rate risk.

Liquidity risk

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

On the one hand, a one-year monthly cash budget based on the projected annual accounts for the current year, whose variations are analysed on a monthly basis. On the other, projections at 24 months, which are updated monthly.

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

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

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

The forecast of the liquidity reserve at December 31, would be as follows:

	2019	**2020 and following years**
Cash and other equivalent liquid assets		
Current financial liabilities	85,190	-
Credit lines committed with bank entities not used	1,080	
	113,100	-
Total	**199,370**	-

The following table presents an analysis of the Group's financial liabilities that are settled for a net amount grouped according to due dates, considering the remaining period at the balance sheet date until the contractual maturity date. The amounts shown in the table correspond to the contractual undiscounted cash flows. The payable within 12 months are equivalent to the book values of the same, given that the effect of the discount is not significant

	Less than 1 year	**Between 1 and 2 years**	**Between 1 and 5 years**	**More than 5 years**
At December 31, 2018				
Loans with credit institutions	407	-	546,070	-
Liabilities for derivative financial instruments	2,221	-	23,600	-
Trade Payables	191,019	-	-	-
Total	**193,647**	-	**569,670**	-
At December 31, 2017				
Loans with credit institutions	-	-	250,000	-
Trade Payables	140,604	-	-	-
Total	**140,604**	-	**250,000**	

Fair value measurement

Disclosure of measurement of assets and liabilities at fair value should use the hierarchy defined in IFRS 13:

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

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

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

The detail of the Group's assets and liabilities at fair value using the levels above at 31 December 2018 and 2017 is as follows (in thousands of euros):

2018	Level 1	Level 2	Level 3
Assets			
Available-for-sale financial assets	-	-	-
Financial assets at fair value through profit or loss (*)	-	-	136,658
Total assets	**-**	**-**	**136,658**
Financial liabilities at fair value with changes in the result (Note 16)	-	2,211	-
Total liabilities	**-**	**2.211**	**-**

(*) including the non-current and current amounts arising on the AstraZeneca transaction (see Note 11).

2017	Level 1	Level 2	Level 3
Assets			
Available-for-sale financial assets	539	-	-
Financial assets at fair value through profit or loss (*)	-	-	172,865
Total assets	**539**	**-**	**172,865**
Liabilities	(**) -	-	-
Total liabilities	**-**	**-**	**-**

(*) including the non-current and current amounts arising on the AstraZeneca transaction (see Note 11).

Credit risk

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

Allowances are recognised for the total amounts that cannot be collected once all the relevant collection management efforts have been made. The balance of the allowance recognised in this connection at 31 December 2018 and 2017 were EUR 22,659 thousand and EUR 16,507 thousand, respectively (Note 13).

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

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

Capital management

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

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

At 31 December 2018 and 2017 the leverage ratios were as follows (in thousands of euros):

	31 December 2018	31 December 2017
Financial liabilities	548,688	250,072
Retirement benefit obligations	70,645	71,157
Cash and cash equivalents	(86,270)	(280,226)
Net debt	**533,063**	**41,003**
Equity	1,191,749	1,125,480
Share capital	20,862	20,754
Leverage ratio[1]	**44.7%**	**3.6%**

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

31. Information on delays in payments to suppliers

The supplier payment periods in force at the Spanish companies in the Groupcomply with the boundaries established in Law 15/2010, of 5 July, on amendments to Law 3/2004 to combat non-payment in commercial transactions. The aforementioned law envisages a maximum payment period of 60 days.

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

	Number of days	
	2018	**2017**
	Days	**Days**
Average payment period	41	52
Ratio of paid operations	40	53
Ratio of outstanding operations	49	39
Total payments made	**506,092**	**254,895**
Total outstanding payments	**51,043**	**14,464**

This balance relates to the suppliers of the Spanish companies in the Group. Specifically trade payables for goods and services received. The average payment period for these companies was 41 days in 2018 (52 days in 2017).

32. Subsequent events

On February 12, 2019 the Group announced an option and license agreement with Dermira whereby it acquires the option to exclusively license the rights to develop and market lebrikizumab for the treatment of atopic dermatitis and other indications in Europe. As a result of this agreement, the Group has made a first payment of 30 million dollars (about 27 million euros). After the results of the phase 2b study underway, the Group will have 45 days to exercise its option. If he exercised it, he would be obligated to pay 50 million dollars and would be obliged to make additional payments when reaching certain future milestones, including 30 million dollars at the beginning of certain phase III clinical studies, and up to 85 million dollars to reach the regulatory milestones. and the first commercial sale of lebrikizumab in Europe. In addition, the Group must make payments once certain lebrikizumab net sales thresholds have been reached in Europe, as well as payments for net sales royalties on a percentage from double low to low range of twenty.

At the formulation date of these consolidated annual accounts, the Board of Directors of Almirall, S.A. has agreed to propose in the Shareholders' meeting the distribution of a dividend, charged against reserves for an amount of 35.3 million euros (equivalent to 0.203 euros per share). For the purpose of carrying out this dividend distribution, it is proposed to reuse the remuneration system for shareholders called "Scrip dividend", already implemented in 2018. In this way, its shareholders are offered an alternative that allows them to receive shares issued by the parent company without limiting their possibility of receiving in cash an amount equivalent to the payment of the dividend as explained in Note 4.

APPENDIX: INFORMATION ON GROUP COMPANIES

	Thousands of Euros						
Name	Laboratorios Almirall. S.L.	Laboratorios Tecnobio. S.A.	Industrias Farmacéuticas Almirall. S.A.	Ranke Química. S.A.	Almirall Internacional. BV	Almirall. NV	Almirall - Productos Farmacêuticos. Lda.
Management	Spain	Spain	Spain	Spain	Holland	Belgium	Portugal
Activity	Intermediary services	Intermediary services	Manufacture of specialties	Manufacture of Raw Materials	Holding	Pharmaceutical Laboratory	Pharmaceutical Laboratory
31 December 2018							
% interest held							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	13,540	1,348	64,740	25,151	61,275	2,031	1,813
Net profit (loss) for the year	414	-	3,480	1,066	6,905	101	267
31 December 2017							
% interest held							
- Directly	100%	100%	100%	100%	100%	0.01%	-
- Indirectly	-	-	-	-	-	99.99%	100%
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	120	61	1,200	1,200	52,602	1,203	1,500
Reserves	13,662	1,475	62,567	23,974	56,196	1,884	1,570
Net profit (loss) for the year	(122)	(110)	2,219	1,177	5,079	154	256

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

APPENDIX: INFORMATION ON GROUP COMPANIES

	Thousands of Euros						
Name	Almirall. BV	Almirall Aesthetics. S.A.	Almirall Limited	Subgrupo Almirall. S.A.S. (*)	Almirall SP. Z.O.O.	Almirall GmbH	Almirall. AG
Management	Holland	Spain	United Kingdom	France	Polland	Austria	Switzerland
Activity	Pharmaceutical Laboratory	Marketing of aesthetics products	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Pharmaceutical Laboratory
31 December 2018							
% interest held							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	4,000	61	563	12,527	14	36	652
Reserves	2,102	113	8,401	16,314	1,476	3,443	2,037
Net profit (loss) for the year	119	44	1,228	1,301	2	210	1,163
31 December 2017							
% interest held							
- Directly	-	-	-	-	-	100%	100%
- Indirectly	100%	100%	100%	100%	100%	-	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation	Full consolidation
Share capital	4,000	61	563	1,257	14	36	652
Reserves	2,070	193	7,464	(2,708)	1,493	3,265	1,302
Net profit (loss) for the year	35	(80)	1,025	(60)	27	178	145

Note: All information on the companies has been obtained from their separate annual accounts, Therefore it does not reflect the effect that would apply from consolidating the investments, Excluding unconsolidated dormant companies,
(*)Including subsiadiaries Almirall SAS and Almirall Production SAS, this liquidated in December 2018

APPENDIX: INFORMATION ON GROUP COMPANIES

	Thousands of Euros		
Name	Polichem. S.A.	Polichem. S.R.L.	Almirall Aesthetics. Inc
Management	Luxemburg/Switerland/China	Italy	United States
Activity	Pharmaceutical Laboratory	Pharmaceutical laboratory	Holding
31 December 2018			
% interest held			
- Directly	-	-	100%
- Indirectly	100%	99.60%	-
% voting rights	100%	100.00%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation
Share capital	1,374	540	226
Reserves	82,494	4,428	46,904
Net profit (loss) for the year	19,556	1,018	(122,803)
31 December 2017			
% interest held			
- Directly	-	-	100%
- Indirectly	100%	99.60%	-
% voting rights	100%	100.00%	100%
Consolidation method	Full consolidation	Full consolidation	Full consolidation
Share capital	1,374	540	226
Reserves	60,442	3,262	53,724
Net profit (loss) for the year	18,481	1,167	(6,449)

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

APPENDIX: INFORMATION ON GROUP COMPANIES

	Miles de Euros						
Name	Almirall SpA	Almirall Hermal. GmbH	Almirall Aps	Almirall Inc	Subgroup (*) Almirall US	ThermiGen LLC	Poli Group Holding. S.R.L.
Management	Italy	Germany	Denmark	United States	United States	United States	Italy
Activity	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Pharmaceutical Laboratory	Holding	Pharmaceutical Laboratory	Aesthetics	Holding
31 December 2018							
% interest held							
- Directly	-	100%	100%	100%	-	-	100%
- Indirectly	100%	-	-	-	100%	100%	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation
Share capital	8,640	25	17	-	-	28,386	31
Reserves	52,632	60,999	2,193	362,778	286,680	(32,662)	63,997
Net profit (loss) for the year	3,557	22,098	136	82,374	27,584	(20,925)	(143)
31 December 2017							
% interest held							
- Directly	-	100%	100%	100%	-	-	100%
- Indirectly	100%	-	-	-	100%	100%	-
% voting rights	100%	100%	100%	100%	100%	100%	100%
Consolidation method	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation	Full Consolidation
Share capital	8,640	25	17	-	-	28,386	31
Reserves	48,864	16,821	2,263	87,988	87,861	(8,492)	63,863
Net profit (loss) for the year	3,768	21,212	(63)	(164)	(77,377)	(23,550)	103

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