Laboratorios Farmacéuticos Rovi, S.A.

Annual Accounts

31 December 2018

Directors' Report

2018

(With Independent Auditor's Report Thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)

KPMG Auditores, S.L.
Paseo de la Castellana 259 C
28046 - Madrid

Independent Auditor's Report on the Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of **Laboratorios Farmacéuticos Rovi, S.A.**

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Laboratorios Farmacéuticos Rovi, S.A. (the "Company"), which comprise the balance sheet at 31 December 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 a) to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Annual Accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capitalisation and recoverability of intangible assets See notes **2c.3), 3.1, 5 and 22f) to the annual accounts**	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
The Company has significant intangible assets amounting to Euros 31,618 thousand, which includes Euros 8,334 thousand of development expenses. The capitalisation of any development expenses requires an analysis of the compliance with the requirements established in the applicable financial reporting framework. The main risk is associated with the successful outcome of the projects and obtaining the corresponding clinical and regulatory authorisations for their subsequent marketing. The Company has intangible assets amounting to Euros 8,334 thousand derived from the development of a low-molecular-weight heparin, an enoxaparin biosimilar, for which authorization to market the product was obtained in the year 2017. There are no indications of impairment. In 2018 the Company incurred research and development expenses amounting to Euros 32,376 thousand that have not been capitalised, associated mainly with products under development based on the ISM® platform. Due to the significance of the balance and the high degree of judgement associated with the capitalisation and recoverability of these intangible assets, we consider this to be a key audit matter in our audit of the current year.	Our audit procedures included, among others, the following: ▪ Assessment of the design and implementation of the controls associated with the process for estimating the recoverability of intangible assets and the process used to recognise research and development expenses and to identify, where applicable, any expenses that qualify for capitalisation. ▪ We received and assessed the documentation prepared by Management in relation to the analysis of research and development expenses, particularly regarding the capitalisation of any development expenses. ▪ Our procedures related to projects under development included an assessment of the reasonableness of the assumptions used by the Company to determine the probability of obtaining the pertinent authorisations, by considering the current stage of development. ▪ In order to carry out the assessment mentioned in the preceding paragraphs, we held meetings with Management and key personnel of the research and development area to confirm these assumptions. ▪ In addition, we also assessed whether the disclosures included in the annual accounts comply with the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2018 Directors' Report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility as regards the content of the directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that the aforementioned information has been provided in the directors' report, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information referred to in paragraph a) above has been provided in the directors' report and the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2018, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Annual Accounts

The Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and financial performance of the Company in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the audit committee of Laboratorios Farmacéuticos Rovi, S.A. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 25 February 2019.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 31 May 2017 for a period of three years, from the year ended 31 December 2017.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on the original in Spanish)

José Ignacio Rodríguez Prado
On the Spanish Official Register of Auditors ("ROAC") with number 15825

25 February 2019

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Annual Accounts and Management Report
for the annual period ended 31 December, 2018

Free translation of the Annual Accounts originally issued in Spanish and prepared in accordance with "Plan General de Contabilidad" approved by Royal Decree 1514/2007 of 16th November. In the event of discrepancy, the Spanish version prevails.

CONTENTS OF THE ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Financial Position at 31 December, 2018 and 2017
(Thousands of euros)

	Note	At 31 December	
		2018	2017
NON-CURRENT ASSETS		**99,549**	**88,352**
Intangible assets	5	**31,618**	**24,555**
Property, plant and equipment	6	**41,284**	**42,957**
Non-current investments in Group & associated companies	8 & 9	**14,379**	**10,725**
Equity instruments		12,459	10,725
Credits to Group companies	8	1,920	-
Non-current financial investments		**1,480**	**1,464**
Equity instruments	7 & 11	63	62
Other financial assets	7 & 10	1,417	1,402
Deferred tax assets	21	**10,788**	**8,651**
CURRENT ASSETS		**314,411**	**170,772**
Inventories	12	**37,195**	**31,569**
Trade and other receivables		**193,373**	**103,672**
Trade receivables for sales of goods and services	7 & 10	37,239	29,982
Trade receivables, Group & associated companies	7 & 10	147,499	66,785
Sundry debtors	7 & 10	118	125
Employees	7 & 10	101	161
Current tax assets	23	3,414	2,228
Other credits with public authorities	23	5,002	4,391
Current investments in Group & associated companies	7 & 10	**36**	**5**
Credits to companies		36	5
Current financial investments		**17**	**-**
Derivatives		17	-
Current accruals and prepayments		**3**	**-**
Cash and cash equivalents	7 & 13	**83,787**	**35,526**
TOTAL ASSETS		**413,960**	**259,124**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Financial Position at 31 December, 2018 and 2017
(Thousands of euros)

	Note	At 31 December	
		2018	2017
EQUITY		**248,421**	**155,187**
Equity		**245,296**	**151,700**
Capital	14	3,364	3,000
Share premium	14	87,636	-
Reserves	15	6,959	6,959
(Treasury shares)	15	(8,812)	(8,407)
Retained earnings	15	140,568	131,475
Profit for the year	16	15,581	18,673
Adjustments for change in value		**(3)**	**(2)**
Available-for-sale financial assets		(3)	(2)
Grants, donations and legacies received	17	**3,128**	**3,489**
NON-CURRENT LIABILITIES		**24,440**	**29,947**
Non-current debt		**16,131**	**26,461**
Bank borrowings	7 & 18	7,113	17,716
Other financial liabilities	7 & 18	9,018	8,745
Deferred tax liabilities	21	**2,046**	**2,651**
Non-current accruals	19	**6,263**	**835**
CURRENT LIABILITIES		**141,099**	**73,990**
Current provisions	20	**7,226**	**3,508**
Current debt		**17,496**	**16,031**
Bank borrowings	7 & 18	15,603	13,222
Other financial liabilities	7 & 18	1,893	2,809
Current debt with Group & associated companies	7 & 18	**141**	**129**
Trade and other payables		**115,877**	**54,243**
Trade payables	7 & 18	28,554	27,241
Trade payables, Group & associated companies	7 & 18	81,620	21,732
Sundry creditors	7 & 18	51	38
Employees (outstanding remuneration)	7 & 18	4,433	3,916
Other debts with the public authorities	23	1,219	1,316
Current accruals	19	**359**	**79**
TOTAL EQUITY AND LIABILITIES		**413,960**	**259,124**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Income Statement for the annual periods ended 31 December, 2018 and 2017
(Thousands of euros)

	Note	Annual period ended 31 December	
		2018	2017
CONTINUING OPERATIONS			
Net sales	22 a)	**291,202**	**240,560**
Sales of goods		291,202	240,560
Change in inventories of finished products and work in progress	12	**(490)**	**4,053**
Non-current self-constructed assets	5	**-**	**2,057**
Procurements		**(190,379)**	**(144,574)**
Raw materials and consumables used	22 b)	(188,443)	(145,191)
Inventory write-down	12	(1,936)	617
Other operating income		**5,380**	**3,653**
Ancillary and current management income	22 c)	4,658	2,834
Operating grants recognised in profit and loss	22 d)	722	819
Employee benefit expenses	22 e)	**(32,744)**	**(29,520)**
Wages, salaries and similar remuneration		(27,801)	(24,697)
Welfare charges		(4,943)	(4,823)
Other operating expenses		**(67,113)**	**(66,013)**
External services	22 f)	(65,396)	(65,289)
Taxes		(1,837)	(758)
Losses, impairment and changes in trade provisions		120	34
Amortisation, depreciation and impairment charges	5 & 6	**(7,753)**	**(7,891)**
Allocation of grants for non-financial assets and other	17	**864**	**935**
Impairment and gains/(losses) on disposal of intangible assets and property, plant and equipment	6	**(39)**	**(25)**
Gains/(losses) on sales and other		(39)	(25)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		**(1,072)**	**3,235**
Finance revenue		12,845	9,981
Finance expenses		(684)	(987)
Change in fair value of financial instruments		17	-
Exchange rate differences		(56)	-
Impairment and gains/(losses) on disposal of financial instruments		2	-
FINANCE COSTS – NET	24	**12,124**	**8,994**
PROFIT BEFORE INCOME TAX		**11,052**	**12,229**
Income tax	23	4,529	6,444
PROFIT FOR THE YEAR	16	**15,581**	**18,673**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Changes in Equity for the annual periods ended 31 December, 2018 and 2017
(Thousands of euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES (thousands of euros)

	Note	Annual period ended 31 December	
		2018	2017
Profit for the year	16	**15,581**	**18,673**
Income and expenses credited or charged directly to equity		**828**	**286**
Measurement of financial instruments			
- Available-for-sale financial assets	11	(1)	1
Grants, donations and legacies received	17	1,105	381
Tax effect	21	(276)	(96)
Transfers to profit and loss		**(1,190)**	**(700)**
Grants, donations and legacies received	17	(1,586)	(935)
Tax effect	21	396	235
TOTAL RECOGNISED INCOME AND EXPENSES		**15,219**	**18,259**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Changes in Equity for the annual periods ended 31 December, 2017 and 2016
(Thousands of euros)

B) STATEMENT OF TOTAL CHANGES IN EQUITY (Thousands of euros)

	Share capital (Note 14)	Share premium (Note 15)	Reserves (Note 15)	Treasury shares (Note 15)	Retained earnings (Note 15)	Profit for the year (Note 16)	Adjust-ments for changes in value	Grants, donations & legacies received (Note 17)	TOTAL
BALANCE AT END OF 2016	**3,000**	**-**	**6,959**	**(8,701)**	**110,657**	**29,932**	**(3)**	**3,904**	**145,748**
Adjustments for changes in policies 2016 and prior periods	-	-	-	-	-	-	-	-	-
Adjustments for errors 2016 and prior periods	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE BEGINNING OF 2017	**3,000**	**-**	**6,959**	**(8,701)**	**110,657**	**29,932**	**(3)**	**3,904**	**145,748**
Total recognised income and expenses	-	-	-	-	-	18,673	1	(415)	18,259
- Application of profit for 2016	-	-	-	-	20,907	(20,907)	-	-	-
- Distribution of dividends	-	-	-	-	-	(9,025)	-	-	(9,025)
- Transactions with treasury shares (net)	-	-	-	294	185	-	-	-	479
Other movements on equity	-	-	-	-	(274)	-	-	-	(274)
BALANCE AT END OF 2017	**3,000**	**-**	**6,959**	**(8,407)**	**131,475**	**18,673**	**(2)**	**3,489**	**155,187**
Adjustments for changes in policies 2017 and prior periods	-	-	-	-	-	-	-	-	-
Adjustments for errors 2017 and prior periods	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE BEGINNING OF 2018	**3,000**	**-**	**6,959**	**(8,407)**	**131,475**	**18,673**	**(2)**	**3,489**	**155,187**
Total recognised income and expenses	-	-	-	-	-	15,581	(1)	(361)	15,219
- Application of profit for 2017	-	-	-	-	12,721	(12,721)	-	-	-
- Distribution of dividends	-	-	-	-	-	(5,952)	-	-	(5,952)
- Transactions with treasury shares (net)	-	-	-	(405)	253	-	-	-	(152)
- Capital increase	364	87,636	-		(3,881)	-	-	-	84,119
BALANCE AT END OF 2018	**3,364**	**87,636**	**6,959**	**(8,812)**	**140,568**	**15,581**	**(3)**	**3,128**	**248,421**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Cash Flows for the annual periods ended 31 December, 2018 and 2017
(Thousands of euros)

	Nota	Annual period ended 31 December	
		2018	**2017**
Profit before income tax		11,052	12,229
Adjustments to profit		12,144	6,762
Changes in working capital		(36,096)	(9,557)
Other cash flows from operating activities		2,786	241
Cash flows generated (used) in operating activities	25	**(10,114)**	**9,675**
Payments of investments		(15,342)	(11,759)
Proceeds from disinvestments		2,591	(48)
Cash flows generated (used) in investing activities	26	**(12,751)**	**(11,807)**
Proceeds from and payment of equity instruments		88,000	-
Proceeds from and payment of financial liability instruments		(10,770)	9,196
Dividend payments and remuneration of other equity instruments		(5,952)	(9,025)
Transactions with treasury shares		(152)	479
Cash flows generated (used) in financing activities	27	**71,126**	**650**
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		**48,261**	**(1,482)**
Cash and cash equivalents at beginning of the year	13	35,526	37,008
Cash and cash equivalents at end of the year	13	83,787	35,526

LABORATORIOS FARMACÉUTICOS ROVI, S.A.
Notes to the Annual Accounts for the annual period 2018
(Thousands of euros)

1. General information

Laboratorios Farmacéuticos Rovi, S.A. (hereinafter, "ROVI" or "the Company") was incorporated in Madrid on 21 December, 1946 with the corporate purpose of the production and sale of pharmaceutical products in national territory. Its registered office and tax address are at Calle Julián Camarillo, 35, Madrid.

The Company's principal activity is the research and sale of its own pharmaceutical products and the distribution of other products for which it holds licences granted by other laboratories for specific periods, in accordance with the terms and conditions contained in the agreements entered into with said laboratories.

The annual accounts for 2018 include the financial statements of the permanent establishment of Laboratorios Farmacéuticos Rovi, S.A. in Portugal, created in 1998, the permanent establishment created for value-added tax purposes in Germany in 2017, and the permanent establishment in Poland, which was set up in 2018.

Laboratorios Farmacéuticos Rovi, S.A. is the parent of a consolidated group the consolidated annual accounts of which for 2018 will be presented under International Financial Reporting Standards (IFRS-EU). In accordance with the provisions of Royal Decree 1159/2010 of 17 September, the Company prepares consolidated annual accounts for its Group. On 25 February, 2019, the consolidated annual accounts of Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries at 31 December, 2018 were formulated, showing a profit of 17,895 thousand euros and equity, including the net profit for the year, of 287,472 thousand euros (17,241 thousand euros and 191,687 thousand euros respectively at 31 December, 2017).

In October, 2018, the Company carried out a capital increased charged to cash contributions, with exclusion of preferential subscription rights ("the Capital Increase"). The final terms of this increase were as follows:

- The Capital Increase was carried out for a nominal amount of 364,137.90 euros through the issue of 6,068,965 newly-issued ordinary shares in the Company with a par value of 0.06 euros each, belonging to the same class and series as the existing shares that were already in issue (the "New Shares").
- The price of issue of the New Shares was fixed at 14.50 per shares, 0.06 euros of which related to the nominal value, while 14.44 euros was the share premium (the "Issue Price").
- As a consequence of the foregoing, the effective total amount of the Capital Increase was 87,999,992.50 euros, 364,137.90 euros of which related to the nominal value and 87,635,854.60 to the share premium.

As a consequence of the Capital Increase, the interest held by the company Norbel Inversiones, S.L. in Laboratorios Farmacéuticos Rovi, S.A. dropped from 69.64% to 62.10 (Note 14). Norbel Inversiones, S.L., whose registered office is at Calle Julián Camarillo, 35, Madrid, files consolidated annual accounts at the Madrid Companies Registry.

The Company's shares are listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchange and are included in the Spanish Stock Exchange Interconnection System (Continuous Market).

These annual accounts were approved by the Board of Directors on 25 February, 2019 and are pending approval by the forthcoming General Shareholders' Meeting. Notiwithstanding, the directors of the Company expect the annual accounts to be approved without any changes.

2. Bases of presentation

a) True and fair view

The annual accounts have been prepared using the Company’s accounting records and are presented in accordance with current mercantile legislation and the policies established in the “Plan General de Contabilidad” (“General Chart of Accounts”), approved by Royal Decree 1514/2007 and its amendments and interpretations issued after its entry into force, to present fairly the equity, the financial position and the results of the Company, as well as the accuracy of the cash flows included in the statement of cash flows.

b) Critical accounting estimates and judgements

The preparation of the annual accounts requires the Company to use certain estimates and judgements in relation to the future that are continuously assessed and are based on historical experience and other factors, including expectations of future events deemed reasonable under the circumstances.

The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are outlined below.

b.1) Revenue recognition

The Company has recognised the total sales of goods marketed in 2018 and 2017 as revenue. The buyer has the right to return the goods sold. Although the Company believes that, based on previous experience, the level of returns will not be very meaningful, ROVI has recognised ordinary revenue for its sales together with the related provision against ordinary revenue for estimated returns. If the estimate changes by 1%, changes in revenue will not be significant.

b.2) Capitalisation of development expenses

The Company considers that its development project for a low-molecular-weight heparin, an enoxaparin biosimilar, has met all the requirements since the last quarter of 2014, when the application to obtain marketing authorisation for this biosimilar in Europe was filed with the European health authorities. Therefore, from that time until the effective comercialisation in Europe of this biosimilar, all the expenses incurred in this project have been capitalised. The commencement of the amortisation of this asset was determined by the completion, with a favourable result, of the decentralised procedure used by the Company to apply for marketing authorisation in twenty-six European Union countries in the first quarter of 2017. These assets have a useful life of 20 years, which is consistent with the term of pharmaceutical product patents. ROVI considers that it will obtain a positive return on the aforementioned development over said period.

For the rest of the Research and Development projects that ROVI is conducting, the Company considers that the requirements established in the rules on capitalisation of the associated development expenses have not yet been met.

b.3) Deferred tax assets

The Company recognises the deferred tax assets and tax credits when it is likely that they will materialise in lower income tax payments in the future.

In order to determine the maximum amount that can be recognised by the Company in relation to the future tax effect of these items, Management recognises only items where, after analysis, there is certainty that said tax effect will occur and of the accuracy of the amount involved.

c) Grouping of items

In order to facilitate an understanding of the statement of financial position, income statement, statement of changes in equity and statement of cash flows, the items on these statements are presented in groups and the required analyses are included in the relevant Notes to the Annual Accounts.

3. Accounting policies

3.1 Intangible assets

a) Research and development expenses

Research expenditure is recognised as an expense when incurred, while the development costs incurred in a project are recognised as intangible assets when the following requirements are met:

- the project is viable from a technical and commercial point of view,
- sufficient technical and financial resources are available to complete it,
- the costs incurred can be determined reliably, and
- profits are likely to be generated.

The Company considers that, in the case of the development of pharmaceutical products, the aforementioned requirements are met when the drugs have been approved for marketing by the health authorities, in the case of new products developed under patent, or, in the case of biosimilars or generics, when the application for marketing authorisation is filed.

When the carrying amount of an asset is higher than its recoverable amount, its value is immediately written down to the recoverable amount.

In the event that the favourable circumstances of the project that have allowed the development expenses to be capitalised were to change, the portion that had not yet been amortised would be taken to profit and loss in the reporting period in which the change in circumstances took place.

b) Licences and trademarks

Product licences and trademarks are shown at acquisition cost. Those that have a finite useful life and are carried at cost less accumulated amortisation and recognised impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives, which are between 10 and 15 years. Amortisable assets are tested for impairment whenever any event or change in circumstances indicates that their carrying amount may not be recoverable.

c) Computer software

Licences for computer software acquired from third parties are capitalised on the basis of the cost incurred in acquiring them and preparing them to use the specific programme. These costs are amortised over their estimated useful lives (from 4 to 10 years).

Expenses related to software maintenance are recognised as an expense when incurred.

3.2 Property, plant and equipment

Items included in property, plant and equipment are recognised at purchase price or production cost less accumulated depreciation less recognised impairment losses, adjusted in accordance with Law 9/1983 of 13 July, promulgated by the Administration. In addition, the Company applied the balance sheet restatement at 31 December, 1996, in accordance with Royal Decree Law 7/1996 of 7 June.

The costs of expansion, modernisation or improvement of items included in property, plant and equipment are included in the asset as an increase in its value only when they represent an increase in its capacity, productivity or useful life and provided it is possible to know or estimate the carrying amounts of the elements that have been derecognised in the inventory because they have been replaced.

Major repair costs are capitalised and are depreciated over their useful lives, while recurring maintenance expenses are recognised in profit and loss in the period in which they are incurred.

Depreciation of property, plant and equipment, except for land, which is not depreciated, is calculated systematically using the straight-line method in accordance with the estimated useful lives, taking into account the actual impairment suffered as a result of the use and enjoyment of the items. The estimated useful lives are:

Buildings - 40 years
Technical facilities and machinery – between 4 and 14 years
Other facilities, fittings and equipment and furniture – between 5 and 10 years
Other property, plant and equipment– between 4 and 5 years

The assets' residual values and useful lives are reviewed and, if appropriate, adjusted at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised in profit and loss.

3.3 Impairment losses on non-financial assets

Assets that have an indefinite useful life are not subject to amortisation/depreciation and are tested annually for impairment. Assets subject to amortisation/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed at the end of each reporting period to see whether the impairment has been reversed.

3.4 Financial assets

(a) Classification of financial assets

The Company classifies its financial assets into the following categories:

a) Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. They are included in current assets, except for maturities at more than 12 months after the reporting date, which are classified as non-current assets. Loans and other receivables are included in "Credits to companies" and "Trade and other receivables" in the statement of financial position.

   Bank deposits maturing at more than 90 days and less than 12 months are included in this category.

   These financial assets are recognised initially at fair value, including transaction costs directly attributable to them, and subsequently measured at amortised cost, recognising the interest accrued in accordance with the effective interest rate, defined as the discount rate that equals the carrying amount of the instrument to the totality of its estimated cash flows until maturity. Notwithstanding the foregoing, credits for trading operations maturing at more than one year are measured, both upon initial recognition and subsequently, at their face value, provided that the effect of not discounting the flows is not significant.

   At least at the end of the reporting period, the measurement adjustments required due to impairment will be made if there is objective evidence that not all the amounts outstanding will be received.

   The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at an effective interest rate upon initial recognition. Impairment losses and, if applicable, the reversal thereof are recognised in profit and loss.

b) Held-to-maturity investments: Held-to-maturity financial assets are securities representing debt with fixed or determinable payments and fixed maturities that are traded on an active market and that company Management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities at less than 12 months after the reporting date, which are classified as current assets.

The measurement criteria for these investments are the same as for loans and receivables.

c) Investments in the equity of group, multi-group and associated companies: These are measured at cost less, if applicable, the accumulated amount of the impairment losses. Notwithstanding, when there is an investment prior to the classification as a group, multi-group or associated company, the carrying amount before being thus classified is deemed to be an investment cost. Previous value adjustments recorded directly in the equity remain there until they are derecognised.

If there is objective evidence that the carrying amount is not recoverable, the applicable value adjustments will be made for the difference between the carrying amount and the recoverable amount, defined as the higher of the fair value less sale costs and the present value of the cash flows derived from the investment. Unless there is other evidence of the recoverable amount, when estimating the impairment of these investments, the equity of the investee adjusted by any tacit capital gains that may exist at the measurement date, will be used. The value adjustment and, if applicable, the reversal thereof, will be recognised in profit and loss in the period in which it takes place.

d) Available-for-sale financial assets: This category includes securities representing debt and equity instruments not classified in any of the preceding categories. They are included in non-current assets unless Management intends to dispose of the investment within the 12 months after the end of the reporting period.

They are measured at fair value, recognising any changes that take place directly in the equity until the asset is disposed of or impaired, when the losses and gains accumulated in the equity are taken to profit and loss, provided it is possible to determine the aforementioned fair value. Otherwise, they are recognised at cost less impairment losses.

For available-for-sale financial assets, value adjustments are made if there is objective evidence that they have been impaired as the result of a reduction or delay in the estimated future cash flows in the case of debt instruments acquired or the non-recoverability of the carrying amount of the asset in the case of investments in equity instruments. The value adjustment is the difference between the cost or amortised cost less, if applicable, any value adjustment previously recognised in profit and loss, and the fair value at the time the measurement is made. In the case of equity instruments measured at cost because it is not possible to determine their fair value, the value adjustment is determined in the same way as for investments in the equity of group, multi-group and associated companies.

If there is objective evidence of impairment, the Company recognises the accumulated losses from a decrease in the fair value which were previously recognised in the equity in profit and loss. Impairment losses on equity instruments recognised in profit and loss are not reversed through profit and loss.

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company fixes a fair value using measurement techniques that include the use of recent transactions between interested and duly-informed parties, references to other instruments that are substantially the same, methods employing the discount of estimated future cash flows and option price-fixing methods, making maximum use of data observable in the market and placing as little confidence as possible in the Company's subjective considerations.

Financial assets are derecognised in the statement of financial position when all the risks and rewards of ownership of the asset are substantially transferred. In the specific case of receivables, this is deemed to take place, in general, when the risks of default and delinquency are transferred.

(b) Derecognition of financial assets

The Company applies the criteria of derecognising financial assets to part of a financial asset or to part of group of similar financial assets or to a financial asset or to a group of similar financial assets.

Financial assets are derecognised in the accounts when the rights to receive cash flows related to them have expired or been transferred and the Company has substantially transferred the risks and rewards of ownership. Likewise, financial assets are derecognised in circumstances where the Company retains the contractual rights to receive the cash flows from them only when contractual obligations that determine payment of said flows to one or more recipients have been assumed and the following requirements are met:

- Payment of the cash flows depends on their having been received previously:
- The Company annot sell or pledge the financial asset; and
- The cash flows received on behalf of the final recipients are remitted without significant delay and the Company is not able to reinvest the cash flows. An exception is made for investments in cash or cash equivalents made by the Company during the settlement period, running from the date on which the cash flows are received and the remiitance date agreed with the final recipients, provided that any interest accrued is attributed to the final recipients.

Derecognition of a financial asset in full implies the recognition of a gain or loss for the difference between its carrying amount and the total consideration received, net of transaction costs, including any assets acquired or liabilities assumed and any loss or gain deferred in other comprehensive income.

3.5 Financial derivatives and hedge accounting

Financial derivatives are measured, both initially and in subsequent measurements, at their fair value. The method for recognising any resulting losses or gains depends on whether the derivative has been designated as a hedge and, where appropriate, the type of hedge.

Cash flow hedges

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recognised temporarily in equity. It is taken to profit and loss in the period in which the hedged transaction hedged planned profit and loss, except when the hedge relates to a planned transaction that ends in recognition of a non-financial asset or liability, in which case the amounts recognised in equity are included in the cost of the asset when acquired or the liability when assumed.

The loss or gain relating to the ineffective portion is recognised immediately in profit and loss.

3.6 Inventories

Inventories are recognised at the lower of cost or net realisable value. When the net realisable value of the inventories is lower than their cost, the applicable value adjustments will be made, recognising them as an expense in profit and loss. If the circumstances that cause the value adjustment cease to exist, the amount of the adjustment is reversed and recognised as income in profit and loss.

Cost is determined using the weighted average price method. The cost of finished goods and work in progress comprises design, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses and, in the case of raw materials and work in progress, the costs estimated necessary to complete their production.

3.7 Equity

Share capital is represented by ordinary shares.

The costs of issuing new shares or options are shown directly in equity as a reduction in reserves.

When treasury shares are purchased, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders until the shares are cancelled, reissued or resold. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity.

3.8 Financial liabilities

a) Debits and payables

This category includes trade and non-trade debits. These debits are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after end of the reporting period.

These debts are recognised initially at fair value, net of transaction costs directly incurred, and are subsequently stated at amortised cost applying the effective interest rate method. This effective interest is the discount rate that makes the carrying amount of the instrument equal to the expected flow of future payments forecast until maturity of the liability.

Notwithstanding the foregoing, trade debits maturing at no more than one year that do not have a contractual interest rate are measured, both initially and subsequently, at their face value when the effect of not discounting the cash flows is not significant.

b) Financial liabilities held for trading and other financial liabilities held at fair value through profit and loss

Financial liabilities held at fair value through profit and loss are those held for trading that are issued with the intention of reacquiring them in the short term or those that form part of a portfolio of identified financial instruments managed overall to obtain short-term gains, together with financial liabilities that the Company designates to be included in this category upon initial recognition because this provides more relevant information.

These financial liabilities are measured, both initially and in subsequent measurements, at their fair value, recognising any changes in profit and loss for the period.

Transaction costs directly allocable to issuance are recognised in profit and loss in the period in which they arise.

3.9 Grants received

Reimbursable grants are recognised as liabilities until they meet the conditions not to be considered non-reimbursable, while non-reimbursable grants are recognised as income directly in the equity on a systematic and rational basis in correlation with the expenses derived from the grant.

In this respect, a grant is considered non-reimbursable when there is an individual decision to award the grant, all the conditions fixed for awarding it have been met and there is no reasonable doubt that it will be received.

Monetary grants are recognised at the fair value of the amount awarded and non-monetary grants at the fair value of the item received. In both cases, the values refer to the time of recognition.

Non-reimbursable grants related to the acquisition of intangible assets, property, plant and equipment and real estate investments are allocated as income for the period in proportion to the amortisation or depreciation of the related assets or, if applicable, when the assets are disposed of, there is a value adjustment for impairment or they are derecognised in the statement of financial position. Non-reimbursable grants related to specific expenses are recognised in profit and loss in the same period as the related expenses are accrued, while those awarded to offset an operating deficit are recognised in the period in which they are granted, except when they are intended to offset operating deficits in future periods, in which case they will be allocated to the period in question.

3.10 Current and deferred taxes

The income tax charged (credited) is the amount accrued in the year for this item comprising both current and deferred income tax charged (credited).

Both the current and deferred income tax charged (credited) is recognised in profit and loss. Notwithstanding, the tax effect related to items recorded directly in the equity is recognised in equity.

Current income tax assets and liabilities will be measured at the amounts it is expected to pay to or recover from the tax authorities in accordance with current legislation or legislation that has been approved but not yet published at the end of the reporting period.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. However, deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor tax profit or loss. Deferred income tax is determined using the rules and tax rates that have been approved or are on the point of approval at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be offset.

3.11 Employee benefits

a) Pension commitments

The Company holds a defined-contribution plan exclusively on behalf of certain employees.

A defined-contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal, contractual or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all the commitments assumed.

For defined-contribution plans, the Company pays contributions to privately- or publicly-managed pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Company is not obliged to make any further payments. The contributions are recognised as employee benefits when accrued. Contributions paid in advance are recognised as an asset to the extent to which a cash refund or reduction in future payments is available.

The Company recognises a liability for contributions to be made when, at the end of the reporting period, contributions have accrued but not been settled.

b) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

3.12 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The increase in the provision due to passage of time is recognised as a finance cost as accrued.

Provisions maturing at one year or less with an insignificant financial effect are not discounted.

When part of the expenditure necessary to settle the provision is expected to be reimbursed by a third party, the reimbursement is recognised as a separate asset, provided it is almost certain to be received.

Contingent liabilities are the possible obligations arising from past events the materialisation of which depends on whether one or more future events take place irrespective of the Company's wishes. These contingent liabilities are not recognised but details are set forth in the Notes (Note 28).

3.13 Business combinations

Transactions of merger, spin-off or non-monetary contribution of a business between group companies are recorded applying the rules for transactions with related parties (Note 3.16).

Other merger, spin-off or non-monetary contribution transactions and business combinations arising from the acquisition of all the assets and liabilities of a company or a part of a company that comprises one or more businesses are recognised applying the acquisition method.

For business combinations resulting from the acquisition of shares in the capital of a company, the Company recognises the investment in accordance with the rules for investments in the equity of group, multi-group and associated companies (Note 3.4.c).

3.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods, rendering of services and other revenue received in the ordinary course of the Company's activties. Revenue is shown net of returns, rebates, discounts and value-added tax.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and specific criteria have been met for each of the activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

a) Sale of goods

The Company sells pharmaceutical products for which it holds a manufacturing and sale licence in the wholesale market and also to retailers. It also acquires and sells pharmaceutical products of other entities.

Sales of goods are recognised when the Company has delivered products to the customer and there is no unfulfilled obligation which could affect the acceptance of the products by the customer. The sale does not take place until the products and the obsolescence and loss risks have been transferred to the customer, the customer has accepted the products in accordance with the sale contract and the acceptance period has finished, or the Company has objective evidence for that the necessary criteria have been met for customer acceptance.

The products are sold with volume discounts and customers are entitled to return damaged products. Sales are recognised at the price fixed in the sale contract, net of volume discounts and returns estimated at the date of sale. Volume discounts are measured based on estimated annual purchases. Returns are not significant and they are measured based on the Company's historical experience (Note 2). Sales are carried out with short-term collection periods. The Company's practice is generally to claim late-payment interest -calculated on the basis of the actual collection period- from government entities from which receivables are not collected in the short term.

b) Interest income

Interest income is recognised in accordance with the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, discounting the estimated future cash flow at the original effective interest rate of the instrument, and continues unwinding the discount as less interest income. Interest income on impaired loans is recognised using the effective interest rate method.

c) Dividend income

Dividend income is recognised in profit and loss when the right to receive payment is established. Notwithstanding the foregoing, if the dividends distributed come from profits generated before the acquisition date, they are not recognised as income and are shown as a decrease in the carrying amount of the investment.

d) Other revenues: granting of exclusive distribution licences

The revenue received from the granting of exclusive distribution licenses for ROVI products to other companies is recognised on accruals basis in accordance with the substance of the corresponding contracts.

To date, the Company has granted several exclusive licences to third parties to sell its products in specific territories. Under these agreements, ROVI has received a single amount for transfer of licence, with no refund obligation or the possibility of refund under very restrictive terms, when the product has been authorised for distribution in a given territory.

In addition, the Company undertakes, for the term of the contract, to sell the products under contract to the distributor at the prices agreed in the contract. The amount received on the transfer of the licence is recorded as "net sales" on a straight-line basis over the term of the contract. The non-accrued portion is recorded as a non-current liability if it is to be recognised in revenues after a period longer than a year.

3.15 Leases

When the Company is the lessee – Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit and loss in the period in which they accrue on a straight-line basis over the lease term.

3.16 Foreign currency transactions

a) Functional and presentation currency

The Company's Annual Accounts are presented in thousands of euros. The euro is the Company's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting-date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss, except when deferred in equity as eligible cash flow hedges and eligible net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency and classified as available for sale are analysed considering the translation differences resulting from changes in the amortised cost of the security and other changes in its carrying amount. Translation differences relating to variations in the amortised cost are recognised in profit and loss and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit and loss, are presented as part of the gain or loss in the fair value. Translation differences on non-monetary items such as equity instruments classified as available-for-sale financial assets are included in the equity.

3.17 Related-party transactions

In general, transactions between group companies are initially recognised at fair value. When applicable, if the agreed price differs from the fair value, the difference is recorded in accordance with the actual economic value of the transaction. Subsequent recognition is in accordance with the provisions set forth in the applicable rules.

Notwithstanding the foregoing, in transactions of merger, spin-off or non-monetary contribution of a business, the elements that form the business acquired are measured at the amount that corresponds to them, once the transaction has been performed, in the consolidated annual accounts of the group or subgroup.

When the parent company of the group or subgroup and its subsidiary is not involved, the consolidated annual accounts to be considered in this respect will be those of the largest group or subgroup of which the assets and liabiltiies form part the parent company of which is Spanish.

In these cases, any difference that may arise between the net value of the assets and liabilities of the company acquired, adjusted by the balance of the groups of grants, donations and legacies received and adjustments for changes in value, and any amount of capital and/or share premium, if applicable, are recorded in reserves by the absorbing company.

3.18 Health tax

As the result of the 2005 General State Budget Act (Law 2/2004 of 27 December), Additional Provision 48, a health tax, levied by Ministry of Health, came into force on 1 January, 2005. This tax applies to individuals and legal entities in Spain engaging in the manufacture and importation of medicines that are prescribed in Spanish territory on official National Health Service prescriptions. The amounts payable to the Ministry of Health and Consumer Affairs are calculated on a scale fixed by the aforementioned Additional Provision 48 and subsequently amended by Additional Provision 6 of Law 29/2006 of 29 July, on Guarantees and Rational Use of Drugs and Healthcare Products. The Company records the accrued health tax as a sales discount at the time the sale is made. At the reporting date, a provision is recognised for the estimated outstanding tax on the sales made and possible adjustments to the tax in the light of the actual sales for the period.

During 2010, the Spanish government approved a reduction of the pharmaceutical expenditure of 2,800 million euros through the introduction of two packages of pricing legislation. The first one was approved in March 2010 and was focused on generic products. With regard to these products, which are those out of patent, the reduction was 25% on average applied to the selling price to laboratories. The second package, which was approved in May 2010 and applied as from June 2010, addressed pharmaceutical products under patent. A discount of 7.5% was applied to the selling price to the public for these products. The Company has recognised the amounts relating to these measures as a decrease in sales.

4. Financial risk management

4.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's global risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's Treasury Department, which, following policies approved by the Board of Directors, identifies, assesses and hedges financial risks. This Department identifies, assesses and hedges the financial risks in close co-operation with the Company's operating units. The Audit Committee analyses policies for global risk management, as well as for specific areas, such as interest rate risk, liquidity risk and the investment of excess liquidity.

a) Market risk

(i) Exchange rate risk

Foreign exchange risk is very low as (i) virtually all the Company's assets and liabilities are in euros; (ii) the majority of the transactions with foreign parties are carried out in euros; and (iii) transactions for a significant amount in currencies other than the euro are sometimes hedged with exchange rate insurance contracts.

At 31 December, 2018, the Company held assets for an amount of 2,140 thousand zlotys. If the interest rate at the reporting date had been 10% higher, these assets denominated in zlotys would have varied by 45 thousand euros and if the exchange rate had been 10% lower, the variation would have been 55 thousand euros.

(ii) Price risk

The Company is exposed to price risk on equity securities because of investments held by the Company and classified on the statement of financial positon as available for sale or held at fair value through profit and loss. The Company is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio in accordance with the limits set. The Company does not use derivatives to hedge price risk.

At 31 December, 2018 and 2017, a change in the quoted price of equity securities would have had no effect on the Company’s statement of financial position.

(iii) Cash flow and fair value interest rate risk

The Company is subject to interest rate risk in respect of cash flows on long-term borrowing transactions at variable rates. The Company’s policy is to endeavour to obtain a large part of its financial debt from government entities through reimbursable advances, on which there is no interest rate risk. In the case of bank borrowings, it tries to obtain the cash flows not only at variable rates, but also at fixed rates, thus keeping interest rate risk to a minimum.

Had interest rates on financial debt at variable rates been 1% higher or lower at 31 December, 2018, with all other variables remaining constant, the gain/loss after taxes for the year would have decreased or increased by 30 thousand euros, respectively, owing to the difference in interest expense on loans at variable rates (33 thousand euros at 31 December, 2017).

b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, receivables classified as available for sale and trade receivables.

The banks and financial institutions with which the Company works generally have independent ratings.

If customers have been independently rated, such ratings are used. If this is not the case, then the Company assesses the risk on the basis of the customer’s financial position, historical experience and a series of other factors. In those cases in which there is no doubt as to the customer’s financial solvency, the Company elects not to set credit limits.

At 31 December, 2018, the greatest investment in financial assets, apart from trade receivables, was related to Banco Santander, 72,165 thousand euros (18,596 thousand euros at 31 December, 2017). A significant proportion of trade and other receivables relates to accounts receivable from government entities, on which, in view of their nature, with the information currently available, Management considers that there is no credit risk.

In the reporting periods for which information is presented, credit limits were not exceeded and Management does not expect losses due to default by any of the aforementioned counterparties.

c) Liquidity risk

Management monitors the liquidity estimates of the Company in accordance with the expected cash flows. ROVI maintains sufficient cash and marketable securities to meet its liquidity requirements. In 2017, the Company signed a financing agreement with the European Investment Bank, which it can draw down over the next two years as from signature of the agreement a total amount of 45 million euros. In July 2018, ROVI had drawn 5,000 thousand euros (Note 18.a).

ROVI's liquidity increased in 2018 as a consequence of the capital increase for a total amount of 88,000 euros carried out in October 2018 (Notes 1 and 14).

In 2017, the Company signed a non-recourse factoring contract, which led to an increase in the balance of cash equivalents, while the receivables for which these contracts were requested were derecognised. At 31 December, 2018, no factoring agreements were in force.

The following table analyses the Company's financial liabilities grouped by maturity dates based on the periods outstanding at reporting date through to the maturity date stipulated in the contract, including the related interest. The amounts shown in the table correspond to cash flows stipulated in the contract, which have not been discounted. Given that these amounts have not been discounted and that they include future interest accruals, they cannot be matched with figures on the statement of financial position for borrowings, derivative instruments and trade and other payables.

			Thousands of euros	
	Less than	**Between**	**Between**	**Over**
At 31 December, 2018	**1 year**	**1 & 2 years**	**2 & 5 years**	**5 years**
Bank borrowings	15,694	2,344	2,184	2,730
Debt with government entities	1,893	3,709	3,736	2,913
Trade and other payables	114,799	-	-	-
	132,386	6,053	5,920	5,643

			Thousands of euros	
	Less than	**Less than**	**Less than**	**Less than**
At 31 December, 2017	**1 year**	**1 year**	**1 year**	**1 year**
Bank borrowings	13,328	17,784	-	-
Debt with government entities	2,809	3,840	3,748	2,626
Trade and other payables	53,056	-	-	-
	69,193	21,624	3,748	2,626

4.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as held-for-sale and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets is the current bid price.

The fair value of the reimbursable advances without a rate of interest or with a subsidised rate of interest is determined by applying the interest rate curve in force at the date of receipt of the advance to the reimbursements to be made, adding the spread normally applied in loans to the Company. For financial reporting purposes, fair value is calculated at the end of each reporting period by applying the interest rate curve then in force to the outstanding payments and adding the corresponding spread. For loans at variable rates of interest, fair value has been regarded as coinciding with the amount for which they are recognised.

5. Intangible assets

Details of the items included in Intangible assets and the movement on these items were as follows:

	Development	Patents, licences & trademarks	Computer software	Total
Balance at 01.01.17				
Cost	4,251	21,041	5,327	30,619
Accumulated amortisation	(11)	(4,373)	(3,732)	(8,116)
Carrying amount 01.01.17	**4,240**	**16,668**	**1,595**	**22,503**
Additions	2,676	25	436	3,137
Additions generated internally	2,057	-	-	2,057
Amortisation charge	(297)	(2,063)	(782)	(3,142)
Balance at 31.12.17				
Cost	8,984	21,066	5,763	35,813
Accumulated amortisation	(308)	(6,436)	(4,514)	(11,258)
Carrying amounts 31.12.17	**8,676**	**14,630**	**1,249**	**24,555**
Additions	110	9,010	761	9,881
Amortisation charge	(452)	(1,803)	(563)	(2,818)
Balance at 31.12.18				
Cost	9,094	30,076	6,524	45,694
Accumulated amortisation	(760)	(8,239)	(5,077)	(14,076)
Carrying amount 31.12.18	**8,334**	**21,837**	**1,447**	**31,618**

a) Patents, licences and trademarks

In 2018, additions of 9,000 thousand euros were recognised under the caption "Trademarks and licences" relating mainly to the acquisition of the product Falithrom®, a medicine indicated for the prevention and treatment of thromboembolic disease, including venous thrombosis and pulmonary embolism, as well as the prevention of ischemic strokes in patients with atrial fibrillation.

b) Development

At 31 December, 2018 and 2017, the assets included under the "Development" caption correspond to assets related to the development of a low-molecular-weight heparin, biosimilar to enoxaparin, sales of which commenced in 2017. Amortisation of this asset commenced during the first quarter of 2017, with the favourable result of the decentralised process used by the Company to apply for marketing authorisation in twenty-six European Union countries. The useful life of this asset is 20 years, and no indications of impairment were noted in 2018 or 2017.

Total research and development expenses incurred in 2018 were 32,376 thousand euros (28,251 thousand euros in 2017) and were mainly concentrated in the Glycomics and ISM® platforms, the latter of which is a drug release system, belonging to ROVI, the objective of which is to improve patient treatment adherence. Of the total research and development expenses incurred in 2018, 7,807 thousand euros was recognised under the “Employee benefit expenses” caption (Note 22.e) (7,218 thousand euros at 31 December, 2017) and 24,569 thousand euros under “Other operating expenses” (Note 22.f) (21,033 thousand euros in 2017).

c) Fully amortised intangible assets

At 31 December, 2018, there were fully-amortised intangible assets that were still in use with a carrying cost of 4,351 thousand euros (3,971 thousand euros at 31 December, 2017).

d) Assets affected by guarantees and ownership restrictions

At 31 December, 2018 and 2017, there were no significant intangible assets subject to ownership restrictions or pledged to guarantee liabilities.

e) Insurance

The Company holds several insurance policies to cover the risks the intangible assets are exposed to. The insurance cover is considered sufficient.

6. Property, plant and equipment

Details of and movement on the items included in property, plant and equipment were as follows:

	Land and buildings	Technical facilities & other property, plant & equipment	Total
Balance at 01.01.17			
Cost	7,284	61,103	68,387
Accumulated amortisation	(1,008)	(26,208)	(27,216)
Carrying amount 01.01.17	**6,276**	**34,895**	**41,171**
Additions	-	6,560	6,560
Retirements	-	(47)	(47)
Eliminations from amortisation	-	22	22
Amortisation charge	(136)	(4,613)	(4,749)
Balance at 31.12.17			
Cost	7,284	67,616	74,900
Accumulated amortisation	(1,144)	(30,799)	(31,943)
Carrying amount 31.12.17	**6,140**	**36,817**	**42,957**
Additions	-	5,461	5,461
Retirements	-	(2,203)	(2,203)
Eliminations from amortisation	-	4	4
Amortisation charge	(136)	(4,799)	(4,935)
Balance at 31.12.18			
Cost	7,284	70,874	78,158
Accumulated amortisation	(1,280)	(35,594)	(36,874)
Carrying amount 31.12.18	**6,004**	**35,280**	**41,284**

At 31 December, 2018 and 2017, the additions to property, plant and equipment were mainly related to investments in the Company's bemiparin and enoxaparin plant in Granada and investments in the pilot plants for develpoment of ISM® technology.

a) Impairment losses

In the years 2018 and 2017, no significant impairment losses were either recognised or reversed in relation to any individual item of property, plant and equipment.

b) Fixed-asset acquisition commitments

At 31 December, 2018 and 2017, the Company held commitments to acquire property, plant and equipment related to the normal course of business.

c) Fully-depreciated assets

The following assets were fully depreciated but still in use at the end of the reporting period:

	Thousand of euros	
	2018	**2017**
Technical installations	2,325	2,310
Machinery	321	308
Tools	213	154
Furniture	254	253
Computer equipment	929	811
Transport fleet	3	3
Other property, plant and equipment	6,662	5,874
	10,707	**9,713**

c) Operating leases

The income statement includes operating lease expenses relating to rental of vehicles and buildings for an amount of 1,852 thousand euros (1,456 thousand euros at 31 December, 2017).

d) Grants received

The construction of the Granada plant was partly financed by a grant awarded by the Innovation and Development Agency of Andalusia (Innovation, Science and Enterprise Department of the Regional Government) for an amount of 5,431 thousand euros (Note 17). This grant was collected in November 2008 and the part that has not yet been allocated to the income statement is recognised under the heading "Grants, donations and legacies received". This grant began to be allocated to the income statement in the second half of 2009, when depreciation of the assets for which it was granted commenced.

e) Insurance

The Company holds several insurance policies to cover the risks the property, plant and equipment is exposed to. The insurance cover is considered sufficient.

7. Analysis of financial instruments

7.1 Analysis by category

The carrying amounts of each one of the financial instrument categories established in the "Financial instruments" accounting policy, except investments in the equity of group, multi-group and associated companies (Note 8), were as follows:

a) Financial assets

	Thousands of euros			
	Equity Instruments		Credits and other financial assets	
	2018	2017	2018	2017
Available-for-sale financial assets (Note 11)	63	62	-	-
Loans and receivables (Note 10)	-	-	3,337	1,402
Non-current	**63**	**62**	**3,337**	**1,402**
Loans and receivables (Note 10)	-	-	184,993	97,058
Hedging derivatives	-	-	17	-
Cash and cash equivalents (Note 13)	-	-	83,787	35,526
Current	**-**	**-**	**268,797**	**132,584**
TOTAL	**63**	**62**	**272,134**	**133,986**

b) Financial liabilities

	Thousands of euros			
	Bank borrowings		Financial liabilities	
	2018	2017	2018	2017
Debits and payables (Note 18)	7,113	17,716	9,018	8,745
Non-current	**7,113**	**17,716**	**9,018**	**8,745**
Debits and payables (Note 18)	15,603	13,222	116,692	55,865
Current	**15,603**	**13,222**	**116,692**	**55,865**
TOTAL	**22,716**	**30,938**	**125,710**	**64,610**

7.2 Credit rating of financial assets

The credit rating of financial assets which have not yet matured and which have suffered no impairment loss can be assessed based on the credit rating assigned by external organisations or by their historical delinquency rates:

		Thousands of euros	
Cash and cash equivalents	**Rating**	**2018**	**2017**
	A+	-	460
	A	71,189	104
	A-	12,432	17,204
	BBB+	97	11,153
	BBB	67	6,223
	BBB-	-	372
	BB	-	4
	Caa2	2	6
	Total cash (Note 13)	**83,787**	**35,526**

Other non-current financial assets	**Rating**	**2018**	**2017**
	A	1,392	-
	A-	-	1,392
	Other	25	10
	Total other non-current financial assets (Note 10)	**1,417**	**1,402**

None of the assets classified as available for sale has received a financial rating. Note 10 "Loans and receivables" gives details of the credit quality of the balances receivable from public authorities.

8. Interests in group companies

In 2017, the company ROVI S.A.S, with registered office at 24 Rue du Drac, Seyssins (France) and 100%-held by Laboratorios Farmacéuticos Rovi, S.A, was incorporated.

With this latest interest, the companies in which Laboratorios Farmacéuticos Rovi, S.A. held a significant shareholding at 31 December, 2018 were:

			Shareholding		Voting rights	
Corporate name	Address	Activity	% Direct	% Indirect	% Direct	% Indirect
Pan Química Farmacéutica, S.A.	Madrid, C/Rufino González, 50	(1)	100%	-	100%	-
Gineladius, S.L.	Madrid, C/Rufino González, 50	(2)	100%	-	100%	-
Rovi Contract Manufacturing, S.L.	Madrid, C/Julián Camarillo, 35	(1)	100%	-	100%	-
Bemipharma Manufacturing, S.L.	Madrid, C/Julián Camarillo, 35	(1)	100%	-	100%	-
Bertex Pharma GmbH	Inselstr.17. 14129 Berlin (Germany)	(3)	100%	-	100%	-
Frosst Ibérica, S.A.	Alcalá de Henares, Avenida Complutense, 140 (Madrid)	(1)	100%	-	100%	-
Rovi Biotech, Ltda.	La Paz (Bolivia)	(1)	99%	1%	99%	1%
Rovi Biotech Limited	10-18 Union Street, London (United Kingdom)	(1)	100%	-	100%	-
Rovi Biotech, S.R.L.	Via Monte Rosa 91, Milan (Italy)	(1)	100%	-	100%	-
Rovi, GmbH	Ruhlandstr. 5, Bad Tölz (Germany)	(1)	100%	-	100%	-
Rovi, S.A.S.	24 Rue du Drac, Seyssins (France)	(1)	100%	-	100%	-

(1) Production, marketing and sale of pharmaceutical, healthcare and medicine products.

(2) Import, export, purchase, sale, distribution and marketing of articles related to integral female healthcare.

(3) Development, distribution and marketing of pharmaceutical products related to micro-particle technologies.

Unless otherwise stated, the end of the reporting period for the latest annual accounts is 31 December, 2018.

At 31 December, 2018 and 2017, none of the group companies in which the Company held at interest was listed on the stock exchange.

The amounts of the capital, reserves, profit or loss for the period and other relevant information, as shown in the annual accounts of the individual companies at 31 December, 2018, were as follows:

	% Direct interest	**Carrying amount of interest**	**Capital**	**Reserves**	**Profit or loss for period**	**Total equity**
Rovi Contract Manufacturing, S.L.	100%	1,772	36	14,008	12,450	**26,494**
Bemipharma Manufacturing, S.L.	100%	559	36	2,798	(27)	**2,807**
Pan Química Farmacéutica, S.A.	100%	1,771	601	1,274	398	**2,273**
Gineladius, S.L.	100%	293	30	459	(7)	**482**
Bertex Pharma GmbH (Nota 29.b)	100%	1,236	25	68	-	**93**
Frosst Ibérica, S.A.U.	100%	5,039	7,816	14,485	4,329	**26,630**
Rovi Biotech, Ltda.	99%	2	2	-	-	**2**
Rovi Biotech, Limited	100%	7	6	(260)	(30)	**(284)**
Rovi Biotech, S.R.L.	100%	194	10	-	9	**19**
Rovi Biotech, GmbH	100%	1.575	25	360	564	**949**
Rovi S.A.S.	100%	5	5	(176)	(729)	**(900)**
		12,453				

During 2018, the Company increased its interest by offsetting the balances of loans in the following subsidiaries:

- Rovi GmbH, for 1,550 thousand euros.
- Rovi Biotech S.r.L., for 184 thousand euros.

At 31 December, 2017, the figures were as follows:

	% Direct interest	Carrying amount of interest	Capital	Reserves	Profit or loss for period	Total equity
Rovi Contract Manufacturing, S.L.	100%	1,772	36	14,011	9,307	**23,354**
Bemipharma Manufacturing, S.L.	100%	559	36	2,827	(29)	**2,834**
Pan Química Farmacéutica, S.A.	100%	1,771	601	1,274	444	**2,319**
Gineladius, S.L.	100%	293	30	550	(91)	**489**
Bertex Pharma GmbH (Nota 29.b)	100%	1,236	25	71	(3)	**93**
Frosst Ibérica, S.A.U.	100%	5,039	7,816	14,485	3,040	**25,341**
Rovi Biotech, Ltda.	99%	2	2	-	-	**2**
Rovi Biotech, Limited	100%	7	7	(1)	(246)	**(240)**
Rovi Biotech, S.R.L.	100%	10	10	(6)	(203)	**(199)**
Rovi Biotech, GmbH	100%	25	25	(3)	(1,091)	**(1,069)**
Rovi S.A.S.	100%	5	5	-	(176)	**(171)**
		10,719				

There are no companies in which, with a holding of less than 20%, a significant influence is deemed to exist, or in which, with a holding of more than 20%, it is deemed that no significant influence exists.

Group companies with negative equity at 31 December, 2018 reflect an equity situation in line with the recent start-up of their activity and the Company's holding in said companies cannot be deemed to have been impaired at 31 December, 2018. It is forecast that these companies will generate profits over forthcoming years and, therefore, the Company does not consider there to be any investments in Group companies where an adjustment for impairment is necessary.

9. Interests in joint ventures

Movement on interests in joint ventures in the period was as follows:

	Thousands of euros	
	2018	2017
Balance at beginning of the year	**6**	**6**
Additions (b)	-	-
Balance at end of the year	**6**	**6**

The nature of the investment in joint ventures at 31 December, 2018 was as follows:

Name	Country of incorporation	% interest	Nature of relationship	Measurement method
Alentia Biotech, S.L.	Spain	50%	a)	Equity
Enervit Nutrition, S.L.	Spain	50%	b)	Equity

a) Alentia Biotech, S.L.

In 2010, the company Alentia Biotech, S.L. (Alentia) was created, 100% held by ROVI. In February 2012, the effective sale of 50% of the shares in Alentia Biotech, S.L. by Laboratorios Farmacéuticos Rovi, S.A. to Grupo Ferrer Internacional, S.A. took place and Alentia became a joint venture held by these two companies at 50% each. The carrying amount of this interest at 31 December, 2018 and 2017 was 3 thousand euros.

b) Enervit Nutrition, S.L.

In the first half of 2016, ROVI contributed assets consisting of the distribution rights of the EnerZona products in Spain and the know-how related to the promotion, distribution and sale of these products to a newly-created subsidiary (Enervit Nutrition, S.L.), which was the vehicle responsible for promoting these products. Said company was incorporated in January 2016 with an initial share capital of 3 thousand euros, 100%-held by Laboratorios Farmacéuticos Rovi, S.A. It was incorporated with the intention of marketing the EnerZona products, for which ROVI held exclusive marketing rights in Spain, and exploring and, if applicable, developing, new market possibilities for dietetic and food supplements.

ROVI and Enervit S.p.A. agreed to create a joint venture between them to carry the project out. To do this, under certain agreements, ROVI lost control of its subsidiary Enervit Nutrition, S.L, which, instead of being 100%-owned by ROVI, became a joint venture under joint control with Enervit, S.p.A. The agreements were signed on 16 March, 2016.

In July 2016, Enervit S.p.A. exercised a call option it held on 1% of the shares of Enervit Nutrition, S.L. for a sum of 50 thousand euros. ROVI recognised a profit of 50,000 euros on this transaction. With this sale, ROVI's percentage interest in Enervit Nutrition, S.L. dropped from 51% to 50%.

After this transaction, the carrying amount of this interest in ROVI remained at 3 thousand euros.

The Company has no commitments or contingent liabilities in relation to its joint ventures.

Condensed financial information on joint ventures

The condensed financial information on Alentia Biotech, S.L. and Enervit Nutrition, S.L. as of 31 December, 2018 is as follows:

	31 December, 2018		31 December, 2017	
Condensed statement of financial position	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**
Current				
Cash and cash equivalents	102	245	104	703
Other current assets (excluding cash)	6	2,542	6	2,305
Total current assets	**108**	**2,787**	**110**	**3,008**
Financial liabilities (excluding trade payables)		(1,342)		(1,266)
Other current liabilities (including trade payables)	-	(910)	-	(1,427)
Total current liabilities	**-**	**(2,252)**	**-**	**(2,693)**
Non-current				
Property, plant and equipment	-	21	-	-
Intangible assets	-	3,478	-	3,685
Other financial assets	-	5	-	5
Deferred income tax assets	-	37	-	37
Total non-current assets	**-**	**3,541**	**-**	**3,727**
Financial liabilities	(2,200)	-	(2,200)	-
Other liabilities	-	-	-	(14)
Total non-current liabilities	**(2,200)**	**-**	**(2,200)**	**(14)**
NET ASSETS	**(2,092)**	**4,076**	**(2,090)**	**4,028**

	31 December, 2018		31 December, 2017	
Condensed statement of comprehensive income	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**
Revenue	-	7,379	-	8,347
Procurements	-	(5,126)	-	(5,786)
Other operating income	-	4	-	-
Employee benefit expenses	-	(861)	-	(1,131)
Other operating expenses	(2)	(1,082)	(1)	(2,320)
Amortisation and depreciation	-	(215)	-	(208)
Operating profit / (loss)	**(2)**	**99**	**(1)**	**(1,098)**
Finance costs – net	**-**	(38)	1	(13)
Corporate income tax	**-**	**(13)**	**-**	**-**
Profit / (loss) for period	**(2)**	**48**	**-**	**(1,111)**
Other comprehensive income	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME	**(2)**	**48**	**-**	**(1,111)**
Dividends received from joint ventures	-	-	-	-

10. Loans and receivables

	Thousands of euros	
	2018	**2017**
Non-current loans and receivables		
- Deposits (a)	1,327	1,327
- Bank receivables (b)	65	65
- Credits to Group companies	1,920	-
- Guarantee deposits	25	10
	3,337	1,402
Current loans and receivables		
- Loans to associated companies (Note 31.f)	36	5
- Trade receivables (c)	37,193	29,858
- Receivables from related parties (Nota 31.f)	147,622	66,987
- Sundry debtors	41	47
- Employees	101	161
	184,993	97,058
	188,330	**98,460**

a) Deposits

At 31 December, 2018 and 2017, "Deposits" included deposits at interest rates ranging from 2% to 3% pledged in favour of Banco Santander. The Company considers the credit risk associated to these deposits to be low and, therefore, no expected losses associated thereto were recognised.

b) Non-current bank receivables

The amount included in "Non-current bank receivables" relates to the payments made to Banco Santander under a debt assumption agreement whereby this bank assumed the payment of a reimbursable advance granted to the Company by government entities (Note 18.b).

c) Trade receivables

Management estimates that the fair values of loans and receivables do not differ significantly from their current values, since they comprise principally balances receivable at less than one year and are subject to possible interest charges if they are not paid within said period.

In December 2017, ROVI signed a non-recourse factoring agreement with BBVA, whereby ROVI received the amount of matured items due from customers other than public authorities (Social Security or other government entities) for a total sum of 6,031 thousand euros. No factoring agreements were in force at 31 December, 2018.

At 31 December, 2018, the balance receivable from public authorities was 5,655 thousand euros (5,598 thousand euros at 31 December, 2017), geographically distributed as follows:

	Rating 2018	Balance 2018	Rating 2017	Balance 2017
Portugal	BBB	1,134	BBB-	1,720
Madrid	BBB	1,278	BBB+	827
Catalonia	BBB-	590	B+	849
Andalusia	BBB-	587	BBB+	408
Valencia	BBB-	554	BB	488
Canary Islands	BBB-	332	BBB+	173
Castilla La Mancha	BBB-	268	BBB-	126
Basque Country	BBB+	208	A	243
Extremadura	BBB	130	BBB	84
Cantabria	BBB	114	BBB	138
Aragón	BBB	93	BBB-	160
Other	-	367	-	382
		5,655		**5,598**

At 31 December, 2018, there were matured receivables amounting to 9,378 thousand euros (7,230 thousand euros at 31 December, 2017), although they had suffered no impairment. Of both the 2018 and 2017 amounts, almost the entire debt aged over six months related to Social Security authorities or government entities. The Company claims the late-payment interest accrued on these debts from the different government entities and Social Security services.

The ageing analysis of matured balances is as follows:

	Thousands of euros	
	2018	**2017**
Up to 3 months	9,087	5,865
3 to 6 months	446	935
6 months to one year	(59)	593
Over one year	(96)	(163)
	9,378	7,230

The total of the matured debt due from government entities at 31 December, 2018 was 1,782 thousand euros, in comparison with the 2,486 thousand euros that was outstanding at 31 December, 2017. This amount was geographically distributed as follows:

	Thousands of euros	
	2018	**2017**
Spain	962	1,183
Portugal	820	1,285
	1,782	2,468

Matured receivables that had been impaired at 31 December, 2018 were 720 thousand euros (1,061 thousand euros at 31 December, 2017). The ageing of impaired receivables was as follows:

	Thousands of euros	
	2018	**2017**
6 to 9 months	341	234
Over 9 months	379	827
	720	1,061

Movement on the provision for impairment of trade receivables was as follows:

	Thousands of euros	
	2018	**2017**
Balance at beginning of period	1,061	1,095
Applications	(120)	(34)
Derecognition due to non-recoverability	(221)	-
Balance at end of period	720	1,061

Recognition and reversal of adjustments to the carrying amounts of trade receivables due to impairment are included in "Losses, impairment and change in trade provisions" in the income statement. Usually, the amounts charged to the impairment account are derecognised when further recovery of cash is not expected.

The maximum exposure to credit risk at the reporting date is the fair value of each of the previously mentioned accounts receivable categories. The Company does not hold any guarantee as insurance.

11. Available-for-sale financial assets

Available-for-sale financial assets include:

	Thousands of euros	
	2018	**2017**
Listed securities:		
- Investment funds and equity securities	4	3
Non-listed securities:		
- Equity securities – Euro zone	59	59
	63	62

Movement on available-for-sale financial assets in 2018 and 2017 was as follows:

	Thousands of euros	
	2018	**2017**
Balance at beginning of the year	**62**	**62**
Net gains / (losses) in equity	1	-
Balance at end of the year	**63**	**62**
Less: non-current portion	63	62
Current portion	-	-

The maximum credit risk exposure at the reporting date was the fair value of the debt securities classified as available for sale.

12. Inventories

	Thousands of euros	
	2018	**2017**
Trade inventories	26,148	22,258
Raw materials and other consumables	4,655	2,429
Finished goods	5,014	4,893
Work in progress	1,378	1,989
	37,195	31,569

In 2018, inventory write-downs increased by 1,936 thousand euros (decrease of 617 thousand euros in 2017), the total amount of these adjustments being 4,764 thousand euros at 31 December, 2018.

The inventories purchase/sale commitments at the end of the reporting period were as normal in the course of business and Management estimates that meeting these commitments will not generate losses for the Company.

The Company holds several insurance policies to cover the risks the inventories are exposed to. The insurance cover is considered sufficient.

13. Cash and cash equivalents

	Thousands of euros	
	2018	**2017**
Cash at bank and on hand	83,787	35,526
	83,787	35,526

In 2018, the Company carried out a capital increase for a total amount of 88,000 thousands of euros (Notes 1 and 14). The expenses associated to this transaction were 5,175 thousand euros (3,881 thousand euros net of taxes).

14. Share capital

In 2018 and 2017, the number of shares, their face value and the share capital were as follows:

	No. of shares	Face value	Total share capital (thousands)
Balance at 1 January, 2017	50,000,000	0.06	3,000
Balance at 31 December, 2017	50,000,000	0.06	3,000
Balance at 31 December, 2018	56,068,965	0.06	3,364

In October 2018, the Company carried out a capital increase charged to cash contributions, with exclusion of preferential subscription rights ("the Capital Increase"). The final terms of this increase were as follows:

- The Capital Increase was carried out for a nominal amount of 364,137.90 euros through the issue of 6,068,965 newly-issued ordinary shares in the Company with a par value of 0.06 euros each, belonging to the same class and series as the existing shares that were already in issue (the "New Shares").
- The price of issue of the New Shares was fixed at 14.50 per shares, 0.06 euros of which related to the nominal value, while 14.44 euros was the share premium (the "Issue Price").
- As a consequence of the foregoing, the effective total amount of the Capital Increase was 87,999,992.50 euros, 364,137.90 euros of which related to the nominal value and 87,635,854.60 to the share premium.

The expenses associated to the capital increase were 5,175 thousand euros (3,881 thousand euros net of taxes), which were recognised under the caption "Retained earnings and voluntary reserves".

All the shares issued are fully paid up.

Shareholders owning direct or indirect significant interests of more than 3% in the share capital of Laboratorios Farmacéuticos Rovi, S.A. of which the Company is aware, according to the information in the official records of the National Securities Market Commission at 31 December, 2018, were the following:

Shareholder	% direct	% indirect	TOTAL
Norbel Inversiones, S.L.	62.102	-	62.102
JO Hambro Capital Management Limited	-	4.787	4.787
Indumenta Pueri, S.L.	-	5.057	5.057
Alantra Asset Management SGIIC, S.A.	-	4.821	4.821
T. Rowe Price International Funds, INC.	-	3.390	3.390
Wellington Management Group, LLP.	-	5.116	5.116

As a consequence of the Capital Increase, the interest held by the company Norbel Inversiones, S.L. in Laboratorios Farmacéuticos Rovi, S.A. dropped from 69.64% to 62.10%. Norbel Inversiones, S.L. is owned by Juan López-Belmonte López (20.00%) and Messrs Juan, Iván and Javier López Belmonte Encina (26.67% each). Therefore, Mr Juan López-Belmonte López held an interest of 12.42% in the share capital of ROVI at the end of the 2018 reporting period (13.93% at 31 December, 2017), while Messrs Juan, Iván and Javier López-Belmonte Encina each held 16.56% at the end of 2018 (18.57% at 31 December, 2017).

15. Reserves and retained earnings

a) Reserves

	Thousands of euros	
	2018	**2017**
Legal reserves and reserves required by the Bylaws:		
- Legal reserve	600	600
	600	600
Other reserves:		
- Non-distributable special reserve	5,036	5,036
- Voluntary reserves	472	472
- Revaluation reserve Royal Decree-Law 7/96	851	851
	6,359	6,359
	6,959	6,959

Legal reserve

The legal reserve has been created in accordance with Article 274 of the Spanish Capital Companies Act ("Ley de Sociedades de Capital"), which states that 10% of the profit for the period must be allocated to the legal reserve until at least 20% of the share capital is covered.

The legal reserve is not available for distribution. Should the legal reserve be used to offset losses in the event of no other reserves being available for this purpose, it must be replenished with future profits.

Non-distributable special reserve

On 6 July, 1994, the universal Extraordinary General Meeting of Shareholders resolved to reduce the share capital by 5,036 thousand euros by the write-off of 837,853 shares. Shareholders' contributions were not refunded in this reduction and, consequently, a special reserve for the same amount was created. This reserve, which will receive the same treatment as the legal reserve, may only be used to offset losses when no other reserves are available for this purpose.

Revaluation reserve Royal Decree-Law 7/1996 of 7 June

The balance of the "Revaluation reserve" comes from the balance sheet restatement regulated in article 5 of Royal Decree-Law 7/1996 of 7 June. The balance of this account is available and property, plant and equipment items related to this reserve had been fully depreciated at 31 December, 2018 and 2017.

Dividends that reduce the balance of available reserves to an amount lower than the total research and development expense balances that have not yet been amortised may not be distributed (Note 5).

b) Retained earnings

During 2018, retained earnings were increased and/or reduced as follows:

- On 29 May, 2018, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for application of the profit for 2017 (18,673 thousand euros), allocating 6,035 thousand euros to dividends and the remainder to retained earnings. The dividend on the treasury shares held by ROVI at the time of the distribution was 83 thousand euros.

- The sale of treasury shares in 2018 led to a profit of 253 thousand euros, which was recognised in the retained earnings account (Note 16.d)

- The expenses associated to the capital increase, which were 5,175 thousand euros (3,881 thousand euros net of taxes) were recognised under the "Retained earnings and voluntary reserves" caption.

During 2017, retained earnings were increased and/or reduced as follows:

- On 31 May, 2017, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for application of the profit for 2016 (29,932 thousand euros), allocating 9,150 thousand euros to dividends and the remainder to retained earnings. The dividend on the treasury shares held by ROVI at the time of the distribution was 125 thousand euros.

- The sale of treasury shares in 2017 led to a profit of 185 thousand euros, which was recognised in the retained earnings account (Note 15.c).

c) Treasury shares

In the course of 2018, ROVI acquired a total of 68,603 of its own shares (35,421 in 2017), paying the sum of 1,138 thousand euros for them (532 thousand euros in 2017). Likewise, it resold a total of 58,731 of its own shares (67,784 in 2017) for a sum of 986 thousand euros (1,011 thousand euros in 2017). These shares had been acquired at a weighted average cost of 733 thousand euros (826 thousand euros in 2017), giving rise to a profit of 253 thousand euros on the sale (185 thousand euros in 2016), which was taken to reserves. At 31 December, 2018, ROVI held 695,055 treasury shares (685,183 at 31 December, 2017).

The Company is entitled to reissue these shares at a later date.

d) Dividends

On 29 May, 2018, the General Meeting of Shareholders approved the distribution of the 2017 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 6,035 thousand euros (0.1207 euros gross per share). This dividend was paid in July 2018.

On 31 May, 2017, the General Meeting of Shareholders approved the distribution of the 2016 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 9,150 thousand euros (0.1830 euros gross per share). This dividend was paid in July 2017.

16. Profit for the year

The proposed application of the profit to be submitted to the General Shareholders' Meeting is as follows:

	Thousands of euros	
	2018	**2017**
Basis of application	15,581	18,673
Profit for the year	15,581	18,673
Application		
Legal reserve	73	-
Retained earnings	11,034	12,638
Dividends	4,474	6,035
	15,581	18,673

17. Grants, donations and legacies received

Movement on this heading was as follows:

	Thousands of euros	
	2018	**2017**
Beginning of the year (net of tax)	**3.489**	**3,904**
Increases (net of tax)	298	307
Decreases (net of tax)	531	(21)
Allocation to profit and loss (net of tax)	(1,190)	(701)
End of the year (net of tax)	**3,128**	**3,489**

Details of non-reimbursable capital grants shown on the statement of financial position under the caption "Grants, donations and legacies received", not including the tax effect, are as follows:

Awarding entity	Thousands of euros	Purpose	Date awarded
(1) Andalusian Regional Govt.	2,629	Construction of Granada plant (Nota 6.d)	2008
(2) Andalusian Regional Govt.	1,080	Construction bemiparin lines in Granada	2012 & 2014
Miscellaneous govt. entities	461	Miscellaneous projects	2001 onward
	4,170		

(1) Non-reimbursable grant granted by the Andalusian Innovation and Development Agency (Innovation, Science and Enterprise Department) for 5,431 thousand euros. This grant was received in November 2008 and recognition in profit and loss commenced in 2009, when the assets for which it was granted began to be depreciated. The amount recognised for this grant under the caption "Grants, donations and legacies received" at 31 December, 2018 was 2,629 thousand euros (2,924 thousand euros at 31 December, 2017).

(2) Relates to two non-reimbursable grants granted by the Andalusian Innovation and Development Agency in the years 2012 and 2014 for construction of two new bemiparin lines at the Granada plant. The first of them, for 585 thousand euros, began to be recognised in profit and loss in 2013 and the amount recognised under the "Grants, donations and legacies received" caption at 31 December, 2018 was 216 thousand euros (278 thousand euros at 31 December, 2017). The second of the grants, for a total amount of 1,171 thousand euros, began to be recognised in profit and loss in May 2015 and, at the 2017 reporting date, showed a balance of 864 thousand euros under the "Grants, donations and legacies received" caption (947 thousand euros at 31 December, 2017).

18. Debits and payables

	Thousands of euros	
	2018	**2017**
Non-current debits and payables		
- Bank borrowings (a)	7,113	17,716
- Debt with government entities (b)	9,018	8,745
	16,131	26,461
Current debits and payables:		
- Bank borrowings (a)	15,603	13,222
- Debt with government entities (b)	1,893	2,809
- Current debt with Group and associated companies (Note 31.f)	141	129
- Trade payables	28,383	27,017
- Trade payables, related parties (Note 31.f)	83,578	23,376
- Sundry creditors	51	38
- Employees	2,646	2,496
	132,295	69,087
	148,426	95,548

Delay in payments to suppliers

Details of payments for trading transactions performed during the reporting period and outstanding at the reporting date in relation to the maximum legal periods provided for in Law 15/2010, amended by Law 11/2013, are as follows:

	2018	2017
	Days	Days
Average payment period to suppliers	47	55
Ratio of transactions paid	48	58
Ratio of transactions outstanding	36	30

	2018	2017
Total payments made (thousands of euros)	120,552	86,365
Total payments outstanding (thousands of euros)	10,754	10,349

Fair value of non-current debt

The carrying amounts and fair values of the non-current debt were as follows:

	Thousands of euros			
	Carrying amount		Fair value	
	2018	2017	2018	2017
Bank borrowings	7,113	17,716	7,061	17,521
Debt with government entities	9,018	8,745	9,506	9,452
	16,131	26,461	16,567	26,973

The fair values of current financial debt are equal to their corresponding nominal amounts since the effect of discounting is not significant. The fair values are based on cash flows discounted at a rate of 2%, based on the borrowing rate (2% in 2017).

To calculate the fair value of fixed rate non-current bank borrowings at the reporting date, the interest rate on the last variable-rate loan held by the Company was taken as a reference: Euribor at 3 months plus a 0.844% spread (at 31 December, 2017, the reference was taken from the only variable-interest-rate loan that existed at that date, the interest on which was Euribor at 12 months plus a 0.70% spread).

The carrying amount of the Company's debt is in euros.

a) Bank borrowings

Bank borrowings at 31 December, 2018 comprised the following bank loans:

	a.1)	a.2)	a.4)	a.5)	a.6)	TOTAL
Entity	**BBVA**	**BBVA**	**Santander**	**Santander**	**BEI**	
Face value	**20,000**	**10,000**	**4,000**	**6,000**	**5,000**	
Interest rate	**0.65% Fixed**	**0.90% Fixed**	**0.90% Fixed**	**Eur12+0.70%**	**Eur3+0.84%**	
2019	12,642	1,481	592	888	-	15,603
2020	2,113	-	-	-	-	2,113
2021	-	-	-	-	175	175
2022	-	-	-	-	704	704
2023	-	-	-	-	708	708
2024 onward	-	-	-	-	3,413	3,413
	14,755	1,481	592	888	5,000	22,716
Non-current	2,113	-	-	-	5,000	7,113
Current	12,642	1,481	592	888	-	15,603

A 31 de diciembre de 2017 los vencimientos de los préstamos bancarios eran los siguientes:

	a.1)	a.2)	a.3)	a.4)	a.5)	TOTAL
Entity	**BBVA**	**BBVA**	**Bankinter**	**Santander**	**Santander**	
Face value	**20,000**	**10,000**	**10,000**	**4,000**	**6,000**	
Interest rate	**0.65% Fixed**	**0.90% Fixed**	**1.00% Fixed**	**0.90% Fixed**	**Eur12+0.70%**	
2018	5,244	2,521	2,939	1,008	1,510	13,222
2019	12,642	1,481	-	592	887	15,602
2020	2,114	-	-	-	-	2,114
	20,000	4,002	2,939	1,600	2,397	30,938
Non-current	14,756	1,481	-	592	887	17,716
Current	5,244	2,521	2,939	1,008	1,510	13,222

a.1) Loan of 20,000 thousand euros granted by BBVA in the first half of 2017. The repayment term of this loan is 3 years, with a grace period of 17 months and a fixed interest rate of 0.65%.

a.2) Loan of 10,000 thousand euros obtained from BBVA in July 2015, with a fixed annual interest rate of 0.90% and a 4-year repayment period. Part of this amount, 6,000 thousand euros, was used to cancel the loan of the same amount signed with BBVA in July 2014, repayment of which had not commenced at the time of cancellation.

a.3) In July 2015, the Company signed the novation of the loan contract for 8,000 thousand euros signed with Bankinter in 2014. Under the new agreement, the capital provided rose to 10,000 thousand euros and the fixed annual interest rate dropped from 2.15% to 1.00%. The repayment period was 36 months, 12 of which were a grace period. This loan was fully repaid in 2018.

a.4) Loan signed in July 2014 with Banco Santander for 6,000 thousand euros, which came from European Investment Bank (EIB) funds. In 2015, a novation of this loan was signed and the spread applied to Euribor at 12 months, to which the loan is indexed, dropped from 1.50% to 0.70%. The repayment period is 48 months.

a.5) In 2015, a loan of 4,000 thousand euros was signed with Banco Santander with a fixed annual interest rate of 0.90% and a repayment period of 4 years.

a.6) In December 2017, the European Investment Bank (EIB) granted ROVI a credit line to support its investments in Research, Development and Innovation (R&D&i). The credit line was for 45,000 thousand euros. ROVI may draw down this amount over a term of 24 months as from signature of the agreement and the credit matures in 2029. The credit line provides for a three-year grace period and financial conditions (i.e. applicable interest rates, repayment period, etc.) that are favourable to ROVI. In July 2018, ROVI used 5,000 thousand euros of this credit line at an interest rate of Euribor plus 0.844. In the first half of 2018, compliance as of 31 December, 2017 with the financial ratios fixed in this financing agreement was certified. At 31 December, 2018, ROVI met the ratios fixed, although this will not be certified until after these annual accounts have been approved.

b) Debt with government entities

Since 2001, the Company has been receiving reimbursable grants from different Ministries to finance a number of R&D projects. The amounts recorded as non-current financial debt for this item at 31 December, 2018 amounted to 9,018 thousand euros (8,745 thousand euros at 31 December, 2017). The transactions do not accrue interest and have been recognised at their initial fair values. The difference between the initial fair value and the face value accrues at market interest rates (Euribor and the interest rate on Spanish Treasury debt plus a spread in accordance with the Company's risk). This means that this debt accrues interest at effective interest rates ranging from 2.9% to 4.9%.

b.1) Advances received in 2018:

In 2018, the Company received various reimbursable advances from different entities, details of which are shown below:

		Thousands of euros		Years	
Entity	**Project**	**Face value**	**Initial fair value**	**Repayment period**	**Grace period**
Technological Corporation of Andalusia	(1)	4	3	10	4
Industrial Technological Development Centre	(1)	160	136	7	3
Industrial Technological Development Centre	(1)	956	799	7	3
Industrial Technological Development Centre	(1)	734	611	7	3
Industrial Technological Development Centre	(1)	79	66	7	3
Technological Corporation of Andalusia	(1)	28	22	10	4
Industrial Technological Development Centre	(1)	64	53	7	3
Technological Corporation of Andalusia	(1)	2	1	10	4
Technological Corporation of Andalusia	(1)	16	12	10	4
		2,043	1,703		

(1) Funds the project to develop drugs with ISM technology.
(2) Funds the recruitment of qualified personnel for R&D&I activities.

b.2) Advances received in 2017:

In 2017, the Company received various reimbursable advances from different entities, details of which are shown below:

		Thousands of euros		Years	
Entity	**Project**	**Face value**	**Initial fair value**	**Repayment period**	**Grace period**
Technological Corporation of Andalusia	(1)	229	188	10	4
Technological Corporation of Andalusia	(1)	77	64	10	4
Technological Corporation of Andalusia	(1)	28	23	10	4
Industrial Technological Development Centre	(1)	140	118	7	4
Industrial Technological Development Centre	(1)	1,575	1,314	8	4
Technological Corporation of Andalusia	(1)	84	69	10	4
Industrial Technological Development Centre	(1)	160	133	7	4
Torres Quevedo Programme	(2)	57	50	3	3
		2,350	1,959		

(1) Funds the project to develop drugs with ISM technology.

(2) Funds the recruitment of qualified personnel for R&D&I activities.

At 31 December, 2018 and 2017, debt with government entities matured as follows:

	Thousands of euros	
Year	**2018**	**2017**
2018	-	2,809
2019	1,893	1,375
2020	1,543	1,614
2021	1,469	1,348
2022	1,521	1,337
2023	857	612
2024 onward	3,628	2,459
	10,911	11,554
Current	9,018	8,745
Non-current	1,893	2,809

19. Current and non-current accruals

	Thousands of euros	
	2018	**2017**
Non-current	6,263	835
Current	359	79
	6,622	914

The accruals caption, both non-current and current, records the amounts received for the assignment of the rights to market low-molecular-weight heparins in a number of countries. The Company defers the revenue over the terms of the contracts, which have a duration of between 10 and 15 years.

In 2018, new deferred revenues of 5,927 thousand euros (128 thousand euros in 2017) were recognised in relation to new distribution contracts.

20. Other provisions

Movement on the current provisions recognised in the statement of financial position was as follows:

	Returns	Contribution to public health system	Other	Total
At 1 January, 2017	**665**	**2,093**	**120**	**2,878**
Additions	699	2,690	119	3,508
Applications	(665)	(2,093)	(120)	(2,878)
At 31 December, 2017	**699**	**2,690**	**119**	**3,508**
Additions	898	5,580	106	6,584
Applications	(699)	(2,048)	(119)	(2,866)
At 31 December, 2018	**898**	**6,222**	**106**	**7,226**

Returns

The Company estimates a provision for product returns considering the average return rate of recent years (Note 2.b).

Contribution to public health system

As stated in Note 3.18, in Spain, in accordance with Law 29/2006, all companies that sell prescription pharmaceuticals or other health products paid with public funds must make payments of between 1.5% and 2.0% of their sales (depending on the volume) into the national health system every four months. This is a levy aimed to adjust the margin on a regulated activity through the price intervention established by the Law. The Company recognises the contribution to the public health system as a reduction in revenue when the sale is made. The sums accrued but not yet paid are recognised under the "Other provisions" caption.

3,467 thousand euros of the total amount of contribution to the national health aystem were related to the co-operation agreement signed between Farmaindustria, the Spanish pharmaceutical industry association, and the Spanish government in 2016 and renewed in December 2017. ROVI, as a member of Farmaindustria, is subject to this agreement. According to the agreement, in the event that public spending on medicines (exclusing generics and biosimilar) exceeds the actual growth rate of the GDP of the Spanish economy, the pharmaceutical industry must reimburse the government in cash for said excess. In 2018, the public spending growth rate exceeded the growth rate of the GDP, meaning that the companies subject to the agreement must make the applicable reimbursement (3,467 thousand euros in the case of ROVI).

The amounts of the provisions recongised in the statement of financial position are the reporting-date best estimate of the payments necessary to meet this obligation, after consideration of the risks and uncertainties related ot the provision and, when significant, the financial effect produced by the rebate, provided that the payments that will be made in each period can be reliably determined. The rebate rate is determined before tax, considering the time value of money and the specific risks that were not taken into account in the future flows related to the provision at each reporting date.

One-off obligations are measured in accordance with the most likely individual outcome. If the obligation involves a significant group of similar items, it will be measured by weighting the possible outcomes by the likelihood that they will occur. If there is a continuous range of possible outcomes and each point of the range has the same likelihood as the rest of the points, the obligation is measured at the average amount.

21. Deferred income tax

Details of deferred income tax are as follows:

	Thousands of euros	
	2018	**2017**
Deferred income tax assets		
- Temporary differences	1,162	1,102
- Other tax carryforwards	9,626	7,549
	10,788	8,651
Deferred income tax liabilities:		
- Temporary differences	(2,046)	(2,651)
	(2,046)	(2,651)
Net deferred income tax	**8,742**	**6,000**

Deferred income tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets against current tax liabilities and intends to settle the net amounts or realise the asset and cancel the liability simultaneously. Deferred tax assets and liabilities were as follows:

	Thousands of euros	
	2018	**2017**
Deferred income tax assets		
- Non-current	8,293	3,477
- Current	2,495	5,174
	10,788	8,651
Deferred income tax liabilities:		
- Non-current	(1,441)	(1,554)
- Current	(605)	(1,097)
	(2,046)	(2,651)
Net deferred income tax	**8,742**	**6,000**

Movement on net deferred taxes was as follows:

	Miles de euros	
	2018	**2017**
Balance at beginning of the year	**6,000**	**916**
(Charged)/credited to profit and loss	2,622	4,945
Charged directly to equity	120	139
Balance at end of the year	**8,742**	**6,000**

Movement on deferred tax assets and liabilities during the period without taking the offsetting of balances into account was as follows:

Deferred tax liabilities	Grants donations and legacies received	Freedom of amortisation/ depreciation	Other	Total
At January 1, 2017	**(1,298)**	**(1,148)**	**(245)**	**(2,691)**
(Charged)/credited to profit and loss	-	(114)	15	(99)
Charged directly to equity	139	-	-	139
At 31 December, 2017	**(1,159)**	**(1,262)**	**(230)**	**(2,651)**
(Charged)/credited to profit and loss	-	471	14	486
Charged directly to equity	120	-	-	119
At 31 December, 2018	**(1,039)**	**(791)**	**(216)**	**(2,046)**

Deferred tax liabilities credited to profit and loss in 2018 for 471 thousand euros (114 thousand euros charged in 2017) in the column "Freedom of amortisation/depreciation" relate principally to the application of the free amortisation/depreciation system to the assets attached to R&D activity and to the maintenance of jobs.

Deferred tax assets	Tax credits pending application	Available-for-sale financial assets	Provisions	Other	Total
At January 1, 2017	**2,512**	**(1)**	**182**	**914**	**3,607**
(Charged)/credited to profit and loss	5,037	-	8	(1)	5,044
At 31 December, 2017	**7,549**	**(1)**	**190**	**913**	**8,651**
(Charged)/credited to profit and loss	2,077	-	50	10	2,137
At 31 December, 2018	**9,626**	**(1)**	**240**	**923**	**10,788**

The column "Other" shows, among other items, the deferred tax asset relating to the tax effect of 30% of the amortisation and depreciation expense for the period, which was not tax deductible in the periods 2013 and 2014 in accordance with Royal Decree-Law 16/2012 of 27 December, which adopted various tax measured aimed to consolidate public finance and stimulate economic activity.

Deferred taxes charged to equity in the year were as follows:

	Thousands of euros	
	2018	**2017**
Grants, donations and legacies received	120	139
	120	**139**

22. Revenue and expenses

a) Net sales

The net amount of the sales from the Company's ordinary activities is geographically distributed as follows:

	%	
Market	**2018**	**2017**
Spain	81%	87%
Germany	5%	1%
Italy	3%	1%
Turkey	2%	3%
Greece	2%	2%
France	2%	1%
Jordan	1%	1%
Portugal	1%	1%
Austria	1%	-
Russia	-	1%
Other	2%	2%
	100%	100%

The breakdown of sales by product group was as follows:

	Thousands of euros	
	2018	**2017**
Pharmaceutical products	191,160	183,166
Contrast agents and other hospital products	29,688	28,541
Non-prescription pharmaceutical products	1,408	1,800
Sales of bemiparin to other Group companies (Note 31.a)	68,846	26,669
Other	100	384
	291,202	240,560

The total amount of sales of goods dropped by 18,252 thousand euros in 2018 (14,679 thousand euros in 2017) as a result of the rebates to the national health sytem (Note 3.18). 3,467 thousand euros of the total amount of rebates to the national health system are related to the co-operation agreement signed between Farmaindustria and the Spanish government (Note 20).

b) Goods, raw materials and other consumables used

	Thousands of euros	
	2018	**2017**
Purchases	194,559	140,016
Change in inventories	(6,116)	5,175
	188,443	145,191

c) Ancillary and other current management income

This caption includes principally revenue from administration services rendered and sales force transfers to other group companies (Note 31.a).

d) Operating grants recognised in profit and loss

In 2018, the Company obtained and recognised as income official grants of 722 thousand euros (819 thousand euros in 2017) to cover principally expenses for the period in certain R&D projects.

e) Employees

	Thousands of euros	
	2018	**2017**
Wages, salaries and similar	27,801	24,697
Employee benefits		
- Pension contributions and provisions (Note 30.a)	24	24
- Other welfare charges	4,919	4,799
	32,744	29,520

The line "Wages, salaries and similar" includes termination payments of 943 thousand euros (501 thousand euros in 2017).

The average number of employees in the period was, by category, as follows:

	2018	**2017**
Executive directors	3	3
Management	14	18
Research	192	185
Marketing	186	182
Administration	76	44
	471	432

Likewise, the distribution of the Company's employees by gender at the end of the reporting period was as follows:

	2018			**2017**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors	3	-	3	3	-	3
Management	12	5	17	12	6	18
Research	68	128	196	66	120	186
Marketing	89	96	185	97	95	192
Administration	28	56	84	11	38	49
	200	285	485	189	259	448

At 31 December, 2018, there were 9 employees with a disability rating equal to or higher than 33% (7 at the 2017 reporting date).

f) External services

The breakdown of the external services item was as follows:

	Thousands of euros	
	2018	**2017**
Advertising costs	15,098	17,566
Services from third parties	5,772	5,175
Supplies	2,979	2,663
Transport and warehouse expenses	2,390	2,065
Repairs and maintenance	2,077	1,841
Operating leases	1,852	1,456
Other operating expenses	35,228	34,523
	65,396	65,289

g) Research and development expenses

Total research and development expenses incurred in 2018 were 32,376 thousand euros (28,251 thousand euros in 2017), focused mainly on the glycomics and ISM® platforms. The latter of these is a drug-release system belonging to ROVI, the objective of which is to improve patient treatment adherence. Of the total research and development expenses incurred in 2018, 7,807 thousand euros are recognised under the "Employee benefit expenses" heading (7,218 thousand euros at 31 December, 2017) and 24,569 thousand euros under "External services" (21,033 housand euros in 2017).

23. Income tax and tax situation

As of 31 December 2018 and 2017, the balances with public authorities were as follows:

	Thousands of euros			
	2018		**2017**	
	Debit	**Credit**	**Debit**	**Credit**
Public Treasury, VAT	3,855	48	3,094	-
Public Treasury, personal income tax	-	653	-	796
Corporate income tax	3,414	-	2,228	-
Social Security	-	518	-	520
Other balances with public authorities	1,147	-	1,297	-
	8,416	1,219	6,619	1,316

The heading "Other balances with public authorities" includes accounts receivable from public entities for the following items:

	Thousands of euros	
	2018	**2017**
Late payment interest receivable	237	326
Grants awarded but not received	910	971
	1,147	1,297

On 1 August, 2007, the Company became the parent of tax group 362/07. Applying the consolidated tax regime provided for in the corporate income tax legislation, ROVI, the parent company of the tax group, included in its statement of financial position debt with Group companies resulting from a tax effect (Note 31.f) of 141 thousand euros (129 thousand euros in 2017), together with credits with Group companies resulting from a tax effect of 8,855 thousand euros (3,677 thousand euros in 2017).

At 31 December, 2018, the reconciliation between the net income and expenses for the period and the tax profit was as follows:

			Thousands of euros			
		Income statement			**Income and expenses credited/(charged) directly in equity**	
Balance income & expenses			**15,581**			**(4,243)**
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax			(4,529)			(1,414)
Permanent differences						
- Individual	793	(5,175)	(4,382)	-	-	-
- Due to tax consolidation	-	(12,791)	(12,791)	-	-	-
Temporary differences						
- Individual						
- originating in the period	1,216	-	1,216	-	-	-
- originating in previous periods.	371	(995)	(624)	-	-	-
- Due to tax consolidation						
- originating in the period	-	(1,431)	(1,431)	-	-	-
- originating in previous periods.	3,022	-	3,022	-	-	-
Taxable income			(3,938)			(5,657)

At the 2017 reporting date, the reconciliation was as follows:

			Thousands of euros			
		Income statement			**Income and expenses credited/(charged) directly in equity**	
Balance income & expenses			**18,673**			**(414)**
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax			(6,444)			(139)
Permanent differences						
- Individual	1,156	(121)	1,035	-	-	-
- Due to tax consolidation	-	(9,892)	(9,892)	-	-	-
Temporary differences						
- Individual						
- originating in the period	967	(34)	933	-	-	-
- originating in previous periods.	372	(1,009)	(637)	-	-	-
- Due to tax consolidation						
- originating in the period	-	(2,995)	(2,995)	-	-	-
- originating in previous periods.	2,298	-	2,298	-	-	-
Taxable income			2,971			(553)

Individual permanent differences relate to non-tax deductible expenses and the transfer of intangible assets.

Permanent differences due to consolidation relate solely to eliminations resulting from the distribution of dividends among companies belonging to the tax group.

Individual temporary differences relate to application of freedom of amortisation/depreciation associated to the assets attached to the R&D activity, expenses recognised in the accounts but temporarily non-deductible, and the free amortization/depreciation associated to maintaining jobs.

Temporary differences due to consolidation relate to eliminations and additions resulting from transactions between companies belonging to the tax group.

Corporate income tax expense comprises:

	Thousands of euros	
	2018	**2017**
Current tax	(417)	(743)
Tax credits	2,267	2,215
Deferred tax	2,622	4,945
Adjustment income tax previous years	57	27
	4,529	6,444

Current corporate income tax is the result of applying a tax rate of 25% to the taxable income.

The Company generated tax credits of 4,033 thousand euros in 2018 (5,072 thousand euros in 2017) and likewise was entitled to offset tax credits of 7,860 thousand euros from previous years (5,502 thousand euros at 31 December, 2017). In 2018, tax credits of 2,267 thousand euros were applied (2,215 thousand euros in 2017) and there were further R&D tax credits of 9,626 thousand euros pending application in future years (8,359 thousand euros at 31 December, 2017). At 31 December, 2018, the Company had recognised the total tax credits not yet applied in its assets (Note 21) (7,551 thousand euros at 31 December, 2017), which are expected to be recovered over a four-year period

The amount paid by the Company as payments on account of the corporate income tax of companies belonging to the tax group was 5,388 thousand euros in 2018 (4,373 thousand euros in 2017). The consolidated current tax for 2018, after deduction of the payments on accounts and withholdings for the period, generated a current tax receivable of 3,473 thousand euros (2,228 thousand euros at 31 December, 2017).

At 31 December, 2018, the following taxes were open to inspection by the tax authorities for the periods stated:

	Period
Corporate income tax	2014-17
Value-added tax	2015-18
Transfer tax	2015-18
Personal income tax	2015-18

As a result of, among other things, possible different interpretations of current tax legislation, additional liabilities could arise as the result of an inspection. At any event, the Directors consider that any such liabilities would not have a significant effect on the annual accounts.

24. Finance income and costs

	Thousands of euros	
	2018	**2017**
Finance income:		
Gains and losses on equity instruments		
- In Group and associated companies (Note 31.d)	(12,791)	(9,892)
Gains and losses on marketable securities and other financial instruments		
- Of third parties	(54)	(89)
	(12,845)	(9,981)
Finance costs:		
Debt with third parties	684	987
	684	987
Change in fair value of financial instruments:		
Derivatives	(17)	-
	(17)	**-**
Exchange rate differences		
Exchange rate differences	56	-
	56	**-**
Impairment and gain or loss on disposal of financial instruments		
Impairment and losses	48	-
Gains and losses on disposals and other	(50)	-
	(2)	-
Finance income and costs	**(12,124)**	**(8,994)**

Finance income received from group and associated companies for a total of 12,791 thousand euros (9,892 thousand euros at 31 December, 2017) relate to dividends received from companies belonging to the ROVI Group, of which ROVI is the parent.

25. Cash flows from operating activities

	Thousands of euros	
	2018	**2017**
Pre-tax profit for the year	11,052	12,229
Adjustments to the profit:		
- Amortisation/deprec. of intangible assets & property, plant & equipment (Notes 5 y 6)	7,753	7,891
- Finance income (Note 24.a)	(54)	(89)
- Finance costs (Note 24.a)	684	987
- Adjustments for change in value of financial instruments	33	-
- Net change in provisions	3,718	630
- Grant for non-financial assets and distribution licence revenue	(1,806)	(2,006)
- Other gains and losses	1,816	(651)
	23,196	18,991
Changes in working capital:		
- Inventories	(7,562)	1,122
- Debtors and other receivables	(84,985)	32,722
- Creditors and other payables	56,451	(43,401)
	(36,096)	(9,557)
Other cash flows from operating activities:		
- Income tax received/(paid)	(3,141)	113
- Other amounts received/(paid) (Note 19)	5,927	128
	2,786	241
Cash flows generated (used) in operating activities	**(10,114)**	**9,675**

26. Cash flows from investing activities

	Thousands of euros	
	2018	**2017**
Payments for investments:		
- Group and associated companies (Note 8)	-	(5)
- Intangible assets (Note 5)	(9,881)	(5,194)
- Property, plant and equipment (Note 6)	(5,461)	(6,560)
	(15,342)	(11,759)
Amounts received for disinvestments:		
- Group and associated companies (Note 8)	50	(450)
- Property, plant and equipment (Note 6)	2,199	25
- Other assets (Note 24.a)	342	377
	2,591	(48)
Cash flows generated (used) in investing activities	**(12,751)**	**(11,807)**

27. Cash flows from financing activities

	Thousands of euros	
	2018	**2017**
Amounts received from and paid for equity instruments:		
- Issue of equity instruments (Note 14)	88,000	-
	88,000	-
Amounts received from and paid for financial liability instruments:		
a) Issue		
- Bank borrowings (Note 18)	5,000	20,000
- Other debt (Nota 18)	2,043	2,350
	7,043	22,350
b) Reimbursement and repayment of:		
- Bank borrowings	(13,222)	(9,993)
- Debt with Group and associated companies (Note 31 g)	(1,572)	-
- Other debt	(2,832)	(2,908)
- Interest payments	(187)	(253)
	(17,813)	(13,154)
Dividend payments and remuneration of other equity instruments		
- Dividends (Note 15 b) & d)	(5,952)	(9,025)
- Transactions with treasury shares (Note 15 c)	(152)	479
	(6,104)	(8,546)
Cash flows generated (used) in financing activities	**71,126**	**650**

28. Contingencies

At 31 December, 2018, the Company held bank guarantees amounting to 3,453 thousand euros (3,133 thousand euros in 2017). These guarantees were granted principally to enable group companies to participate in public tenders and to receive grants and reimbursable advances.

29. Commitments

a) Operating lease commitments

The minimum future payments under non-cancellable operating leases at 31 December, 2018 were 727 thousand euros (1,545 thousand euros at 31 December, 2017), 617 thousand euros of which related to payments due at less than one year (1,007 thousand euros at less than one year at 31 December, 2017).

The operating lease expense recognised in profit and loss in 2018 was 1,852 thousand euros (1,456 thousand euros in, 2017).

b) Acquisition of Bertex Pharma GmbH

Future payment commitments derive from the agreement for the purchase of the company Bertex Pharma GmbH in 2007. The purchase agreement fixes a variable component that will depend upon the successful completion of clinical trials for the development of products and the subsequent marketing. The commitments related to this transaction are:

b.1) If the development and commercialisation is performed internally:

- 350 thousand euros after finishing successfully the development of clinical trials of phase 1. Part of this amount, 100 thousand euros, was settled in 2011 and 250 thousand euros were settled in 2014;
- A payment of 200 thousand euros after finishing successfully the development of clinical trials of phase 2. This payment was made in 2016;
- A payment of 300 thousand euros after successfully finishing the development of clinical trials of phase 3;
- A payment of 200 thousand euros at the beginning of the marketing of any pharmaceutical product;
- A payment of 200 thousand euros at the beginning of the marketing of any pharmaceutical product in any of the main markets (USA, Japan, Germany, France, Italy or UK).

b.2) If the development and marketing is performed by third parties:

- 5% of the revenues obtained by Rovi from the development and marketing of the products by third parties (net of direct or indirect production costs and administration expenses).

Payments for the internal development or marketing detailed in section b.1) exclude those performed under section b.2) and vice versa, but if Rovi completes clinical development phases 1 and 2 and entrusts the subsequent phases to a third party or performs them for a third party, this clause will apply, but the payments made for phases 1 and 2 under section b.1) will be deducted.

The work and clinical trials for development of the products mentioned in point a) above are progressing as planned.

30. Remuneration of the Board of Directors and Senior Management

At 31 December, 2018, the members of the Board of Directors were as follows

Mr Juan López-Belmonte López	Chairman
Mr Iván López-Belmonte Encina	First Deputy Chairman
Mr Javier López-Belmonte Encina	Second Deputy Chairman
Mr Juan López-Belmonte Encina	Chief Executive Officer
Mr Enrique Castellón Leal	Director
Mr Miguel Corsini Freese	Director
Mr Fernando de Almansa Moreno-Barreda	Director

The non-director Secretary is Mr. Gabriel Núñez Fernández.

a) In compliance with the provisions of Article 28 of the Board of Directors Regulations of Laboratorios Farmacéuticos Rovi, S.A., the following information is provided with respect to the members of the Board of Directors at 31 December, 2018:

1. An individual breakdown of the compensation of each director, including, where applicable:

   a. Per diem expenses or other fixed remuneration received as director and additional remuneration received as chairman or member of any Board committee. The amounts for 2018 and 2017 were as follows:

	Thousands of euros	
	2018	**2017**
Mr Juan López-Belmonte López	150	150
Mr Juan López-Belmonte Encina	60	60
Mr Enrique Castellón Leal	60	60
Mr Javier López-Belmonte Encina	60	60
Mr Iván López-Belmonte Encina	60	60
Mr Miguel Corsini Freese	60	60
Mr Fernando de Almansa Moreno-Barreda	60	60
	510	510

   b. None of the directors has received remuneration corresponding to shares in profits or bonuses.

   c. Contributions made to defined contribution pension plans in the director's favour (Note 3.10.a); or increases in the vested rights of the director in the case of contributions to defined-benefit plans (no defined-benefit plans exist):

	Thousands of euros	
	2018	**2017**
Mr Juan López-Belmonte Encina	8	8
Mr Javier López-Belmonte Encina	8	8
Mr Iván López-Belmonte Encina	8	8
	24	24

   d. Any severance payments agreed or paid in the event of termination of mandate: not applicable.

   e. Remuneration received as a director of other Group companies: not applicable.

   f. Remuneration for the performance of senior management functions received by executive directors. The remuneration of this kind for 2018 and 2017 was as follows:

	Thousands of euros			
	2018		**2017**	
	Fixed	**Variable**	**Fixed**	**Variable**
Mr Juan López-Belmonte Encina	312	528	303	153
Mr Javier López-Belmonte Encina	229	392	221	115
Mr Iván López-Belmonte Encina	229	393	223	115
	770	1,313	747	383

ROVI has a Long-Term Incentive Plan for the executive directors for the years 2016-2018. The purpose of this plan is to provide compensation for the long-term creation of value for the Company in the interests of the shareholders. This Incentive Plan accrued at 31 December, 2018 and the amount is shown in the variable column.

On 29 May, 2018, the General Shareholders' meeting approved a new incentive plan with the same characteristics as the aforementioned for the years 2019 to 2021.

g. Any item of compensation other than the above, irrespective of its nature or the group company that paid it, especially when classified as a related transaction or when its omission would distort the true and fair view of the total compensation received by the director: not applicable.

2. Individual breakdown of any awards made to directors of shares, share options or any other instrument linked to share price, stating:

a. The number of shares or options awarded in the year and the conditions applicable for exercising them;
b. The number of options exercised during the year, indicating the number of shares involved and the exercise price.
c. The number of options pending exercise at the year end, indicating price, date, and other exercise requirements;
d. Any amendment during the year of the conditions for exercising of options already awarded.

In 2018 and 2017, no shares, options or other instruments linked to the share value were given to directors.

3. Information on the relationship, in the last year, between compensation received by executive directors and results or other measurements of the Company's performance:

	Thousands of euros	
	2018	**2017**
Remuneration of executive directors	2,083	1,130
Profit attributable to parent company	15,581	18,673
Remuneration of executive directors/Profit attributable to parent company	13.17%	6.05%

b) Remuneration of and loans to senior management

The total remuneration paid to members of senior management in 2018, excluding the remuneration received by the executive directors described in points a)1.c) and a)1.f above, was 1,565 thousand euros (1,465 thousand euros in 2017).

No loans were granted to members of senior management in the last two years.

The Company holds a liability insurance policy for directors and senior management. A premium of 12 thousand euros accrued for this policy in 2018 and 2017.

c) Conflicts of interest on the part of the directors

In compliance with their duty to avoid situations where conflict with the Company's interests exists, the directors who held office on the Board of Directors during the year met the obligations set forth in article 228 of the revised text of the Capital Companies Act. Likewise, both they and the persons related to them refrained from entering into the situations of conflict of interests provided for in article 229 of said Act.

31. Other related-party transactions

Transactions with group and other related companies are conducted under normal market terms and conditions, in accordance with the agreements put in place between the parties.

a) Sales of goods and rendering of services

	Thousands of euros	
	2018	**2017**
Sales of goods		
- Subsidiaries (Note 22.a)	68,846	26,669
- Joint ventures	62	173
	68,908	26,842
Rendering of services:		
- Subsidiaries (Note 22.c)	4,658	2,834
	4,658	2,834
	73,566	**29,676**

The services that ROVI provides to its subsidiaries are principally administration and management services.

b) Goods and services purchased

	Thousands of euros	
	2018	**2017**
Sales of goods:		
- Subsidiaries	87,946	60,895
- Joint ventures	41	-
	87,946	60,895
Purchases of services:		
- Subsidiaries	10,691	10,110
- Joint ventures	200	200
- Directors	24	24
- Entities in which Mr Juan López-Belmonte holds an ownership interest)	1,107	711
	12,022	11,045
	99,968	**71,940**

Purchases of services from companies in which Mr. Juan López-Belmonte López holds an interest related to operating lease payments to the companies Inversiones Borbollón, S.L. and Norba Inversiones, S.L.

c) Sales of property, plant and equipment

In 2018, the Company sold property, plant and equipment for total amount of 2,148 thousand euros to its subsidiary Rovi Contract Manufacturing, S.L.

d) Dividends paid

Dividends paid to the company Norbel Inversiones, S.L. in 2018 were 4,203 thousand euros (6,372 thousand euros in 2017).

e) Dividends received

In 2018 and 2017, the Company received the following dividends from Group companies (Note 24):

	Thousands of euros	
	2018	**2017**
- Rovi Contract Manufacturing, S.L.	9,307	3,758
- Bemipharma Manufacturing, S.L.	-	1
- Pan Química Farmacéutica, S.A.	444	392
- Frosst Ibérica, S.A.	3,040	5,741
	12,791	9,892

f) Capital contributions

In 2018, the Company increased its interest in the following subsidiaries by offsetting the balances of loans (Note 8):

- Rovi GmbH, by 1,550 thousand euros.
- Rovi Biotech S.r.L. by 184 thousand euros.

g) Other transactions

	Thousands of euros	
	2018	**2017**
Loans		
- Subsidiaries	1,572	2,082

In 2018, the Company granted loans of 1,572 thousand euros (2,082 thousand euros in 2017) to its subsidiaries, on which it received 39 thousand euros of financial interest. The capital contributions explained in point f) of this Note and in Note 8 were made by offsetting the balances of loans granted by ROVI to its subsidiaries at the time of the transaction.

In 2013, Laboratorios Farmacéuticos Rovi, S.A. granted a loan of 1,050 thousand euros to Alentia Biotech, S.L. (Note 9) at an annual interest rate of 2.00%. Interest accrued on this loan is 22 thousand euros per year.

h) Balances at the reporting date derived from sales and purchases of goods and services

				Thousands of euros
	2018		2017	
	Debit balance	Credit balance	Debit balance	Credit balance
Purchases/sales of goods or services				
- Subsidiaries	102,885	81,620	38,059	21,733
- Entities in which Mr. Juan López-Belmonte holds an interest	33	151	33	183
- Joint ventures	-	20	24	40
	102,918	81,791	38,116	21,956
Income tax charge				
- Subsidiaries (Note 23)	8,856	61	3,677	49
- Joint ventures	-	80	-	80
	8,856	141	3,677	129
Loans granted at fair value				
- Subsidiaries	1,920	-	2,087	-
- Joint ventures (*)	46	-	100	-
	1,966	-	2,187	-
Interest				
- Subsidiaries	36	-	22,967	-
	36	-	22,967	-
Dividends				
- Subsidiaries	35,758	-	22,967	-
	35,758	-	22,967	-
Other items				
- Directors	44	1,537	45	1,147
- Key management	-	250	-	273
	44	1,787	45	1,420
TOTAL	**149,578**	**83,719**	**66,992**	**23,505**

In 2017, debit and credit balances with Group companies were offset against each other, which affected balances receivable by the Company for dividends, commercial credit and debit balances and corporate income tax credit and debit balances relating to 2017 and earlier periods.

(*) This line shows the balances receivable from joint ventures for services provided, as well as those relating to loans granted, at fair value.

32. Environmental information

Any operation the main purpose of which is to minimise the environmental impact and protect and improve the environment is considered an environmental activity.

The Company has not made any investments in systems, equipment or facilities for environmental activities in the last two reporting periods.

In 2018, in order to contribute to the protection and improvement of the environment, the Company incurred expenses of 385 thousand euros for waste elimination (295 thousand euros in 2017).

At the reporting date, the Company was not aware of any possible environmental contingencies that might be significant.

33. Events after the end of the reporting period

On 15th of February 2019, ROVI has announced that the Group has reached an agreement with a subsidiary of MSD ("MSD") whereby ROVI acquires certain rights to MSD's dexchlorpheniramine maleate product line in Spain and France, allowing it to distribute this product directly in Spain in its different pharmaceutical forms (tablets, syrup and ampoules, marketed under the brand name POLARAMINE®, and cream, marketed under the brand name POLARACREM™) and, in France, in its injectable form (ampoules). Under this agreement, this line of products will be marketed directly by ROVI in Spain in its different pharmaceutical forms and, in France, in its injectable form, when the administrative procedures to authorise the transfer of the marketing authorisations have been concluded at the Spanish Medicines Agency and the French Agency for the Safety of Medicines and Health Products.

According to MSD, net sales of these products in Spain and France, were approximately 6.3 million US dollars in 2017.

ROVI will pay MSD 13.5 millon euros for the product.

34. Fees of account auditors

The net fees accrued by KPMG Auditores, S.L. for account auditing and other accounting reviews and verification in the 2018 period were 83 thousand euros and 337 thousand euros, respectively (83 thousand euros and 38 thousand euros in 2017)..

The accounting review and verification services included work performed to review the System for Control over Financial Information (SCIIF), as well as the limited reviews for the three-month period ended 31 March, 2018 and the six-month period ended 30 June, 2018, the verification of the Statement of Non-Financial Information, the review of compliance with financial ratios for financing agreements, and the underwriting work related to the capital increase carried out in 2018 (Note 15). In 2017, the accounting review and verification services were related to the review of the System for Internal Control over Financial Information (SCIIF), as well as the limited review of the six-month period ended 30 June, 2017

The feels for audit services and other review and verification servies in the Group of which the Company is the parent totalled, respectively, 151 and 337 thousand euros (142 and 38 thousand euros, respectively, in 2017). These amounts include those relating to the Company, as mentioned above.

Free translation of the 2018 Management Report originally issued in Spanish. In the event of discrepancy, the Spanish version prevails.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

2018 Management Report

The Board of Directors of Laboratorios Farmacéuticos Rovi, S.A. (ROVI or "the Company") issues the following management report in accordance with Article 262, 148 d) and 526 of the Spanish Capital Company Act ("Ley de Sociedades de Capital"), 61 bis of the Securities Market Law.

1. Corporate profile

ROVI is a fully integrated Spanish specialty pharmaceutical company engaged in the research, development, in-licensing, manufacturing and marketing of small molecule and specialty biologic drugs.

The Company has a diversified portfolio of products that it markets in Spain through its specialized sales force, calling on specialist physicians, hospitals and pharmacies. ROVI's portfolio of 30 principal marketed products is currently anchored by the internally-developed, second generation low molecular weight heparin, Bemiparin. ROVI's research and development pipeline is focused primarily on the expansion of applications, indications and alternative mechanisms of action for the heparin-derived products and other glycosaminoglycans and on the development of new controlled release mechanisms based on ISM® technology, with the aim of obtaining new pharmaceutical products that enable the regular administration of formulations which are administered daily in chronic and prolonged treatments.

Additional information about ROVI is available on the company's website: www.rovi.es

2. Business performance

Operating revenue increased by 21% to 291.2 million euros in 2018, driven by the strength of the specialty pharmaceutical business, which grew by 3%, slightly outperforming the market and by sales of Enoxaparine biosimilar.

Sales of prescription-based pharmaceutical products rose 18% to 216.8 million euros in 2018.

Sales of the Low Molecular Weight Heparin (LMWH) franchise (Enoxaparin biosimilar and Bemiparin) increased by 42% to 121.5 million euros in 2018. LMWH sales represented 40% of operating revenue in 2018 compared to 31% in 2017.

Sales of the Enoxaparin biosimilar amounted to 30.2 million euros in 2018. ROVI commenced the marketing of its Enoxaparin biosimilar in UK, Italy, Spain, France, Austria, Latvia and Estonia in 2018.

ROVI's low molecular weight heparin (LMWH), Bemiparin, had a positive performance in 2018, with sales up 9% to 91.3 million euros. Sales of Bemiparin in Spain (Hibor®) increased by 15% to 67.4 million euros, while international sales decreased by 5% to 23.8 million euros.

Sales of Neparvis®, a specialty product from Novartis, launched in December 2016, indicated for the treatment of adult patients with symptomatic chronic heart failure and reduced ejection fraction, reached 13.6 million euros in 2018, compared to 4.7 million euros in 2017.

Sales of Hirobriz® Breezhaler® and Ulunar® Breezhaler®, both inhaled bronchodilators from Novartis for patients with respiratory difficulties due to a pulmonary disease known as Chronic Obstructive Pulmonary Disease (COPD), launched in Spain in the fourth quarter of 2014, increased by 7% to 15.3 million euros in 2018, compared to the previous year.

Sales of Volutsa®, a specialty product from Astellas Pharma indicated for the treatment of moderate to severe storage symptoms and voiding symptoms associated with benign prostatic hyperplasia, launched in Spain in February 2015, increased by 25% to 11.2 million euros in 2018.

Sales of Vytorin®, Orvatez® and Absorcol®, the first of the five licenses of MSD, indicated as adjunctive therapy to diet in patients with hypercholesterolemia, decreased by 9% to 36.0 million euros in 2018. In the second quarter of 2018, the active principle ezetimibe went out of patent and the price of Absorcol® was reduced. Likewise, generics formulated with ezetimibe and simvastatin have recently been marketed, so the price of Vytorin® has been reduced to be competitive.

Sales of Medicebran® and Medikinet®, specialty products from Medice indicated for the treatment of ADHD (Attention Deficit and Hyperactivity Disorder) in children and teenagers, launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, decreased by 2% to 7.4 million euros in 2018.

Sales of Exxiv®, a selective COX-2 inhibitor from Merck Sharp & Dohme (MSD), decreased by 35% to 2.3 million euros in 2018, mainly due to a continued deceleration of the COX-2 market.

Corlentor® and Thymanax® products were not marketed by ROVI in 2018. In 2017 sales of Corlentor® and Thymanax® amounted to 2.5 million euros and 3.9 million euros respectively.

According to QuintilesIMS, Spanish innovative product market increased by 2% in 2018 compared to the previous year. Nevertheless, ROVI prescription-based pharmaceutical product sales rose 18% in the same period, beating the market by 16 percentage points.

As a member of Farmaindustria, a Spanish pharmaceutical industry association, ROVI is subject to a collaboration agreement entered into between Farmaindustria and the Spanish government in 2016. This agreement was renewed in December 2017. Pursuant to the agreement, in the event that public spending on drugs (excluding generics and biosimilars) increases at a rate in excess of the actual rate of growth of the Spanish gross domestic product (GDP), the pharmaceutical industry must reimburse the difference to the government through monetary payments. In 2018, the public spending growth rate was higher than the GDP growth rate and, therefore, the sales recorded by ROVI were 3.5 million euros lower than the actual sales (this amount is included in the “Discounts to the National Health System” line).

Sales of contrast imaging agents and other hospital products increased by 4% to 29.7 million euros in 2018.

Sales of over-the-counter pharmaceutical products (“OTC”) and other decreased by 17% to 2.2 million euros in 2018 compared to the previous year.

3. Liquidity and capital resources

3.1 Liquidity

As of 31 December 2018, ROVI had gross cash position of 85.3 million euros, compared to 37.0 million euros as of 31 December 2017, and net cash (available-for-sale financial assets plus deposits plus cash and cash equivalents minus short term and long term financial debt) of 51.6 million euros, compared to a net debt of 5.5 million euros as of 31 December 2017.

3.2 Capital resources

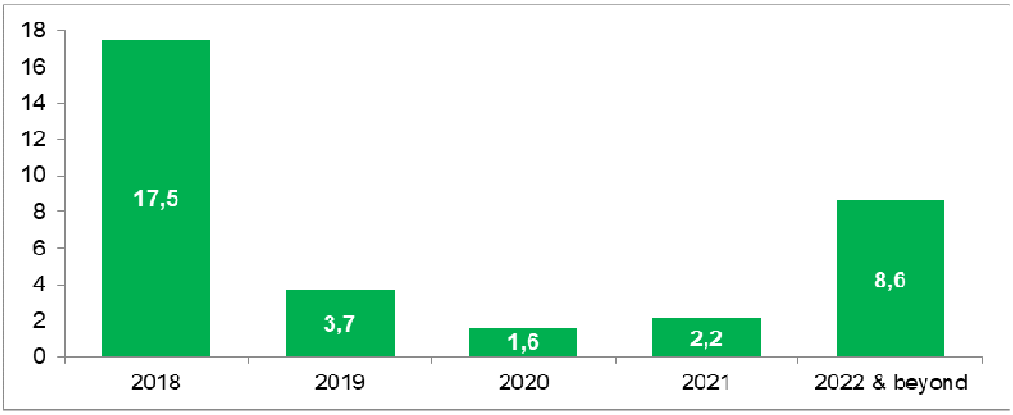
As of 31 December 2018, ROVI had total debt of 33.6 million euros, compared to 42.5 million euros as of 31 December 2017. Debt with public administration, which is 0% interest rate debt, represented 32% of total debt as of 31 December 2018.

In thousand euros	**2018**	**2017**
Bank borrowings	22,716	30,938
Debt with public administration	10,911	11,554
Total	**33,627**	**42,492**

As of 31 December 2018, bank borrowings decreased by 8.2 million euros due to debt amortization.

In December 2017, ROVI announced the European Investment Bank (EIB) granted it a loan to support its investments in Research, Development and Innovation. The loan is for 45 million euros. ROVI may draw down this amount during a period of 24 months as from signature of the contract and the loan will mature in 2029. The loan provides for a three-year grace period and financial conditions (i.e. applicable interest rates, repayment periods, etc.) favorable to ROVI. As of 31 December 2018, ROVI had drawn down 5 million euros against this credit line.

Debt maturities at 31 December, 2018 are shown in the following graph (millions of euros):



3.3 Analysis of contractual obligations and items off the statement of financial position

In the ordinary course of activities, in order to manage its own transactions and financing, the Group has carried out certain transactions that are not included on the statement of financial position, such as operating leases. The Group's objective is to optimize the financing costs that are involved in determined financial transactions and, therefore, on certain occasions, has chosen operating leases rather than the acquisition of assets. The minimum future payments to be made for non-cancellable operating leases at 31 December, 2018 were 727 thousand euros (1,545 thousand euros at 31 December, 2017), of which 617 thousand euros are related to maturities at less than one year (1,007 thousand euros at less than one year at 31 December, 2017).

4. Key operating and financial events

4.1 ROVI acquires Falithrom® for the German market

ROVI informed (by publication of the relevant fact number 273591 dated 9th of January of 2019) about the acquisition of Falithrom®, which was owned by Hexal AG ("Hexal"), a company belonging to the Sandoz division of Novartis, to be directly marketed by ROVI in Germany.

Falithrom® is used for the prevention and treatment of thromboembolic disease including venous thrombosis, thromboembolism, and pulmonary embolism as well as for the prevention of ischemic stroke in patients with atrial fibrillation (AF).

According to IQVIA, the 2017 net sales of the product in Germany totalled around 3.5 million euros. ROVI will pay Hexal nine million euros for the product.

Under this agreement, Falithrom® will be directly marketed by ROVI in Germany as soon as the administrative processes to authorize the transfer of the marketing authorization are completed before the Federal Institute for Drugs and Medical Devices (BfArM).

4.2 ROVI has increased its equity by approximately 88 million euros

ROVI informed (by publication of the relevant fact number 270159 dated 4th of October of 2018) that the Board of Directors adopted a resolution to increase the share capital of ROVI by means of monetary contributions through the issue of new ordinary shares with a nominal value of €0.06 each (the "Initial Offer Shares") (the "Capital Increase"), which may be increased by a number of new ordinary shares representing up to 10% of the number of Initial Offer Shares that are issued (the "Option Shares" and, together with the Initial Offer Shares, the "Offer Shares") to cover over-allotments (if any) which may be made in connection with the offering of the Initial Offer Shares and short positions resulting from stabilization transactions. The final number of Offer Shares has led to the raising of approximately 88 million euros (share capital and issue premium).

The proceeds obtained from the sale of the Offer Shares are to be used to partly finance the Phase III clinical testing of Risperidone ISM® and other expenses related to Risperidone ISM® until its commercialization, if approved, to finance, in whole or in part, the Phase I clinical testing of Letrozol ISM®, to support the ongoing marketing of its enoxaparin biosimilar Becat® and for general corporate purposes, which may include acquisitions.

4.3 ROVI has commenced the marketing of the Enoxaparin biosimilar in eight countries and has reached distribution and marketing agreements with Hikma and Sandoz

ROVI informed (by publication of the relevant fact number 249265 dated 7th of March of 2017) that the decentralised procedure used for the Company to submit, in 26 countries of the European Union, the marketing authorization application of a low molecular weight heparin (Enoxaparin biosimilar) was completed with positive outcome.

In the mentioned decentralised procedure, Germany has acted as Reference Member State (RMS). The national phase of the registration process, which is expected to be completed with the granting by the competent local authorities of the marketing authorisation in each concerned country, was initiated in the first half 2017, and it continued during the rest of the year and 2018.

In September 2017, ROVI informed by publication of a relevant fact (number 256121) about the commencement of marketing of Enoxaparin biosimilar in Germany, the first European country where ROVI launches its biosimilar and one of the top Enoxaparin countries in Europe (in terms of volume and value). In 2018, ROVI commenced the marketing of its Enoxaparin biosimilar in UK, Italy, Spain and France, Austria, Latvia and Estonia.

As of 31st December 2018, all the European Union countries where ROVI had applied for the national registration of the Enoxaparin biosimilar had approved such registration, except Greece and Luxembourg.

In April 2018, ROVI signed a licensing agreement with Hikma Pharmaceuticals PLC, the quoted multinational pharmaceutical group (LSE: HIK), for the exclusive distribution and marketing of its Enoxaparin biosimilar in 17 MENA[1] (Middle East and North Africa) countries: Kingdom of Saudi Arabia, Jordan, Algeria, Egypt, Tunisia, Sudan, Syria, Yemen, Iraq, Oman, United Arab Emirates, Kuwait, Qatar, Bahrain, Libya, Palestine and Lebanon.

Likewise, in June 2018 ROVI announced the signature of a licensing agreement with Sandoz, a division of Novartis AG and a global leader in generic pharmaceuticals and biosimilars, to distribute and market its enoxaparin biosimilar in 14 countries/regions (Australia, New Zealand, Philippines, Hong Kong, Singapore, Vietnam, Malaysia, Canada, South Africa, Brazil, Colombia, Argentina, Mexico and Central America). Under the terms of the agreement, Sandoz has the exclusive rights for three of these countries, which are Hong Kong, Singapore and Vietnam.

In September 2018, ROVI announced it had signed an agreement with Biogaran SAS, the leading French pharmaceutical company in biosimilar generic medicines and a subsidiary of Servier laboratories, for the semi-exclusive marketing of its enoxaparin biosimilar in France.

Besides Europe, by December 2018, ROVI has distribution and marketing agreements for the Enoxaparin biosimilar in 64 countries.

ROVI will regularly update the milestones considered relevant in this process of marketing authorisation as the schedule of the registration of the medicinal product progresses in each country.

4.4 ROVI updates the pivotal PRISMA 3 study of Risperidone ISM®

ROVI informed that after a prespecified Interim Analysis on the pivotal PRISMA-3 study for the once-monthly injectable formulation of Risperidone ISM®, an independent Data Monitoring Committee has recommended to continue the clinical trial and not increasing the currently planned number of randomized patients.

The PRISMA-3 study is a multicentre, randomized, double-blind, placebo-controlled clinical trial to evaluate the efficacy and safety of monthly intramuscular injections of Risperidone ISM® in patients with acute exacerbation of schizophrenia[2], having initiated patients' recruitment in May 2017, as previously informed the 25th of October 2017 on a relevant fact (number 257753).

[1] *The agreement does not include Morocco and Lebanon has a semi-exclusive agreement.*
[2] *https://clinicaltrials.gov/ct2/show/NCT03160521*

As expected, ROVI carried out one unblinded interim analysis that was planned to be conducted when approximately 50% of randomized patients have either reached study day 85 or withdrawn from the study to re-estimate the sample size required for the final analysis. In this sense, an independent Data Monitoring Committee received unblinded results from this interim analysis and communicated to ROVI the blinded outcome, concluding that the clinical trial can continue and an increase of the study sample size is not needed.

In December 2018, all patients completed the double-blind (main) part of the study. Therefore, the company plans to file an NDA (New Drug Application) US Registration Dossier for the FDA (Food and Drug Administration), the second half 2019.

5. Research and development

ISM® technology platform

As previously informed, ROVI has progressed in the development of Risperidone ISM®, the first candidate for its leading-edge drug delivery technology, ISM®, for a prolonged release of risperidone, a well-stablished second-generation antipsychotic medicine.

After successfully finishing the phase I & II program[3,4] of Risperidone ISM®, ROVI started the pivotal phase III trial "PRISMA-3"[5] with the recruitment of the first patient in May 2017. After finishing the recruitment in September 2018, all patients completed the double-blind (main) part of the study in December 2018. Therefore, the company plans to file an NDA (New Drug Application) US Registration Dossier for the FDA (Food and Drug Administration), the second half 2019.

On the other hand, in November 2017 ROVI started the clinical development of Letrozole ISM®, the first long-acting injectable aromatase inhibitor intended for the treatment of hormone-dependent breast cancer. The first phase I clinical trial, the LISA-1 study[6], is currently ongoing; this is an open-label, dose escalation study to evaluate the pharmacokinetics, safety and tolerability of single intramuscular injections of Letrozole ISM® at different strengths in healthy post-menopausal women.

[3] *Llaudó J, et al. Phase I, open-label, randomized, parallel study to evaluate the pharmacokinetics, safety, and tolerability of one intramuscular injection of risperidone ISM at different dose strengths in patients with schizophrenia or schizoaffective disorder (PRISMA-1). Int Clin Psychopharmacol. 2016;31(6):323-31.*

[4] *Anta L, Llaudó J, Ayani I, Martínez J, Litman RE, Gutierro I. A phase II study to evaluate the pharmacokinetics, safety, and tolerability of Risperidone ISM multiple intramuscular injections once every 4 weeks in patients with schizophrenia. Int Clin Psychopharmacol. 2018;33(2):79-87.*

[5] *Study to Evaluate the Efficacy and Safety of Risperidone In Situ Microparticles® (ISM®) in Patients With Acute Schizophrenia (PRISMA-3). Clinicaltrials.gov#NCT03160521 [https://clinicaltrials.gov/show/NCT03160521].*

[6] *Evaluation of IM Letrozole ISM® Pharmacokinetics, Safety, and Tolerability in Healthy Post-menopausal Women (LISA-1). Clinicaltrials.gov#NCT03401320 [https://clinicaltrials.gov/ct2/show/NCT03401320].*

6. Dividends

In line with the Company's announcement in the Relevant Event dated 24 September, 2018 (concerning the capital increase carried out in September 2018), which stated that ROVI's Board of Directors had agreed to reflect on a possible adjustment of the present dividend distribution policy in order to maintain the Company's growth strategy, the Board of Directors has decided to put a proposal to the General Shareholders' Meeting to allocate the 2018 profit to, firstly, the reserves item on the Company's statement of financial position and, secondly, the distribution of a dividend of 0.0798 euros per share entitled to receive it, which would entail the distribution of approximately 25% of the consolidated net profit for 2018 (in comparison with the 35% of the consolidated net profit that ROVI has been distributing as a dividend over recent years).

The ROVI General Shareholders Meeting, on 29 May 2018, approved the payment of a gross dividend of 0.1207 euros per share on 2017 earnings. This dividend was paid in July 2018.

7. Capital expenditure

ROVI invested 15.3 million euros in 2018, compared to 11.8 million euros in 2017. Of this amount:

- The additions in "Property, plant and equipment" are mainly due to the acquisition of assets related to investments in the Granada facility and to the preparation of the plant for the development of the ISM® project;

- In 2018 additions in intangible assets amounting to 9.0 million euros are related to the acquisition of Falithrom® (see section 4.1).

8. Treasury shares transactions

In the course of 2018, ROVI acquired a total of 68,603 of its own shares (35,421 in 2017), paying the amount of 1,138 thousand euros for them (532 thousand euros in 2017). Likewise, it resold a total of 58,731 of its own shares (67,784 in 2017) for an amount of 986 thousand euros (1,011 thousand euros in 2017). These shares had been acquired at a weighted average cost of 733 thousand euros (826 thousand euros in 2017), giving rise to a profit of 253 thousand euros on the sale (185 thousand euros in 2017), which was taken to reserves. At 31 December, 2018, ROVI held 695,055 treasury shares (685,183 at 31 December, 2017).

9. Headcount evolution

The average number of employees during 2017 has been 471 (432 in 2017).

10. Outlook for 2019

In 2019, ROVI expects a high single digit growth rate for the operating revenue. The Company forecasts that it will continue to grow at a higher rate than Spanish pharmaceutical market expenditure in the first nine months of 2018, which, according to the Ministry of Health, Consumption and Social Welfare, showed a growth rate of 3%.

ROVI expects its growth drivers to be Bemiparin, the latest license agreements (Neparvis®, Volutsa®, Orvatez® and Ulunar®), the Enoxaparin biosimilar, its existing portfolio of specialty pharmaceuticals and new product distribution licenses.

11. Risk management

11.1 Operating risks

The main risk factors to which the Company considers itself to be exposed in respect of meeting its business objectives are the following:

- Changes in the legislation regulating the market aimed to contain pharmaceutical expense (price control, reference prices, support for generic products, co-payment, purchase platforms, …);
- Finalization of contractual relationships with customers representing a significant part of its sales or renewal in less favourable conditions than the current ones;
- Changes in the conditions under which raw materials and other packaging materials needed for manufacturing its products are supplied;
- Late payment on the part of the public authorities in the short term; and
- Tax risk inherent to the activity of companies of the size and complexity of the Company.

ROVI is permanently on the alert and is keeping any risks that may have an adverse effect on its business activities under constant surveillance, applying the appropriate policies and mechanisms to manage them and constantly developing contingency plans that can be used to mitigate or offset their impact. Among them, we highlight the fact that the Company (i) continues, every year, to apply an internal saving policy that is principally based on improving the efficiency of its internal and external operating processes; (ii) is working intensively to maintain a broad and diversified portfolio of products and customers; (iii) is continuing with its target of constantly opening up new markets as a result of its international expansion plan; and (iv) the Company exercises strict credit control and manages its cash effectively, which ensures that sufficient working capital is generated and maintained to allow its day-to-day operations to be carried out; and (v) The Company has an exhaustive tax risk control system, with external tax advisors who review the preparation and filing of the different taxes as well as the Company's decision-making on tax issues

11.2 Financial risks

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The main detected and managed risks of ROVI are detailed below:

- *Market risk*

Market risk is divided in:

a) Foreign exchange risk: is very low as virtually all assets and liabilities of the Company are in euros, with no subsidiary out of the Euro zone. Additionally the majority of the foreign transactions are carried out in euros.

b) Price risk: the Company is exposed to price risk by its short-term and long-term financial investments. To manage the price risk arising from the investments, ROVI diversifies its portfolio.

c) Interest rate risk: the Company is subject to an interest rate risk in respect of cash flows on long-term borrowing transactions at variable rates. The risk, however, is slight since most of the Company's debt consists of refundable advances from official organisations on which there is no interest rate risk.

d) Raw material price risk: ROVI is exposed to changes in the conditions under which raw materials and other packaging materials needed to manufacture its products are supplied.

- *Credit risk*

Credit risk is managed by groups. The credit risk arises from cash and cash equivalents, long-term financial investments, deposits held at call in banks and financial institutions and other receivables available for sale, as well as from wholesalers and retailers, including accounts receivables and committed transactions. The Company monitors the solvency of these assets by reviewing external credit ratings and qualifying internally assets which are not externally rated.

It should be mentioned here that despite this management work, the Regional Government continue to be extremely slow in making payments for pharmaceutical supplies, to the detriment of companies operating in this sector. Despite this, the Company's financial position is sound and its liquidity unaffected.

- *Liquidity risk*

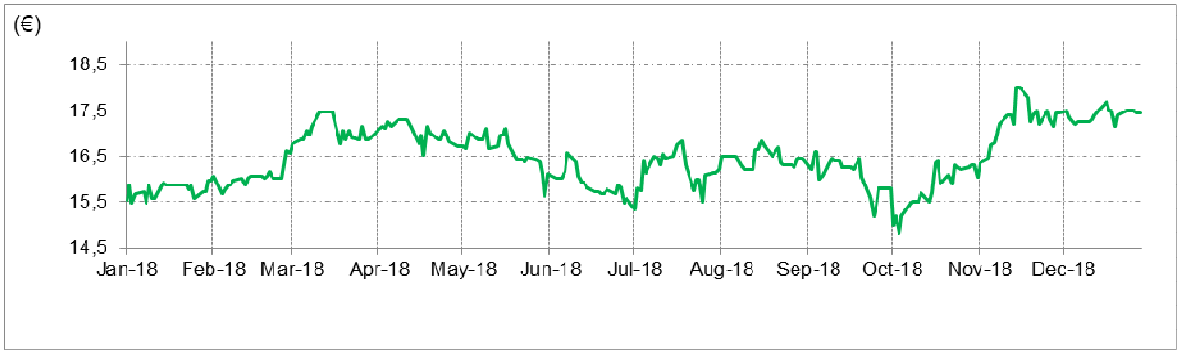
Management monitors the liquidity estimates of the Company according to the expected cash flows; therefore, the Company always has sufficient cash and trade securities to confront its liquidity requirements.

12. Stock market capitalization

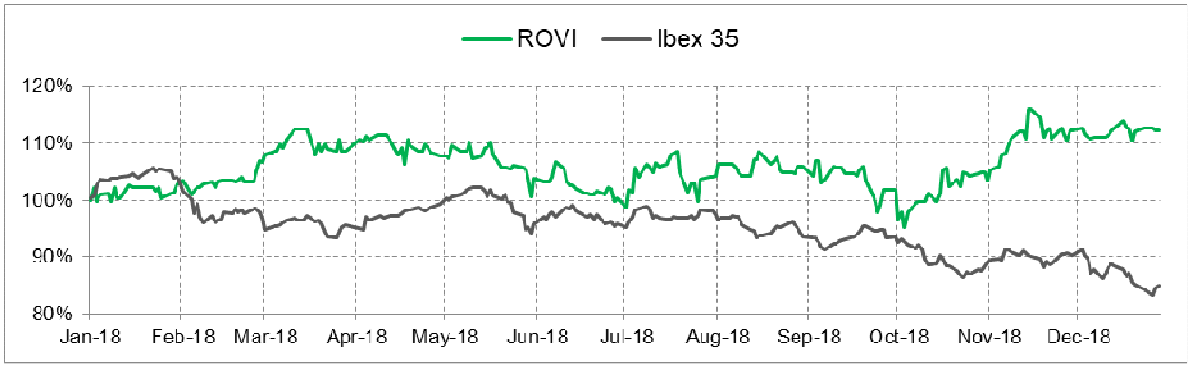
On the December 5th 2007, ROVI carried out an Initial Public Offering (IPO) of shares initially intended for qualified investors in Spain and to qualified institutional investors abroad. The face value of the operation, without including the shares corresponding to the green shoe purchase option, was 17,389,350 shares already issued and in circulation with a nominal value of 0.06 euros per share, giving a total nominal amount of 1,043,361 euros. The offering price for the operation was 9.60 euros per share.

Additionally, in 2018, a capital increase was carried out through the issue of 6,068,965 newly-issued ordinary shares in the Company with a par value of 0.06 euros each, belonging to the same class and series as the existing shares that were already in issue.

The following graph shows the fluctuations of the share price in the stock market in 2018:



The following chart shows the performance of the share price of ROVI compared with the IBEX 35 index in 2018:



13. Corporate Government Annual Report

Appendix 1 includes the Corporate Government Annual Report prepared by the Company for 2018.

14. Events after balance sheet date

On 15th of February 2019, ROVI has announced that the Company has reached an agreement with a subsidiary of MSD ("MSD") whereby ROVI acquires certain rights to MSD's dexchlorpheniramine maleate product line in Spain and France, allowing it to distribute this product directly in Spain in its different pharmaceutical forms (tablets, syrup and ampoules, marketed under the brand name POLARAMINE®, and cream, marketed under the brand name POLARACREM™) and, in France, in its injectable form (ampoules). Under this agreement, this line of products will be marketed directly by ROVI in Spain in its different pharmaceutical forms and, in France, in its injectable form, when the administrative procedures to authorise the transfer of the marketing authorisations have been concluded at the Spanish Medicines Agency and the French Agency for the Safety of Medicines and Health Products.

According to MSD, net sales of these products in Spain and France, were approximately 6.3 million US dollars in 2017.

ROVI will pay MSD 13.5 millon euros for the product.

15. Statement of non-financial information

The statement of non-financial information of the group of which the Company is the parent company, ROVI Group, has been included in the consolidated management report of Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries at 31 December, 2018.

APPENDIX 1

CORPORATE GOVERNMENT ANNUAL REPORT 2018

(see http://www.cnmv.es/Portal/consultas/EE/InformacionGobCorp.aspx?nif=A-28041283)

The Individual Annual Accounts of Laboratorios Farmacéuticos Rovi, S.A. ("**Rovi**" or the "**Company**") (which comprise the balance sheet, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and notes), as well as the individual management report of the Company (which comprise the Annual Corporate Governance Report of the Company) for the fiscal year ended on 31 December 2018 and which precede this document, have been issued by the Board of Directors at its meeting of 25 February 2019, and whose members sign below in accordance with Article 253 of the Royal Decree 1/2010, of 2 July, approving the consolidated text of the Spanish Capital Companies Law (*Ley de Sociedades de Capital*), and Article 37 of the Spanish Commercial Code:

Madrid, 25 February 2019

Mr. Juan López-Belmonte López
Chairman

Mr. Juan López-Belmonte Encina
Chief Executive Officer

Mr. Iván López-Belmonte Encina
Vice Chairman 1º

Mr. Javier López-Belmonte Encina
Vice Chairman 2º

Mr. Enrique Castellón Leal
Lead Independent Director

Mr. Miguel Corsini Freese
Director

Mr. José Fernando de Almansa Moreno-Barreda
Director

Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries

Consolidated Annual Accounts

31 December 2018

Consolidated Directors' Report

2018

(With Independent Auditor's Report Thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)

KPMG Auditores, S.L.
Paseo de la Castellana 259 C
28046 - Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Laboratorios Farmacéuticos Rovi, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Laboratorios Farmacéuticos Rovi, S.A. (the "Parent") and subsidiaries (together the "Group") which comprise the consolidated balance sheet at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2018 and of its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Capitalisation and recoverability of intangible assets See notes 2.7, 4.1, 7 and 24 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
The Group has significant intangible assets amounting to Euros 34,650 thousand, including Euros 24,498 thousand derived from the acquisition of trademarks and licences of products that are currently marketed, of which Euros 5,366 thousand reflect intangible assets with indefinite useful lives and Euros 8,371 thousand reflect development expenses. Intangible assets with indefinite useful lives The Group tests intangible assets with indefinite useful lives for impairment on an annual basis. The recoverability of these assets is based on the discounting of future cash flows using budgets which, inherently, requires a high degree of judgement. Development expenses The capitalisation of any development expenses requires an analysis of the compliance with the requirements established in the applicable financial reporting framework. The main risk is associated with the successful outcome of the projects and obtaining the corresponding clinical and regulatory authorisations for their subsequent marketing. The Group has intangible assets amounting to Euros 8,371 thousand derived from the development of a low-molecular-weight heparin, an enoxaparin biosimilar, for which authorization to market the product was obtained in the year 2017. There are no indications of impairment. In 2018 the Group incurred research and development expenses amounting to Euros 32,376 thousand that have not been capitalised,	Our audit procedures included, among others, the following: ▪ Assessment of the design and implementation of the controls associated with the process for estimating the recoverability of intangible assets and the process used to recognise research and development expenses and to identify, where applicable, any expenses that qualify for capitalisation. ▪ We verified the consistency of the profit and loss forecasts used as a basis for assessing the recoverability of the intangible assets, specifically the projected income and expenses and cash flows. ▪ We obtained and assessed the documentation prepared by Management in relation to the analysis of research and development expenses, particularly regarding the capitalisation of any development expenses. ▪ Our procedures related to projects under development included an assessment of the reasonableness of the assumptions used by the Group to determine the probability of obtaining the pertinent authorisations, by considering the current stage of development. ▪ In order to carry out the assessment mentioned in the preceding paragraphs, we held meetings with Management and key personnel of the research and development area to confirm these assumptions. ▪ In addition, we assessed whether the disclosures included in the consolidated annual accounts comply with the

associated mainly with products under development based on the ISM® platform. Due to the significance of the balance and the high degree of judgement associated with the capitalisation and recoverability of these intangible assets, we consider this to be a key audit matter in our audit of the current year.	requirements of the financial reporting framework applicable to the Group.

Recognition and recoverability of deferred tax assets

See Notes 2.7, 4.1, 19 and 28 to the consolidated annual accounts

Key Audit Matter	*How the Matter was Addressed in Our Audit*
The Group has deferred tax assets amounting to Euros 16,036 thousand, of which Euros 3,354 thousand and Euros 10,175 thousand comprise tax loss carryforwards and tax credits, respectively, with the remainder reflecting temporary differences that will be tax deductible in the coming years. In addition, the Group has tax assets totalling Euros 5,751 thousand that have not been recognised as it is not considered probable that future taxable profits will be available against which these assets may be offset. The recognition of deferred tax assets requires a high degree of judgement by the Directors in assessing the probability and sufficiency of the future taxable profit against which they can be offset, future reversals of existing taxable temporary differences and the tax planning opportunities considered by the Group. Due to the significance of the balance and the uncertainty associated with the recovery of the amounts recognised as deferred tax assets, mainly in respect of tax credits and unused tax loss carryforwards, this is considered to be a key audit matter in our audit of the current year.	Our audit procedures included, among others, the following: ▪ Assessment of the design and implementation of the controls associated with the process for recognising and estimating the recoverability of deferred tax assets. ▪ Assessment of the reasonableness of the criteria and the main assumptions used by the Group to estimate the future taxable profits required to offset these assets. ▪ We contrasted the consistency of the profit and loss forecasts used as a basis for recognising tax loss carryforwards and tax credits with the actual profit or loss obtained and assessed the reasonableness of the time period in which the Group expects to offset these assets. ▪ Assessment of whether the disclosures included in the consolidated annual accounts comply with the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2018 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated annual accounts.
Our audit opinion on the consolidated annual accounts does not encompass the consolidated directors' report. Our responsibility as regards the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to the consolidated statement of non-financial information and to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the directors' report, or where applicable, in a separate report on non-financial information, as provided for in legislation, to which reference is made in the directors' report, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information mentioned in paragraph a) above has been provided in the consolidated directors' report and the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2018, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts_

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the Parent, we determine those that were of most significance in the audit of the consolidated annual accounts of the current period and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 25 February 2019.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 31 May 2017 for a period of three years, from the year ended 31 December 2017.

(Signed on the original in Spanish)

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

José Ignacio Rodríguez Prado
On the Spanish Official Register of Auditors ("ROAC") with number 15825

25 February 2019

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts and
Consolidated Management Report
at 31 December, 2018

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Thousands of euros)

	Note	31 December 2018	31 December 2017
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	95,837	89,056
Intangible assets	**7**	34,650	27,078
Investment in joint venture	**10**	2,038	2,054
Deferred income tax assets	**19**	16,036	11,893
Equity securities	**9 & 11**	70	69
Financial receivables	**9 & 13**	65	65
		148,696	**130,215**
Current assets			
Inventories	**12**	94,861	75,492
Trade and other receivables	**9 & 13**	60,180	49,747
Current income tax assets	**27**	3,414	2,228
Financial derivatives		17	-
Prepaid expenses		21	-
Cash and cash equivalents	**9 & 14**	95,511	40,700
		254,004	**168,167**
Total assets		**402,700**	**298,382**

Notes 1 to 35 and Appendix 1 attached hereto are an integral part of these Consolidated Annual Accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Thousands of euros)

	Note	31 December	
		2018	2017
EQUITY			
Capital and reserves attributable to shareholders of the company			
Share capital	**15**	3,364	3,000
Share premium	**15**	87,636	-
Legal reserve	**16**	600	600
Treasury shares	**16**	(8,812)	(8,407)
Retained earnings and voluntary reserves	**16**	186,792	179,255
Profit for the year	**16**	17,895	17,241
Other reserves	**16**	(3)	(2)
Total equity		**287,472**	**191,687**
LIABILITIES			
Non-current liabilities			
Financial debt	**18**	16,589	27,029
Deferred income tax liabilities	**19**	1,243	1,438
Contract liabilities	**20**	6,263	-
Deferred income	**21**	3,621	5,005
		27,716	**33,472**
Current liabilities			
Financial debt	**17**	17,635	16,208
Trade and other payables	**18**	68,165	52,942
Contract liabilities	**20**	1,159	-
Deferred income	**21**	553	565
Provisions for other liabilities and charges	**22**	-	3,508
		87,512	**73,223**
Total liabilities		**115,228**	**106,695**
Total equity and liabilities		**402,700**	**298,382**

Notes 1 to 35 and Appendix 1 attached hereto are an integral part of these Consolidated Annual Accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2018

CONSOLIDATED INCOME STATEMENT
(Thousands of euros)

	Note	31 December	
		2018	2017
Revenue	**5 & 23**	303,203	275,649
Change in inventories of finished goods and work in progress		9,050	8,873
Raw materials and consumables used		(137,662)	(119,065)
Employee benefit expenses	**24**	(70,180)	(63,990)
Non-current self-constructed assets	**7**	-	2,057
Other operating expenses	**25**	(76,496)	(74,809)
Amortisation	**6 & 7**	(12,044)	(11,479)
Recognition of government grants on non-financial non-current assets and other		1,587	1,773
OPERATING PROFIT		**17,458**	**19,009**
Finance income		16	93
Finance costs		(712)	(1,013)
Impairment and gain or loss on measurement of financial instruments		(23)	-
Exchange difference		(83)	-
FINANCE COSTS - NET	**27**	**(802)**	**(920)**
Share of profit of joint venture	**10**	**24**	**(567)**
PROFIT BEFORE INCOME TAX		**16,680**	**17,522**
Income tax	**28**	1,215	(281)
PROFIT FOR THE YEAR		**17,895**	**17,241**
Earnings per share (basic and diluted) attributable to the shareholders of the Company (euros)			
- Basic and diluted	**29**	0.35	0.35

Notes 1 to 35 and Appendix 1 attached hereto are an integral part of these Consolidated Annual Accounts.

Free translation of the Consolidated Annual Accounts originally issued in Spanish and prepared in accordance with International Reporting Standards as adopted by the European Union. In the event of discrepancy, the Spanish version prevails.

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Thousands of euros)

	Note	31 December	
		2018	2017
Profit for the year		**17,895**	**17,241**
Items that may subsequently be reclassified to profit and loss		**(1)**	**1**
+ Changes in value of equity securities	**11**	(1)	1
Other comprehensive income (net of taxes)		**(1)**	**1**
Total comprehensive income for the year		**17,894**	**17,242**

Notes 1 to 35 and Appendix 1 attached hereto are an integral part of these Consolidated Annual Accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Thousands of euros)

	Share capital (Note 15)	Share premium (Note 15)	Legal reserve (Note 16)	Treasury shares (Note 16)	Retained earnings and voluntary reserve (Note 16)	Profit for the year (Note 16)	Other reserves (Note 16)	TOTAL EQUITY
Balance at 1 January, 2017	**3,000**	**-**	**600**	**(8,701)**	**162,421**	**26,089**	**(3)**	**183,406**
Total comprehensive income	-	-	-	-	-	17,241	1	**17,242**
Transfer of 2016 profit	-	-	-	-	17,064	(17,064)	-	**-**
Dividends 2016 (Note 16 e)	-	-	-	-	-	(9,025)	-	**(9,025)**
Acquisition of treasury shares (Note 16 d)	-	-	-	(532)	-	-	-	**(532)**
Reissue of treasury shares (Note 16 d)	-	-	-	826	185	-	-	**1,011**
Other movements	-	-	-	-	(415)	-	-	**(415)**
Balance at 31 December, 2017	**3,000**	**-**	**600**	**(8,407)**	**179,255**	**17,241**	**(2)**	**191,687**
Total comprehensive income	-	-	-	-	-	17,895	(1)	**17,894**
Transfer of 2017 profit	-	-	-	-	11,289	(11,289)	-	**-**
Dividends 2017 (Note 16 e)	-	-	-	-	-	(5,952)	-	**(5,952)**
Capital increase	364	87,636	-	-	(3,881)	-	-	**84,119**
Acquisition of treasury shares (Note 16 d)	-	-	-	(1,138)	-	-	-	**(1,138)**
Reissue of treasury shares (Note 16 d)	-	-	-	733	253	-	-	**986**
Other movements	-	-	-	-	(124)	-	-	**(124)**
Balance at 31 December, 2018	**3,364**	**87,636**	**600**	**(8,812)**	**186,792**	**17,895**	**(3)**	**287,472**

Notes 1 to 35 and Appendix 1 attached hereto are an integral part of these Consolidated Annual Accounts.

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2018

CONSOLIDATED STATEMENT OF CASH FLOWS
(Thousands of euros)

	Note	31 December	
		2018	2017
Cash flows from operating activities			
Profit before tax		16,680	17,522
Adjustments for non-monetary transactions			
Amortisation	**6 & 7**	12,044	11,479
Finance income	**27**	(16)	(93)
Valuation allowance	**12 & 13**	1,766	(1,437)
Adjustments for changes in value of derivatives		33	-
Finance expense	**27**	712	1,013
Net changes in provisions		-	630
Grant on non-financial assets and income from distribution licences		(1,806)	(2,012)
Gain on sale of share in joint venture		(10)	-
Share of profit of joint ventures	**10**	(24)	567
Changes in working capital			
Trade and other receivables		(9,605)	3,534
Inventories		(21,348)	(6,454)
Other current assets		(21)	-
Trade and other payments		6,540	(6,910)
Other collections and payments			
Proceeds from distribution licences and other deferred revenue	**20**	6,727	87
Income tax cash flow		(3,141)	113
Net cash generated (used) in operating activities		**8,531**	**18,039**
Cash flows from investing activities			
Purchases of intangible assets	**7**	(10,069)	(5,012)
Purchases of property, plant and equipment	**6**	(16,390)	(14,932)
Proceeds from sale of property, plant and equipment	**6**	62	25
Proceeds from sale of share in joint venture	**10**	50	450
Interest received		105	285
Net cash generated (used) in investing activities		**(26,242)**	**(19,184)**
Cash flows from financing activities			
Repayments of financial debt		(16,230)	(13,084)
Proceeds from financial debt	**18**	7,043	22,350
Interest paid		(187)	(253)
Purchase of treasury shares	**16 d)**	(1,138)	(532)
Reissue of treasury shares	**16 d)**	986	1,011
Dividends paid	**16 c)**	(5,952)	(9,025)
Capital increase	**15**	88,000	-
Net cash generated (used) in financing activities		**72,522**	**467**
Net (decrease)/increase in cash and cash equivalents		**54,811**	**(678)**
Cash and cash equivalents at beginning of year	**9 & 14**	**40,700**	**41,378**
Cash and cash equivalents at end of year	**9 & 14**	**95,511**	**40,700**

Notes 1 to 35 and Appendix 1 attached hereto are an integral part of these Consolidated Annual Accounts.

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the annual period 2018
(Thousands of euros)

1. General information

Laboratorios Farmacéuticos Rovi, S.A. (the "parent company" or "the Company") was incorporated as a public limited company *("sociedad anónima")* in Madrid on 21 December, 1946. It is entered in the Companies Register of Madrid, sheet 1,179, folio 197 of volume 713 of Companies Book 283. Its registered office and the tax address are at Julián Camarillo, 35, Madrid. Its head office is located at the same address in Madrid.

The Company's principal activity is the sale of its own pharmaceutical products and the distribution of other products for which it holds licences granted by other laboratories for specific periods, in accordance with the terms and conditions contained in the agreements entered into with said laboratories.

Laboratorios Farmacéuticos Rovi, S.A. is the parent of a pharmaceutical business group (hereinafter, "ROVI" or "Rovi Group" or "Group") engaged in the production and sale of pharmaceutical products. The Group's main product is Bemiparin, a low-molecular-weight heparin, which is marketed in various countries.

In October 2018, the Company carried out a capital increase charged to cash contributions, with exclusion of preferential subscription rights (the "Capital Increase"). The final terms of this increase were as follows:

- The Capital Increase was carried out for a nominal amount of 364,137.90 euros through the issue of 6,068,965 newly-issued ordinary shares in the Company with a par value of 0.06 euros each, belonging to the same class and series as the existing shares already in issue (the "New Shares").
- The price of issue of the New Shares was fixed at 14.50 per share, 0.06 euros of which related to the par value, while 14.44 euros was the share premium (the "Issue Price").
- As a consequence of the foregoing, the effective total amount of the Capital Increase was 87,999,992.50 euros, 364,137.90 euros of which related to the nominal and 87,635,854.60 to the share premium.

As a consequence of this Capital Increase, the company Norbel Inversiónes, S.L.'s shareholding in Laboratorios Farmaceúticos Rovi, S.L. dropped from 69.64% to 62.10% (Note 15). Norbel Inversiones, S.L., with registered office at Calle Julián Camarillo, 35, Madrid, files consolidated annual accounts with the Madrid Companies Registry.

The Company's shares are listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and included in the Spanish Stock Exchange Interconnection System (Continuous Market).

These Consolidated Annual Accounts were approved by the Board of Directors on February 25, 2019 and are pending approval by the General Meeting of Shareholders. Nevertheless the Directors of the Company expect the Annual Accounts to be approved without any changes.

Changes in the consolidated group

In 2017, the company Rovi S.A.S, with registered office at 24 Rue du Drac, Seyssins (France) and 100%-held by Laboratorios Farmacéuticos Rovi, S.A, was incorporated.

2. Summary of key accounting policies

The principal accounting policies applied in the preparation of these Consolidated Annual Accounts are set out below. These policies have been consistently applied to all the reporting periods presented in these Consolidated Annual Accounts.

2.1. Bases of presentataion

These Consolidated Annual Accounts for 2018 (and those for 2017 presented for comparative purposes) have been prepared under the International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union pursuant to the provisions of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July, 2002, according to which all companies governed by the Law of a Member State of the European Union whose shares are listed on a regulated market of any of the Member States must present their Consolidated Annual Accounts for the reporting periods starting on or after 1 January, 2005 in accordance with the IFRS endorsed by the European Union.

The Consolidated Annual Accounts have been prepared, in general, under the historical cost convention, except for available-for-sale financial assets.

The preparation of Consolidated Annual Accounts in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Annual Accounts are disclosed in Note 4.

2.2 New standards and amendments and interpretations of existing ones

a) Standards, amendments and interpretations mandatory for all annual periods beginning on or after 1 January, 2018

In 2018, the following standards and amendments to existing standards were endorsed by the European Union and came into force on 1 January, 2018. They have either been applied by ROVI or may affect the Group in the future:

- IFRIC 22 "Foreign Currency Transactions and Advance Consideration". This Interpretation addresses how to determine the date of a transaction to determine the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of an advance consideration in foreign currency. The entry into force of this Interpretation has not had a material effect for ROVI.
- Annual Improvements to IFRSs 2014–2016 Cycle. The amendments affect IFRS 1, IFRS 12 and IAS 28. The main amendments that may apply to the Group refer to:
    - IFRS 12 "Disclosure of Interests in Other Entities". Clarification of the scope of the standard.
    - IAS 28 "Investments in Associates and Joint Ventures". Measurement of an investment in an associate or joint venture at fair value.
- IFRS 9 "Financial Instruments". It addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 is effective for annual periods beginning on or after 1 January, 2018. This standard replaces IAS 39 "Financial Instruments: Recognition and Measurement".

a) Classification and measurement of financial assets and financial liabilities

Trade and other receivables and Cash and cash equivalents that were classified as loans and receivables under International Accounting Standard ("IAS") 39 "Financial instruments: recognition and measurement" are now classified at amortised cost. At 31 December, 2017, trade and other receivables were recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Equity securities represent investments that the Group intends to hold in the future. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at fair value through profit and loss. The valuation of this type of assets was the same at 31 December, 2017.

b) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The impairment of financial assets, including trade and lease receivables, is now assessed using an expected credit loss model; previously, the incurred loss model was used.

The financial assets at amortised cost consist mainly of trade receivables.

The Group measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for financial assets measured at amortised cost are presented separately as deductions from the gross carrying amount of the assets.

Given the nature of ROVI´s financial assets, the entry into force of IFRS 9 has not had a sngificant impact on its allowances for doubtful accounts or impairment.

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.

Exposures within each group were segmented based on the type of customer (government and non government customers) and the months past due:

- At 1 January, 2018, government customers amounted to 5,663 thousand of euros. Trade and other receivables of this type of customer relate to accounts receivables from government entities, on which, in view of their nature and the information currently available, ROVI considers there to be a low credit risk and thus no expected losses have been recorded The Group has a legal right to claim late payment interest on these receivable from the different government entities.

- At 1 January, 2018 non-government customers included mainly wholesalers, toll manufacturing clients, other pharmaceutical companies and private centres. Impairment loss allowances over non government customers are measured based on the time they are past due:

	Weighted-average loss rate	Gross carrying amount	Impairment loss allowance	Credit impaired
Current	0.0%	22,756	-	No
3 months past due	0.0%	11,454	-	No
3-6 months past due	0.0%	1,120	-	No
More than 6 months past due	100.0%	1,837	1,837	Yes
		37,167	**1,837**	

The Group has determined that the application of IFRS 9´s impairment requirements at 1 January, 2018 coincides with the loss allowance at 31 December, 2017 under IAS 39, which was 1,837 thousand euros.

The methodology described above was also used at the interim reporting date. Changes during the period to the Group's exposure to credit risk are described in Note 13.

The adoption of IFRS 9 has not had significant effect on the Group's interim financial statements.

- IFRS 15 "Revenue from Contracts with Customers". In May 2014, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly issued a converged standard on recognition of revenue from contracts with customers. IFRS 15 is effective for annual periods beginning on or after 1 January, 2018. According to this standard, revenue is recognised when the customer obtains control of the good or service sold, i.e. when the customer is able to both direct the use of and obtain the benefits from the good or service. This IFRS includes new guidance to determine whether revenue should be recognised over time or at a point in time, which requires management judgement. The adoption of this standard has not had a significant effect on the consolidated annual accounts for the year ending 31 December, 2018.

  The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January, 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

The following tables summarise the impacts of adopting IFRS 15 on the Group's annual statement of financial position as at 31 December, 2018 for each of the line items affected. This adoption has not had any impact on the assets:

31 December, 2018	Note	Amounts without adoption of IFRS 15	Adjust-ments	As reported
ASSETS				
Non-current assets		**148,696**	-	**148,696**
Current assets		**254,004**	-	**254,004**
Total assets		**402,700**	-	**402,700**

Adoption of IFRS 15 had the following effects on liabilities:

31 December, 2018	Note	Amounts without adoption of IFRS 15	Adjust-ments	As reported
EQUITY				
Total equity		**287,472**	-	**287,472**
LIABILITIES				
Non-current liabilities		**27,716**	**-**	**27,716**
Financial debt		16,589	-	16,589
Deferred tax liabilities		1,243	-	1,243
Contract liabilities	18	-	6,263	6,263
Deferred income	19	9,884	(6,263)	3,621
Current liabilities		**87,512**	**-**	**87,512**
Financial debt		17,635	-	17,635
Trade and other payables	16	60,938	7,227	68,165
Contract liabilities	18	-	1,159	1,159
Deferred income	19	1,712	(1,159)	553
Provisions for other liabilities and charges	20	7,227	(7,227)	-
Total equity and liabilities		**402,700**	**-**	**402,700**

There was no material impact on the income statement of the statement of cash flows for the annual reporting period ended 31 December, 2018.

Details of this accounting policy and the nature of the changes to previous accounting policies are set out below:

a) Sales of goods

The Group's "Sales of goods" are derived from the sale of pharmaceutical products, contrast agents and other hospital products and other non-prescription pharmaceutical products, where control transfers to the customers and the performance obligations are satisfied when the goods are made available to other pharmaceutical companies or at the time of the delivery to the remaining customers. Invoices are usually due in a maximum period of 90 days.

IFRS 15 states that an entity that grants the right to return the product should recognise the revenue for the transferred products at the amount of consideration to which the entity expects to be entitled, a refund liability, and an asset for its right to recover products. ROVI recognises its revenues net of estimated returns at the date of sale, together with the refund liability. The Group does not recognise an asset for its right to recover products because, based on experience and the type of product sold, the goods returned can no longer be sold or form part of the Group's inventories.

The amount of revenue recognised is adjusted for expected returns, which are estimated considering the average returns rates of recent years.

Discounts granted to government customers are recorded as a deduction from revenue at the time the related revenues are recorded. Where applicable, a liability is calculated on the basis of historical experience, which requires the use of judgement by the management.

Therefore, ROVI's revenue from contracts with customers is subject to a variable consideration for rebates, refunds and returns, the amount of which is only recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The impact of the application of the IFRS 15 has been a reclassification from the provisions for returns and for the contribution to public healthcare system to the "Trade and other payables" caption.

The adoption of IFRS 15 did not significantly change the timing or amount of revenue recognised under these arrangements.

b) Sales of services

The Group's sales of services (toll manufacturing) consists of revenues from manufacturing and packaging services provided to third parties where control transfers to the toll manufacturing customers and the performance obligations are mainly satisfied when the manufactured goods are made available. Invoices are usually payable between 30 and 120 days.

The adoption of IFRS 15 did not significantly change the timing or amount of revenue recognised under these arrangements.

c) Sale of services with distribution licenses

Occasionally the Group grants licences to other pharmaceutical companies to sell its products on an exclusive basis in a specific territory and also promises to manufacture the pharmaceutical product for the customer. For these agreements, the Group collects a single down-payment for the transfer of the license, which is either non-refundable or may be refundable under very strict terms if the product is finally not authorised for distribution in a specific territory. In these contracts signed with third parties whereby Rovi grants the distribution licenses, the obligations arising from the granting of these licenses are always linked to the obligation to supply and manufacture the product and no other entity can manufacture it. As the customer cannot benefit from the licence without the manufacturing service, the licence and the manufacturing service cannot be separated and therefore the Group accounts for the licence and the manufacturing service as a single performance obligation.

Additionally, in these types of contracts the Group has an enforceable right to payment for performance completed to date, as the entity would be entitled to an amount that at least compensated the Group for its performance completed to date in the event that the customer or another party were to terminate the contract for reasons other than the entity's failure to perform as promised. Consequently, the Group recognises revenue over time and defers revenues from the granting of product distribution licenses over the number of units produced.

The deferral system implemented by ROVI is in accordance with IFRS 15 for this type of revenue, and therefore the application of this standard has had no significant impact on the contracts already in place. Any impact would be on new contracts for granting distribution licenses, with terms and conditions that differ from those currently in place. This has not occurred to date.

- Amendments to IFRS 9 “Financial Instruments”: “Prepayment Features with Negative Compensation”. According to this amendment, effective 1 January, 2018, financial assets that can be prepaid with compensation may be measured at amortised cost or fair value through other comprehensive income. ROVI will take this amendment into account if any asset with these features is prepaid.

b) Standards, interpretations and amendments that have not yet come into force but which are available for early adoption for annual periods commencing on or after 1 January, 2018

At the signature date of these Consolidated Annual Accounts, the IASB and the IFRS Interpretations Committee had published the following standards, amendments and interpretations application of which is mandatory from 2019 onwards. ROVI considers that the following could be applicable to the Group, although they have not been adopted early:

- IFRS 16 – “Leases” replaces IAS 17, IFRIC 4, IAS 15 and IAS 27. It will be effective for annual periods commencing on or after 1 January, 2019 and early adoption is permitted as long as IFRS 15 is being applied. The principal new feature of IFRS 16 is that there will be a single new accounting model for lessees, who will include all leases (with limited exceptions) in their statements of financial position with an impact similar to that of the present finance leases (there will be depreciation of the right-of-use asset and a finance expense for the amortised cost of the liability, the expense accruing more swiftly under IFRS 16).

IFRS states that lessees must recognise a financial liability for the present value of the payments to be made over the remaining life of the lease contract and an asset for the right of use of the underlying asset, which is measured on the basis of the asociated liability, to which any initial direct costs incurred are added. Additionally, the criterion for recognisng the lease expense changes and it is now recognised as an expense for depreciation of the asset and a financial expense for the discounting of the lease liablity. In respect of the current accounting by the lessor, the rules do not change substantially and the lessor must continue to classify the lease as operating or financial, depending on the degree to which the risks and rewards of ownership are substantially transferred.

The Group has assessed the first application of the Standard, identifying the lease contracts that may fall within the scope of IFRS 16. To do this, the Group:

- Reviewed the lease contracts and grouped them by type: leases on the real estate where it carries out its principal activities, vehicle leases and computer equipment leases.
- The Group has applied the recognition exemption for underlying assets with a low value (less than 5,000 US dollars) and a short term (12 months or less). Las facturas emitidas por los proveedores contratados recogen servicios de distinta naturaleza.
- In the case of vehicles, the present value of the payments has been determined on the basis of the current commitment, seven months.
- The Group has elected to apply the modified retrospective effect, according to which the 2018 period will not be restated, as its transition model.
- The Group has elected to measure the initial right-of-use asset at the amount of the lease liability at 1 January, 2019 for all the lease contracts.
- To determine the present value of the payments to be made over the remaining lives of the leasse contracts for the right-of-use of the underlying assets, the Group's incremental borrowing rate, close to the Group's debt ratio, has been applied. At the date of initial application, this is 1.5%.
- The term of the leases has been identified by classifying leases with a similar nature.

After the aforementioned analysis, the estimated effect of the transition to IFRS 16 at the effective date would be:

- Recognition of assets under the "Right-of-use assets" caption (non-current assets) for an amount of, approximately, 22 million euros.

- Increase in debt under the captions "Financial liabilities for non-current and current leases" of, approximately, 19 million euros and 3 million euros, respectively.

The estimated impacts that application of IFRS 16 would have had on the consolidated income statement and consolidated statement of cash flows for 2018 are:

- Lower operating expenses and, consequently, an increase of, approximately, 0.1 million euros in the gross operating profits, since operating lease payments are recognized under the operating expenses caption, offset by recognition of an increased expense for the depreciation of the right-of-use asset of, approximately, 3 million euros and an increase of 0.3 million euros in the finance costs of the lease liabilities.

- An increase of, approximately, 0.1 million euros in the cash flows from operating activities, as the result of the increase in the gross operating profit, offset by a decrease of the same amount in the cash flows from financing activities, since the reimbursement of the portion of the principal of the lease liabilities would be classified as cash flows from financing activities, meaning that the generation of cash would not be affected.

- Amendments to IFRS 9 "Financial Instruments": "Prepayment Features with Negative Compensation". According to this amendment, effective 1 January, 2018, financial assets that can be prepaid with compensation may be measured at amortised cost or fair value through other comprehensive income. ROVI will take this amendment into account if any asset with these features is prepaid.

c) Standards, amendments and interpretations of existing standards that cannot be adopted early or that have not been endorsed by the European Union.

At the date of signature of these Consolidated Annual Accounts, the IASB and the IFRS Interpretations Committee had published the standards, amendments and interpretations described below which have not yet been endorsed by the European Union. ROVI considers that the following could be applicable to the Group:

- IAS 28 (Amendment), "Long-term Interests in Associates and Joint Ventures ". This amendment clarifies that an entity will apply the requirements of IFRS 9 to long-term interests before the allocation of losses and impairment of IAS 28. When applying IFRS 9, the entity will not take any adjustments to the carrying amount of long-term interests as a consequence of the application of IAS 28 into account. ROVI will apply this Interpretation when it enters into force. The impact is not expected to be significant.

- Annual Improvements to IFRS 2015–2017 Cycle. The amendments affect IAS 12, IAS 23 and IAS 28. The main amendments that may apply to the Group refer to:
  - IAS 12, "Income Taxes". Clarification of the income tax consequences of payments on financial instruments classified as equity.
  - IAS 23, "Borrowing Costs". The basic principle of this improvement is that borrowing costs directly attributable to the acquisition, construction or production of qualifying assets form part of the cost of said assets. Other borrowing costs are recognised as an expense.
  - IAS 28, "Investments in Associates and Joint Ventures". This states that an entity will also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied.

- IAS 19 (Amendment) "Employee Benefits". This amendment requires the entity to use updated assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the amendment, curtailment or settlement of a plan, and to recognise any reduction in a surplus in profit and loss as part of the cost of a past service or a gain or loss on the settlement, even if the surplus has not been recognised previously due to the impact of the asset ceiling. ROVI will take this amendment into account in the event of a change in the plans for employees.

- Amendments to the Conceptual Framework of International Financial Reporting Standards. In March 2018, the IASB issued a revised version of the Conceptual Framework. The Conceptual Framework sets out a series of basic concepts that guide the IASB in developing the standards and help to ensrue that the standards are consistent and that similar transactions receive the same treatment. Furthermore, it also helps entities to develop their accounting policies when there are no specific rules applicable to a transaction. The revised Conceptual Framework includes a new chapter on measurement, improves definitions and guidance, and clarifies important areas, such as prudence and measurement uncertainty. It is immediately applicable for the IASB and will be applied to issuers who develop accounting policies based on the Conceptual Framework in the annual periods commencing on or after 1 January, 2020. After its entry into force, ROVI will take this new Conceptual Framework into account when applying accounting rules.

- IFRS 3 (Amendment) “Business Combinations”. In October 2018, the IASB issued a narrow-scope amendment to IFRS 3 “Business Combinations” to enhance the definition of “business”. This amendment will help companies determine whether an acquisition made is of a business or a group of assets. Entities are required to apply the amended definition of “business” to acquisitions made on or after 1 January, 2020. Early adoption is permitted. ROVI will take the new definitions into account in the event of a transaction that requires this determination to be made.

- IAS 1 and IAS 8 (Amendment). Definition of material. In October 2018, the IASB issued amendments to the definition of material or relative importance. The amendments clarify the definition of material or relative importance and make the IFRSs more consistent. These amendments must be applied to the annual periods commencing on or after 1 January, 2020. Early adoption is permitted. ROVI will consider the new definition of material but does not expect it to have a significant impact on the preparation of its financial statements.

- IFRIC 23 “Uncertainty over Income Tax Treatments”. This interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 “Income Taxes”. Under these circumstances, an entity will recognise and measure its deferred or current tax asset or liability by applying the IAS 12 requirements to the taxable profit (tax loss), taxe bases, unused tax losses, unused tax credits or tax rates determined by applying this Interpretation. ROVI will apply this Interpretation when it becomes effective as of 1 January, 2019. The impact is not expected to be significant.

- IFRS 17 “Insurance Contracts”. In May 2017, the IASB issued IFRS 17 “Insurance Contracts”, an integral accounting standard for insurance contract, which includes the recognition, measurement, presentation and disclosure of such contracts. The IFRS 17 model combines measurement of the current balance of insurance liabilities with recogntion of the utility over the period for which the services are provided. This Standard has not yet been endorsed by the European Union. ROVI will apply this Standard in the first financial statements issued after it comes into force. The impact of its implementation is not expected to be significant for the Group.

2.3. Consolidation principles

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group holds control. The Group controls an entity when it is exposed to or entitled to obtain variable yields from its involvement in the entity and is able to use its power over said entity to influence these yields. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The Group uses the purchase method to account for business combinations. The consideration transferred for acquisition of a subsidiary corresponds to the fair value of the assets transferred, liabilities incurred with the previous owners of the acquiree and equity instruments issued by the Group. The consideration transferred includes the fair value of any asset or liability coming from a contingent consideration agreement. Identifiable assets acquired and identifiable liabilities and contingencies assumed in a business combination are measured initially at their acquisition-date fair value. For each business combination, the Group may elect to recognise any non-controlling interest in the acquired entity at fair value or for the non-controlling entity's proportional part in the amounts recognised for the acquiree's identifiable net assets.

Acquisition-related costs are recognised as expenses in the period in which they are incurred.

If the business combination takes place in stages, the acquisition-date carrying amount of the acquirer's previously-held interest in the equity of the acquiree is remeasured at acquistion-date fair value. Any loss or gain arising from this remeasurement is recognised in profit and loss.

Any contingent consideration to be transferred by the Group is recognised at acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration that are considered an asset or liability are recognised in accordance with IAS 39 in profit and loss. Contingent considerations classified as equity are not remeasured and their subsequent settlement is recognised in equity.

Inter-company transactions and balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated. When necessary, the amounts shown for subsdidiaries have been adjusted to adapt them to Group accounting policies.

Appendix I to these Notes lists the identification data of the fully-consolidated subsidiaries. All subsidiaries and associates have the same annual period as the parent company.

(b) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, joint arrangements are classified into either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and has determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method, interests in joint ventures are initially recognised at cost and are then adjusted to recognise the Group's share in post-acquisition profits and losses and other movements in other comprehensive income. When the Group's share in the losses of a joint venture equals or exceeds its interests in joint ventures (including any long-term interest that, substantially, forms part of the Group's net investment in joint ventures), the Group does not recognise additional losses unless it has acquired obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence that the assets transferred have suffered an impairment loss. The accounting policies for joint ventures have been modified where necessary to ensure consistency with the policies adopted by the Group.

2.4. Segment reporting

Operating segment reporting is presented consistently with the internal information presented to the chief decision-making authority. The chief decision-making authority, which is responsible for allocating resources to the operating segments and assessing the performance of said segments, has been identified as the Management Committee, which makes the strategic decisions.

2.5. Foreign currency transactions

(a) Functional and presentation currency

Items included in the Annual Accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Consolidated Annual Accounts are presented in euros, which is the Group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates in force at the transaction dates or, if the items have been remeasured, the measurement dates. Foreign currency losses and gains that result from the settlement of these transactions and the translation of the monetary assets and liabilities denominated in foreign currencies at the rates in force at the end of the reporting period are recognised in profit and loss, except if deferred in other comprehensive income, as is the case with eligible cash flow hedges and eligible net investment hedges. Foreign currency losses and gains relating to loans and cash and cash equivalents are presented as "Finance income or expenses" in the income statement. Other foreign currency losses and gains are presented as "Other net gains / (losses)".

Changes in the fair value of monetary securities denominated in foreign currency and classified as equity securities are analysed considering the translation differences resulting from changes in the amortised cost of the security and other changes in its carrying amount. Translation differences relating to variations in the amortised cost are recognised in proift and loss and the other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit and loss, are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary items measured at fair value, such as equity instruments classified as equity securities, are included in other comprehensive income.

2.6. Property, plant and equipment

Items included in property plant and equipment are recognised at cost less depreciation and, when appropriate, less accumulated impairment losses, except in the case of land, which is presented net of impairment losses, if these exist.

Historical cost includes expenditure that is directly attributable to the acquisition of the items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to gradually reduce their acquisition costs to their residual values over their estimated useful lives:

Buildings - 40 years
Technical facilities and machinery – between 4 and 14 years
Other facilities, fittings and equipment and furniture – between 5 and 10 years
Other property, plant and equipment – between 4 and 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment in progress includes elements under adaptation, construction or assembly. Property, plant and equipment in progress is recognised at its acquisition cost and is not depreciated.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are measured by comparing proceeds with carrying amount and are recognised in profit and loss.

2.7. Intangible assets

(a) Patents and industrial property. Trademarks and licences

Patents and industrial property and trademarks and licences bought from third parties are shown at historical cost. In general, they have a finite useful life and are carried at cost less accumulated amortisation. The amortisation of those with finite useful lives is calculated using the straight-line method to allocate the cost of these assets over their useful lives, which are estimated at between 10 and 15 years. Amortisable assets are tested for impairment whenever any event or change in circumstances indicates that their carrying amount may not be recoverable.

There are trademarks and licences with indefinite useful lives, which are tested for impairment annually. An impairment loss is recognised when the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less costs to sell and its value in use. In order to assess impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash inflows that are largely independent (cash-generating units). Previous impairment losses on non-financial assets (other than goodwill) are reviewed at each reporting date to see whether they can be reversed.

Intangible assets in progress are shown at cost less impairment provision, if applicable.

(b) Computer software

Computer software maintenance costs are recognised as expenses when incurred. Development expenses directly attributable to designing and testing computer programmes that are identiable and unique and that may be controlled by the Group are recognised as intangible assets when the following conditions are met:

- It is technically possible to complete the production of the intangible asset so it can be available for use or sale;
- Management intends to complete the intangible asset to be used or sold;
- The entity has the capacity to use or sell the intangible asset;
- It is possible to show evidence of how the intangible asset will generate probable economic benefits in the future;
- There are the proper technical, financial or other resources available to complete the development and to use or sell the intangible asset; and
- It is possible to measure reliably the expenditure attributable to the intangible asset during development.

Directly attributable costs that are capitalised as part of the computer software include the costs of the employees developing said programmes and an appropriate percentage of overheads.

Expenses that do not meet these criteria are recognised as expenses when incurred. Expenditure on an intangible asset initially recognised in profit and loss will not subsequently be recognised as intangible assets.

Computer software has a useful life from 4 to 10 years.

(c) Research and development expenses

Research expenditure is recognised as an expense when incurred. Costs incurred in development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following requirements are met:

- It is technically possible to complete the production of the intangible asset so it can be available for use or sale;
- Management intends to complete the intangible asset to be used or sold;
- There is the capacity to use or sell the intangible asset;
- It is possible to show evidence of how the intangible asset will generate probable economic benefits in the future;
- There are the proper technical, financial or other resources available to complete the development and to use or sell the intangible asset; and
- It is possible to measure reliably the expenditure attributable to the intangible asset during development.

The Group considers that, in the case of the development of pharmceutical products, the aforementioned requirements are met when the drugs have been approved for marketing by the health authorities in the case of new products developed under patent, or, in the case of biosimilars or generics, when the application for marketing authorisation is filed.

The cost of assets generated internally by the Group is measured following the same principles as established for determining the production cost of inventories. Production costs are capitalised by crediting the costs attributable to the asset to accounts under the heading “Work performed by the Group on non-current assets” in the consolidated income statement (consolidated statement of comprehensive income).

2.8. Borrowing costs

General and specific interest costs that are directly attributable to the acquistion, construction or production of qualifying assets, which are those that necessarily require a substantial time period before they are ready for their planned use or to be sold, are added, if applicable, to the cost of these assets until the time when said assets are substantially ready for their intended use or to be sold.

Finance income obtained from the temporary investment of specific loans while they are waiting to be used on the qualifying assets are deducted from capitalisable interest costs.

The rest of the interest costs are expensed in the annual period in which they are incurred.

2.9. Impairment of non-financial assets

Intangible assets that have an indefinite useful life and those that are not in a usable condition are not amortised and are tested annually for impairment. Amortisable assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows that are largely independent (cash-generating units). Previous impairment losses on non-financial assets (other than goodwill) are reviewed at each reporting date to see whether then can be reversed.

2.10. Financial assets

(a) Classification of financial assets

The Group classifies its financial assets in the following categories: loans and receivables, and equity securities. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities longer than 12 months after the end of the reporting period, which are classified as non-current assets. Loans and receivables are classified as "trade and other receivables" and "financial receivables".

Deposits in financial institutions maturing at more than 90 days and less than 12 months are included in this category as current assets.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, the probability that the debtor will become insolvent or require financial reorganisation and default or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced when the amount of the provision is used and the amount of the loss is recognised in the income statement within "other operating expenses". When a trade receivable is unrecoverable, it is written off against the provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against "other operating expenses".

Equity securities

Equity securities are non-derivatives that are either designated in this category or not classified in any of the other possible categories. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the end of the reporting period.

Purchases and sales of investments are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Equity securities are subsequently carried at fair value. Investments are derecognised when the rights to receive cash flows from the investments have expired or been transferred and the Group has substantially transferred all risks and rewards of ownership.

Dividends from equity securities instruments are recognised in the income statement as "Finance costs-net" when the Group's right to receive payment is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value on the basis of an analysis of discounted cash flows.

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for equity securities, the cumulative loss –measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss– is removed from equity and recognised in profit and loss. Impairment losses on equity instruments recognised in profit and loss are not reversed through profit and loss.

b) Derecognition of financial assets

The Company applies the criteria of derecognising financial assets to part of a financial asset or to part of a group of similar financial assets or to a financial asset or to a group of similar financial assets.

Financial assets are derecognised in the accounts when the rights to receive cash flows related to them have expired or been transferred and the Company has substantially transferred the risks and rewards of ownership. Likewise, if the Group retains the contractual rights to receive the cash flows from the financial assets, these financial assets are derecognised only when contractual obligations that determine payment of said flows to one or more recipients have been assumed and the following requirements are met:

- Payment of the cash flows depends on their having been received previously;

- The Group cannot sell or pledge the financial asset; and
- The cash flows received on behalf of the final recipients are remitted without significant delay and the Company is not able to reinvest the cash flows. An exception is made for investments in cash or cash equivalents made by the Company during the settlement period, running from the date on which the cash flows are received and the remiitance date agreed with the final recipients, provided that any interest accrued is attributed to the final recipients.

Derecognition of a financial asset in full implies the recognition of a gain or loss for the difference between its carrying amount and the total consideration received, net of transaction costs, including any assets acquired or liabilities assumed and any loss or gain deferred in other comprehensive income.

2.11. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13. Share capital

The subscribed share capital is represented by ordinary shares.

Incremental costs directly attributable to the issue of new shares, face value reductions or the write-off of existing shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases shares in the Company (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders until the shares are cancelled, reissued or resold. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect, is included in equity attributable to the Company's shareholders.

2.14. Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants relating to reimbursable advances are recognised when these advances are granted to the Group.

Government grants relating to costs are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit and loss on a straight-line basis over the expected lives of the related assets.

Reimbursable advances at zero interest rate or those with a subsidised interest rate are recognised at fair value at the time they are received, subsequently being recognised at amortised cost. The difference between the fair value and the face value is registered as “Recognition of government grants on non-financial assets and others” if the loans are financing incurred expenses, or are included in non-current liabilities as deferred government grants, and credited to the income statement on a straight-line basis over the useful life of the assets which have been funded with said loans.

2.15. Trade payables

Trade payables are payment obligations for goods or services acquired from suppliers in the ordinary course of business. The payables are classified as current liabilities if they mature at one year or less (or if they mature within a normal operating cycle, if longer). Otherwise, they are shown as non-current liabilities.

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

2.16. Financial debt

Financial debt is recognised initially at fair value less transaction costs incurred. Subsequently, financial debt is measured at amortised cost, any difference between the funds obtained (less the costs necessary to obtain them) and the repayment value being recognised in profit and loss over the period of the borrowings in accordance with the effective interest rate method.

Financial debt is classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Commissions paid for obtaining a credit line are recognised as debt transaction costs, provided that it is likely that part or all of the line will be drawn down. In this case, the commissions are deferred until the line is drawn down. To the extent that it is unlikely that all or part of the credit line will be drawn down, the commission will be capitalised as an advance payment for liquidity services and amortised over the period for which the credit is available.

2.17. Current and deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax expense is calculated on the basis of the laws enacted or substantively enacted at the end of the reporting period in the countries in which the Group operates and in which taxable income is generated. Management regularly assesses the positions adopted in the tax returns in relation to situations where the applicable tax regulations are subject to interpretation and, if necessary, sets up provisions in accordance with the amounts it is expected to pay to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Annual Accounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and deferred tax liabilities are offset when, and only when, there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on the same entity or taxpayer or on different entities or taxpayers which intend to settle current tax assets and liabiities for their net amount.

2.18. Employee benefits

(a) Pension obligations

The Group holds a defined-contribution plan exclusively on behalf of certain Group employees. A defined-contribution plan is a pension plan under which the Group pays fixed contributions into an external 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.

For the defined-contribution plans, the Group pays contributions into pension insurance plans managed publicly or privately on a mandatory, contract or voluntary basis. Once the contributions have been paid, the Group holds no further payment obligations. The contributions are recognised as employee benefits when accrued. Benefits paid in advance are recognised as an asset to the extent that cash is refunded or future payments are reduced.

(b) Termination payments

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises these benefits on the earlier of the following dates: (a) when the Group can no longer withdraw the offer of said benefits; or (b) when the entity recognises restructuring costs within the scope of IAS 37 and this means termination benefits must be paid. When an offer is made in order to encourage voluntary redundancies on the part of the employees, the termination benefits are measured in accordance with the number of employees who are expected to accept the offer. The benefits that will not be paid within the twelve months following the end of the reporting period are discounted back to their present value.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses based on the estimates of fulfilment of certain corporate targets established for employees.

2.19. Provisions

The Group recognises provision liabilities when:

- The Group has a legal or constructive obligation, as a result of past events;
- It is more likely than not that an outflow of resources will be required to settle the obligation; and
- The amount can be reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is low.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition

Ordinary revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Ordinary revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount thereof can be measured reliably, it is probable that future economic benefits will flow to the Group and the specific requirements for each one of the Group's activities are fulfilled, as described below.

(a) Sales of goods

The Group's "Sale of goods" are derived from the sale of pharmaceutical products, contrast agents and other hospital products and other non-prescription pharmaceutical products, where control transfers to the customers and the performance obligations are satisfied when the goods are made available to other pharmaceutical companies or at the time of the delivery to the remaining customers. Invoices are usually due in a maximum period of 90 days.

IFRS 15 states that an entity that grants the right to return the product should recognise the revenue for the transferred products at the amount of consideration to which the entity expects to be entitled, a refund liability, and an asset for its right to recover products. ROVI recognises its revenues net of estimated returns at the date of sale, together with the refund liability. The Group does not recognise an asset for its right to recover products because, based on experience and the type of product sold, the goods returned can no longer be sold or form part of the Group's inventories.

The amount of revenue recognised is adjusted for expected returns, which are estimated considering the average returns rates of recent years.

Discounts granted to government customers are recorded as a deduction from revenue at the time the related revenues are recorded. In its case, a liability is calculated on the basis of historical experience which requires the use of judgement by the management.

Therefore, ROVI's revenue from contract with customers is subject to variable consideration for rebates, refunds and returns, which is only recorded for the amount that is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(b) Sales of services

The Group's sales of services (toll manufacturing) consists of revenues from manufacturing and packaging services provided to third parties where control transfers to the toll manufacturing clients and the performance obligations are mainly satisfied when the manufactured goods are made available. Invoices are usually payable between 30 and 120 days.

(c) Interest income

Interest income is recognised in accordance with the effective interest method.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Other revenue: granting of exclusive distribution licences

Occasionally the Group grants licenses to other pharmaceutical companies to sell its products on an exclusive basis in a specific territory and also promises to manufacture the pharmaceutical product for the customer. For these agreements, the Group collects a single down-payment for the transfer of the license, which is either non-refundable or may be refundable under very strict terms if the product is finally not authorised for distribution in a specific territory. In these contracts signed with third parties whereby Rovi grants the distribution licenses, the obligations arising from the granting of these licenses are always linked to the obligation to supply and manufacture the product and no other entity can manufacture this product. As the customer cannot benefit from the licence without the manufacturing service, the licence and the manufacturing service cannot be separate and therefore the Group accounts for the licence and the manufacturing service as a single performance obligation.

Additionally, in these types of contracts the Group has an enforceable right to payment for performance completed to date, as the entity would be entitled to an amount that at least compensates the Group for its performance completed to date in the event that the customer or another party terminates the contract for reasons other than the entity's failure to perform as promised. Consequently, the Group recognises revenue over time and defers revenues from the granting of product distribution licenses over the number of units produced.

2.21. Leases

When a Group company is the lessee – Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss on a straight-line basis over the period of the lease.

2.22. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's Consolidated Annual Accounts in the period in which the dividends are approved by the Company's shareholders.

2.23. Health Tax

As the result of the 2005 General State Budget Act (Law 2/2004 of 27 December), Additional Provision 48, a health tax, levied by the Ministry of Health, came into force on 1 January, 2005. This tax applies to individuals and legal entities in Spain engaging in the manufacture and importation of medicines that are officially prescribed in Spanish territory on official National Health Service prescriptions. The amounts payable to the Ministry of Health and Consumer Affairs are calculated on a scale fixed by the aforementioned Additional Provision 48, subsequently amended by Additional Provision 6 of Law 29/2006 of 29 July, on Guarantees and Rational Use of Drugs and Healthcare Products. The Group records the accrued health tax as a sales discount when the sale is made. There is a provision for the estimated amount accrued but unpaid and the possible adjustment of the tax to the actual sales for the period.

During 2010, the Spanish government approved a reduction of the pharmaceutical expenditure of 2,800 million euros through the introduction of two packages of pricing legislation. The first one was approved in March 2010 and was focused on generic products. With regard to these products, which are those out of patent, the reduction was 25% on average applied to the selling price to laboratories. The second package, which was approved in May 2010 and applied from June 2010, was addressed to pharmaceutical products under patent. A discount of 7.5% is applied to the selling price to the public for these products. The Group has recognised the amounts relating to these measures as a decrease in sales.

3. Financial risk management

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group's risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the group Treasury Department following policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Audit Committee analyses written principles for global risk management, as well as written policies covering specific areas, such as, interest rate risk, liquidity risk and the investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is very low because (i) virtually all the Group's assets and liabilities are in euros; (ii) a majority of the transactions with foreign parties are carried out in euros; and (iii) sometimes, transactions for significant amounts in currencies other than the euro are hedged by exchange rate insurance contracts.

At 31 December, 2018, there were assets of 2,458 thousand pounds sterling and 2,140 thousand zlotys (93 thousand pounds sterling at 31 December, 2017). If the exchange rate at the reporting date had been 10% higher, these assets denominated in pounds sterling and zlotys would have decreased or increased by 295 thousand euros (10 thousand euros in 2017) and, if the exchange rate had been 10% lower, the decrease or increase would have been 360 thousand euros (11 thousand euros at 31 December, 2017).

At 31 December, 2018, there were financial liabilities of 3,209 thousand pounds sterling (307 thousand pounds sterling at 31 December, 2017) on the statement of financial position. If, at 31 December, 2018, the exchange rate had been 10% higher or lower, these liabilities would have decreased or increased by 325 thousand euros or 398 thousand euros, respectively (31 and 38 thousand euros at 31 December, 2017), with the resulting effect on profit and loss.

(ii) Price risk

The Group is exposed to price risk for equity securities because of investments held by the Group and classified as available for sale on the consolidated statement of financial position. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The portfolio is diversified in accordance with the limits set by the Group. The Group does not use derivatives to hedge price risk.

At 31 December, 2018 and 2017, a change in the listed rice of equity securities would have had no significant effect of the Group's statement of financial position.

(iii) Cash-flow interest-rate risk

The Group is subject to interest rate risk in respect of cash flows on non-current financial debt transactions at variable rates. Group policy is to try to keep most of its financial debt in the form of debt with government entities by obtaining reimbursable advances on which there is no interest-rate risk and, in the case of bank debt, to obtain cash flows not only at variable rates, but also at fixed rates, thus keeping the impact of interest-rate risk to a minimum.

Had interest rates on financial debt at variable rates been 1% higher or lower at 31 December 2018, with all other variables remaining constant, the gain/loss after taxes for the period would have decreased or increased by 30 thousand euros, respectively, owing to the difference in interest expense on loans at variable rates (33 thousand euros at 31 December, 2017).

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, receivables classified as equity securities and trade receivables.

The banks and financial institutions with which the Group works generally have independent ratings. If customers have been independently rated, such ratings are used. If this is not the case, then the Group assesses the risk on the basis of the customer's financial position, historical experience and a series of other factors. In those cases in which there is no doubt as to the customer's financial solvency, the Group elects not to set credit limits.

At 31 December, 2018, the greatest investment in financial assets, including cash and cash equivalent and apart from trade receivables, was related to Banco Santander, 76,645 thousand euros (19,782 thousand euros at 31 December, 2017). A significant proportion of trade and other receivables relates to accounts receivable from government entities, on which, in view of their nature, with the information currently available, Management considers that there is no credit risk (Note 13).

(c) Liquidity risk

Management periodically monitors the liquidity estimates of the Group in accordance with the expected cash flows. The Group maintains sufficient cash and marketable securities to meet its liquidity requirements. In 2017, the Group signed a financing agreement with the European Investment Bank, which it can draw down over the next two years as from signature of the agreement a total amount of 45 million euros. In July 2018, ROVI had drawn 5,000 thousand euros (Note 17).

ROVI's liquidity has increased in 2018 as a result of the capital increase of 88,000 thousand euros carried out in October 2018 (Notes 1 and 15).

In 2017, the Group signed a non-recourse factoring contract, which led to an increase in the balance of cash and cash equivalents, while the receivables for which this contract was requested were derecognised. At 31 December, 2018, no factoring agreements were in force.

The following table analyses the Group's financial liabilities grouped by maturity dates based on the periods outstanding at the end of the reporting period through to the maturity date stipulated in the contract, including the corresponding interest. The amounts shown in the table relate to cash flows stipulated in the contract, which have not been discounted. Given that these amounts have not been discounted and that they include future interest accruals, they cannot be matched with figures on the statement of financial position for financial debt and trade and other payables.

At 31 December, 2018	**Less than 1 year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Over 5 years**
Bank borrowing (Note 18)	15,694	2,344	2,184	2,730
Debt with government entities (Note 18)	2,032	3,907	3,994	2,995
Trade suppliers (Note 17)	47,875	-	-	-
Other payables (Note 17)	20,290	-	-	-
	85,891	6,251	6,178	5,725

At 31 December, 2017	**Less than 1 year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Over 5 years**
Bank borrowing (Note 18)	13,328	17,784	-	-
Debt with government entities (Note 18)	2,986	4,091	4,006	2,794
Trade suppliers (Note 17)	42,129	-	-	-
Other payables (Note 17)	10,813	-	-	-
	69,256	21,875	4,006	2,794

3.2. Capital risk management

The Group's objective in relation to the management of capital is to maintain a low level of gearing that will make it easier for the Group to obtain additional financial debt if required in order to make new investments. A part of the Group's financial debt takes the form of reimbursable advances from government entities. There is no interest expense on these operations since they are subsidised.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt/cash divided by net equity. Net debt/cash is calculated as total financial debt less cash and cash equivalents. Equity is as shown under the relevant caption in the statement of financial position in the Consolidated Annual Accounts.

The leverage index or gearing ratio at 31 December, 2018 and 2017 was as follows:

	2018	2017
Financial debt (Note 18)	34,224	43,237
Less: Cash and cash equivalents (Note 14)	(95,511)	(40,700)
Less: Equity securities (Note 11)	(70)	(70)
Less: Deposits (Notes 9 & 13)	(1,394)	(1,374)
Net debt/(Cash)	**(62,751)**	**1,094**
Equity	287,472	191,687
Leverage index/Gearing ratio	**-21.83%**	**0.57%**

In addition, the Group's net debt/cash at 31 December, 2018 and 2017 was as follows:

	2018	2017
Financial debt (Note 18)	34,224	43,237
Less: Cash and cash equivalents (Note 14)	(95,511)	(40,700)
Less: Available-for-sale financial assets (Note 11)	(70)	(69)
Less: Deposits (Notes 9 & 13)	(1,394)	(1,374)
Net debt/(Cash)	**(62,751)**	**1,094**

3.3. Fair value estimate

Measurement of financial instruments at market price is classified into:

- Level 1. Quoted prices in active markets for identical instruments.
- Level 2. Observable inputs for the instrument, either directly observable (prices) or indirectly observable (price-based).
- Level 3. Inputs not based on observable market data.

Measurements at market prices of the Group's financial instruments recorded at fair value, the totality of which are classified as equity securities (Note 11), are classified at Level 1.

The fair value of financial instruments traded in active markets (such as equity securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of the reimbursable advances without a rate of interest or with a subsidised interest rate is determined by applying the interest rate curve in force at the date of receipt of the advance to the reimbursements to be made and adding the spread normally applied in loans to the Group. For financial reporting purposes, fair value is calculated at the end of each reporting period by applying the interest rate curve in force at the end of each reporting period to the payments outstanding and adding the corresponding spread. For loans at variable rates of interest, fair value has been regarded as coinciding with the amount for which they are recognised (Note 18). Measurement of reimbursable advances without an interest rate at market price is classified as Level 2.

4. Critical accounting estimates and judgements

Critical accounting estimates and judgements are continuously assessed and are based on historical experience and other factors, including expectations of future events deemed reasonable under the circumstances.

4.1. Critical estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are outlined below.

Recoverability of intangible assets

Under the caption “Trademarks and licences”, assets with indefinite useful lives were recognised for an amount of 5,366 thousand euros at 31 December, 2018 and 2017. Management reviews these assets for indications of impairment on an annual basis, although there has been none to date. The recoverable value, which was higher than the carrying amount at the end of both reporting periods, has been obtained by projecting the forecast cash flows for the following five years.

Capitalisation of development expenses

The Group considers that its development project for a low-molecular-weight heparin, a biosimilar of enoxaparin, has met all the requirements mentioned in note 2.7.c) since last quarter of 2014, when an application was filed with the European health authorities to obtain authorisation for the marketing of this biosimilar. Therefore, from that time until the effective comercialisation in Europe of this biosimilar, all the expenses incurred in this project have been capitalised. Amortisation of this asset commenced during the first quarter of 2017, with the favourable result of the decentralised process used by the Group to apply for marketing authorisation in twenty-six European Union countries. These assets have a useful life of 20 years, which is consistent with the term of pharmaceutical product patents. ROVI considers that it will obtain a positive return on said development over that period.

For the rest of the Research and Development projects that ROVI is conducting, the Group considers that the requirements established in the rules on capitalisation of the associated development expenses have not yet been met.

Deferred tax assets

The Group recognises deferred tax assets and tax credits when they are likely to materialise in lower corporate income tax payments in the future.

In order to determine the maximum amount that can be recognised by the Group overall in relation to the future tax effect of these items, group Management considers only the estimated future results of subsidiaries whose track record clearly indicates future profits and for which sufficiently reliable estimates may be made.

Although the estimates were made using the best information available on the events analysed at 31 December, 2018, it is possible that future events will force them to change (upwards or downwards) over forthcoming reporting periods. This would be done prospectively applying IAS 8, recognising the effects of the change in estimates in consolidated profit and loss.

4.2. Critical judgements in applying the accounting policies

Revenue recognition

The Group has recognised the total sales of goods marketed in 2018 and 2017 as revenue at face value and has, when applicable, claimed late payment interest from the public authorities. The buyer has the right to return the goods sold. Although the Group believes that, based on previous experience, the level of returns will not be very meaningful, ROVI has recognised ordinary revenue for its sales together with the related provision against ordinary revenue for estimated returns. If the estimate changes by 1%, changes in revenue will be not significant.

5. Segment reporting

The Group's operating segments have been determined on the basis of the information used by the Management Committee for decision making. This information is divided in accordance with whether it was generated by manufacturing activities or marketing activities, irrespective of the geographical area where it took place. Therefore, segment identification does not relate so much to geographical distribution of the business as to different types of activity.

Thus, the segment called "manufacturing" obtains its income from service contracts that relate to the finalisation of the pharmaceutical product production process for external entities and the manufacture of products to be subsequently marketed by other group companies, while the "marketing" segment has the principal activity of purchasing and subsequently selling pharmaceutical products.

The heading "Other" includes other service activities that are not significant for the Group.

The segment information used by the Management Committee for 2018 was as follows:

	Manufacturing	Marketing	Other	Aggregated total	Inter-segment transactions	Consolidated total
Total segment revenues	142,688	287,763	-	**430,451**	(127,248)	**303,203**
Profit/(loss)	17,196	13,218	(7)	30,407	(12,512)	17,895
Income tax	4,396	(5,550)	(2)	(1,156)	(59)	(1,215)
Profit/(loss) before tax	21,592	7,668	(9)	29,251	(12,571)	16,680
Finance costs - net	33	(11,578)	-	(11,545)	12,347	802
Amortisation	4,795	7,249	-	12,044	-	12,044
EBITDA (*)	**26,420**	**3,339**	**(9)**	**29,750**	**(224)**	**29,526**
Amortisation	(4,795)	(7,249)	-	(12,044)	-	(12,044)
EBIT (**)	**21,625**	**(3,910)**	**(9)**	**17,706**	**(224)**	**17,482**

The 2017 figures were as follows:

	Manufacturing	Marketing	Other	Aggregated total	Inter-segment transactions	Consolidated total
Total segment revenues	122,199	242,102	-	**364,301**	(88,652)	**275,649**
Profit/(loss)	11,699	16,978	(94)	28,583	(11,342)	17,241
Income tax	7,224	(6,296)	(30)	898	(617)	281
Profit/(loss) before tax	18,923	10,682	(124)	29,481	(11,959)	17,522
Finance costs - net	21	(8,602)	1	(8,580)	9,500	920
Amortisation	4,108	7,371	-	11,479	-	11,479
EBITDA (*)	**23,052**	**9,451**	**(123)**	**32,380**	**(2,459)**	**29,921**
Amortisation	(4,108)	(7,371)	-	(11,479)	-	(11,479)
EBIT (**)	**18,944**	**2,080**	**(123)**	**20,901**	**(2,459)**	**18,442**

(*) EBITDA is calculated as profit before taxes, interest and amortization.
(**) EBIT is calculated as profit before taxes and interest.

Inter-segment transactions included on the finance gain/(loss) lines are principally dividends paid between Group companies.

Each segment's sales to customers in 2018 were as follows:

	Manufacturing	Marketing	Other	TOTAL
Total segment revenues	142,688	287,763	-	430,451
Inter-segment revenues	(88,113)	(39,135)	-	(127,248)
Revenues from external customers	54,575	248,628	-	303,203

Each segment's sales to customers in 2017 were as follows:

	Manufacturing	Marketing	Other	TOTAL
Total segment revenues	122,199	242,102	-	364.301
Inter-segment revenues	(61,100)	(27,552)	-	(88.652)
Revenues from external customers	61,099	214,550	-	275,649

In 2018, a single customer accounted for 5% of the Group's sales (6% in 2017) and this amount came principally from the manufacturing segment.

At 31 December, 2018, the breakdown of assets and liabilities by segment was as follows:

	Manufacturing	Marketing	Other	Aggregated total
Total assets	**202,858**	**410,771**	**581**	**614,210**
Of which:				
Investments in Group companies	-	8,899	-	8,899
Increases in non-current non-financial assets	11,014	15,445	-	26,459
Total liabilities	**(147,128)**	**(166,664)**	**(6)**	**(313,798)**

The assets of the aggregated sectors at 31 December, 2018 can be reconciled with the total consolidated assets as follows:

	Manufacturing	Marketing	Other	Intercompany balances	Group investments	Consolidated total
Total assets	202,858	410,771	581	(202,611)	(8,899)	402,700

Details of assets and liabilities by segment at 31 December, 2017 were as follows:

	Manufacturing	Marketing	Other	Aggregated total
Total assets	**131,079**	**259,389**	**587**	**391,055**
Of which:				
Investments in Group companies	-	8,904	-	8,904
Increases in non-current non-financial assets	8,406	11,538	-	19,944
Total liabilities	**(80,198)**	**(106,385)**	**(5)**	**(186,588)**

The assets of the aggregated sectors at 31 December, 2017 can be reconciled with the total consolidated assets as follows:

	Manufacturing	Marketing	Other	Intercompany balances	Group investments	Consolidated total
Total assets	131,079	259,389	587	(83,769)	(8,904)	298,382

The following tables show the Group's ordinary revenue and total assets by geographical area:

Net revenue	**2018**	**2017**
Spain	203,765	195,797
European Union	84,967	65,851
OECD countries	8,388	8,397
Other countries	6,083	5,604
	303,203	**275,649**

Total assets	**2018**	**2017**
Spain	374,238	292,809
Portugal	4,409	3,266
Germany	13,111	2,016
Italy	7,839	84
UK	2,524	120
France	80	87
Poland	499	-
	402,700	**298,382**

Virtually all the investment in property, plant and equipment and intangible assets in 2018 and 2017 was made in Spain.

6. Property, plant and equipment

The breakdown of the movement on the different categories of property, plant and equipment is shown below:

	Land and buildings	Technical facilities, machinery & tools	Furniture, fittings & other	IT equipment & vehicles	Total
Balance at 01.01.17					
Cost	34,292	154,271	2,998	13,218	204,779
Accumulated amortisation	(17,671)	(90,876)	(2,342)	(11,068)	(121,957)
Carrying amount 01.01.17	**16,621**	**63,395**	**656**	**2,150**	**82,822**
Additions	4	14,187	238	503	14,932
Retirements	-	(48)	-	-	(48)
Eliminations from amortisation	-	23	-	-	23
Amortisation charge	(229)	(7,325)	(100)	(1,019)	(8,673)
Balance at 31.12.17					
Cost	34,296	168,410	3,236	13,721	219,663
Accumulated amortisation	(17,900)	(98,178)	(2,442)	(12,087)	(130,607)
Net carrying amount 31.12.17	**16,396**	**70,232**	**794**	**1,634**	**89,056**
Additions	-	15,510	61	819	16,390
Retirements	-	(65)	-	-	(65)
Eliminations from amortisation	-	3	-	-	3
Amortisation charge	(229)	(8,250)	(125)	(943)	(9,547)
Balance at 31.12.18					
Cost	34,296	183,855	3,297	14,540	235,988
Accumulated amortisation	(18,129)	(106,425)	(2,567)	(13,030)	(140,151)
Net carrying amount 31.12.18	**16,167**	**77,430**	**730**	**1,510**	**95,837**

A majority of the additions recognised in 2018 and 2017 related to investments in ROVI's manufacturing plants, principally:

- 3.8 million euros was invested in the injectables plant, in comparison with the 2.9 million euros invested in 2017;
- 2.8 million euros was invested in the San Sebastián de los Reyes plant in 2017, in comparison with the 4.8 million euros invested in 2017.
- 3.0 million euros was invested in the Granada plant, in comparison with the 1.6 million euros invested in 2017;
- 5.5 million euros was invested in the plant in Alcalá de Henares (Frosst Ibérica), in comparison with the 3.8 million euros invested in 2017;

At 31 December, 2018, the Group held property, plant and equipment with a net carrying amount of 640 thousand euros subject to retention of title (720 thousand euros at 31 December, 2017).

At 31 December, 2018 and 2017, no investment commitments had been made that had not been recognised in the consolidated annual accounts.

In 2018 and 2017, there was no impairment of property, plant and equipment.

The Group holds several insurance policies to cover the risks the property, plant and equipment is exposed to. The insurance cover is considered sufficient.

7. Intangible assets

Movement on intangible assets was as follows:

	Development	Trademarks & licences	Computer software	Total
Balance at 01.01.17				
Cost	4,251	21,880	10,062	36,193
Accumulated amortisation	(11)	(3,297)	(8,013)	(11,321)
Net carrying amount 01.01.17	**4,240**	**18,583**	**2,049**	**24,872**
Additions	2,429	40	486	2,955
Transfers (net of amortisation)	2,057	-	-	2,057
Amortisation charge	(297)	(1,568)	(941)	(2,806)
Balance at 31.12.17				
Cost	8,737	21,920	10,548	41,205
Accumulated amortisation	(308)	(4,865)	(8,954)	(14,127)
Net carrying amount 31.12.17	**8,429**	**17,055**	**1,594**	**27,078**
Additions	123	9,010	936	10,069
Amortisation charge	(181)	(1,567)	(749)	(2,497)
Balance at 31.12.18				
Cost	8,860	30,930	11,484	51,274
Accumulated amortisation	(489)	(6,432)	(9,703)	(16,624)
Net carrying amount 31.12.18	**8,371**	**24,498**	**1,781**	**34,650**

Under the caption “Trademarks and licences”, assets with indefinite useful lives were recognised for an amount of 5,366 thousand euros at 31 December, 2018 and 2017. Management reviews these assets for indications of impairment on an annual basis, although there has been none to date. The recoverable value, which was higher than the carrying amount at the end of both reporting periods, has been obtained by projecting the forecast cash flows for the following five years. In the cash flow projections, a discount rate of 7.6% has been applied and, for each year, the margins forecast on the basis of the characterstics of the manufacturing of the product in said year have been used.

At 31 December, 2018 and 2017, the assets included under the “Development” caption correspond to assets related to the development of a low-molecular-weight heparin, biosimilar to enoxaparin, sales of which commenced in 2017. Amortisation of this asset commenced during the first quarter of 2017, with the favourable result of the decentralised process used by the Group to apply for marketing authorisation in twenty-six European Union countries. The useful life of this asset is 20 years, and no indications of impairment were noted in 2018 or 2017.

In 2018, additions of 9,000 thousand euros were recognised under the caption “Trademarks and licences” relating mainly to the acquisition of the product Falithrom®, a medicine indicated for the prevention and treatment of thromboembolic disease, including venous thrombosis and pulmonary embolism, as well as the prevention of ischemic strokes in patients with atrial fibrillation.

At 31 December, 2018 and 2017, there was no impairment of intangible assets.

The Group holds several insurance policies to cover the risks the intangible assets are exposed to. The insurance cover is considered sufficient.

Total research and development expenses incurred in 2018 were 32,376 thousand euros (28,251 thousand euros in 2017) and were mainly concentrated in the Glycomics and ISM® platforms, the latter of which is a drug release system, belonging to ROVI, the objective of which is to improve patient treatment adherence. Of the total research and development expenses incurred in 2018, 7,807 thousand euros was recognised under the "Employee benefit expenses" (Note 23) heading (7,218 thousand euros at 31 December, 2017) and 24,569 thousand euros under "Other operating expenses" (Note 24) (21,033 thousand euros in 2017).

8. Financial instruments by category

Financial assets

At 31 December, 2018, the Group held trade receivables amounting to 52,052 thousand euros (42,830 thousand euros at 31 December, 2017) (Note 13), other receivables amounting to 86 thousand euros (153 thousand euros at 31 December, 2017) (Note 13), and other deposits amounting to 1,394 thousand euros (1,374 thousand euros at 31 December, 2017) (Note 13), which the Group classifies as loans and receivables for recognition and measurement purposes (Note 2.10.a).

At 31 December, 2018, the Group held cash amounting to 95,511 thousand euros (40,700 thousand euros at 31 December, 2017) (Note 14), which it classifies as cash and cash equivalents for recognition and measurement purposes (Note 2.12).

At 31 December, 2018, the Group held financial assets of 70 thousand euros (69 thousand euros at 31 December, 2017) (Note 11), which it classifies as equity securities for recognition and measurement purposes (Note 2.10.b).

Financial liabilities

At 31 December, 2018 and 2017, all the loans included in financial debt (Note 18), as well as trade and other payables (Note 17), were recognised as financial liabilties held at amortised cost and there were no financial liabilities held at fair value through profit and loss.

9. Credit rating of financial assets

The credit quality of financial assets which have not yet matured and which have suffered no impairment loss can be assessed based on the credit rating assigned by organisations external to the Group or, in the case of unrated customers, by separating those corresponding to Social Security Authorities and government entities which, due to their nature, are not subject to impairment:

Cash and cash equivalents	**Rating**	**2018**	**2017**
	A+	-	460
	A	75,708	185
	A-	18,176	18,390
	BBB+	179	14,685
	BBB	1,329	6,370
	BBB-	76	566
	BB	-	4
	Caa2	-	6
	No rating	43	34
	Total cash (Note 14)	**95,511**	**40,700**

Financial receivables	**Rating**	**2018**	**2017**
	A	65	-
	A-	-	65
	Total financial receivables (Note 13)	**65**	**65**

Equity securities	**Rating**	**2018**	**2017**
	BBB+	-	10
	A-	11	-
	No rating	59	59
	Total equity securities (Note 11)	**70**	**69**

Trade receivables	**Rating**	**2018**	**2017**
	AA	3,012	3,140
	Public centres and institutions (Note 13)	7,317	5,663
	Other (wholesalers, pharmacies, hospitals)	41,723	34,027
	Total trade receivables (Note 13)	**52,052**	**42,830**

Other deposits	**Rating**	**2018**	**2017**
	A	1,327	-
	A-	-	1,327
	No rating	67	47
	Total other deposits (Note 13)	**1,394**	**1,374**

10. Interests in joint ventures

Movement on interests in joint ventures in the period was as follows:

	2018	2017
Balance at beginning of the year	**2,054**	**2,571**
Additions (b)	-	50
Eliminations (b)	(40)	-
Share in profits	24	(567)
Balance at end of the year	**2,038**	**2,054**

The nature of investment in joint ventures at 31 December, 2018 was as follows:

Name	Country of incorporation	% interest	Nature of relationships	Measurement method
Alentia Biotech, S.L.	Spain	50%	a)	Equity
Enervit Nutrition, S.L.	Spain	50%	b)	Equity

a) Alentia Biotech, S.L.

In 2010, the company Alentia Biotech, S.L. (Alentia) was created, 100% held by ROVI. In February 2012, the effective sale of 50% of the shares in Alentia Biotech, S.L. by Laboratorios Farmacéuticos Rovi, S.A. to Grupo Ferrer Internacional, S.A. took place and Alentia became a joint venture held by these two companies at 50% each.

b) Enervit Nutrition, S.L.

In the first half of 2016, ROVI contributed assets consisting of the distribution rights of the EnerZona products in Spain and the know-how related to the promotion, distribution and sale of these products to a newly-created subsidiary (Enervit Nutrition, S.L.), which was the vehicle responsible for promoting these products. Said company was incorporated in January 2016 with an initial share capital of 3 thousand euros, 100%-held by Laboratorios Farmacéuticos Rovi, S.A. It was incorporated with the intention of marketing the EnerZona products, for which ROVI held exclusive marketing rights in Spain, and exploring and, if applicable, developing, new market possibilities for dietetic and food supplements.

ROVI and Enervit S.p.A. agreed to create a joint venture between them to carry the project out. To do this, under certain agreements, ROVI lost control of its subsidiary Enervit Nutrition, S.L, which, instead of being 100%-owned by ROVI, became a joint venture under joint control with Enervit, S.p.A. The agreements were signed on 16 March, 2016.

In July 2018, Enervit S.p.A. exercised a call option it held on 1% of the shares of Enervit Nutrition, S.L. for a sum of 50 thousand euros. When the option was exercised, the value at which these shares were recognised in ROVI was 40 thousand euros, generating a profit of 10 thousand euros on the transaction (Note 27). With this sale, ROVI's percentage interest in Enervit Nutrition, S.L. dropped from 51% to 50%.

Condensed financial information on joint venture

The condensed financial information on Alentia Biotech, S.L. and Enervit Nutrition, S.L. as of 31 December, 2018 is as follows:

	31 December, 2018		31 December, 2017	
Condensed statement of financial position	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**
Current				
Cash and cash equivalents	102	245	104	703
Other current assets (excluding cash)	6	2,542	6	2,305
Total current assets	**108**	**2,787**	**110**	**3,008**
Current liabilities (excluding trade payables)		(1,342)		(1,266)
Other current liabilities (including trade payables)	-	(910)	-	(1,427)
Total current liabilities	**-**	**(2,252)**	**-**	**(2,693)**
Non-current				
Property, plant and equipment	-	21	-	-
Intangible assets	-	3,478	-	3,685
Other financial assets	-	5	-	5
Deferred tax assets	-	37	-	37
Total non-current assets	**-**	**3,541**	**-**	**3,727**
Financial liabilities	(2,200)	-	(2,200)	-
Other liabilities	-	-	-	(14)
Total non-current liabilities	**(2,200)**	**-**	**(2,200)**	**(14)**
NET ASSETS	**(2,092)**	**4,076**	**(2,090)**	**4,028**

	31 December, 2018		31 December, 2017	
Condensed statement of comprehensive income	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**
Revenue	-	7,379	-	8,347
Procurements	-	(5,126)	-	(5,786)
Other operating income	-	4	-	-
Employee benefit expenses	-	(861)	-	(1,131)
Other operating expenses	(2)	(1,082)	(1)	(2,320)
Amortisation and depreciation	-	(215)	-	(208)
Operating profit / (loss)	**(2)**	**99**	**(1)**	**(1,098)**
Finance costs - net	**-**	(38)	1	(13)
Income tax	**-**	**(13)**	**-**	**-**
Profit / (loss) for period	**(2)**	**48**	**-**	**(1,111)**
Other comprehensive income	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME	**(2)**	**48**	**-**	**(1,111)**
Dividends received from joint ventures	-	-	-	-

Reconciliation of the condensed financial information

Reconciliation of the condensed financial information presented with the carrying amount of the interests in the joint ventures at 31 December, 2018:

Condensed financial information	Alentia Biotech, S.L.	Enervit Nutrition, S.L.
Net assets of joint ventures at the beginning of the year	**(2,090)**	**4,028**
Profit / (loss) of joint ventures in the year	(2)	48
Net assets of joint ventures at end of the year	**(2,092)**	**4,076**
Share in profit of joint venture	-	2,079
Carrying amount	**-**	**2,038**

Enervit Nutrition, S.L. and Alentia Biotech, S.L. are private entities and, therefore, no quoted market price is available for their shares.

The Group has no commitments or contingent liabilites in relation to its joint ventures.

11. Equity securities

	2018	2017
Beginning of the year	**69**	**70**
Net gains / (losses) recorded in equity	1	(1)
End of the year	**70**	**69**
Less: non-current portion	70	69
Current portion	-	-

The maximum credit risk exposure at the reporting date was the fair value of the debt securities classified as equity securities.

	2018	2017
Non-listed securities:		
– Variable-income securities (equity securities)	59	59
	59	59

	2018	2017
Listed securities:		
– Investment funds and equity securities	11	10
	11	10

12. Inventories

	2018	2017
Raw materials and other securities	36,134	22,117
Work in progress and semi-finished goods	23,912	25,404
Finished goods produced internally	22,187	11,645
Marketing products	12,628	16,326
	94,861	**75,492**

In 2018, the Group reduced the value of its inventories by 1,979 thousand euros (1,651 thousand euros in 2017) due to obsolescence, expiration and the valuation of the products according to the profit expected from its sale. The reduction in value of inventories is recognised on the "Raw materials and consumables used" and "Change in stocks of finished goods and work in progress" lines of the income statement.

The inventories purchase/sale commitments for the Group at the end of the reporting period were as normal in its course of its business. Management estimates that meeting these commitments will not generate losses for the Group. The Group holds insurance policies to cover the risks the inventories are exposed to. The insurance cover is considered sufficient.

13. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	2018	2017
Trade receivables	52,052	42,830
Less: loss allowance	(1,099)	(1,837)
Trade receivables – Net (13.a)	50,953	40,993
Other receivables	86	153
Receivables from related parties (Nota 32)	123	202
Deposits (13.b)	1,394	1,374
Employee advances	220	271
Public authorities (13.c)	7,469	6,819
Total	60,245	49,812
Less: non-current portion: financial receivables	65	65
Current portion	60,180	49,747

13.a) Trade receivables

As is mentioned in Note 4.2, Management considers that the fair value of trade and other receivables does not differ significantly from their recognised values, since they consist principally of balances receivable at less than one year and are subject to possible interest charges if they are not collected within said period.

The carrying amounts of receivables are denominated in euros and pounds

In December 2017, the Group signed a non-recourse factoring agreement with Banco Santander, whereby ROVI received the amount of matured items due from customers other than the public authorities (Social Security Authorities or other government entities) for a total of 6,031 thousand euros. At 31 December, 2018, no factoring agreements were in force.

At 31 December, 2018, the balance receivable from the Social Security Authorities and other government entities was 7,317 thousand euros (5,663 thousand euros at 31 December, 2017), geographically distributed as follows:

	Rating 2018	Balance 2018	Rating 2017	Balance 2017
Italy	BBB	1,597	-	-
Madrid	BBB	1,301	BBB+	848
Portugal	BBB	1,134	BBB-	1,720
Andalusia	BBB-	598	BBB+	419
Catalonia	BBB-	595	B+	854
Valencia	BBB-	563	BB	496
Canary Islands	BBB-	333	BBB+	174
Castilla la Mancha	BBB-	268	BBB-	126
Basque Country	BBB+	211	A	247
Extremadura	BBB	131	BBB	84
Cantabria	BBB	120	BBB	144
Aragón	BBB	93	BBB-	160
Other	-	373	-	391
		7,317		**5,663**

At 31 December 2018, there were matured receivables amounting to 15,180 thousand euros (12,815 thousand euros at 31 December, 2017), although they had suffered no impairment. For both the 2018 and 2017 amounts, almost the entire debt aged over six months related to Social Security Authorities and government entities. The Group claims the late payment interest on these debts from the different government entities and Social Security authorities.

The ageing analysis of trade receivables due for payment is as follows:

	2018	2017
Up to 3 months	14,937	11,454
From 3 to 6 months	603	1,120
From 6 months to one year	270	357
Over one year	(630)	(116)
	15,180	12,815

The total of the matured debt due from government entities at 31 December, 2018 was 1,782 thousand euros, in comparison with the 2,468 thousand euros that was outstanding at 31 December, 2017. This amount was geographically distributed as follows:

	2018	2017
Spain	962	1,183
Portugal	820	1,285
	1,782	2,468

Matured receivables that had been impaired at 31 December, 2018 were 1,099 thousand euros (1,837 thousand euros a 31 December, 2017). Movement on the provision for impairment of trade receivables was as follows:

	2018	2017
Beginning of the year	**1,837**	**1,623**
Net remeasurement of loss allowance	(211)	248
Derecognition due to non-collectibility	(527)	(34)
End of the year	**1,099**	**1,837**

The ageing of these accounts was as follows:

	2018	2017
From 6 to 9 months	202	410
Over 9 months	897	1.427
	1,099	1,837

13.b) Deposits

At 31 December, 2018, the deposits caption included fixed-term deposits amounting to 1,394 thousand euros (1,374 thousand euros at 31 December, 2017) bearing interest at a rate ranging from 2% to 3%. At 31 December, 2018 and 2017, 1,327 thousand euros of these deposits was pledged to Banco Santander. The Group considers those deposits as low credit risk and thus no expected losses have been recorded.

13.c) Public authorities

Balances included in this caption at 31 December 2018 and 2017 relate to the following items:

	2018	2017
Value-added tax	6,322	5,522
Late payment interest receivable	237	326
Grants awarded by not received	910	971
	7,469	6,819

Maximum credit exposure at the date this information is presented is the value recognised for each one of the receivables mentioned above. The Group does not hold any guarantee as security.

14. Cash and cash equivalents

The breakdown of cash and cash equivalents at the end of the 2018 and 2017 reporting periods was as follows:

	2018	2017
Cash at bank and on hand	95,511	40,700
	95,511	40,700

In 2018 the Group carried out a capital increase of 88,000 thousand euros (Notes 1 & 15). The expenses associated to this transaction were 5,175 thousand euros (3,881 thousand euros net of taxes)

15. Share capital and share premium

The number of shares, the face value of the shares and the total share capital for the years 2018 and 2017 were as follows:

	No. shares	Face value (euros	Total share capital (thousands)
Balance at 1 January, 2017	50,000,000	0.06	3,000
Balance at 31 December, 2017	50,000,000	0.06	3,000
Balance at 31 December, 2018	56,068,965	0.06	3,364

In October 2018, the Group carried out a capital increased charged to cash contributions with exclusion of preferential subscription rights ("the Capital Increase"). The final terms of this increase were as follows:

- The Capital Increase was carried out for a nominal amount of 364,137.90 euros through the issue of 6,068,965 newly-issued ordinary shares in the Company with a par value of 0.06 euros each, belonging to the same class and series as the existing shares that were already in issue (the "New Shares").
- The price of issue of the New Shares was fixed at 14.50 per shares, 0.06 euros of which related to the nominal value, while 14.44 euros was the share premium (the "Issue Price").
- As a consequence of the foregoing, the effective total amount of the Capital Increase was 87,999,992.50 euros, 364,137.90 euros of which related to the nominal value and 87,635,854.60 to the share premium.

The expenses associated to the Capital Increase were 5,175 thousand euros (3,881 thousand euros net of tax), which were recognised under the "Retained earnings and voluntary reserves" caption.

All issued shares are fully paid up.

Shareholders owning significant direct or indirect interests of more than 3% in the share capital of Laboratorios Farmacéuticos Rovi, S.A. of which the Company is aware, according to the information in the official records of the National Securities Market Commission at 31 December, 2018, are the following:

Shareholder	% direct	% indirect	TOTAL
Norbel Inversiones, S.L.	62.102	-	62.102
JO Hambro Capital Management Limited	-	4.787	4.787
Indumenta Pueri, S.L.	-	5.057	5.057
Alantra Asset Management SGIIC, S.A.	-	4.821	4.821
T. Rowe Price International Funds, INC.	-	3.390	3.390
Wellington Management Group, LLP.	-	5.116	5.116

As a consequence of the Capital Increase, the interest held by the company Norbel Inversiones, S.L. in Laboratorios Farmacéuticos Rovi, S.A. dropped from 69.64% to 62.10%. Norbel Inversiones, S.L. is owned by Juan López-Belmonte López (20.00%) and Messrs Juan, Iván and Javier López Belmonte Encina (26.67% each). Therefore, Mr Juan López-Belmonte López held an interest of 12.42% in the share capital of ROVI at the end of the 2017 reporting period (13.93% at 31 December, 2017), while Messrs Juan, Iván and Javier López-Belmonte Encina each held 16.56% at the end of 2018 (18.57% at 31 December, 2017).

16. Other information on reserves

a) Legal reserve

The legal reserve, which totalled 600 thousand euros at 31 December 2018 and 2017, was set up in accordance with Article 274 of the Capital Companies Act ("Ley de Sociedades de Capital"), which states that 10% of the profit for the period must be allocated to the legal reserve until at least 20% of the share capital is covered. The legal reserve is not available for distribution. Should the legal reserve be used to offset losses in the event of no other reserves being available for this purpose, it must be replenished with future profits.

b) Other reserves

These reserves include cumulative variations in the value of equity securities (Note 11) net of transfers to profit and loss due to impairment.

c) Retained earnings and voluntary reserves

During 2018, retained earnings were increased and/or reduced as follows:

- On 29 May, 2018, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for distribution of the profit for 2017 (18,673 thousand euros), allocating 6,035 thousand euros to dividends and the remainder to retained earnings. The dividend on the treasury shares held by ROVI at the time of the distribution was 83 thousand euros.

- The sale of treasury shares in 2018 led to a profit of 253 thousand euros, which was recognised in the retained earnings account (Note 16.d).

- The expenses associated to the Capital Increase, which were 5,175 thousand euros (3,881 thousand euros net of tax), were recognised under the "Retained earnings and voluntary reserves" caption.

During 2017, retained earnings were increased and/or reduced as follows:

- On 31 May, 2017, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for distribution of the profit for 2016 (29,932 thousand euros), allocating 9,150 thousand euros to dividends and the remainder to retained earnings. The dividend on the treasury shares held by ROVI at the time of the distribution was 125 thousand euros.

- The sale of treasury shares in 2017 led to a profit of 185 thousand euros, which was recognised in the retained earnings account (Note 16.d).

Retained earnings at 31 December 2018 and 2017 included restricted reserves amounting to 1,704 thousand euros relating to legal reserves in group companies other than the Company itself. Also included was a special restricted reserve of 5,036 thousand euros at 31 December 2018 and 2017 set up by ROVI in 1994, when the share capital was reduced without contributions being refunded to shareholders. This reserve is treated in the same way as the legal reserve and may only be used to offset losses if there are no other reserves available for this purpose.

Dividends that reduce the balance of available reserves to an amount lower than the total research and development expense balances that have not yet been amortised may not be distributed (Note 7).

d) Treasury shares

In the course of 2018, the Group acquired a total of 68,603 of its own shares (35,421 in 2017), paying the sum of 1,138 thousand euros for them (532 thousand euros in 2017). Likewise, it resold a total of 58,731 of its own shares (67,784 in 2017) for a sum of 986 thousand euros (1,011 thousand euros in 2017). These shares had been acquired at a weighted average cost of 733 thousand euros (826 thousand euros in 2017), giving rise to a profit of 253 thousand euros on the sale (185 thousand euros in 2016), which was taken to reserves. At 31 December, 2018, the Group held 695,055 treasury shares (685,183 at 31 December, 2017).

The Company is entitled to reissue these shares at a later date.

e) Dividends

On 29 May, 2018, the General Meeting of Shareholders approved the distribution of the 2017 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 6,035 thousand euros (0.1207 euros gross per share). This dividend was paid out in July 2018.

On 31 May, 2017, the General Meeting of Shareholders approved the distribution of the 2016 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 9,150 thousand euros (0.1830 euros gross per share). This dividend was paid out in July 2017.

f) Application of profit

The proposed application of the profit for the period 2018 of the parent company, determined on the basis of generally-accepted accounting principles in Spain, that will be submitted to the General Meeting of Shareholders, together with the application approved for 2017 based on the profit of the parent company, is as follows:

	2018	2017
Basis of application		
Profit for the year	15,581	18,673
Application		
Legal reserve	73	-
Dividend	4,474	6,035
Retained earnings	11,034	12,638
	15,581	**18,673**

17. Trade and other payables

	2018	2017
Trade payables	47,875	42,129
Payables to related parties (Note 32)	2,250	1,935
Outstanding remuneration	5,177	4,434
Public authorities	5,586	4,315
Other payables	7,277	129
	68,165	52,942

At 31 December, 2018, the “Other payables” caption included the following liabilities:

	2018
Returns	898
Contribution to public health system	6,222
Other	107
	7,227

Contribution to public health system

In Spain, in accordance with Law 29/2006, all companies that sell prescription pharmaceuticals or other health products paid with public funds must make payments of between 1.5% and 2.0% of their sales (depending on the volume) into the National Health System. This is a levy aimed to adjust the margin on a regulated activity through the price intervention established by the Law. The Group recognises the contribution to the public health system as a reduction in revenue when the sale is made. The sums accrued but not yet paid are recognised under the “Other payables” caption.

Additionally, 3,467 thousand euros of the total amount of rebates to the National Health System were related to the co-operation agreement signed between Farmaindustria, the Spanish pharmaceutical industry association, and the Spanish government in 2016 and renewed in December 2017. ROVI, as a member of Farmaindustria, is subject to this agreement. According to the agreement, in the event that public spending on medicines (exclusing generics and biosimilar) exceeds the actual growth rate of the GDP of the Spanish economy, the pharmaceutical industry must reimburse the government for said excess in cash. In 2018, the public spending growth rate exceeded the growth rate of the GDP, meaning that the companies subject to the agreement must make the applicable reimbursement (3,467 thousand euros in the case of ROVI).

Although these amounts should not be considered as returns or refunds to customers, they are recognised as a reduction in revenue because the objective of the Law is to regulate the prices and margins obtained for these products.

In 2017, these sums were recognised under the “Provisions for other liabilties and charges” caption in the same way as expected returns from customers. In 2018, these amounts were presented under the “Other payables” caption, like any other refund or discount and customer returns.

Delay in payments to suppliers

Details of payments for trading transactions performed during the reporting period and outstanding at the reporting date in relation to the maximum legal periods provided for in Law 15/2010, amended by Law 11/2013, are as follows:

	2018	2017
	Days	Days
Average payment period to suppliers	51	57
Ratio of transactions paid	53	61
Ratio of transactions outstanding	36	33

	2018	2017
Total payments made (thousands of euros)	165,685	127,441
Total payments outstanding (thousands of euros)	20,254	18,915

18. Financial debt

Non-current	2018	2017
Bank borrowings	7,113	17,716
Debt with government entities	9,476	9,313
	16,589	27,029
Current		
Bank borrowings	15,603	13,222
Debt with government entities	2,032	2,986
	17,635	16,208
	34,224	**43,237**

a) Bank borrowings

Bank borrowings at 31 December, 2018 consisted of the following bank loans:

	a.1)	a.2)	a.4)	a.5)	a.6)	TOTAL
Entity	**BBVA**	**BBVA**	**Santander**	**Santander**	**BEI**	
Face value	**20,000**	**10,000**	**4,000**	**6,000**	**5,000**	
Interest rate	**0.65% Fixed**	**0.90% Fixed**	**0.90% Fixed**	**Eur12+0.70%**	**Eur3+0.84%**	
2019	12,642	1,481	592	888	-	15,603
2020	2,113	-	-	-	-	2,113
2021	-	-	-	-	175	175
2022	-	-	-	-	704	704
2023	-	-	-	-	708	708
2024 onward	-	-	-	-	3,413	3,413
	14,755	1,481	592	888	5,000	22,716
Non-current	2,113	-	-	-	5,000	7,113
Current	12,642	1,481	592	888	-	15,603

At 31 December, 2017, the bank loan maturities were as follows:

	a.1)	a.2)	a.3)	a.4)	a.5)	TOTAL
Entity	**BBVA**	**BBVA**	**Bankinter**	**Santander**	**Santander**	
Face value	**20,000**	**10,000**	**10,000**	**4,000**	**6,000**	
Interest rate	**0.65% Fixed**	**0.90% Fixed**	**1.00% Fixed**	**0.90% Fixed**	**Eur12+0.70%**	
2018	5,244	2,521	2,939	1,008	1,510	13,222
2019	12,642	1,481	-	592	887	15,602
2020	2,114	-	-	-	-	2,114
	20,000	4,002	2,939	1,600	2,397	30,938
Non-current	14,756	1,481	-	592	887	17,716
Current	5,244	2,521	2,939	1,008	1,510	13,222

a.1) Loan of 20,000 thousand euros granted by BBVA in the first half of 2017. The repayment term of this loan is 3 years, with a grace period of 17 months and a fixed interest rate of 0.65%.

a.2) Loan of 10,000 thousand euros obtained from BBVA in July 2015, with a fixed annual interest rate of 0.90% and a 4-year repayment period. Part of this amount, 6,000 thousand euros, was used to cancel the loan of the same amount signed with BBVA in July 2014, repayment of which had not commenced at the time of cancellation.

a.3) In July 2015, the Group signed the novation of the loan contract for 8,000 thousand euros signed with Bankinter in 2014. Under the new agreement, the capital provided rose to 10,000 thousand euros and the fixed annual interest rate dropped from 2.15% to 1.00%. The repayment period is 36 months, 12 of which are a grace period. This loan was fully repaid in 2018.

a.4) Loan signed in July 2014 with Banco Santander for 6,000 thousand euros, which came from European Investment Bank (EIB) funds. In 2015, a novation of this loan was signed and the spread applied to Euribor at 12 months, to which the loan is indexed, dropped from 1.50% to 0.70%. The repayment period is 48 months.

a.5) In 2015, a loan of 4,000 thousand euros was signed with Banco Santander with a fixed annual interest rate of 0.90% and a repayment period of 4 years.

a.6) In December 2017, the European Investment Bank (EIB) granted ROVI a credit line to support its investments in Research, Development and Innovation (R&D&i). The credit line was for 45,000 thousand euros. ROVI may draw down this amount over a term of 24 months as from signature of the agreement and the credit matures in 2029. The credit line provides for a three-year grace period and financial conditions (i.e. applicable interest rates, repayment period, etc.) that are favourable to ROVI. In July 2018, ROVI used 5,000 thousand euros of this credit line at an interest rate of Euribor plus 0.844. In the first half of 2018, compliance as of 31 December, 2017 with the financial ratios fixed in this financing agreement was certified. At 31 December, 2018, ROVI met the ratios fixed, although this will not be certified until after these annual accounts have been approved.

b) Debt with government entities

b.1) Since 2001, the Company has been receiving reimbursable grants from different Ministries to finance a number of R&D projects. The amounts recorded as non-current financial debt for this item at 31 December, 2018 amounted to 9,476 thousand euros (9,313 thousand euros at 31 December, 2017). The transactions do not accrue interest and have been recognised at their initial fair values. The difference between the initial fair value and the face value accrues at market interest rates (Euribor and the interest rate on Spanish Treasury debt plus a spread in accordance with the Group's risk). This means that this debt accrues interest at effective interest rates ranging from 2.9% to 4.9%.

b.2.1) Advances received in 2018:

			Thousands of euros		Years	
Company	**Government entity**	**Project**	**Face value**	**Initial fair value**	**Repayment period**	**Grace period**
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	4	3	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	160	136	7	3
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	956	799	7	3
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	734	611	7	3
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	79	66	7	3
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	28	22	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	64	53	7	3
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	2	1	10	4
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	16	12	10	4
			2,043	1,703		

(1) Funds the project to develop drugs with ISM technology.

b.2.2) Advances received in 2017:

In 2017, the different Group companies received various reimbursable advances from different entities, details of which are given below:

			Thousands of euros		Years	
Company	**Government entity**	**Project**	**Face value**	**Initial fair value**	**Repayment period**	**Grace period**
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	229	188	10	4
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	77	64	10	4
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	28	23	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	140	118	7	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	1,575	1,314	8	4
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	84	69	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	160	133	7	4
Lab. Farm. Rovi	Torres Quevedo Programme	(2)	57	50	3	3
			2,350	1,959		

(1) Funds the project to develop drugs with ISM technology.
(2) Funds the recruitment of qualified personnel for R&D&I activities.

At 31 December, 2018 and 2017, debt with government entities matured as follows:

Year	**2018**	**2017**
2018	-	2,986
2019	2,032	1,474
2020	1,791	1,707
2021	1,540	1,419
2022	1,595	1,410
2023	934	688
2024 onward	3,616	2,615
	11,508	12,299
Non-current	9,476	9,313
Current	2,032	2,986

Fair value of the financial debt

The carrying amounts and fair values of non-current bank borrowings and debt with government entities liabilities at 31 December, 2018 and 2017 were as follows:

	Carrying amounts		**Fair value**	
	2018	**2017**	**2018**	**2017**
Bank borrowings	7,113	17,716	7,061	17,521
Debt with government entities	9,476	9,313	10,002	10,071
	16,589	27,029	17,063	27,592

The fair values of current financial debt are equal to their corresponding nominal amounts since the effect of discounting is not significant. The fair values are based on cash flows discounted at a rate of 2%, based on the borrowing rate (2% in 2017).

To calculate the fair value of fixed rate non-current bank borrowings at 31 December, 2018, the interest rate of the last variable interest loan received by the Company was taken as a reference: Euribor at 3 months plus a 0.844% spread (as at 31 December, 2017 the reference was given by the only variable interest loan existig at that date, Euribor at 12 months plus a 0.70% spread).

19. Deferred taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority. A breakdown of the estimated periods for offsetting is as follows:

	2018	2017
Deferred tax assets:		
– Deferred tax assets to be recovered at more than 12 months	11.332	5.816
– Deferred tax assets to be recovered within 12 months	4.704	6,077
	16,036	11,893
Deferred tax liabilities:		
– Deferred tax liabilities to be settled at more than 12 months	1.033	1.206
– Deferred tax liabilities to be settled within 12 months	210	232
	1,243	1,438

Net movement on the deferred tax account was as follows:

	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
At 1 January, 2017	**10,252**	**(1,640)**	**8,612**
(Charged) / credited to the income statement	1,641	202	1,843
At 31 December, 2017	**11,893**	**(1,438)**	**10,455**
(Charged) / credited to the income statement (Note 28)	4.277	195	4,472
Tax charged to equity	(134)	-	(134)
At 31 December, 2018	**16,036**	**(1,243)**	**14,793**

Movement on deferred tax assets was as follows:

	Negative tax bases	Tax credits not yet applied	30% amort../depr. 13 & 14	Provisions	Other	Total
At 1 January, 2017	**4,716**	**4,034**	**1,251**	**184**	**67**	**10,252**
(Charged)/credited to the income stat.	(2,319)	4,002	(117)	8	67	1,641
At 31 December, 2017	**2,397**	**8,036**	**1,134**	**192**	**134**	**11,893**
(Charged)/credited to the income stat.	957	2,139	(106)	50	1,237	4,277
Tax charged to equity	-	-	-	-	(134)	(134)
At 31 December, 2018	**3,354**	**10,175**	**1,028**	**242**	**1,237**	**16,036**

The amounts for deferred tax assets shown in the "30% amortisation/depreciation 2013 & 2014" column relate to the tax effect of the 30% of the amortisation/depreciation charge for the period, which was not tax deductible in the years 2013 and 2014, as established in Royal Decree-Law 16/2012 of 27 December, whereby various measures intended to consolidate public finance and stimulate economic activity were adopted.

Movement on deferred tax liabilities was as follows:

	Freedom of amort./deprec.	Other	Total
At 1 January, 2017	**996**	**644**	**1,640**
Charged / (credited) to income statement	(200)	(2)	(202)
At 31 December, 2017	**796**	**642**	**1.438**
Charged / (credited) to income statement	(185)	(10)	(195)
At 31 December, 2018	**611**	**632**	**1,243**

The deferred tax liabilities included as "freedom of amortisation/depreciation" refer to the application of the free amortisation/depreciation system associated to assets attached to R&D activity and to maintaining jobs.

20. Contract liabilities

Movement on contract liabilities in 2018 was as follows:

	Distribution licences	Other contracts	Total
At 1 January, 2018	**914**	**-**	**914**
Additions	5,927	800	6,727
Charged / (credited) to income statement	(219)	-	(219)
At 31 December, 2018	**6,622**	**800**	**7,422**

Distribution licences

In 2018, new contract liabilities of 5,927 thousand euros were recognised in relation to agreements granting distribution licences.

In 2018, ROVI recognised revenue from distribution licences for a total amount of 219 thousand euros (Note 23).

At 31 December, 2018, the contract liaibities related to distribution licences had the following estimated maturities:

Year	**2018**
2019	359
2020	703
2021	992
2022	1,192
2023	872
	4,118
Non-current	3,759
Current	359

At 31 December, 2018, there were contract liabitliies related to distribution licences for an amount of 2,554 thousand euros for which the time at which they would be recognised in the income statement could not be determined, since they were subject to meeting certain milestones for which no dates had been fixed.

21. Deferred revenues

	2018	**2017**
Non-current		
a) Deferred revenues from distribution licences	-	835
b) Deferred revenues from grants	3,621	4,170
	3,621	5,005
Current		
a) Deferred revenues from distribution licences	-	79
b) Deferred revenues from grants	553	486
	553	565
	4,174	**5,570**

a) Deferred revenues from distribution licences

In 2017, new deferred revenues totalling 28 thousand euros were recognised on agreements granting distribution licences.

In 2017, ROVI recognised total revenues of 88 thousand euros on distribution licences (Note 21).

At 31 December, 2017, deferred revenues from distribution licences matured as follows:

	31 de diciembre de 2017
2018	79
2019	70
2020	70
	219
No corriente	140
Corriente	79

At 31 December, 2017, there were deferred revenues from distribution licences of 695 thousand euros euros for which the time at which they would be recognised in the income statement could not be determined, since they were subject to meeting certain milestones for which no dates had been fixed.

b) Deferred revenues from grants

The "Deferred revenues from grants" caption shows the amounts received for grants awarded by government entities and may be classified into two broad blocks:

	2018	2017
b.1) Deferred revenues from non-reimbursable capital grants	3,958	4,424
b.2) Deferred revenues from reimbursable capital grants	216	232
	4,174	4,656

b.1) Deferred revenues from non-reimbursable grants

These are taken to profit and loss in proportion to the provision made in the period for the assets whose purchase is subsidised. The most significant non-reimbursable grants that have not yet been taken to profit and loss are related to construction of the Granada bemiparin plant, which came into operation in 2009. In said reporting period, the allocation of a non-reimbursable grant of 5,431 thousand euros, awarded by the Innovation and Development Agency of Andalusia (Innovation, Science and Business Department), to profit and loss commenced. This grant was received in November 2008. The amount recognised for this grant under the caption "Current and non-current deferred revenues from grants" at 31 December, 2018 was 2,629 thousand euros (2,924 thousand euros at 31 December, 2017).

b.2) Deferred revenues from reimbursable grants

These relate to grants with an implicit interest rate derived from recognising reimbursable grants awarded at a zero interest rate at fair value (Note 18.b). The most significant amounts recognised as deferred revenues in relation to reimbursable grants awarded by government entities relate mainly to a number of research and development projects. They are taken to profit and loss on the basis of accrual of the expenses for which the reimbursable grant was awarded.

21. Provisions for other liabilities and charges

Movement on the provisions for other liabilities and charges for the 2017 and the breakdown at 31 December, 2017 were as follows:

	Returns	Contribution to public health system	Other	Total
At 1 January 2017	**665**	**2.093**	**120**	**2.878**
Additions	699	2.690	119	3.508
Applications	(665)	(2.093)	(120)	(2.878)
At 1 December 2017	**699**	**2.690**	**119**	**3.508**

Due to the entry into force of IFRS 15 in 2018, these liabilities have been reclassified under the caption “Trade and other payables” (Note 17).

23. Revenues

Revenues are broken down into the following items:

	2018	2017
Sales of goods	248,409	214,309
Sales of services	54,575	61,099
Revenue from distribution licences	219	241
	303,203	275,649

Total sales of goods fell by 18,252 thousand euros in 2018 (14,679 thousand euros in 2017) as a consequence of the rebates furnished to the National Health System (Note 2.23). 3,467 thousand euros of the total amount of rebates to the National Health System were related to the co-operation agreement signed between Farmaindustria and the Spanish government (Note 17).

As of 31 December, 2018 “Sales of good” caption includes 673 thousand euros related to royalties received on the basis of enoxaparin distribution agreements signed with third parties.

The breakdown of “Sales of goods” by product group was as follows:

	2018	2017
Pharmaceutical products	216,563	183,166
Contrast agents and other hospital products	29,688	28,541
Non-prescription pharmaceutical products	1,408	1,800
Other	750	802
	248,409	214,309

The revenue disaggregated by primary geographical market and reportable segment at 31 December, 2018 is shown below:

	Manufacturing	Marketing	TOTAL
Spain	10,300	193,465	203,765
UE	42,355	42,612	84,967
Other countries	1,920	12,551	14,471
	54,575	**248,628**	**303,203**

At 31 December,2017 the breakdown was as follow:

	Manufacturing	Marketing	TOTAL
Spain	12,097	183,700	195,797
UE	48,164	17,687	65,851
Other countries	838	13,163	14,001
	61,099	**214,550**	**275,649**

24. Employee benefit expenses

The summary of employee benefit expenses is as follows:

	2018	2017
Wages and salaries	57,982	52,293
Social security costs	12,174	11,673
Pension costs – defined-contribution pension plans	24	24
	70,180	63,990

Total employee benefit expenses at 31 December, 2018 included R&D department-related expenses of 7,807 thousand euros (7,218 thousand euros at 31 December, 2017, Note 7).

At 31 December, 2018 "Wages and salaries" caption included a compensation for a substantial change to the Frosst Ibérica employees' working conditions, amounting to 1,094 thousand euros.

The wages and salaries figure includes severance payments of 1,686 thousand euros in 2018 and 1,265 thousand euros in 2017.

The average number of employees was as follows:

	2018	2017
Management	30	34
Administration	192	179
Sales force	294	288
Production and plant	501	491
R&D	192	185
	1,209	1,177

At 31 December, 2018, the Group's total headcount was 1,224 employees (1,191 at 31 December, 2017), 666 of whom were women (664 at 31 December, 2017). There were 9 women in management positions in 2017 (10 in 2017).

At 31 December, 2018, the Group's total headcount included 20 people with a disability rating of 33% or more (15 at 31 December, 2017).

25. Other operating expenses

	2018	2017
Advertising costs	17,354	17,468
Services from third parties	6,322	5,926
Supplies	10,890	9,890
Transport and warehouse expenses	4,139	2,488
Repairs and maintenance	3,533	3,612
Operating leases	3,564	3,137
Other taxes	2,350	1,021
Other operating expenses	28,344	31,267
	76,496	74,809

Total operating expenses at 31 December, 2018 included R&D-related expenses of 24,569 thousand euros (21,033 thousand euros at 31 December, 2017, Note 7), most of which are registered in "Other operating expenses" caption.

26. Operating leases

The minimum future payments to be made for uncancellable operating leases at 31 December, 2018 amounted to 883 thousand euros (1,629 thousand euros at 31 December, 2017), 714 thousand euros of which related to payments due at less than one year (1,050 thousand euros at less than one year at 31 December, 2017).

The operating lease expense recognised in profit and loss in 2018 was 3,564 thousand euros (3,137 thousand euros in 2017).

27. Finance income/(costs)

	2018	2017
Interest income	16	93
Total finance income	16	93
Interest costs	(712)	(909)
Other finance costs		(104)
Total finance costs	(712)	(1,013)
Proceeds on disposal of financial instruments	10	-
Change in fair value of financial instruments	(33)	-
Impairment and gain/(loss) on measurement of financial instruments	(23)	-
Exchange rate differences	(83)	-
	(83)	-
Net finance income/(cost)	**(802)**	**(920)**

28. Income tax

	2018	2017
Current tax	(3,314)	(2,151)
Deferred tax (Nota 19)	4,472	1,843
Adjustment corporate income tax prior years	57	27
	1,215	(281)

The tax on the Group's pre-tax profit differs from the notional amount that would have been calculated using the 25% tax rate applicable to the profits of the consolidated companies, as follows:

	2018	2017
Profit before tax	16,680	17,522
Tax calculated at domestic tax rate of 25%	(4,170)	(4,381)
Share of profit of joint ventures	6	(142)
Tax deductible expenses not included in the consolidation	-	134
Movement on capitalised negative tax assets	1,313	(1,942)
Adjustment corporate income tax prior years	57	27
Non-tax deductible expenses	(271)	(683)
Non-taxable income	-	6
Tax differences in subsidiaries results	(135)	-
Movement on capitalised R&D tax credits	4,235	6,426
Other tax credits applied	180	274
Income tax expense	1,215	(281)

The non-deductible expenses and non-taxable income captions include principally the permanent differences of the companies at individual level, as well as the effect of the adjustment of corporate income tax from previous periods.

Consolidated current corporate income tax for 2018, after deduction of the amounts paid on account and withholdings operated in the period, generated a current tax receivable of 3,414 thousand euros (2,228 thousand euros at 31 December, 2017).

The Group generated tax credits of 4,045 thousand euros in 2018 (5,371 thousand euros in 2017) and likewise was entitled to offset tax credits of 8,406 thousand euros from previous years (6,170 thousand euros at 31 December, 2017). In 2018, tax credits of 2,276 thousand euros were applied (2,698 thousand euros in 2017) and there were further R&D tax credits of 10,175 thousand euros that were pending application in future years (8,843 thousand euros at 31 December, 2017). The totality of the tax credits not yet offset were recognised in the Group's assets at 31 December, 2018 (8,036 thousand euros at 31 December, 2017) (Note19) and are expected to be recovered within a maximum term of 4 years.

In 2018 and 2017, the corporate income tax return was submitted jointly for the following group companies as a tax group, the company Laboratorios Farmacéuticos Rovi, S.A. being the tax group 362/07 parent:

- Rovi Contract Manufacturing, S.L.
- Bemipharma Manufacturing, S.L.
- Pan Química Farmacéutica, S.A.
- Gineladius, S.L.
- Frosst Ibérica, S.A.

Of the total negative tax bases that had not been offset at the end of the 2017 reporting period, the Group applied 1,509 thousand euros in the corporate income tax for 2017. During 2018, new negative tax bases were generated for a total amount of 1,425 thousand euros. Additionally, as a consequence of the partial inspection of the offsetting of negative tax bases in 2015, signed in acceptance in January 2019 with no material impact for the Group, negative tax bases pending application of 1,292 thousand euros were reinstated. Therefore, at 31 December, 2018, the negative tax bases pending application were 36,335 thousand euros (35,127 thousand euros at 31 December, 2017), a total of 1,424 thousand euros of which will be applied in the 2018 corporate income tax.

Of the total negative tax bases pending application, the Group has only recognised as assets those that it expects to recover within a ten-year period, which totalled 13,331 thousand euros at 31 December, 2018 (9,589 thousand euros at 31 December, 2017).

The following periods' taxes are open to inspection:

	Year
Corporate income tax	2014-17
Value-added tax	2015-18
Transfer tax	2015-18
Personal income tax (withholdings)	2015-18

As a result of, among other things, possible different interpretations of current tax legislation, additional liabilities could arise as the result of an inspection. At any event, the Directors consider that any such liabilities would not have a significant effect on the Annual Accounts.

28. Earnings per share

Basic and diluted

The basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the period.

In order to determine the number of shares in issue for 2018 and 2017, the weighted average number of shares was calculated without taking the treasury shares that existed at any given moment into account.

	2018	2017
Profit attributable to the Company's shareholders	17,895	17,241
Weighted average number of outstanding ordinary shares (thousands)	51,223	49,308
Basic and diluted earnings per share (euros per share)	0.35	0.35

At 31 December, 2018 and 2017, there were no shares with potential diluting effects.

30. Contingencies

At 31 December, 2018, the Group held bank guarantees amounting to 3,459 thousand euros (4,139 thousand euros in 2017). These guarantees were granted principally to enable Group companies to participate in public tenders and to receive reimbursable grants and advances.

31. Commitments

Acquisition of Bertex Pharma GmbH

Future payment commitments derive from the agreement to purchase assets through the acquisition of the company Bertex Pharma GmbH that took place in 2007. The purchase agreement fixes a variable component that will depend upon the successful completion of clinical trials for the development of products and the subsequent marketing. The commitments related to this transaction are:

a) If the development and marketing are performed internally:

- 350 thousand euros after finishing successfully the development of clinical trials of phase 1. Part of this amount, 100 thousand euros, was settled in 2011, while 250 thousand euros were settled in 2014;
- A payment of 200 thousand euros after finishing successfully the development of clinical trials of phase 2. This payment was made in 2016;
- A payment of 300 thousand euros after successfully finishing the development of clinical trials of phase 3;

- A payment of 200 thousand euros at the beginning of the marketing of any pharmaceutical product;
- A payment of 200 thousand euros at the beginning of the marketing of any pharmaceutical product in any of the main markets (USA, Japan, Germany, France, Italy or UK).

b) If the development and marketing are performed by third parties:

- 5% of the revenues obtained by ROVI from the development and marketing of the products by third parties (net of direct or indirect production costs and administration expenses).

Payments for the internal development or marketing detailed in section a) exclude those performed under section b) and vice versa, but if ROVI completes clinical development phases 1 and 2 and entrusts the subsequent phases to a third party or performs them for a third party, this clause will apply, but the payments made for phases 1 and 2 under section a) will be deducted.

The work and clinical trials for development of the products mentioned in point a) above are progressing as planned.

31. Related-party transactions

The Group is controlled by Norbel Inversiones, S.L., which held 62.10% of the shares of the parent company at 31 December, 2018 (69.64% at 31 December, 2017). Norbel Inversiones, S.L. belongs to Mr Juan López-Belmonte López and Messrs Juan, Javier and Iván López-Belmonte Encina.

a) Sales of goods and services

	2018	2017
Goods sold and services rendered:		
– Joint ventures	62	173
	62	173

b) Purchases of goods and services

	2018	2017
Purchases of services:		
– Joint ventures	200	200
– Directors who are also shareholders	24	24
– Entities in which Mr Juan López-Belmonte López holds an interest	2,026	1,627
	2,250	1,851

Purchase of services from companies in which Mr Juan López-Belmonte López holds an interest relates to operating lease payments to the companies Inversiones Borbollón, S.L. and Norba Inversiones, S.L.

The Services recognised on the “Joint ventures” line relate to product promotion services received.

c) Director and key management remuneration

c.1) Director remuneration

	2018	2017
Wages and salaries and other current benefits	2,593	1,640
Contributions to defined-contribution pension plans (Notes 23 & 33.1.c)	24	24
	2,617	1,664

The "wages and salaries and other current benefits" caption includes the remuneration of the executive directors for performing senior management functions (Note 33.1.f)) and the remuneration agreed for the directors as members of the Board of Directors (Note 33.1.a).

ROVI has a Long-Term Incentive Plan for the executive directors for the years 2016-2018. The purpose of this plan is to provide compensation for the long-term creation of value for the Group in the interests of the shareholders. This Incentive Plan accrued at 31 December, 2018 and is recognised under "Wages and salaries and other current benefits".

On 29 May, 2018, the General Shareholders' meeting approved a new incentive plan with the same characteristics as the aforementioned for the years 2019 to 2021.

c.2) *Key management remuneration*

Members of the Management Committee are deemed to be key management. The following table shows the annual remuneration of those who were members of the Management Committee but not of the Board of Directors at the end of each reporting period:

	2018	2017
Wages and salaries and other current benefits	1,773	1,668
	1,773	1,668

At 31 December, 2018, the Management Committee was formed by 13 members (14 at 31 December, 2017), three of whom were also members of the Board of Directors.

d) Dividends paid

Dividends paid to the company Norbel Inversiones, S.L. in 2018 were 4,203 thousand euros (6,327 thousand euros in 2017).

e) Other transactions

In 2013, Laboratorios Farmacéuticos Rovi, S.A. granted a loan of 1,050 thousand euros to Alentia Biotech, S.L. (Note 10). The interest rate agreed was 2.00% p.a. Interest accrued on this loan is 22 thousand euros p.a.

f) Balances at the end of the reporting period

	2018	2017
Receivables from related parties (Note 13):		
– Directors	44	45
– Entities in which Mr Juan López-Belmonte López holds an interest	33	33
– Joint ventures (*)	46	124
	123	202
Payables to related parties (Note 17):		
– Key management	290	313
– Directors	1,537	1,147
– Joint ventures	100	120
– Entities in which Mr Juan López-Belmonte López holds an interest	323	355
	2,250	1,935

(*) This caption includes the balances receivable from joint ventures for sales of services and those relating to loans granted at their fair value.

33. Fees of account auditors and their group or related companies

The net fees accrued by KPMG Auditores, S.L. for annual accounts audit and other services related to audit in the year 2018 were 151 thousand euros and 315 thousand euros, respectively (142 thousand euros and 38 thousand euros in 2017).

The services related to audit include the work carried out on the review of the System for Internal Control over Financial Information (SCIIF), as well as the limited reviews of the three-month period ended 31 March, 2018 and the six-month period ended 30 June, 2018, review of compliance with the financial ratios and the underwriting work related to the capital increase (Note 15). In 2017 services related to audit included the work carried out on the review of the System for Internal Control over Financial Information (SCIIF), as well as the limited review of the six-month period ended 30 June, 2017.

Additionally, the group to which KPMG Auditores, S.L. belongs has provided services for the verification of the 2018 Statement of Non-Financial Information amounting to 22 thousand euros.

34. Director remuneration

At 31 December, 2018, the members of the Board of Directors were as follows:

Mr Juan López-Belmonte López	Chairman
Mr Iván López-Belmonte Encina	First Deputy Chairman
Mr Javier López-Belmonte Encina	Second Deputy Chairman
Mr Juan López-Belmonte Encina	Chief Executive Officer
Mr Enrique Castellón Leal	Director
Mr Miguel Corsini Freese	Director
Mr Fernando de Almansa Moreno-Barreda	Director

The non-director Secretary is Mr. Gabriel Núñez Fernández.

a) In accordance with the provisions of Article 28 of the Board of Directors Regulations of Laboratorios Farmacéuticos Rovi, S.A., the following information is provided with respect to the members of the Board of Directors at 31 December 2018:

1. An individual breakdown of the remuneration of each director, including, where applicable:

   a. Per diem expenses or other fixed remuneration received as director and additional remuneration received as chairman or member of any Board committee. The amounts for 2018 and 2017 were as follows:

	2018	2017
Mr Juan López-Belmonte López	150	150
Mr Juan López-Belmonte Encina	60	60
Mr Enrique Castellón Leal	60	60
Mr Javier López-Belmonte Encina	60	60
Mr Iván López-Belmonte Encina	60	60
Mr Miguel Corsini Freese	60	60
Mr Fernando de Almansa Moreno-Barreda	60	60
	510	510

   b. No director received remuneration from profit-sharing or premiums, and the reason why such amounts were awarded.

   c. Contributions made to defined contribution pension plans in the directors' favour (Note 2.18.a) or increases in the vested rights of the director in the case of contributions to defined-benefit plans:

	2018	2017
Mr Juan López-Belmonte Encina	8	8
Mr Javier López-Belmonte Encina	8	8
Mr Iván López-Belmonte Encina	8	8
	24	24

   d. No director received any severance payments agreed to or paid upon termination of his mandate.

   e. No director received any remuneration as a director of other group companies.

   f. Remuneration for the performance of senior management functions received by executive directors. The remuneration of this nature for 2018 and 2017 was as follows:

	2018		2017	
	Fixed	Variable	Fixed	Variable
Mr Juan López-Belmonte Encina	312	528	303	153
Mr Javier López-Belmonte Encina	229	392	221	115
Mr Iván López-Belmonte Encina	229	393	223	115
	770	1,313	747	383

At 31 December, 2018, the variable remuneration of the executive directors included the sums accrued under the Long-Term Incentive Plan (Note 32 c.1).

g. In 2018 and 2017, no item of remuneration existed of any nature other than the above or paid by any group company, specifically including related-party transactions and any items the omission of which would distort the true and fair view of the total remuneration received by the director.

2. Individual breakdown of any awards made to directors of shares, share options or any other instrument linked to share price, stating:

a. The number of shares or options awarded in the year and the conditions applicable for exercising them;

b. The number of options exercised during the year, indicating the number of shares involved and the exercise price;

c. The number of options pending exercise at the year end, indicating price, date, and other exercise requirements;

d. Any amendment during the year of the conditions for the exercising of options already awarded.

In the periods 2018 and 2017, no shares, options or other instruments linked to the share value were given to directors.

3. Information on the relationship between remuneration received by executive directors and results or other measurements of the Company's performance:

	2018	2017
Remuneration of executive directors	2,083	1,130
Profit attributed to parent company	15,581	18,673
Remuneration of executive directors / Profit attributed to parent company	13.37%	6.06%

The Company holds a liability insurance policy for directors and senior management. A premium of 12 thousand euros accrued for this policy in 2018 (12 thousand euros in 2017).

b) Conflicts of interests on the part of the directors

In compliance with their duty to avoid situations where conflict with the Company's interests exists, the directors who held office on the Board of Directors during the period met the obligations set forth in article 228 of the Revised Text of the Capital Companies Act. Likewise, both they and the persons related to them refrained from entering into the situations of conflict of interests provided for in article 229 of said Act.

35. Events after the end of the reporting period

On 15th of February 2019, ROVI has announced that the Group has reached an agreement with a subsidiary of MSD ("MSD") whereby ROVI acquires certain rights to MSD's dexchlorpheniramine maleate product line in Spain and France, allowing it to distribute this product directly in Spain in its different pharmaceutical forms (tablets, syrup and ampoules, marketed under the brand name POLARAMINE®, and cream, marketed under the brand name POLARACREM™) and, in France, in its injectable form (ampoules). Under this agreement, this line of products will be marketed directly by ROVI in Spain in its different pharmaceutical forms and, in France, in its injectable form, when the administrative procedures to authorise the transfer of the marketing authorisations have been concluded at the Spanish Medicines Agency and the French Agency for the Safety of Medicines and Health Products.

According to MSD, net sales of these products in Spain and France, were approximately 6.3 million US dollars in 2017.

ROVI will pay MSD 13.5 millon euros for the product.

APPENDIX 1

Subsidiaries included in the Consolidated Group

Corporate name	Registered office	Ownership interest 2018	Ownership interest 2017	Activity	Auditor
Pan Química Farmacéutica, S.A.	Madrid, C/Rufino González, 50	100%	100%	(1)	A
Gineladius, S.L.	Madrid, C/Rufino González, 50	100%	100%	(2)	N/A
Rovi Contract Manufacturing, S.L.	Madrid, C/Julián Camarillo, 35	100%	100%	(1)	A
Bemipharma Manufacturing, S.L.	Madrid, C/Julián Camarillo, 35	100%	100%	(1)	N/A
Bertex Pharma GmbH	Inselstr.17. 14129 Berlin (Germany)	100%	100%	(3)	N/A
Frosst Ibérica, S.A.	Alcalá de Henares, Avenida Complutense, 140 (Madrid)	100%	100%	(1)	A
Rovi Biotech, Ltda.	La Paz (Bolivia)	100%	100%	(1)	N/A
Rovi Biotech Limited	10-18 Union Street, London (United Kingdom)	100%	100%	(1)	B
Rovi Biotech, S.R.L	Via Monte Rosa 91, Milan (Italy)	100%	100%	(1)	N/A
Rovi, GmbH	Ruhlandstr. 5, Bad Tölz (Germany)	100%	100%	(1)	N/A
Rovi, S.A.S.	24 Rue du Drac, Seyssins (France)	100%	n/a	(1)	C

The percentage ownership interests have been rounded up or down to two decimal points.

Unless otherwise stated, the closing date of the latest Annual Accounts is 31 December.

Activity:

(1) Production, marketing and sale of pharmaceutical, healthcare and medicine products.
(2) Import-export, purchase, sale, distribution and marketing of articles related to integral female healthcare.
(3) Development, distribution and marketing of pharmaceutical products related to micro-particle technologies.

Auditor:

A Audited in 2017 and 2018 by KPMG Auditores, S.L.
B Rovi Biotech Limited is exempt from the statutory audit under article 479a of the United Kingdom 2006 Companies Act.
C. Audited by KPMG, S.A. in 2018.

Free translation of the 2018 Consolidated Management Report originally issued in Spanish. In the event of discrepancy, the Spanish version prevails.

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

2018 Consolidated Management Report

Juan López-Belmonte López, as Board of Directors Chairman of Laboratorios Farmacéuticos Rovi, S.A. ("the Company") issues the following management report in accordance with Article 262, 148 d) and 526 of the Spanish Capital Company Act ("Ley de Sociedades de Capital"), 61 bis of the Securities Market Law and 49 of the Code of Commerce.

1.- CORPORATE PROFILE AND BUSINESS MODEL

The Company is the parent company of a fully-integrated specialized Spanish pharmaceutical group (ROVI or "the Group") engaged in the research and development, contract manufacturing and the marketing of small molecules and biological specialties. The roup has three principal growth pillars:

- Pharmaceutical products, with a diversified portfolio of both its own and licensed innovative products, protected by patents.
- Contract manufacturing of prefilled syringes and oral forms.
- A sound, low-risk R&D policy.

The growth of these pillars provides ROVI with a defensive profile that has allowed it to increase profits over recent years, in spite of the difficult environment that exists in the sector, hampered by the cuts in public pharmaceutical spending.

ROVI enjoys a series of competitive advantages that have allowed it to position itself as one of the principal leaders in its market niche, in a sector which, moreover, has high entry barriers.

- Unique knowledge of low-molecular-weight heparins (LMWH)
- Infrastructure with operating advantages
- Diversified portfolio
- Low-risk innovation
- International expansion

All the companies that form the ROVI Group are aware of the health improvements their products provide and would like to meet certain social demands in relation to the impact of their activities on society and the environment. Therefore, ROVI's economic development must be compatible with its conduct in relation to ethics, society, the workplace, the environment and respect for human rights.

Awareness of these values, which express the Group's commitment in relation to business ethics and corporate responsibility, making them known to others and implementing them provide guidance for the actions of ROVI's Board of Directors and other governing bodies in their relations with stakeholders. For this purpose, the Group has support tools the objectives of which are to:

- Favour attainment of the Group's strategic objectives.
- Improve the Group's competitiveness by implementing management practices based on innovation, equal opportunities, productivity, profitability and sustainability.
- Manage risks and opportunities derived from the changing environment responsibly, maximizing the positive impacts of the Group's activities in the different territories where it operates and minimizing any adverse impacts as far as possible.

- Promote a culture of ethical conduct and increase business transparency, in order to generate credibility and confidence among stakeholders, including society as a whole.
- Promote trust relationships and value creation for all stakeholders, providing all of them with a balanced response that integrates their concerns.

The business model, supported by the Group's financial model, has allowed the group to achieve high revenues and cash flows, as well as high profitability for the interested parties, on a sustainable basis.

For more information, please visit: www.rovi.es

2.- BUSINESS PERFORMANCE AND SIGNIFICANT MATTERS

2.1.- Business performance

€ Million	2018	2017	Growth	% Growth
Operating revenues	303.2	275.6	27.6	10%
Other income	1.6	1.8	-0.2	-10%
Total revenue	**304.8**	**277.4**	**27.4**	**10%**
Cost of sales	-128.6	-110.2	-18.4	17%
Gross profit	**176.2**	**167.2**	**8.9**	**5%**
% margin	*58.1%*	*60.7%*		*-2.6pp*
R&D expenses	-32.4	-28.3	-4.1	15%
Other SG&A	-113.2	-108.5	-4.7	4%
Other income	-1.1	-	-1.1	n.a.
Share of profit/loss of a joint venture	0.0	-0.6	0.6	-104%
EBITDA[1]	**29.5**	**29.9**	**-0.4**	**-1%**
% margin	*9.7%*	*10.9%*		*-1.1pp*
EBIT[1]	**17.5**	**18.4**	**-1.0**	**-5%**
% margin	*5.8%*	*6.7%*		*-0.9pp*
Net profit	**17.9**	**17.2**	**0.7**	**4%**

[1] See Appendix 1 about Alternative Performance Measures

Note: certain numerical figures included in this document have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.

Operating revenue increased by 10% to 303.2 million euros in 2018, driven by the strength of the specialty pharmaceutical business, where sales rose 16%, strongly outperforming the market. Total revenue increased by 10% to 304.8 million euros in 2018..

Sales of prescription-based pharmaceutical products rose 18% to 216.8 million euros in 2018.

Sales of the Low Molecular Weight Heparin (LMWH) franchise (Enoxaparin biosimilar and Bemiparin) increased by 42% to 121.5 million euros in 2018. LMWH sales represented 40% of operating revenue in 2018 compared to 31% in 2017.

Sales of the Enoxaparin biosimilar amounted to 30.2 million euros in 2018. ROVI commenced the marketing of its Enoxaparin biosimilar in UK, Italy, Spain, France, Austria, Latvia and Estonia in 2018.

ROVI's low molecular weight heparin (LMWH), Bemiparin, had a positive performance in 2018, with sales up 9% to 91.3 million euros. Sales of Bemiparin in Spain (Hibor®) increased by 15% to 67.4 million euros, while international sales decreased by 5% to 23.8 million euros.

Sales of Neparvis®, a specialty product from Novartis, launched in December 2016, indicated for the treatment of adult patients with symptomatic chronic heart failure and reduced ejection fraction, reached 13.6 million euros in 2018, compared to 4.7 million euros in 2017.

Sales of Hirobriz® Breezhaler® and Ulunar® Breezhaler®, both inhaled bronchodilators from Novartis for patients with respiratory difficulties due to a pulmonary disease known as Chronic Obstructive Pulmonary Disease (COPD), launched in Spain in the fourth quarter of 2014, increased by 7% to 15.3 million euros in 2018, compared to the previous year.

Sales of Volutsa®, a specialty product from Astellas Pharma indicated for the treatment of moderate to severe storage symptoms and voiding symptoms associated with benign prostatic hyperplasia, launched in Spain in February 2015, increased by 25% to 11.2 million euros in 2018.

Sales of Vytorin®, Orvatez® and Absorcol®, the first of the five licenses of MSD, indicated as adjunctive therapy to diet in patients with hypercholesterolemia, decreased by 9% to 36.0 million euros in 2018. In the second quarter of 2018, the active principle ezetimibe went out of patent and the price of Absorcol® was reduced. Likewise, generics formulated with ezetimibe and simvastatin have recently been marketed, so the price of Vytorin® has been reduced to be competitive.

Sales of Medicebran® and Medikinet®, specialty products from Medice indicated for the treatment of ADHD (Attention Deficit and Hyperactivity Disorder) in children and teenagers, launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, decreased by 2% to 7.4 million euros in 2018.

Sales of Exxiv®, a selective COX-2 inhibitor from Merck Sharp & Dohme (MSD), decreased by 35% to 2.3 million euros in 2018, mainly due to a continued deceleration of the COX-2 market.

Corlentor® and Thymanax® products were not marketed by ROVI in 2018. In 2017 sales of Corlentor® and Thymanax® amounted to 2.5 million euros and 3.9 million euros respectively.

According to QuintilesIMS, Spanish innovative product market increased by 2% in 2018 compared to the previous year. Nevertheless, ROVI prescription-based pharmaceutical product sales rose 18% in the same period, beating the market by 16 percentage points.

As a member of Farmaindustria, a Spanish pharmaceutical industry association, ROVI is subject to a collaboration agreement entered into between Farmaindustria and the Spanish government in 2016. This agreement was renewed in December 2017. Pursuant to the agreement, in the event that public spending on drugs (excluding generics and biosimilars) increases at a rate in excess of the actual rate of growth of the Spanish gross domestic product (GDP), the pharmaceutical industry must reimburse the difference to the government through monetary payments. In 2018, the public spending growth rate was higher than the GDP growth rate and, therefore, the sales recorded by ROVI were 3.5 million euros lower than the actual sales (this amount is included in the "Discounts to the National Health System" line).

Sales of contrast imaging agents and other hospital products increased by 4% to 29.7 million euros in 2018.

Sales of over-the-counter pharmaceutical products ("OTC") and other decreased by 17% to 2.2 million euros in 2018 compared to the previous year.

Toll manufacturing sales decreased by 11% to 54.6 million euros in 2018 mainly because of the reduction of the injectable business compared to 2017, when exceptional high volumes were manufactured for some customers. Frosst Ibérica plant sales decreased by 1% to 25.9 million euros in 2018 compared to the previous year.

Sales outside Spain increased by 25% to 99.4 million euros in 2018, 27.1 million euros (or 27%) of which related to international subsidiaries, mainly due to recognition of Enoxaparin biosimilar sales. Sales outside Spain represented 33% of operating revenue in 2018 compared to 29% in 2017.

Other income (subsidies) decreased by 10% to 1.6 million euros in 2018, compared to the previous year.

Gross profit increased by 5% to 176.2 million euros in 2018, the gross margin showing a decrease of 2.6 percentage points from 60.7% in 2017 to 58.1%, mainly due to (i) the drop in the injectable business, which had added higher margins in 2017; (ii) the increase of Enoxaparin biosimilar sales, which added lower margins in 2018 after the launch of the product in seven new markets; (iii) the 3.5 million euro reduction in sales recorded in connection with the agreement entered into between Farmaindustria and the Spanish government mentioned above and (iv) the increase in the LMWH raw material prices, which, in 2018, were running around 30% over 2017 prices. ROVI expects this rising trend to continue during 2019.

Research and development expenses (R&D) mainly related to ISM® technology platform rose 15% to 32.4 million euros in 2018 mainly due to the development of the Risperidone-ISM® Phase III trial and the Letrozole-ISM® Phase I trial.

Selling, general and administrative expenses (SG&A) increased 4% to 113.2 million euros in 2018, mainly due to international subsidiaries expenses which amounted to 6.6 million euros compared to 1.6 million euros in 2017. Excluding expenses related to international subsidiaries, SG&A would have decreased by 0.2% in 2018. In 2019, expenses related to international subsidiaries are expected to be around 10 million euros.

In 2018, EBITDA was affected by non-recurring expenses of 1.1 million euros, linked to a substantial change to Frosst Ibérica employees working conditions. This change in working conditions was mainly related to the removal of the catering service, for which the employees were compensated with a sum similar to the costs that ROVI would have incurred in the following five-year period.

The press release on the results for the first half of 2018 included 1.5 million euros of non-recurring expenses relating to the capital increase, which had not been executed as of the press release publication date. When it became known that the transaction would be successful, although before it was completed, said expenses (1.5 million euros), as well as other expenses accrued up to 30 September 2018 (total gross expenses of 2.0 million euros; 1.5 million euros net of taxes), were recognised as "prepaid expenses" in the balance sheet assets. After completion of the capital increase in October 2018, these "prepaid expenses" and other expenses accrued up to 31 December 2018 (total gross expenses of 5.2 million euros; 3.9 million euros net of taxes) were recognised as "retained earnings and voluntary reserves".

EBITDA decreased to 29.5 million euros in 2018, a fall of 1% compared to the previous year, reflecting a 1.1 percentage point decrease in the EBITDA margin, which was down to 9.7% in 2018 from 10.9% in 2017. However, EBITDA "Pre-R&D", calculated excluding R&D expenses in 2018 and 2017 and the impact of non-recurring expenses in 2018, increased by 8%, from 58.2 million euros in 2017 to 63.0 million euros in 2018, reflecting a 0.3 percentage point fall in the EBITDA margin to 20.8% in 2018. Likewise, recognising the same amount of R&D expenses in 2018 as in 2017 and excluding the impact of non-recurring expenses in 2018, EBITDA would have increased by 16% to 34.7 million euros, reflecting a 0.6 percentage point rise in the EBITDA margin to 11.5% in 2018, up from 10.9% in 2017.

Depreciation and amortisation expenses increased by 5% to 12.0 million euros in 2018, mainly due to the new property, plant and equipment and intangible assets purchases made during the last twelve months.

EBIT decreased to 17.5 million euros in 2018, reflecting a 0.9 percentage point decrease in the EBIT margin, which was down to 5.8% in 2018 from 6.7% in 2017. However, EBIT "pre-R&D", calculated excluding R&D expenses in 2018 and 2017 and the impact of non-recurring expenses in 2018, increased by 9%, from 46.7 million euros in 2017 to 51.0 million euros in 2018, reflecting a 0.1 percentage point fall in the EBIT margin to 16.8% in 2018. Likewise, recognising the same amount of R&D expenses in 2018 as in 2017 and excluding the impact of non-recurring expenses in 2018, EBIT would have increased by 23% to 22.7 million euros, reflecting a 0.8 percentage point rise in the EBIT margin to 7.5% in 2018, up from 6.7% in 2017.

Financial expense decreased by 30% in 2018, compared to the previous year.

Financial income decreased by 83% in 2018, compared to 2017.

The effective tax rate was -7.3% in 2018, generating a positive income tax of 1.2 million euros, compared to 1.6% in 2017 (negative income tax of 0.3 million euros). This favourable effective tax rate is due to the deduction of existing research and development expenses and the capitalisation of negative tax bases. As of 31 December 2018, negative tax bases of the Group amounted to 36.3 million euros, of which 1.4 million euros will be used in the 2018 income tax.

While the Risperidone-ISM® Phase III trial is ongoing, adding higher R&D expenses, ROVI expects a very beneficial effective tax rate to be applicable, which could cause the income tax item to be positive income. Notwithstanding, when the R&D expenses are normalised after completion of the Phase III trial, ROVI expects the effective tax rate to be in mid-single-digit numbers (i.e. between 0 and 10%) in the following years.

Net profit increased by 4%, from 17.2 million euros in 2017 to 17.9 million euros in 2018. However, net profit "pre-R&D", calculated excluding R&D expenses in 2018 and 2017 and the impact of non-recurring expenses in 2018, increased by 19%, from 45.0 million euros in 2017 to 53.8 million euros in 2018. Likewise, recognising the same amount of R&D expenses in 2018 as in 2017 and excluding the impact of non-recurring expenses in 2018, net profit would have increased by 36% to 23.5 million euros.

2.2.- Outlook for 2019

In 2019, ROVI expects a high single digit growth rate for the operating revenue. The Group forecasts that it will continue to grow at a higher rate than Spanish pharmaceutical market expenditure in the first nine months of 2018, which, according to the Ministry of Health, Consumption and Social Welfare, showed a growth rate of 3%.

ROVI expects its growth drivers to be Bemiparin, the latest license agreements (Neparvis®, Volutsa®, Orvatez® and Ulunar®), the Enoxaparin biosimilar, its existing portfolio of specialty pharmaceuticals, new product distribution licenses and new contracts in the toll manufacturing area.

2.3.- Key operating and financial events

2.3.1 ROVI acquires Falithrom® for the German market

ROVI informed (by publication of the relevant fact number 273591 dated 9th of January of 2019) about the acquisition of Falithrom®, which was owned by Hexal AG ("Hexal"), a company belonging to the Sandoz division of Novartis, to be directly marketed by ROVI in Germany.

Falithrom® is used for the prevention and treatment of thromboembolic disease including venous thrombosis, thromboembolism, and pulmonary embolism as well as for the prevention of ischemic stroke in patients with atrial fibrillation (AF).

According to IQVIA, the 2017 net sales of the product in Germany totalled around 3.5 million euros. ROVI will pay Hexal nine million euros for the product.

Under this agreement, Falithrom® will be directly marketed by ROVI in Germany as soon as the administrative processes to authorize the transfer of the marketing authorization are completed before the Federal Institute for Drugs and Medical Devices (BfArM).

2.3.2 ROVI has increased its equity by approximately 88 million euros

ROVI informed (by publication of the relevant fact number 270159 dated 4th of October of 2018) that the Board of Directors adopted a resolution to increase the share capital of ROVI by means of monetary contributions through the issue of new ordinary shares with a nominal value of €0.06 each (the "Initial Offer Shares") (the "Capital Increase"), which may be increased by a number of new ordinary shares representing up to 10% of the number of Initial Offer Shares that are issued (the "Option Shares" and, together with the Initial Offer Shares, the "Offer Shares") to cover over-allotments (if any) which may be made in connection with the offering of the Initial Offer Shares and short positions resulting from stabilization transactions. The final number of Offer Shares has led to the raising of approximately 88 million euros (share capital and issue premium).

The proceeds obtained from the sale of the Offer Shares are to be used to partly finance the Phase III clinical testing of Risperidone ISM® and other expenses related to Risperidone ISM® until its commercialization, if approved, to finance, in whole or in part, the Phase I clinical testing of Letrozol ISM®, to support the ongoing marketing of its enoxaparin biosimilar Becat® and for general corporate purposes, which may include acquisitions.

2.3.3 ROVI has commenced the marketing of the Enoxaparin biosimilar in eight countries and has reached distribution and marketing agreements with Hikma and Sandoz

ROVI informed (by publication of the relevant fact number 249265 dated 7th of March of 2017) that the decentralised procedure used for the Company to submit, in 26 countries of the European Union, the marketing authorization application of a low molecular weight heparin (Enoxaparin biosimilar) was completed with positive outcome.

In the mentioned decentralised procedure, Germany has acted as Reference Member State (RMS). The national phase of the registration process, which is expected to be completed with the granting by the competent local authorities of the marketing authorisation in each concerned country, was initiated in the first half 2017, and it continued during the rest of the year and 2018.

In September 2017, ROVI informed by publication of a relevant fact (number 256121) about the commencement of marketing of Enoxaparin biosimilar in Germany, the first European country where ROVI launches its biosimilar and one of the top Enoxaparin countries in Europe (in terms of volume and value). In 2018, ROVI commenced the marketing of its Enoxaparin biosimilar in UK, Italy, Spain and France, Austria, Latvia and Estonia.

As of 31st December 2018, all the European Union countries where ROVI had applied for the national registration of the Enoxaparin biosimilar had approved such registration, except Greece and Luxembourg.

In April 2018, ROVI signed a licensing agreement with Hikma Pharmaceuticals PLC, the quoted multinational pharmaceutical group (LSE: HIK), for the exclusive distribution and marketing of its Enoxaparin biosimilar in 17 MENA[1] (Middle East and North Africa) countries: Kingdom of Saudi Arabia, Jordan, Algeria, Egypt, Tunisia, Sudan, Syria, Yemen, Iraq, Oman, United Arab Emirates, Kuwait, Qatar, Bahrain, Libya, Palestine and Lebanon.

Likewise, in June 2018 ROVI announced the signature of a licensing agreement with Sandoz, a division of Novartis AG and a global leader in generic pharmaceuticals and biosimilars, to distribute and market its enoxaparin biosimilar in 14 countries/regions (Australia, New Zealand, Philippines, Hong Kong, Singapore, Vietnam, Malaysia, Canada, South Africa, Brazil, Colombia, Argentina, Mexico and Central America). Under the terms of the agreement, Sandoz has the exclusive rights for three of these countries, which are Hong Kong, Singapore and Vietnam.

In September 2018, ROVI announced it had signed an agreement with Biogaran SAS, the leading French pharmaceutical company in biosimilar generic medicines and a subsidiary of Servier laboratories, for the semi-exclusive marketing of its enoxaparin biosimilar in France.

Besides Europe, by December 2018, ROVI has distribution and marketing agreements for the Enoxaparin biosimilar in 64 countries.

ROVI will regularly update the milestones considered relevant in this process of marketing authorisation as the schedule of the registration of the medicinal product progresses in each country.

[1] *The agreement does not include Morocco and Lebanon has a semi-exclusive agreement.*

2.3.4 ROVI updates the pivotal PRISMA 3 study of Risperidone ISM®

ROVI informed that after a prespecified Interim Analysis on the pivotal PRISMA-3 study for the once-monthly injectable formulation of Risperidone ISM®, an independent Data Monitoring Committee has recommended to continue the clinical trial and not increasing the currently planned number of randomized patients.

The PRISMA-3 study is a multicentre, randomized, double-blind, placebo-controlled clinical trial to evaluate the efficacy and safety of monthly intramuscular injections of Risperidone ISM® in patients with acute exacerbation of schizophrenia[1], having initiated patients' recruitment in May 2017, as previously informed the 25th of October 2017 on a relevant fact (number 257753).

As expected, ROVI carried out one unblinded interim analysis that was planned to be conducted when approximately 50% of randomized patients have either reached study day 85 or withdrawn from the study to re-estimate the sample size required for the final analysis. In this sense, an independent Data Monitoring Committee received unblinded results from this interim analysis and communicated to ROVI the blinded outcome, concluding that the clinical trial can continue and an increase of the study sample size is not needed.

In December 2018, all patients completed the double-blind (main) part of the study. Therefore, ROVI plans to file an NDA (New Drug Application) US Registration Dossier for the FDA (Food and Drug Administration), the second half 2019.

2.4.- Research and development

ISM® technology platform

As previously informed, ROVI has progressed in the development of Risperidone ISM®, the first candidate for its leading-edge drug delivery technology, ISM®, for a prolonged release of risperidone, a well-stablished second-generation antipsychotic medicine.

After successfully finishing the phase I & II program[2,3] of Risperidone ISM®, ROVI started the pivotal phase III trial "PRISMA-3"[4] with the recruitment of the first patient in May 2017. After finishing the recruitment in September 2018, all patients completed the double-blind (main) part of the study in December 2018. Therefore, ROVI plans to file an NDA (New Drug Application) US Registration Dossier for the FDA (Food and Drug Administration), the second half 2019.

[1] *https://clinicaltrials.gov/ct2/show/NCT03160521*
[2] *Llaudó J, et al. Phase I, open-label, randomized, parallel study to evaluate the pharmacokinetics, safety, and tolerability of one intramuscular injection of risperidone ISM at different dose strengths in patients with schizophrenia or schizoaffective disorder (PRISMA-1). Int Clin Psychopharmacol. 2016;31(6):323-31.*
[3] *Anta L, Llaudó J, Ayani I, Martínez J, Litman RE, Gutierro I. A phase II study to evaluate the pharmacokinetics, safety, and tolerability of Risperidone ISM multiple intramuscular injections once every 4 weeks in patients with schizophrenia. Int Clin Psychopharmacol. 2018;33(2):79-87.*
[4] *Study to Evaluate the Efficacy and Safety of Risperidone In Situ Microparticles® (ISM®) in Patients With Acute Schizophrenia (PRISMA-3). Clinicaltrials.gov#NCT03160521 [https://clinicaltrials.gov/show/NCT03160521].*

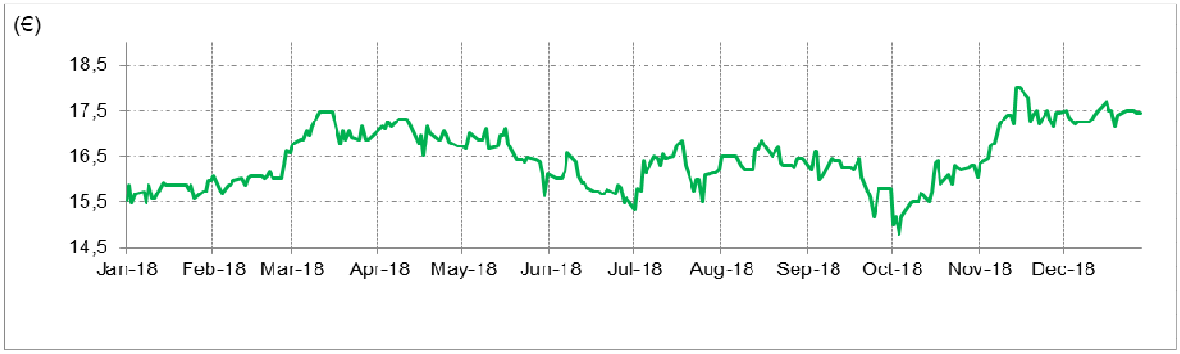
On the other hand, in November 2017 ROVI started the clinical development of Letrozole ISM®, the first long-acting injectable aromatase inhibitor intended for the treatment of hormone-dependent breast cancer. The first phase I clinical trial, the LISA-1 study[1], is currently ongoing; this is an open-label, dose escalation study to evaluate the pharmacokinetics, safety and tolerability of single intramuscular injections of Letrozole ISM® at different strengths in healthy post-menopausal women.

2.5.- Stock market capitalization

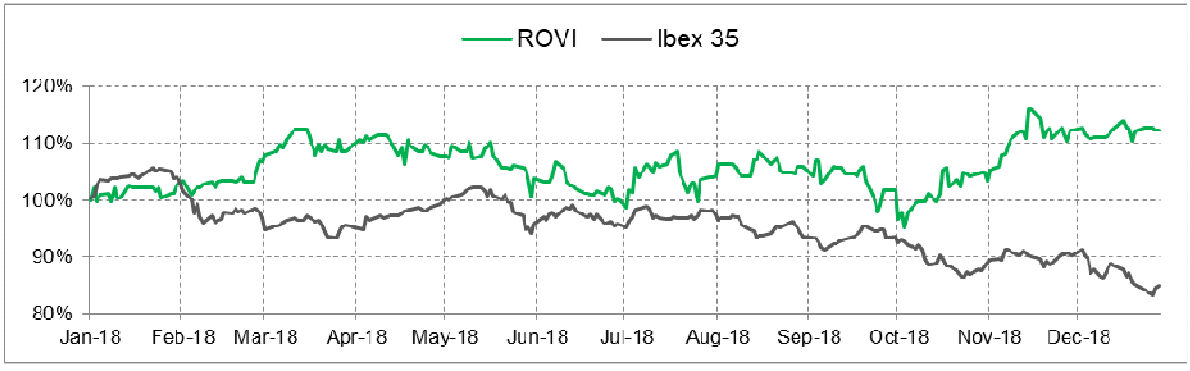
On the December 5th 2007, ROVI carried out an Initial Public Offering (IPO) of shares initially intended for qualified investors in Spain and to qualified institutional investors abroad. The face value of the operation, without including the shares corresponding to the green shoe purchase option, was 17,389,350 shares already issued and in circulation with a nominal value of 0.06 euros per share, giving a total nominal amount of 1,043,361 euros. The offering price for the operation was 9.60 euros per share.

Additionally, in 2018, a capital increase was carried out through the issue of 6,068,965 newly-issued ordinary shares in the Company with a par value of 0.06 euros each, belonging to the same class and series as the existing shares that were already in issue.

The following graph shows the fluctuations of the share price in the stock market in 2018:



The following chart shows the performance of the share price of ROVI compared with the IBEX 35 index in 2018:



[1] *Evaluation of IM Letrozole ISM® Pharmacokinetics, Safety, and Tolerability in Healthy Post-menopausal Women (LISA-1). Clinicaltrials.gov#NCT03401320 [https://clinicaltrials.gov/ct2/show/NCT03401320].*

3.- FINANCIAL INFORMATION

3.1.- Liquidity and capital resources

3.1.1.- Liquidity

As of 31 December 2018, ROVI had gross cash position of 18.9 million euros, compared to 42.1 million euros as of 31 December 2017, and net debt[1] (equity securities plus deposits plus cash and cash equivalents minus short term and long term financial debt) of 20.6 million euros, compared to 1.1 million euros as of 31 December 2017.

3.1.2.- Capital resources

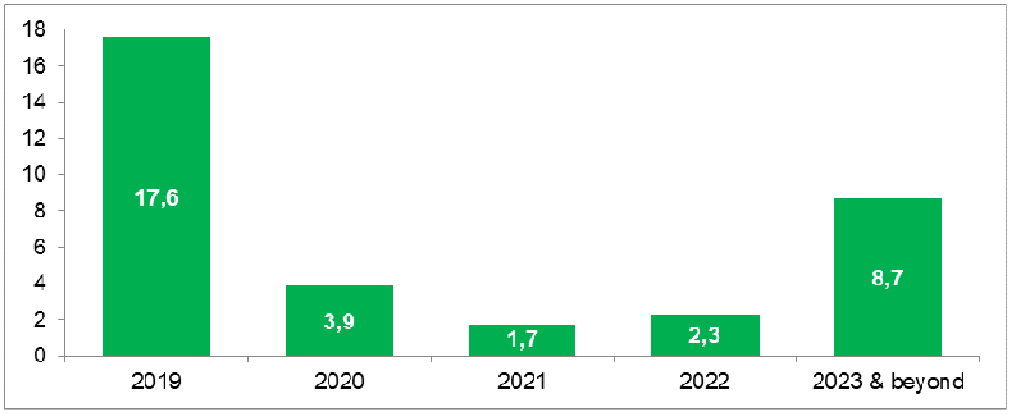
As of 31 December 2018, ROVI had total debt of 34.2 million euros. Debt with public administration, which is 0% interest rate debt, represented 34% of total debt as of 31 December 2018:

In thousand euros	2018	2017
Bank borrowings	22,716	30,938
Debt with public administration	11,508	12,299
Total	**34,224**	**43,237**

As of 31 December 2018, bank borrowings decreased by 8.2 million euros due to debt amortization.

In December 2017, ROVI announced the European Investment Bank (EIB) granted it a loan to support its investments in Research, Development and Innovation. The loan is for 45 million euros. ROVI may draw down this amount during a period of 24 months as from signature of the contract and the loan will mature in 2029. The loan provides for a three-year grace period and financial conditions (i.e. applicable interest rates, repayment periods, etc.) favorable to ROVI. As of 31 December 2018, ROVI had drawn down 5 million euros against this credit line.

Debt maturities at 31 December, 2018 are shown in the following graph (millions of euros):



[1] See description in Appendix 1 about Alternative Performance Measures

3.1.3.- Analysis of contractual obligations and items off the statement of financial position

In the ordinary course of activities, in order to manage its own transactions and financing, the Group has carried out certain transactions that are not included on the statement of financial position, such as operating leases. The Group's objective is to optimize the financing costs that are involved in determined financial transactions and, therefore, on certain occasions, has chosen operating leases rather than the acquisition of assets. The minimum future payments to be made for non-cancellable operating leases at 31 December, 2018 were 883 thousand euros (1,629 thousand euros at 31 December, 2017), of which 714 thousand euros are related to maturities at less than one year (1,050 thousand euros at less than one year at 31 December, 2017).

3.2.- Capital expenditure

ROVI invested 26.4 million euros in 2018, compared to 19.9 million euros in 2017. Of this amount:

- 3.8 million euros corresponds to investment capex related to the injectable facility, versus 2.9 million euros in 2017;
- 2.8 million euros relates to investment capex regarding the San Sebastián de los Reyes plant, versus 4.8 million euros in 2017;
- 3.0 million euros were invested in the Granada facility, versus 1.6 million euros in 2017;
- 5.5 million euros were invested in the Alcalá de Henares (Frosst Ibérica) facility, versus 3.8 million euros in 2017; and
- 11.3 million euros relates to expenditure on maintenance and other capex (including 9 million euro capex invested for the acquisition of Falithrom®), versus 6.8 million euros in 2017 (including capex related to the biosimilar of enoxaparin).

3.3.- Treasury shares transactions

In the course of 2018, ROVI acquired a total of 68,603 of its own shares (35,421 in 2017), paying the amount of 1,138 thousand euros for them (532 thousand euros in 2017). Likewise, it resold a total of 58,731 of its own shares (67,784 in 2017) for an amount of 986 thousand euros (1,011 thousand euros in 2017). These shares had been acquired at a weighted average cost of 733 thousand euros (826 thousand euros in 2017), giving rise to a profit of 253 thousand euros on the sale (185 thousand euros in 2017), which was taken to reserves. At 31 December, 2018, ROVI held 695,055 treasury shares (685,183 at 31 December, 2017).

3.4.- Dividends

In line with the Company's announcement in the Relevant Event dated 24 September, 2018 (concerning the capital increase carried out in September 2018), which stated that ROVI's Board of Directors had agreed to reflect on a possible adjustment of the present dividend distribution policy in order to maintain the Company's growth strategy, the Board of Directors has decided to put a proposal to the General Shareholders' Meeting to allocate the 2018 profit to, firstly, the reserves item on the Company's statement of financial position and, secondly, the distribution of a dividend of 0.0798 euros per share entitled to receive it, which would entail the distribution of approximately 25% of the consolidated net profit for 2018 (in comparison with the 35% of the consolidated net profit that ROVI has been distributing as a dividend over recent years).

The ROVI General Shareholders Meeting, on 29 May 2018, approved the payment of a gross dividend of 0.1207 euros per share on 2017 earnings. This dividend was paid in July 2018.

4.- OTHER NON-FINANCIAL INFORMATION

Appendix 2 includes the "Non-financial information statement" for 2018.

5.- RISK MANAGEMENT

5.1 Operational risks

The main risk factors to which the Group considers itself to be exposed in respect of meeting its business objectives are the following:

- Changes in the legislation regulating the market aimed to contain pharmaceutical expense (price control, reference prices, support for generic products, co-payment, purchase platforms, …);
- Finalization of contractual relationships with customers representing a significant part of its sales or renewal in less favourable conditions than the current ones;
- Changes in the conditions under which raw materials and other packaging materials needed for manufacturing its products are supplied;
- Late payment on the part of the public authorities in the short term; and
- Tax risk inherent to the activity of companies of the size and complexity of the Group.

ROVI is permanently on the alert and is keeping any risks that may have an adverse effect on its business activities under constant surveillance, applying the appropriate policies and mechanisms to manage them and constantly developing contingency plans that can be used to mitigate or offset their impact. Among them, we highlight the fact that the Group (i) continues, every year, to apply an internal saving policy that is principally based on improving the efficiency of its internal and external operating processes; (ii) is working intensively to maintain a broad and diversified portfolio of products and customers; (iii) is continuing with its target of constantly opening up new markets as a result of its international expansion plan; and (iv) the Group exercises strict credit control and manages its cash effectively, which ensures that sufficient working capital is generated and maintained to allow its day-to-day operations to be carried out; and (v) The Gruop has an exhaustive tax risk control system, with external tax advisors who review the preparation and filing of the different taxes as well as the Group's decision-making on tax issues.

5.2 Financial risks

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The main detected and managed risks of the Group are detailed below:

- *Market risk*

Market risk is divided in:

a) Foreign exchange risk: is very low as virtually all assets and liabilities of the Group are in euros, with no subsidiary out of the Euro zone. Additionally the majority of the foreign transactions are carried out in euros.

b) Price risk: the Group is exposed to price risk by its short-term and long-term financial investments. To manage the price risk arising from the investments, the Group diversifies its portfolio.

c) Interest rate risk: The Group is subject to an interest rate risk in respect of cash flows on long-term borrowing transactions at variable rates. The risk, however, is slight since most of the Group's debt consists of refundable advances from official organisations on which there is no interest rate risk.

d) Raw material price risk: the Group is exposed to changes in the conditions under which raw materials and other packaging materials needed to manufacture its products are supplied.

- *Credit risk*

Credit risk is managed by groups. The credit risk arises from cash and cash equivalents, long-term financial investments, deposits held at call in banks and financial institutions and other receivables available for sale, as well as from wholesalers and retailers, including accounts receivables and committed transactions. The Group monitors the solvency of these assets by reviewing external credit ratings and qualifying internally assets which are not externally rated.

It should be mentioned here that despite this management work, the Regional Government continue to be extremely slow in making payments for pharmaceutical supplies, to the detriment of companies operating in this sector. Despite this, the Group's financial position is sound and its liquidity unaffected.

- *Liquidity risk*

Management monitors the liquidity estimates of the Group according to the expected cash flows; therefore, the Group always has sufficient cash and trade securities to confront its liquidity requirements.

6.- CORPORATE GOVERNMENT ANNUAL REPORT

Appendix 3 includes the Corporate Government Annual Report prepared by the Company for 2018.

7.- EVENTS AFTER BALANCE SHEET DATE

On 15th of February 2019, ROVI has announced that the Group has reached an agreement with a subsidiary of MSD ("MSD") whereby ROVI acquires certain rights to MSD's dexchlorpheniramine maleate product line in Spain and France, allowing it to distribute this product directly in Spain in its different pharmaceutical forms (tablets, syrup and ampoules, marketed under the brand name POLARAMINE®, and cream, marketed under the brand name POLARACREM™) and, in France, in its injectable form (ampoules). Under this agreement, this line of products will be marketed directly by ROVI in Spain in its different pharmaceutical forms and, in France, in its injectable form, when the administrative procedures to authorise the transfer of the marketing authorisations have been concluded at the Spanish Medicines Agency and the French Agency for the Safety of Medicines and Health Products.

According to MSD, net sales of these products in Spain and France, were approximately 6.3 million US dollars in 2017.

ROVI will pay MSD 13.5 millon euros for the product.

APPENDIX 1

ALTERNATIVE PERFORMANCE MEASURES

ROVI's financial information contains figures and measures prepared in accordance with the applicable accounting legislation, as well as another series of measures prepared in accordance with established reporting standards, which are known as Alternative Performance Measures (APMs)

These APMs are considered adjusted figures in comparison with those that are reported under International Financial Reporting Standards endorsed by the European Union (IFRS-EU), which is the reporting framework applicable to the consolidated financial statements of the ROVI Group and, therefore, the reader should consider them to supplement the latter, but not replace them.

The APMs are important for the users of the financial information because they are the measures used by ROVI Management to evaluate the financial performance, the cash flows or the financial situation for making the Group's operating or strategic decisions. These APMs are consistent with the principal indicators used by the investor and analyst communities in the financial markets. In this respect, in accordance with the Guide issued by the European Securities and Markets Authority (ESMA), which has been in force since 3 July, 2016 and concerns the transparency of Alternative Performance Measures, ROVI sets out below information on the APMs included in the consolidated management information for the year ended 31 December 2018 that it considers significant:

EBITDA

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) is an indicator that measures the group's operating profit before interest, taxes, impairment, depreciation and amortization have been deducted. Management uses it to assess the results over time, allowing a comparison with other companies in the sector.

We calculate EBITDA as profit before taxes, interest, depreciation and amortization.

EBITDA "Pre-R&D"

This APM is used by ROVI to show EBITDA from the on-going business.

We calculate EBITDA "Pre-R&D" as EBITDA excluding:

- Research and Development expenses ("R&D") (see Note 7 to the consolidated annual accounts at 31 December 2018); and

- Non-recurring expenses/income (see Note 24 to the consolidated annual accounts at 31 December 2018).

EBIT

EBIT (Earnings Before Interest and Taxes) is an indictor that measures the group's operating profit before interest and tax are deducted. Like the preceding indicator, Management uses it to assess the results over time, allowing a comparison with other companies in the sector.

We calculate EBIT as profit before taxes and interest.

EBIT "Pre-R&D"

This APM is used by ROVI to show EBIT from the on-going business.

We calculate EBIT "Pre-R&D" as operating profit for the period excluding:

- Research and Development expenses ("R&D") (see Note 7 to the consolidated annual accounts at 31 December 2018); and

- Non-recurring expenses/income (see Note 24 to the consolidated annual accounts at 31 December 2018).

Net profit "Pre-R&D"

This APM is used by ROVI to show the profit for the period related to the on-going business.

We calculate Net proft "Pre-R&D" as EBIT "Pre-R&D" plus:

- Finance costs-net; and

- Income tax. Net profit "Pre-R&D" income tax is calculated by applying the same effective tax rate as reported in the income statement of the period.

Net debt/cash

Net Financial Debt or Net Debt is the main indicator used by Management to measure the Group's indebtedness. It is composed of equity securities, plus deposits, plus cash and cash equivalents, less current and non-current financial debt.

APPENDIX 2

NON-FINANCIAL INFORMATION STATEMENT

The Board of Directors of Laboratorios Farmacéuticas Rovi, S.A. ("the Company") authorises the following Statement of Non-Financial Information in accordance with Law 11/2018, which amended the Code of Commerce, the revised text of the Capital Companies Act and the Account Auditing Law in respect of non-financial information and diversity.

1. BASES FOR AUTHORISATION OF THE STATEMENT OF NON-FINANCIAL INFORMATION

In view of the foregoing, the Company has analysed the impacts derived from its business model and considers the following non-financial aspects to the relevant:

- General Group information: business model, geographical presence, objectives, strategy and market trends.
- Environment: pollution and waste management, sustainable use of resources and climate change.
- Social and employee issues: employment, organisation of work, employee health and safety, labour relations, training and equality.
- Human rights.
- Corruption and bribery.
- Information on social contribution: commitment to sustainable development, subcontractors and suppliers, consumers and tax information.

2. GENERAL INFORMATION

2.1.- Group's business model (business environment and organisation)

The Company is the parent company of a leading pharmaceutical group ("ROVI" or the "Group") company engaged in the research, development, manufacturing and marketing of small molecules and biological specialties. It has three principal pillars of growth:

- Pharmaceutical specialties: with a diversified portfolio of innovative products, both of its own and licensed, protected by patents. The company has more than 30 products on its portfolio (including both its own and licensed products) for which there is growing demand and which are not affected by the reference pricing system in Spain, covering nine therapeutic areas. The most important products in terms of their contribution to the Group's EBITDA are:

  - Hibor® (bemiparin). Low-molecular-weight heparin (fast-acting anticoagulant) used to prevent and treat venous thromboembolic disease
  - Enoxaparin biosimilar. This is the leading low-molecular-weight heparin worldwide and was first marketed in 2017.
  - Neparvis® (sacubitril/valsartan). This product is indicated in adult patients for treatment of symptomatic chronic heart failure with reduced ejection (the proportion of blood leaving the heart) fraction. The product is marketed under a licence from Novartis.
  - Absorcol®, Vytorin® y Orvatez® (ezetimibe) / (ezetimibe and simvastatin) /(ezetimibe y atorvastatin). Adjunctive therapy to diet in patients with hypercholesterolemia. It is distributed by ROVI under a co-marketing agreement with MSD.
  - Hirobriz® Breezhaler® y Ulunar® Breezhaler® (indacaterol maleate) / (indacaterol maleate and glycopyrronium bromide). Long-acting bronchodilators indicated for the maintenance treatment of Chronic Obstructive Pulmonary Diseases (COPD). These products are marketed by ROVI under licence from Novartis.
  - Volutsa® (solifenacin succinate and tamsulosin hydrochloride). Indicated for the treatment of moderate to severe storage systems symptoms (urgency, increased micturition frequency) and voiding symptoms associated with benign prostatic hyperplasia (BPH) in men who are not responding adequately to monotherapy treatment. This product is marketed by ROVI under licence from Astellas Pharma.
  - Medikinet® y Medicebrán® (methylphenidate hydrochloride with modified release) ((methylphenidate hydrochloride with immediate release). Prescription medicines that are indicated for treatment of ADHD (Attention Deficit Hyperactivity Disorder) in children and adolescents. These products belong to the company Medice.

  Additionally, ROVI is one of the market leaders in the marketing of contrast agents, hospital products for imaging diagnosis. This area comprises a broad product portfolio, including those marketed under licence from Bracco: Iomeron® and Iopamiro® (for computed tomography and intervention), Multihance® and Prohance® (for magnetic resonance imaging), Sonovue® (for ultrasounds), and Bracco Injeenering: EmpowerCTA+®, EmpowerMR® and CT Exprès (contrast injection systems and compatible disposable material).

- Contract manufacturing of prefilled syringes and oral forms. Through three production plants, two of which are used for injectables (one in Madrid and one in San Sebastián de Los Reyes), while the other is more specialised in oral forms (Alcalá de Henares), ROVI provides manufacturing services to other companies for a wide range of pharmaceutical forms, including prefilled syringes, vials, suppositories, tablets, hard capsules and sachets.

- A sound, low-risk R&D policy. Currently, ROVI's product portfolio in the research and development phase focuses mainly on the development of new controlled-release systems based on ISM® technology, in order to obtain new pharmaceutical products that allow drugs that require daily administration for chronic or prolonged conditions to be administered only periodically, such as Risperidona ISM® and Letrozol ISM®. In addition, in the Glycomics field, ROVI has recently developed an enoxaparin sodium biosimilar (currently the leading low-molecular-weight heparin worldwide), which was first marketed in 2017 in Germany. Likewise, the company continues to expand scientific knowledge of the use of its second-generation low-molecular-weight heparin, Hibor® (bemiparin), in various clinical situations and special patient populations, through co-operation agreements with several research centres.

ROVI has a series of competitive edges that have positioned it as one of the main leaders in its market niche in a sector which, moreover, has high entry barriers:

- Unique knowledge of LMWH (low-molecular-weight heparins): As a result of ROVI's more than 70 years' experience, its main product, Beminparin, has positioned itself as one of the principal treatments for venous thromboembolic disease worldwide.
- Infrastructure with operating advantages: ROVI is one of the main companies in the contract manufacturing business in the sector and among the world leaders in prefilled syringe production.
- Diversified portfolio: the Company has a portfolio of more than 30 products (of its own and licensed) for which there is growing demand and which are not affected by the reference pricing system in Spain.
- Low-risk innovation. ROVI operates with a low-risk strategy, concentrating on chronic diseases with broad medical requirements.
- International expansion: ROVI continues with its strategic objective of expanding its international presence and, in 2018, made great strides forward in this respect.

At 31 December, 2018, ROVI had a total of 1,224 employees and sales of 303,203 thousand euros in the period ended at said date.

ROVI is listed on the Barcelona, Bilbao, Valencia y Madrid stock exchanges. In 2018, the Company carried out a capital increase, after which the share capital consisted of 56,068,965 shares with a face value of 0.06 euros each. The quoted price of the share at 31 December, 2018 was 17.45 euros.

2.2.- Geographical presence

Laboratorios Farmacéuticos Rovi, S.A. has its current registered office in Madrid (C/ Julián Camarillo, 35). In addition to these offices, in 2017, ROVI opened new offices in Pozuelo de Alarcón, Madrid (Calle José Isbert 2), where the management team and the marketing and sales area are located, as well as other central group services.

At the d of 2018, ROVI was operating directly in the following countries:

- Spain, where a large part of its marketing operations are conducted, as well as al the manufacturing services and R&D activities.
- France
- Portugal
- Italy
- Germany
- United Kingdom

In the last four of these countries, ROVI has corporate structures through which it carries out pharmaceutical product marketing activities directly. In the case of the French subsidiary, product marketing had not commenced at 31 December, 2018.

As we have said, the ROVI Group is present directly in Spain, Portugal, Germany, France, United Kingdom and Italy.

Additionally, through strategic alliances with international partners, at the end of 2018, ROVI was distributing its principal product, bemiparin, in more the 50 countries all over the world, as well as its enoxaparin biosimilar in France, Austria, Latvia and Estonia.

Likewise, ROVI has one of the largest European plants for the manufacture of oral solid forms and exports to over 40 countries.

2.3.- The organisation's objectives and strategies

In a complicated environment which, nevertheless, offers new opportunities, over the last few years, ROVI has been getting ready to take advantage of the circumstances with:

1. The marketing of an enoxaparin biosimilar, which began in 2018 and with which ROVI aspires to become one of the main European players, due to the competitive edge provided by the vertical integration of processes in the Group. Likewise, the company hopes to increase its presence in emerging markets, where enoxaparin sales total 500 million euros.
2. The development of drugs to treat complaints with high growth prospects. Currently, ROVI's product portfolio in the research and development phase focuses mainly on the development of new controlled-release systems based on ISM® technology, as mentioned above.
3. Launching new products in the market.

Additionally, all the companies that form the ROVI Group are aware of the health improvements provided by their products and wish to provide a response to certain social demands in relation to the impacts of their activities on society and the environment. For this reason, ROVI's economic development must be compatible with its conduct in respect of ethics, society, employment, the environment and respect for human rights.

The knowledge, communication and implementation of these values, which express the Group's commitment to business ethics and corporate social responsibility, guide the actions of the Board of Directors and other Group bodies in their relations with stakeholders. Therefore, the Group has support tools the objectives of which are to:

- Favour attainment of the group's strategic objectives.
- Improve the group's competitiveness by implementing management practices based on innovation, equal opportunities, productivity, profitability and sustainability.
- Manage risks and opportunities derived from the changing environment responsibly, maximising the positive impacts of the group's activities in the different territories where it operates and minimising any adverse impacts as far as possible.
- Promote a culture of ethical conduct and increase business transparency, in order to generate credibility and confidence among stakeholders, including society as a whole.
- Promote trust relationships and value creation for all stakeholders, providing all of them with a balanced and integrating response.

2.4.- Main factors and trends that may affect future evolution

Although public spending on medicines has dropped over recent years, especially in Spain, the prospects for forthcoming years are more optimistic. As QuintilesIMS Institute says in its report "*Outlook for Global Medicines through 2021"*, medicine expenditure worldwide will grow by between 4% and 5%, mainly driven by new medicines in developed markets and a higher volume in emerging markets. According to said document, the total volume of medicines consumed all over the world will rise by approximately 3% per year until 2021. This growth rate is a little faster than the growth in the population and demographic changes, caused by different factors worldwide.

The U.S.A. continues to be the principal world market, although it will suffer a reduction in its growth, followed by China, which has remained in this position since 2012. In the first 20 places, there are nine countries with emerging medicine markets, which will continue to be driven by generic products, which already account for 98% of the market and 78% of the spending. The opposite is true in the developed markets, where the original brands still have specific weight in comparison with generics.

But the difference between some companies and others will be denoted by their capacity to provide the market with new and better products. New medicines, which represented 20% ten years ago, will hold 35% of the market in 2021. This growth is due to the latest scientific and R&D advances, such as ROVI's ISM® technology, including their capacity to contribute to improving costs and the value provided by prescribing these products.

2.5.- Reporting framework used to select key non-financial result indicators

The key non-financial result indicators used in this Statement on Non-Financial Information are those that are generally applied and meet the guidelines of the European Commission on the subject, as well as the standards of the Global Reporting Institute (GRI) for each one of the matters discussed herein.

3.- ENVIRONMENT

3.1.- ROVI's objective in relation to performance concerning environmental variables

ROVI's commitment to environmental protection is firm and constant and forms part of its day-to-day activity. Together with the principles of quality and occupational safety for protection of ROVI's employees, the Company assumes care of the environment as an indispensable foundation for its actions.

In this respect, ROVI carries on its activity with the firm commitment of contributing to sustainability from an environmental standpoint, which materialises through pollution prevention, efficient resource management and fomenting responsibility in respect of the environment in accordance with the Group's Environmental Policy.

By defining environmental objectives and goals, ROVI undertakes to improve day by day, upholding a firm vision of a more sustainable future in which to develop. The main goals that ROVI has defined in relation to the environment are:

- Attaining efficient energy management, rationalizing the use of natural resources.
- Promoting the best guidelines for risk and waste management, including the principles of risk prevention, waste minimization and, whenever possible, recycling in its activities.
- Obtaining certifications of the environmental management systems. At present, the environmental management systems of the Group companies Frosst Ibérica S.A., Rovi Contract Manufacturing S.L. and Laboratorios Farmacéuticos ROVI S.A. are certified under the standard ISO14001:2015.

Additionally, ROVI is committed to making a joint effort with its suppliers and contractors to minimise the impact of their activities on the environment and the risks derived for safety and health, both in the environment and for their workers.

3.2.- Main environmental risks that affect the organisation

ROVI has a corporate Risk and Opportunity Management Procedure, the objective of which is to define a work method that allows environmental risks and opportunities to be identified, together with an action plan to address them and the planning and review of the resulting actions, taking the context of the organisation and the interested parties into account. This procedure is applied to all the activities carried on by any of the Group's plants and/or companies, including internal and external factors that affect or may exert an influence on the preparation of the product, provision of the service and/or operational control.

In accordance with the corporate Risk and Opportunity Management Procedure, the Company detects the risks and opportunities related to:

- Environmental aspects.
- Legal and regulatory requirements.
- Other questions and requirements related to the organisation and its context, and the needs and expectations of the interested parties.

Among the main risks related to the environmental activity, apart from those inherent thereto, are those concerning access to and verification of the environmental regulations in the different areas in which ROVI operates, as well as possible restrictions imposed by the authorities in particular locations andspecifically the following:

- Non-compliance with legal requirements due to deficient identification of either legal requirements concerning the environment or environmental aspects or of emergencies, when this may lead to possible sanctions or stakeholder dissatisfaction.
- Failure to adapt to a change in the trend in legislation or any applicable new legislation on a timely basis.
- Possible administrative restrictions in force in particular locations.
- Impact on material and human assets due to an environmental incident caused by neighbours or employees.
- Bad environmental practices on the part of external companies providing services on a permanent basis or the Group personnel supervising them.
- Non-compliance with noise regulations that leads to contingencies or disciplinary sanctions.
- Pollution due to exceeding the pollutant emission limits on boilers or discharges to groundwater that may lead to an administrative sanction.
- Incidents in transporting hazardous waste that may lead to a sanction.
- Deficiencies in personnel training on environmental matters.
- Releasing emissions into the atmosphere due to the absence of mechanisms to prevent the product leaking from the equipment.
- Mixture of different kinds of waste and generation of hazardous waste.
- Absence of energy efficiency certification.
- Failure to file the annual waste report and minimisation plan on a timely basis.

Specific control of environmental risks stems from, among other mechanisms, the Environmental Management System applied by the aforementioned Group companies, certified under the standard ISO14001:2015, and all the tools that form part of it.

Likewise, ROVI has information systems that keep the personal updated on these matters. Company personnel communicate smoothly and cooperate with the different public authorities that ensure environmental conservation, which allows constant updating of the changes in legislation that apply to ROVI.

In addition, ROVI manages indirect environmental aspects resulting from trading relations, products or services that may have adverse effects in the environmental area. For each production plant, an analysis is made of the life cycle of the process or product, where all direct and indirect environmental aspects involved (coming from suppliers) are identified bidirectionally. Once they have been identified, in accordance with the corporate Procedure for Identification and Assessment of Environmental Aspects, the indirect aspects on which ROVI is able to take action are verified.

The possible materialisation of environmental risks is managed, likewise, through the aforementioned corporate Procedure for Identification and Assessment of Environmental Aspects, which sets out how environmental risks should be identified, communicated and quantified.

3.3.- Policies and commitments

One of the key tools to ensure correct management of environmental aspects is the introduction of an environmental management system based on the criteria established by the international standard ISO 14001:2015. These certifications recognise the quality of ROVI's environmental management system and assure its commitment to the environment in terms that go beyond current national legislation. Therefore, at all ROVI's production facilities, production management respectful of the environment is fostered, meaning a constant effort to reduce energy consumption and manage waste more efficiently.

The ROVI Group has a department that is responsible exclusively for aspects related to environmental management, as well as those concerning workplace health and safety throughout the Group, and an Integrated Environmental Management and Occupational Hazard Prevention Policy which governs ROVI's activities in respect of environmental issues, most recently updated in June 2017. Within its project of environmental management and workplace health and safety, ROVI assumes not only compliance with current legal requirements and the different third-party requirements that it meets voluntarily, but also the concept of sustainable development. ROVI's vocation is to be a business project that is sustainable in environmental terms and committed to the prevention of any damage to or deterioration in people's health.

In relation to environmental queries, ROVI has a corporate communication, participation and query procedure, though which communications (queries, complaints, etc.) related to the environment and workplace health and safety are managed. On the corporate website (www.rovi.es), the environmental certificates held by group companies are available to the public.

As mentioned previously, ROVI has a Corporate Procedure for Risk and Opportunity Management, which defines the work method that allows environmental risks and opportunities to be detected, together with the action plan to address them. Additionally, ROVI has a Procedure for Identification and Assessment of Environmental Aspects, which sets out how environmental risks should be identified, communicated and quantified, with, likewise, a Procedure for Identification and Assessment of Legal Aspects.

ROVI also has a Procedure for Management of Non-Conformity, Preventive and Corrective Actions, which sets out the mechanisms for the identification of deviations (in quality or work procedures), the implementation of actions to correct these deviations and the procedures to prevent them (preventive actions).

Among its operating procedures, ROVI has specific waste, noise and discharge management procedures, which are intended to establish the methodology to follow to control waste, noise in the external environment and liquid discharges generated at ROVI's production plants, respectively.

3.4.- Results of application of the policies and indicators

The result of the policies and procedures applied by ROVI in environmental issues is, year after year, a favourable assessment of the Group's integrated environmental management system, both internally and externally by the firms issuing the certificates. Additionally, the whole system is periodically reviewed with the management of the different centres and the points on which these reviews are based include any improvement opportunities and significant changes that may affect the system and/or environmental management.

1. Pollution and waste management

Waste generation is inherent to ROVI's activity. Precisely for this reason, the treatment and reduction of waste form an essential part of the Company's commitment to prevent pollution. The processes related to waste treatment are intended mainly to minimise it in the production processes and, once it has been produced, to manage it correctly to foment using and valuing it whenever possible.

2. Sustainable use of resources

Regarding energy, at all ROVI's product plants, water, electricity and gas indicators are verified and reported on a monthly basis, analysing any possible deviations. Likewise, in the Distribution business, the energy has been contracted with a provider of 100% renewable energy.

3. Climate change

At ROVI, as a contribution to the fight against climate change, not only is electricity taken into account, but the CO2 emissions caused by the consumption of natural gas and diesel fuel, derived from electricity and automobiles, are measured, as are other substances that act to destroy the ozone layer. ROVI's greenhouse gas emissions have always been insignificant and very much below the legally-established levels.

Likewise, in the Distribution business in Spain, a Mobility Plan that is intended to decrease fuel and electricity consumption, which are ROVI's only sources of emissions, has been approved.

3.5.- Indicators

The following are the main environmental indicators. The data have been divided between different companies or businesses to enable comparisons between them, since the units produced are measured in different units for each company / business. Specifically

- Own products manufacturing plant of Laboratorios Farmacéuticos ROVI, S.A. located in Granada: this is the plant in which Bemiparin and Enoxaparin are produced, the active substances of ROVI's main research products. In this case, the units produced are measured in MUI, that is, the activity of the active substance produced.
- Laboratorios Farmacéuticos ROVI, S.A. distribution business: in this case, unit used is reflected as distributed items.
- Injectables plant of Rovi Contract Manufacturing, S.L. (Plants located in San Sebastián de los Reyes and Madrid): in this case, the units produced are expressed in individual packaged units.
- Oral solid forms plant of Frosst Ibérica, S.A. located in Alcalá de Henares: for this case, pack of oral solid forms conditioned as unit produced (tablets, coated tablets, hard capsules and envelopes) is used.

WASTE (*)	ROVI Granada	ROCM	Frosst	Distribution
Tn of hazardous waste generated	1,037	186	176	25
Tn of non-hazardous waste generated	1,336	464	283	1
TOTAL	**2,373**	**651**	**459**	**25**
Tn of hazardous waste/ million units produced	0.003	1.70	5.17	1.15
Tn of non-hazardous waste/ million units produced	0.004	4.24	8.31	0.03
Ton. Waste/million units produced	**0.008**	**5.95**	**13.49**	**1.18**

ENERGY CONSUMPTION (*)	ROVI Granada	ROCM	Frosst	Distribution
kWh electricity consumed	3,002,572	7,206,775	8,100,711	630,352
kWh electricity consumed/million units produced	**10**	**65,863**	**238,256**	**29,306**
kWh natural gas consumed	1,941,716	6,371,676	14,426,850	-
kWh natural gas consumed/million units produced	**6**	**58,231**	**424,319**	**-**
Litres vehicle fuel	500	409	1,279	518,653

NATURAL RESOURCE CONSUMPTION (*)	ROVI Granada	ROCM	Frosst	Distribution
m3 water consumed	27,399	51,842	62,516	985
m3 water / million units produced	**0.1**	**473.8**	**1,838.7**	**45.8**

ATMOSPHERIC EMISSIONS (*)	ROVI Granada	ROCM	Frosst	Distribution
Tonnes of CO2 emitted	1,135	3,073	4,936	290
Tonnes of CO2 emitted / million units produced	**0.004**	**28.08**	**145.18**	**13.47**

(*) Last month of 2018 data is an estimate made based on information from previous periods.

4.- SOCIAL AND EMPLOYEES ISSUES

4.1.- Employment

The key figures concerning ROVI's personnel structure are shown below. They show that workforce management in 2018 continued the sustained upward trend of previous years. This is consistent with the Company's continuing growth strategy and is aimed to adapt the workforce to current needs.

The workforce management strategy fosters stable employment through permanent and temporary contracts, both of which are used to cover, in a balanced manner, both structural needs and specific needs for workers at any given moment in time. This is shown in the distribution of the workforce, where permanent contracts and stable employment prevail.

In the recruitments carried out in 2018, the bet on job creation with young professionals continued, at the same time as they were supplemented by experienced professionals. Thus, a balanced workforce that allows the Company's strategy to be implemented is achieved.

Likewise, the results of the Company's efforts to maintain and consolidate its workforce with a balance between men and women and promote the inclusion and access of candidates with disabilities under equitable conditions, consistent with the strategy of consolidating diversity and equal opportunities as part of its culture, may be observed.

Indicators concerning ROVI's personnel at 31 December, 2018 are set out below. Data shown do not consider information related to scholarship contracts.

- Total number and distribution of employees by:

a) Gender

DISTRIBUTION OF EMPLOYEES BY GENDER	2018
Men	558
Women	666
TOTAL	**1.224**

b) Age

DISTRIBUTION OF EMPLOYEES BY AGE / GENDER	Men	Women	TOTAL
18-30 years	78	106	**184**
31-40 years	156	216	**372**
41-50 years	195	213	**408**
51-60 years	109	114	**223**
>60 years	20	17	**37**
TOTAL	**558**	**666**	**1,224**

c) Country

DISTRIBUTION EMPLOYEES BY COUNTRY / GENDER	Men	Women	TOTAL
Spain	550	654	**1,204**
UK	-	1	**1**
Germany	3	3	**6**
Italy	3	3	**6**
France	1	1	**2**
Portugal	1	4	**5**
TOTAL	**558**	**666**	**1,224**

d) Professional group

DISTRIBUTION EMPLOYEES BY PROFESSIONAL GROUP / GENDER	Men	Women	TOTAL
1	1	5	**6**
2	27	35	**62**
3	68	88	**156**
4	108	93	**201**
5	210	201	**411**
6	60	84	**144**
7	59	142	**201**
8	5	3	**8**
0	12	3	**15**
Subsidiaries	8	12	**20**
TOTAL	**558**	**666**	**1,224**

** Professional group according to the XIX Collective Agreement of the Chemical Industry.*

- Total number and distribution of types of employment contract by:

a) Gender

DISTRIBUTION EMPLOYEES BY TYPE OF CONTRACT / GENDER	Men	Women	TOTAL	Distribut.
Permant full-time	462	532	994	81%
Permanent part-time	-	4	4	0%
Total permanent	**462**	**536**	**998**	**82%**
Temporary for specific project or service	2	3	5	0%
Temporary due to work backlog	47	55	102	8%
Temporary substitution contract	4	6	10	1%
Training / apprenticeship	27	49	76	6%
Temporary part-time	15	17	32	3%
Temporary full-time - empl. with disabilities	1	-	1	0%
Total temporary	**96**	**130**	**226**	**18%**
TOTAL	**558**	**666**	**1**	

b) Age

DISTRIBUTION EMPLOYEES BY TYPE OF CONTRACT / AGE	18-30	31-40	41-50	51-60	>60	TOTAL
Permanent	79	328	370	213	8	**998**
Temporary for specific project or service	2	2	1	-	-	**5**
Temporary due to work backlog	31	31	33	7	1	**103**
Temporary substitution contract	1	5	3	1	-	**10**
Training / apprenticeship	69	6	1	-	-	**76**
Temporary part-time	2	-	-	2	28	**32**
TOTAL	**184**	**372**	**408**	**223**	**37**	**1,224**

c) Professional group

DISTRIBUTION OF EMPLOYEES BY TYPE OF CONTRACT / PROFESSIONAL GROUP *	1	2	3	4	5	6	7	8	0	Subsi-diaries	TOTAL
Permant full-time	3	19	119	171	336	109	196	8	15	18	**994**
Permanent part-time	-	1	-	1	1	-	1	-	-	-	**4**
Temporary for specific project or servi	-	1	-	-	2	2	-	-	-	-	**5**
Temporary due to work backlog	1	39	20	9	25	6	2	-	-	-	**102**
Temporary substitution contract	-	2	4	4	-	-	-	-	-	-	**10**
Training / apprenticeship	-	-	7	7	35	27	-	-	-	-	**76**
Temporary part-time	1	-	6	9	12	-	2	-	-	2	**32**
Temporary full-time - empl. with disabi	1	-	-	-	-	-	-	-	-	-	**1**
TOTAL	**6**	**62**	**156**	**201**	**411**	**144**	**201**	**8**	**15**	**20**	**1,224**

- Number of dismissals by:

a) Gender

DISTRIBUTION OF DISMISSALS BY GENDER	2018
Men	17
Women	16
TOTAL	**33**

b) Age

DISTRIBUTION OF DISMISSALS BY AGE / GENDER	Men	Women	TOTAL
18-30 years	2	-	**2**
31-40 años	3	4	**7**
41-50 años	5	8	**13**
51-60 años	3	2	**5**
>60 años	4	2	**6**
TOTAL	**17**	**16**	**33**

c) Professional group

DISTRIBUTION OF DISMSISSALS BY PROFESSIONAL GROUP * / GENDER	Men	Women	TOTAL
1	-	-	**-**
2	3	-	**3**
3	2	2	**4**
4	1	2	**3**
5	7	5	**12**
6	-	3	**3**
7	3	2	**5**
8	-	1	**1**
0	1	1	**2**
TOTAL	**17**	**16**	**33**

- Average remuneration by:

a) Gender

AVERAGE REMUNERATION BY GENDER	2018	2017	Var.
Men	40,733 €	40,953 €	-1%
Women	36,738 €	35,534 €	3%
AVERAGE	**38,735 €**	**38,244 €**	**1%**

b) Age

AVERAGE REMUNERATION BY AGE/GENDER	2018		2017		Var.
	Men	Women	Men	Women	
18-30 years	21,966 €	21,983 €	21,099 €	19,787 €	7%
31-40 years	30,535 €	34,460 €	29,625 €	32,108 €	5%
41-50 years	47,312 €	45,095 €	46,989 €	45,167 €	0%
51-60 years	58,097 €	41,546 €	55,003 €	28,357 €	20%
>60 years	33,459 €	11,908 €	53,148 €	14,612 €	-33%

c) Professional group

AVERAGE REMUNERATION* BY PROFESSIONAL GROUP** / GENDER	2018		2017		Var.
	Men	Women	Men	Women	
1	15,311 €	14,892 €	0 €	17,472 €	73%
2	16,677 €	17,012 €	16,170 €	16,194 €	4%
3	19,000 €	19,266 €	18,209 €	19,065 €	3%
4	25,082 €	23,432 €	25,641 €	23,736 €	-2%
5	42,078 €	40,546 €	41,099 €	38,237 €	4%
6	50,426 €	36,687 €	52,153 €	37,993 €	-3%
7	51,208 €	47,265 €	54,958 €	44,413 €	-1%
8	105,465 €	105,050 €	153,205 €	146,637 €	-30%
0	202,978 €	130,182 €	197,584 €	112,505 €	7%
Subsidiaries	87,949 €	72,367 €	106,499 €	103,300 €	-24%

Remuneration data shown above contains concepts related to fixed and variable remuneration (commissions and bonuses).

- Average remuneration of management

The average remuneration of the members of the Company's Management Committee in 2018, including fixed and variable remuneration and remuneration in kind, was 234,142 euros for men and 135,462 euros for women. The difference is because, in the case of the men, three of them are also Executive Directors and their salaries reflect the additional responsibilities they hold.

Details of the above figures are shown below:

AVERAGE REMUNERATION OF MANAGEMENT COMMITTEE	Men	Women	AVERAGE
Fixed remuneration	163,430 €	93,419 €	**128,425 €**
Variable remuneration	61,960 €	36,763 €	**49,362 €**
Remuneration in kind	8,752 €	5,280 €	**7,016 €**
TOTAL	**234,142 €**	**135,462 €**	**184,802 €**

- Gender Pay gap

ROVI is convinced of the need to apply the principle of equal pay for equal work effectively and takes said principle as the basis of its wage policy, applying it in its salary-fixing practice upon recruitment of the employee and in the salary reviews throughout the employee's working life.

In order to ensure application of the principle of wage equality, ROVI monitors the gender pay gap by periodically assessing indicators that show pay gaps by job and gender, in order to follow up on any gender differences and reduce them.

In 2018, ROVI engaged the audit firm PricewaterhouseCoopers Auditores S.L. to carry out a limited assurance review of wage group indicators by professional classification in Group companies. The indicators related to the annual period running from 1 April, 2017 to 31 March, 2018 and the reports were prepared on the basis of the methodology published in January 2015 by the Ministry of the Presidency, Parliamentary Relations and Equality in relation to calculating the gender pay gap.

The aforementioned indicators make a diagnostic analysis of the Group's workforce to find out the differences in the remuneration of men and women with the same jobs. The analysis of the indicators shows, according to the opinion of the aforementioned auditor, that there is no gender-based pay discrimination or differences in remuneration that is not based on personal factors (qualifications, work experience, length of service, etc.) or position (duties, degree of responsibility, working hours, etc.).

- Disconnection from work

So that its employees can enjoy their time off effectively and conserve their personal and family privacy, ROVI foments policies aligned with disconnection from work, avoiding communication with employees through any channel (telephone, e-mail or any other) outside working hours unless there is an urgent, unforeseen need that cannot be met otherwise.

Likewise, meetings in the later part of the working day are avoided, in order to prevent overstepping working hours at the end of the day and thus affecting the work-life balance.

- Employees with disabilities

ROVI is aware that the group of people with disabilities is one of the groups at risk of social exclusion with the greatest difficulties in finding work. Additionally, we are convinced that the Company is enriched by the contribution of these differently-abled people, who provide us with added value.

In line with the foregoing, ROVI is committed to mainstreaming people with disabilities at work and encourages hiring them. Thus, at 31 December, 2018, 25 employees with disabilities were working for the Company, 20 of them formed part of ROVI's workforce directly, while 5 were working through temporary employment companies.

The Company holds an agreement with the Fundación Prodis whereby it conducts a supported employment programme aimed at the workplace inclusion of persons with intellectual disabilities who are able to perform high-quality work when they receive the necessary training and support.

In addition to the foregoing, ROVI carries out actions to foment the inclusion of this group in the workplace in two spheres. First, within its activities related to Corporate Social Responsibility, it provides economic cooperation to various non-profit entities that carry on their activities in the area of the workplace and social inclusion of persons with intellectual disabilities. Likewise, Special Employment Centres are its service providers in several different areas of the Company's activity (to consult these two spheres of action, see the CSR section).

4.2.- Organisation of work

- Organisation of working hours

ROVI carries on its economic activities in three different environments: the industrial production area, the sales area and the industrial structure/offices area. The activity of each one of them has different dynamics, requiring different working hours and ways of organising working time. In all of them, the Company foments criteria for organising working time and time off to facilitate the best work-life balance possible, as well as enabling ROVI employees to exercise motherhood and fatherhood responsibly.

The industrial environment, which includes the employees working at the pharmaceutical product production plants, makes it necessary for employees who are engaged in manufacturing tasks or work directly related thereto to have working hours that coincide with the times of activity of the production processes. This means that this group of people works, in general, under a shift system. Since we are aware that shift work is more arduous, it is used when there is no other possible alternative that is compatible with the viability of the activity and the demand for the product manufactured and we strive to reduce the inconvenience of the shift dynamics as much as possible. The holiday period in the industrial area is also subject to the volume of activity and must, in general, be arranged on fixed dates for the whole workforce. At any event, we endeavour to ensure that it is always in summer and ROVI undertakes that at least half the holidays will be enjoyed in the summer period. Additionally, the time off scheduled to adjust the work calendar of this group of employees is fixed to coincide with school holidays, so that the employees can enjoy it with the rest of their families.

Employees in the sales area carry on their activity in daytime working hours, coinciding with those of the customers to whom they market ROVI's products. Given the nature of their activity, they have a high degree of independence in planning their work, which allows them to reconcile their work with any needs that may arise in their family life.

In the industrial structure and office area, time is organised through flexible working hours. This allows employees to start and end their working day with a margin of choice, depending on their needs or preferences.

In these last two groups, holidays are preferably taken in summer and, additionally, time off is arranged during school holidays.

- Absenteeism

A fundamental element for the proper operation of ROVI's activity is the health of its workers. Good management in this respect has a direct effect on the health and well-being of the workforce and, as a consequence, on the Company's economic performance and the attainment of its strategic objectives.

In view of the foregoing, the indicators shown below are of great importance to the Company, since they monitor the monthly and annual absenteeism in accordance with whether the cause is an ordinary illness, an accident at work or an occupational disease. These indicators are set out below compared with those of the pharmaceutical sector. It may be seen that ROVI's levels are lower than those of the sector in which it carries on its activity.

Next table shows the summary of absolute absence rate in the period:

	2018		2017	
	ECONOMIC GROUP	COMP. SECTOR	ECONOMIC GROUP	COMP. SECTOR
Total absolute absence rate	2.25%	3.44%	2.03%	3.20%
Absolute absence rate WA & OD	0.16%	0.20%	0.19%	0.22%
Absolute absence rate OI	2.09%	3.23%	1.84%	2.98%

WA: Work-related Accident OD: Occupational Disease OI: Ordinary Illness

	2018				2017			
	Days off	Days worked	Absence rate	Sector absence rate	Days off	Days worked	Absence rate	Sector absence rate
TOTAL	**9,972**	**443,803**	**2.25%**	**3.44%**	**8,943**	**440,817**	**2.03%**	**3.20%**

Source: Mutua de Accidentes de Trabajo FREMAP. Global Annual Absenteeism Report ROVI GROUP

From the figures shown, it may be noted that the number of days of absence was 9,972, which is equivalent to lost working hours of 79,776, meaning an absenteeism rate of 2.09%.

- Reconciliation of work and family life and support of co-responsibility therein

At ROVI, a set of measures to reconcile family life and work are applied, with options adapted to different personal and family situations aimed to create a work environment that allows a higher quality of life and harmony between the employees' family life and their promotion and professional career.

The Company applies the work-life balance measures contained in current legislation and the enhancements introduced by the Collective Agreement of the Chemical Industry. Regarding working hours and time off, as stated above, ROVI has flexible starting and finishing times for office and industrial structure personnel, allows changes in shift or day between workers in the industrial area, and shorter working days adapted to the needs of each person. Likewise, it offers flexibility in the holiday calendars provided this is compatible with the activity of the area in which the employee works.

In respect of remuneration, ROVI guarantees that maternity does not represent any decrease in the usual income of the pregnant woman. Thus, the Company pays a wage supplement that completes the benefit received from the Social Security to 100% of her salary. It also offers salary options, with the availability of nursery school vouchers, restaurant vouchers and health insurance. Furthermore, ROVI offers all its permanent employees cover by the life insurance policy paid by the Company.

In order to prevent avoidable travel and trips, ROVI provides all the personnel who so require with a laptop computer with connectivity to the ROVI network and encourages the use of videoconferences and on-line meetings. Likewise, if the work performed so permits, teleworking is organised during the last weeks of pregnancy. Additionally, at work centres where street parking is difficult, parking spaces are made available to pregnant women.

4.3.- Health and Safety

The management of personnel-related risks is the duty of the Health and Environment Department, which holds exclusive responsibility for aspects related to environmental management, as well as workplace safety and health throughout the Group.

As stated in other sections of this report, ROVI has an Integrated Environmental and Occupational Hazard Prevention Management Policy, applicable to the whole group, the objective of which to protect the life, physical integrity and health of all the workers, including both the group's own workers and those of the companies who work with ROVI. This Policy is based on a series of corporate procedures, as well as local procedures or work instructions specific to each centre.

Specifically, the ROVI Group set a goal of an accident rate (No. of accidents / No. of workers * 100) of lower than 1.5% with sick leave and lower than 3.5% without sick leave. In addition, each plant, individually, defines specific prevention objectives. Examples of these are:

- Acquisition of a system for neutralising chemical products that allows injuries caused by contact with chemicals to be minimised in laboratory and production jobs in comparison with 2017. This goal was set at the Madrid plant.
- Increase of 20% in comparison with 2017 of Production Area workers with broader prevention training. This goal was set at the Granada plant.
- Reduction in the moderate risk category associated to falling to a different level in the task of installing/removing the rotary valve of the roller compactor. This goal was set at the Alcalá de Henares plant.

The principal occupational hazards identified by ROVI, having followed the corporate procedure for identifying hazards, assessing risks and determining controls, are mainly those inherent to a production plant: contact with and exposure to chemical products, noise exposure, overexertion, etc.

These risks are managed through planning the preventive activity (existence of specific procedures compliance with which minimizes the probability that these risks will materialize) and training (there are occupational hazard training plans and refresher plans). Furthermore, the risks identified are managed in accordance with the specific procedures created to control and regularly monitor the actions taken, such as those concerning work permits, safety inspections and the identification and evaluation of legal requirements.

Furthermore, the Group has several Health and Safety Committees, on which all ROVI employees (100%) are represented.

In addition, in the aspect of promoting healthy lifestyle habits among employees, ROVI continued with the initiatives implemented in previous years, such as healthy breakfasts and vending, cooperation with sports centres to encourage sports among the employees and participation in races, among others.

Annually, the Safety and Environment Department prepares a report reviewing the prevention management system with the managements of the different plants. This year's conclusion is that the evolution is satisfactory, although there is always room for potential improvement.

In particular, application of the specific employee safety protection measures contributed to meeting the accident goal for 2018 in all Group companies, with an accident rate lower than 1.5% per number of workers at all the centres.

The workplace accident indicators for 2018 are shown below:

FREQUENCY RATE FOR WORK-RELATED ACCIDENTS (*) BY GENDER	2018
Men	3.176
Women	4.662
TOTAL	**3.919**

** Rate calculated as No. of accidents / No. of hours worked * 1000000*

WORK-RELATED ACCIDENT SEVERITY RATE (*) BY GENDER	2018
Men	0.229
Women	0.125
TOTAL	**0.177**

** Rate calculated as No. of working days lost / No. of hours worked * 1000*

WORK-RELATED ACCIDENT FREQUENCY RATE (*) BY GENDER	2018
Men	0.375
Women	0.674
TOTAL	**0.524**

** Rate calculated as No. of accidents / No. of workers * 100*

Note: accidents on the way to work and data of ROVI Group employees are included. Information on personnel hired through temporary employment companies are excluded.

4.4.- Labour relations

Labour relations at ROVI are based on respect for the workers' legal representatives, strict compliance with the different applicable regulations and permanent dialogue that allows a constructive relationship of trust to be built between the Company and its workers.

Dialogue with the workers takes place with smooth communication using all the resources available, especially meetings -both regularly, in accordance with a scheduled calendar, and specific, at the request of either the company or the workers' representatives. This allows the status of agreements to be monitored and any incidents arising from the Company's day-to-day activity to be solved swiftly.

In 2018, labour relations ran as normal without any conflictive incidents. During the year, two significant negotiations were commenced and concluded in relation to items of remuneration, with a substantial change to working conditions and a move from one work centre to another, which concluded successfully.

ROVI informs its employees of matters of general interest, company milestones, agreements or organisational changes through the channels available. The resources used try to make the best use of the latest technological advances available to reach the entire workforce, both the people who have access to office IT in the course of the work and those who do not. Thus, communication takes place through the internal television channel, notice boards, e-mail or the mobile phone application that is currently being implemented.

We should highlight the fact that all ROVI's employees in Spain work under the employment conditions regulated in the Collective Agreement of the Chemical Industry, signed in 2018. The employees of the subsidiaries in the rest of Europe also work under the relevant collective agreements, except in those cases where local legislation states that general labour law is applicable because the subsidiary has very few employees.

An important aspect of the Group's works councils is that they are highly representative and participate in the Safety and Occupational Health Committees. On these committees, on a regular basis, the Company's actions in these areas are consulted, debated and proposed, as well as any incidents that have arisen and proposals for corrective measures.

The main matters discussed on these committees where the company and the workers have equal representation are: the assessment and valuation of occupational hazards, the provision of individual protection equipment, the protection facilities, information and training on occupational hazards, among other issues. Through these joint bodies, ROVI's employees are represented in these matters at the highest level.

4.5.- Training

In the ROVI Group, it is known that making training a priority is a long-term investment so that the Company's talent is well prepared and develops its highest potential.

For this reason, we strive for the employees to have the necessary training to cover, not only the requirements of their present job, but also to tackle future needs derived from the use of new technologies, equipment, instruments, etc. or the need to take on greater responsibilities and more important projects.

To draw up the annual training plans, the training needs in each area are identified, a process in which the Human Resources Department, Group Management and Middle Management are involved.

ROVI's annual plan is aligned with the strategic and business objectives. Through training, it is sought to efficiently help people to contribute and add value to the attainment and achievement of ROVI's strategic objectives. Likewise, ROVI has Individual Development Plans. Depending on the specific needs identified, different alternatives and training plans are put into place in order to promote the career plans of specific employees.

ROVI works with a training model that foments self-responsibility and commitment. Thus, 10% of development and learning takes place through training actions in the classroom or in virtual or e-learning format and 20% takes place through feed-back, observation or with the support of mentors, coaches, professional associations, spaces for reflection, conversations with other people, leaders, etc. Lastly 70% of development and learning takes the form of job experience, applying new learning in real situations, problem-solving, participating in projects and new challenges, rotating through different departments, etc., always taking the professional profile and the needs of each area into account.

- Basic principles of ROVI Group's training programmes/actions:

  - Training programmes will contain aspects related to respect for human rights and will foster an ethical culture.
  - No discrimination on the grounds of gender, age or origin. Professionals with equal positions and professional development have the same training opportunities.
  - Training actions will respect the current regulatory framework and demands of the work and business environment. ROVI will provide training in new legislation, so that workers know and comply with current laws.
  - The use of different training tools is favoured (classroom, on-line, platforms, etc.).
  - Sharing the knowledge that exists in the Company, continuing learning and cultural exchange is encouraged.

- Scholarship policy:

For the ROVI Group, cooperation with universities and professional training centres is of key importance in recruiting new, young talent for its teams. This is why the Company holds more than 20 agreements with Spanish universities at national level, so that undergraduates in their last year and students studying for a Master's degree or doctorate can carry out their practical training in different areas of the Company, while professional training students can obtain their practical training credits with ROVI.

85% of the people who have a scholarship at ROVI finally join the Company with a contract. The possibility for young talents to train and ROVI's investment in this training is indispensable in order to have a good reserve of talent for the future.

- 90% of the ROVI Group's scholarships are remunerated
- 90% of the scholarship are full time
- 90% of the scholarships last for 6+6 months

The total number of hours of training distributed by professional group are shown below:

	1	2	3	4	5	6	7	8	0	TOTAL
TOTAL H0URS OF TRAINING BY PROFESSIONAL GROUP *	0.0	973.4	3,014.1	3,860.6	8,735.4	2,996.0	4,180.8	170.1	127.5	**24,057.9**

** Professional group according to the XIX Collective Agreement of the Chemical Industry.*

The number of hours shown refers to training actions recorded either in the quality system or with the State Foundation for Training in Employment. In addition to the aforementioned, numerous training actions are carried out as part of normal job dynamics.

4.6.- Universal accessibility

The problems of physical accessibility in work environments and difficulty in using objects and products, irrespective of their technical, cognitive or physical skills, are barriers that hinder the full mainstreaming of people with disabilities in work and social environments.

Regarding the first of the barriers, ROVI strives for the work centres where it carries on its activity to be accessible to everyone safely, comfortably and autonomously.

In addition, the products marketed by ROVI are also labelled in Braille for the blind, so that the latter can use them autonomously, thus fully attaining the objectives for which they were designed.

In addition to the foregoing, ROVI fosters sensitisation as the primary tool to combat barriers to persons with disabilities. In this respect, it conducts corporate volunteering activities in cooperation with non-profit organisations engaged in the social integration if persons with mental and intellectual disabilities.

Thus, employees obtain first-hand knowledge of the main barriers that persons with disabilities have to surmount in their daily lives. These activities are made known through the Company's internal television channel and periodic internal publications. Thus, the Company's commitment to accessibility and inclusion is shared with the employees and ROVI strives to raise awareness of disabilities and combat the discrimination suffered by this group of people.

4.7.- Equality

ROVI is committed to establishing and developing polices that include equal treatment and opportunities for women and men, with no direct or indirect gender discrimination, and to drive and foster measures to achieve real equality within the organisation, establishing equal opportunities as a strategic principle in its human resources policy.

ROVI is committed to no discrimination based on gender or any other personal characteristic in selection, promotion and personal development processes and the remuneration policy according to which workers are paid.

Applying this commitment, it has an Equal Opportunities Plan for men and women. Applying this Plan, an Equal Opportunities Commission has been created, with the main mission of properly monitoring the measures implemented to ensure equal opportunities and non-discrimination and to promote the inclusion of new actions in this respect.

ROVI's commitment to equality and non-discrimination is also set out in the Company's Code of Ethics and the principles that govern training programmes and actions.

ROVI does not tolerate harassment and rejects any kind of violence, physical, sexual, psychological or moral harassment, the abuse of authority at work or any other form of conduct that generates an atmosphere that is intimidatory or offensive in respect of the employees' rights.

Therefore, ROVI has a Protocol for the Prevention and Handling of Cases of Moral and Sexual Harassment in the workplace, which all employees are obliged to know and respect.

To guarantee that any reports that may be received informing of a violation of the aforementioned Protocol, the Regulations of the Ethics Channel or, in general, any approved policy or procedure are handled properly and receive an appropriate response, ROVI has made an Ethics Channel available to its employees, suppliers, trading partners, agents and external collaborators. The Regulations of the Ethics Channel govern the procedure to follow to handle and process any reports or notifications received and ensures that, when faced with an action that potentially contravenes the Company's principles and values, the Company is able to react strictly, efficiently and diligently.

5.- HUMAN RIGHTS

5.1.- Principal risks

The ROVI Group operates in Spain and the European Union (UK, Germany, Italy, France and Portugal) through subsidiaries. Since these are territories with legislation that protects human rights more than sufficiently, no risks of this nature that can derive directly from the ROVI Group's activity have been identified.

In addition, more than 90% of the ROVI Group's suppliers also operate in countries belonging to the European Union and those that carry on their activity outside the European Union enjoy recognised prestige in the international community.

At any event, the ROVI Group considers that the main risk affecting the organisation in relation to human rights comes from possible non-compliance in this respect on the part of a supplier.

Additionally, in the Crime Prevention Model, the possible existence of risks related to (i) criminal offences against foreign citizens; and (ii) the offence of human trafficking, was analysed and it was concluded that these risks do not currently exist within the ROVI Group's organisation.

5.2.- Policies and commitments:

As may be seen from the Code of Ethics, ROVI is committed to actively supporting the Universal Declaration of Human Rights and requires its employees to comply with the principles thereof in the course of the Group's day-to-day activity. The Company combats practices contrary to human dignity and strives to prevent workplace discrimination.

ROVI upholds, by adopting and communicating it, the inclusion of the principles of the United Nations Global Compact, as well as other international instruments, especially in the spheres of human rights, workplace practices, the environment and the fight against corruption.

Additionally, the ROVI Group has a Code of Ethics for Suppliers, which establishes that all suppliers must respect the protection of fundamental human and labour rights recognised internationally. Specifically, the Code of Ethics for Suppliers requires all suppliers to comply with the following principles:

- Elimination of forced labour.
- Elimination of child labour.
- Respect for the right of association and collective bargaining.
- Equal opportunities and non-discrimination.
- The supplier must provide a fair work environment, free of any kind of violence.
- Respect for current legislation on working hours and remuneration.

5.3.- Results of application of the policies:

- Human rights due diligence procedures, prevention of the risk of violation of human rights and, where applicable, measures to mitigate, manage and provide reparation for any abuses committed

The ROVI Group applies the Collective Agreement of the Chemical Industry in all its business in Spain, likewise complying with the labour legislation in force at any given moment in all the territories where it operates. Additionally, it has the following procedures and measures in place:

- The ROVI Group has an Ethics Channel through which all employees must communicate any situation that may represent a breach of (i) current legislation; (ii) the standards and codes to which the ROVI Group has adhered voluntarily, (iii) the Group's internal policies, (iv) the Crime Prevention Model, or (vi) accounting and financial standards. Said Ethics Channel has a Regulation that was approved by the Board of Directors on November 7, 2017 and is managed by a Management Committee. Likewise, the Compliance Department reports periodically to the Compliance Committee, the Audit Committee and the Board of Directors on the communications received through the Ethics Channel.
- The Group has a Protocol on Moral and Sexual Harassment.
- The workers have legal representatives at the Julián Camarillo, San Sebastián de los Reyes and Alcalá de Henares work centres.

- Number of reports of human rights violations

No reports have been received in relation to human rights violations.

- Description of the measures implemented for promotion of and compliance with the rules of the fundamental conventions of the International Labour Organisation related to respect for freedom of association and the right to collective bargaining; the elimination of discrimination in respect of employment and occupation; the elimination of forced or compulsory labour; the effective elimination of child labour:

We refer to the contents of the first point of this section "Human rights due diligence procedures, prevention of the risk of violation of human rights and, where applicable, measures to mitigate, manage and provide reparation for any abuses committed".

6.- CORRUPTION AND BRIBERY

6.1.- Principal risks

The ROVI Group has a Crime Prevention Model in which the risks related to corruption and bribery are analysed. The main risks observed in this respect are:

1. Relations with public authorities and/or political office-holders, both national and foreign, for any reason related to the Group's activities; for example: (i) receipt and processing of inspections on the part of the authorities, (ii) obtaining authorisations and licences related to the Group's activities, (iii) subscription and signature of public contracts (medicine supply), (iv) relations with health professionals, and (v) applications for subsidies and European public funds.
2. Management of the processes for contracting works and services with third parties, related to the activities carried on by the ROVI Group.
3. Signature of donation and sponsorship agreements with public or private entities.

These risks were identified within the framework of the analysis of crime risks performed in accordance with article 31 bis of the Spanish Criminal Code, which requires "*identification of the activities in the sphere of which the offences that must be prevented may be committed*". The risk assessment was prepared by an external consultant and approved by the Audit Committee and Board of Directors, and is reviewed regularly (on an annual basis) by the ROVI Group's Compliance Department with the help of an external consultant.

6.2.- Policies and commitments

To detect and prevent the risks of corruption and bribery, the ROVI Group has the following policies and procedures in place:

- ROVI's Code of Ethics (the update of which was approved by the Board of Directors on 19 February, 2018) sets out ROVI's commitment to fight against corruption and bribery. Specifically, the Code of Ethics expressly rejects any practice that includes bribery and corruption as a way to obtain a decision in favour of ROVI Group companies and any practice intended to do business using improper means is prohibited. Likewise, the Code of Ethics prohibits any ROVI employee from offering a third party any kind of benefit intended to influence, or given with the intention of unlawfully influencing, said person's capacity to adopt objective and lawful business decisions. Likewise, ROVI employees are expressly prohibited from accepting any form of corruption or bribery that may be offered by a third party.

- The Group has an Anti-Bribery Policy (the update of which was approved by the Board of Directors on 19 February, 2018) that prohibits: (i) any form of bribery, (ii) corruption between private individuals, and (iii) influence peddling, and in which the guidelines for action and the precautions that all ROVI Group employees should adopt to prevent and mitigate the risks related to corruption and bribery are set out. Said Policy also includes the rules on courtesies, gifts and hospitality.

- The ROVI Group's medicine marketing activity is subject to the Code of Good Practice for the Pharmaceutical Industry (CBPIF), which means that all relations with health professionals must apply the content of said Code.

6.3.- Results of application of the policies

- Anti-corruption and anti-bribery measures

In addition to the policies described in the preceding section, the Group has the following measures in place:

- The Group has entrusted the management and supervision of crime risks to the Audit Committee, which, in turn, has delegated the ordinary management of said risks to a Compliance Committee that advises the Group on these matters and the Compliance Department. Both the Compliance Committee and the Compliance Department have a charter that governs their operation and in which their obligations in this respect are described.
- The ROVI Group has a Practice Surveillance Department the purpose of which is to monitor compliance with the Code of Good Practice for the Pharmaceutical Industry. Likewise, the Group is audited in this respect by an independent auditor on a quarterly basis.
- The ROVI Group has an Ethics Channel through which all employees must notify any situation that may represent a breach of i) current legislation; (ii) the standards and codes to which the ROVI Group has adhered voluntarily, (iii) the Group's internal policies, (iv) the Crime Prevention Model, or (vi) accounting and financial standards. Said Ethics Channel has Regulations that were approved by the Board of Directors on November 7, 2017 and is managed by a Management Committee. Likewise, the Compliance Department reports periodically to the Compliance Committee, the Audit Committee and the Board of Directors on the communications received through the Ethics Channel.
- The Crime Prevention Model is reviewed annually by an external consultant, who verifies its degree of efficacy and suggests recommendations and improvements.
- The ROVI Group has a procedure for contract approval, which includes, among other items, a review by the following departments: Legal, Intellectual and Industrial Property, and Compliance.
- The Group has a payment policy and a policy for per diem allowances and other expenses.

- Anti-money laundering measures

None of the companies that form the ROVI Group is considered an obligated entity in the terms of article 2 of Spanish Law 10/2010 on the Prevention of Money Laundering and Terrorist Financing.

However, ROVI has procedures in place to combat money laundering. All of them are listed below:

- The registration process for any new Group supplier requires submission of the following documentation: (i) Spanish tax identification card or tax residency card for foreign suppliers, and (ii) bank account-holder's certificate. Additionally, a supplier registration form must be completed with other information.

- The registration of a new customer requires submission of the following documentation: (i) completion of the new customer template, in which the following information is requested: corporate name, registered address, contact details and bank details, (ii) copy of tax identification number or equivalent document, (iii) in the case of customers of the medicine marketing area, a copy of the authorisation as a pharmaceutical product distributor is likewise requested.
- All payments are processed in SAP. No payments are made outside SAP and the customer / supplier is only registered in SAP if the aforementioned documentation has been provided.
- There is a supplier selection policy, SOP 002, that includes a list of the criteria used to select each type of supplier. It provides for an initial evaluation and another periodic evaluation. This is used to draw up a list of approved suppliers custodiated by Quality Department.
- Supplier engagement and payment: (i) suppliers with an annual volume of over 100,000 euros, always have a duly signed contract, (ii) it regulates how invoices should be sent and recorded, and (iii) the means of payment accepted.
- Policy for reimbursement of expenses and payment of per diem allowances: (i) ROVI only reimburses the following expenses: Transport, Accommodation, Food (per diem) and others: Photocopies / Paper / Envelopes / Couriers / Toner / Ink; Books / Publications; Projector Hire; Professional Association Fees; Courses / Training; Exchange Rate Adjustments. The reimbursement of expenses in preceded by the pertinent expense note, which must be accompanied by the documentary support of the expenses (invoices, etc.). Employees must settle the expenses incurred in providing their services preferably with the corporate credit card and must minimize cash payments.
- The ROVI Group accepts the following means of payment for collections:
  - Transfers - 61%
  - Direct debits - 38%
  - Cheque, promissory notes - 1%
  - Cash and point-of-sale terminals (only in the business of Pan Química – it represents roughly 5% of the total collections of Pan Química and 0.5% of the group total).
- The ROVI Group accepts the following means of payment for payments:
  - “Confirming”
  - Bank transfers
  - Direct debits
  - Nominative cheques: only for payments of conferences to health professionals. The average invoice from speakers is €500.

- Donations to foundations and non-profit organisations

The ROVI Group has a Donation Management Procedure that describes the process to be followed to approve a donation. As part of this procedure, the Group has appointed a Donations Committee, which evaluates and, if appropriate, approves or rejects the Group’s donation requests. This procedure came into force in July 2018.

7.- INFORMATION ABOUT SOCIETY

7.1.- Commitment to sustainable development:

ROVI has a strong commitment to Corporate Social Responsibility, which materialises in co-operation with a series of non-profit organisations with a marked social nature. Thus, in 2018, it continued to co-operate with the Granada Red Cross in its child assistance and protection projects; with Proyecto Hombre Granada, in the continuity of its social reintegration activities; and with Fundación Recover, co-operating in its programmes to improve healthcare in Africa.

The Company has continued to bet on co-operation with entities that work on the integration and mainstreaming of persons with disabilities through sport, such as Fundación También and Fundación Deporte & Desafío.

Working with many of these foundations, ROVI has been able to expand the corporate volunteering activities available, so that ROVI employees can get to know the world of disability first-hand, thanks to our inclusive sports events, such as the Adaptive Skiing Campus in Sierra Nevada (Granada), the Adaptive Descent of the River Sella (Asturias), the VII Sponsored Race of Madrid, and the Eco Trekking and Multisports Days (both in Madrid). In 2018, 135 ROVI employees took part in some of the activities scheduled by the CSR Area.

Furthermore, continuing with its policy of promoting healthy living habits and co-operation with non-profit entities that work to include groups at risk or to improve healthcare in different countries, ROVI co-operated, for the first time, as a sponsor for several charity races, such as the VII Charity Race for Mental Health, organised by Fundación Manantial in Madrid, or the I Medicusmundi South Charity Race South, organised by Medicusmundi South (Granada).

Fundación Prodis also joined the list of foundations that co-operate with ROVI in 2018. In this case, through a dual channel: Prodis helped the company in the process of recruiting a person with Down's syndrome for ROVI's Human Resources Department, while its Special Employment Centre worked with the Corporate Social Responsibility Department as a supplier of sports material for corporate volunteering (T-shirts, caps, etc.). Thus, Prodis joined other suppliers, such as ISS Facility Services (Gelim), Ilunion or Fundación Manantial, which are engaged to provide certain services performed by persons with disabilities.

Additionally, throughout 2018, ROVI continued the work of the Donations Committee, which channels the requests for co-operation that ROVI receives from healthcare organisations and social or humanitarian entities. Its mission is to review each application and check that it complies with current legislation, the Code of Good Practices of the Pharmaceutical Industry and ROVI's Code of Ethics.

- Commitment to research

ROVI is fully committed to supporting medical research and uses a significant part of its resources to promote it. Over recent years, it has been carrying on intensive research activity to foment the prevention and knowledge of certain diseases, in order to improve patient health and quality of life. At the same time, ROVI focuses on supporting co-operative research, holding important co-operation agreements with different public bodies and universities, such as the co-operation agreement with the University of Granada, with which it aims to combine efforts to increase scientific, technological and training activities, as well as to spread knowledge.

The Company likewise co-operates with scientific associations and societies of different types in supporting the health professionals' quest for innovation. An example is the SEFH/ROVI Hospital Pharmacy Development awards, which have been awarded jointly with the Spanish Hospital Pharmacy Society (SEFH) for the last two years and which recognise projects that represent the contribution of innovative and beneficial solutions for patient well-being and quality of life.

- Commitment to training

In order for qualified students to enter a work environment and improve their skills, knowledge and experience, the Company has a training programme underway in the organisation. In this respect, there are co-operation agreements with 73 educational centres (universities, institutes, centres imparting official training programmes and business schools) all over Spain. This practical training helps students to start their working life in a professional work environment. In 2018, 49 persons took part.

7.2.- Subcontracting and suppliers

The Group's General Corporate Social Responsibility Policy establishes a course of action in relation to suppliers that allows them to find in ROVI a partner for mutual benefit. It is indispensable to ensure a supply chain that respects the principles of corporate social responsibility assumed by the ROVI Group. To do this, ROVI undertakes to promote CSR-related values among its suppliers and subcontractors of goods and services.

Suppliers are a group of strategic interest in relation to ROVI's activities. For this reason, it has put in place a series of specific action principles aligned with the company's principles and values and intended to reinforce the sustainability and competitive edge of the value chain

As stated in preceding sections, the ROVI Group has a Code of Ethics for Suppliers, which establishes that all suppliers must respect the protection of fundamental human and labour rights recognised internationally. Specifically, the Code of Ethics for Suppliers requires all suppliers to comply with the following principles:

- Elimination of forced labour.
- Elimination of child labour.
- Respect for the right of association and collective bargaining.
- Equal opportunities and non-discrimination.
- The supplier must provide a fair work environment, free of any kind of violence.
- Respect for current legislation on working hours and remuneration.

In the same way as ROVI maintains a constant focus on equal opportunities, occupational safety or care of the environment, it invites all its suppliers to guarantee these factors and to declare their commitment to basic principles of ethics and professional conduct. To do this, in the same way as ROVI develops them internally, it tries to involve suppliers and subcontractors in the adoption of the best corporate social responsibility practices in order to regulate their activities in accordance with the standards included in the certifications SA-8000, SGE-21 or similar.

We highlight the fact that, as stated above, more than 90% of the ROVI Group's suppliers operate in countries belonging to the European Union and those that carry on their activity outside the European Union enjoy recognised prestige in the international community. This means that supplier non-compliance with Human Rights requirements is considered limited and under control.

Additionally, regarding the environment, as stated above, ROVI is committed to making a joint effort with its suppliers and contractors to minimise the impact of their activities on the environment and the risks derived for safety and health, both in the environment and for their workers.

ROVI has a supplier selection policy (SOP 002) that includes a list of the criteria used to select each type of supplier. It provides for an initial evaluation and another periodic evaluation. This is used to draw up a list of approved suppliers kept by the Quality Department.

There is also a Supplier Engagement and Payment Policy, in order to establish a framework for relations with suppliers and creditors that is shared by the whole Company. It sets out the following: (i) suppliers with an annual volume of over 100,000 euros must always have a duly signed contract, (ii) it regulates how invoices should be sent and recorded, and (iii) the means of payment accepted.

Additionally, on-site audits are conducted to check that suppliers operate in accordance with national and local regulations, there are no important breaches in respect of workplace safety and there are no practices that violate the workers' rights. Among other aspects, the auditors ensure that a safe working environment is provided, environmental legislation is respected and employees are not subject to abuse or discrimination.

7.3.- Consumers

Given their nature, products intended to improve patient health, medicines and healthcare products, require the instructions of a health professional for their administration or final use. The health professional determines the best therapeutic approach for a specific patient. Thus, prescription medicines and healthcare products are those that reach patients on the instructions of a doctor, using a prescription, irrespective of whether they are dispensed in a pharmacy or administered at health centres. There is, furthermore, a third category: non-prescription pharmaceuticals (OTC), which do not need a medical prescription but are obtained through pharmacies on the recommendation of the pharmacist.

Most of ROVI's medicines and health products fall within the category of prescription products, which means they reach the patients because they have been prescribed by a health professional. Therefore, ROVI's "consumers" can be divided into three broad groups:

- Customers, mainly wholesalers, who then distribute to pharmacies, but to whom service must be given.
- Professionals: doctors, nursing staff or pharmacists.
- Patients.

- Health and safety measures for patients and professionals

Customers, including potential customers, health professionals and patients, are the basis of the business and, therefore, ROVI assumes the following commitments:

a) To bet on innovative drugs as a growth engine for ROVI.
b) To place special importance on the protection of the health and safety of customers and patients throughout the products' life cycles through strict compliance with the applicable legislation.
c) To observe due confidentiality in processing customer data.
d) To manage and solve their queries and complaints in the shortest period possible.
e) To monitor the customer's experience through surveys that measure their satisfaction and other means and systems that allow us to actively and permanently listen to the customer in all the processes and operations in which the latter interacts with the Company.
f) To have appropriate and efficient communication channels, using the most suitable means to do so.
g) To observe and comply with the rules that govern communication and marketing activities and assume the voluntary codes that ensure the transparency and veracity of such actions.

Guaranteeing the quality, safety and efficacy of the products that the Company places in the market is the main goal of ROVI and all the people who form part of it. In this respect, all the Group companies have procedures in place that define the verifications performed in all phases of the processes, including product research and development, the receipt of raw materials and packaging materials, production, storage and distribution, until the products are consumed by the customers.

The standards in place fully meet the Company's internal requirements and also the external requirements imposed by the regulatory bodies for the different products on ROVI's portfolio.

In order to assess the compliance of these procedures, internal audits are performed periodically at all the Group's facilities. Furthermore, there are annual management reviews, which analyse the main points where our organisations have room for improvement.

In addition, the quality audits by external entities show the commitment to continuing improvement and maintaining high quality standards.

Moreover, in accordance with the frequency stipulated in the legislation applicable to the products, all Group companies, both in Spain and in the countries to which our products are exported, are inspected by the health authorities.

- Complaints system: complaints received and solution thereto

When any customer or health professional contacts ROVI to notify a claim or complaint, the Company immediately opens an enquiry in order to identify the cause and prevent any repetition. These enquiries may involve several departments and may also include suppliers and/or subcontractors. The efficacy of these actions is analysed annually in the review that ROVI management conducts of the system.

Any request for information made by a customer/health professional and/or customer is considered a query. Depending on its content, it is handled by one department or another (Quality, Pharmacovigilance or Medical Science Liaison), both in Spain and in the subsidiaries.

		Lab. Fcos. Rovi	Pan Química	Lab. Fcos. Rovi establ. Permanente Portugal	Rovi GmbH (Alemania)	Rovi Biotech Limited (Reino Unido)	Rovi Biotech, S.R.L (Italia)	Rovi S.A.S (Francia)	SUB.DISTR
GENERAL	Units manufactured / Units distribut.	19,571,222	25,353	296,268	312,691	135,192	1,168,506	0	**21,509,232**
	Employees	465	5	5	4	1	6	2	**475**
CUSTOMER COMPLAINTS	No. of customer complaints	155	9	10	13	3	4	0	**174**
	Complaints / million units	7.92	354.99	33.75	0	22	3	0	**8.09**
CUSTOMER QUERIES - QUALITY + THERAPEUTIC -	No. of customer queries	237	0	9	171	19	0	0	**246**
	Queries / million units	12.11	0.00	30.38	547	141	0	0	**11.44**

ROVI has, likewise, a Pharmacovigilance System in place, which allows detection of any possible adverse reactions (any response to a medicine which is noxious and unintended) that take place in relation to our medicines or healthcare products.

The system means that, if an adverse reaction is notified, the Pharmacovigilance Department analyses whether it may be due to a quality problem, so that the process described above may be initiated. In the event that, while a complaint is being studied, a possible risk for the patient and/or health professional is observed, the Quality Department informs Pharmacovigilance, so that the case can be handled correctly.

ROVI's Pharmacovigilance Department has communications channel open by e-mail (farmacovigilance@rovi.es) or telephone ([(+34) 91 021 30 00], both of which may be accessed through the Company's website (www.rovi.es).

7.4. Tax information

ROVI has a tax policy that sets out how tax matters should be managed by applying good tax practices and acting with transparency, paying taxes responsibly and efficiently, and promoting co-operative relations with governments, endeavouring to prevent significant risks and unnecessary conflicts.

To support its tax practices, ROVI has engaged the services of an external tax advisor, who keeps the Group updated on new developments in this field and advises on any doubts that may arise. Additionally, the tax advisor reviews the preparation and filing of the different taxes as well as the Group's decision-making on tax matters.

In general, ROVI pays special attention to compliance with the tax obligations that are applicable in the different countries where it operates. Specifically, the following tax information by country or company is provided for 2018:

In thousand euros	**Profit before tax**	**Corporate income tax paid**	**Government grants received**
Laboratorios Farmacéuticos Rovi, S.A.	11,444	(3,108)	1,587
Laboratorios Farmacéuticos Rovi, S.A. establecimiento permanente Portugal	(343)	(33)	-
Laboratorios Farmacéuticos Rovi, S.A. establecimiento permanente Polonia	(2)	-	-
Laboratorios Farmacéuticos Rovi, S.A. establecimiento permanente Alemania	-	-	-
Rovi Contract Manufacturing, S.L. (*)	16,348	-	-
Bemipharma Manufacturing, S.L. (*)	(36)	-	-
Pan Química Farmacéutica, S.A. (*)	531	-	-
Gineladius, S.L. (*)	(9)	-	-
Frosst Ibérica, S.A. (*)	5,351	-	-
Bertex Pharma GmbH	-	-	-
Rovi Biotech, Limited	(30)	-	-
Rovi Biotech, S.R.L.	9	-	-
Rovi Biotech, GmbH	(82)	-	-
Rovi S.A.S.	(729)	-	-
Rovi Biotech, Ltda.	-	-	-
TOTAL		**(3,141)**	**1,587**

(*) These companies are part of the fiscal group 362/07 of which Laboratorios Farmacéuticos Rovi, S.A. is the parent company.

8.- INDEX OF GRI INDICATORS

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2.2.4	**Social relations**		
2.2.4.1	Organisation of social dialogue, including procedures to inform and consult the personnel and negotiate with them.	102-43 Approach to stakeholder engagement. 402-1 Minimum notice periods regarding operational changes. 403-1 Workers representation in formal joint management–worker health and safety committees.	20-21
2.2.4.2	Percentage of employees covered by collective agreements by country.	102-41 Collective bargaining agreements.	20-21
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2.2.6	**Universal accessibility for persons with disabilities**		
2.2.6.1	Universal accessibility for persons with disabilities	-	23
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2.2.7.3	The policy against all kinds of discrimination and, where applicable, diversity management policy.	406-1 Incidents of discrimination and corrective actions taken.	23-24
3.	**Respect for human rights**		
3.1	**General information**		
3.1.a	A description of the **policies** applied by the Group on these issues, which will include the due diligence procedures applied to identify, assess, prevent and attenuate material risks and impact and the verification and control procedures, including the measures adopted.	103-2 The management approach and its components.	25
3.1.b	The **results of these policies**, including relevant key non-financial results **indicators** that allow the monitoring and evaluation of the progress and favour comparability between companies and sectors, in accordance with the national, European or international frameworks used as a reference for each subject.	103-2 The management approach and its components. 103-3 Evaluation of the management approach.	26
3.1.c	The **key risks** related to these issues linked to the group's activity, among them, when relevant and proportionate, its trading relations, goods or services that may have adverse effects in these areas, and how the group manages said risks, explaining the **procedures used to detect and assess** them, in accordance with the national, European or international frameworks used as a reference for each subject. Information on **impacts** observed should be included, providing a breakdown thereof, in particular, of the key **short-, medium- and long-term risks.**	102-15 Key impacts, risks and opportunities.	25

3.2	**Detailed information**		
3.2.1	Application of due diligence procedures in respect of human rights; prevention of risks of violation of human rights and, where applicable, measures to mitigate, manage and provide reparation for any possible abuses committed.	102-16 Values, principles, standards, and norms of behaviour. 102-17 Mechanisms for advice and concerns about ethics. 410-1 Security personnel trained in human rights policies or procedures. 412-1 Operations that have been subject to human rights reviews or impact assessments. 412-2 Employee training on human rights policies or procedures. 412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	25-26
3.2.2	Reports of cases of violation of human rights	419-1 Non-compliance with laws and regulations in the social and economic area.	25-26
3.2.3	Promotion of and compliance with the provisions of the fundamental conventions of the World Labour Organisation related to respect for freedom of association and the right to collective bargaining; the elimination of discrimination in respect of employment and occupation; the elimination of forced or compulsory labour; and the effective abolition of child labour.	406-1 Incidents of discrimination and corrective actions taken. 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk. 408-1 Operations and suppliers at significant risk for incidents of child labour. 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour.	25-26
4.	**Fight against corruption and bribery**		
4.1	**General information**		
4.1.a	A **description of the policies** applied by the Group on these issues, which will include the due diligence procedures applied to identify, assess, prevent and attenuate material risks and impact and the verification and control procedures, including the measures adopted.	103-2 The management approach and its components.	27
4.1.b	The **results of these policies**, including relevant key non-financial results **indicators** that allow the monitoring and evaluation of the progress and favour comparability between companies and sectors, in accordance with the national, European or international frameworks used as a reference for each subject.	103-2 The management approach and its components. 103-3 Evaluation of the management approach.	28
4.1.c	The **key risks** related to these issues linked to the group's activity, among them, when relevant and proportionate, its trading relations, goods or services that may have adverse effects in these areas, and how the group manages said risks, explaining the **procedures used to detect and assess** them, in accordance with the national, European or international frameworks used as a reference for each subject. Information on **impacts** observed should be included, providing a breakdown thereof, in particular, of the key **short-, medium- and long-term risks.**	102-15 Key impacts, risks and opportunities.	27

4.2	**Detailed information**		
4.2.1	Measures adopted to prevent corruption and bribery.	102-16 Values, principles, standards and norms of behaviour. 102-17 Mechanisms for advice and concerns about ethics. 205-1 Operations assessed for risks relating to corruption. 205-2 Communication and training about anti-corruption policies and procedures. 205-3 Confirmed incidents of corruption and actions taken.	28
4.2.2	Anti-money laundering measures taken.	102-16 Values, principles, standards and norms of behaviour. 102-17 Mechanisms for advice and concerns about ethics.	28
4.2.3	Contributions to non-profit foundations and entities.	201-1 Direct economic value generated and distributed.	29
5.	**Information about the society**		
5.1	**General information**		
5.1.a	A **description of the policies** applied by the Group on these issues, which will include the due diligence procedures applied to identify, assess, prevent and attenuate material risks and impact and the verification and control procedures, including the measures adopted.	103-2 The management approach and its components.	30-35
5.1.b	The **results of these policies**, including relevant key non-financial results **indicators** that allow the monitoring and evaluation of the progress and favour comparability between companies and sectors, in accordance with the national, European or international frameworks used as a reference for each subject.	103-2 The management approach and its components. 103-3 Evaluation of the management approach.	30-35
5.1.c	The **key risks** related to these issues linked to the group's activity, among them, when relevant and proportionate, its trading relations, goods or services that may have adverse effects in these areas, and how the group manages said risks, explaining the **procedures used to detect and assess** them, in accordance with the national, European or international frameworks used as a reference for each subject. Information on **impacts** observed should be included, providing a breakdown thereof, in particular, of the key **short-, medium- and long-term risks.**	102-15 Key impacts, risks and opportunities.	30-35
5.2	**Detailed information**		
5.2.1	**Company's commitments to sustainable development**		
5.2.1.1	The impact of the company's activity on local employment and development.	204-1 Proportion of spending on local suppliers. 413-1 Operations with local community engagement, impact assessments, and development programmes.	30-31
5.2.1.2	The impact of the company's activity on the local population and the population of the territory.	204-1 Proportion of spending on local suppliers. 411-1 Incidents of violations involving rights of indigenous peoples. 413-1 Operations with local community engagement, impact assessments, and development programmes. 413-2 Operations with significant actual and potential negative impacts on local communities.	30-31
5.2.1.3	Relations maintained with local community players and methods for dialogue with them.	102-43 Approach to stakeholder engagement.	30-31
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5.2.2.3	Oversight and Audit systems and the results thereof.	308-2 Negative environmental impacts in the supply chain and actions taken. 414-2 Negative social impacts in the supply chain and actions taken.	31-32
5.2.3 Consumers			
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5.2.4 Tax information			
5.2.4.1	Profits obtained by country.	201-1 Direct economic value generated and distributed.	34-35
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5.2.4.3	Public grants received.	201-4 Financial assistance received from government.	34-35

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Informe de Verificación Independiente del Estado de Información No Financiera Consolidado de Laboratorios Farmacéuticos Rovi, S.A. y sociedades dependientes del ejercicio 2018

A los accionistas de Laboratorios Farmacéuticos Rovi, S.A:

De acuerdo al artículo 49 del Código de Comercio, hemos realizado la verificación, con el alcance de seguridad limitada, del Estado de Información No Financiera Consolidado (en adelante, EINF) correspondiente al ejercicio anual finalizado el 31 de diciembre de 2018 de Laboratorios Farmacéuticos Rovi, S.A. (en adelante, la Sociedad dominante) y sus sociedades dependientes (en adelante, el Grupo), que forma parte del Informe de Gestión consolidado de 2018 adjunto del Grupo.

El contenido de Informe de Gestión consolidado incluye información adicional a la requerida por la normativa mercantil vigente en materia de información no financiera que no ha sido objeto de nuestro trabajo de verificación. En este sentido, nuestro trabajo se ha limitado exclusivamente a la verificación de la información contenida en la tabla "Índice GRI" incluida en el Informe de Gestión consolidado adjunto.

Responsabilidad de los Administradores

La formulación del EINF incluido en el Informe de Gestión Consolidado del Grupo, así como el contenido del mismo, es responsabilidad de los administradores de la Sociedad dominante. El EINF se ha preparado de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los *Sustainability Reporting Standards* de Global Reporting Initiative (estándares GRI) seleccionados de acuerdo a lo mencionado para cada materia en la tabla "Índice GRI" del citado Informe de Gestión consolidado.

Esta responsabilidad incluye asimismo el diseño, la implantación y el mantenimiento del control interno que se considere necesario para permitir que el EINF esté libre de incorrección material, debida a fraude o error.

Los administradores de la Sociedad son también responsables de definir, implantar, adaptar y mantener los sistemas de gestión de los que se obtiene la información necesaria para la preparación del EINF.

Nuestra independencia y control de calidad

Hemos cumplido con los requerimientos de independencia y demás requerimientos de ética del Código de Ética para Profesionales de la Contabilidad emitido por el Consejo de Normas Internacionales de Ética para Profesionales de la Contabilidad (IESBA, por sus siglas en inglés) que está basado en los principios fundamentales de integridad, objetividad, competencia profesional, diligencia, confidencialidad y profesionalidad.

Nuestra firma aplica la Norma Internacional de Control de Calidad 1 (NICC 1) y mantiene, en consecuencia, un sistema global de control de calidad que incluye políticas y procedimientos documentados relativos al cumplimiento de requerimientos de ética, normas profesionales y disposiciones legales y reglamentarias aplicables.

El equipo de trabajo ha estado formado por profesionales expertos en revisiones de Información No Financiera y, específicamente, en información de desempeño económico, social y medioambiental.

Nuestra responsabilidad

Nuestra responsabilidad es expresar nuestras conclusiones en un informe de aseguramiento independiente de seguridad limitada basándonos en el trabajo realizado que se refiere exclusivamente al ejercicio 2018. Los datos correspondientes a ejercicios anteriores no estaban sujetos a la verificación prevista en la normativa mercantil vigente.

Hemos llevado a cabo nuestro trabajo de revisión de acuerdo con los requisitos establecidos en la Norma Internacional de Encargos de Aseguramiento 3000 en vigor, "Encargos de Aseguramiento distintos de la Auditoría y de la Revisión de Información Financiera Histórica" (ISAE 3000) emitida por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (IAASB) de la Federación Internacional de Contadores (IFAC) y con la Guía de Actuación sobre encargos de verificación del Estado de Información No Financiera emitida por el Instituto de Censores Jurados de Cuentas de España.

En un trabajo de aseguramiento limitado los procedimientos llevados a cabo varían en naturaleza y momento, y tienen una menor extensión, que los realizados en un trabajo de aseguramiento razonable y, por lo tanto, la seguridad proporcionada es también menor.

Nuestro trabajo ha consistido en la formulación de preguntas a la Dirección, así como a las diversas unidades y áreas responsables de la Sociedad Dominante que han participado en la elaboración del EINF, en la revisión de los procesos para recopilar y validar la información presentada en el EINF y en la aplicación de ciertos procedimientos analíticos y pruebas de revisión por muestreo que se describen a continuación:

- Reuniones con el personal de la Sociedad dominante para conocer el modelo de negocio, las políticas y los enfoques de gestión aplicados, los principales riesgos relacionados con esas cuestiones y obtener la información necesaria para la revisión externa.
- Análisis del alcance, relevancia e integridad de los contenidos incluidos en el EINF del ejercicio 2018 en función del análisis de materialidad realizado por el Grupo y descrito en el capítulo "Bases para la formulación del estado de información no financiera", realizado por la Sociedad dominante y considerando los contenidos requeridos en la normativa mercantil en vigor.
- Análisis de los procesos para recopilar y validar los datos presentados en el EINF del ejercicio 2018.

- Revisión de la información relativa a los riesgos, las políticas y los enfoques de gestión aplicados en relación a los aspectos materiales presentados en el EINF del ejercicio 2018.
- Comprobación, mediante pruebas, en base a la selección de muestras, de la información relativa a los contenidos incluidos en el EINF del ejercicio 2018 y su adecuada compilación a partir de los datos suministrados por las fuentes de información.
- Obtención de una carta de manifestaciones de los Administradores y la Dirección.

Conclusión

Basándonos en los procedimientos realizados en nuestra verificación y en las evidencias que hemos obtenido no se ha puesto de manifiesto aspecto alguno que nos haga creer que el EINF de Laboratorios Farmacéuticos Rovi, S.A. y sus sociedades dependientes correspondiente al ejercicio anual finalizado el 31 de diciembre de 2018, no ha sido preparado, en todos sus aspectos significativos, de acuerdo con los contenidos recogidos en la normativa mercantil vigente y siguiendo los criterios de los estándares GRI seleccionados de acuerdo a lo mencionado para cada materia en la tabla "Índice GRI" del citado Informe de Gestión consolidado.

Uso y distribución

Este informe ha sido preparado en respuesta al requerimiento establecido en la normativa mercantil vigente en España, por lo que podría no ser adecuado para otros propósitos y jurisdicciones.

KPMG Asesores, S.L.

Patricia Reverter Guillot

25 de febrero de 2019

APPENDIX 3

CORPORATE GOVERNMENT ANNUAL REPORT 2018

(see http://www.cnmv.es/Portal/consultas/EE/InformacionGobCorp.aspx?nif=A-28041283)

The Consolidated Annual Accounts of Laboratorios Farmacéuticos Rovi, S.A. ("**Rovi**" or the "**Company**") and its subsidiaries (which comprise the balance sheet or the consolidated statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and consolidated notes), as well as the consolidated management report of the group of which the Company is the parent (which comprises the Annual Corporate Governance Report and the non-financial information statement) for the fiscal year ended on 31 December 2018 and which precede this document, have been issued by the Board of Directors at its meeting of 25 February 2019, and whose members sign below in accordance with Article 253 of the Royal Decree 1/2010, of 2 July, approving the consolidated text of the Spanish Capital Companies Law (*Ley de Sociedades de Capital*), and Article 37 of the Spanish Commercial Code:

Madrid, 25 February 2019

Mr. Juan López-Belmonte López
Chairman

Mr. Juan López-Belmonte Encina
Chief Executive Officer

Mr. Iván López-Belmonte Encina
Vice Chairman 1º

Mr. Javier López-Belmonte Encina
Vice Chairman 2º

Mr. Enrique Castellón Leal
Lead Independent Director

Mr. Miguel Corsini Freese
Director

Mr. José Fernando de Almansa Moreno-Barreda
Director

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

The members of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A. ("**Rovi**" or the "**Company**"), at its meeting of 25 February 2019, and in accordance with Article 118 of Royal Legislative Decree 4/2015, of 23 October, enacting the Consolidated Text of Securities Market Law (*Ley del Mercado de Valores*), Article 8.b) of the Royal Decree 1362/2007, of 19 October, implementing the Securities Market Law, as well as the Law 11/2018, of 28 December, amending the Spanish Commercial Code, the Capital Companies Law (*Ley de Sociedades de Capital*), approved by the Royal Decree 1/2010, 2 July, and the Law 22/2015 on Account Auditing (*Ley de Auditoría de Cuentas*), in the area of non-financial and diversity information, state that, to the best of their knowledge, the Individual Annual Accounts, as well as the Consolidated Annual Accounts of the Company and its subsidiaries, for the fiscal year ended on 31 December 2018, issued by the Board of Directors at the abovementioned meeting of 25 February 2019, and prepared in accordance with applicable accounting standards, present a fair view of the equity, financial condition and results of operations of the Company and its subsidiaries included within the scope of consolidation, taken as a whole, and that the management reports supplementing the individual and consolidated annual accounts (the last including the corresponding non-financial information statements) contain a fair assessment of the corporate performance and results and the position of Rovi and of the subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the main risks and uncertainties facing them.

Madrid, 25 February 2019

Mr. Juan López-Belmonte López
Chairman

Mr. Juan López-Belmonte Encina
Chief Executive Officer

Mr. Iván López-Belmonte Encina
Vice Chairman 1º

Mr. Javier López-Belmonte Encina
Vice Chairman 2º

Mr. Enrique Castellón Leal
Lead Independent Director

Mr. Miguel Corsini Freese
Director

Mr. José Fernando de Almansa Moreno-Barreda
Director