Laboratorios Farmacéuticos Rovi, S.A.

Annual Accounts

31 December 2019

Directors' Report

2019

(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 2019, 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 2019, 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 **2.b.2), 3.1, 5 and 22g) to the annual accounts**	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
The Company has significant intangible assets amounting to Euros 41,587 thousand, which includes Euros 7,879 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 7,879 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 2019 the Company incurred research and development expenses amounting to Euros 29,304 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 2019 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 2019, 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 2020.

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.

(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 2020

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Annual Accounts and Management Report
for the annual period ended 31 December, 2019

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.

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.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Financial Position at 31 December, 2019 and 2018
(Thousands of euros)

	Note	At 31 December	
		2019	2018
NON-CURRENT ASSETS		**138,744**	**99,549**
Intangible assets	5	**41,587**	**31,618**
Property, plant and equipment	6	**46,742**	**41,284**
Non-current investments in Group & associated companies	8 & 9	**42,826**	**14,379**
Equity instruments		13,824	12,459
Credits to Group companies	31	29,002	1,920
Non-current financial investments		**1,482**	**1,480**
Equity instruments	7 & 11	63	63
Other financial assets	7 & 10	1,419	1,417
Deferred tax assets	21	**6,107**	**10,788**
CURRENT ASSETS		**276,732**	**314,411**
Inventories	12	**67,749**	**37,195**
Trade and other receivables		**157,608**	**193,373**
Trade receivables for sales of goods and services	7 & 10	55,005	37,239
Trade receivables, Group & associated companies	7 & 10	87,345	147,499
Sundry debtors	7 & 10	73	118
Employees	7 & 10	-	101
Current tax assets	23	10,089	3,414
Other credits with public authorities	23	5,096	5,002
Current investments in Group & associated companies	7 & 10	**55**	**36**
Credits to companies		55	36
Current financial investments		**-**	**17**
Derivatives		-	17
Current accruals and prepayments		**3**	**3**
Cash and cash equivalents	7 & 13	**51,317**	**83,787**
TOTAL ASSETS		**415,476**	**413,960**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Financial Position at 31 December, 2019 and 2018
(Thousands of euros)

	Note	At 31 December	
		2019	2018
EQUITY		**269,329**	**248,421**
Equity		**266,582**	**245,296**
Capital	14	3,364	3,364
Share premium	14	87,636	87,636
Reserves	15	7,032	6,959
(Treasury shares)	15	(10,341)	(8,812)
Retained earnings	15	153,338	140,568
Profit for the year	16	25,553	15,581
Adjustments for change in value		**(3)**	**(3)**
Available-for-sale financial assets		(3)	(3)
Grants, donations and legacies received	17	**2,750**	**3,128**
NON-CURRENT LIABILITIES		**62,803**	**24,440**
Non-current debt		**54,329**	**16,131**
Bank borrowings	7 & 18	45,000	7,113
Other financial liabilities	7 & 18	9,329	9,018
Non-current debt with Group & associated companies	7 & 18	**333**	**-**
Deferred tax liabilities	21	**2,348**	**2,046**
Non-current accruals	19	**5,793**	**6,263**
CURRENT LIABILITIES		**83,344**	**141,099**
Current provisions	20	**9,827**	**7,226**
Current debt		**9,138**	**17,496**
Bank borrowings	7 & 18	7,116	15,603
Derivates	7 & 18	129	-
Other financial liabilities	7 & 18	1,893	1,893
Current debt with Group & associated companies	7 & 18	**156**	**141**
Trade and other payables		**63,457**	**115,877**
Trade payables	7 & 18	36,533	28,554
Trade payables, Group & associated companies	7 & 18	20,141	81,620
Sundry creditors	7 & 18	578	51
Employees (outstanding remuneration)	7 & 18	4,886	4,433
Other debts with the public authorities	23	1,319	1,219
Current accruals	19	**766**	**359**
TOTAL EQUITY AND LIABILITIES		**415,476**	**413,960**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Income Statement for the annual periods ended 31 December, 2019 and 2018
(Thousands of euros)

	Note	Annual period ended 31 December	
		2019	2018
CONTINUING OPERATIONS			
Net sales	22 a)	**379,221**	**291,202**
Sales of goods		378,223	291,202
Rendering of services		998	-
Change in inventories of finished products and work in progress	12	**13,653**	**(490)**
Procurements		**(277,098)**	**(190,379)**
Raw materials and consumables used	22 b)	(275,544)	(188,443)
Inventory write-down	12	(1,554)	(1,936)
Other operating income		**3,450**	**5,380**
Ancillary and current management income	22 c)	2,984	4,658
Operating grants recognised in profit and loss	22 d)	466	722
Employee benefit expenses	22 e)	**(34,490)**	**(32,744)**
Wages, salaries and similar remuneration		(28,766)	(27,801)
Welfare charges		(5,724)	(4,943)
Other operating expenses		**(66,661)**	**(67,113)**
External services	22 f)	(64,476)	(65,396)
Taxes		(2,635)	(1,837)
Losses, impairment and changes in trade provisions	10 c)	450	120
Amortisation, depreciation and impairment charges	5 & 6	**(9,331)**	**(7,753)**
Allocation of grants for non-financial assets and other	17	**685**	**864**
Impairment and gains/(losses) on disposal of intangible assets and property,	6	**(342)**	**(39)**
Impairments and losses	5	(341)	**-**
Gains/(losses) on sales and other		(1)	(39)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		**9,087**	**(1,072)**
Finance revenue		17,066	12,845
Finance expenses		(624)	(684)
Change in fair value of financial instruments		159	17
Exchange rate differences		24	(56)
Impairment and gains/(losses) on disposal of financial instruments		-	2
FINANCE COSTS – NET	24	**16,625**	**12,124**
PROFIT BEFORE INCOME TAX		**25,712**	**11,052**
Income tax	23	(159)	4,529
PROFIT FOR THE YEAR	16	**25,553**	**15,581**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Changes in Equity for the annual periods ended 31 December, 2019 and 2018
(Thousands of euros)

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

	Note	Annual period ended 31 December 2019	2018
PROFIT FOR THE YEAR	16	**25,553**	**15,581**
Income and expenses credited or charged directly to equity		**484**	**828**
Measurement of financial instruments			
- Available-for-sale financial assets	11	-	(1)
Grants, donations and legacies received	17	646	1,105
Tax effect	21	(162)	(276)
Transfers to profit and loss		**(862)**	**(1,190)**
Grants, donations and legacies received	17	(1,151)	(1,586)
Tax effect	21	289	396
TOTAL RECOGNISED INCOME AND EXPENSES		**25,175**	**15,219**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Estado de cambios en el patrimonio neto correspondiente a los ejercicios anuales terminado el 31 de diciembre de 2019 y 2018
(En miles de 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)	Adjustments for changes in value	Grants, donations & legacies received (Note 17)	TOTAL
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)
Other movements on equity	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**
Adjustments for changes in policies 2018 and prior periods	-	-	-	-	-	-	-	-	-
Adjustments for errors 2018 and prior periods	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE BEGINNING OF 2019	**3,364**	**87,636**	**6,959**	**(8,812)**	**140,568**	**15,581**	**(3)**	**3,128**	**248,421**
Total recognised income and expenses	-	-	-	-	-	25,553	-	(378)	25,175
- Application of profit for 2018	-	-	73	-	11,088	(11,161)	-	-	-
- Distribution of dividends	-	-	-	-	-	(4,420)	-	-	(4,420)
- Transactions with treasury shares (net)	-	-	-	(1,529)	1,682	-	-	-	153
BALANCE AT END OF 2019	**3,364**	**87,636**	**7,032**	**(10,341)**	**153,338**	**25,553**	**(3)**	**2,750**	**269,329**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Cash Flows for the annual periods ended 31 December, 2019 and 2018
(Thousands of euros)

	Note	Annual period ended 31 December	
		2019	**2018**
Profit before income tax		25,712	11,052
Adjustments to profit		12,152	12,144
Changes in working capital		(60,206)	(36,096)
Other cash flows from operating activities		(7,693)	2,786
Cash flows generated (used) in operating activities	25	**(30,035)**	**(10,114)**
Payments of investments		(26,539)	(15,342)
Proceeds from disinvestments		157	2,591
Cash flows generated (used) in investing activities	26	**(26,382)**	**(12,751)**
Proceeds from and payment of equity instruments		-	88,000
Proceeds from and payment of financial liability instruments		28,214	(10,770)
Dividend payments and remuneration of other equity instruments		(4,420)	(5,952)
Transactions with treasury shares		153	(152)
Cash flows generated (used) in financing activities	27	**23,947**	**71,126**
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		**(32,470)**	**48,261**
Cash and cash equivalents at beginning of the year	13	83,787	35,526
Cash and cash equivalents at end of the year	13	51,317	83,787

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 2019 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 2019 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, 2020, the consolidated annual accounts of Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries at 31 December, 2019 were formulated, showing a profit of 39,273 thousand euros and equity, including the net profit for the year, of 322,386 thousand euros (17,895 thousand euros and 287,472 thousand euros, respectively, at 31 December, 2018).

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. Notwithstanding, 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 the 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 2019 and 2018 as revenue and, where applicable, has claimed late-payment interest from the public authorities. 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 marketing in Europe of this biosimilar begins, 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 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.

Although the estimates were made using the best information available on the events analysed at 31 December, 2019, it is possible that future events might make it necessary to change them (upwards or downwards) over forthcoming years, prospectively recognising the effect of the change in estimate in the relevant account of the consolidated income statement. Based on analyses performed by the Company, a change in assumptions would not have a significant effect on the periods over which said assets could be recovered.

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.

Losses and gains 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 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 (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 the 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 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.

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.

Fair value hedges

The changes in the fair values of the derivatives and are designated and eligible as fair value hedges are recognised in profit and loss, together with any change in the fair value of the hedged asset or liability that is attributable to the risk hedged.

3.6 Inventories

Inventories are measured 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 cost 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 the estimated selling costs 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 cost is deducted from the equity 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 the reporting date.

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 reporting date.

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 3.17).

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 or those that have expired. 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) Sale of services

The services provided by the Company consist mainly of promoting third-party pharmaceutical products.

c) 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.

d) 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.

e) 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 an 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 transaction dates. 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 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 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.

Additionally, in 2016, a co-operation agreement was signed between Farmaindustria, the Spanish pharmaceutical industry association, and the Spanish government. This agreement was 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 (excluding generics and biosimilars) exceeds the actual growth rate of the GDP of the Spanish economy, the pharmaceutical industry must reimburse the government for said excess in cash. The Company recognises the amounts related to this item 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 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 hedged with financial instruments that minimise the impact of exchange-rate risk. At 31 December, 2019, the Company held instruments of this kind for a value of 26,500 thousand euros, the measurement of which at the 2019 reporting date did not lead to recognition of significant losses.

At 31 December, 2019, the Company held assets for an amount of 438 thousand zlotys (40 thousand zlotys at 31 December, 2018). If the interest rate at the reporting date had been 10% higher, these assets denominated in zlotys would have decreased by 9 thousand euros (one thousand euros in 2018) and if the exchange rate had been 10% lower, they would have increased by 11 thousand euros (one thousand euros in 2018).

(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, 2019 and 2018, 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, 2019, with all other variables remaining constant, the gain/loss after taxes for the year would have decreased or increased by 54 thousand euros, respectively, owing to the difference in interest expense on loans at variable rates (30 thousand euros at 31 December, 2018).

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, 2019, the greatest investment in financial assets, including cash and cash equivalents but not including trade receivables, was related to BBVA, 31,609 thousand euros (72,165 thousand euros at 31 December, 2018). 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, ROVI signed a financing agreement with the European Investment Bank, which it could draw down over the two years following signature of the

agreement for a total amount of 45 million euros. As of 31 December, 2019, ROVI had drawn the full amount of this loan (the amount drawn at 31 December, 2018 was 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 thousand euros carried out in October 2018 (Notes 1 and 14).

The following table analyses the Company's financial liabilities grouped by maturity dates based on the periods outstanding at the 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			
At 31 December, 2019	**Less than 1 year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Over 5 years**
Bank borrowings	2,415	1,474	19,983	25,190
Debt with government entities	1,893	3,788	3,703	2,870
Trade and other payables	62,294	-	-	-
	66,602	5,262	23,686	28,060

	Thousands of euros			
At 31 December, 2018	**Less than 1 year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Over 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

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 are as follows:

	Development	Patents, licences & trademarks	Computer software	Total
Balance at 01.01.18				
Cost	8,984	21,066	5,763	35,813
Accumulated amortisation	(308)	(6,436)	(4,514)	(11,258)
	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**
Additions	-	13,999	507	14,506
Impairment	-	(341)	-	(341)
Amortisation charge	(455)	(3,148)	(593)	(4,196)
Balance at 31.12.19				
Cost	9,094	44,075	7,031	60,200
Accumulated Impairment	-	(341)	-	(341)
Accumulated amortisation	(1,215)	(11,387)	(5,670)	(18,272)
Carrying amount 31.12.19	**7,879**	**32,347**	**1,361**	**41,587**

a) Patents, licences and trademarks

The main additions recognised under the caption "Patents, licences and trade marks" were the following:

- In 2019, an addition was recognised as a result of the acquisition of certain rights over the dexchlorpheniramine maleate product line, allowing ROVI 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). ROVI paid 13,500 thousand euros to acquire these rights.

- 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.

Because the recoverable value of the asset related to acquisition of the distribution rights of the product Hirobriz® dropped to below its net carrying amount, at 31 December, 2019, the pertinent impairment loss was recognised. The loss, which was 341 thousand euros, was recognised under the caption "Impairment and losses on disposals of fixed assets" in the income statement. The recoverable value of this asset was obtained by projecting the cash flows expected until the end of the contract in December 2023 and applying a discount rate of 6.9%. The margins used in the cash flow projection were those forecast in accordance with ROVI's historical knowledge of the revenue and costs generated by this asset.

b) Development

At 31 December, 2019 and 2018, 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, determined by the successful completion 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 2019 or 2018.

Total research and development expenses incurred in 2019 were 29,304 thousand euros (32,376 thousand euros in 2018) and were mainly concentrated in the Glycomics and ISM® platforms, the latter of which is a proprietary 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 2019, 8,121 thousand euros was recognised under the “Employee benefit expenses” caption (Note 22.e) (7,807 thousand euros at 31 December, 2018) and 21,183 thousand euros under “Other operating expenses” (Note 22.f) (24,569 thousand euros in 2018).

c) Fully amortised intangible assets

At 31 December, 2019, there were fully-amortised intangible assets that were still in use with a carrying cost of 5,266 thousand euros (4,351 thousand euros at 31 December, 2018).

d) Assets affected by guarantees and ownership restrictions

At 31 December, 2019 and 2018, 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 are as follows:

	Land and buildings	Technical facilities & other property, plant & equipment	Total
Balance at 01.01.18			
Cost	7,284	67,616	74,900
Accumulated amortisation	(1,144)	(30,799)	(31,943)
Carrying amount 01.01.18	**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**
Additions	590	10,668	11,258
Retirements	-	(75)	(75)
Non-monetary contribution	(590)	-	(590)
Amortisation charge	(136)	(4,999)	(5,135)
Balance at 31.12.19			
Cost	7,284	81,467	88,751
Accumulated amortisation	(1,416)	(40,593)	(42,009)
Carrying amount 31.12.19	**5,868**	**40,874**	**46,742**

On 4 December, 2019, ROVI incorporated the company Rovi Escúzar, S.L. through a non-monetary contribution of two plots of land for an amount of 590 thousand euros (Note 31.d).

At 31 December, 2019 and 2018, 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 development of ISM® technology.

a) Impairment losses

In the periods 2019 and 2018, 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, 2019 and 2018, 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	
	2019	**2018**
Technical installations	2,432	2,325
Machinery	755	321
Tools	257	213
Furniture	254	254
Computer equipment	1,281	929
Transport fleet	24	3
Other property, plant and equipment	7,080	6,662
	12,083	**10,707**

d) Operating leases

The income statement includes operating lease expenses relating to rental of vehicles and buildings for an amount of 2,628 thousand euros (1,852 thousand euros at 31 December, 2018).

e) 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.

f) 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" recognition and measurement rules, 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	
	2019	2018	2019	2018
Available-for-sale financial assets (Note 11)	63	63	-	-
Loans and receivables (Note 10)	-	-	30,421	3,337
Non-current	**63**	**63**	**30,421**	**3,337**
Loans and receivables (Note 10)	-	-	142,478	184,993
Hedging derivatives	-	-	-	17
Cash and cash equivalents (Note 13)	-	-	51,317	83,787
Current	**-**	**-**	**193,795**	**268,797**
TOTAL	**63**	**63**	**224,216**	**272,134**

b) Financial liabilities

	Thousands of euros			
	Bank borrowings		Financial liabilities	
	2019	2018	2019	2018
Debits and payables (Note 18)	45,000	7,113	9,662	9,018
Non-current	**45,000**	**7,113**	**9,662**	**9,018**
Debits and payables (Note 18)	7,116	15,603	64,316	116,692
Current	**7,116**	**15,603**	**64,316**	**116,692**
TOTAL	**52,116**	**22,716**	**73,978**	**125,710**

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**	**2019**	**2018**
	A+	110	-
	A	18,955	71,189
	A-	31,605	12,432
	BBB+	135	97
	BBB	63	67
	BBB-	-	-
	BB	-	-
	Caa2	449	2
	Total cash (Note 13)	**51,317**	**83,787**

Other non-current financial assets	**Rating**	**2019**	**2018**
	A	1,392	1,392
	A-	-	-
	Other	27	25
	Total other non-current financial assets (Note 10)	**1,419**	**1,417**

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 2019, the following additions and eliminations of interests held by the Company in other group companies took place:

- In January 2019, the company Rovi Biotech sp.z.o.o., with registered office at ul. Wincentego Rzymowskiego, 53, Warsaw, Poland, was incorporated.

- On 8 April, 2019, the company Rovi Biotech Ltda., which was in Bolvia, was dissolved.

- In November 2019, the following three companies were merged by absorption: Frosst Ibérica, S.A.U. (absorbing company), Rovi Contract Manufacturing, S.L. and Bemipharma Manufacturing, S.L. (absorbed companies). After this merger, but likewise in 2019, Frosst Ibérica, S.A. changed its corporate name to Rovi Pharma Industrial Services, S.A.U.

- On 4 December, 2019, the company Rovi Escúzar, S.L. was incorporated

With these recent changes, the companies in which Laboratorios Farmacéuticos Rovi, S.A. held a significant interest at 31 December, 2019 were:

Corporate name	Address	Activity	Shareholding		Voting rights	
			% 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 Pharma Industrial Services, S.A.U. (formerly Frosst Ibérica, S.A.U. until November 2019) (a)	Alcalá de Henares, Avenida Complutense, 140 (Madrid)	(1)	100%	-	100%	-
Bertex Pharma GmbH	Inselstr.17. 14129 Berlin (Germany)	(3)	100%	-	100%	-
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%	-
Rovi Biotech sp.z.o.o.	ul. Wincentego Rzymowskiego, 53, Warsaw (Poland)	(1)	100%	-	100%	-
Rovi Escúzar, S.L.	Madrid, C/Julián Camarillo, 35	(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.

(a) In November 2019, the group companies Frosst Ibérica, S.A. (absorbing company), Rovi Contract Manufacturing, S.L. and Bemipharma Manufacturing, S.L. (absorbed companies) were merged. After this merger, Frosst Ibérica, S.A. changed its corporate name to its current name of Rovi Pharma Industrial Services, S.A.U.

Unless otherwise stated, the end of the reporting period for the latest annual accounts is 31 December, 2019.

At 31 December, 2019 and 2018, 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, 2019, were as follows:

	% Direct interest	Carrying amount of interest	Capital	Reserves	Profit or loss for period	Total equity
Pan Química Farmacéutica, S.A.	100%	1,771	601	1,274	451	2,326
Gineladius, S.L.	100%	437	30	597	(32)	595
Bertex Pharma GmbH (Note 29.b)	100%	1,236	25	68	(2)	91
Rovi Pharma Industrial Services, S.A.U.	100%	7,370	7,816	31,216	30,706	69,738
Rovi Biotech, Limited	100%	7	6	(298)	24	(268)
Rovi Biotech, S.r.l.	100%	340	10	37	376	423
Rovi Biotech, GmbH	100%	1,575	25	717	412	1,154
Rovi S.A.S.	100%	5	5	(914)	(581)	(1,490)
Rovi Biotech sp.z.o.o.	100%	487	21	429	(24)	426
Rovi Escúzar, S.L.	100%	590	30	560	(19)	571
		13,818				

In 2019, the Company increased its interest in the subsidiary company Gineladius, S.L. by 144 thousand euros, through offsetting a credit balance of 146 thousand euros held with the subsidiary Rovi Biotech S.r.l.

During 2018, the Company increased its interest by offsetting the balances of loans in the following subsidiaries: Rovi GmbH, for 1,550 thousand euros and Rovi Biotech S.r.l. for 184 thousand euros.

At 31 December, 2018, the figures were as follows:

	% Direct interest	Carrying amount of interest	Capital	Reserves	Profit or loss for period	Total equity
Pan Química Farmacéutica, S.A.	100%	1,771	601	1,274	398	**2,273**
Gineladius, S.L.	100%	293	30	459	(7)	**482**
Frosst Ibérica, S.A.U.	100%	5,039	7,816	14,485	4,221	**26,630**
Rovi Contract Manufacturing, S.L.	100%	1,772	36	14,008	12,389	**26,494**
Bemipharma Manufacturing, S.L.	100%	559	36	2,798	(27)	**2,807**
Bertex Pharma GmbH (Note 29.b)	100%	1,236	25	68	-	**93**
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				

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, 2019 and 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, 2019 and 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 impairment loss should be recognised.

9. Interests in joint ventures

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

	Thousands of euros	
	2019	**2018**
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, 2019 and 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, 2019 and 2018 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 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. ROVI recognised a profit of 50 thousand euros on this transaction. With this sale, ROVI's percentage interest in Enervit Nutrition, S.L. dropped from 51% to 50%.

The carrying amount of this interest in ROVI remained at 3 thousand euros at 31 December, 2019.

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, 2019 and 2018 is as follows:

	31 December, 2019		31 December, 2018	
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	108	133	102	245
Other current assets (excluding cash)	-	2,773	6	2,542
Total current assets	**108**	**2,906**	**108**	**2,787**
Financial liabilities (excluding trade payables)	-	(744)	-	(1,342)
Other current liabilities (including trade payables)	-	(1,758)	-	(910)
Total current liabilities	**-**	**(2,502)**	**-**	**(2,252)**
Non-current	-	-	-	-
Property, plant and equipment	-	20	-	21
Intangible assets	-	3,264	-	3,478
Other financial assets	-	5	-	5
Deferred income tax assets	-	88	-	37
Total non-current assets	**-**	**3,377**	**-**	**3,541**
Financial liabilities	(2,200)	-	(2,200)	-
Other liabilities	-	-	-	-
Total non-current liabilities	**(2,200)**	**-**	**(2,200)**	**-**
NET ASSETS	**(2,092)**	**3,781**	**(2,092)**	**4,076**

	31 December, 2019		31 December, 2018	
Condensed statement of comprehensive income	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**
Revenue	-	6,170	-	7,379
Procurements	-	(5,023)	-	(5,126)
Other operating income	-	-	-	4
Employee benefit expenses	-	(590)	-	(861)
Other operating expenses	-	(773)	(2)	(1,082)
Amortisation and depreciation	-	(217)	-	(215)
Operating profit / (loss)	**-**	**(433)**	**(2)**	**99**
Finance costs – net	**-**	15	-	(38)
Corporate income tax	**-**	**28**	**-**	**(13)**
Profit / (loss) for period	**-**	**(390)**	**(2)**	**48**
Other comprehensive income	**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME	**-**	**(390)**	**(2)**	**48**
Dividends received from joint ventures	-	-	-	-

10. Loans and receivables

	Thousands of euros	
	2019	**2018**
Non-current loans and receivables		
- Deposits (a)	1,327	1,327
- Bank receivables (b)	65	65
- Credits to Group companies	29,002	1,920
- Guarantee deposits	27	25
	30,421	3,337
Current loans and receivables	-	-
- Loans to associated companies (Note 31.i)	55	36
- Trade receivables (c)	54,953	37,193
- Receivables from related parties (Note 31.i)	87,441	147,622
- Sundry debtors	29	41
- Employees	-	101
	142,478	184,993
	172,899	**188,330**

a) Deposits

At 31 December, 2019 and 2018, "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.

At 31 December, 2019, the balance receivable from the Social Security authorities and government entities was 11,122 thousand euros (5,655 thousand euros at 31 December, 2018), geographically distributed as follows:

	Rating 2019	Balance 2019	Rating 2018	Balance 2018
Portugal	BBB	3,704	BBB	1,134
Madrid	BBB	1,800	BBB	1,278
Valencia	BBB-	1,153	BBB-	554
Catalonia	BB	961	BBB-	590
Andalusia	BBB-	689	BBB-	587
Castilla La Mancha	BBB-	505	BBB-	268
Cantabria	BBB	462	BBB	114
Aragon	BBB	350	BBB	93
Canary islands	BBB-	229	BBB-	332
Basque Country	BBB+	220	BBB+	208
Extremadura	BBB	94	BBB	130
Other	-	955	-	367
		11,122		**5,655**

At 31 December, 2019, there were matured receivables amounting to 19,654 thousand euros (9,378 thousand euros at 31 December, 2018), although they had suffered no impairment. Of both the 2019 and 2018 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	
	2019	**2018**
Up to 3 months	17,876	9,087
3 to 6 months	1,384	446
6 months to one year	125	(59)
Over one year	269	(96)
	19,654	9,378

The total of the matured debt due from Social Security authorities and government entities at 31 December, 2019 was 4,202 thousand euros, in comparison with the 1,782 thousand euros that was outstanding at 31 December, 2018. This amount was geographically distributed as follows:

	Thousands of euros	
	2019	**2018**
Spain	2,132	962
Portugal	2,070	820
	4,202	1,782

Matured receivables that had been impaired at 31 December, 2019 were 158 thousand euros (720 thousand euros at 31 December, 2018). The ageing of impaired receivables was as follows:

	Thousands of euros	
	2019	**2018**
6 to 9 months	158	341
Over 9 months	-	379
	158	720

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

	Thousands of euros	
	2019	**2018**
Balance at beginning of period	720	1,061
Applications	(450)	(120)
Derecognition due to non-recoverability	(112)	(221)
Balance at end of period	158	720

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	
	2019	**2018**
Listed securities:		
- Investment funds and equity securities	4	4
Non-listed securities:		
- Equity securities – Euro zone	59	59
	63	63

Movement on available-for-sale financial assets in 2019 and 2018 was as follows:

	Thousands of euros	
	2019	**2018**
Balance at beginning of the year	**63**	**62**
Net gains / (losses) in equity	-	1
Balance at end of the year	**63**	**63**
Less: non-current portion	63	63
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	
	2019	**2018**
Trade inventories	30,123	26,148
Raw materials and other consumables	17,581	4,655
Finished goods	16,788	5,014
Work in progress	3,257	1,378
	67,749	37,195

In 2019, inventory write-downs increased by 1,554 thousand euros (increase of 1,936 thousand euros in 2018), the total amount of these adjustments being 6,318 thousand euros at 31 December, 2019.

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	
	2019	**2018**
Cash at bank and on hand	51,317	83,787
	51,317	83,787

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, 2018	50,000,000	0.06	3,000
Balance at 31 December, 2018	50,000,000	0.06	3,000
Balance at 31 December, 2019	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 euros 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, 2019, were the following:

Shareholder	% direct	% indirect	TOTAL
Norbel Inversiones, S.L.	63.107	-	63.107
Indumenta Pueri, S.L.	-	5.057	5.057
T. Rowe Price International Funds, INC.	-	3.390	3.390
Wellington Management Group, LLP.	-	4.924	4.924

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% at 31 December, 2018.

In May 2019, Norbel Inversiones, S.L. increased its interest in the Company's share capital with the result that, as of 31 December, 2019, it held 63.11% of the shares of Laboratorios Farmacéuticos Rovi, S.A. 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). As of 31 December, 2019, the interest in the Company's share capital held by Mr Juan López-Belmonte López was 12.62% (12.42% at 31 December, 2018), while while Messrs Juan, Iván and Javier López-Belmonte Encina each held 16.83% (16.56% at 31 December, 2018).

15. Reserves and retained earnings

a) Reserves

	Thousands of euros	
	2019	**2018**
Legal reserves and reserves required by the Bylaws:		
- Legal reserve	673	600
	673	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
	7,032	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, 2019 and 2018.

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 2019, retained earnings were increased and/or reduced as follows:

- On 12 June, 2019, the General Shareholders' Meeting of Laboratorios Rovi, S.A. resolved to approve the proposal for application of the profit for 2018 (15,581 thousand euros), allocating 4,474 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 54 thousand euros.

- The sale of treasury shares in 2019 led to a profit of 1,682 thousand euros, which was recognised in the retained earnings account (Note 16.b)

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.b)

- 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.

c) Treasury shares

In the course of 2019, ROVI acquired a total of 224,449 of its own shares (68,603 in 2018), paying the sum of 4,718 thousand euros for them (1,138 thousand euros in 2018). Likewise, it resold a total of 232,548 of its own shares (58,731 in 2018) for a sum of 4,871 thousand euros (986 thousand euros in 2018). These shares had been acquired at a weighted average cost of 3,189 thousand euros (733 thousand euros in 2018), giving rise to a profit of 1,682 thousand euros on the sale (253 thousand euros in 2018), which was taken to reserves. At 31 December, 2019, ROVI held 686,956 treasury shares (695,055 at 31 December, 2018).

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

d) Dividends

On 12 June, 2019, the General Meeting of Shareholders approved the distribution of the 2018 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 4,474 thousand euros (0.0798 euros gross per share). This dividend was paid in July 2019.

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.

16. Profit for the period

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

	Thousands of euros	
	2019	**2018**
Basis of application	25,553	15,581
Profit for the year	25,553	15,581
Application		
Legal reserve	-	73
Retained earnings	15,735	11,034
Dividends	9,818	4,474
	25,553	15,581

17. Grants, donations and legacies received

Movement on this heading was as follows:

	Thousands of euros	
	2019	**2018**
Beginning of the year (net of tax)	**3,128**	**3,489**
Increases (net of tax)	165	298
Decreases (net of tax)	319	531
Allocation to profit and loss (net of tax)	(862)	(1,190)
End of the year (net of tax)	**2,750**	**3,128**

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.	2,334	Construction of Granada plant (Note 6.d)	2008
(2) Andalusian Regional Govt.	935	Construction bemiparin lines in Granada	2012 & 2014
Miscellaneous govt. Entities	398	Miscellaneous projects	2001 onward
	3,667		

(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, 2019 was 2,334 thousand euros (2,629 thousand euros at 31 December, 2018).

(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, 2019 was 155 thousand euros (216 thousand euros at 31 December, 2018). 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 2019 reporting date, showed a balance of 780 thousand euros under the "Grants, donations and legacies received" caption (864 thousand euros at 31 December, 2018).

18. Debits and payables

	Thousands of euros	
	2019	**2018**
Non-current debits and payables:		
- Bank borrowings (a)	45,000	7,113
- Debt with government entities (b)	9,329	9,018
- Non-current debt with Group and associated companies (Note 31.i)	333	-
	54,662	16,131
Current debits and payables:		
- Bank borrowings (a)	7,116	15,603
- Debt with government entities (b)	1,893	1,893
- Derivates	129	-
- Current debt with Group and associated companies (Note 31.i)	156	141
- Trade payables	36,410	28,383
- Trade payables, related parties (Note 31.i)	21,519	83,578
- Sundry creditors	578	51
- Employees	3,631	2,646
	71,432	132,295
	126,094	148,426

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:

	2019	**2018**
	Days	**Days**
Average payment period to suppliers	48	47
Ratio of transactions paid	50	48
Ratio of transactions outstanding	33	36

	2019	**2018**
Total payments made (thousands of euros)	151,686	120,552
Total payments outstanding (thousands of euros)	15,222	10,754

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	
	2019	2018	2019	2018
Bank borrowings	45,000	7,113	44,748	7,061
Debt with government entities	9,329	9,018	9,330	9,506
	54,329	16,131	54,078	16,567

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 2018).

To calculate the fair value of fixed-rate non-current bank borrowings at the 2019 and 2018 reporting dates, the interest rate on the latest variable-rate loan received by the Company was taken as a reference: Euribor at 3 months plus a 0.844% spread

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

a) Bank borrowings

Bank borrowings at 31 December, 2019 comprised the following bank loans:

	a.1)	a.2.1)	a.2.2)	a.3)	TOTAL
Entity	**BBVA**	**BEI**	**BEI**	**Santander**	
Face value	**20,000**	**5,000**	**40,000**	**5,000**	
Interest rate	**0.65% Fixed**	**Eur3+0.844%**	**0.681% Fixed**	**0.36% Fixed**	
2020	2,116	-	-	5,000	7,116
2021	-	176	-	-	176
2022	-	704	-	-	704
2023	-	708	5,714	-	6,422
2024	-	711	5,714	-	6,425
2025 onward	-	2,701	28,572	-	31,273
	2,116	5,000	40,000	5,000	52,116
Non-current	-	5,000	40,000	-	45,000
Current	2,116	-	-	5,000	7,116

At 31 December, 2018, bank loans matured as follows:

	a.1)	a.4)	a.5)	a.6)	a.2.1)	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.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) 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 could 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. As of 31 December, 2019, ROVI had drawn down the entirety of this credit line in:

a.2.1) A draw-down of 5,000 thousand euros in 2018 at an annual interest rate of Euribor at 3 years plus 0.844%.

a.2.2) A draw-down of 40,000 thousand euros in 2019 at a fixed annual interest rate of 0.681%.

In the first half of 2019 and 2018, compliance as of 31 December, 2018 and 2017, respectively, with the financial ratios fixed in this financing agreement was certified. At 31 December, 2019, ROVI met the ratios fixed, although this will not be certified until after these annual accounts have been approved.

a.3) Loan of 5,000 thousand euros signed in October 2019 with Banco Santander. This loan has a term of 3 months and a fixed annual interest rate of 0.36%.

a.4) 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. Repayment of this loan was completed in 2019.

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. Repayment of this loan was completed in 2019.

a.6) 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 was 48 months. Repayment of this loan was completed in 2019.

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, 2019 amounted to 9,318 thousand euros (9,018 thousand euros at 31 December, 2018). 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 2019:

In 2019, the Company received various reimbursable advances from different entities, details of which are shown below:

			Thousands of euros		Years	
Company	**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	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	712	593	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	163	146	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	312	261	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	37	33	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	645	548	10	3
			2,033	1,720		

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

b.2) 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.

At 31 December, 2019 and 2018, debt with government entities matured as follows:

	Thousands of euros	
Year	**2019**	**2018**
2019	-	1,893
2020	1,893	1,543
2021	1,530	1,469
2022	1,715	1,521
2023	1,102	857
2024	1,141	877
2025 onward	3,841	2,751
	11,222	10,911
Non-current	9,329	9,018
Current	1,893	1,893

19. Current and non-current accruals

	Thousands of euros	
	2019	**2018**
Non-current	5,793	6,263
Current	766	359
	6,559	6,622

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 2019, new deferred revenues of 337 thousand euros (5,927 thousand euros in 2018) 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, 2018	**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**
Additions	1,365	5,195	25	6,585
Applications	(898)	(2,980)	(106)	(3,984)
At 31 December, 2019	**1,365**	**8,437**	**25**	**9,827**

Returns

The Company estimates a provision for product returns considering the average return rate of recent years (Note 2.b.1).

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.

Additionally, within the contribution to the public health system, 5,641 thousand euros 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 (excluding generics and biosimilars) exceeds the actual growth rate of the GDP of the Spanish economy, the pharmaceutical industry wil 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. ROVI will pay 2,567 thousand euros for this item.

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	
	2019	**2018**
Deferred income tax assets:		
- Temporary differences	1,276	1,162
- Other tax carryforwards	4,831	9,626
	6,107	10,788
Deferred income tax liabilities:		
- Temporary differences	(2,348)	(2,046)
	(2,348)	(2,046)
Net deferred income tax	**3,759**	**8,742**

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	
	2019	**2018**
Deferred tax assets:		
- Deferred tax assets to be recovered at more than 12 months	1,177	8,293
- Deferred tax assets to be recovered at less than 12 months	4,930	2,495
	6,107	10,788
Deferred tax liabilities:		
- Deferred tax liabilities to be recovered at more than 12 months	(2,650)	(1,441)
- Deferred tax liabilities to be recovered at less than 12 months	302	(605)
	(2,348)	(2,046)
Net deferred income tax	**3,759**	**8,742**

Movement on net deferred taxes was as follows:

	Thousands of euros	
	2019	**2018**
Balance at beginning of the year	**8,742**	**6,000**
(Charged)/credited to profit and loss	(2,110)	2,622
Charged directly to equity	127	120
Derecognition due to monetization (Note 23)	(3,000)	-
Balance at end of the year	**3,759**	**8,742**

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, 2018	**(1,159)**	**(1,262)**	**(230)**	**(2,651)**
(Charged)/credited to profit and loss	-	471	14	485
Charged directly to equity	120	-	-	120
At 31 December, 2018	**(1,039)**	**(791)**	**(216)**	**(2,046)**
(Charged)/credited to profit and loss	-	328	(757)	(429)
Charged directly to equity	127	-	-	127
At 31 December, 2019	**(912)**	**(463)**	**(973)**	**(2,348)**

Deferred tax liabilities credited to profit and loss in 2019 for 327 thousand euros (471 thousand euros charged to the 2018 profit) 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 maintaining jobs.

Deferred tax assets	Tax credits pending application	Available-for-sale financial assets	Provisions	Other	Total
At January 1, 2018	**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**
(Charged)/credited to profit and loss	(1,795)	-	117	(3)	(1,681)
Derecognition due to monetization (Note 23)	(3,000)	-	-	-	(3,000)
At 31 December, 2019	**4,831**	**(1)**	**357**	**920**	**6,107**

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, whereby various various tax measures aimed to consolidate public finance and stimulate economic activity were adopted.

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

	Thousands of euros	
	2019	**2018**
Grants, donations and legacies received	127	120
	127	**120**

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	**2019**	**2018**
Spain	75%	81%
Germany	6%	5%
Italy	4%	3%
France	3%	2%
Turkey	2%	2%
Portugal	2%	1%
Greece	1%	2%
Austria	1%	1%
Czech Republic	1%	0%
UK	1%	0%
Jordan	0%	1%
Other	4%	2%
	100%	100%

The breakdown of sales by product group was as follows:

	Thousands of euros	
	2019	**2018**
Pharmaceutical products	246,010	191,160
Contrast agents and other hospital products	32,556	29,688
Non-prescription pharmaceutical products	1,152	1,408
Sales of bemiparin to other Group companies (Note 31.a)	98,958	68,846
Other	545	100
	379,221	291,202

The total amount of sales of goods dropped by 17,771 thousand euros in 2019 (18,252 thousand euros in 2018) as a result of the rebates to the national health sytem (Note 3.18). 2,174 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 (3,467 thousand euros at 31 December, 2018) (Note 20).

b) Goods, raw materials and other consumables used

	Thousands of euros	
	2019	**2018**
Purchases	292,445	194,559
Change in inventories	(16,901)	(6,116)
	275,544	188,443

c) Ancillary and other current management income

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

d) Operating grants recognised in profit and loss

In 2019, the Company obtained and recognised as income official grants of 466 thousand euros (722 thousand euros in 2018) to cover principally expenses for the period in certain R&D projects.

e) Employees

	Thousands of euros	
	2019	**2018**
Wages, salaries and similar	28,766	27,801
Employee benefits:		
- Pension contributions and provisions (Note 30.a)	24	24
- Other welfare charges	5,700	4,919
	34,490	32,744

The caption "Wages, salaries and similar" includes termination payments of 1,146 thousand euros (943 thousand euros in 2018).

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

	2019	**2018**
Executive directors	3	3
Management	16	14
Research	216	192
Marketing	187	186
Administration	84	76
	506	471

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

	2019			**2018**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors	3	-	3	3	-	3
Management	11	5	16	12	5	17
Research	86	139	225	68	128	196
Marketing	92	92	184	89	96	185
Administration	23	60	83	28	56	84
	215	296	511	200	285	485

At 31 December, 2018, there were 12 employees with a disability rating equal to or higher than 33% (9 at the 2018 reporting date).

f) External services

The breakdown of the external services item was as follows:

	Thousands of euros	
	2019	**2018**
Advertising costs	16,094	15,098
Services from third parties	7,509	5,772
Supplies	3,362	2,979
Transport and warehouse expenses	2,595	2,390
Repairs and maintenance	1,617	2,077
Operating leases	2,628	1,852
Other operating expenses	30,671	35,228
	64,476	65,396

g) Research and development expenses

Total research and development expenses incurred in 2019 were 29,304 thousand euros (32,376 thousand euros in 2018), focused mainly on the Glycomics and ISM® platforms. The latter of these is a proprietary 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 2019, 8,121 thousand euros are recognised under the "Employee benefit expenses" heading (7,807 thousand euros at 31 December, 2018) and 21,183 thousand euros under "Other operating expenses" (24,569 thousand euros in 2018).

23. Income tax and tax situation

As of 31 December 2019 and 2018, the balances with public authorities were as follows:

			Thousands of euros	
	2019		**2018**	
	Debit	**Credit**	**Debit**	**Credit**
Public Treasury, VAT	4,044	110	3,855	48
Public Treasury, personal income tax	-	623	-	653
Withholdings	260	-	-	-
Corporate income tax	10,089	-	3,414	-
Social Security	-	586	-	518
Other balances with public authorities	792	-	1,147	-
	15,185	1,319	8,416	1,219

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

	Thousands of euros	
	2019	**2018**
Late payment interest receivable	164	237
Grants awarded but not received	628	910
	792	1,147

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.i) of 156 thousand euros (141 thousand euros in 2018), together with credits with Group companies resulting from a tax effect of 15,205 thousand euros (8,856 thousand euros in 2018).

At 31 December, 2019, 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			**25.553**			**(378)**
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax			159			(127)
Permanent differences						
- Individual	810	-	810	-	-	-
- Due to tax consolidation	-	(17,008)	(17,008)	-	-	-
Temporary differences:						
- Individual						
- originating in the period	1,633	-	1,633	-	-	-
- originating in previous periods	325	(1,240)	(915)	-	-	-
- Due to tax consolidation						
- originating in the period	-	(4,266)	(4,266)	-	-	-
- originating in previous periods	2,074	-	2,074	-	-	-
Taxable income	-	-	8,040	-	-	(505)

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)

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	
	2019	**2018**
Current tax	(2,216)	(417)
Tax credits	4,307	2,267
Deferred tax	(2,110)	2,622
Adjustment income tax previous years	(140)	57
	(159)	4,529

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

The Company generated tax credits of 3,508 thousand euros in 2019 (4,033 thousand euros in 2018) and likewise was entitled to offset tax credits of 5,633 thousand euros from previous years (7,860 thousand euros at 31 December, 2018). In 2019, tax credits of 4,307 thousand euros were applied (2,267 thousand euros in 2018) and there were further unrecognised R&D tax credits of 4,833 thousand euros pending application in future years (9,626 thousand euros at 31 December, 2018). At 31 December, 2019 and 2018, the Company had recognised in its assets the total tax credits not yet applied that are expected to be recovered in a maximum period of four years (Note 21).

The amount settled by the Company as payments on account of the corporate income tax of companies belonging to the tax group was 7,904 thousand euros in 2019 (5,388 thousand euros in 2018). The consolidated current tax for 2019, after deduction of the payments on accounts and withholdings for the period, generated a current tax receivable of 3,862 thousand euros. At 31 December, 2019, the amount receivable for the current tax for 2018 was 6,227 thousand euros.

At 31 December, 2019, the following taxes were open to inspection by the tax authorities for the periods stated:

	Years
Corporate income tax	2015-18
Value-added tax	2016-19
Transfer tax	2016-19
Personal income tax	2016-19

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	
	2019	**2018**
Finance income:		
Gains and losses on equity instruments		
- In Group and associated companies (Note 31.f)	(17,008)	(12,791)
Gains and losses on marketable securities and other financial instruments		
- Of third parties	(58)	(54)
	(17,066)	(12,845)
Finance costs:		
Debt with third parties	624	684
	624	684
Change in fair value of financial instruments:		
Derivatives	(159)	(17)
	(159)	**(17)**
Exchange rate differences:		
Exchange rate differences	(24)	56
	(24)	**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	**(16,625)**	**(12,124)**

Finance income received from group and associated companies for a total of 17,008 thousand euros (12,791 thousand euros at 31 December, 2018) relates 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	
	2019	**2018**
Pre-tax profit for the year	25,712	11,052
Adjustments to the profit:		
- Amortisation of intangible assets & property, plant & equipment (Notes 5 & 6)	9,331	7,753
- Finance income (Note 24)	(82)	(54)
- Finance costs (Note 24)	624	684
- Adjustments for change in value of financial instruments	146	33
- Gain or loss on derecognition of financial assets and liabilities	(305)	-
- Net change in provisions	2,601	3,718
- Grant for non-financial assets and distribution licence revenue	(1,608)	(1,806)
- Other gains and losses	1,445	1,816
	37,864	23,196
Changes in working capital:		
- Inventories	(32,108)	(7,562)
- Debtors and Other receivables	(99,066)	(84,985)
- Creditors and other payables	70,968	56,451
	(60,206)	(36,096)
Other cash flows from operating activities:		
- Income tax received/(paid)	(8,087)	(3,141)
- Other amounts received/(paid) (Note 19)	394	5,927
	(7,693)	2,786
Cash flows generated (used) in operating activities	**(30,035)**	**(10,114)**

26. Cash flows from investing activities

	Thousands of euros	
	2019	**2018**
Payments for investments:		
- Group and associated companies (Nota 8)	(775)	-
- Intangible assets (Note 5)	(14,506)	(9,881)
- Property, plant and equipment (Note 6)	(11,258)	(5,461)
	(26,539)	(15,342)
Amounts received for disinvestments:		
- Group and associated companies (Note 8)	-	50
- Property, plant and equipment (Note 6)	75	2,199
- Other assets (Note 24.a)	82	342
	157	2,591
Cash flows generated (used) in investing activities	**(26,382)**	**(12,751)**

27. Cash flows from financing activities

	Thousands of euros	
	2019	**2018**
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)	45,000	5,000
- Other debt (Note 18)	2,033	2,043
	47,033	7,043
b) Reimbursement and repayment of::		
- Bank borrowings	(15,600)	(13,222)
- Debt with Group and associated companies (Note 31 g)	(1,276)	(1,572)
- Other debt	(1,850)	(2,832)
- Interest payments	(93)	(187)
	(18,819)	(17,813)
Dividend payments and remuneration of other equity instruments:		
- Dividends (Note 15 b) & d)	(4,420)	(5,952)
- Transactions with treasury shares (Note 15 c)	153	(152)
	(4,267)	(6,104)
Cash flows generated (used) in financing activities	**23,947**	**71,126**

28. Contingencies

At 31 December, 2019, the Company held bank guarantees amounting to 2,270 thousand euros (3,453 thousand euros in 2018). 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, 2019 were 1,868 thousand euros (727 thousand euros at 31 December, 2018), 1,180 thousand euros of which related to payments due at less than one year (617 thousand euros at less than one year at 31 December, 2018).

The operating lease expense recognised in profit and loss in 2019 was 2,628 thousand euros (1,852 thousand euros in 2018).

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, 2019, the Board of Directors was composed of the following members:

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 Marcos Peña Pinto	Director
Mr Fernando de Almansa Moreno-Barreda	Director
Ms Fátima Báñez García	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 remuneration of each director, including, where applicable:

   a. Per diem expenses or other fixed compensation received as director and additional remuneration received as chairman or member of any Board committee. The amounts for 2019 and 2018 were as follows:

	Thousands of euros	
	2019	**2018**
Mr Juan López-Belmonte López	150	150
Mr Juan López-Belmonte Encina	60	60
Mr Enrique Castellón Leal	58	60
Mr Javier López-Belmonte Encina	60	60
Mr Iván López-Belmonte Encina	60	60
Mr Miguel Corsini Freese	21	60
Mr Fernando de Almansa Moreno-Barreda	60	60
Mr Marcos Peña Pinto	39	-
Ms Fátima Báñez García	2	-
	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	
	2019	**2018**
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 2019 and 2018 was as follows:

	Thousands of euros			
	2019		**2018**	
	Fixed	**Variable**	**Fixed**	**Variable**
Mr Juan López-Belmonte Encina	320	153	312	528
Mr Javier López-Belmonte Encina	234	115	229	392
Mr Iván López-Belmonte Encina	233	115	229	393
	787	383	770	1,313

At 31 December, 2018, the variable remuneration of the executive directors included the sums accrued under the Long-Term Incentive Plan, which was settled in the first half of 2019.

On 29 May, 2018, the General Shareholders' Meeting approved a new incentive plan with the same characteristics as the then present plan 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 2019 and 2018, no shares, options or other instruments linked to the share value were given to directors.

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	
	2019	**2018**
Remuneration of executive directors	1,170	2,083
Profit attributable to parent company	25,553	15,581
Remuneration of executive directors/Profit attributable to parent company	4.58%	13.37%

b) Remuneration of and loans to senior management

The total remuneration paid to members of senior management in 2019, excluding the remuneration received by the executive directors described in points a)1.c) and a)1.f above, was 1,681 thousand euros (1,565 thousand euros in 2018).

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 22 thousand euros accrued for this policy in 2019 (12 thousand euros in 2018).

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 in place between the parties.

a) Sales of goods and rendering of services

	Thousands of euros	
	2019	**2018**
Sales of goods:		
- Subsidiaries (Note 22.a)	98,958	68,846
- Joint ventures	-	62
	98,958	68,908
Rendering of services:		
- Subsidiaries (Note 22.c)	2,755	4,658
	2,755	4,658
	101,713	**73,566**

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

b) Goods and services purchased

	Thousands of euros	
	2019	**2018**
Purchase of goods:		
- Subsidiaries	131,862	87,946
- Joint ventures	-	41
	131,862	87,987
Purchases of services:		
- Subsidiaries	10,499	10,691
- Joint ventures	-	200
- Directors	25	24
- Entities in which Mr Juan López-Belmonte holds an ownership interest	1,110	1,107
	11,634	12,022
	143,496	**99,968**

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. Norba Inversiones, S.L. y Lobel and Losa Development, S.L.

c) Sales of property, plant and equipment

In 2019, the Company sold property, plant and equipment for a total amount of 73 thousand euros to its subsidiary Frosst Ibérica, S.A.

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) Purchases of property, plant and equipment

In 2019, the Company bought property, plant and equipment from its subsidiary Gineladius, S.L. for a total amount of 590 thousand euro, which was delivered as a non-monetary contribution for incorporation of the subsidiary Rovi Escúzar, S.L. (Note 6).

e) Dividends paid

Dividends paid to the company Norbel Inversiones, S.L. in 2019 were 2,754 thousand euros (4,203 thousand euros in 2018).

f) Dividends received

In 2019 and 2018, the Company received the following dividends from Group companies (Note 24):

	Thousands of euros	
	2019	**2018**
- Rovi Contract Manufacturing, S.L.	12,389	9,307
- Pan Química Farmacéutica, S.A.	398	444
- Frosst Ibérica, S.A.	4,221	3,040
	17,008	12,791

g) Capital contributions

In 2019, the Company increased its interest in the subsidiary Gineladius, S.L. through a shareholder's contribution of 144 thousand euros and offsetting a loan balance of 146 thousand euros with the subsidiary Rovi Biotech, S.r.L.

In 2018, the Company increased its interest in the following subsidiaries by offsetting the balances of loans: Rovi GmbH, by 1,550 thousand euros and Rovi Biotech S.r.L., by 184 thousand of euros.

h) Other transactions

	Thousands of euros	
	2019	**2018**
Loans		
- Subsidiaries	26,327	1,572
	26,327	1,572

In 2019, the Company signed loans for 26,327 thousand euros (1,572 thousand euros in 2018) with its subsidiaries. Of this amount, 25,806 thousand euros related to the offsetting of trade balances that ROVI held with its subsidiaries (Note 31.i), on which 55 thousand euros of financial interest had accrued (39 thousand euros in December 2018). The loans signed in 2019 mature in 2029 and the interest rate agreed is EURIBOR plus 2.13%. The capital contributions explained in point g) of this Note and Note 8 were made through non-monetary contributions and offsetting the balance of loans that ROVI held with 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.

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

			Thousands of euros	
	2019		2018	
	Debit balance	**Credit balance**	**Debit balance**	**Credit balance**
Purchases/sales of goods or services				
- Subsidiaries	19,374	20,141	102,885	81,620
- Entities in which Mr. Juan López-Belmonte holds an interest	-	123	33	151
- Joint ventures	-	-	-	20
	19,374	20,264	102,918	81,791
Income tax charge				
- Subsidiaries (Nota 23)	15,205	76	8,856	61
- Joint ventures	-	80	-	80
	15,205	156	8,856	141
Loans granted at fair value				
- Subsidiaries	29,002	333	1,920	-
- Joint ventures(*)	52	-	46	-
	29,054	333	1,966	-
Interests				
- Subsidiaries	55	-	36	-
	55	-	36	-
Dividends				
- Subsidiaries	52,766	-	35,758	-
	52,766	-	35,758	-
Other items				
- Directors	44	1,005	44	1,537
- Key management	-	250	-	250
	44	1,255	44	1,787
TOTAL	**116,498**	**22,008**	**149,578**	**83,719**

In 2019, debit and credit balances with Group companies were offset against each other, which affected balances receivable by the Company for commercial credit and debit balances relating to 2019 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 2019, in order to contribute to the protection and improvement of the environment, the Company incurred expenses of 1,192 thousand euros for waste elimination (385 thousand euros in 2018).

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

33. Events after the reporting date

No significant events have occurred since the 2019 reporting date.

34. Fees of account auditors

The net fees accrued by KPMG Auditores, S.L. in 2019 were 90 thousand euros for audit services, 29 thousand euros for other audit-related services and 14 thousand euros for other services (83 thousand euros, 28 thousand euros and 287 thousand euros, respectively, in 2018). The other services that are neither audit nor audit-related services include the work performed to review the system of internal control over financial reporting, the review of financial ratio compliance for financing contracts and, in 2018, the underwriting work related to the capital increase that took place in said year (Note 14).

Additionally, the firm to which KPMG Auditores, S.L. belongs provided review services for the statement of non-financial information for 20 thousand euros (22 thousand euros in 2018).

Free translation of the 2019 Management Report originally issued in Spanish. In the event of discrepancy, the Spanish version prevails.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

2019 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 30% to 379.2 million euros in 2019, driven by the strength of the specialty pharmaceutical business, where sales rose 27%, strongly outperforming the market.

Sales of prescription-based pharmaceutical products rose 30% to 281.0 million euros in 2019.

Sales of the Low Molecular Weight Heparin (LMWH) franchise (Enoxaparin biosimilar and Bemiparin) increased by 46% to 177.6 million euros in 2019. LMWH sales represented 47% of operating revenue in 2019 compared to 40% in 2018.

Sales of the Enoxaparin biosimilar increased 2.7 times to 80.9 million euros in 2019. ROVI commenced the marketing of its Enoxaparin biosimilar in Germany in 2017; in UK, Italy, Spain, France, Austria, Latvia and Estonia in 2018; and in Portugal, Poland, Costa Rica, Finland, and Sweden in 2019.

ROVI's low-molecular-weight heparin (LMWH), Bemiparin, showed a positive performance in Spain (Hibor®) in 2019, with sales up 3% to 69.6 million euros. International sales of Bemiparin increased by 14% to 27.2 million euros, mainly due to the positive contribution of some countries where the product had already been present in 2018, such as Turkey or the Czech Republic. Total Bemiparin sales increased by 6% to 96.8 million euros in 2019.

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, increased 62% to 22.0 million euros in 2019, compared to 13.6 million euros in 2018.

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, decreased by 5% to 14.6 million euros in 2019, 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 18% to 13.3 million euros in 2019.

Sales of Vytorin®, Orvatez® and Absorcol®, the first of the five licenses of Merck Sharp & Dohme ("MSD"), indicated as adjunctive therapy to diet in patients with hypercholesterolemia, decreased by 12% to 31.8 million euros in 2019. 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 were marketed in the same period, so the price of Vytorin® was 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 22% to 5.8 million euros in 2019.

According to IQVIA, Spanish innovative product market increased by 2% in 2019 compared to the previous year. Nevertheless, ROVI prescription-based pharmaceutical product sales rose 30% in 2019, beating the market by 28 percentage points.

Due to the delay in product availability for the planned launch date, ROVI is not going to distribute Tetridar® (teriparatide), a TEVA product for the treatment of osteoporosis in adults, in Spain. However, ROVI is analyzing other opportunities with a similar market value with TEVA.

Sales of contrast imaging agents and other hospital products increased by 10% to 32.6 million euros in 2019.

Sales of Perspirex® represented 55% of over-the counter pharmaceutical products ("OTC") and other sales in 2019. The distribution contract of Perspirex® ended on 30th June, 2019 and, therefore, ROVI stopped distributing the product as of the third quarter of 2019. Therefore, ROVI has now fully divested the OTC division.

3. Liquidity and capital resources

3.1 Liquidity

As of 31 December 2019, ROVI had gross cash position of 52.8 million euros, compared to 85.3 million euros as of 31 December 2018, and net debt (available-for-sale financial assets plus deposits plus cash and cash equivalents minus short term and long term financial debt) of 10.1 million euros, compared to a net debt of 51.6 million euros as of 31 December 2018.

3.2 Capital resources

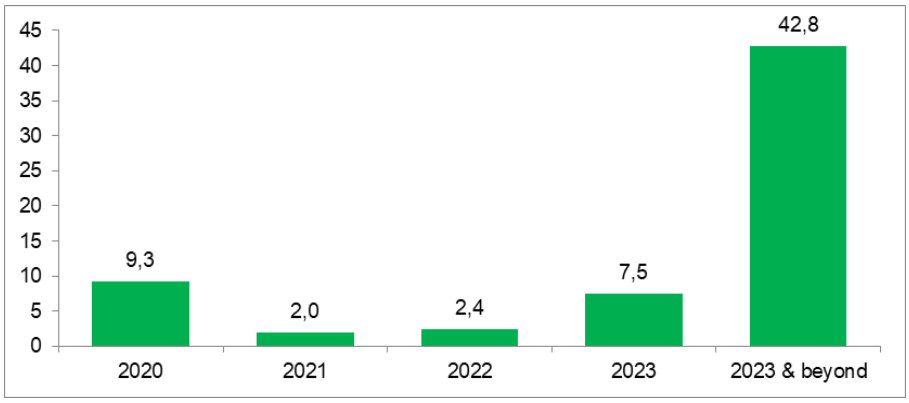
As of 31 December 2019, ROVI had total debt of 64.0 million euros, compared to 33.6 million euros as of 31 December 2018. Debt with public administration, which is 0% interest rate debt, represented 18% of total debt (32% in December 2018).

In thousand euros	2018	2017
Bank borrowings	52,116	22,716
Debt with public administration	11,222	10,911
Debt with Group & associated companies	489	-
Derivatives	129	-
Total	**63,956**	**33,627**

As of 31 December 2019, bank borrowings increase by 29.4 million euros. 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. As of 30 September 2019, ROVI had 5 million euros of this line of credit at a 3-month Euribor variable interest rate + 0.844%. The last interest rate paid (January 2020) was 0.421%. As of December 31, 2019, ROVI had disposed of the remaining 40 million euros. This loan expires in 2029, provides for three years of lack and a fixed interest rate of 0.681%.

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

Debt maturities at 31 December, 2019 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 Company has carried out certain transactions that are not included on the statement of financial position, such as operating leases. The Company'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, 2019 were 1,868 thousand euros (727 thousand euros at 31 December, 2018), of which 1,180 thousand euros are related to maturities at less than one year (617 thousand euros at less than one year at 31 December, 2018).

4. Key operating and financial events

4.1 ROVI announces the commencement of the assessment process to obtain marketing authorisation for Doria® in the European Union

ROVI informed that, after the conclusion of the validation phase, the European health authorities have commenced the assessment process to grant marketing authorisation for Doria®, a long-acting anti-psychotic injection for the treatment of schizophrenia, based on the ISM® technology patented by ROVI, in the European Union (EU).

ROVI filed its application for marketing authorisation for Doria® with the European health authorities, the European Medicines Agency (EMA), through the Centralised Procedure on 27 December, 2019. After passing the validation phase satisfactorily, the dossier was admitted for evaluation on 30 January, 2020.

It is forecast that the assessment phase of the Centralised Procedure used by the Company to register this medicine in the EU may take around one year. It should, however, be noted that the assessment process is subject to interruptions and delays in the event that the European health authorities require additional information. Likewise, mention should be made of the fact that the outcome of the registration process (which may be positive or negative) cannot be known until it has concluded.

ROVI will continue to provide information on the milestones deemed significant in this authorisation as the calendar for registration of the medicine in the European Union advances, as well as the registration of the same medicine with the U.S. Food and Drug Administration (FDA), which it is planned to commence in the second half of 2020.

4.2 ROVI announces the construction of a second heparin plant in Granada

ROVI informed about the future construction of a new manufacturing plant for the active substance of low-molecular-weight heparins ("LMWH"), for which it has acquired industrial land in the Metropolitan Industry and Technology Park in Escúzar (Granada). This investment reflects ROVI's bet on becoming, through its two flagship products, bemiparin and the enoxaparin biosimilar, one of the main European players in this market, which is worth approximately 1,400 million euros[1] worldwide.

This operation will require ROVI to make an investment of around 24 million euros over the next three years and will double the ROVI Group's LMWH production capacity. The investment is intended to guarantee ROVI's future production capacity and respond to the company's strategic growth in the LMWH field. Once again, ROVI has chosen the province of Granada and the Autonomous Region of Andalusia to continue with its expansion and development plans over the forthcoming years. In a first phase until the year 2023, the construction of the new plant will create estimated net employment of 38 jobs.

As of 30 June 2019, all the EU countries where ROVI had applied for approval of the national registration of its enoxaparin biosimilar (26 countries) had approved registration and, in addition to the European countries, the company had signed marketing agreements for the product in a further 83 countries. Likewise, the international presence of bemiparin now covers 57 countries.

[1] *Estimates based on Sanofi-Aventis reported 2019 sales.*

4.3 ROVI announces completion of the Clinical Trial Program that will support the application for marketing authorization for Doria® for the treatment of schizophrenia

ROVI informed about the conclusion of the PRISMA-3[2] and BORIS[3] studies, thus completing the Clinical Research Program for Risperidone ISM®, in which more than 679 subjects participated. All the data collected and analyzed in this Program are included in the registration dossier to apply for marketing authorization for Doria® for the treatment of schizophrenia in the European Union and United States, in a first phase, and, subsequently, in other countries.

As the company announced on 19 March, 2019, the final results of the pivotal PRISMA-3 clinical study confirm the superiority of Risperidone ISM®, a novel investigational antipsychotic for the treatment of schizophrenia with once-monthly injections, in comparison with the placebo. The prespecified primary efficacy endpoint in the study was the mean total score on the Positive and Negative Syndrome Scale (PANSS) after twelve weeks. The reductions in comparison with the baseline values obtained in the PANSS with monthly doses of 75 mg or 100 mg of Risperidone ISM® were statistically higher than those observed with placebo ($p<0.0001$).

Likewise, both dosage strengths of Risperidone ISM® (75 mg and 100 mg, once monthly) showed reductions that were statistically higher than those of the placebo ($p<0.0001$) in the total score on the Clinician Global Impression-Severity (CGI-S) scale, at week 12, which was the prespecified key secondary efficacy endpoint in the study.

Additionally, ROVI is including in the registration dossier long-term safety data on more than 100 patients from an open-label extension of the PRISMA-3 study[4], exposed to at least one year of treatment with Doria®, as recommended in the International Conference on Harmonization (ICH) Guideline E1. The aforementioned open-label extension of the pivotal study, after recruiting 215 patients, has very recently finished and will provide more clinical data on the long-term use of Risperidone ISM®.

Lastly, ROVI has also announced the completion of the BORIS clinical trial, aimed to compare the bioavailability of multiple doses of oral risperidone with multiple doses of Risperidone ISM® in stable schizophrenic patients. The results of this study are providing support to the registration of Doria® with the FDA (Food and Drug Administration) and EMA (European Medicines Agency) as a hybrid application[5,6], i.e. based partly on own studies and partly on previously done with reference medicine.

4.4 ROVI Announces Positive Topline Results from Phase 3 study of Doria® in Patients with Schizophrenia

ROVI informed about topline results from the pivotal study PRISMA-3, a multicenter, randomized, placebo-controlled phase 3 trial of Doria® (Risperidone ISM®), a novel investigational once-monthly injectable antipsychotic for the treatment of schizophrenia. In this study, patients treated with once-monthly doses of either 75 mg or 100 mg of Doria®, obtained statistically significant reductions from baseline ($p<0.0001$) compared to placebo in the Positive and Negative Syndrome Scale (PANSS) total score at week 12, which was the prespecified primary efficacy endpoint in the trial.

[2] https://clinicaltrials.gov/ct2/show/NCT03160521. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").
[3] https://clinicaltrials.gov/ct2/show/NCT03527186
[4] Study to Evaluate the Efficacy and Safety of Risperidone ISM® in Patients With Acute Schizophrenia: Open Label Extension (PRISMA-3_OLE). Clinicaltrials.gov# NCT03870880 [https://clinicaltrials.gov/ct2/show/NCT03870880]. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").
[5] NDA 505(b)(2) Section of Federal Food, Drug, and Cosmetic Act
[6] Hybrid Application, Article 10(3) – Directive 2001/83/EC

"*The positive results of the PRISMA-3 study provide the clinical evidence that Risperidone ISM® allows for a meaningful control of schizophrenia symptoms in patients with an acute illness exacerbation, using once-monthly injection and without needing loading doses or oral supplementation*" stated Christoph Correll, M.D., Professor of Psychiatry and Molecular Medicine at the Donald and Barbara Zucker School of Medicine at Hofstra/Northwell in Hempstead, New York. "*In view of these results that also documented a favorable safety profile consistent with data known from oral risperidone, I believe that Risperidone ISM®, if approved, may represent a first-line therapeutic option for those schizophrenia patients in whom prescribers, patients and families consider risperidone to be the treatment of choice*".

Both doses of Risperidone ISM® (once-monthly 75 mg and 100 mg), compared to placebo, also showed statistically significant improvement ($p<0.0001$) in the total score of the Clinical Global Impressions-Severity scale (CGI-S) at 12 weeks, which was the pre-specified key secondary efficacy endpoint in the study.

4.5 ROVI acquires rights to Dexchlorpheniramine Maleate in the Spanish and French markets

ROVI informed that it has reached an agreement with a subsidiary of Merck Sharp and Dohme ("MSD") whereby it 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).

This line of products belongs to a group of medicines known as antihistamines used for symptomatic treatment of seasonal and perennial allergic rhinitis; vasomotor rhinitis; allergic conjunctivitis; mild, uncomplicated allergic cutaneous manifestations of urticaria or angioedema; and reactions to blood or plasma. It is also indicated, together with adrenalin or other appropriate measures, for treatment of anaphylactic reactions after the acute manifestations have been controlled. These products often relieve cutaneous manifestations such as allergic eczema, atopic and contact dermatitis, insect bites, dermographisms and drug reactions.

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

ROVI paid MSD 13.5 million euros for the product.

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.

4.6 ROVI acquires Falithrom® for the German market

ROVI informed (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).

5. Research and development

ISM® technology platform

As the company has recently informed (by publication of the material event number 286374 dated 31st of January of 2020), a very important milestone has already been achieved with its long-acting injectable (LAI) antipsychotic Doria® (Risperidone ISM®). After the conclusion of the validation phase, the European health authorities have commenced the assessment process to grant marketing authorisation for this first product based in its leading-edge drug delivery technology, ISM®. In March 2019, the company announced topline results from the pivotal study of Risperidone ISM® "PRISMA-3"[7], which showed that primary and key secondary efficacy endpoints were achieved with both doses tested for the treatment of patients with acute exacerbation of schizophrenia. Besides, in July 2019, the company announced the completion of the Clinical Trial Program that will support the application for marketing authorization for Doria® for the treatment of schizophrenia. In addition, an open-label extension of the PRISMA-3 study[8] has already finished, which will provide clinical data on the long-term use of Risperidone ISM® (12 additional months).

Furthermore, ROVI informed of the decision to expand its industrial capabilities for the manufacture of Doria® with the incorporation of a second line for the manufacture of the syringe containing the solvent. The addition of this second line also provides the company with the necessary flexibility to the company to initiate the preparation of the industrial filling processes of Letrozole ISM®, which will require the installation of a specific filling machine. As a result, ROVI has prioritized the submission of the Doria® dossier in Europe (already done) and subsequently, filing in the USA, targeting the second half of 2020.

On the other hand, the company already announced the commencement of the clinical development of Letrozole ISM®, which represents the second candidate using the ROVI's ISM® technology platform. This new investigational medicine is, to our best knowledge, 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[9]) of Letrozole ISM® is currently ongoing and due to the study design ("dose escalation") and its exploratory nature, the finalisation date cannot be anticipated. Nevertheless, preliminary data confirm that this ISM® formulation provides a prolonged release of letrozole which produces a sustained suppression of oestrogenic hormones. The company will be gathering more clinical data from this trial during the following months to better characterise the pharmacological profile of Letrozole ISM®; afterwards, in 2020,

[7] *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]. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").*

[8] *Study to Evaluate the Efficacy and Safety of Risperidone ISM® in Patients With Acute Schizophrenia: Open Label Extension (PRISMA-3_OLE). Clinicaltrials.gov# NCT03870880 [https://clinicaltrials.gov/ct2/show/NCT03870880]. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").*

[9] *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]. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").*

ROVI is planning to discuss with regulatory authorities these results as well as the next steps for continuing the clinical development of this novel long-acting injectable aromatase inhibitor.

Lastly, ROVI's R&D team has recently started development of a new formulation of Risperidone ISM® for a 3-monthly injection, which would complement the current formulation of Doria® for the maintenance treatment of patients with clinically stable schizophrenia. This development is still in an initial phase.

6. Dividends

The ROVI General Shareholders Meeting, on 12 June 2019, approved the payment of a gross dividend of 0.0798 euros per share on 2018 earnings. This dividend was paid in July 2019.

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 26.5 million euros in 2019, compared to 15.3 million euros in 2018. 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 2019 additions in intangible assets amounting to 13.5 million euros are related to the acquisition of Polaramine®.

8. Treasury shares transactions

In the course of 2019, ROVI acquired a total of 224,449 of its own shares (68,603 in 2018), paying the amount of 4,718 thousand euros for them (1,138 thousand euros in 2018). Likewise, it resold a total of 232,548 of its own shares (58,731 in 2018) for an amount of 4,871 thousand euros (986 thousand euros in 2018). These shares had been acquired at a weighted average cost of 3,189 thousand euros (733 thousand euros in 2018), giving rise to a profit of 1,682 thousand euros on the sale (253 thousand euros in 2018), which was taken to reserves. At 31 December, 2019, ROVI held 686,956 treasury shares (695,055 at 31 December, 2018).

9. Headcount evolution

The average number of employees during 2019 has been 506 (471 in 2018).

10. Outlook for 2020

In 2020, ROVI expects a mid-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 2019, which, according to the Ministry of Health, Consumption and Social Welfare, showed a growth rate of 3.0%.

ROVI expects its growth drivers to be Bemiparin, the license agreements, such as Neparvis® and Volutsa®, the Enoxaparin biosimilar, its existing portfolio of specialty pharmaceuticals and new products recently acquired (Falithrom® and Polaramine®).

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 conditions under which raw materials and other packaging materials needed for manufacturing its products are supplied;
- Failure to complete the Research and Development projects that ROVI is executing successfully or in the expected manner.
- Actions on the part of the competition that have an adverse impact on ROVI's sales.
- Changes in the prescription criteria or changes in the legislation regulating the market aimed to contain pharmaceutical expense (price control, reference prices, support for generic products, co-payment, purchase platforms, …);
- 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 with the diversification of suppliers of raw materials and other packaging materials necessary for the manufacture of the products; (ii) is continuing with its target of constantly opening up new markets as a result of its international expansion plan; (iii) continues to enhance its processes and controls, including those related to the internationalization process; (iv) is working intensively to maintain a broad and diversified portfolio of products and customers; (v) perseveres every year with its savings plan, which has focused mainly on improving the efficiency of its internal and external operating processes; (vi) 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; (vii) 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: this risk is low because (i) virtually all the Company's assets and liabilities are in euros; (ii) a 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 hedged with financial instruments that minimise the impact of exchange-rate risk. At 31 December, 2019, the Company held instruments of this kind for a value of 26,500 thousand euros, the measurement of which at the 2019 reporting date did not lead to recognition of significant losses.

b) Price risk: the Company is exposed to price risk for equity securities because of investments held by the Company 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 Company diversifies its portfolio. The portfolio is diversified in accordance with the limits set by the Company. The Company does not use derivatives to hedge price risk.

c) Interest rate risk: the Company is subject to interest rate risk in respect of cash flows on non-current financial debt transactions at variable rates. Company 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.

d) Raw material price risk: the Company is exposed to changes in the conditions under which raw materials and other packaging materials needed to manufacture its products are supplied. To minimise this risk, the Company mantains a diversified portfolio of suppliers and manages its stock levels efficiently.

- *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*

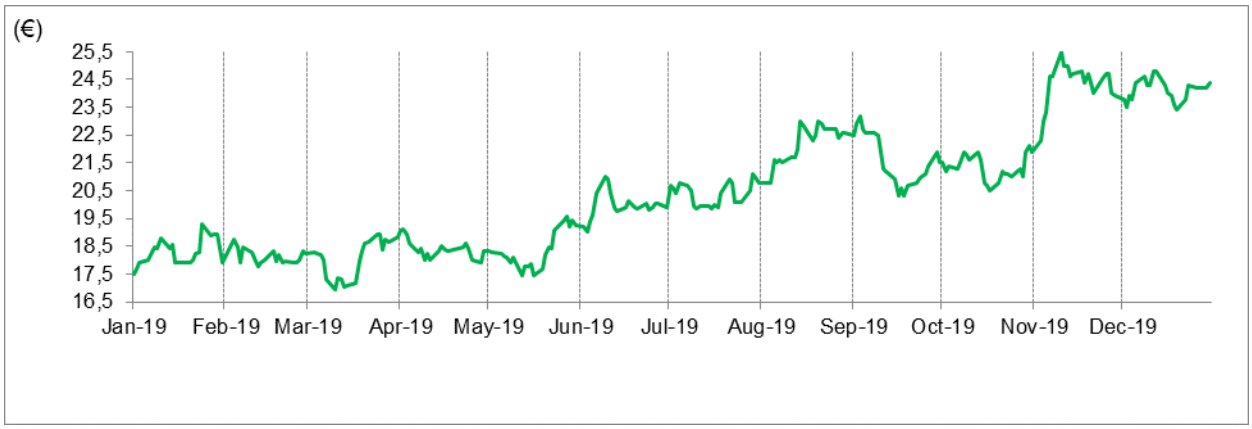
Management monitors the liquidity estimates of the Company according to the expected cash flows; therefore, the Company always has sufficient cash and trade securities to confront its liquidity requirements.

12. Stock market capitalization

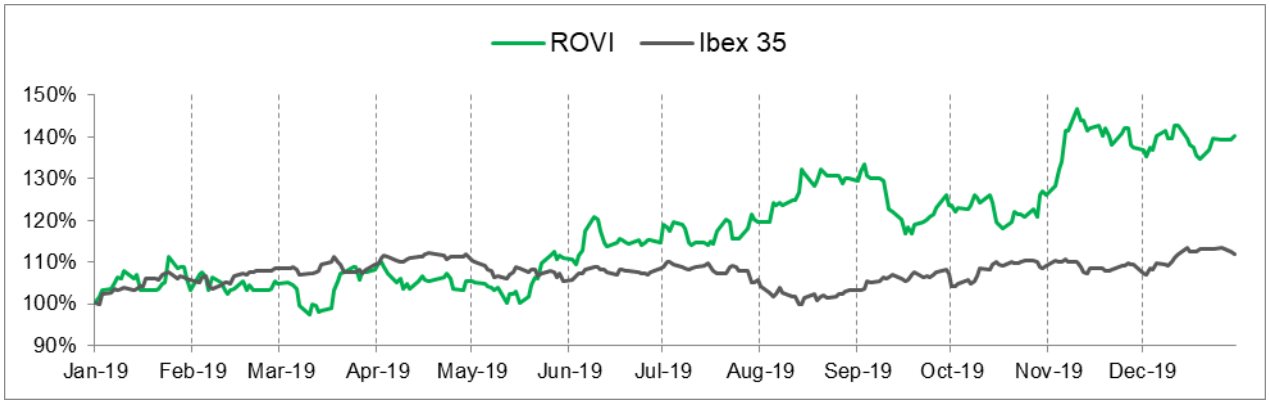
On the December 5th 2007, ROVI carried out an Initial Public Offering (IPO) of shares initially intended for qualified investors in Spain and to qualified institutional investors abroad. The face value of the operation, without including the shares corresponding to the green shoe purchase option, was 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 2019:



The following chart shows the performance of the share price of ROVI compared with the IBEX 35 index in 2019:



13. Corporate Government Annual Report

Appendix 1 includes the Corporate Government Annual Report prepared by the Company for 2019.

14. Events after balance sheet date

There have been no significant subsequent events after the end of fiscal year 2019.

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, 2019.

APPENDIX 1

CORPORATE GOVERNMENT ANNUAL REPORT 2019

(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 2019 and which precede this document, have been issued by the Board of Directors at its meeting of 25 February 2020, 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 2020

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. Marcos Peña Pinto
Coordinador Director

Mr. José Fernando de Almansa Moreno-Barreda
Director

Mrs. Fátima Báñez García
Director

Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries

Consolidated Annual Accounts

31 December 2019

Consolidated Directors' Report

2019

(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 2019, 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 2019 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 45,079 thousand, including Euros 35,284 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 8,157 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 8,157 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.	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 2019 the Group incurred research and development expenses amounting to Euros 29,304 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.	- 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 requirements of the financial reporting framework applicable to the Group.

Recognition and recoverability of deferred tax assets

See Notes 2.17, 4.1, 19 and 27 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 14,660 thousand, of which Euros 6,720 thousand and Euros 5,642 thousand comprise tax loss carryforwards and tax credits, respectively, with the remainder reflecting temporary differences that will be tax deductible in the coming years. 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 2019 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 2019, 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 2020.

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 2020

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts and
Consolidated Management Report
at 31 December, 2019

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Thousands of euros)

	Note	31 December	
		2019	2018
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	131,608	95,837
Intangible assets	**7**	45,079	34,650
Investment in a joint venture	**10**	1,843	2,038
Deferred income tax assets	**19**	14,660	16,036
Equity securities	**9 & 11**	71	70
Financial receivables	**9 & 13**	65	65
		193,326	**148,696**
Current assets			
Inventories	**12**	158,811	94,861
Trade and other receivables	**9 & 13**	81,541	60,180
Current income tax assets	**27**	10,104	3,414
Financial derivatives		-	17
Prepaid expenses		3	21
Cash and cash equivalents	**9 & 14**	67,426	95,511
		317,885	**254,004**
Total assets		**511,211**	**402,700**

Notes 1 to 34 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, 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Thousands of euros)

	Note	31 December	
		2019	2018
EQUITY			
Capital and reserves attributable to shareholders of the company			
Share capital	**15**	3,364	3,364
Share premium	**15**	87,636	87,636
Legal reserve	**16**	673	600
Treasury shares	**16**	(10,341)	(8,812)
Retained earnings and voluntary reserve	**16**	201,784	186,792
Profit for the year	**16**	39,273	17,895
Other reserves	**16**	(3)	(3)
Total equity		**322,386**	**287,472**
LIABILITIES			
Non-current liabilities			
Financial debt	**18**	72,104	16,589
Deferred income tax liabilities	**19**	1,078	1,243
Contract liabilities	**20**	5,793	6,263
Deferred income	**21**	3,141	3,621
		82,116	**27,716**
Current liabilities			
Financial debt	**18**	12,701	17,635
Trade and other payables	**17**	91,914	68,165
Contract liabilities	**20**	1,566	1,159
Deferred income	**21**	528	553
		106,709	**87,512**
Total liabilities		**188,825**	**115,228**
Total equity and liabilities		**511,211**	**402,700**

Notes 1 to 34 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, 2019

CONSOLIDATED INCOME STATEMENT
(Thousands of euros)

	Note	31 December 2019	31 December 2018
Revenue	**5 & 22**	381,313	303,203
Change in inventories of finished goods and work in progress		21,414	9,050
Raw materials and consumables used		(188,020)	(137,662)
Employee benefit expenses	**23**	(72,512)	(70,180)
Other operating expenses	**24**	(81,946)	(76,496)
Amortisation	**6 & 7**	(18,216)	(12,044)
Impairment of non-current assets	**7**	(341)	-
Recognition of government grants on non-financial non-current assets and other		1,151	1,587
OPERATING PROFIT		**42,843**	**17,458**
Finance income		51	16
Finance costs		(927)	(712)
Impairment and gain or loss on measurement of financial instruments		159	(23)
Exchange difference		(51)	(83)
FINANCE COSTS - NET	**26**	**(768)**	**(802)**
Share of profit of joint venture	**10**	**(195)**	**24**
PROFIT BEFORE INCOME TAX		**41,880**	**16,680**
Income tax	**27**	(2,607)	1,215
PROFIT FOR THE YEAR		**39,273**	**17,895**
Earnings per share (basic and diluted) attributable to the shareholders of the Company (euros)			
- Basic and diluted	**28**	0.71	0.35

Notes 1 to 34 and Appendix 1 attached hereto are an integral part of these Consolidated Annual Accounts.

CUENTAS ANUALES CONSOLIDADAS DE LABORATORIOS FARMACÉUTICOS ROVI, S.A. Y SOCIEDADES DEPENDIENTES AL 31 DE DICIEMBRE DE 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Thousands of euros)

	Note	31 December	
		2019	2018
Profit for the year		**39,273**	**17,895**
Items that may subsequently be reclassified to profit and loss		**-**	**(1)**
+ Changes in value of equity securities	**11**	-	(1)
Other comprehensive income (net of taxes)		**-**	**(1)**
Total comprehensive income for the year		**39,273**	**17,894**

Notes 1 to 34 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, 2019

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 reserves (Note 16)	Profit for the year (Note 16)	Other reserves (Note 16)	TOTAL EQUITY
Balance at 1 January, 2018	**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**
Total comprehensive income	-	-	-	-	-	39,273	-	**39,273**
Transfer of 2018 profit	-	-	73	-	13,402	(13,475)	-	**-**
Dividends 2018 (Note 16 e)	-	-	-	-	-	(4,420)	-	**(4,420)**
Acquisition of treasury shares (Note 16 d)	-	-	-	(4,718)	-	-	-	**(4,718)**
Reissue of treasury shares (Note 16 d)	-	-	-	3,189	1,682	-	-	**4,871**
Other movements	-	-	-	-	(92)	-	-	**(92)**
Balance at 31 December, 2019	**3,364**	**87,636**	**673**	**(10,341)**	**201,784**	**39,273**	**(3)**	**322,386**

Notes 1 to 34 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, 2019

CONSOLIDATED STATEMENT OF CASH FLOWS
(Thousands of euros)

	Note	31 December	
		2019	2018
Cash flows from operating activities			
Profit before income tax		41,880	16,680
Adjustments for non-monetary transactions			
Amortisation	**6 & 7**	18,216	12,044
Finance income	**26**	(51)	(16)
Valuation allowance	**12 & 13**	2,998	1,766
Adjustments for changes in value of derivatives		146	33
Gain or loss on derecognitions of financial assets and liabilities		(305)	-
Finance expenses	**26**	978	712
Grants, income from distribution licences and other deferred incomes		(4,408)	(1,806)
Gain on sale of share in joint venture		-	(10)
Share of profit of joint ventures	**10**	195	(24)
Changes in working capital:			
Trade and other receivables		(20,409)	(9,605)
Inventories		(67,227)	(21,348)
Other current assets (prepaid expenses)		18	(21)
Trade and other payables		23,953	6,540
Other collections and payments			
Proceeds from distribution licences	**20**	3,194	6,727
Interest paid		(93)	-
Income tax cash flow		(8,129)	(3,141)
Net cash generated (used) in operating activities		**(9,044)**	**8,531**
Cash flows from investing activities			
Purchases of intangible assets	**7**	(14,626)	(10,069)
Purchases of property, plant and equipment	**6**	(25,899)	(16,390)
Proceeds from sale of property, plant and equipment	**6**	2	62
Proceeds from sale of share in joint venture	**10**	-	50
Interest received		51	105
Net cash flows generated (used) in investing activities		**(40,472)**	**(26,242)**
Cash flows from financing activities			
Repayments of financial debt		(21,242)	(16,230)
Proceeds from financial debt	**18**	47,033	7,043
Interest paid		(93)	(187)
Purchase of treasury shares	**16 d)**	(4,718)	(1,138)
Reissue of treasury shares	**16 d)**	4,871	986
Dividends paid	**16 c)**	(4,420)	(5,952)
Capital increase	**15**	-	88,000
Net cash generated (used) in financing activities		**21,431**	**72,522**
Net (decrease)/increase in cash and cash equivalents		**(28,085)**	**54,811**
Cash and cash equivalents at beginning of the year	**9 & 14**	**95,511**	**40,700**
Cash and cash equivalents an end of the year	**9 & 14**	**67,426**	**95,511**

Notes 1 to 34 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 2019
(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.

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 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, 2020 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 January 2019, the company Rovi Biotech sp.z.o.o., with registered office at ul. Wincentego Rzymowskiego, 53, Warsaw (Poland), was incorporated, 100% owned by Laboratorios Farmacéuticos Rovi, S.A. This company incurred a loss of 24 thousand euros before tax in 2019 and its assets at 31 December, 2019 were 455 thousand euros.

On 8 April, 2019, the company Rovi Biotech Ltda., established in Bolivia, was dissolved. The consolidated accounts at 31 December, 2019 do not, therefore, include this company in the consolidated group.

In November 2019, the following three Group companies, all of which were 100% held by Laboratorios Farmacéuticos, Rovi, S.A., were merged by absorption: Frosst Ibérica, S.A.U. (absorbing company), Rovit Contract Manufacturing, S.L. and Bemipharma Manufacturing, S.L. (absorbed companies). After this merger, but likewise in 2019, Frosst Ibérica, S.A. changed its corporate name to Rovi Pharma Industrial Services, S.A.U.

On 4 December, 2019, the company Rovi Escúzar, S.L. was incorporated as a 100%-held subsidiary of Laboratorios Farmacéuticos Rovi, S.A. As of 31 December, 2019, the assets of this company were 1,263 thousand euros and it showed a loss of 19 thousand euros.

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 2019 (and those for 2018 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.

In relation to the comparison of the Consolidated Annual Accounts for 2019 with those for 2018, the effects of application of IFRS 16 described in Note 2.2.a) must be tanken into account. ROVI has chosen to apply the modified restrospective approach, on the basis of which it has not restated any of the comparative figures for previous reporting periods and has recognised the impacts as of 1 January, 2019.

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 starting on or after 1 January, 2019.

In 2019, the following standards and amendments to existing standards were endorsed by the European Union and came into force on 1 January, 2019. They have either been applied by ROVI or may affect the Group in the future:

- IFRS 16 – "Leases" ((«IFRS 16») replaces IAS 17 "Leases", IFRIC 4, SIC 15 and SIC 27. It is mandatory for annual periods commencing on or after 1 January, 2019 and early adoption was permitted as long as IFRS 15 was 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 former 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 16 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 associated liability, to which any initial direct costs incurred are added. Additionally, the criterion for recognising 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 liability. 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, as an asset lessee, has evaluated 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). The computer equipment in its entirety has been considered as a single underlying asset and, therefore, the low-value exemption has not been applied to it.
  - In the case of vehicles, the present value of the payments has been determined on the basis of the commitment that the Group has.
  - 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 lease contracts and 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 terms of the leases have been identified principally on the basis of the terms of the contracts.

After the aforementioned analysis, the following tables summarise the impacts of adopting IFRS 16 on the annual accounts at 31 December, 2019:

31 December 2019	Note	Amounts without adoption of IFRS 16	Adjust-ments	As reported
ASSETS				
Non-current assets		**172,630**	**20,696**	**193,326**
Property, plant and equipment	**6**	110,970	20,638	131,608
Intangible assets		45,079	-	45,079
Investment in a joint venture		1,843	-	1,843
Deferred income tax assets	**19**	14,602	58	14,660
Equity securities		71	-	71
Financial receivables		65	-	65
Current assets		**317,885**	**-**	**317,885**
Total assets		**490,515**	**20,696**	**511,211**

31 December 2019	Note	Amounts without adoption of IFRS 16	Adjust-ments	As reported
EQUITY				
Total Equity		**322,561**	**(175)**	**322,386**
LIABILITIES				
Non-current liabilities		**64,705**	**17,411**	**82,116**
Financial debt	**18**	54,693	17,411	72,104
Deferred income tax liabilities		1,078	-	1,078
Contract liabilities		5,793	-	5,793
Deferred revenues		3,141	-	3,141
Current liabilities		**103,249**	**3,460**	**106,709**
Financial debt	**18**	9,241	3,460	12,701
Trade and other payables		91,914	-	91,914
Contract liabilities		1,566	-	1,566
Deferred income		528	-	528
Total equity and liabilities		**490,515**	**20,696**	**511,211**

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the annual period 2019
(Thousands of euros)

31 December 2019	Note	Amounts without adoption of IFRS 16	Adjust-ments	As reported
Revenue		381,313	-	381,313
Change in inventories of finished goods and work in progress		21,414	-	21,414
Raw materials and consumables used		(188,020)	-	(188,020)
Employee benefit expenses		(72,512)	-	(72,512)
Other operating expenses	**24**	(85,587)	3,641	(81,946)
Amortisation	**6 & 7**	(14,621)	(3,595)	(18,216)
Impairment of non-current assets		(341)	-	(341)
Recognition of government grants on non-financial non-current assets and other		1,151	-	1,151
OPERATING PROFIT		**42,797**	**46**	**42,843**
Finance income		51	-	51
Finance costs	**26**	(648)	(279)	(927)
Impairment and gain or loss on measurement of financial instruments		159	-	159
Exchange difference		(51)	-	(51)
FINANCE COSTS - NET		**(489)**	**(279)**	**(768)**
Share of profit of a joint venture		(195)	-	(195)
				-
PROFIT BEFORE INCOME TAX		**(687)**	**(233)**	**(920)**
Income tax	**27**	(2,665)	58	(2,607)
PROFIT FOR THE YEAR		**(3,352)**	**(175)**	**(3,527)**

31 December 2019	Note	Amounts without adoption of IFRS 16	Adjust-ments	As reported
Changes in working capital:				
Trade and other receivables	**17**	20,591	3,362	23,953
Finance expense	**26**	699	279	978
Net cash generated (used) in operating activities		**21,290**	**3,641**	**24,931**
Net cash generated (used) in investing activities		**(40,472)**	**-**	**(40,472)**
Repayments of financial debt		(17,601)	3,641	(21,242)
Net cash generated (used) in financing activities		**25,072**	**3,641**	**21,431**
Net (decrease)/increase in cash and cash equivalents		**(28,085)**		**(28,085)**
Cash and cash equivalents at beginning of year		**95,511**	**-**	**95,511**
Cash and cash equivalents at end of year		**67,426**		**67,426**

- Amendments to IFRS 9 “Financial Instruments”: “Prepayment Features with Negative Compensation”. According to this amendment, effective 1 January, 2019, 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.

- 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. The impact of this IAS has not been significant in ROVI.

- 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.

  The entry into force of these improvements has not had a significant impact in ROVI.

- 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. The entry into force of this amendment has not had an impact in ROVI, but will be taken into account in the event of any change in the plans for employees.

- IFRIC 23 "Uncertainty over Income Tax Treatments". This interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 "Income Taxes" when there Is uncertainty over income tax treatment. 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), tax bases, unused tax losses, unused tax credits or tax rates determined by applying this Interpretation. The entry into force of this interpretation has not had any impact for ROVI.

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, 2019

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 2020 onwards. ROVI considers that the following could be applicable to the Group, although they have not been adopted early:

- IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (Amendment) – Definition of material. The amendments to the definition of material are made so that it is simpler to judge what is material. The definition of material helps companies to decide whether the information should be disclosed in the consolidated annual accounts. These amendments clarify said definition an include guidance on how it should be applied. Furthermore, the explanations accompanying the definition have been improved and consistency within all standards has been ensured. These amendments must be applied to the annual periods commencing on or after 1 January, 2020. Early adoption is permitted. The Group

will evaluate the content of its consolidated annual accounts in accordance with the new definition of material, although no significant changes are expected.

- Amendments to the conceptual framework of IFRS. The revised version of the Conceptual Framework sets out a series of basic concepts that guide the IASB in developing the standards and helps to ensure 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 will apply to annual periods commencing on or after 1 January, 2020 to issuers who develop accounting policies based on the Conceptual Framework.

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:

- IFRS 3 (Amendment) “Business Combinations. In October 2018, the IASB issued a limited-scope amendment to IFRS 3 “Business Combinations” in order to improve the definition of “business”. This amendment will help companies to determine whether they have acquired 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 that a transaction requiring this determination to be made takes place.

- IFRS 9 “Financial Instruments”, IAC 39 “Financial Instruments: Recognition and Measurement” and IFRS 7 “”Financial Instruments: Disclosures” (Amendment): Reform of interest rate benchmarks. This amendment changes the specific requirements of hedge accounting, assuming that the interest rate benchmark on which the hedged cash flows are based and the cash flows of the hedging instrument will not change as a result of the interest rate benchmark reform. The entry into force of this amendment is not expected to have a material impact for ROVI.

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 instruments

Financial instruments are classfied upon initial recognition as financial assets, financial liabilities or equity instruments in accordance with the economic nature of the contract and the definitions of financial asset, financial liability and equity instument set out in NIC 32 "Financial Instruments: Presentation".

Financial instruments are recognised when the Group becomes an obligued party under a contract or legal transation in accordance with the provisions thereof. The Group recognises financial instrument purchase or sale transactions drawn up in conventional contracts, defined as those in which the reciprocal obligations of the parties must be performed within a time frame established by regulations or market conventions and cannnot be offset against each other, depending on the type of asset at the contract or settlement date.

For measurement purposes, the Group classifies financial instruments in the categories of financial assets and liabilities carried at fair value through profit and loss. The Group designates a financial asset or liability as fair value through profit and loss upon initial recognition if, by so doing, it eliminates or significantly reduces an inconsistency in the measurement or recognition that would arise otherwise, i.e. if the assets or liabilities or the recognition of the gain or loss thereon were measured on different bases.

The Group holds forward contracts for the purchase or sale of foreign currency. These insurance contracts are considered derivative financial instruments that meet the conditions to be considered hedging instruments. Hedges that cover foreign currency risk on the fair value of monetary financial assets and liabilities in foreign currency, including both changes in the market value of the financial instruments designated as hedges and changes in the market value of the hedged item caused by the hedged risk, are charged or credited to profit and loss, as appropriate.

2.11. 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.

a) 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.

Impairment of loans and 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. Impairment of financial assets, including loans and receivables, is measured using the expected credit loss model.

The Group measures provisions for losses at a sum equivalent to the expected losses over the life of the asset.

Provisions for losses on financial assets measured at amortised cost, among which loans and receivables are included, are presented separately as a reduction in the gross carrying amount of the assets.

In relation to trade receivables, risk exposures in each group are segmented on the basis of the customer type (government or non-government) and the age of the debt.

- The balance receivable from public authority customers relates to receivables from government entities, regarding which, based on their nature and the information currently available, ROVI considers the credit risk to be low and, therefore, does not recognise any expected losses in relation thereto. The Group is entitled to claim late-payment interest originating from delay in collecting these balances from government entities.

- The balance with non-government entities includes mainly wholesalers, toll manufacturing customers, other pharmaceutical companies and private centres. The provision for impairment of balances with non-government customers is measured in accordance with the age of the debt.

Additionally, the provision for impairment includes all those customer balances for which there are indications of impairment, even if six months have not yet elapsed since their due date.

Impairment losses are recognised in the income statement as “other operating expenses”. When a receivable becomes unrecoverable, it is written off against the amount of the impairment. Subsequent recovery of amounts previously written off is recognised as a credit item in “other operating expenses”.

b) 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 through other comprehensive income. 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 securities classified as equity securities, 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.

2.12. 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.

2.13. 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.

2.14. 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.

2.15. 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.

2.16. 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.

2.17. 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.

2.18. 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.

2.19. 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.

2.20. 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.

2.21 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 "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 appropriate, 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 variable consideration for rebates, refunds and returns, which is only recorded for the amount if 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.

(b) Sales of services

The Group's sales of services (toll manufacturing) consist 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, which no other entity can manufacture. 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 recognises 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 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.

2.22. 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.

2.23. 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.

2.24. 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.

Additionally, in 2016, a co-operation agreement was signed between Farmaindustria, the Spanish pharmaceutical industry association, and the Spanish government. This agreement was 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 (excluding generics and biosimilars) exceeds the actual growth rate of the GDP of the Spanish economy, the pharmaceutical industry must reimburse the government for said excess in cash. The Group recognises the amounts related to this item 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 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) transactions for a significant amount in currencies other than the euro are hedged with financial instruments that minimise the impact of exchange-rate risk. At 31 December, 2019, the Group held instruments of this kind for a value of 26,500 thousand euros, the measurement of which at the 2019 reporting date did not lead to recognition of significant losses.

At 31 December, 2019, there were assets of 1,240 thousand pounds sterling and 2,607 thousand zlotys (2,458 thousand pounds sterling and 2,140 thousand zlotys at 31 December, 2018). 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 188 thousand euros (295 thousand euros in 2018) and, if the exchange rate had been 10% lower, the decrease or increase would have been 230 thousand euros (360 thousand euros at 31 December, 2018).

At 31 December, 2019, there were financial liabilities of 1,491 thousand pounds sterling and 520 thousand zlotys (3,209 thousand pounds sterling at 31 December, 2018) on the statement of financial position. If, at 31 December, 2019, the exchange rate had been 10% higher or lower, these liabilities would have decreased or increased by 170 thousand euros and 208 thousand euros, respectively (325 and 398 thousand euros at 31 December, 2018), 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, 2019 and 2018, 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 2019, with all other variables remaining constant, the gain/loss after taxes for the period would have decreased or increased by 54 thousand euros, respectively, owing to the difference in interest expense on loans at variable rates (30 thousand euros at 31 December, 2018).

(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, 2019, the greatest investment in financial assets, including cash and cash equivalents and apart from trade receivables, was related to BBVA, 41,464 thousand euros (76,645 thousand euros with Banco Santander at 31 December, 2018). 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 could draw down over the two years following signature of the agreement for a total amount of 45 million euros. As of 31 December, 2019, ROVI had drawn the full amount of this loan (the amount drawn at 31 December, 2018 was 5,000 thousand euros) (Note 8).

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).

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, 2019	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Bank borrowing (Note 18)	2,415	1,474	19,983	25,190
Debt with government entities (Note 18)	1,996	3,983	4,823	4,114
Trade suppliers (Note 17)	68,770	-	-	-
Other payables (Note 17)	23,144	-	-	-
	96,325	5,457	24,806	29,304

At 31 December, 2018	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 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

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, 2019 and 2018 was as follows:

	2019	**2018**
Financial Debt (Note 18)	84,805	34,224
Less: Cash and cash equivalents (Note 14)	(67,426)	(95,511)
Less: Equity securities (Note 11)	(71)	(70)
Less: Deposits (Notes 9 & 13)	(1,407)	(1,394)
Net debt/(Cash)	**15,901**	**(62,751)**
Equity	322,386	287,472
Leverage index/Gearing ratio	**4.93%**	**-21.83%**

In addition, the Group's net debt/cash at 31 December, 2019 and 2018 was as follows:

	2019	**2018**
Financial Debt (Note 18)	84,805	34,224
Less: Cash and cash equivalents (Note 14)	(67,426)	(95,511)
Less: Available-for-sale financial assets (Note 11)	(71)	(70)
Less: Deposits (Notes 9 & 13)	(1,407)	(1,394)
Net debt/(Cash)	**15,901**	**(62,751)**

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, 2019 and 2018. 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, 2019, 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. Based on analyses performed by the Group, a change in assumptions would not have a significant effect on the periods over which said assets could be recovered.

4.2. Critical judgements in applying the accounting policies

Revenue recognition

The Group has recognised the total sales of goods marketed in 2019 and 2018 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.

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(Thousands of euros)

The segment information used by the Management Committee for 2019 was as follows:

	Manufacturing	Marketing	Other	TOTAL	Inter-segments transactions	Consolidated figures
Total segment revenues	197,512	392,727	-	**590,239**	(208,926)	**381,313**
Profit/(loss)	30,221	28,153	(33)	58,341	(19,068)	39,273
Income tax	2,302	1,139	(11)	3,430	(823)	2,607
Profit/(loss) before tax	32,523	29,292	(44)	61,771	(19,891)	41,880
Finance costs - net	170	(16,014)	2	(15,842)	16,610	768
Amortisation	6,696	11,520	-	18,216	-	18,216
EBITDA (*)	**39,389**	**24,798**	**(42)**	**64,145**	**(3,281)**	**60,864**
Amortisation	(6,696)	(11,520)	-	(18,216)	-	(18,216)
EBIT (**)	**32,693**	**13,278**	**(42)**	**45,929**	**(3,281)**	**42,648**

The 2018 figures were as follows:

	Manufacturing	Marketing	Other	TOTAL	Inter-segments transactions	Consolidated figures
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**

(*) EBITDA is calculated as profit before taxes, interest and amortization.
(**) EBIT is calculated as profit before taxes and interest.

As a consequence of the entry into force of IFRS 16, the EBITDA of the marketing segment increased by 2,681 thousand euros and, additionally, the amortisation/depreciation expense dropped by 2,683 thousand euros. Furthermore, the EBITDA of the manufacturing segment rose by 960 thousand euros and the amortisation/depreciation expense decreased by 913 thousand euros. The effect of this standard on the rest of the income statement captions is not significant.

Inter-segment transactions included on the finance gain/(loss) lines are principally dividends paid between Group companies.

Each segment's sales to customers in 2019 were as follows:

	Manufacturing	Marketing	Other	TOTAL
Total segment revenues	197,512	392,727	-	590,239
Inter-segment revenues	(131,862)	(77,064)	-	(208,926)
Revenues from external customers	65,650	315,663	-	381,313

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

In 2019, a single customer accounted for 4% of the Group's sales (5% in 2018) and this amount came principally from the manufacturing segment.

At 31 December, 2019, the breakdown of assets and liabilities by segment was as follows:

	Manufacturing	Marketing	Other	TOTAL
Total assets	**189,655**	**420,915**	**690**	**611,260**
Of which:				
Investments in Group companies	-	9,633	-	9,633
Increases in non-current non-financial assets	15,319	25,206	-	40,525
Total liabilities	**(119,723)**	**(153,013)**	**(4)**	**(272,740)**

The assets of the aggregated segments at 31 December, 2019 can be reconciled with the total consolidated assets as follows:

	Manufacturing	Marketing	Other	Intercompany balances	Group investments	Consolidated figures
Total assets	189,655	420,915	690	(90,416)	(9,633)	511,211

Details of assets and liabilities by segment at 31 December, 2018 were as follows:

	Manufacturing	Marketing	Other	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 figures
Total assets	202,858	410,771	581	(202,611)	(8,899)	402,700

The following tables show the Group's ordinary revenue and total assets by geographical area:

Net revenue	**2019**	**2018**
Spain	232,266	203,765
European Union	129,825	84,967
OECD countries	11,264	8,388
Other Countries	7,958	6,083
	381,313	**303,203**

Total assets	**2019**	**2018**
Spain	481,153	374,238
Portugal	7,969	4,409
Germany	13,644	13,111
Italy	6,243	7,839
UK	1,444	2,524
France	202	80
Poland	556	499
	511,211	**402,700**

Virtually all the investment in property, plant and equipment and intangible assets in 2019 and 2018 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 and tools**	**Furniture, fittings and other**	**IT equipment and vehicles**	**Usage rights (Note 2.2.a)**	**Total**
Balances at 01.01.18						
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 01.01.18	**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)
Balances 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**
Additions	1,043	23,999	129	728	-	25,899
IFRS 16 impact 01.01.19	-	-	-	-	24,234	24,234
Retirements	-	(444)	(24)	(2)	-	(470)
Eliminations from amortisation	-	444	24	-	-	468
Amortisation charge	(228)	(9,585)	(109)	(843)	(3,595)	(14,360)
Balances at 31.12.19						
Cost	35,339	207,410	3,402	15,266	24,234	285,651
Accumulated Amortisation	(18,357)	(115,566)	(2,652)	(13,873)	(3,595)	(154,043)
Net carrying amount 31.12.19	**16,982**	**91,844**	**750**	**1,393**	**20,639**	**131,608**

A majority of the additions recognised in 2019 and 2018 related to investments in ROVI's manufacturing plants, principally:

- 1.6 million euros was invested in the injectables plant, in comparison with the 2.7 million euros invested in 2018;
- 4.3 million euros was invested in the San Sebastián de los Reyes plant, in comparison with the 2.8 million euros invested in 2018.
- 5.9 million euros was invested in the Granada plant, in comparison with the 3.0 million euros invested in 2018;
- 8.3 million euros was invested in the plant in Alcalá de Henares (Frosst Ibérica), in comparison with the 5.5 million euros invested in 2018.
- 3.5 million euros corresponds to the ISM® industrialization, versus 1.1 million euros in 2018.

At 31 December, 2019, the Group held property, plant and equipment with a net carrying amount of 628 thousand euros subject to retention of title (640 thousand euros at 31 December, 2018).

At 31 December, 2019 and 2018, no investment commitments had been made that had not been recognised in the consolidated annual accounts.

In 2019 and 2018, 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 and licences	Computer software	Total
Balances at 01.01.18				
Cost	8,737	21,920	10,548	41,205
Accumulated amortisation	(308)	(4,865)	(8,954)	(14,127)
Net carrying amount 01.01.18	**8,429**	**17,055**	**1,594**	**27,078**
Additions	123	9,010	936	10,069
Amortisation charge	(181)	(1,567)	(749)	(2,497)
Balances 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**
Additions	13	13,999	614	14,626
Retirements	-	-	(18)	(18)
Eliminations from amortisation	-	-	18	18
Impairment	-	(341)	-	(341)
Amortisation charge	(455)	(2,644)	(757)	(3,856)
Balances at 31.12.19				
Cost	8,873	44,929	12,080	65,882
Accumulated impairment	-	(341)	-	(341)
Accumulated amortisation	(944)	(9,076)	(10,442)	(20,462)
Net carrying amount 31.12.19	**7,929**	**35,512**	**1,638**	**45,079**

Under the caption "Trademarks and licences", assets with indefinite useful lives were recognised for an amount of 5,366 thousand euros at 31 December, 2019 and 2018. 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 as of 31 December, 2019, a discount rate of 6.9% has been applied (7.6% in 2018) 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, 2019 and 2018, 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 2019 or 2018.

The main additions in 2019 and 2018 were related to the "Trade marks and licences" caption, specifically:

- In 2019, an addition was recognised as a result of the acquisition of certain rights over the dexchlorpheniramine maleate product line, allowing ROVI 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). ROVI paid 13,500 thousand euros to acquire these rights.

- 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.

Because the recoverable value of the asset related to acquisition of the distribution rights of the product Hirobriz® (belonging to the "Marketing" segment) dropped to below its net carrying amount, at 31 December, 2019, the pertinent impairment loss was recognised under the caption "Impairment losses on non-current assets" in the income statement. The recoverable value of this asset was obtained by projecting the cash flows expected until the end of the contract in December 2023 and applying a discount rate of 6.9%. The margins used in the cash flow projection were those forecast in accordance with ROVI's historical knowledge of the revenue and costs generated by this asset.

At 31 December, 2018, 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 2019 were 29,304 thousand euros (32,376 thousand euros in 2018) and were mainly concentrated in the Glycomics and ISM® platforms, the latter of which is a proprietary 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 2019, 8,121 thousand euros was recognised under the "Employee benefit expenses" (Note 22) heading (7,807 thousand euros at 31 December, 2018) and 21,183 thousand euros under "Other operating expenses" (Note 23) (24,569 thousand euros in 2018).

8. Financial instruments by category

Financial assets

At 31 December, 2019, the Group held trade receivables amounting to 71,791 thousand euros (52,052 thousand euros at 31 December, 2018) (Note 13), other receivables amounting to 87 thousand euros (86 thousand euros at 31 December, 2018) (Note 13), and other deposits amounting to 1,407 thousand euros (1,394 thousand euros at 31 December, 2018) (Note 13), which the Group classifies as loans and receivables for recognition and measurement purposes (Note 2.11.a).

At 31 December, 2019, the Group held cash amounting to 67,426 thousand euros (95,511 thousand euros at 31 December, 2018) (Note 14), which it classifies as cash and cash equivalents for recognition and measurement purposes (Note 2.13).

At 31 December, 2019, the Group held financial assets of 71 thousand euros (70 thousand euros at 31 December, 2018) (Note 11), which it classifies as equity securities for recognition and measurement purposes (Note 2.11.b).

Financial liabilities

At 31 December, 2019 and 2018, 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**	**2019**	**2018**
	A+	184	-
	A	22,244	75,708
	A-	41,451	18,176
	BBB+	214	179
	BBB	2,532	1,329
	BBB-	309	76
	No rating	492	43
	Total cash (Note 14)	**67,426**	**95,511**

Financial receivables	**Rating**	**2019**	**2018**
	A	65	65
	Total financial receivables (Note 13)	**65**	**65**

Equity securities	**Rating**	**2019**	**2018**
	A-	12	11
	No rating	59	59
	Total equity securities (Note 11)	**71**	**70**

Trade receivables	Rating	2019	2018
	AA	24	3,012
	A1	4,050	-
	Public centres and institutions (Note 13)	12,512	7,317
	Other (wholesalers, pharmacies, hospitals)	55,205	41,723
	Total trade receivables (Note 13)	**71,791**	**52,052**

Other deposits	Rating	2019	2018
	A	1,327	1,327
	No rating	80	67
	Total other deposits (Nota 13)	**1,407**	**1,394**

10. Interests in joint ventures

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

	2019	2018
Balance at beginning of the year	**2,038**	**2,054**
Eliminations (b)	-	(40)
Share in profits	(195)	24
Balance at end of the year	**1,843**	**2,038**

The nature of investment in joint ventures at 31 December, 2019 was as follows:

Name	Country of incorporation	% interest	Nature of the relationships	Measurement method
Alentia Biotech, S.L.	España	50%	a)	Equity
Enervit Nutrition, S.L.	España	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 in 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 ventures

The condensed financial information on Alentia Biotech, S.L. and Enervit Nutrition, S.L. as of 31 December, 2019 and 2018 is as follows:

	31 December, 2019		31 December, 2018	
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	108	133	102	245
Other current assets (excluding cash)	-	2,773	6	2,542
Total current assets	**108**	**2,906**	**108**	**2,787**
Financial liabilities (excluding trade payables)	-	(744)	-	(1,342)
Other current liabilities (including trade payables)	-	(1,758)	-	(910)
Total current liabilities	**-**	**(2,502)**	**-**	**(2,252)**
Non-current				
Property, plant and equipment	-	20	-	21
Intangible assets	-	3,264	-	3,478
Other financial assets	-	5	-	5
Deferred tax assets	-	88	-	37
Total non-current assets	**-**	**3,377**	**-**	**3,541**
Financial liabilities	(2,200)	-	(2,200)	-
Other liabilities	-	-	-	-
Total non-current liabilities	**(2,200)**	**-**	**(2,200)**	**-**
NET ASSETS	**(2,092)**	**3,781**	**(2,092)**	**4,076**

	31 December, 2019		31 December, 2018	
Condensed statement of comprehensive income	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**
Revenue	-	6,170	-	7,379
Cost of sales	-	(5,023)	-	(5,126)
Other operating income	-	-	-	4
Employee benefit expenses	-	(590)	-	(861)
Other operating expenses	-	(773)	(2)	(1,082)
Amortisation and depreciation	-	(217)	-	(215)
Profit / (loss) before tax	**-**	**(433)**	**(2)**	**99**
Finance costs - net	**-**	15	-	(38)
Income tax	**-**	**28**	**-**	**(13)**
Profit / (loss) for the period	**-**	**(390)**	**(2)**	**48**
Other comprehensive income	**-**	**-**	**-**	**-**
TOTAL COMREHENSIVE INCOME	**-**	**(390)**	**(2)**	**48**
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, 2019 and 2018:

	31 December, 2019		31 December, 2018	
Condensed financial information	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**
Net assets of joint ventures at the beginning of the year	**(2,092)**	**4,076**	**(2,090)**	**4,028**
Profit / (loss) of joint ventures in the year	-	(390)	(2)	48
Net assets of joint ventures at end of the year	**(2,092)**	**3,686**	**(2,092)**	**4,076**
Share in profit of joint venture	-	1,843	-	2,079
Carrying amount	**-**	**1,843**	**-**	**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

	2019	2018
Beginning of the year	**70**	**69**
Net gains / (losses) recorded in equity	1	1
End of the year	**71**	**70**
Less: non-current portion	71	70
Current portion	-	-

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

	2019	2018
Non-listed securities:		
– Variable-income securities (equity securities)	59	59
	59	59

	2019	2018
Listed securities:		
– Investment funds and equity securities	12	11
	12	11

At 31 December, 2019 and 2018, these securiteis were denominated in euros.

12. Inventories

	2019	2018
Raw materials and other consumables	79,775	36,134
Work in progress and semi-finished goods	42,877	23,912
Finished goods produced internally	24,636	22,187
Marketing products	11,523	12,628
	158,811	**94,861**

In 2019, the Group reduced the value of its inventories by 3,277 thousand euros (1,979 thousand euros in 2018) 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 under the "Raw materials and consumables used" and "Change in stocks of finished goods and work in progress" captions 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:

	2019	2018
Trade receivables	71,791	52,052
Less: loss allowance	(175)	(1,099)
Trade receivables – Net (13.a)	71,616	50,953
Other receivables	87	86
Receivables from related parties (Note 31)	96	123
Deposits (13.b)	1,407	1,394
Employee advances	83	220
Public authorities (13.c)	8,317	7,469
Total	81,606	60,245
Less: Non-current portion: Financial receivables	65	65
Current portion	81,541	60,180

13.a) Trade receivables

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, pounds sterling and zlotys.

At 31 December, 2019, the balance receivable from the Social Security Authorities and other government entities was 12,512 thousand euros (7,317 thousand euros at 31 December, 2018), geographically distributed as follows:

	Rating 2019	Saldo 2019	Rating 2018	Saldo 2018
Portugal	BBB	3,704	BBB	1,134
Madrid	BBB	1,804	BBB	1,301
Italy	BBB	1,326	BBB	1,597
Valencia	BB-	1,161	BBB-	563
Catalonia	BB	966	BBB-	595
Andalusia	BBB-	699	BBB-	598
Castilla la Mancha	BBB-	506	BBB-	268
Cantabria	BBB	468	BBB	120
Castilla y León	Baa2	398	Baa2	62
Aragón	BBB	350	BBB	93
Basque Country	A	241	BBB+	211
Canary Islands	BBB	230	BBB-	333
Galicia	BBB	161	BBB	93
Other	-	498		349
		12,512		**7,317**

At 31 December 2019, there were matured receivables amounting to 29,307 thousand euros (15,180 thousand euros at 31 December, 2018), although they had suffered no impairment. For both the 2019 and 2018 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:

	2019	2018
Up to 3 months	27,825	14,937
From 3 to 6 months	1,361	603
From 6 months to one year	214	270
Over one year	(93)	(630)
	29,307	15,180

The total of the matured debt due from government entities at 31 December, 2019 was 4,202 thousand euros, in comparison with the 1,782 thousand euros that was outstanding at 31 December, 2018. This amount was geographically distributed as follows:

	2019	2018
Spain	2,132	962
Portugal	2,070	820
	4,202	1,782

Matured receivables that had been impaired at 31 December, 2019 were 175 thousand euros (1,099 thousand euros a 31 December, 2018). Movement on the provision for impairment of trade receivables was as follows:

	2019	2018
Beginning of the year	**1,099**	**1,837**
Net remeasurement of loss allowance	(872)	(211)
Derecognition due to non-collectibility	(52)	(527)
End of the year	**175**	**1,099**

The ageing of these accounts was as follows:

	2019	2018
From 6 to 9 months	302	202
More than 9 months	(127)	897
	175	1,099

13.b) Deposits

At 31 December, 2019, the deposits caption included fixed-term deposits amounting to 1,407 thousand euros (1,394 thousand euros at 31 December, 2018) bearing interest at a rate ranging from 2% to 3%. At 31 December, 2019 and 2018, 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 2019 and 2018 relate to the following items:

	2019	2018
Value-added tax	7,265	6,322
Withholding tax	260	-
Late payment interest receivable	164	237
Grants awarded but not received	628	910
	8,317	7,469

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 2019 and 2018 reporting periods was as follows:

	2019	2018
Cash at bank and on hand	67,426	95,511
	67,426	95,511

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 2019 and 2018 were as follows:

	No. shares	Face value (euros)	Total share capital (thousands)
Balance at 1 January, 2018	50,000,000	0.06	3,000
Balance at 31 December, 2018	56,068,965	0.06	3,364
Balance at 31 December, 2019	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, 2019, are the following:

Shareholder	% direct	% indirect	TOTAL
Norbel Inversiones, S.L.	63.107	-	63.107
Indumenta Pueri, S.L.	-	5.057	5.057
T. Rowe Price International Funds, INC.	-	3.390	3.390
Wellington Management Group, LLP.	-	4.924	4.924

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% at 31 December, 2018.

In May 2019, Norbel Inversiones, S.L. increased its interest in the Company's share capital with the result that, as of 31 December, 2019, it held 63.11% of the shares of Laboratorios Farmacéuticos Rovi, S.A. 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). As of 31 December, 2019, the interest in the Company's share capital held by Mr Juan López-Belmonte López was 12.62% (12.42% at 31 December, 2018), while while Messrs Juan, Iván and Javier López-Belmonte Encina each held 16.83% (16.56% at 31 December, 2018).

16. Other information on reserves

a) Legal reserve

The legal reserve, which totalled 673 thousand euros at 31 December 2019 and 2018, 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 2019, retained earnings were increased and/or reduced as follows:

- On 12 June, 2019, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for distribution of the profit for 2018 (15,581 thousand euros), allocating 4,474 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 54 thousand euros.

- The sale of treasury shares in 2019 led to a profit of 1,682 thousand euros, which was recognised in the retained earnings account (Note 16.d).

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.

Retained earnings at 31 December 2019 and 2018 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 2019 and 2018 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 2019, ROVI acquired a total of 224,449 of its own shares (68,603 in 2018), paying the sum of 4,718 thousand euros for them (1,138 thousand euros in 2018). Likewise, it resold a total of 232,548 of its own shares (58,731 in 2018) for a sum of 4,871 thousand euros (986 thousand euros in 2018). These shares had been acquired at a weighted average cost of 3,189 thousand euros (733 thousand euros in 2018), giving rise to a profit of 1,682 thousand euros on the sale (253 thousand euros in 2018), which was taken to reserves. At 31 December, 2019, the Group held 686,956 treasury shares (695,055 at 31 December, 2018).

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

e) Dividends

On 12 June, 2019, the General Meeting of Shareholders approved the distribution of the 2018 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 4,474 thousand euros (0.0798 euros gross per share). This dividend was paid out in July 2019.

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.

f) Application of profit

The proposed application of the profit for the period 2019 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 2018 based on the profit of the parent company, is as follows:

	2019	2018
Basis of application		
Profit for the year	25,553	15,581
Application		
Legal reserve	-	73
Dividend	9,818	4,474
Retained earnings	15,735	11,034
	25,553	**15,581**

17. Trade and other payables

	2019	2018
Trade payables	68,770	47,875
Payables to related parties (Note 31)	1,673	2,250
Outstanding remuneration	5,264	5,177
Public authorities	4,703	5,586
Other payables	11,504	7,277
	91,914	68,165

At 31 December, 2019 and 2018, the “Other payables” caption included the following liabilities:

	2019	2018
Returns	1.365	898
Contribution to public health system	8.437	6.222
Other	25	107
	9.827	**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, 5,641 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. The amount to be paid by ROVI for this item is 2,567 thousand euros.

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.

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:

	2019	2018
	Days	Days
Average payment period to suppliers	53	51
Ratio of transactions paid	55	53
Ratio of transactions outstanding	35	36

	2019	2018
Total payments made (thousands of euros)	213,841	165,685
Total payments outstanding (thousands of euros)	25,709	20,254

18. Financial debt

Non-current	**2019**	**2018**
Bank borrowings	45,000	7,113
Debt with government entities	9,693	9,476
Financial liabilities for leases	17,411	-
	72,104	16,589
Current		
Bank borrowings	7,116	15,603
Debt with government entities	1,996	2,032
Financial liabilities for leases	3,460	-
Derivates	129	-
	12,701	17,635
	84,805	**34,224**

a) Bank borrowings

Bank borrowings at 31 December, 2019 consisted of the following bank loans:

	a.1)	a.2.1)	a.2.2)	a.3)	TOTAL
Entity	**BBVA**	**BEI**	**BEI**	**Santander**	
Face value	**20.000**	**5.000**	**40.000**	**5.000**	
Interest rate	**0,65% Fixed**	**Eur3+0,844%**	**0,681% Fixed**	**0,36% Fixed**	
2020	2,116	-	-	5,000	7,116
2021	-	176	-	-	176
2022	-	704	-	-	704
2023	-	708	5,714	-	6,422
2024	-	711	5,714	-	6,425
2025 onward	-	2,701	28,572	-	31,273
	2,116	5,000	40,000	5,000	52,116
Non-current	-	5,000	40,000	-	45,000
Current	2,116	-	-	5,000	7,116

At 31 December, 2018, the bank loan maturities were as follows:

	a.1)	a.4)	a.5)	a.6)	a.2.1)	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+0,844%**	
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.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) 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. As of 31 December, 2019, ROVI had drawn down the entirety of this credit line in:

a.2.1) A draw-down of 5,000 thousand euros in 2018 at an annual interest rate of Euribor at 3 years plus 0.844%.

a.2.2) A draw-down of 40,000 thousand euros in 2019 at a fixed annual interest rate of 0.681%.

In the first half of 2019 and 2018, compliance as of 31 December, 2018 and 2017, respectively, with the financial ratios fixed in this financing agreement was certified. At 31 December, 2019, ROVI met the ratios fixed, although this will not be certified until after these annual accounts have been approved.

a.3) Loan of 5,000 thousand euros signed in October 2019 with Banco Santander. This loan has a term of 3 months and a fixed annual interest rate of 0.36%.

a.4) 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. Repayment of this loan was completed in 2019.

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. Repayment of this loan was completed in 2019.

a.6) 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. Repayment of this loan was completed in 2019.

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, 2019 amounted to 9,693 thousand euros (9,476 thousand euros at 31 December, 2018). 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 2019:

In 2019, 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)	4	3	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	160	136	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	712	593	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	163	146	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	312	261	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	37	33	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	645	548	10	3
			2,033	1,720		

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

b.2.1) Advances received in 2018:

In 2018, 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**	**Face value**	**Initial fair value**
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.

At 31 December, 2019 and 2018, debt with government entities matured as follows:

Year	2019	2018
2019	-	2,032
2020	1,996	1,791
2021	1,600	1,540
2022	1,788	1,595
2023	1,178	934
2024	1,220	963
2025 onward	3,907	2,653
	11,689	11,508
Non-current	9,693	9,476
Current	1,996	2,032

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, 2019 and 2018 were as follows:

	Carrying amount		Fair value	
	2019	2018	2019	2018
Bank borrowings	45,000	7,113	44,748	7,061
Debt with government entities	9,693	9,476	9,972	10,002
	54,693	16,589	54,720	17,063

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 2018).

To calculate the fair value of fixed rate non-current bank borrowings the 2019 and 2018 reporting dates, 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.

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:

	2019	2018
Deferred tax assets:		
– Deferred tax assets to be recovered at more than 12 months	7,955	11,332
– Deferred tax assets to be recovered within 12 months	6,705	4,704
	14,660	16,036
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered at more than 12 months	884	1,033
– Deferred tax liabilities to be recovered within 12 months	194	210
	1,078	1,243

Net movement on the deferred tax account was as follows:

	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
At 1 January, 2018	**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**
(Charged) / credited to the income statement (Note 28)	1,624	165	1,789
Derecognition due to monetization (Note 27)	(3,000)	-	(3,000)
At 31 December, 2019	**14,660**	**(1,078)**	**13,582**

Movement on deferred tax assets was as follows:

	Negative tax bases	Tax credits not yet applied	30% amortisa. 13 & 14	Provisions	Other	Total
At 1 January, 2018	**2,397**	**8,036**	**1,134**	**192**	**134**	**11,893**
(Charged) / credited to the income statement	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**
(Charged) / credited to the income statement	3,366	(1,533)	(117)	117	(209)	1,624
Derecognition due to monetization (Note 27)	-	(3,000)	-	-	-	(3,000)
At 31 December, 2019	**6,720**	**5,642**	**911**	**359**	**1,028**	**14,660**

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 amorisation	Other	Total
At 1 January, 2018	**796**	**642**	**1,438**
(Charged) / credited to the income statement	(185)	(10)	(195)
At 31 December, 2018	**611**	**632**	**1,243**
(Charged) / credited to the income statement	(159)	(6)	(165)
At 31 December, 2019	**452**	**626**	**1,078**

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 2019 and 2018 was as follows:

	Distribution licenses	Other contracts	Total
At 1January, 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**
Additions	337	-	337
Charged / (credited) to income statement	(400)	-	(400)
At 31 December, 2019	**6,559**	**800**	**7,359**

Distribution licences

In 2019, new contract liabilities of 347 thousand euros (5,927 thousand euros in 2018) were recognised in relation to agreements granting distribution licences.

In 2019, ROVI recognised revenue from distribution licences for a total amount of 400 thousand euros (219 thousand euros in 2018) (Note 22).

At 31 December, 2019 and 2018, the contract liaibities related to distribution licences had the following estimated maturities:

Year	**2019**	**2018**
2019	-	359
2020	761	703
2021	1,050	992
2022	1,252	1,192
2023	951	872
2024	44	-
	4,058	4,118
Non-current	3,297	3,759
Current	761	359

At 31 December, 2019, there were contract liabitliies related to distribution licences for an amount of 2,501 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 (2,554 thousand euros at 31 December, 2018).

21. Deferred revenues

	2019	2018
Non-current	3,141	3,621
	3,141	3,621
Current	528	553
	528	553
	3,669	**4,174**

The deferred revenues caption recognises sums collected for grants received from government entities, which are classified into two broad blocks:

	2019	2018
a) Deferred revenues from non-reimbursable capital grants	3,493	3,958
b) Deferred revenues from reimbursable capital grants	176	216
	3,669	4,174

a) Deferred revenues from non-reimbursable capital 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, 2019 was 2,334 thousand euros (2,629 thousand euros at 31 December, 2018).

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.

22. Revenues

Revenues are broken down into the following items:

	2019	2018
Sales of goods	315,263	248,409
Sale of services	65,650	54,575
Revenue from distribution licenses	400	219
	381,313	303,203

As of 31 December, 2019 “Sales of goods” caption includes 1,817 thousand euros related to service to promote third-party products.

Additionally, as of 31 December, 2019, the "Sales of good" caption includes 3,970 thousand euros (673 thousand euros at the 2018 reporting date) related to royalties received on the basis of enoxaparin distribution agreements signed with third parties.

Total sales of goods fell by 17,771 thousand euros in 2019 (18,252 thousand euros in 2018) as a consequence of the rebates furnished to the National Health System (Note 2.24). 2,174 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 (3,467 thousand euros at 31 December, 2018) (Note 17).

The breakdown of "Sales of goods" by product group was as follows:

	2019	2018
Pharmaceutical products	280,611	216,563
Contrast agents and other hospital products	32,556	29,688
Non prescription pharmaceutical products	1,152	1,408
Other	944	750
	315,263	248,409

The revenue disaggregated by primary geographical market and reportable segment at 31 December, 2019 is shown below:

	Manufacturing	Marketing	TOTAL
Spain	11,349	220,917	232,266
EU	52,134	77,691	129,825
Other Countries	2,167	17,055	19,222
	65,650	**315,663**	**381,313**

At 31 December, 2018, the breakdown was as follow:

	Manufacturing	Marketing	TOTAL
Spain	10,300	193,465	203,765
EU	42,355	42,612	84,967
Other Countries	1,920	12,551	14,471
	54,575	**248,628**	**303,203**

Sales in the 2019 and 2018 reporting periods were made principally in euros.

23. Employee benefit expenses

The summary of employee benefit expenses is as follows:

	2019	2018
Wages and salaries	58,836	57,982
Social security costs	13,652	12,174
Pension costs - defined-contribution pension plans	24	24
	72,512	70,180

Total employee benefit expenses at 31 December, 2019 included R&D department-related expenses of 8,121 thousand euros (7,807 thousand euros at 31 December, 2018, Note 7).

At 31 December, 2019 "Wages and salaries" caption included compensation of 1,094 thousand euros for a substantial change to the working conditions of the workers of Rovi Pharma Industrial Services, S.A.U. (formerly Frosst Ibérica, S.A.), which belongs to the Group.

The wages and salaries figure includes severance payments of 1,399 thousand euros in 2019 and 1,686 thousand euros in 2018.

The average number of employees was as follows:

	2019	2018
Management	35	30
Administration	232	192
Sales force	288	294
Production and plant	522	501
R&D	216	192
	1,293	1,209

At 31 December, 2019, the Group's total headcount was 1,310 employees (1,224 at 31 December, 2018), 696 of whom were women (1,224 at 31 December, 2018). There were 11 women in management positions in 2017 (9 in 2018).

At 31 December, 2019, the Group's total headcount included 25 people with a disability rating of 33% or more (20 at 31 December, 2018).

24. Other operating expenses

	2019	2018
Advertising costs	19,529	17,354
Services from third parties	8,127	6,322
Supplies	12,319	10,890
Transport and wharehouse expenses	6,201	4,139
Repairs and maintenance	3,278	3,533
Operating leases	179	3,564
Other taxes	4,851	2,350
Other operating expenses	27,462	28,344
	81,946	76,496

Total operating expenses at 31 December, 2019 included R&D-related expenses of 21,183 thousand euros (24,569 thousand euros at 31 December, 2018, Note 7), most of which are registered in "Other operating expenses" caption.

25. Operating leases

As a result of the entry into force of IFRS 16 "Leases", the operating lease expense recognised in profit and loss in 2019 fell by 179 thousand euros, in comparison with the 3,564 thousand euros recognised in 2018 (Note 2.2.a).

At 31 December, 2019, there were no minimum future payments on uncancellable operating leases (at 31 December, 2018, there were 883 thousand euros, 714 thousand euros of which fell due at less than one year).

26. Finance income/(costs)

	2019	2018
Interest income	51	16
Total finance income	51	16
Interest costs	(648)	(712)
Other finance costs	(279)	-
Total finance costs	(927)	(712)
Proceeds on disposal of financial instruments	305	10
Change in fair value of financial instruments	(146)	(33)
Impairment and gain/(loss) on measurement of financial instruments	159	(23)
Exchange rate differences	(51)	(83)
	(51)	(83)
Net finance income/(cost)	**(768)**	**(802)**

The caption “other finance expenses” shows the finance cost derived from application of IFRS 16 “Leases” (Note 2.2.a).

27. Income tax

In 2019, 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 Pharma Industrial Services, S.A.U. (formerly, Frosst Ibérica, S.A.U, see section “Changes in the consolidated group, Note 1).
- Pan Química Farmacéutica, S.A.
- Gineladius, S.L.
- Rovi Escúzar, S.L. (incorporated in 2019)

Income tax is broken down into the following items:

	2019	2018
Current tax	(3,798)	(3,314)
Deferred tax (Note 19)	1,789	4,472
Adjustment corporate income tax prior years	(140)	57
	(2,607)	1,215

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:

	2019	2018
Profit before tax	41,880	16,680
Tax calculated at domestic tax rate of 25%	(10,471)	(4,170)
Share of profit of joint venture	(49)	6
Movement on capitalised negative tax assets	5,437	1,313
Adjustment corporate income tax prior years	(140)	57
Non-tax deductible expenses	(112)	(271)
Tax differences in subsidiaries results	86	(135)
Movement on capitalised R&D tax credits	2,494	4,235
Other tax credits applied	148	180
Income tax expense	(2,607)	1,215

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 2019, after deduction of the amounts paid on account and withholdings operated in the period, generated a current tax receivable of 3,877 thousand euros. At 31 December, 2019, the receivable recognised for the current tax for 2018 was 6,227 thousand euros.

Tax credits

The Group generated tax credits of 3,774 thousand euros in 2019 (4,045 thousand euros in 2018) and likewise was entitled to offset tax credits of 6,189 thousand euros from previous years (8,406 thousand euros at 31 December, 2018). In 2019, tax credits of 4,322 thousand euros were applied (2,276 thousand euros in 2018) and there were further R&D tax credits of 5,642 thousand euros that were pending application in future years (10,175 thousand euros at 31 December, 2018). At 31 December, 2019 and 2018, the Group had recognised the totality of the tax credits not yet offset in its assets (Note 19) and expects to recover them within a maximum term of 4 years.

When calculating the corporate income tax for 2018, ROVI, in accordance with article 39.2 of Law 27/2014 of 27 November, the Corporate Tax Act, elected not to apply the gross tax payable limitation and requested the tax authorities to credit tax credits generated for a total amount of 3,750 thousand euros, to which a discount of 20% had to be applied.

Negative tax bases

At 31 December, 2019, the negative tax bases pending application were 34.938 thousand euros (36,335 thousand euros at 31 December, 2018), a total of 8,285 thousand euros of which will be applied in the 2019 corporate income tax. In 2019 the Group applied 1,397 thousand euros in the corporate income tax for 2018, filed in July 2019 (1,509 thousand euros were used in 2018, relating to the 2017 corporate income tax).

In 2018, 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.

Of the total negative tax bases pending application, the Group has only recognised as assets those that it expects to recover within a period from three to five years, which totalled 26,653 thousand euros at 31 December, 2019 (13,331 thousand euros at 31 December, 2018).

The following periods' taxes are open to inspection:

	Year
Corporate income tax	2015-18
Value-added tax	2016-19
Transfer tax	2016-19
Personal income tax (withholdings)	2016-19

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 2019 and 2018, the weighted average number of shares was calculated without taking the treasury shares that existed at any given moment into account.

	2019	2018
Profit attributable to the Company's shareholders	39,273	17,895
Weighted average number of oustanding ordinary shares (thousands)	55,180	51,223
Basic and diluted earnings per share (euros per share)	0.71	0.35

At 31 December, 2019 and 2018, there were no shares with potential diluting effects.

29. Contingencies

At 31 December, 2019, the Group held bank guarantees amounting to 2,503 thousand euros (3,459 thousand euros in 2018). These guarantees were granted principally to enable Group companies to participate in public tenders and to receive reimbursable grants and advances.

30. 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 63.11% of the shares of the parent company at 31 December, 2019 (62.10% at 31 December, 2018). 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

	2019	2018
Sales of goods and services:		
– Joint ventures	-	62
	-	62

b) Purchases of goods and services

	2019	2018
Purchases of goods and services:		
– Joint ventures	-	200
– Directors who are also shareholders	25	24
– Entities in which Mr. Juan López-Belmonte López holds an interest	2,036	2,026
	2,061	2,250

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., Norba Inversiones, S.L. and Lobel y Losa Development, S.L.

In 2018, the Services recognised on the “Joint ventures” line relate to product promotion services received.

c) Director and key management remuneration

c.1) Director remuneration

	2019	2018
Wages and salaries and other current benefits	1,680	2,593
Contributions to defined-contribution pension plans (Notes 22 & 32.1.c)	24	24
	1,704	2,617

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).

As of 31 December, 2018, the Long-Term Incentive Plan that ROVI had for its executive directors for the years 2016 to 2018 had ended. The goal of this Plan was to provide compensation for the long-term creation of value for the Group in the interests of the shareholders. This Incentive Plan had accrued at 31 December, 2018 and was recognised under “Wages and salaries and other current benefits”. The sum was paid in the first half of 2019.

On 29 May, 2018, the General Shareholders’ meeting approved a new Incentive Plan for the years 2019 to 2021 with the same characteristics as the plan ending 31 December, 2018. The amounts accrued under this Plan are recognised under the caption “Wages and salaries and other current benefits” in the income statement, but have not been included in the above “Director Compensation” table.

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:

	2019	2018
Wages and salaries and other current benefits	1,894	1,773
	1,894	1,773

At 31 December, 2019, the Management Committee was formed by 11 members (13 at 31 December, 2018), three of whom were also members of the Board of Directors.

d) Dividends paid

Dividends paid to the company Norbel Inversiones, S.L. in 2019 were 2,754 thousand euros (4,203 thousand euros in 2018).

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

	2019	2018
Receivables from related parties (Note 13):		
– Directors	44	44
– Entities in which Mr. Juan López-Belmonte López holds an interest	-	33
– Joint ventures (*)	52	46
	96	123
Payables to related parties (Note 17):		
– Key management	290	290
– Directors	1,005	1,537
– Joint ventures	80	100
– Entities in which Mr. Juan López-Belmonte López holds an interest	298	323
	1,673	2,250

(*) 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 in 2019 by KPMG Auditores, S.L. for annual accounts audit were 157 thousand euros, for other audit-related services were 29 thousand euros and for other services 14 thousand euros, respectively (151 thousand euros, 28 thousand euros and 287 thousand euros respectively in 2018). Other services include the work carried out on the review of the System for Internal Control over Financial Information (ICFR), review of compliance with the financial ratios for financing contracts and, in 2018, the underwriting work related to the capital increase carried out in said year (Note 15).

Additionally, the group to which KPMG Auditores, S.L. belongs has provided services for the verification of the 2019 Statement of Non-Financial Information amounting to 20 thousand euros (22 thousand euros in 2018).

33. Director compensation

At 31 December, 2019, 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 Marcos Peña Pinto	Director
Mr Fernando de Almansa Moreno-Barreda	Director
Ms Fátima Báñez García	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 2019:

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 2019 and 2018 were as follows:

	2019	2018
Mr. Juan López-Belmonte López	150	150
Mr. Juan López-Belmonte Encina	60	60
Mr. Enrique Castellón Leal	58	60
Mr. Javier López-Belmonte Encina	60	60
Mr. Iván López-Belmonte Encina	60	60
Mr. Miguel Corsini Freese	21	60
Mr. Fernando de Almansa Moreno-Barreda	60	60
Mr. Marcos Peña Pinto	39	-
Ms. Fátima Báñez García	2	-
	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 2.19.a) or increases in the vested rights of the director in the case of contributions to defined-benefit plans (no defined-benefit plans exist):

	2019	2018
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 2019 and 2018 was as follows:

	2019		2018	
	Fixed	Variable	Fixed	Variable
Mr. Juan López-Belmonte Encina	320	153	312	528
Mr. Javier López-Belmonte Encina	234	115	229	392
Mr. Iván López-Belmonte Encina	233	115	229	393
	787	383	770	1,313

At 31 December, 2018, the variable remuneration of the executive directors included the sums accrued under the Long-Term Incentive Plan (Note 31 c.1), which was settled in the first half of 2019.

g. In 2019 and 2018, 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 2019 and 2018, no shares, options or other instruments indexed 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:

	2019	2018
Remuneration of executive directors	1,170	2,083
Profit attributed to the parent company	25,553	15,581
Remuneration of executive directors/profit attributed to the parent company	4.58%	13.37%

The Company holds a liability insurance policy for directors and senior management. A premium of 22 thousand euros accrued for this policy in 2019 (12 thousand euros in 2018).

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.

34. Events after the end of the reporting period

No significant events have taken place since 31 December, 2019.

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES
Notes to the Consolidated Annual Accounts for the annual period 2019
(Thousands of euros)

APPENDIX 1

Subsidiaries included in the Consolidated Group

Corporate name	Registered office	Ownership interest 2019	Ownership interest 2018	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 Pharma Industrial Services, S.A.U. (formerly Frosst Ibérica, S.A. until November 2019) (a)	Alcalá de Henares, Avenida Complutense, 140 (Madrid)	100%	100%	(1)	A
Rovi Contract Manufacturing, S.L. (a)	Madrid, C/Julián Camarillo, 35	n/a	100%	(1)	A
Bemipharma Manufacturing, S.L. (a)	Madrid, C/Julián Camarillo, 35	n/a	100%	(1)	N/A
Bertex Pharma GmbH	Inselstr.17. 14129 Berlin (Germany)	100%	100%	(3)	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 (France)	100%	100%	(1)	N/A
Rovi, S.A.S.	24 Rue du Drac, Seyssins (France)	100%	100%	(1)	C
Rovi Biotech sp.z.o.o.	ul. Wincentego Rzymowskiego, 53, Varsovia (Poland)	100%	n/a	(1)	N/A
Rovi Escúzar, S.L.	Madrid, C/Julián Camarillo, 35	100%	n/a	(1)	N/A

(a) In November 2019, the group companies Frosst Ibérica, S.A. (absorbing company), Rovi Contract Manufacturing, S.L. and Bemipharma Manufacturing, S.L. (absorbed companies) were merged. After this merger, Frosst Ibérica changed its corporate name to its current name of Rovi Pharma Industrial Services, S.A.U.

On 8 April, 2019, the company Rovi Biotech Ltda, established in Bolivia was dissolved. The consolidated annual accounts at 31 December, 2019 do not, therefore, include this company in the consolidated group (Note 1).

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 2019 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 in 2019 and 2018 by KPMG, S.A.

Free translation of the 2019 Consolidated Management Report originally issued in Spanish. In the event of discrepancy, the Spanish version prevails.

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

2019 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 Group has four principal growth pillars:

- Low-molecular-weight heparin (LMWH) division. In 2019 this division represents 47% of group sales. ROVI has two proprietary research products: bemiparin Hibor® and an enoxaparin biosimilar.
- Other pharmaceutical products division, 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	2019	2018	Growth	% Growth
Operating revenues	381.3	303.2	78.1	26%
Other income	1.2	1.6	-0.4	-27%
Total revenue	**382.5**	**304.8**	**77.7**	**25%**
Cost of sales	-166.6	-128.6	-38	30%
Gross profit	**215.9**	**176.2**	**39.7**	**23%**
% margin	*56.6%*	*58.1%*		*-1.5pp*
R&D expenses	-29.3	-32.4	3.1	-9%
SG&A	-125.5	-113.2	-12.3	11%
Other expenses	0.0	-1.1	1.1	n.a.
Share of profit/loss of a joint venture	-0.2	0.0	-0.2	n.a.
EBITDA[1]	**60.9**	**29.5**	**31.3**	**106%**
% margin	*16.0%*	*9.7%*		*6.2pp*
EBIT[1]	**42.6**	**17.5**	**25.2**	**144%**
% margin	*11.2%*	*5.8%*		*5.4pp*
Net profit	**39.3**	**17.9**	**21.4**	**119%**

[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 26% to 381.3 million euros in 2019, driven by the strength of the specialty pharmaceutical business, where sales rose 27%, strongly outperforming the market, and by the toll manufacturing business, which grew by 20%. Total revenue increased by 25% to 382.5 million euros in 2019.

Sales of prescription-based pharmaceutical products rose 30% to 281.0 million euros in 2019.

Sales of the Low Molecular Weight Heparin (LMWH) franchise (Enoxaparin biosimilar and Bemiparin) increased by 46% to 177.6 million euros in 2019. LMWH sales represented 47% of operating revenue in 2019 compared to 40% in 2018.

Sales of the Enoxaparin biosimilar increased 2.7 times to 80.9 million euros in 2019. ROVI commenced the marketing of its Enoxaparin biosimilar in Germany in 2017; in UK, Italy, Spain, France, Austria, Latvia and Estonia in 2018; and in Portugal, Poland, Costa Rica, Finland, and Sweden in 2019.

ROVI's low-molecular-weight heparin (LMWH), Bemiparin, showed a positive performance in Spain (Hibor®) in 2019, with sales up 3% to 69.6 million euros. International sales of Bemiparin increased by 14% to 27.2 million euros, mainly due to the positive contribution of some countries where the product had already been present in 2018, such as Turkey or the Czech Republic. Total Bemiparin sales increased by 6% to 96.8 million euros in 2019.

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, increased 62% to 22.0 million euros in 2019, compared to 13.6 million euros in 2018.

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, decreased by 5% to 14.6 million euros in 2019, 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 18% to 13.3 million euros in 2019.

Sales of Vytorin®, Orvatez® and Absorcol®, the first of the five licenses of Merck Sharp & Dohme ("MSD"), indicated as adjunctive therapy to diet in patients with hypercholesterolemia, decreased by 12% to 31.8 million euros in 2019. 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 were marketed in the same period, so the price of Vytorin® was 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 22% to 5.8 million euros in 2019.

According to IQVIA, Spanish innovative product market increased by 2% in 2019 compared to the previous year. Nevertheless, ROVI prescription-based pharmaceutical product sales rose 30% in 2019, beating the market by 28 percentage points.

Due to the delay in product availability for the planned launch date, ROVI is not going to distribute Tetridar® (teriparatide), a TEVA product for the treatment of osteoporosis in adults, in Spain. However, ROVI is analyzing other opportunities with a similar market value with TEVA.

Sales of contrast imaging agents and other hospital products increased by 10% to 32.6 million euros in 2019.

Sales of Perspirex® represented 55% of over-the counter pharmaceutical products ("OTC") and other sales in 2019. The distribution contract of Perspirex® ended on 30th June, 2019 and, therefore, ROVI stopped distributing the product as of the third quarter of 2019. Therefore, ROVI has now fully divested the OTC division.

Toll manufacturing sales increased by 20% to 65.6 million euros in 2019 as a result of the redirection of our toll manufacturing activities strategy towards high-value-added products.

In November 2019, the toll manufacturing management units, ROVI Contract Manufacturing and Frosst Ibérica, merged into a single entity, ROVI Pharma Industrial Services, which furnishes manufacturing services with the highest degree of quality and competitiveness. The total integration of the production processes is expected to allow the company to attain greater synergies and levels of efficiency in its industrial operations.

Likewise, by the end of 2020, ROVI expects the toll manufacturing business to have increased by a low-double-digit percentage.

Sales outside Spain increased by 50% to 149.0 million euros in 2019, 41.6 million euros (or 28%) of which related to international subsidiaries, mainly due to recognition of Enoxaparin biosimilar sales. Sales outside Spain represented 39% of operating revenue in 2019 compared to 33% in 2018.

Other income (subsidies) decreased by 27% to 1.2 million euros in 2019, compared to the previous year.

Gross profit increased by 23% to 215.9 million euros in 2019, the gross margin showing a decrease of 1.5 percentage points from 58.1% in 2018 to 56.6%, mainly due to (i) the increase of Enoxaparin biosimilar sales, which added lower margins in 2019 after the launch of the product in five new markets; and (ii) the increase in the LMWH raw material prices, which, in 2019, were running around 44% over 2018 prices. ROVI expects this upward trend in low-molecular-weight heparin raw material prices to increase during 2020. This, together with the uncertainty about the potential impact of the new coronavirus, makes the impact of these issues on the 2020 gross margin unpredictable at the present date.

Research and development expenses (R&D) decreased 9% to 29.3 million euros in 2019. R&D expenses were mainly related to the development of the Risperidone-ISM® Phase III trial and the Letrozole-ISM® Phase I trial.

On the 1st January, 2019, IFRS 16 "Leases" became effective. The new standard affects ROVI's financial statements.

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. 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. Additionally, the lessee will recognise as an expense for amortisation of the asset and a financial expense for the discounting of the lease liability, not recording the lease expense. The impacts of the application of IFRS 16 in ROVI as of December 31, 2019 were:

- Recognition of assets under the "Property, plant and equipment" caption (non-current assets) for an amount of 20.6 million euros.
- Increase in debt under the captions "Financial liabilities for non-current and current leases" of 17.4 million euros and 3.5 million euros, respectively.

- Lower operating expenses and, consequently, an increase of EBITDA of 3.6 million euros, since operating lease payments were recognized under the SG&A caption.
- Higher expense for the depreciation of the right-of-use asset of 3.6 million euros.
- An increase of 0.3 million euros in the finance costs of the lease liabilities.

Selling, general and administrative expenses (SG&A) increased 11% to 125.5 million euros in 2019, mainly due to (i) international subsidiaries expenses which amounted to 9.0 million euros compared to 7.4 million euros in 2018; (ii) the increase of 1.6 million euros in marketing expenses related to the enoxaparin biosimilar promotion in Spain and (iii) a larger volume of enoxaparin biosimilar production. In 2020, 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, linked to a substantial change to Frosst Ibérica (currently called Rovi Pharma Industrial Services) 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.

EBITDA increased to 60.9 million euros in 2019, a rise of 106% compared to the previous year, reflecting a 6.2 percentage point increase in the EBITDA margin, which was up to 16.0% in 2019 from 9.7% in 2018.

However, EBITDA “Pre-R&D”, calculated excluding R&D expenses in 2019 and 2018 and the impact of non-recurring expenses in 2018, increased by 43%, from 63.0 million euros in 2018 to 90.2 million euros in 2019, reflecting a 2.9 percentage point rise in the EBITDA margin to 23.6% in 2019. Likewise, recognising the same amount of R&D expenses in 2019 as in 2018 and excluding the impact of non-recurring expenses in 2018, EBITDA would have increased by 89% to 57.8 million euros, reflecting a 5.1 percentage point rise in the EBITDA margin to 15.2% in 2019, up from 10.1% in 2018.

Depreciation and amortisation expenses increased by 51% to 18.2 million euros in 2019, as a result of the IFRS 16 application and the new property, plant and equipment and intangible assets purchases made during the last twelve months.

EBIT increased by 144% to 42.6 million euros in 2019, reflecting a 5.4 percentage point rise in the EBIT margin, which was up to 11.2% in 2019 from 5.8% in 2018.

However, EBIT “pre-R&D”, calculated excluding R&D expenses in 2019 and 2018 and the impact of non-recurring expenses in 2018, increased by 41%, from 51.0 million euros in 2018 to 72.0 million euros in 2019, reflecting a 2.1 percentage point rise in the EBIT margin to 18.9% in 2019. Likewise, recognising the same amount of R&D expenses in 2019 as in 2018 and excluding the impact of non-recurring expenses in 2018, EBIT would have increased by 113% to 39.6 million euros, reflecting a 4.3 percentage point rise in the EBIT margin to 10.4% in 2019, up from 6.1% in 2018.

Net finance costs decreased by 4% to 0.8 million euros in 2019, mainly due to the gain related to derivative financial instruments.

The effective tax rate was 6.2% in 2019 (negative income tax of 2.6 million euros), compared to -7.3% in 2018 (positive income tax of 1.2 million euros), mainly due to the decrease in R&D expenses in 2019 in comparison with the previous year, which led to lower research and development tax credits.

As of 31 December 2019, negative tax bases of the Group amounted to 34.9 million euros, of which 8.3 million euros will be used in the 2019 income tax.

Net profit increased by 119%, from 17.9 million euros in 2018 to 39.3 million euros in 2019. However, net profit "pre-R&D", calculated excluding R&D expenses in 2019 and 2018 and the impact of non-recurring expenses in 2018, increased by 24%, from 53.8 million euros in 2018 to 66.8 million euros in 2019. Likewise, recognising the same amount of R&D expenses in 2019 as in 2018 and excluding the impact of non-recurring expenses in 2018, net profit would have increased by 91% to 36.4 million euros.

2.2.- Outlook for 2020

In 2020, ROVI expects a mid-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 2019, which, according to the Ministry of Health, Consumption and Social Welfare, showed a growth rate of 3.0%.

ROVI expects its growth drivers to be Bemiparin, the license agreements, such as Neparvis® and Volutsa®, the Enoxaparin biosimilar, its existing portfolio of specialty pharmaceuticals, new products recently acquired (Falithrom® and Polaramine®) and new contracts in the toll manufacturing area.

Likewise, ROVI stopped distributing Norgine B.V. Group products (Sintrom®, Salagen®, Cordiplast® and Estraderm®) at the end of 2019; then no sales related to these products will be booked in 2020. In 2019, sales related to Norgine B.V. Group products amounted to 14.5 million euros.

2.3.- Key operating and financial events

2.3.1 ROVI announces the commencement of the assessment process to obtain marketing authorisation for Doria® in the European Union

ROVI informed that, after the conclusion of the validation phase, the European health authorities have commenced the assessment process to grant marketing authorisation for Doria®, a long-acting anti-psychotic injection for the treatment of schizophrenia, based on the ISM® technology patented by ROVI, in the European Union (EU).

ROVI filed its application for marketing authorisation for Doria® with the European health authorities, the European Medicines Agency (EMA), through the Centralised Procedure on 27 December, 2019. After passing the validation phase satisfactorily, the dossier was admitted for evaluation on 30 January, 2020.

It is forecast that the assessment phase of the Centralised Procedure used by the Company to register this medicine in the EU may take around one year. It should, however, be noted that the assessment process is subject to interruptions and delays in the event that the European health authorities require additional information. Likewise, mention should be made of the fact that the outcome of the registration process (which may be positive or negative) cannot be known until it has concluded.

ROVI will continue to provide information on the milestones deemed significant in this authorisation as the calendar for registration of the medicine in the European Union advances, as well as the registration of the same medicine with the U.S. Food and Drug Administration (FDA), which it is planned to commence in the second half of 2020.

2.3.2 ROVI announces the construction of a second heparin plant in Granada

ROVI informed about the future construction of a new manufacturing plant for the active substance of low-molecular-weight heparins ("LMWH"), for which it has acquired industrial land in the Metropolitan Industry and Technology Park in Escúzar (Granada). This investment reflects ROVI's bet on becoming, through its two flagship products, bemiparin and the enoxaparin biosimilar, one of the main European players in this market, which is worth approximately 1,400 million euros[1] worldwide.

This operation will require ROVI to make an investment of around 24 million euros over the next three years and will double the ROVI Group's LMWH production capacity. The investment is intended to guarantee ROVI's future production capacity and respond to the company's strategic growth in the LMWH field. Once again, ROVI has chosen the province of Granada and the Autonomous Region of Andalusia to continue with its expansion and development plans over the forthcoming years. In a first phase until the year 2023, the construction of the new plant will create estimated net employment of 38 jobs.

As of 30 June 2019, all the EU countries where ROVI had applied for approval of the national registration of its enoxaparin biosimilar (26 countries) had approved registration and, in addition to the European countries, the company had signed marketing agreements for the product in a further 83 countries. Likewise, the international presence of bemiparin now covers 57 countries.

2.3.3 ROVI announces completion of the Clinical Trial Program that will support the application for marketing authorization for Doria® for the treatment of schizophrenia

ROVI informed (by publication of the material event number 279907 dated 5th of July of 2019) about the conclusion of the PRISMA-3[2] and BORIS[3] studies, thus completing the Clinical Research Program for Risperidone ISM®, in which more than 679 subjects participated. All the data collected and analyzed in this Program are included in the registration dossier to apply for marketing authorization for Doria® for the treatment of schizophrenia in the European Union and United States, in a first phase, and, subsequently, in other countries.

As the company announced on 19 March, 2019, the final results of the pivotal PRISMA-3 clinical study confirm the superiority of Risperidone ISM®, a novel investigational antipsychotic for the treatment of schizophrenia with once-monthly injections, in comparison with the placebo. The prespecified primary efficacy endpoint in the study was the mean total score on the Positive and Negative Syndrome Scale (PANSS) after twelve weeks. The reductions in comparison with the baseline values obtained in the PANSS with monthly doses of 75 mg or 100 mg of Risperidone ISM® were statistically higher than those observed with placebo ($p<0.0001$).

[1] *Estimates based on Sanofi-Aventis reported 2019 sales.*
[2] *https://clinicaltrials.gov/ct2/show/NCT03160521. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").*
[3] *https://clinicaltrials.gov/ct2/show/NCT03527186*

Likewise, both dosage strengths of Risperidone ISM® (75 mg and 100 mg, once monthly) showed reductions that were statistically higher than those of the placebo (p<0.0001) in the total score on the Clinician Global Impression-Severity (CGI-S) scale, at week 12, which was the prespecified key secondary efficacy endpoint in the study.

Additionally, ROVI is including in the registration dossier long-term safety data on more than 100 patients from an open-label extension of the PRISMA-3 study[4], exposed to at least one year of treatment with Doria®, as recommended in the International Conference on Harmonization (ICH) Guideline E1. The aforementioned open-label extension of the pivotal study, after recruiting 215 patients, has very recently finished and will provide more clinical data on the long-term use of Risperidone ISM®.

Lastly, ROVI has also announced the completion of the BORIS clinical trial, aimed to compare the bioavailability of multiple doses of oral risperidone with multiple doses of Risperidone ISM® in stable schizophrenic patients. The results of this study are providing support to the registration of Doria® with the FDA (Food and Drug Administration) and EMA (European Medicines Agency) as a hybrid application[5,6], i.e. based partly on own studies and partly on previously done with reference medicine.

2.3.4 ROVI Announces Positive Topline Results from Phase 3 study of Doria® in Patients with Schizophrenia

ROVI informed about topline results from the pivotal study PRISMA-3, a multicenter, randomized, placebo-controlled phase 3 trial of Doria® (Risperidone ISM®), a novel investigational once-monthly injectable antipsychotic for the treatment of schizophrenia. In this study, patients treated with once-monthly doses of either 75 mg or 100 mg of Doria®, obtained statistically significant reductions from baseline (p<0.0001) compared to placebo in the Positive and Negative Syndrome Scale (PANSS) total score at week 12, which was the prespecified primary efficacy endpoint in the trial.

"*The positive results of the PRISMA-3 study provide the clinical evidence that Risperidone ISM® allows for a meaningful control of schizophrenia symptoms in patients with an acute illness exacerbation, using once-monthly injection and without needing loading doses or oral supplementation*" stated Christoph Correll, M.D., Professor of Psychiatry and Molecular Medicine at the Donald and Barbara Zucker School of Medicine at Hofstra/Northwell in Hempstead, New York. "*In view of these results that also documented a favorable safety profile consistent with data known from oral risperidone, I believe that Risperidone ISM®, if approved, may represent a first-line therapeutic option for those schizophrenia patients in whom prescribers, patients and families consider risperidone to be the treatment of choice*".

Both doses of Risperidone ISM® (once-monthly 75 mg and 100 mg), compared to placebo, also showed statistically significant improvement (p<0.0001) in the total score of the Clinical Global Impressions-Severity scale (CGI-S) at 12 weeks, which was the pre-specified key secondary efficacy endpoint in the study.

[4] *Study to Evaluate the Efficacy and Safety of Risperidone ISM® in Patients With Acute Schizophrenia: Open Label Extension (PRISMA-3_OLE). Clinicaltrials.gov# NCT03870880 [https://clinicaltrials.gov/ct2/show/NCT03870880]. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").*
[5] *NDA 505(b)(2) Section of Federal Food, Drug, and Cosmetic Act*
[6] *Hybrid Application, Article 10(3) – Directive 2001/83/EC*

2.3.5 ROVI acquires rights to Dexchlorpheniramine Maleate in the Spanish and French markets

ROVI informed that it has reached an agreement with a subsidiary of Merck Sharp and Dohme ("MSD") whereby it 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).

This line of products belongs to a group of medicines known as antihistamines used for symptomatic treatment of seasonal and perennial allergic rhinitis; vasomotor rhinitis; allergic conjunctivitis; mild, uncomplicated allergic cutaneous manifestations of urticaria or angioedema; and reactions to blood or plasma. It is also indicated, together with adrenalin or other appropriate measures, for treatment of anaphylactic reactions after the acute manifestations have been controlled. These products often relieve cutaneous manifestations such as allergic eczema, atopic and contact dermatitis, insect bites, dermographisms and drug reactions.

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

ROVI paid MSD 13.5 million euros for the product.

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.

2.3.6 ROVI acquires Falithrom® for the German market

ROVI informed 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).

2.4.- Research and development

ISM® technology platform

As the company has recently informed (by publication of the material event number 286374 dated 31st of January of 2020), a very important milestone has already been achieved with its long-acting injectable (LAI) antipsychotic Doria® (Risperidone ISM®). After the conclusion of the validation phase, the European health authorities have commenced the assessment process to grant marketing authorisation for this first product based in its leading-edge drug delivery technology, ISM®. In March 2019, the company announced topline results from the pivotal study of Risperidone ISM® "PRISMA-3"[7], which showed that primary and key secondary efficacy endpoints were achieved with both doses tested for the treatment of patients with acute exacerbation of schizophrenia. Besides, in July 2019, the company announced the completion of the Clinical Trial Program that will support the application for marketing authorization for Doria® for the treatment of schizophrenia. In addition, an open-label extension of the PRISMA-3 study[8] has already finished, which will provide clinical data on the long-term use of Risperidone ISM® (12 additional months).

Furthermore, ROVI informed of the decision to expand its industrial capabilities for the manufacture of Doria® with the incorporation of a second line for the manufacture of the syringe containing the solvent. The addition of this second line also provides the company with the necessary flexibility to the company to initiate the preparation of the industrial filling processes of Letrozole ISM®, which will require the installation of a specific filling machine. As a result, ROVI has prioritized the submission of the Doria® dossier in Europe (already done) and subsequently, filing in the USA, targeting the second half of 2020.

On the other hand, the company already announced the commencement of the clinical development of Letrozole ISM®, which represents the second candidate using the ROVI's ISM® technology platform. This new investigational medicine is, to our best knowledge, 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[9]) of Letrozole ISM® is currently ongoing and due to the study design ("dose escalation") and its exploratory nature, the finalisation date cannot be anticipated. Nevertheless, preliminary data confirm that this ISM® formulation provides a prolonged release of letrozole which produces a sustained suppression of oestrogenic hormones. The company will be gathering more clinical data from this trial during the following months to better characterise the pharmacological profile of Letrozole ISM®; afterwards, in 2020, ROVI is planning to discuss with regulatory authorities these results as well as the next steps for continuing the clinical development of this novel long-acting injectable aromatase inhibitor.

Lastly, ROVI's R&D team has recently started development of a new formulation of Risperidone ISM® for a 3-monthly injection, which would complement the current formulation of Doria® for the maintenance treatment of patients with clinically stable schizophrenia. This development is still in an initial phase.

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[7] *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]. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").*

[8] *Study to Evaluate the Efficacy and Safety of Risperidone ISM® in Patients With Acute Schizophrenia: Open Label Extension (PRISMA-3_OLE). Clinicaltrials.gov# NCT03870880 [https://clinicaltrials.gov/ct2/show/NCT03870880]. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").*

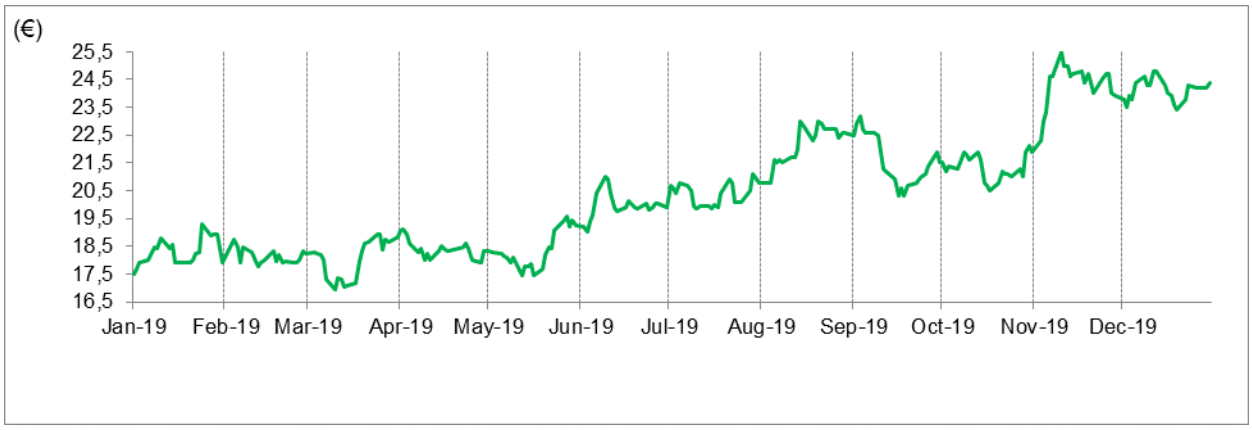
[9] *Evaluation of IM Letrozole ISM® Pharmacokinetics, Safety, and Tolerability in Healthy Post-menopausal Women (LISA-1). Clinicaltrials.gov#NCT03401320 [https://clinicaltrials.gov/ct2/show/NCT03401320]. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").*

2.5.- Stock market capitalization

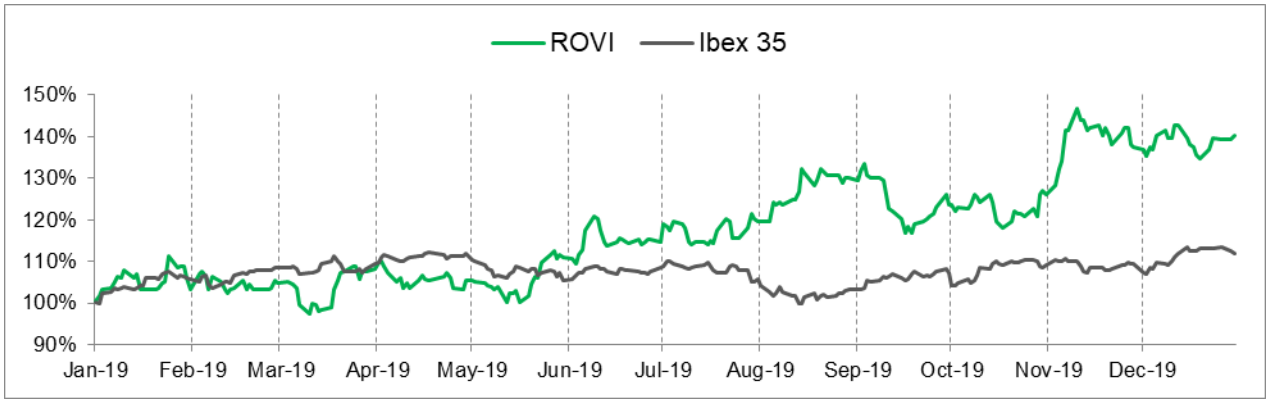
On the December 5th 2007, ROVI carried out an Initial Public Offering (IPO) of shares initially intended for qualified investors in Spain and to qualified institutional investors abroad. The face value of the operation, without including the shares corresponding to the green shoe purchase option, was 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 2019:



The following chart shows the performance of the share price of ROVI compared with the IBEX 35 index in 2019:



3.- FINANCIAL INFORMATION

3.1.- Liquidity and capital resources

3.1.1.- Liquidity

As of 31 December 2019, ROVI had a gross cash position of 68.9 million euros, compared to 97.0 million euros as of 31 December 2018, and net debt of 15.9 million euros (equity securities plus deposits plus financial derivatives plus cash and cash equivalents minus current and non-current financial debt), compared to net cash of 62.8 million euros as of 31 December 2018.

3.1.2.- Capital resources

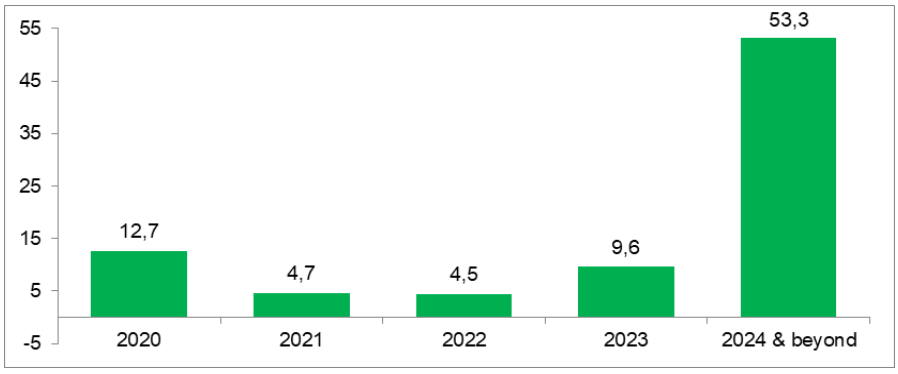
As a result of the IFRS 16 application, as of 31 December 2019, ROVI total debt increased to 84.8 million euros. Debt with public administration, which is 0% interest rate debt, represented 14% of total debt as of 31 December 2019.

In thousand euros	2019	2018
Bank borrowings	52,116	22,716
Debt with public administration	11,689	11,508
Financial liabilities for leases	20,871	-
Derivatives	129	-
Total	**84,805**	**34,224**

As of 31 December 2019, bank borrowings increased by 29.4 million euros. 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 was for 45 million euros. As of 30 September 2019, ROVI had drawn 5 million euros against this credit line at a variable interest rate of Euribor at 3 months + 0.844%. The latest interest rate paid was 0.421% (January 2020). As of 31 December, 2019, ROVI had drawn the remaining 40 million euros. The credit matures in 2029, includes a grace period of 3 years with a fixed interest of 0.681%.

Financial liabilities for leases reached 20.9 million euros in 2019 as a result of the IFRS 16 application.

Debt maturities at 31 December, 2019 are shown in the following graph (millions of euros):



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, until 2019, at the time of the entry into force of the International Financial Reporting Standard 16 "Leases" (IFRS 16), were 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. As of December 31, 2019, there are no minimum future payments to be paid for non-cancellable operating leases (as of December 31, 2018 there were 883 thousand euros, of which 714 thousand euros were due to less than one year).

3.2.- Capital expenditure

ROVI invested 27.0 million euros in 2019, compared to 17.4 million euros in 2018. This increase in capex was mainly due to (i) the redirection of the toll manufacturing activities strategy towards high-value added products, which meant a higher degree of technological specialization of the plants in differentiated niches; and (ii) the ISM® industrialization. Of the amount invested:

- 1.6 million euros corresponds to investment capex related to the injectable facility, versus 2.7 million euros in 2018;
- 4.3 million euros relates to investment capex regarding the San Sebastián de los Reyes plant, versus 2.8 million euros in 2018;
- 5.9 million euros were invested in the Granada facility, versus 3.0 million euros in 2018;
- 8.3 million euros were invested in the Alcalá de Henares (Frosst Ibérica) facility, versus 5.5 million euros in 2018;
- 3.5 million euros corresponds to the ISM® industrialization, versus 1.1 million euros in 2018; and
- 3.4 million euros relates to expenditure on maintenance and other capex (includes 1.0 million euros related to the purchase of a plot of land for the construction of the second heparin plant in Granada), versus 2.3 million euros in 2018.

In addition, in 2019, ROVI invested 13.5 million euros in the acquisition of Polaramine®

3.3.- Treasury shares transactions

In the course of 2019, ROVI acquired a total of 224,449 of its own shares (68,603 in 2018), paying the amount of 4,718 thousand euros for them (1,138 thousand euros in 2018). Likewise, it resold a total of 232,548of its own shares (58,731 in 2018) for an amount of 4,871 thousand euros (986thousand euros in 2018). These shares had been acquired at a weighted average cost of 3,189 thousand euros (733 thousand euros in 2018), giving rise to a profit of 1,682 thousand euros on the sale (253 thousand euros in 2018), which was taken to reserves. At 31 December, 2019, ROVI held 686,956 treasury shares (695,055 at 31 December, 2018).

3.4.- Dividends

The ROVI General Shareholders Meeting, on 12 June 2019, approved the payment of a gross dividend of 0.0798 euros per share on 2018 earnings. This dividend was paid in July 2019.

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 2019.

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 conditions under which raw materials and other packaging materials needed for manufacturing its products are supplied;
- Failure to complete the Research and Development projects that ROVI is executing successfully or in the expected manner.
- Actions on the part of the competition that have an adverse impact on ROVI’s sales.
- Changes in the prescription criteria or changes in the legislation regulating the market aimed to contain pharmaceutical expense (price control, reference prices, support for generic products, co-payment, purchase platforms, …);
- 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 with the diversification of suppliers of raw materials and other packaging materials necessary for the manufacture of the products; (ii) is continuing with its target of constantly opening up new markets as a result of its international expansion plan; (iii) continues to enhance its processes and controls, including those related to the internationalization process; (iv) is working intensively to maintain a broad and diversified portfolio of products and customers; (v) perseveres every year with its savings plan, which has focused mainly on improving the efficiency of its internal and external operating processes; (vi) 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; (vii) the Group 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: this risk is 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) transactions for a significant amount in currencies other than the euro are hedged with financial instruments that minimise the impact of exchange-rate risk. At 31 December, 2019, the Group held instruments of this kind for a value of 26,500 thousand euros, the measurement of which at the 2019 reporting date did not lead to recognition of significant losses.

b) 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.

c) 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.

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. To minimise this risk, the Group mantains a diversified portfolio of suppliers and manages its stock levels efficiently.

- *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 2019.

7.- EVENTS AFTER BALANCE SHEET DATE

There have been no significant subsequent events after the end of fiscal year 2019.

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 2019 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 2019); and

- Non-recurring expenses/income (see Note 23 to the consolidated annual accounts at 31 December 2019).

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 2019); and

- Non-recurring expenses/income (see Note 23 to the consolidated annual accounts at 31 December 2019).

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

KPMG Asesores S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on the Consolidated Non-Financial Information Statement of Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries for the year 2019

(Free 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.:

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Non-Financial Information Statement Consolidated (hereinafter NFIS) for the year ended 31 December 2019, of Laboratorios Farmacéuticos Rovi, S.A. (hereinafter the Parent Company) and subsidiaries (hereinafter the Group) which forms part of the 2019 consolidated Group's Directors' Report.

The consolidated Directors' Report includes additional information to that required by prevailing mercantile legislation on which it is not possible to provide assurance as it was not prepared using adequate criteria. In this regard, our assurance work was limited only to providing assurance on the information contained in the table "Information required by Law 11/2018" of the accompanying consolidated Directors' Report.

Directors' responsibilities

The Board of Directors of the Parent Company is responsible for the contents and the authorisation for issue of the NFIS included in the Group's Directors' Report. The NFIS has been prepared in accordance with the contents required by prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with each subject area in the table "Information required by Law 11/2018" of the aforementioned Group's Directors' Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The directors of the Parent Company are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the NFIS was obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of Management, as well as of the different units of the Parent Company that participated in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and sample review testing described below:

- Meetings with Parent Company personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the NFIS based on the materiality analysis performed by the Parent Company and described in the section "Bases for authorisation of the Statement of Non-Financial Information", considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the NFIS for 2019.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2019.
- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2019 and whether it has been adequately compiled based on data provided by internal and external information sources or third-party reports.

– Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the NFIS of Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries for the year ended 31 December 2019, has not been prepared, in all material respects, in accordance with the contents included in prevailing mercantile legislation and with the GRI Standards selected, in accordance with each subject area in the table "Information required by Law 11/2018" of the consolidated Directors' Report.

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

(Signed on original in Spanish)

Marta Contreras Hernández

25 February 2020

The Board of Directors of Laboratorios Farmacéuticos 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, based on the materiality matrix contained in the 2018 Integrated Report published on the ROVI website (www.rovi.es):

- 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 pan-European pharmaceutical group ("ROVI" or the "Group") company engaged in the research, development, manufacturing and marketing of small molecules and biological specialties. It has four principal pillars of growth:

- Low-molecular-weight heparin (LMWH) division. In 2019 this division represents 47% of group sales. ROVI has two proprietary research products: bemiparin Hibor® and an enoxaparin biosimilar.

  - Hibor® (bemiparin). Low-molecular-weight heparin (fast-acting anticoagulant) used to prevent and treat venous thromboembolic disease.
  - Biosimilar of EnoxaparinaBecat®. This is an anti-coagulant drug belonging to the leading low-molecular weight heparin group worldwide, which was first marketed in 2017. It is used to prevent deep vein thrombosis and pulmonary embolia.

- Other pharmaceutical specialties division: with a diversified portfolio of innovative products, both of its own and licensed, protected by patents. The company has more than 40 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. They cover nine therapeutic areas and are indicated for both the treatment of a number of complaints and diagnosis. The most important products in terms of their contribution to the Group's EBITDA are:

  - 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 by ROVI under a licence from Novartis.
  - Absorcol®, Vytorin® and Orvatez® (ezetimibe) / (ezetimibe and simvastatin) /(ezetimibe y atorvastatin). Adjunctive therapy to diet in patients with hypercholesterolemia. These products are distributed by ROVI under a co-marketing agreement with MSD.
  - Hirobriz® Breezhaler® and 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® and Medicebrán® (methylphenidate hydrochloride with modified release / methylphenidate hydrochloride with immediate release). Prescription medicines that are indicated for treatment of attention deficit hyperactivity disorder (ADHD) 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. Rovi has successfully positioned itself strategically to take advantage of the growing trend among pharmaceutical companies to outsource their manufacturing processes. Thus, the Company uses the high manufacturing capacity available at its facilities by providing full development, transfer and manufacturing services for injectables and oral solid forms.

  Through three production plants, used for injectables (one in Madrid and one in San Sebastián de Los Reyes) and for oral forms (in 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. Additionally, ROVI offers a broad range of services for the performance of clinical trials, preparation and filling, labelling, packaging and logistics.

- A sound, low-risk R&D policy. The Company allocates a large part of its resources to research, in order to remain in the vanguard in both the product area and the manufacturing and development systems area. ROVI operates with a low-risk strategy, concentrating on chronic diseases with broad medical needs and establishing strategic international alliances to tackle the most arduous clinical trials. Currently, ROVI has a portfolio of numerous products in the research and development phase, focused primarily on three areas:

  1. Sophisticated drug-release technologies (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. The first two product developments with this technology are Risperidone ISM® (registered under the trade mark Doria®), which commenced its evaluation process to obtain marketing authorisation in the European Union in January 2020, and Letrozol ISM®.
  2. The Glycomics field, where ROVI has recently developed an enoxaparin biosimilar (enoxaparin is currently the world leader in low-molecular-weight heparins), which was first marketed in 2017.
  3. Multi-layer technologies for urethral catheters. The pre-clinical development of multi-layer technology is continuing. It provides significant advantages over the state of the art against the high prevalence of bacteria in stents and urethral catheters, which may lead to the appearance of clinical symptoms and complications, including serious sepsis and death.

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 70 years' experience, its main product, Bemiparin, 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 protected by patents: the Company has a portfolio of more than 40 products (of its own and licensed) for which there is growing demand and which are not affected by the reference pricing system in Spain for nine therapeutic areas.
- 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 2019, made great strides forward in this respect.

At 31 December, 2019, ROVI had a total of 1,310 employees and sales of 381,313 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, 2019 was 24.40 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 areas are located, as well as other central group services.

ROVI has three research centres and six plants to manufacture its own products and provide services to third parties, located at facilities in Madrid (production and R&D), San Sebastián de los Reyes (production), Alcalá de Henares (production and R&D) and Granada (production and R&D). Furthermore, in 2019, ROVI announced that the construction of a second heparin plant would commence in Granada.

At the end of 2019, ROVI was present in more than 65 countries and operating directly in the following:

- Spain, where a large part of its marketing operations is conducted, as well as al the manufacturing services and R&D activities.
- France
- Portugal
- Italy
- Germany
- United Kingdom
- Poland

In the last five 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, 2019.

Additionally, through strategic alliances with international partners, at the end of 2019, ROVI, due to ts LMWH division, was present in more than 65 countries, distributing its flagship product, Bemiparin, in 58 countries around the world. Furthermore, at 31 December, 2019, ROVI was marketing its enoxaparin biosimilar directly in Germany, the United Kingdom, Italy, Spain, France, Austria, Latvia, Estonia, Portugal, Poland, Costa Rica, Sweden and Finland. Likewise, all the EU countries where ROVI had applied for approval for national registration of its enoxaparin biosimilar (26 countries)

had approved said registration and, in addition to the European countries, the Company held marketing agreements for the product in a further 85 countries.

International sales account for around 80% of the toll manufacturing business, with exports to more than 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 September 2017 and with which ROVI aspires to become one of the main European players in a market where enoxaparin sales total 900 million euros[1], 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[1]. To increase its capacity, in 2019 ROVI announced that construction would begin on a second heparin plant in Granada.
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. Products such as Neparvis®, Hirobriz® Breezhaler® and Ulunar® Breezhaler®, Volutsa® and Orvatez® will contribute to a good performance by the Company over forthcoming years, since they meet needs with a growing demand and represent an opportunity for sustained and profitable growth for the future.
4. The development of operating synergies and the extension of the scope of the value-added manufacturing services with present and potential customers.

International expansion is one of the strategic goals at both organisational and marketing level, mainly through the distribution of the enoxaparin biosimilar.

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.

[1] Estimates based on the sales reports of Sanofi-Aventis 2018A.

- 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 7%, 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, driven 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. These 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 Rovi Pharma Industrial Services, S.A.U. 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 stakeholders 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 stakeholders.

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 and specifically the following:

- Non-compliance with legal requirements due to either deficient identification of legal requirements concerning the environment, or environmental aspects or 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. Likewise, ROVI holds environmental liability insurance, renewable annually.

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 (formed by 9 personas), and an Integrated Environmental Management and Occupational Hazard Prevention Policy which governs ROVI's activities in respect of environmental issues, most recently updated in July 2019. Additionally, an annual budget to cover safety and environmental expenses is assigned to each plant or work centre.

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 has contracted 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 well as 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.

In July 2019, ROVI completed the renewal of its vehicle fleet for the sales network and its corporate fleet. The change in model had a favourable effect on rationalisation of the Company's average fuel consumption, which dropped by 7% in the period July to December 2019 in comparison with the same period of the preceding year.

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, i.e. the activity of the active substance produced.
- Injectables production plant of Rovi Pharma Industrial Services, S.A.U. (Plants located in San Sebastián de los Reyes and Madrid): in this case, the units produced are expressed in individual packaged units. For the production of forms in Alcalá de Henares, the conditioned packs of oral solid forms (tablets, coated tablets, hard capsules and sachets) are used as the production unit.
- Distribution business of Laboratorios Farmacéuticos ROVI, S.A. and subsidiaries: in this case, the units distributed are used.

	2019				2018				Var.			
WASTE (*)	Granada	Madrid and SSRR	Alcalá de Henares	Distribution	Granada	Madrid and SSRR	Alcalá de Henares	Distribution	Gr	Mad & SSRR	AH	Distr.
Tn of hazardous waste generated	1,910	236	120	15	1,037	186	176	25	84%	27%	-32%	-39%
Tn of non-hazardous waste generated	2,282	658	440	1	1,336	464	283	1	71%	42%	56%	-30%
TOTAL	**4,192**	**894**	**560**	**15**	**2,373**	**651**	**459**	**25**	**77%**	**37%**	**22%**	**-39%**
Tn of hazardous waste/ million units produced	0.004	1.78	3.53	0.74	0.003	1.70	5.17	1.15	5%	5%	-32%	-35%
Tn of non-hazardous waste/ million units produced	0.004	4.97	12.94	0.02	0.004	4.24	8.31	0.03	-3%	17%	56%	-25%
Ton. Waste/million units produced	**0.008**	**6.76**	**16.47**	**0.77**	**0.008**	**5.95**	**13.49**	**1.18**	**0%**	**14%**	**22%**	**-35%**

	2019				2018				Var.			
ENERGY CONSUMPTION (*)	Granada	Madrid and SSRR	Alcalá de Henares	Distribution	Granada	Madrid and SSRR	Alcalá de Henares	Distribution	Gr	Mad & SSRR	AH	Distr.
kWh electricity consumed	3,822,809	7,795,638	8,906,808	97,458	3,002,572	7,206,775	8,100,711	630,352	27%	8%	10%	-85%
kWh electricity consumed/million units produced	**7**	**58,924**	**225,489**	**4,830**	**10**	**65,863**	**238,256**	**29,306**	**-28%**	**-11%**	**-5%**	**-84%**
kWh natural gas consumed	2,285,101	6,836,948	14,048,975	0	1,941,716	6,371,676	14,426,850	0	18%	7%	-3%	-
kWh natural gas consumed/million units produced	**4**	**51,678**	**355,670**	**0**	**6**	**58,231**	**424,319**	**0**	**-33%**	**-11%**	**-16%**	**-**
Litres vehicle fuel	300	0	2,175	485,185	500	409	1,279	518,653	-40%	-100%	70%	-6%

	2019				2018				Var.			
NATURAL RESOURCE CONSUMPTION (*)	Granada	Madrid and SSRR	Alcalá de Henares	Distribution	Granada	Madrid and SSRR	Alcalá de Henares	Distribution	Gr	Mad & SSRR	AH	Distr.
m3 water consumed	24,026	58,931	63,114	2,561	27,399	51,842	62,516	985	-12%	14%	1%	160%
m3 water / million units produced	**0.0**	**445.4**	**1,597.8**	**126.9**	**0.1**	**473.8**	**1,838.7**	**45.8**	**-50%**	**-6%**	**-13%**	**177%**

	2019				2018				Var.			
ATMOSPHERIC EMISSIONS (*)	Granada	Madrid and SSRR	Alcalá de Henares	Distribution	Granada	Madrid and SSRR	Alcalá de Henares	Distribution	Gr	Mad & SSRR	AH	Distr.
Tones of CO2 emitted	1,569	3,644	5,446	1,290	1,263	3,379	5,291	1,456	24%	8%	3%	-11%
Tonnes of CO2 emitted / million units produced	**0.003**	**27.54**	**137.86**	**63.92**	**0.004**	**30.88**	**155.61**	**67.70**	**-29%**	**-11%**	**-11%**	**-6%**

(*) Some of the data for the last month of 2019 are estimates based on information from previous periods.

Note: Due to a change in the method of calculating CO2 atmospheric emissions, the data presented above have undergone a slight modification with respect to those reported in the SNFI 2018, in order to allow the comparability of said indicators.

4. SOCIAL AND EMPLOYEE MATTERS

4.1.- Employment

In 2019, the Company's continuing growth strategy of previous years continued and, in accordance therewith, ROVI increased its number of employees, thus continuing with its human resources policy aimed at adapting the workforce to the needs defined by business strategy.

During the year, ROVI continued with its policy of favouring permanent employment as a way to create a stable workforce and generate high-quality jobs. The Company's strategy fosters a balanced use of permanent and temporary contracts, using the former to cover the structural workforce needs and the latter for specific or seasonal requirements of the activity. This is shown in the distribution of the workforce, where permanent contracts prevail.

Another feature of the employment policy to highlight is the Company's effort to promote the inclusion and access of differently-abled candidates under equitable conditions, as well as balance and equality in the conditions for men and women. Thus, the strategy to consolidate equal opportunities and diversity as a defining aspect of ROVI's culture continues.

ROVI still believes that, in order to undertake the business strategy, a workforce balanced between young and experienced professionals is necessary. This can be seen from the tables showing the distribution of employees by age, where a balance in the distribution of the workforce among the different brackets may be noted.

The following figures show the indicators relating to ROVI's workforce at 31 December, 2019. The data do not include information related to scholarship contracts.

- Total number and distribution of employees by:

a) Gender

DISTRIBUTION OF EMPLOYEES BY GENDER	2019	2018	Var.
Men	614	558	10%
Women	696	666	5%
TOTAL	**1,310**	**1,224**	**7%**

b) Age

	2019			2018			
DISTRIBUTION OF EMPLOYEES BY AGE / GENDER	Men	Women	TOTAL	Men	Women	TOTAL	Var.
18-30 years	88	222	**310**	78	106	**184**	**68%**
31-40 years	179	187	**366**	156	216	**372**	**-2%**
41-50 years	210	176	**386**	195	213	**408**	**-5%**
51-60 years	116	93	**209**	109	114	**223**	**-6%**
>60 years	21	18	**39**	20	17	**37**	**5%**
TOTAL	**614**	**696**	**1,310**	**558**	**666**	**1,224**	**7%**

c) Country

	2019			2018			
DISTRIBUTION OF EMPLOYEES BY COUNTRY / GENDER	**Men**	**Women**	**TOTAL**	**Men**	**Women**	**TOTAL**	**Var.**
Spain	606	685	**1.291**	550	654	**1.204**	**7%**
Uk	-	1	**1**	-	1	**1**	**0%**
Germany	3	2	**5**	3	3	**6**	**-17%**
Italy	1	3	**4**	3	3	**6**	**-33%**
France	3	-	**3**	1	1	**2**	**50%**
Poland	-	1	**1**	-	-	**-**	**-**
Portugal	1	4	**5**	1	4	**5**	**0%**
TOTAL	**614**	**696**	**1,310**	**558**	**666**	**1,224**	**7%**

d) Professional group

	2019			2018			
DISTRIBUTION EMPLOYEES BY PROFESSIONAL GROUP* / GENDER	**Men**	**Women**	**TOTAL**	**Men**	**Women**	**TOTAL**	**Var.**
1	1	6	**7**	1	5	**6**	**17%**
2	26	20	**46**	27	35	**62**	**-26%**
3	79	92	**171**	68	88	**156**	**10%**
4	130	105	**235**	108	93	**201**	**17%**
5	225	218	**443**	210	201	**411**	**8%**
6	68	103	**171**	60	84	**144**	**19%**
7	62	135	**197**	59	142	**201**	**-2%**
8	3	1	**4**	5	3	**8**	**-50%**
0	12	5	**17**	12	3	**15**	**13%**
Subsidiaries	8	11	**19**	8	12	**20**	**-5%**
TOTAL	**614**	**696**	**1,310**	**558**	**666**	**1,224**	**7%**

** Professional group according to the XIX Collective Agreement of the Chemical Industry.*

- Total number and distribution of types of employment contract by:

a) Gender

	2019			2018			
DISTRIBUTION EMPLOYEES BY TYPE OF CONTRACT / GENDER	**Men**	**Women**	**TOTAL**	**Men**	**Women**	**TOTAL**	**Var.**
Permant full-time	496	526	**1,022**	462	532	**994**	**-100%**
Permanent part-time	-	8	**8**	-	4	**4**	**100%**
Permanent short-time	4	35	**39**	-	-	**-**	**-**
Total permanent	**500**	**569**	**1,069**	**462**	**536**	**998**	**-100%**
Temporary for specific project or service	2	1	**3**	2	3	**5**	**-40%**
Temporary due to work backlog	61	48	**109**	47	55	**102**	**7%**
Temporary substitution contract	6	8	**14**	4	6	**10**	**40%**
Training / apprenticeship	31	51	**82**	27	49	**76**	**8%**
Temporary part-time	14	19	**33**	15	17	**32**	**3%**
Temporary full-time - empl. with disabilities	-	-	**-**	1	-	**1**	**-**
Total temporary	**114**	**127**	**241**	**96**	**130**	**226**	**7%**
TOTAL	**614**	**696**	**1,310**	**558**	**666**	**1,224**	**7%**

b) Age

DISTRIBUTION EMPLOYEES BY TYPE OF CONTRACT / AGE	18-30	31-40	41-50	51-60	>60	TOTAL
Permanent	181	311	360	203	14	**1,069**
Temporary for specific project or service	1	2	-	-	-	**3**
Temporary due to work backlog	45	41	19	3	1	**109**
Temporary substitution contract	3	3	6	2	-	**14**
Training / apprenticeship	71	9	1	1	-	**82**
Temporary part-time	9	-	-	-	24	**33**
TOTAL	**310**	**366**	**386**	**209**	**39**	**1,310**

c) Professional group

DISTRIBUTION OF EMPLOYEES BY TYPE OF CONTRACT / PROFESSIONAL GROUP *	1	2	3	4	5	6	7	8	0	Subsi-diaries	TOTAL
Permanent	5	10	129	195	359	136	196	4	17	18	**1,069**
Temporary for specific project or service	-	1	-	-	1	1	-	-	-	-	**3**
Temporary due to work backlog	-	31	23	18	24	12	-	-	-	1	**109**
Temporary substitution contract	-	4	6	1	3	-	-	-	-	-	**14**
Training / apprenticeship	-	-	4	10	46	22	-	-	-	-	**82**
Temporary part-time	2	-	9	11	10	-	1	-	-	-	**33**
TOTAL	**7**	**46**	**171**	**235**	**443**	**171**	**197**	**4**	**17**	**19**	**1,310**

** Professional group according to the XIX Collective Agreement of the Chemical Industry.*

- Number of dismissals by:

a) Gender

DISTRIBUTION OF DISMISSALS BY GENDER	2019	2018	Var.
Men	22	17	29%
Women	17	16	6%
TOTAL	**39**	**33**	**18%**

b) Age

	2019			2018			
DISTRIBUTION OF DISMISSALS BY AGE / GENDER	Men	Women	TOTAL	Men	Women	TOTAL	Var.
18-30 years	1	2	**3**	2	-	**2**	**50%**
31-40 años	5	10	**15**	3	4	**7**	**114%**
41-50 años	8	5	**13**	5	8	**13**	**0%**
51-60 años	8	-	**8**	3	2	**5**	**60%**
>60 años	-	-	**-**	4	2	**6**	**-100%**
TOTAL	**22**	**17**	**39**	**17**	**16**	**33**	**18%**

c) Professional group

	2019			2018			
DISTRIBUTION OF DISMSISSALS BY PROFESSIONAL GROUP * / GENDER	Men	Women	TOTAL	Men	Women	TOTAL	Var.
1	-	-	-	-	-	-	-
2	4	3	7	3	-	3	133%
3	4	3	7	2	2	4	75%
4	-	1	1	1	2	3	-67%
5	10	7	17	7	5	12	42%
6	3	2	5	-	3	3	67%
7	1	1	2	3	2	5	-60%
8	-	-	-	-	1	1	-
0	-	-	-	1	1	2	-
TOTAL	22	17	39	17	16	33	18%

** Professional group according to the XIX Collective Agreement of the Chemical Industry.*

- Average remuneration by:

a) Gender

AVERAGE REMUNERATION BY GENDER	2019	2018	Var.
Men	36,782 €	40,733 €	-10%
Women	35,244 €	36,738 €	-4%
AVERAGE	36,013 €	38,735 €	-7%

b) Age

AVERAGE REMUNERATION BY AGE/GENDER	2019		2018		Var.
	Men	Women	Men	Women	
18-30 years	22,813 €	28,091 €	21,966 €	21,983 €	16%
31-40 years	29,893 €	34,909 €	30,535 €	34,460 €	0%
41-50 years	44,772 €	41,400 €	47,312 €	45,095 €	-7%
51-60 years	48,836 €	40,914 €	58,097 €	41,546 €	-10%
>60 years	51,672 €	36,987 €	33,459 €	11,908 €	95%

c) Professional group

AVERAGE REMUNERATION* BY PROFESSIONAL GROUP** / GENDER	2019		2018		Var.
	Men	Women	Men	Women	
1	16,000 €	17,262 €	15,311 €	14,892 €	10%
2	17,117 €	18,095 €	16,677 €	17,012 €	5%
3	19,137 €	21,510 €	19,000 €	19,266 €	6%
4	26,350 €	25,951 €	25,082 €	23,432 €	8%
5	36,492 €	33,925 €	42,078 €	40,546 €	-15%
6	43,960 €	34,910 €	50,426 €	36,687 €	-9%
7	53,905 €	50,705 €	51,208 €	47,265 €	6%
8	104,044 €	102,851 €	105,465 €	105,050 €	-2%
0	226,024 €	132,203 €	202,978 €	130,182 €	8%
Filiales	71,545 €	66,091 €	87,949 €	72,367 €	-14%

** Scholarship remuneration not included because they do not have a professional group.*
*** Professional group according to the XIX Collective Agreement of the Chemical Industry.*

Remuneration data shown above contain items related to fixed and variable remuneration (commissions and bonuses).

- Average remuneration of management

The accrued average remuneration of the members of the Company's Management Committee at 31 December, including fixed and variable remuneration and remuneration in kind, was 251,787 euros for men and 148,644 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:

	2019			2018			
AVERAGE REMUNERATION OF MANAGEMENT COMMITTEE	**Men**	**Women**	**AVERAGE**	**Men**	**Women**	**AVERAGE**	**Var.**
Fixed remuneration	179,399 €	113,333 €	**146,366 €**	163,430 €	93,419 €	**128,425 €**	**14%**
Variable remuneration	61,444 €	28,333 €	**44,889 €**	61,960 €	36,763 €	**49,362 €**	**-9%**
Remuneration in kind	10,944 €	6,977 €	**8,960 €**	8,752 €	5,280 €	**7,016 €**	**28%**
TOTAL AVERAGE	**251,787 €**	**148,644 €**	**200,215 €**	**234,142 €**	**135,462 €**	**184,802 €**	**8%**

Additionally, in 2019, a total of 929 thousand euros was paid to the three executive directors on the Management Committee for the long-term incentive plan adopted at the Ordinary General Shareholders' Meeting held on 31 May, 2016, which accrued between 2016 and 2018.

- 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.

To ensure the foregoing, ROVI believes that regular analysis and monitoring of the gender wage gap is the tool required to ensure that the principle of wage equality is applied, since, through a regular assessment of indicators that show wage differences by job and gender, it is possible to guard against any possible differences between genders and reduce them.

As a result of the foregoing, in 2018, ROVI engaged the audit firm PricewaterhouseCoopers Auditores S.L. to carry out a limited assurance review of pay gap indicators by professional group in Group companies. The indicators were drawn up 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.).

In 2019, ROVI updated the data as of 31 December and the indicators obtained led to the same conclusion. There is no gender wage discrimination or remuneration differences that are not based on personal or job-related factors.

Taking a further step forward in continuing with the commitment to equality and the regular monitoring of the wage gap, in 2019, ROVI began to prepare a new Equality Plan, based on the requirements of Royal Decree Law 6/2019 on Urgent Measures for Equal Treatment and Opportunities for Men and Women in Employment and Occupation. The Plan includes a regular review of wages by gender in order to detect any possible pay gap and, if required, take the measures necessary to correct it.

- Disconnection from work

Before Royal Decree-Law 8/2019 of 8 March on Urgent Measures for Social Protection and the Fight against Job Insecurity in the Workplace (the "Royal Decree") was promulgated. ROVI already aimed for its employees to be able to enjoy their time off effectively and conserve their personal and family privacy. To do this, ROVI has encouraged practices 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.

When the aforementioned Royal Decree-Law 8/2019 was promulgated, ROVI included a Digital Disconnection Protocol in its Agreements with the Workers' Representatives and its Working Day Register Policies. This regulates the Company's commitment not to require its employees to connect to the Company's digital systems, e-mail or telephone once the working day fixed for each worker has concluded.

- Employees with disabilities

As a socially responsible company, ROVI maintains a commitment to mainstreaming people with disabilities in the workplace. Having a job allows both their incorporation into the workplace and a decrease in the risk of social exclusion, with the adverse social and financial consequences that this implies. In addition, the spirit of sacrifice and desire to improve of differently-abled people provides added value to the Company and enriches it.

As an expression of its commitment to mainstreaming people with disabilities in the workplace, ROVI fosters their joining its workforce. Thus, in 2019, the number of people with disabilities working in the Company's activity had increased in comparison with the previous year. At 31 December, 2019, there were 34, in comparison with 25 the preceding year. 25 of them belong directly to ROVI's workforce, while 9 work through a temporary employment company.

The Group holds agreements with the Fundación Prods, the Fundación Manantial and the Asociación Síndrome de Down in Granada whereby it conducts supported employment programmes aimed at the workplace inclusion of persons with intellectual disabilities. ROVI firmly believes that, when person with intellectual disabilities receive the training and support necessary, they provide the best of their personal, social and employment abilities and perform high-quality work.

To complement the foregoing, ROVI carries out actions to foment the social integration of this group 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 help for the social inclusion of persons with intellectual and/or physical disabilities by organising leisure and sports activities, which are difficult for these people to access. Likewise, Special Employment Centres are its service providers in several different areas of the Company's activity (to consult these two spheres of action, section 7.1 Commitment to sustainable development).

4.2.- Organisation of work

- Working day register

Royal Decree-Law 8/2019 of 8 March on Urgent Measures for Social Protection and the Fight against Job Insecurity in the Workplace amended article 34.9 of the Workers' Statute by requiring a working day register, which must include the specific starting and finishing times of the working day of each worker. This article falls within the framework of the public authorities' intention, which ROVI shares, to ensure compliance with the limits on working hours, create a framework of legal certainty, protect workers against abuse of their working time, avoid fraud in providing and paying social security contributions on overtime and favour the work-life balance.

The working day register has never been the cause of any conflict in the organisation, since it was introduced decades ago. Likewise, office workers and those holding positions of responsibility have always worked on a flexible basis in an environment of mutual trust.

In this context, the Company has adapted the working hours system to the new requirement of the Royal Decree by developing rules on time checks that are a continuation of the policy that has been implemented in the organisation for decades, likewise including the specific features of certain jobs for which these checks are more complicated, putting guidelines in place to ensure legal certainty and the rights of both the workers and the organisation.

- 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.

- Absence from work

The health of its workers is a fundamental factor for the proper operation of ROVI's activity, not only because a healthy workforce allows the activities planned and programmed to be carried out, but also because the well-being of the workforce benefits the organisation overall, their families and society in general.

Because of this, ROVI prepares and monitors, on a monthly basis, a series of indicators to periodically monitor, monthly and annually, absences, distinguishing between different types depending on the reasons for them. The indicators are analysed to determine possible areas in which the Company might act in order to reduce absences. Additionally, they are compared with the preceding annual period to observe how they evolve over time.

The indicators show that the level of absences in ROVI in 2019 was below those of the sector in which it operates.

The following tables show a summary of the absolute absence rates in 2019 and 2018 for accidents at work, occupational diseases, common contingencies, risk during pregnancy and risk during breastfeeding.

ECONOMIC GROUP: 28/12/51 - GRUPO ROVI
PERIOD: JANUARY - DECEMBER
COMP. SECTOR CNAE21 - MANUFACTURE OF PHARMACEUTICAL PRODUCTS

	2019		2018	
	ECONOMIC GROUP	COMP. SECTOR	ECONOMIC GROUP	COMP. SECTOR
Total absolute absence rate	2.52%	3.43%	2.26%	3.44%
Absolute absence rate WA & OD	0.26%	0.20%	0.23%	0.21%
Absolute absence rate OI	2.26%	3.23%	2.03%	3.23%

WA: Work-related accident
OD: Occupational Disease
OI: Ordinary Illness

	2019				2018			
	Days off	Days Worked	Absence rate	Sector absence rate	Days off	Days Worked	Absence rate	Sector absence rate
TOTALS	**12,000**	**476,347**	**2.52%**	**3.43%**	**10,036**	**443,803**	**2.26%**	**3.44%**

Source: Mutua de Accidentes de Trabajo FREMAP. Annual Report on Global Absences ROVI Group.

From the figures shown for work-related accidents, occupational diseases and ordinary illnesses, it may be seen that the number of days of absence was 12,000, which is equivalent to lost working hours of 96,000, meaning an absence rate of 2.52%.

	2019		2018	
	ECONOMIC GROUP	COMP. SECTOR	ECONOMIC GROUP	COMP. SECTOR
Absolute absence rate RIP & RIB	0.38%	0.28%	0.19%	0.29%

RIP: Risk in Pregnancy
RIB: Risk in breastfeeding

	2019				2018			
	Days off	Days Worked	Absence rate	Sector absence rate	Days off	Days Worked	Absence rate	Sector absence rate
TOTALS	**742**	**197,559**	**0.38%**	**0.28%**	**362**	**191,282**	**0.19%**	**0.29%**

Source: Mutua de Accidentes de Trabajo FREMAP. Annual Report on Global Absences ROVI Group.

From the figures shown for absences due to risk during pregnancy and risk during breastfeeding, it may be seen that the number of days of absence was 742, equivalent to 5,936 working hours lost, meaning an absence rate of 0.38%.

- Reconciliation of work and family life and support of co-responsibility therein

ROVI endeavours to create an environment in the organisation that enables its employees to attain a higher quality of life, with a balance between their personal and family life and progress in their professional careers. To do this, a set of work-life balance measures are in place, with options adapted to different personal and family situations.

ROVI's employees apply the work-life balance measures contained in current legislation and the enhancements introduced by the Collective Agreement of the Chemical Industry, as well as other measures, such as flexible working hours, exchanging shifts or flexibility in the calendars for time off. As we say above in the section on Organisation of Working Hours, ROVI has a flexible starting and finishing times for the working day of office employees and structure employees in the industrial area. Likewise, it allows exchanges of shift or days between co-workers in the industrial area and shorter working days adapted to the needs of each person, also offering flexibility in holiday calendars, provided that this is compatible with the activity of area in which the employee works

ROVI also supports the work-life balance through advantages in the remuneration of its workforce. Thus, it ensures that maternity does not represent any decrease in the usual income of the pregnant woman or the father. In this respect, the Company itself, as an improvement on the public benefits, pays a wage supplement that completes the benefit received from the Social Security to 100% of the employee's 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.

Likewise, all ROVI's industrial plants hold OSHAS 18001:2007 Occupational Health and Safety Management Certifications, published on ROVI's website.

Specifically, the ROVI Group set a goal of an accident rate (No. of accidents / No. of workers * 100) of 1.3% with sick leave and 3% without sick leave. In addition, each plant, individually, defines specific prevention objectives. Examples of these are:

- Reduction in the trend of accidents with sick leave due to overexertion by 20% in comparison with the period January 2018 – June 2019 (18 months).
- Implementation of an Industrial Hygiene Programme to reduce the workers' exposure to active substances.
- Increase in the number of technical staff in the Maintenance Area with broader prevention training by 20% (in respect of the total) in comparison with 2018.

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 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 and, in 2019, held the campaign "Cada Superhéroe tiene su equipo de protección" ("Every Superhero has their protection equipment") aimed to raise awareness of the need to make responsible use of Individual Protection Equipment (IPE).

The work-related accident indicators for 2019 are shown below:

FREQUENCY RATE FOR WORK-RELATED ACCIDENTS (*) BY GENDER	2019
Men	7.678
Women	11.540
TOTAL	**9.652**

** Rate calculated as No. of accidents / No. of hours worked * 1000000*

WORK-RELATED ACCIDENT SEVERITY RATE (*) BY GENDER	2019
Men	0.604
Women	0.405
TOTAL	**0.503**

** Rate calculated as No. of working days lost / No. of hours worked * 1000*

WORK-RELATED ACCIDENT FREQUENCY RATE (*) BY GENDER	2019
Men	2.280
Women	3.161
TOTAL	**2.778**

** 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. Additionally, when calculating the working days lost, it was assumed that each working day has a length of 8 hours.

4.4.- Labour relations

ROVI is convinced that labour relations with the workers' representatives must be based on an environment that allows for a constructive and trusting relationship. To do this, it bases its labour relations on transparency, strict compliance with the law and permanent respect and dialogue with its social partners, the workers' representatives.

Dialogue with the workers takes place with smooth communication using all the resources available, especially meetings, both regular, 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 2019, 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 and the process of moving part of the activity from one work centre to another. Both concluded satisfactorily for both workers and company.

It is very important to the organisation that its employees are kept informed of all aspects that are important to the Company. Therefore, 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 their work and those who do not. Thus, communication takes place through the internal television channel, notice boards, e-mail or the mobile phone application (Rovi Rocks) that was implemented during 2019.

This application, for internal use by ROVI employees, allows them to keep updated on new developments in the Company, in addition to including some very useful information, such as an employee directory with their contact phone numbers, the confidential consultation channel *Canal Ético*, or the section *Ideas ROVI*, through which employees may submit improvement proposals for the Company.

Additionally, the application allows the employee to enter an area of discounts and groups that are exclusive to ROVI employees and also includes a virtual library section (called Roviteca), where they can access a catalogue of more than 2,000 titles of all kinds: novels, educational, magazines, children's books, classics, etc.

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 Group'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

The ROVI Group knows 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 or 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	2019	2018	Var.
TOTAL HOURS OF TRAINING BY PROFESSIONAL GROUP*	0.0	740.6	3,684.9	5,358.6	10,231.2	3,727.8	4,237.2	61.2	122.4	**28,163.9**	**24,057.9**	**17%**

** 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

Full social and workplace mainstreaming of persons with disabilities is hindered, firstly, by the physical obstacles to access to the work environment. In addition, the difficulty in using tools, objects and products irrespective of the person's technical, cognitive or physical skills is a further hurdle. ROVI believes that full and complete mainstreaming requires both types of barrier to be overcome.

To overcome the physical barriers, ROVI is endeavouring for the work centres where it carries on its activities to be accessible for everyone safely, comfortably and independently. For this to materialise, the new plans for remodelling works on work centre accesses include accessibility for persons with disabilities as one of the design premises.

To make the products marketed easier to use, they are labelled in Braille, so that the visually impaired can use them autonomously. Thus, the purpose for which they were designed is fully attained. Likewise, ROVI adapts the workstation and the work tools to the needs of the employees who are going to use them.

For ROVI, it is also important for its employees to be sensitised to the difficulties of persons with disabilities. Therefore, at the same time as the actions to favour accessibility, ROVI fosters sensitisation as the primary tool to combat the barriers that exist for people with disabilities. In this respect, it carries out corporate volunteering activities with non-profit entities engaged in the social mainstreaming of persons with mental and intellectual disabilities.

This allows employees to obtain first-hand knowledge of the main barriers that people with disabilities have to overcome in their everyday life. These activities are broadcast on the organisation's internal television channel and included in the periodic internal publications. Thus, the Company's commitment to accessibility and inclusion is shared with the employees, in order to raise disability awareness and combat the discrimination suffered by this group of people.

4.7.- Equality

ROVI is convinced that real equality in treatment and opportunities for women and men is indispensable in order for the company to make good use of all the talent available and to prevent this talent from remaining hidden and unused as a result of practices that prevent or restrict it from being fully expressed.

As a consequence of the foregoing, 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.

Likewise, 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, the organisation carries out an integrated activity covering the following spheres: Equality, Code of Ethics, Protocol for the Prevention and Handling of Cases of Moral and Sexual Harassment, and Ethics Channel.

ROVI had an Equal Opportunities Plan for men and women until 2019, in accordance with the legislation in force until said year. As a derivative of this Plan, the Equality Opportunities Commission was created, with the main mission of making a diagnosis and monitoring the measures implemented to ensure equal opportunities and non-discrimination, as well as fostering the inclusion of new actions in this respect.

After publication in 2019 of Royal Decree-Law 6/2019 of 6 March on Urgent Measures for Equal Treatment and Opportunities for Men and Women in Employment and Occupation, ROVI commenced the process of drawing up a new Equality Plan that met all the requirements of the Royal Decree and enhanced the current Plan. To do this, it created the Plan Negotiating Committee, which will prepare a prior diagnosis negotiated, if applicable, with the workers' legal representatives. The diagnosis will contain at least items referring to the selection and recruitment process, professional classification, training, professional promotion, working conditions (including the pay audit regarding men and women), co-responsibility in exercising the rights to personal, family and professional life, the under-representation of women, remuneration and the prevention of sexual and gender harassment. The result of the Plan will be an orderly set of evaluable measures aimed to remove the obstacles that prevent or hinder equality between men and women.

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 ensure that any reports that may be received informing of a violation of the aforementioned Protocol, the Code of Ethics 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 when handling or processing any reports or notifications received and ensures that, when faced with an action that potentially contravenes the Company's principles and values, the organisation 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, Poland 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 Regulations that were approved by the Board of Directors on 7 November, 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 abolition of forced or compulsory labour; the effective abolition 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 annually 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

ROVI is considered a NON-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 (our ERP). 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 that includes a list of the criteria used to select each type of supplier. It provides for an initial evaluation and another periodic evaluation. It is used to draw up a list of approved suppliers kept by the Quality Department.
- Supplier engagement and payment policy: (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 minimise 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 Panquímica – it represents roughly 5% of the total collections of Panquímica 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 for speakers is €500.

- <u>Donations to foundations and non-profit organisations</u>

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 and was amended on 6 November, 2019.

7. INFORMATION ABOUT THE SOCIETY

7.1.- Commitment to sustainable development

ROVI carries on its activity at different work centres located in Madrid, Alcalá de Henares, Pozuelo de Alarcón and San Sebastián de los Reyes (Region of Madrid) and in Granada (Andalusia). It also has an extensive sales network deployed throughout Spanish territory and composed of more than 250 people. It has opened subsidiaries in Germany, France, Italy, Poland, Portugal and the United Kingdom. From these subsidiaries, ROVI contributes to local development by creating and maintaining stable, high-quality employment, where 53% of its employees hold a university degree. In 2019, ROVI's growth continued along an upward path, as may be seen from the employee data shown in Section 4.1 Employment in this report. Recently, it has announced the future construction of a new production centre in the province of Granada, which will mean new jobs will be created for qualified workers.

Aware of the need to contribute, as a company, to the economic and social development of the areas where it is present, ROVI carries out a large variety of activities locally, seeking the general goals of actively contributing to social progress, promoting health, fomenting research, a commitment to training and environmental protection. Some of the actions taken in 2019 are listed below:

Social protection and integration

- Fundación Manantial, with which ROVI has started an employment program at the Alcalá de Henares plant for people with mental illnesses.
- Down Granada works helping young people in Granada with Down's Syndrome to enter the labour market in local companies and has co-operated with ROVI in training one of its young women to perform administrative tasks at the plant in the Health Technology Park (Granada).
- Fundación Prodis, with which ROVI has expanded its employment program for young people with intellectual disabilities through a recruit at the Pozuelo offices (Madrid).
- Granada Red Cross, with which ROVI co-operates on its assistance and protection projects for children and elderly people in the province of Granada.
- Proyecto Hombre Granada, through the Capacitics program, aimed to train mothers, fathers and education professionals as instructors in the use of ICT by young people and adolescents.

Persons with disabilities

- Fundación Prodis, whose employment centre has carried out various printing jobs for ROVI, such as T-shirts, caps, etc. In 2019, Prodis designed 1,300 reusable bottles that were distributed to ROVI employees to encourage a reduction is single-use plastics during the #PlásticosCero. Campaign.
- ISS Facility Services (Gelim), which provides cleaning services at ROVI's offices.
- Ilunion, which provides laundry services for plant clothing.
- Fundación También, with which ROVI co-operates to organise corporate volunteering (see below) and to purchase material for adaptive skiing in Sierra Nevada (Granada).
- Fundación Deporte & Desafío, which ROVI supports in training ski monitors for adaptive skiing, as well as the skiing training course for people with disabilities that takes place every year in Sierra Nevada (Granada).

Knowledge sharing

- TedxTalks Realejo, a local conference event the topics of which focus on innovation and entrepreneurship, based on different types of personal experiences. On 25 May, 2019, the first edition of these talks was held in Granada and was sponsored by ROVI.
- IV OCARE Prizes (Observatory of Corporate Responsibility Communication and Action), which recognized the best communication campaigns by companies in the CSR area and that, for a further year, was sponsored by ROVI.

Corporate volunteering and charity races

Through many of these foundations, the corporate volunteering activities available have expanded, 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 VIII "Madrid También Solidario" Sponsored Race, the adaptive cycling route through the Anillo Verde (Green Ring) in Madrid or the Multisports Day (Madrid)

In 2019, ROVI began to co-operate with Apadis, an association of relatives of people with intellectual disabilities in San Sebastián de los Reyes, by organizing a corporate volunteering activity in which a group of employees and their families, together with volunteers from the foundation, painted the entrance hall of its occupational centre in San Sebastián de los Reyes.

Additionally, in line with the promotion of a healthy lifestyle and the practice of sports, during 2019 ROVI continued to co-operate with charity races and emblematic events, such as:

- VII Charity Race for Mental Health, of Fundación Manantial (17 February), Madrid.
- II Medicusmundi Charity Race, of Medicusmundi Sur (1 June), Granada.
- "Crossing the Line" Race, of the Granada Red Cross (20 October), Granada.
- 8th "Madrid También Solidario" Race, of Fundación También (28 October), Madrid.
- XX Carrera de las Empresa ("Companies Race") of Actualidad Económica (15 December), Madrid.

In 2019, 121 ROVI employees took part in one of the activities programmed by the CSR area. 16.5% of them participated in two or more volunteering activities during 2019.

Donations Committee

During 2019, 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. From among the social and humanitarian proposals approved by the Donations Committee in 2019, the following may be highlighted:

- International co-operation

  - Fundación Recover, cooperating with its programs to improve healthcare in Africa.

- Fundación para el Desarrollo Integral de los Pueblos, with which ROVI co-operates in the acquisition of teaching and educational material for schools in Callao (Peru).

- Social Protection

- Fundación La Sal de la Tierra (Alcalá de Henares), by donating industrial kitchen material that it has reused for the soup kitchens they have in Alcalá de Henares, Alicante and Vigo.
- Fundación Pilares, whose purpose is guidance and assistance for people who are highly dependent on others.
- Club Deportivo Elemental Entrevías-El Pozo, non-profit club the purpose of which is to promote sport and the participation in sports competitions among children and adolescents at risk of social exclusion.

Commitment to research

ROVI is fully committed to supporting medical research and uses a significant part of its resources to promote it. Although, on occasions, the economic circumstances are particularly difficult, it is up to all of us to prioritize research and development in order to respond to the huge challenges that exist in health matters. Therefore, 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 strongly supports collaborative research and is aware that the formation of research consortia is, today, needed and required by the “knowledge society”. Therefore, it has, for years, endeavoured to hold co-operation agreements with other leading benchmark companies in the sector, biotechnological companies, spin-offs, Universities and Public Research Centres, thus reflecting its commitment to creating a dynamic ecosystem of knowledge excellence at national, inter-institutional and multidisciplinary level.

This research work is reflected in the support received by the Company’s main research lines from important national entities, such as the Industrial Technological Development Centre (CDTI) and the Technological Corporation of Andalusia (CTA), both of which made several visits to evaluate and monitor projects during 2019.

The Company likewise co-operates with scientific 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 three 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 2019, ROVI awarded scholarships to 45 people, 11 of whom obtained an employment contract with the Company before their scholarship had ended.

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. For this reason, 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:

- Abolition of forced labour.
- Abolition 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.

Attention should be drawn to the fact that, as stated above, more than 90% of the ROVI Group's suppliers operate in countries belonging to the European Union, while those that carry on their activity outside the European Union operate in countries that enjoy recognised prestige in the International Community, meaning that supplier non-compliance in respect of Human Rights is considered limited and under control.

Additionally, regarding the environment, as mentioned 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 both their safety and health and that of their workers.

ROVI has a supplier selection and monitoring policy that includes a list of the criteria used to select each type of supplier. The procedure provides for an initial evaluation and another periodic evaluation. It 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 organisation. 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.

To complement the foregoing, due to the continuous revision and improvement of ROVI's tax policies regarding tax evasion and the prevention of money-laundering, the internal procedure concerning double taxation continues to be updated and distributed. In 2019, internal training was given to company employees who deal with local and foreign suppliers, in order to inform them on the importance of the residency certificate in relation to the Double Taxation Treaty and avoid running any tax risks.

Lastly, in 2019, due to a merger by absorption process in our company group Laboratorios Farmacéuticos ROVI and subsidiaries, a Communication and Transparency Policy was implemented vis-à-vis our suppliers. Thus, communications with full tax information on the merger were sent, both electronically and, for the less digitalized companies, on paper, giving them guidance so that they could update the master data of our companies in their systems and providing several telephone lines to resolve any queries on invoicing or orders.

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.
- Patients
- Professionals: doctors, nursing staff or pharmacists.

Data privacy

The ROVI Group is under the obligation to protect the personal information of customers, patients and professionals. This commitment has materialised in the adoption of a number of measures and the implementation of different procedures intended to ensure the integrity, confidentiality and availability of the data that are processed, as well as safeguarding people's rights and freedoms.

Within the framework of this process of adapting to the European regulations, ROVI, determined to comply with data processing principles and the obligations under the new legislation, has appointed a Data Protection Officer, whose functions include advising the Group on compliance with the new regulatory framework.

In relation to patient information, the ROVI Group has specific procedures that regulate personal data processing in both the pharmacovigilance area and the area of clinical processes. The procedures set out range from how to comply with information obligations, taking account of the recommendations of the Spanish Medicines Agency set out in the *Guide for correct preparation of a patient information sheet and informed consent form*, to exercising the rights of data subjects and the response thereto. Furthermore, the personal data processing procedure in pharmacovigilance includes the case where the notifier of an adverse reaction to a medicine is a health professional or a person other than the patient, in order to ensure the proper processing of the personal data of any data subject; and the data processing procedure for clinical processes regulates not only the processing of the data of the patients participating in clinical trials, but the processing of the data of all data subjects, including the trial personnel.

In relation to professionals, the ROVI Group has carried out an in-depth revision and updating of its privacy policies to ensure fair, transparent and lawful processing of personal information in its inter-relations with them, in order to foster an improvement of attention to patients, establishing correctly the lawful bases of the processes and the mechanisms necessary to obtain consent to the data processing that is based thereon.

In relation to customers, since almost all of them are legal persons and, therefore, their data are excluded from the scope of application of personal data protection legislation, the ROVI Group applies current legislation to ensure the security of the data of its employees and other third parties whose data must be processed in order to implement the contractual relationship and avoid any alteration, loss, or unauthorised processing or access to said data.

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 their 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.

ROVI likewise has a Pharmacovigilance System in place, which allows any possible adverse reactions (any harmful and unintended response to a medicine) that arise to ROVI's medicines and healthcare products to be detected. This system means that, if an adverse reaction is notified, the Pharmacovigilance Department analyses whether it could be due to a quality and/or safety problem, thus initiating the process of sign detection that ROVI has implemented, which allows any change in the benefit/risk balance of ROVI's medicines to be detected.

The Pharmacovigilance System allows constant monitoring of the safety of the medicines, evaluating the safety information received through different channels, such as, for example, spontaneous notifications from patients and health professionals, health authorities, or scientific studies or publications.

ROVI's Pharmacovigilance Department has a communication channel in place by e-mail (farmacovigilancia@rovi.es) or telephone [(+34) 91 021 30 00], both of which may be accessed through the Company's website (www.rovi.es).

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.

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 (see previous section).

The data on complaints and queries made by customers in ROVI's distribution business are shown below:

		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)	TOTAL DISTRIBUTION
GENERAL	Units manufactured / Units distribut.	17,343,883	27,513	57,932	603,395	144,641	1,998,454	0	**20,175,818**
CUSTOMER COMPLAINTS	No. of customer complaints	100	0	11	118	11	12	0	**252**
	Complaints / million units	5.77	0.00	189.88	0.00	76.05	2.00	0.00	**12.09**
CUSTOMER QUERIES - QUALITY + THERAPEUTIC -	No. of customer queries	340	0	37	247	19	2	0	**645**
	Queries / million units	19.60	0.00	638.68	409.35	131.36	1.00	0.00	**31.97**

7.4.- Tax information

ROVI has a corporate 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 applicable in accordance with the territory in which it is operating. Specifically, the following information is provided on taxation in fiscal year 2019 by country or company:

In thousand euros	Profit before tax	Corporate income tax paid	Government grants received
Laboratorios Farmacéuticos Rovi, S.A.	25,456	(8,085)	1,151
Laboratorios Farmacéuticos Rovi, S.A. Portugal permanent establishment	44	(15)	-
Laboratorios Farmacéuticos Rovi, S.A. Poland permanent establishment	(58)	-	-
Laboratorios Farmacéuticos Rovi, S.A. Germany permanent establishment	270	-	-
Rovi Pharma Industrial Services, S.A. (*)	33,131	-	-
Pan Química Farmacéutica, S.A. (*)	602	-	-
Gineladius, S.L. (*)	(42)	-	-
Rovi Escúzar, S.L.	(19)	-	-
Bertex Pharma GmbH	(2)	-	-
Rovi Biotech, Limited	24	-	-
Rovi Biotech, S.R.L.	390	(29)	-
Rovi Biotech, GmbH	412	-	-
Rovi S.A.S.	(581)	-	-
Rovi Biotech spółka z o.o	(24)		
Rovi Biotech, Ltda.	-	-	-
TOTAL		**(8,129)**	**1,151**

(*) These companies form part of tax group 362/07 of which Laboratorios Farmacéuticos Rovi, S.A. is the parent.

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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.	32-39
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APPENDIX 3

CORPORATE GOVERNMENT ANNUAL REPORT 2019

(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 2019 and which precede this document, have been issued by the Board of Directors at its meeting of 25 February 2020, 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 2020

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. Marcos Peña Pinto
Coordinador Director

Mr. José Fernando de Almansa Moreno-Barreda
Director

Mrs. Fátima Báñez García
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 2020, 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 Article 1 of 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, 20 July, 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 2019, issued by the Board of Directors at the abovementioned meeting of 25 February 2020, 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 statement) 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 2020

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. Marcos Peña Pinto Coordinador Director	Mr. José Fernando de Almansa Moreno-Barreda Director
Mrs. Fátima Báñez García Director	