



Auditor's Report on Laboratorios Farmacéuticos Rovi, S.A.

(Together with the annual accounts and directors' report of Laboratorios Farmacéuticos Rovi, S.A. for the year ended 31 December 2020)

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



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 2020, 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 2020, 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 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 pursuant to the legislation regulating the audit of accounts in Spain. 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

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The Company has significant intangible assets amounting to Euros 37,487 thousand, including Euros 29,100 thousand derived from the acquisition of trademarks and licenses of products that are marketed, of which Euros 7,424 thousand reflect development expenses.</p> <p>Management reviews these assets for indications of impairment on an annual basis. Also, the corresponding impairment analysis is performed for intangible assets with indications of impairment on an annual basis. The recoverability of these assets is based on the discounting of future cash flows using budgets approved by Management.</p> <p>Furthermore, the capitalization 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 authorizations for their subsequent marketing.</p> <p>In this connection, the Company has intangible assets amounting to Euros 7,424 thousand from the development of a low-molecular-weight heparin, an enoxaparin biosimilar, for which the corresponding marketing authorization was obtained in 2017. No indications of impairment have been identified.</p> <p>In 2020 the Company incurred research and development expenses amounting to Euros 23,801 thousand that have not been capitalized, associated mainly with products under development based on the ISM® platform.</p>	<p>Our audit procedures included the following:</p> <p>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 recognize research and development expenses and to identify, where applicable, any expenses that qualify for capitalization.</p> <p>We evaluated the criteria used by Management in identifying indications of impairment.</p> <p>We assessed the consistency of the profit and loss forecasts used as a basis for assessing the recoverability of the intangible assets, in particular, the projected income and expenses and cash flows, for assets with indications of impairment.</p> <p>We received and assessed the documentation prepared by Management in relation to the analysis of research and development expenses, recognized in the income statement.</p> <p>Our procedures for projects under development included an assessment of the reasonableness of the assumptions used by the Company in relation to obtaining the pertinent authorizations, by considering the current stage of development, and where appropriate, their capitalization as an intangible asset.</p> <p>We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.</p>



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Due to the significance of the balance and the high degree of judgement associated with the capitalization and recoverability of these intangible assets, we consider this to be a key audit matter in our audit of the current year.	
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Other Information: Directors' Report

Other information solely comprises the 2020 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 regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

- a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.
- b) Assess and report on the consistency of the rest of the information included in the directors' report with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned annual accounts. Also, assess and report 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 observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2020, 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.



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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 skepticism 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, but 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.



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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 23 February 2021.

Contract Period _____

We were appointed as auditor by the shareholders at the ordinary general meeting on 20 October 2020 for a period of one year, beginning after the year ended 31 December 2020.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2017.

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

(Signed on original in Spanish)

José Ignacio Rodríguez Prado
On the Spanish Official Register of Auditors ("ROAC") with No. 15825

23 February 2021

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Annual Accounts and Management Report
for the annual period ended 31 December, 2020

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.

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ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Financial Position at 31 December, 2020 and 2019
(Thousands of euros)

	Note	At 31 December	
		2020	2019
NON-CURRENT ASSETS		141,497	138,744
Intangible assets	5	37,487	41,587
Property, plant and equipment	6	52,130	46,742
Non-current investments in Group & associated companies	8 & 9	45,484	42,826
Equity instruments		13,680	13,824
Credits to Group companies	31	31,804	29,002
Non-current financial investments		1,484	1,482
Equity instruments	7 & 11	63	63
Other financial assets	7 & 10	1,421	1,419
Deferred tax assets	21	4,912	6,107
CURRENT ASSETS		414,030	276,732
Inventories	12	74,677	67,749
Trade and other receivables		305,206	157,608
Trade receivables for sales of goods and services	7 & 10	43,711	55,005
Trade receivables, Group & associated companies	7 & 10	249,281	87,345
Sundry debtors	7 & 10	75	73
Current tax assets	23	8,342	10,089
Other credits with public authorities	23	3,797	5,096
Current investments in Group & associated companies	7 & 10	-	55
Credits to companies		-	55
Current accruals and prepayments		3	3
Cash and cash equivalents	7 & 13	34,144	51,317
TOTAL ASSETS		555,527	415,476

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ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Financial Position at 31 December, 2020 and 2019
(Thousands of euros)

	Note	At 31 December	
		2020	2019
EQUITY		330,686	269,329
Equity		328,283	266,582
Capital	14	3,364	3,364
Share premium	14	87,636	87,636
Reserves	15	7,032	7,032
(Treasury shares)	15	(20,185)	(10,341)
Retained earnings	15	179,299	153,338
Profit for the year	16	71,137	25,553
Adjustments for change in value		(3)	(3)
Available-for-sale financial assets		(3)	(3)
Grants, donations and legacies received	17	2,406	2,750
NON-CURRENT LIABILITIES		64,135	62,803
Non-current debt		53,647	54,329
Bank borrowings	7 & 18	44,825	45,000
Other financial liabilities	7 & 18	8,822	9,329
Non-current debt with Group & associated companies	7 & 18	-	333
Deferred tax liabilities	21	4,700	2,348
Non-current accruals	19	5,788	5,793
CURRENT LIABILITIES		160,706	83,344
Current provisions	20	15,741	9,827
Current debt		2,867	9,138
Bank borrowings	7 & 18	175	7,116
Derivates	7 & 18	925	129
Other financial liabilities	7 & 18	1,767	1,893
Current debt with Group & associated companies	7 & 18	184	156
Trade and other payables		140,834	63,457
Trade payables	7 & 18	30,920	36,533
Trade payables, Group & associated companies	7 & 18	104,228	20,141
Sundry creditors	7 & 18	371	578
Employees (outstanding remuneration)	7 & 18	4,038	4,886
Other debts with the public authorities	23	1,277	1,319
Current accruals	19	1,080	766
TOTAL EQUITY AND LIABILITIES		555,527	415,476

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Income Statement for the annual periods ended 31 December, 2020 and 2019
(Thousands of euros)

	Note	Annual period ended 31 December	
		2020	2019
CONTINUING OPERATIONS			
Net sales	22 a)	459,424	379,221
Sales of goods		459,424	379,221
Change in inventories of finished products and work in progress	12	(7,245)	13,653
Procurements		(308,275)	(277,098)
Raw materials and consumables used	22 b)	(310,039)	(275,544)
Inventory write-down	12	1,764	(1,554)
Other operating income		5,111	3,450
Ancillary and current management income	22 c)	4,595	2,984
Operating grants recognised in profit and loss	22 d)	516	466
Employee benefit expenses	22 e)	(32,803)	(34,490)
Wages, salaries and similar remuneration		(26,974)	(28,766)
Welfare charges		(5,829)	(5,724)
Other operating expenses		(61,815)	(66,661)
External services	22 f)	(55,765)	(64,476)
Taxes		(6,080)	(2,635)
Losses, impairment and changes in trade provisions	10 c)	44	450
Other current operating expenses		(14)	-
Amortisation, depreciation and impairment charges	5 & 6	(9,710)	(9,331)
Allocation of grants for non-financial assets and other	17	629	685
Impairment and gains/(losses) on disposal of intangible assets and property,	6	(70)	(342)
Impairments and losses	5	(56)	(341)
Gains/(losses) on sales and other		(14)	(1)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		45,246	9,087
Finance revenue		31,723	17,066
Finance expenses		(789)	(624)
Change in fair value of financial instruments		(796)	(146)
Exchange rate differences		77	24
Impairment and gains/(losses) on disposal of financial instruments		(245)	305
FINANCE COSTS – NET	24	29,970	16,625
PROFIT BEFORE INCOME TAX		75,216	25,712
Income tax	23	(4,079)	(159)
PROFIT FOR THE YEAR	16	71,137	25,553

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ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Changes in Equity for the annual periods ended 31 December, 2020 and 2019
(Thousands of euros)

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

	Note	Annual period ended 31 December	
		2020	2019
PROFIT FOR THE YEAR	16	71,137	25,553
Income and expenses credited or charged directly to equity		514	484
Grants, donations and legacies received	17	686	646
Tax effect	21	(172)	(162)
Transfers to profit and loss		(858)	(862)
Grants, donations and legacies received	17	(1,145)	(1,151)
Tax effect	21	287	289
TOTAL RECOGNISED INCOME AND EXPENSES		70,793	25,175

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Changes in Equity for the annual periods ended 31 December, 2020 and 2019
(Thousands of euros)

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

	Share capital (Note 14)	Share premium (Note 14)	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 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
Adjustments for changes in policies 2019 and prior periods	-	-	-	-	-	-	-	-	-
Adjustments for errors 2019 and prior periods	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE BEGINNING OF 2020	3,364	87,636	7,032	(10,341)	153,338	25,553	(3)	2,750	269,329
Total recognised income and expenses	-	-	-	-	-	71,137	-	(344)	70,793
- Application of profit for 2019	-	-	-	-	15,853	(15,853)	-	-	-
- Distribution of dividends	-	-	-	-	-	(9,700)	-	-	(9,700)
- Transactions with treasury shares (net)	-	-	-	(9,844)	10,077	-	-	-	233
- Other movements on equity	-	-	-	-	31	-	-	-	31
BALANCE AT END OF 2020	3,364	87,636	7,032	(20,185)	179,299	71,137	(3)	2,406	330,686

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ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Cash Flows for the annual periods ended 31 December, 2020 and 2019
(Thousands of euros)

	Note	Annual period ended 31 December	
		2020	2019
Profit before income tax		75,216	25,712
Adjustments to profit		12,953	12,152
Changes in working capital		(69,633)	(60,206)
Other cash flows from operating activities		(4,631)	(7,693)
Cash flows generated (used) in operating activities	25	13,905	(30,035)
Payments of investments		(11,074)	(26,539)
Proceeds from disinvestments		813	157
Cash flows generated (used) in investing activities	26	(10,261)	(26,382)
Proceeds from and payment of financial liability instruments		(11,350)	28,214
Dividend payments and remuneration of other equity instruments		(9,700)	(4,420)
Transactions with treasury shares		233	153
Cash flows generated (used) in financing activities	27	(20,817)	23,947
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		(17,173)	(32,470)
Cash and cash equivalents at beginning of the year	13	51,317	83,787
Cash and cash equivalents at end of the year	13	34,144	51,317

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.

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Notes to the Annual Accounts for the period 2020

(Thousands of euros)

1. General information

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

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

The annual accounts for 2020 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 2020 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 23 February, 2021, the consolidated annual accounts of Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries at 31 December, 2020 were approved, showing a profit of 61,057 thousand euros and equity, including the net profit for the year, of 373,700 thousand euros (39,273 thousand euros and 322,386 thousand euros, respectively, at 31 December, 2019).

As of 31 December, 2020 and 2019, the company Norbel Inversiones, S.L. held 63.11% of the shares of Laboratorios Farmacéuticos Rovi, S.A. (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 Exchange and are included in the Spanish Stock Exchange Interconnection System (Continuous Market).

These annual accounts were approved by the Board of Directors on 23 February, 2021 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.

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ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Notes to the Annual Accounts for the period 2020

(Thousands of euros)

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 2020 and 2019 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 beginning of the effective marketing of this biosimilar in Europe, 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) Co-operation Agreement between the government and Farmaindustria

In 2016, Farmaindustria, the Spanish pharmaceutical industry association, and the Spanish government signed a co-operation agreement. After subsequent renewals, this agreement was in force until 31 December, 2019. According to the agreement, in the event that public spending on medicines (excluding generics and biosimilars) exceeded the actual growth rate of the GDP of the Spanish economy, the pharmaceutical industry had to reimburse the government for said excess in cash. ROVI has recognised the estimated amount of this item as a decrease in sales.

Although Farmaindustria and the Spanish government have not yet signed a new co-operation agreement applicable to 2020, the Spanish pharmaceutical industry and ROVI consider that the parties will finally reach an agreement affecting said period. Therefore, ROVI has recognised the estimated amount of this item as a decrease in sales in 2020.

When determining the amount for 2020, ROVI has considered that the pharmaceutical industry will reimburse the amount of the increase in public spending on medicines (excluding generics and biosimilar) estimated by Farmaindustria to the government.

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An increase or decrease of 10% in the growth of said public spending would mean an increase of 585 thousand euros or a decrease of 590 thousand euros, respectively, in the amounts recognised

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.

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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 measured 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

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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.

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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 a group of similar financial assets or to a financial asset or to a group of similar financial assets.

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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 remittance 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.

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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.

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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.

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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 activities. Revenue is shown net of returns, rebates, discounts and value-added tax.

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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.

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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.

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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 liabilities 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. There is a provision at the end of the period for the estimated amount accrued but unpaid and the possible adjustment of the tax to the actual sales for the period.

In 2010, the government approved two packages of measures to reduce pharmaceutical spending. The first one focused on generic products, which are those out of patent, for which it established an average reduction of 25% in the selling price to laboratories. The second package addressed pharmaceutical products under patent. Since that time, a 7.5% discount has been applied to the selling price to the public. The Group recognises 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, to which ROVI belongs, and the Spanish government. This agreement was renewed until 31 December, 2019. 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. Although Farmaindustria and the Spanish government have not yet signed a new co-operation agreement applicable to 2020, the Spanish pharmaceutical industry and ROVI consider that the parties will finally reach an agreement affecting said period. Therefore, ROVI has recognised the estimated amount of this item as a decrease in sales in 2020.

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.

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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, 2020, the Company held instruments of this kind for a value of 13,500 thousand euros (26,500 thousand euros in 2019), the measurement of which led to recognition of a loss of 925 thousand euros at the 2020 reporting date (at 31 December, 2019, the loss originating from measurement of these assets was 129 thousand euros). If, at 31 December, 2020, the exchange rate had been 10% higher, ROVI would have incurred a loss of 1,925 thousand euros and, if the exchange rate had been 10% lower, ROVI would have recorded a profit of 297 thousand euros from the measurement of these assets (at 31 December, 2019, the effect would not have been significant).

At 31 December, 2020, the Company held assets for an amount of 500 thousand zlotys (438 thousand zlotys at 31 December, 2019). If the interest rate at the reporting date had been 10% higher, the value in euros of these assets denominated in zlotys would have decreased by 10 thousand euros (9 thousand euros in 2019) and if the exchange rate had been 10% lower, their value would have increased by 12 thousand euros (11 thousand euros in 2019).

(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 position 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, 2020 and 2019, 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, 2020, with all other variables remaining constant, the gain/loss after taxes for the year would have decreased or increased by 51 thousand euros, respectively, owing to the difference in interest expense on loans at variable rates (54 thousand euros at 31 December, 2019).

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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, 2020, the greatest investment in financial assets, including cash and cash equivalents but not including trade receivables, was related to Banco Santander, 21,540 thousand euros (31,609 thousand euros at 31 December, 2019). 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 (Note 18.a).

In 2020, ROVI signed credit policies for a total amount of 45 million euros. No amounts had been drawn down as of 31 December, 2020.

The following table analyses the Company’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 borrowings, derivatives and trade and other payables.

	Thousands of euros			
	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years
At 31 December, 2020				
Bank borrowings	474	7,585	19,753	18,843
Debt with government entities	1,767	3,520	4,118	2,190
Trade and other payables	139,741	-	-	-
	141,982	11,105	23,871	21,033

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	Thousands of euros			
	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years
At 31 December, 2019				
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

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 01.01.19				
Cost	9,094	30,076	6,524	45,694
Accumulated amortisation	(760)	(8,239)	(5,077)	(14,076)
Carrying amount 01.01.19	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
Additions	-	-	159	159
Impairment	-	(56)	-	(56)
Amortisation charge	(455)	(3,191)	(557)	(4,203)
Balance at 31.12.20				
Cost	9,094	44,075	7,190	60,359
Accumulated Impairment	-	(397)	-	(397)
Accumulated amortisation	(1,670)	(14,578)	(6,227)	(22,475)
Carrying amount 31.12.20	7,424	29,100	963	37,487

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a) Patents, licences and trademarks

In 2019, ROVI recognised an addition 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.

Because the recoverable value of the asset related to acquisition of the distribution rights of the product Hirobriz® (belonging to the “Marketing” segment) had dropped below its net carrying amount, at 31 December, 2020, the pertinent impairment loss was recognised. The loss recognised in 2020, which was 56 thousand euros (341 thousand euros at 31 December, 2019), 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 6.5% (6.9% in 2019). 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. A change of 10% in the discount rate applied on the cash flows used as a basis would not have led to any significant change in the amount of the impairment.

b) Development

At 31 December, 2020 and 2019, 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 2020 or 2019.

Total research and development expenses incurred in 2020 were 23,801 thousand euros (29,304 thousand euros in 2019) 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 2020, 7,001 thousand euros was recognised under the “Employee benefit expenses” caption (Note 22.e) (8,121 thousand euros at 31 December, 2019) and 16,800 thousand euros under “External services” (Note 22.f) (21,183 thousand euros in 2019).

c) Fully amortised intangible assets

At 31 December, 2020, there were fully-amortised intangible assets that were still in use with a carrying cost of 5,948 thousand euros (5,266 thousand euros at 31 December, 2019).

d) Assets affected by guarantees and ownership restrictions

At 31 December, 2020 and 2019, 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.

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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 01.01.19			
Cost	7,284	70,874	78,158
Accumulated amortisation	(1,280)	(35,594)	(36,874)
Carrying amount 01.01.19	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
Additions	-	10,915	10,915
Retirements	-	(76)	(76)
Eliminations from amortisation	-	56	56
Amortisation charge	(136)	(5,371)	(5,507)
Balance at 31.12.20			
Cost	7,284	92,306	99,590
Accumulated amortisation	(1,552)	(45,908)	(47,460)
Carrying amount 31.12.20	5,732	46,398	52,130

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, 2020 and 2019, the additions to property, plant and equipment were mainly related to investments in the Company's Granada plant and the pilot plants for development of ISM® technology.

a) Impairment losses

In the periods 2020 and 2019, 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, 2020 and 2019, the Company held commitments to acquire property, plant and equipment related to the normal course of business.

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c) Fully-depreciated assets

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

	Thousand of euros	
	2020	2019
Technical installations	2,971	2,432
Machinery	1,568	755
Tools	266	257
Furniture	305	254
Computer equipment	1,382	1,281
Transport fleet	24	24
Other property, plant and equipment	8,544	7,080
	15,060	12,083

d) Operating leases

The income statement includes operating lease expenses relating to rental of vehicles and buildings for an amount of 2,649 thousand euros (2,628 thousand euros at 31 December, 2019).

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.

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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	
	2020	2019	2020	2019
Available-for-sale financial assets (Note 11)	63	63	-	-
Loans and receivables (Note 10)	-	-	33,225	30,421
Non-current	63	63	33,225	30,421
Loans and receivables (Note 10)	-	-	293,067	142,478
Cash and cash equivalents (Note 13)	-	-	34,144	51,317
Current	-	-	327,211	193,795
TOTAL	63	63	360,436	224,216

b) Financial liabilities

	Thousands of euros			
	Bank borrowings		Financial liabilities	
	2020	2019	2020	2019
Debits and payables (Note 18)	44,825	45,000	8,822	9,662
Non-current	44,825	45,000	8,822	9,662
Debits and payables (Note 18)	175	7,116	142,433	64,316
Current	175	7,116	142,433	64,316
TOTAL	45,000	52,116	151,255	73,978

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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:

Cash and cash equivalents	Rating	Thousands of euros	
		2020	2019
	A+	106	110
	A	20,148	18,955
	A-	13,023	31,605
	BBB+	125	135
	BBB	59	63
	Baa2	683	449
	Total cash (Note 13)	34,144	51,317

Other non-current financial assets	Rating	Thousands of euros	
		2020	2019
	A	1,392	1,392
	Other	29	27
	Total other non-current financial assets (Note 10)	1,421	1,419

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 Bolivia, 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.

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With these changes, the companies in which Laboratorios Farmacéuticos Rovi, S.A. held a significant interest at 31 December, 2020 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 was 31 December, 2020.

At 31 December, 2020 and 2019, none of the group companies in which the Company held at interest was listed on the stock exchange.

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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, 2020, 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	290	2,165
Gineladius, S.L.	100%	293	30	421	(28)	423
Bertex Pharma GmbH (Note 29.b)	100%	1,236	25	66	-	91
Rovi Pharma Industrial Services, S.A.U.	100%	7,370	7,816	31,216	24,674	63,706
Rovi Biotech, Limited	100%	7	6	(252)	10	(236)
Rovi Biotech, S.r.l.	100%	340	10	265	297	572
Rovi Biotech, GmbH	100%	1,575	25	904	459	1,388
Rovi S.A.S.	100%	5	5	(1,514)	9	(1,500)
Rovi Biotech sp.z.o.o.	100%	487	21	433	(7)	447
Rovi Escúzar, S.L.	100%	590	30	541	(51)	520
		13,674				

In 2019, the Company increased its interest in the subsidiary company Gineladius, S.L. by 144 thousand euros. This contribution was returned to the Company in 2020 and, therefore, its interest in said company dropped by 144 thousand euros.

At 31 December, 2019, 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	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	30,700	69,732
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 Rovi Biotech, S.r.l. by offsetting credits of 146 thousand euros that it held with said company.

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, 2020 and 2019 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 said reporting dates. 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.

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9. Interests in joint ventures

There was no movement on the interests in joint ventures in 2020 and 2019. The amount of said interests was 6 thousand euros at both reporting dates.

The nature of the investment in joint ventures at 31 December, 2020 and 2019 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, 2020 and 2019 was 3 thousand euros.

b) Enervit Nutrition, S.L.

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

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

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

the carrying amount of this interest remained at 3 thousand euros at 31 December, 2020 and 2019.

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

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Condensed financial information on joint ventures

The condensed financial information on Alentia Biotech, S.L. and Enervit Nutrition, S.L. as of 31 December, 2020 and 2019 is as follows:

Condensed statement of financial position	31 December, 2020		31 December, 2019	
	Alentia Biotech, S.L.	Enervit Nutrition, S.L.	Alentia Biotech, S.L.	Enervit Nutrition, S.L.
Current				
Cash and cash equivalents	106	13	108	133
Other current assets (excluding cash)	-	2,087	-	2,773
Total current assets	106	2,100	108	2,906
Financial liabilities (excluding trade payables)	-	(926)	-	(744)
Other current liabilities (including trade payables)	-	(746)	-	(1,758)
Total current liabilities	-	(1,672)	-	(2,502)
Non-current				
Property, plant and equipment	-	17	-	20
Intangible assets	-	3,055	-	3,264
Other financial assets	-	5	-	5
Deferred income tax assets	-	119	-	88
Total non-current assets	-	3,196	-	3,377
Financial liabilities	(2,200)	-	(2,200)	-
Other liabilities	-	-	-	-
Total non-current liabilities	(2,200)	-	(2,200)	-
NET ASSETS	(2,094)	3,624	(2,092)	3,781

Condensed statement of comprehensive income	31 December, 2020		31 December, 2019	
	Alentia Biotech, S.L.	Enervit Nutrition, S.L.	Alentia Biotech, S.L.	Enervit Nutrition, S.L.
Revenue	-	5,669	-	6,170
Cost of sales	-	(4,507)	-	(5,023)
Employee benefit expenses	-	(501)	-	(590)
Other operating expenses	-	(599)	-	(773)
Amortisation and depreciation	-	(212)	-	(217)
Operating profit / (loss)	-	(150)	-	(433)
Finance costs – net	-	(7)	-	15
Corporate income tax	-	1	-	28
Profit / (loss) for period	-	(156)	-	(390)
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME	-	(156)	-	(390)
Dividends received from joint ventures	-	-	-	-

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10. Loans and receivables

	Thousands of euros	
	2020	2019
Non-current loans and receivables		
- Deposits (a)	1,327	1,327
- Bank receivables (b)	65	65
- Credits to Group companies	31,804	29,002
- Guarantee deposits	29	27
	<u>33,225</u>	<u>30,421</u>
Current loans and receivables		
- Trade receivables (c)	43,659	54,953
- Receivables from related parties (Note 31.i)	249,377	87,496
- Sundry debtors	31	29
	<u>293,067</u>	<u>142,478</u>
	326,292	172,899

a) Deposits

At 31 December, 2020 and 2019, “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 considers 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, 2020, the balance receivable from the Social Security authorities and government entities was 7,744 thousand euros (11,122 thousand euros at 31 December, 2019), geographically distributed as follows:

	Rating	Balance	Rating	Balance
	2020	2020	2019	2019
Portugal	BBB	3,629	BBB	3,704
Catalonia	BB	881	BB	961
Valencia	BBB-	755	BBB-	1,153
Madrid	BBB	644	BBB	1,800
Aragon	BBB	266	BBB	350
Basque Country	BBB+	256	BBB+	220
Andalusia	BBB-	239	BBB-	689
Canary Islands	BBB-	138	BBB-	229
Cantabria	BBB	134	BBB	462
Castilla La Mancha	BBB-	106	BBB-	505
Other	-	696	-	1,049
		7,744		11,122

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At 31 December, 2020, there were matured receivables amounting to 13,316 thousand euros (19,654 thousand euros at 31 December, 2019), although they had suffered no impairment. Of both the 2020 and 2019 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	
	2020	2019
Up to 3 months	12,290	17,876
3 to 6 months	430	1,384
6 months to one year	573	125
Over one year	23	269
	13,316	19,654

The total of the matured debt due from Social Security authorities and government entities at 31 December, 2020 was 3,151 thousand euros, in comparison with the 4,202 thousand euros that was outstanding at 31 December, 2019. This amount was geographically distributed as follows:

	Thousands of euros	
	2020	2019
Spain	714	2,132
Portugal	2,437	2,070
	3,151	4,202

Matured receivables that had been impaired at 31 December, 2020 were 170 thousand euros (158 thousand euros at 31 December, 2019). The ageing of impaired receivables was as follows:

	Thousands of euros	
	2020	2019
6 to 9 months	170	158
	170	158

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

	Thousands of euros	
	2020	2019
Balance at beginning of period	158	720
Applications	(44)	(450)
Derecognition due to non-recoverability	56	(112)
Balance at end of period	170	158

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.

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11. Available-for-sale financial assets

Available-for-sale financial assets include:

	Thousands of euros	
	2020	2019
Listed securities:		
- Investment funds and equity securities	4	4
Non-listed securities:		
- Equity securities – Euro zone	59	59
	<u>63</u>	<u>63</u>

Movement on available-for-sale financial assets in 2020 and 2019 was as follows:

	Thousands of euros	
	2020	2019
Balance at beginning of the year	63	63
Net gains / (losses) in equity	-	-
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	
	2020	2019
Trade inventories	34,622	30,123
Raw materials and other consumables	27,255	17,581
Finished goods	9,023	16,788
Work in progress	3,777	3,257
	<u>74,677</u>	<u>67,749</u>

In 2020, inventory write-downs dropped by 1,764 thousand euros (increase of 1,554 thousand euros in 2019), the total amount of these adjustments being 4,554 thousand euros at 31 December, 2020 (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 considers 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.

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13. Cash and cash equivalents

	Thousands of euros	
	2020	2019
Cash at bank and on hand	34,144	51,317
	34,144	51,317

14. Share capital

In 2020 and 2019, the number of shares, their face value and the share capital were as follows:

	No shares	Face value (euros)	Total share capital (thousands)
Balance at 1 January, 2019	56,068,965	0.06	3,364
Balance at 31 December, 2019	56,068,965	0.06	3,364
Balance a 31 December, 2020	56,068,965	0.06	3,364

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, 2020, were the following:

<u>Shareholder</u>	<u>% direct</u>	<u>% indirect</u>	<u>TOTAL</u>
Norbel Inversiones, S.L.	63.107	-	63.107
Indumenta Pueri, S.L.	-	5.569	5.569
Wellington Management Group, LLP.	-	4.924	4.924

In May 2019, Norbel Inversiones, S.L. increased its interest in the Company’s share capital with the result that, since that time, it has 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). Therefore, as of 31 December, 2020 and 2019, the interest in the Company’s share capital held by Mr Juan López-Belmonte López was 12.62%, while while Messrs Juan, Iván and Javier López-Belmonte Encina each held 16.83%.

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15. Reserves and retained earnings

a) Reserves

	<u>Thousands of euros</u>	
	<u>2020</u>	<u>2019</u>
Legal reserves and reserves required by the Bylaws:		
- Legal reserve	673	673
	<u>673</u>	<u>673</u>
Other reserves:		
- Non-distributable special reserve	5,036	5,036
- Voluntary reserves	472	472
- Revaluation reserve Royal Decree-Law 7/96	851	851
	<u>6,359</u>	<u>6,359</u>
	<u>7,032</u>	<u>7,032</u>

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, 2020 and 2019.

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 2020, retained earnings were increased and/or reduced as follows:

- On 20 October, 2020, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for distribution of the profit for 2019 (25,553 thousand euros), allocating 9,818 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 118 thousand euros.

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- The sale of treasury shares in 2020 led to a profit of 10,077 thousand euros, which was recognised in the retained earnings account (Note 16.b).

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).

c) Treasury shares

In the course of 2020, ROVI acquired a total of 1,233,324 of its own shares (224,449 in 2019), paying the sum of 37,255 thousand euros for them (4,718 thousand euros in 2019). Likewise, it resold a total of 1,246,626 of its own shares (232,548 in 2019) for a sum of 37,488 thousand euros (4,871 thousand euros in 2019). These shares had been acquired at a weighted average cost of 27,411 thousand euros (3,189 thousand euros in 2019), giving rise to a profit of 10,077 thousand euros on the sale (1,682 thousand euros in 2019), which was taken to reserves. At 31 December, 2020, the Company held 673,654 treasury shares (686,956 at 31 December, 2019).

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

d) Dividends

On October 20, 2020, the General Meeting of Shareholders approved the distribution of the 2019 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 9,818 thousand euros (0.1751 euros gross per share). This dividend was paid out in November 2020.

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.

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	
	2020	2019
<u>Basis of application</u>		
Profit for the year	71,137	25,553
<u>Application</u>		
Retained earnings	49,764	15,735
Dividends	21,373	9,818
	<u>71,137</u>	<u>25,553</u>

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17. Grants, donations and legacies received

Movement on this heading was as follows:

	Thousands of euros	
	2020	2019
Beginning of the year (net of tax)	2,750	3,128
Increases (net of tax)	128	165
Decreases (net of tax)	386	319
Allocation to profit and loss (net of tax)	(858)	(862)
End of the year (net of tax)	2,406	2,750

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.	2,039	Construction of Granada plant (Note 6.d)	2008
(2) Andalusian Regional Govt.	790	Construction bemiparin lines in Granada	2012 & 2014
Miscellaneous govt. Entities	379	Miscellaneous projects	2001 onward
	<u>3,208</u>		

- (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, 2020 was 2,039 thousand euros (2,334 thousand euros at 31 December, 2019).
- (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, 2020 was 93 thousand euros (155 thousand euros at 31 December, 2019). 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 2020 reporting date, showed a balance of 697 thousand euros under the “Grants, donations and legacies received” caption (780 thousand euros at 31 December, 2019).

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18. Debits and payables

	Thousands of euros	
	2020	2019
Non-current debits and payables:		
- Bank borrowings (a)	44,825	45,000
- Debt with government entities (b)	8,822	9,329
- Non-current debt with Group and associated companies (Note 31.i)	-	333
	53,647	54,662
Current debits and payables:		
- Bank borrowings (a)	175	7,116
- Debt with government entities (b)	1,767	1,893
- Derivates	925	129
- Current debt with Group and associated companies (Note 31.i)	184	156
- Trade payables	30,756	36,410
- Trade payables, related parties (Note 31.i)	105,992	21,519
- Sundry creditors	371	578
- Employees	2,438	3,631
	142,608	71,432
	196,255	126,094

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:

	2020	2019
	Days	Days
Average payment period to suppliers	53	48
Ratio of transactions paid	55	50
Ratio of transactions outstanding	17	33
	2020	2019
Total payments made (thousands of euros)	161,250	151,686
Total payments outstanding (thousands of euros)	9,180	15,222

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	
	2020	2019	2020	2019
Bank borrowings	44,825	45,000	44,072	44,748
Debt with government entities	8,822	9,329	9,425	10,075
	53,647	54,329	53,497	54,078

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 2019).

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To calculate the fair value of fixed-rate non-current bank borrowings at the 2020 and 2019 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, 2020 comprised the following bank loans:

Entity	a.2.1)	a.2.2)	TOTAL
	BEI	BEI	
Face value	5,000	40,000	
Interest rate	Eur3+0.844%	0.681% Fixed	
2021	175	-	175
2022	704	-	704
2023	708	5,598	6,306
2024	711	5,637	6,348
2025	715	5,675	6,390
2026 onward	1,987	23,090	25,077
	5,000	40,000	45,000
Non-current	4,825	40,000	44,825
Current	175	-	175

At 31 December, 2019, bank loans matured as follows:

Entity	a.1)	a.2.1)	a.2.2)	a.3)	TOTAL
	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

a.1) Loan of 20,000 thousand euros granted by BBVA in the first half of 2017. The repayment term of this loan was 3 years, with a grace period of 17 months and a fixed interest rate of 0.65%. Repayment of this loan was completed in 2020.

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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 months 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 2020 and 2019, compliance as of 31 December, 2019 and 2018, respectively, with the financial ratios fixed in this financing agreement was certified. At 31 December, 2020, 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 had a term of 3 months and a fixed annual interest rate of 0.36%. Repayment of this loan was completed in 2020.

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 debits and payables for this item at 31 December, 2020 amounted to 8,822 thousand euros (9,329 thousand euros at 31 December, 2019). 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 2020:

In 2020, the Company received various reimbursable advances from different entities, details of which are shown below:

Company	Entity	Project	Thousands of euros		Years	
			Face value	Initial fair value	Repayment period	Grace period
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	68	57	9	4
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	58	50	12	3
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	127	110	12	3
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	648	582	10	3
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	354	302	10	3
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	175	156	10	3
			1,430	1,257		

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

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b.1) Advances received in 2019:

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

Company	Entity	Project	Thousands of euros		Years	
			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.

At 31 December, 2020 and 2019, debt with government entities matured as follows:

Year	Thousands of euros	
	2020	2019
2020	-	1,893
2021	1,767	1,530
2022	1,662	1,715
2023	1,227	1,102
2024	1,309	1,141
2025	1,242	1,066
2026 onward	3,382	2,775
	10,589	11,222
Non-current	8,822	9,329
Current	1,767	1,893

19. Current and non-current accruals

	Thousands of euros	
	2020	2019
Non-current	5,788	5,793
Current	1,080	766
	6,868	6,559

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 2020, new deferred revenues of 1,253 thousand euros (337 thousand euros in 2019) were recognised in relation to new distribution contracts.

In 2020, ROVI recognised revenue from the granting of distribution licences for a total amount of 944 thousand euros (400 thousand euros in 2019).

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20. Other provisions

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

	Contribution to public health			Total
	Returns	system	Other	
At 1 January, 2019	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
Additions	1,438	8,683	207	10,328
Applications	(1,365)	(3,024)	(25)	(4,414)
At 31 December, 2020	1,438	14,096	207	15,741

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 healthcare 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, 10,424 thousand euros were related to the co-operation agreement signed between Farmaindustria, the Spanish pharmaceutical industry association, and the Spanish government (5,641 thousand euros at 31 December, 2019). ROVI, as a member of Farmaindustria, is subject to this agreement.

Although these sums should not be considered as returns or reimbursements to customers, they are recognised as a reduction in revenue because the purpose of the law is to regulate the prices and margins obtained on these products.

The amounts of the provisions recognised in the statement of financial position are the reporting-date best estimate of the payments necessary to meet the present obligation, after consideration of the risks and uncertainties related to 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.

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21. Deferred income tax

Details of deferred income tax are as follows:

	Thousands of euros	
	2020	2019
Deferred income tax assets:		
- Temporary differences	1,293	1,276
- Other tax carryforwards	3,619	4,831
	<u>4,912</u>	<u>6,107</u>
Deferred income tax liabilities:		
- Temporary differences	(4,700)	(2,348)
	<u>(4,700)</u>	<u>(2,348)</u>
Net deferred income tax	212	3,759

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	
	2020	2019
Deferred income tax assets:		
- Deferred tax assets to be recovered at more than 12 months	2,925	1,177
- Deferred tax assets to be recovered at less than 12 months	1,987	4,930
	<u>4,912</u>	<u>6,107</u>
Deferred income tax liabilities:		
- Deferred tax liabilities to be recovered at more than 12 months	(1,960)	(2,650)
- Deferred tax liabilities to be recovered at less than 12 months	(2,740)	302
	<u>(4,700)</u>	<u>(2,348)</u>
Net deferred income tax	212	3,759

Movement on net deferred taxes was as follows:

	Thousands of euros	
	2020	2019
Balance at beginning of the year	3,759	8,742
(Charged)/credited to profit and loss	(3,662)	(2,110)
Charged directly to equity	115	127
Derecognition due to monetization (Note 23)	-	(3,000)
Balance at end of the year	212	3,759

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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, 2019	(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)
(Charged)/credited to profit and loss	-	80	(2,547)	(2,467)
Charged directly to equity	115	-	-	115
At 31 December, 2020	(797)	(383)	(3,520)	(4,700)

The “Other” column shows mainly deferred tax liabilities related to intragroup margins that were adjusted when settling the corporate income tax of the tax group headed by the Company.

Deferred tax liabilities credited to profit and loss in 2020 for 80 thousand euros (328 thousand euros charged to the 2019 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, 2019	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
(Charged)/credited to profit and loss	(1,212)	-	19	(2)	(1,195)
At 31 December, 2020	3,619	(1)	376	918	4,912

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	
	2020	2019
Grants, donations and legacies received	115	127
	115	127

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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	%	
	2020	2019
Spain	77%	75%
Germany	7%	6%
Italy	4%	4%
France	2%	3%
Turkey	2%	2%
Portugal	2%	2%
Greece	1%	1%
Austria	1%	1%
Czech Republic	0%	1%
UK	1%	1%
Other	4%	4%
	100%	100%

The breakdown of sales by product group was as follows:

	Thousands of euros	
	2020	2019
Pharmaceutical products	292,497	246,010
Contrast agents and other hospital products	30,736	32,556
Non-prescription pharmaceutical products	-	1,152
Sales of bemparin to other Group companies (Note 31.a)	135,342	98,958
Other	849	545
	459,424	379,221

The total amount of sales of goods dropped by 19,393 thousand euros in 2020 (17,771 thousand euros in 2019) as a result of the rebates to the national health system (Note 3.18). 6,306 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 (2,174 thousand euros at 31 December, 2019) (Note 20).

b) Goods, raw materials and other consumables used

	Thousands of euros	
	2020	2019
Purchases	324,212	292,445
Change in inventories	(14,173)	(16,901)
	310,039	275,544

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).

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d) Operating grants recognised in profit and loss

In 2020, the Company obtained and recognised as income official grants of 516 thousand euros (466 thousand euros in 2019) to cover principally expenses for the period in certain R&D projects.

e) Employees

	Thousands of euros	
	2020	2019
Wages, salaries and similar	26,974	28,766
Employee benefits:		
- Pension contributions and provisions (Note 30.a)	24	24
- Other welfare charges	5,805	5,700
	32,803	34,490

In 2020, the figure of wages, salaries and similar was affected by non-recurring expenses totalling 180 thousand euros as a consequence of COVID-19.

The caption “Wages, salaries and similar” includes termination payments of 524 thousand euros (1,146 thousand euros in 2019).

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

	2020	2019
Executive directors	3	3
Management	15	16
Research	232	216
Marketing	181	187
Administration	85	84
	516	506

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

	2020			2019		
	Men	Women	Total	Men	Women	Total
Executive directors	3	-	3	3	-	3
Management	8	7	15	11	5	16
Research	102	140	242	86	139	225
Marketing	87	86	173	92	92	184
Administration	27	64	91	23	60	83
	227	297	524	215	296	511

At 31 December, 2020, there were 12 employees with a disability rating equal to or higher than 33% (12 at the 2019 reporting date).

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f) External services

The breakdown of the external services item was as follows:

	Thousands of euros	
	2020	2019
Advertising costs	9,444	16,094
Services from third parties	8,346	7,509
Supplies	3,522	3,362
Transport and warehouse expenses	2,782	2,595
Repairs and maintenance	2,162	1,617
Operating leases	2,649	2,628
Other operating expenses	26,860	30,671
	55,765	64,476

In 2020, the external services figure was affected by non-recurring expenses totalling 2,635 thousand euros as a consequence of COVID-19. Likewise, also as a result of COVID-19, certain external services have been reduced, mainly those included in the line of advertising costs derived from the reduction in the activity of the sales force.

g) Research and development expenses

Total research and development expenses incurred in 2020 were 23,801 thousand euros (29,304 thousand euros in 2019), 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 2020, 7,001 thousand euros were recognised under the “Employee benefit expenses” heading (8,121 thousand euros at 31 December, 2019) and 16,800 thousand euros under “External services” (21,183 thousand euros in 2019).

23. Income tax and tax situation

As of 31 December 2020 and 2019, the balances with public authorities were as follows:

	Thousands of euros			
	2020		2019	
	Debit	Credit	Debit	Credit
Public Treasury, VAT	2,280	100	4,044	110
Public Treasury, personal income tax	-	594	-	623
Withholdings	759	-	260	-
Corporate income tax	8,342	-	10,089	-
Social Security	-	583	-	586
Other balances with public authorities	758	-	792	-
	12,139	1,277	15,185	1,319

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

	Thousands of euros	
	2020	2019
Late payment interest receivable	70	164
Grants awarded but not received	688	628
	<u>758</u>	<u>792</u>

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 184 thousand euros (156 thousand euros in 2019), together with credits with Group companies resulting from a tax effect of 22,494 thousand euros (15,205 thousand euros in 2019).

At 31 December, 2020, the reconciliation between the net income and expenses for the period and the tax profit was as follows:

Balance income & expenses	Thousands of euros					
	Income statement			Income and expenses credited/(charged) directly in equity		
	Increases	Decreases	Total	Increases	Decreases	Total
			71,137			(344)
Income tax			4,079			(115)
Permanent differences						
- Individual	1,658	-	1,658	-	-	-
- Due to tax consolidation	-	(31,151)	(31,151)	-	-	-
Temporary differences:						
- Individual						
- originating in the period	1,710	-	1,710	-	-	-
- originating in previous periods	251	(1,576)	(1,325)	-	-	-
- Due to tax consolidation						
- originating in the period	-	(13,899)	(13,899)	-	-	-
- originating in previous periods	3,822	-	3,822	-	-	-
Taxable income			<u>36,031</u>			<u>(459)</u>

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At 31 December, 2019, the reconciliation between the net income and expenses for the period and the tax profit was as follows:

Balance income & expenses	Thousands of euros					
	Income statement			Income and expenses credited/(charged) directly in equity		
	Increases	Decreases	Total	Increases	Decreases	Total
			25.553			(378)
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)

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	
	2020	2019
Current tax	(9,045)	(2,216)
Tax credits	8,254	4,307
Deferred tax	(3,662)	(2,110)
Adjustment income tax previous years	374	(140)
	(4,079)	(159)

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

The Company generated tax credits of 4,367 thousand euros in 2020 (3,508 thousand euros in 2019) and likewise was entitled to offset tax credits of 7,506 thousand euros from previous years (5,633 thousand euros at 31 December, 2019). In 2020, tax credits of 8,254 thousand euros were applied (4,307 thousand euros in 2019) and there were further unrecognised R&D tax credits of 3,619 thousand euros pending application in future years (4,833 thousand euros at 31 December, 2019). At 31 December, 2020 and 2019, 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 three years (Note 21).

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The amount settled by the Company as payments on account of the corporate income tax of companies belonging to the tax group was 12,091 thousand euros in 2020 (7,904 thousand euros in 2019). The consolidated current tax for 2020, after deduction of the payments on account and withholdings for the period, generated a current tax receivable of 4,387 thousand euros. At 31 December, 2019, the amount receivable for the current tax for 2019 was 3,862 thousand euros.

At 31 December, 2020, the following taxes were open to inspection by the tax authorities for the periods stated:

	<u>Year</u>
Corporate income tax	2016-19
Value-added tax	2017-20
Transfer tax	2017-20
Personal income tax	2017-20

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

	<u>Thousands of euros</u>	
	<u>2020</u>	<u>2019</u>
Finance income:		
Gains and losses on equity instruments		
- In Group and associated companies (Note 31.f)	31,151	17,008
Gains and losses on marketable securities and other financial instruments		
- In Group and associated companies (Note 31.f)	569	55
- Of third parties	3	3
	<u>31,723</u>	<u>17,066</u>
Finance costs:		
Debt with third parties	(789)	(624)
	<u>(789)</u>	<u>(624)</u>
Change in fair value of financial instruments:		
Derivatives	(796)	(146)
	<u>(796)</u>	<u>(146)</u>
Exchange rate differences:		
Exchange rate differences	77	24
	<u>77</u>	<u>24</u>
Impairment and gain or loss on disposal of financial instruments:		
Gains and losses on disposals and other	(245)	305
	<u>(245)</u>	<u>305</u>
Finance income and costs	<u>29,970</u>	<u>16,625</u>

At December 31, 2019, ROVI held financial derivatives to minimise the impact of exchange rate risk for a value of 26,500 US dollars, the fair-value measurement of which represented a loss of 129 thousand euros at the December 2019 reporting date. During 2020, these assets, as well as others acquired during 2020, were liquidated and a loss of 245 thousand euros was incurred from these liquidations (a profit of 305 thousand euros in 2019). At 31 December, 2020, there were live contracts of this nature for a value of 13,500 thousand dollars, the measurement of which at the 2020 reporting date represented a loss of 925 thousand euros.

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Finance income received from group and associated companies for a total of 31,151 thousand euros (17,008 thousand euros at 31 December, 2019) 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	
	2020	2019
Pre-tax profit for the year	75,216	25,712
Adjustments to the profit:		
- Amortisation of intangible assets & property, plant & equipment (Notes 5 & 6)	9,710	9,331
- Finance income (Note 24)	(649)	(82)
- Finance costs (Note 24)	789	624
- Adjustments for change in value of financial instruments	796	146
- Gain or loss on derecognition of financial assets and liabilities	245	(305)
- Net change in provisions	5,914	2,601
- Grant for non-financial assets and distribution licence revenue	(2,101)	(1,608)
- Other gains and losses	(1,751)	1,445
	<u>88,169</u>	<u>37,864</u>
Changes in working capital:		
- Inventories	(5,165)	(32,108)
- Debtors and Other receivables	(141,429)	(99,066)
- Creditors and other payables	76,961	70,968
	<u>(69,633)</u>	<u>(60,206)</u>
Other cash flows from operating activities:		
- Income tax received/(paid)	(5,884)	(8,087)
- Other amounts received/(paid) (Note 19)	1,253	394
	<u>(4,631)</u>	<u>(7,693)</u>
Cash flows generated (used) in operating activities	<u>13,905</u>	<u>(30,035)</u>

26. Cash flows from investing activities

	Thousands of euros	
	2020	2019
Payments for investments:		
- Group and associated companies (Note 8)	-	(775)
- Intangible assets (Note 5)	(159)	(14,506)
- Property, plant and equipment (Note 6)	(10,915)	(11,258)
	<u>(11,074)</u>	<u>(26,539)</u>
Amounts received for disinvestments:		
- Group and associated companies (Note 8)	144	-
- Property, plant and equipment (Note 6)	20	75
- Other assets (Note 24)	649	82
	<u>813</u>	<u>157</u>
Cash flows generated (used) in investing activities	<u>(10,261)</u>	<u>(26,382)</u>

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27. Cash flows from financing activities

	Thousands of euros	
	2020	2019
Amounts received from and paid for financial liability instruments:		
a) Issue		
- Bank borrowings (Note 18)	-	45,000
- Other debt (Note 18)	1,430	2,033
	<u>1,430</u>	<u>47,033</u>
b) Reimbursement and repayment		
- Bank borrowings	(7,116)	(15,600)
- Debt with Group and associated companies (Note 31 g)	(3,135)	(1,276)
- Other debt	(2,230)	(1,850)
- Interest payments	(299)	(93)
	<u>(12,780)</u>	<u>(18,819)</u>
Dividend payments and remuneration of other equity instruments:		
- Dividends (Note 15 b) & d)	(9,700)	(4,420)
- Transactions with treasury shares (Note 15 c)	233	153
	<u>(9,467)</u>	<u>(4,267)</u>
Cash flows generated (used) in financing activities	<u>(20,817)</u>	<u>23,947</u>

28. Contingencies

At 31 December, 2020, the Company held bank guarantees amounting to 2,385 thousand euros (2,770 thousand euros in 2019). 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, 2020 were 726 thousand euros (1,868 thousand euros at 31 December, 2019), 661 thousand euros of which related to payments due at less than one year (1,180 thousand euros at less than one year at 31 December, 2019).

The operating lease expense recognised in profit and loss in 2020 was 2,649 thousand euros (2,628 thousand euros in, 2019).

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:

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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 . This payment was made in 2020;
- 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, 2020, 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.

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(Thousands of euros)

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, 2020:

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 2020 and 2019 were as follows:

	Thousands of euros	
	2020	2019
Mr Juan López-Belmonte López	165	150
Mr Juan López-Belmonte Encina	70	60
Mr Enrique Castellón Leal	-	58
Mr Javier López-Belmonte Encina	70	60
Mr Iván López-Belmonte Encina	70	60
Mr Miguel Corsini Freese	-	21
Mr Fernando de Almansa Moreno-Barreda	70	60
Mr Marcos Peña Pinto	70	39
Ms Fátima Báñez García	70	2
	<u>585</u>	<u>510</u>

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	
	2020	2019
Mr Juan López-Belmonte Encina	8	8
Mr Javier López-Belmonte Encina	8	8
Mr Iván López-Belmonte Encina	8	8
	<u>24</u>	<u>24</u>

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 2020 and 2019 was as follows:

	Thousands of euros			
	2020		2019	
	Fixed	Variable	Fixed	Variable
Mr Juan López-Belmonte Encina	330	153	320	153
Mr Javier López-Belmonte Encina	242	125	234	115
Mr Iván López-Belmonte Encina	239	125	233	115
	<u>811</u>	<u>403</u>	<u>787</u>	<u>383</u>

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On 29 May, 2018, the General Shareholders’ Meeting approved a Long-Term Incentive Plan for the executive directors for the years 2019 to 2021. The purpose of this plan was to provide compensation for the long-term creation of value for ROVI in the interests of the shareholders. Amounts accrued under this Plan are recognised under the “Wages and other current benefits” caption in the income statement, but are not included in the above table showing the remuneration of directors for performing senior management functions.

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

In 2020 and 2019, 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	
	2020	2019
Remuneration of executive directors	1,214	1,170
Profit attributable to parent company	71,137	25,553
Remuneration of executive directors/Profit attributable to parent company	1.71%	4.58%

b) Remuneration of and loans to senior management

The total remuneration paid to members of senior management in 2020, excluding the remuneration received by the executive directors described in points a)1.c) and a)1.f) above, was 1,464 thousand euros (1,681 thousand euros in 2019).

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 61 thousand euros accrued for this policy in 2020 (12 thousand euros in 2019).

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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	
	2020	2019
Sales of goods:		
- Subsidiaries (Note 22.a)	175,569	98,958
	<u>175,569</u>	<u>98,958</u>
Rendering of services:		
- Subsidiaries (Note 22.c)	4,589	2,755
	<u>4,589</u>	<u>2,755</u>
	<u>180,158</u>	<u>101,713</u>

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

b) Goods and services purchased

	Thousands of euros	
	2020	2019
Purchase of goods:		
- Subsidiaries	148,126	131,862
	<u>148,126</u>	<u>131,862</u>
Purchases of services:		
- Subsidiaries	10,481	10,499
- Directors	25	25
- Entities in which Mr Juan López-Belmonte holds an ownership interest	1,109	1,110
	<u>11,615</u>	<u>11,634</u>
	<u>159,741</u>	<u>143,496</u>

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.

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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. (Nota 6).

e) Dividends paid

Dividends paid to the company Norbel Inversiones, S.L. in 2020 were 6,196 thousand euros (2,754 thousand euros in 2019). Additionally, in 2020 dividends were paid to other significant shareholders in the amount of 547 thousand euros (241 thousand euros in 2019).

f) Dividends received

In 2020 and 2019, the Company received the following dividends from Group companies (Note 24):

	Thousands of euros	
	2020	2019
- Rovi Pharma Industrial Services, S.A.	30,700	-
- Pan Química Farmacéutica, S.A.	451	398
- Rovi Contract Manufacturing, S.L.	-	12,389
- Frosst Ibérica, S.A.	-	4,221
	31,151	17,008

g) Capital contributions

In 2019, the Company increased its interest in the subsidiary company Gineladius, S.L. by 144 thousand euros through a shareholder contribution. This contribution was returned to the Company in 2020 and, therefore, its interest in said company dropped by 144 thousand euros.

In 2019, the Company increased its interest in Rovi Biotech, S.r.L. by offsetting a loan balance of 146 thousand euros.

h) Other transactions

	Thousands of euros	
	2020	2019
Loans		
- Subsidiaries	2,802	26,327
	2,802	26,327

In 2019, the Company signed loans for 26,327 thousand euros 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). These loans increased by 2,802 thousand euros in 2020. Financial interest receivable accrued on these loans was 569 thousand euros in 2020 (55 thousand euros in 019). The loans mature in 2022 and 2029 and the interest rates agreed are between EURIBOR plus 2.00% and EURIBOR plus 3.63%. The capital contributions explained in point g) of this Note and in Note 8 were made through non-monetary contributions and the offsetting of the balances on loans that ROVI held with its subsidiaries at the time of the transaction.

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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

	2020		2019	
	Debit balance	Credit balance	Debit balance	Credit balance
Purchases/sales of goods or services				
- Subsidiaries	142,342	104,228	19,374	20,141
- Entities in which Mr. Juan López-Belmonte holds an interest	-	164	-	123
	142,342	104,392	19,374	20,264
Income tax charge				
- Subsidiaries (Note 23)	22,494	104	15,205	76
- Joint ventures	-	80	-	80
	22,494	184	15,205	156
Loans granted at fair value				
- Subsidiaries	31,804	-	29,002	333
- Joint ventures(*)	52	-	52	-
	31,856	-	29,054	333
Interests				
- Subsidiaries	528	-	55	-
	528	-	55	-
Dividends				
- Subsidiaries	83,917	-	52,766	-
	83,917	-	52,766	-
Other items				
- Directors	44	1,385	44	1,005
- Key management	-	215	-	250
	44	1,600	44	1,255
TOTAL	281,181	106,176	116,498	22,008

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 2020, in order to contribute to the protection and improvement of the environment, the Company incurred expenses of 715 thousand euros for waste elimination (1,192 thousand euros in 2019).

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

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33. Events after the reporting date

On 30 January, 2021, Royal Decree 1/2021 of 12 January, which amended the General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November, the General Chart of Accounts for Small and Medium-sized Companies, approved by Royal Decree 1515/2007 of 16 November; the Rules for the Formulation of Consolidated Annual Accounts approved by Royal Decree 1159/2010 of 17 September, and the Rules on Adaptation of the General Chart of Accounts to Non-profit Entities, approved by Royal Decree 1491/2011 of 24 October. Likewise, on 13 February, 2021, the Institute of Accounting and Account Auditing’s Resolution of 10 February, 2021 was published, issuing rules on the recognition, measurement and preparation of the annual accounts in relation to the recognition of revenue from goods delivered and services provided.

The Company’s Directors are conducting an assessment of the accounting impacts that these changes will entail. At the date of approval of the individual annual accounts, insufficient information is available to reach a conclusion on the results of this analysis, although the impacts are not expected to be material.

34. Fees of account auditors

The net fees accrued by KPMG Auditores, S.L. in 2020 were 104 thousand euros for audit services, 31 thousand euros for other audit-related services and 14 thousand euros for other services (90 thousand euros, 29 thousand euros and 14 thousand euros, respectively, in 2019). 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 and the review of financial ratio compliance for financing contracts.

Additionally, the firm to which KPMG Auditores, S.L. belongs provided review services for the statement of non-financial information for 18 thousand euros in 2020 (20 thousand euros in 2019).

35. Other significant information

The global pandemic caused by COVID-19 has had different effects on ROVI.

Sales of pharmaceutical products have been affected. Although the World Health Organisation (WHO) has recommended ROVI’s low-molecular-weight heparins (LMWHs), Bemiparin (Hibor®) and the Enoxaparin biosimilar as essential medicines for people hospitalised in intensive care units due to COVID-19, sales of Bemiparin in Spain have decreased slightly due to the significant reduction in the number of surgical operations performed during the period of lockdown.

Additionally, sales of contrast imaging agents and other hospital products decreased mainly due to the significant reduction in the number of diagnostic tests performed during the period of lockdown.

In 2020, as a consequence of COVID-19 the “Employee benefit expenses” caption was affected by non-recurring expenses for a total amount of 180 thousand euros and “External services” caption was affected for a total amount of 2,635 thousand euros. Likewise, also as a result of COVID-19, certain external services have been reduced, mainly those included in the line of advertising costs derived from the reduction in the activity of the sales force.

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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 is the parent company of a fully-integrated specialized Spanish pharmaceutical group (“the Group”) engaged in the research and development, contract manufacturing and the marketing of small molecules and biological specialties. The Group has three principal growth pillars:

- Low-molecular-weight heparin (LMWH) division. 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.
- Global-scale high-value-added contract manufacturing of injectables (prefilled syringes and vials) and oral forms for third parties with differentiated capabilities.

In addition, ROVI has a sound, low-risk R&D policy, where the patented ISM® platform (internally-developed and patented innovative drug-release technology which allows the prolonged release of the compounds administered by injection) opens up new channels of growth. 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.

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

2. Business performance

Operating revenue increased by 21% to 459.4 million euros in 2020, driven by the strength of the specialty pharmaceutical business, where sales rose 18%, strongly outperforming the market.

Sales of LMWH increased by 21% to 199.7 million euros in 2020. LMWH (enoxaparin biosimilar and bemiparin) sales represented 43% of operating revenue in 2020 compared to 44% in 2019.

ROVI’s low-molecular-weight heparin (LMWH), Bemiparin, showed a positive performance in 2020, with sales up 5% to 101.4 million euros. Sales of Bemiparin in Spain (Hibor®) decreased 2% to 68.5 million euros in 2020 due to the significant reduction in the number of surgical operations performed during the period of lockdown.

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 34% to 29.6 million euros in 2020, compared to 22.0 million euros in 2019.

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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 22% to 11.3 million euros in 2020, compared to 14.6 million euros in the previous year, mainly due to Ulunar® Breezhaler® price reduction of 18% in 2020.

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 7% to 14.2 million euros in 2020.

Sales of Vytorin®, Orvatez® and Absorcol®, specialty products from Merck Sharp & Dohme (“MSD”) indicated as adjunctive therapy to diet in patients with hypercholesterolemia, decreased by 11% to 28.4 million euros in 2020. In this period, Orvatez® price was reduced by 30% due to the entrance of hybrid products formulated with ezetimibe and atorvastatine.

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 40% to 3.5 million euros in 2020. In July 2019, Medikinet® (methylphenidate hydrochloride with a modified release) went out of protection for galenic innovation and its price was reduced by 50.3% on average.

According to IQVIA, Spanish innovative product market increased by 2% in 2020 compared to the previous year. Nevertheless, ROVI prescription-based pharmaceutical product sales increased 6% in 2020, outperforming the market by 4 percentage points.

In 2016, Farmaindustria, the Spanish pharmaceutical industry association, and the Spanish government signed a co-operation agreement. After subsequent renewals, this agreement was in force until 31 December, 2019. According to the agreement, in the event that public spending on medicines (excluding generics and biosimilars) exceeded the actual growth rate of the GDP of the Spanish economy, the pharmaceutical industry had to reimburse the government for said excess in cash. Although Farmaindustria and the Spanish government have not yet signed a new co-operation agreement applicable to 2020, the Spanish pharmaceutical industry and ROVI consider that the parties will finally reach an agreement affecting said period. Therefore, ROVI has recognised the estimated amount of this item, which amounts to 6.3 million euros, as a decrease in sales in 2020. When determining the amount for 2020, ROVI has considered that the pharmaceutical industry will reimburse the amount of the increase in public spending on medicines (excluding generics and biosimilar) estimated by Farmaindustria to the government.

Sales of contrast imaging agents and other hospital products decreased by 6% to 30.7 million euros in 2020. This fall is mainly due to the significant reduction in the number of diagnostic tests performed during the period of lockdown. Sales of contrast imaging agents and other hospital products increased by 12% in the fourth quarter of 2020 compared to the third quarter of 2020 and by 5% in the fourth quarter of 2020 compared to the fourth quarter of 2019.

In 2020, as a consequence of COVID-19 the “Employee benefit expenses” caption was affected by non-recurring expenses for a total amount of 180 thousand euros and “External services” caption was affected for a total amount of 2,635 thousand euros. Likewise, also as a result of COVID-19, certain external services have been reduced, mainly those included in the line of advertising costs derived from the reduction in the activity of the sales force.

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3. Liquidity and capital resources

3.1 Liquidity

As of 31 December 2020, ROVI had gross cash position of 35.6 million euros, compared to 52.8 million euros as of 31 December 2019, and net debt (available-for-sale financial assets plus deposits plus financial derivatives plus cash and cash equivalents minus short term and long term financial debt minus debt with group companies) of 21.1 million euros, compared to a net debt of 11.2 million euros as of 31 December 2019.

3.2 Capital resources

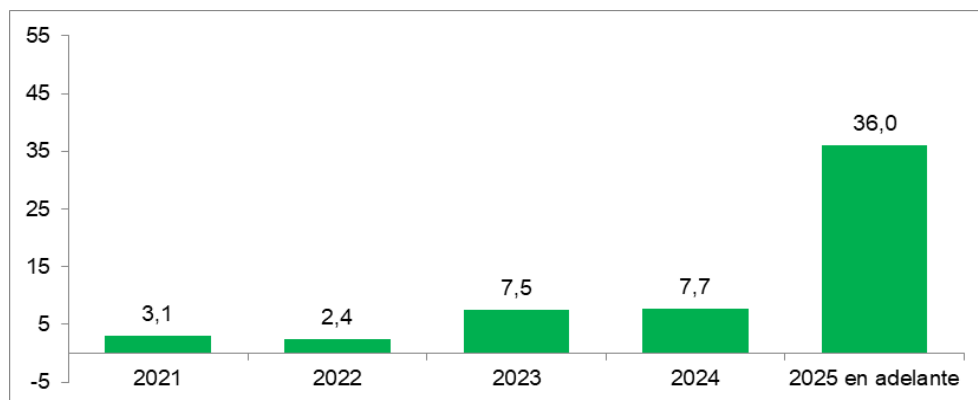
As of 31 December 2020, ROVI had total debt of 56.7 million euros (64.0 million euros as of 31 December 2019). Debt with public administration, which is 0% interest rate debt, represented 19% of total debt (18% in December 2019).

<i>In thousand euros</i>	2020	2019
Bank borrowings	45,000	52,116
Debt with public administration	10,589	11,222
Debt with Group & associated companies	184	489
Derivatives	925	129
Total	56,698	63,956

As of 31 December 2020, bank borrowings decreased by 7.1 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 0.336% (January 2021). 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%.

Likewise, since the beginning of the COVID-19 crisis, ROVI has signed credit policies for an amount of 45 million euros, in order to ensure the company's liquidity. As of 31 December 2020, ROVI had not used these credit policies. Thus, the Company is in a comfortable position to meet its payment obligations, debt maturities and any additional cash needs in the short and medium term.

Debt maturities at 31 December, 2020 are shown in the following graph (millions of euros):



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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, 2020 were 726 thousand euros (1,868 thousand euros at 31 December, 2019), of which 661 thousand euros are related to maturities at less than one year (1,180 thousand euros at less than one year at 31 December, 2019).

4. Key operating and financial events

4.1 The Journal npj Schizophrenia Publishes the Results of the PRISMA-3 Study of the Efficacy and Safety of Doria® in Schizophrenic Patients

ROVI informed (by publication of the inside information with register number 610 dated 27 November, 2020) of the online publication of the results of the pivotal study PRISMA-3 on the efficacy and safety of Doria® in schizophrenic patients in the journal npj Schizophrenia¹.

The results of the phase III pivotal clinical trial show that the once-monthly injectable antipsychotic Doria® furnishes a significant improvement in the symptomatology and severity of the illness in patients with acute exacerbation of schizophrenia.

Doria® (Risperidone ISM®) is a novel investigational antipsychotic for the treatment of schizophrenia with once-monthly injections which has been developed and patented by Laboratorios Farmacéuticos ROVI S.A. and which, as of the first injection, provides immediate and sustained plasmatic drug levels and does not require loading doses or supplementation with oral risperidone.

The results obtained in this study show that both doses (75 mg and 100 mg once a month) have achieved the prespecified primary and secondary efficacy endpoints for treatment of patients with acute exacerbation of schizophrenia. The primary efficacy endpoint, the PANSS total score (mean difference, CI: 95%), improved significantly with Risperidone ISM® 75 mg and 100 mg from the beginning until day 85, with adjusted differences of -13.0 (17.3 to -8-8; p <0.0001) and -13.3 (-17.6 to -8.9; p<0.0001), respectively. Significantly improved mean changes for the secondary endpoint, the CGI-S score, were also obtained for Risperidone ISM® in comparison with the placebo, -0.7 (-1.0 to -0.5; p<0.0001), for both doses. The significant statistical improvement for both efficacy results was observed as early as 8 days after the first injection. The most frequently reported treatment-emergent adverse events were increased blood prolactin (7.8%), headaches (7.3%), hyperprolactinemia (5%) and weight increase (4.8%). No important new or unexpected safety information was reported.

According to the authors of the article, Risperidone ISM® represents an effective therapeutic strategy in schizophrenic patients who are admitted to hospital with an acute episode with severe or moderate psychotic symptoms.

¹ Correll, C.U., Litman, R.E., Filts, Y. et al. Efficacy and safety of once-monthly Risperidone ISM® in schizophrenic patients with an acute exacerbation. npj Schizophr 6, 37 (2020). <https://doi.org/10.1038/s41537-020-00127-y>

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"We are very pleased with these results, since, not only do they prove that our ISM® technology works, but also because we believe that Doria® will be able to help cover an unmet medical need", said Dr. Ibón Gutierro, ROVI's Corporate R&D Manager. Likewise, Dr. Gutierro explained that "this study is proof that a schizophrenic patient with moderate to severe psychotic symptoms can also be treated with a long-acting injectable antipsychotic like Doria®".

On the basis of these positive results and the other data from the product, ROVI previously announced the commencement of the centralised procedure for registration with the European Medicines Agency (EMA) in January 2020. Likewise, at its Capital Markets Day held on 24 November, ROVI has just announced the filing of an NDA (New Drug Application), i.e. a registration dossier to obtain marketing authorisation in the USA, with the FDA (Food and Drug Administration).

4.2 ROVI informs on the impact of COVID-19 on the company's activities

ROVI reports (by publication of the relevant information number 1365 dated 2nd of April of 2020) that, since the beginning of the propagation of COVID-19, ROVI has been executing the contingency plans necessary to guarantee the health and safety of its employees and those who work with it, as well as to ensure the continuity of the business and fulfil its responsibility to supply medicines to the hospitals of Spain and Europe.

To this end, ROVI has adopted a number of initiatives in line with the recommendations made by the authorities. Among them, we highlight the fact that ROVI has reduced the processes that must be performed in person at its facilities to a minimum. Thus, a significant part of the workforce is working from a distance. In the cases where home working is not possible, particularly at the manufacturing plants, ROVI is keeping all its production activities at a kind of normal activity level, with the relevant safety measures, in order to ensure that its medicines continue to be available to patients during the health crisis.

ROVI considers that it is extremely important to keep its manufacturing plants in operation in order to fulfil its responsibility as a pharmaceutical manufacturer. Therefore, the company wishes to acknowledge the commitment and responsibility shown by those of its employees who are physically present at work every day and, for these employees, has approved a bonus of 20% of their salary corresponding to the duration of the State of Alarm decreed by the Spanish government. Likewise, in order to work with the greatest safety and maintain the continuity of the production activities, ROVI recommends avoiding the use of public transport for travelling to the plants and assumes the cost of private transport and parking spaces for those employees who so require.

ROVI's sales behaved in line with company's expectations in the first nine months of 2020. As a consequence, the company confirms the growth forecasts reported previously for 2020, which placed growth in operating revenue in mid-single-digit figures, i.e. from 0% to 10%. Notwithstanding, given the uncertainties associated to the development of the current situation (which ROVI will continue to monitor closely), it is not yet possible to make a precise assessment of the impact that the pandemic will have on the current year.

Regarding the possible impact of COVID-19 on each one of the areas of the company, the following may be highlighted:

1. The World Health Organisation (WHO) has recommended ROVI's low-molecular-weight heparins (LMWHs), Bemiparin (Hibor®) and the Enoxaparin biosimilar, sales of which accounted for 47% of the company's operating revenue in 2019, as essential medicines for people hospitalised in intensive care units due to COVID-19. For this reason, in view of the habitual use of the product in hospitalised patients, the company believes that there will be a rise in LMWH sales in hospitals during the period of the health crisis. On the other hand, ROVI expects that the significant reduction in the number of surgical operations performed during the period of

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confinement may, likewise, affect the division's sales. The industrial shutdown that took place in China at the beginning of the year and the current shutdown in Europe, combined with the evolution of African swine fever in China, confirm the price increase in sodium heparin for this first part of the year.

2. A majority of ROVI's innovative products are indicated for the treatment of chronic diseases and therefore, consumption of these products should remain stable in the short term. However, the confinement measures, which favour the habit of staying at home, combined with the fact that it is impossible for the sales force to promote the products among health professionals, could provoke a slowdown in the sales of the pharmaceutical specialities division if the isolation measures adopted in the health crisis were to be prolonged.
3. As we have mentioned previously, as of today's date, production activities remain at normal capacity at all the plants, although productivity has been impaired by the various preventive measures concerning sanitisation and safety in relation to COVID-19. ROVI is very proud and satisfied with its employees' response to this crisis. However, the current situation and its potential impact is so unpredictable and volatile that the foregoing assessment of the plants' operations could be affected in the event of infections within their workforces.
4. R&D activities are continuing and, as of today's date, ROVI is not aware that there will be any kind of delay in the approval process for Doria® in Europe or registration of the medicine in the United States. Notwithstanding, the company understands that the efforts of the European Medicines Agency are currently focused on COVID-19 and does not rule out delays in the approval process for the medicine under the current circumstances. Likewise, for registration of the medicine in the United States, the company depends on third-party assistance, which means that ROVI cannot be certain that the registration application will not be filed later the date reported previously (second half of 2020).

ROVI is continuing with its transformation process and the execution of its strategic plan. To date, the impact of the health crisis has not changed the ROVI's plans. Said strategic plan focuses on (i) the expansion of its enoxaparin biosimilar, with which it aspires to become a benchmark player in the low-molecular-weight heparin sub-market, and (ii) Doria® and Letrozol®, both of which are candidates that validate its extended-release drug delivery system, ISM®.

ROVI is also contributing to the provision of new solutions that help to improve the health situation of society overall and has taken the necessary steps to donate a million surgical masks and a thousand special protection suits to the Ministry of Health, Consumption and Social Welfare, taking account of the difficulties that the National Health System is having in accessing individual protection equipment at the present time. With this contribution, ROVI wishes to assist in the indispensable work carried out by the health professionals who are working nonstop to combat the COVID-19 pandemic in Spain.

ROVI wishes a swift recovery to all those affected by coronavirus and sends special recognition to the health professionals, the State security forces and all the other professionals who, in order to protect all of us, are on the battlefield in the fight against the virus. Likewise, ROVI would like to thank all its employees for their commitment, responsibility, involvement and determination, especially those who continue to travel to its work centres every day.

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

ROVI informed (by publication of the material event number 286374 dated 31st of January of 2020) 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), in 2020.

“We are continuing to progress with the approval phase of Doria® and are now closer to marketing it. We have confidence in the product’s potential and hope that we will soon be able to offer a therapeutic alternative for the treatment of this chronic, serious and progressive disorder”, said Juan López-Belmonte, ROVI’s Chief Executive Officer.

5. Research and development

ISM® technology platform

Doria® (Risperidone ISM®) is the first ROVI’s product based in its leading-edge drug delivery technology, ISM®. It is a novel investigational antipsychotic for the treatment of schizophrenia with once-monthly injections which has been developed and patented by Laboratorios Farmacéuticos ROVI S.A. and which, as of the first injection, provides immediate and sustained plasmatic drug levels and does not require loading doses or supplementation with oral risperidone.

In March 2019, the company informed topline results from the pivotal study of Risperidone ISM® “PRISMA-3”², and the 27th of November of 2020 announced the online publication in the journal *npj Schizophrenia*³.

² 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) [<https://clinicaltrials.gov/show/NCT03160521>]. This clinical program has had the support of the Industrial Technological Development Centre (“CDTI”).

³ Correll, C.U., Litman, R.E., Filts, Y. et al. Efficacy and safety of once-monthly Risperidone ISM® in schizophrenic patients with an acute exacerbation. *npj Schizophr* 6, 37 (2020). <https://doi.org/10.1038/s41537-020-00127-y>.

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The results obtained in this study show that both doses (75 mg and 100 mg once a month) have achieved the prespecified primary and secondary efficacy endpoints for treatment of patients with acute exacerbation of schizophrenia. The primary efficacy endpoint, the PANSS total score (mean difference, CI: 95%), improved significantly with Risperidone ISM[®] 75 mg and 100 mg from the beginning until day 85, with adjusted differences of -13.0 (17.3 to -8-8; p <0.0001) and -13.3 (-17.6 to -8.9; p<0.0001), respectively. Significantly improved mean changes for the secondary endpoint, the CGI-S score, were also obtained for Risperidone ISM[®] in comparison with the placebo, -0.7 (-1.0 to -0.5; p<0.0001), for both doses. The significant statistical improvement for both efficacy results was observed as early as 8 days after the first injection. The most frequently reported treatment-emergent adverse events were increased blood prolactin (7.8%), headaches (7.3%), hyperprolactinemia (5%) and weight increase (4.8%). No important new or unexpected safety information was reported. According to the authors of the article, Risperidone ISM[®] represents an effective therapeutic strategy in schizophrenic patients who are admitted to hospital with an acute episode with severe or moderate psychotic symptoms².

The company also announced in July 2019 the completion of an open-label extension of the PRISMA-3 study⁴, which provides clinical data on the long-term use of Risperidone ISM[®] (12 additional months).

Based on these positive results and the other data from the product, ROVI previously announced (by publication of the material event number 286374 dated 31st of January of 2020) the commencement of the centralised procedure for registration with the European Medicines Agency (EMA) in January 2020. Likewise, at its Capital Markets Day held on 24 November, ROVI has just announced the filing of an NDA (New Drug Application), i.e. a registration dossier to obtain marketing authorisation in the USA, with the FDA (Food and Drug Administration).

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 study⁵) 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 is planning in the first half of 2021 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.

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) [<https://clinicaltrials.gov/ct2/show/NCT03870880>]. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").

⁵ 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) [<https://clinicaltrials.gov/ct2/show/NCT03401320>]. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").

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6. Dividends

On October 20, 2020, the General Meeting of Shareholders approved the distribution of the 2019 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 9,818 thousand euros (0.1751 euros gross per share). This dividend was paid out in November 2020.

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.

7. Capital expenditure

ROVI invested 11.1 million euros in 2020, compared to 25.8 million euros in 2019.

At 31 December, 2020 and 2019, the additions to property, plant and equipment were mainly related to investments in the Company's Granada plant and the pilot plants for development of ISM® technology.

8. Treasury shares transactions

In the course of 2020, ROVI acquired a total of 1,233,324 of its own shares (224,449 in 2019), paying the amount of 37,255 thousand euros for them (4,718 thousand euros in 2019). Likewise, it resold a total of 1,246,626 of its own shares (232,548 in 2019) for an amount of 37,488 thousand euros (4,871 thousand euros in 2019). These shares had been acquired at a weighted average cost of 27,411 thousand euros (3,189 thousand euros in 2019), giving rise to a profit of 10,077 thousand euros on the sale (1,682 thousand euros in 2019), which was taken to reserves. At 31 December, 2020, ROVI held 673,654 treasury shares (686,956 at 31 December, 2019).

9. Headcount evolution

The average number of employees during 2020 has been 516 (506 in 2019).

10. Outlook for 2021

For 2021, ROVI expects a mid-single-digit growth rate for the operating revenue.

The Company forecasts that it will continue to grow at a much higher rate than the Spanish pharmaceutical market expenditure in 2020, which, according to the Ministry of Health, Consumption and Social Welfare, showed a growth rate of 2.6%.

Notwithstanding, given the uncertainties associated to the development of the COVID-19 pandemic (which ROVI will continue to monitor closely), it is not yet possible to make a precise assessment of the impact that the pandemic will have on this year.

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ROVI expects its growth drivers to be Bemiparin, the license agreements, such as Neparvis® and Volutsa®, the Enoxaparin biosimilar and its existing portfolio of specialty pharmaceuticals.

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.
- 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, ...);
- Concentration of operations in certain geographical areas.
- Actions on the part of the competition that have an adverse impact on ROVI's sales.
- Ciber attack risk.
- 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; y (viii) the Company intensifies its work to mitigate the risk of cyberattacks by raising awareness among its staff and conducting cybersecurity reviews.

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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, 2020, the Company held instruments of this kind for a value of 13,500 thousand euros (26,500 thousand euros in 2019), the measurement of which led to recognition of a loss of 925 thousand euros at the 2020 reporting date (at the 2019 reporting date the loss was not significant).
- 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 maintains 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.

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- *Liquidity risk*

Management periodically 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.

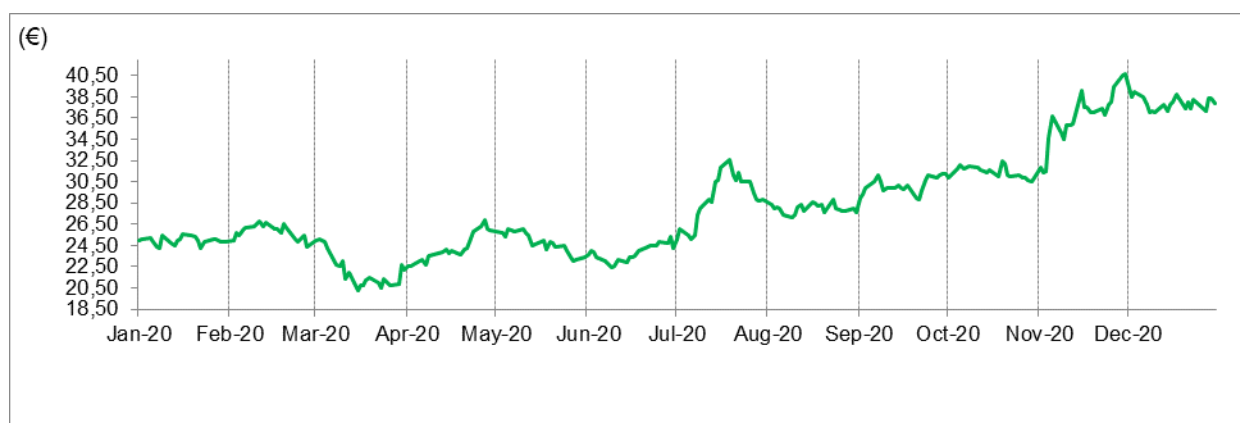
In 2020, ROVI signed credit policies for a total amount of 45 million euros. No amounts had been drawn down as of 31 December, 2020.

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.

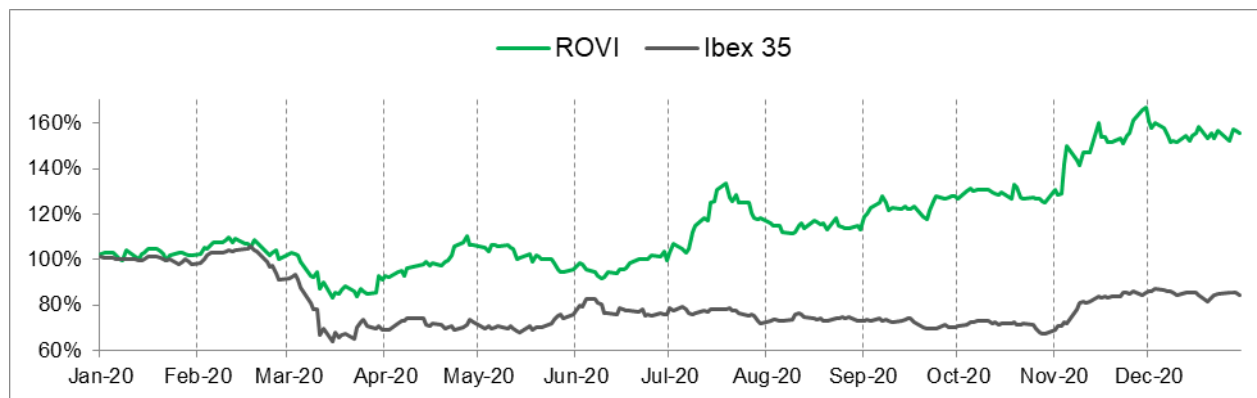
The following graph shows the fluctuations of the share price in the stock market in 2020:



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The following chart shows the performance of the share price of ROVI compared with the IBEX 35 index in 2020:



13. Corporate Government Annual Report

Appendix 1 includes the Corporate Government Annual Report prepared by the Company for 2020.

14. Events after balance sheet date

On 30 January, 2021, Royal Decree 1/2021 of 12 January, which amended the General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November, the General Chart of Accounts for Small and Medium-sized Companies, approved by Royal Decree 1515/2007 of 16 November; the Rules for the Formulation of Consolidated Annual Accounts approved by Royal Decree 1159/2010 of 17 September, and the Rules on Adaptation of the General Chart of Accounts to Non-profit Entities, approved by Royal Decree 1491/2011 of 24 October. Likewise, on 13 February, 2021, the Institute of Accounting and Account Auditing's Resolution of 10 February, 2021 was published, issuing rules on the recognition, measurement and preparation of the annual accounts in relation to the recognition of revenue from goods delivered and services provided.

The Company's Directors are conducting an assessment of the accounting impacts that these changes will entail. At the date of approval of these individual annual accounts, insufficient information is available to reach a conclusion on the results of this analysis, although the impacts are not expected to be material.

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, 2020.

Free translation of the 2020 Management Report originally issued in Spanish. In the event of discrepancy, the Spanish version prevails.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

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APPENDIX 1

CORPORATE GOVERNMENT ANNUAL REPORT 2020

(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 2020 and which precede this document, have been issued by the Board of Directors at its meeting of 23 February 2021, 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, 23 February 2021

Mr. Juan López-Belmonte López
Chairman

Mr. Juan López-Belmonte Encina
Chief Executive Officer

Mr. Javier López-Belmonte Encina
Vice Chairman 1º

Mr. Iván López-Belmonte Encina
Vice Chairman 2º

Mr. Marcos Peña Pinto
Lead Independent Director

Mr. José Fernando de Almansa
Moreno-Barreda
Director

Ms. Fátima Báñez García
Director



Auditor's Report on Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries

**(Together with the consolidated annual accounts
and consolidated directors' report of Laboratorios
Farmacéuticos Rovi, S.A. and subsidiaries for the
year ended 31 December 2020)**

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



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 2020, 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 2020 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 pursuant to the legislation regulating the audit of accounts in Spain. 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.



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

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.

Recognition of revenues from services rendered to third parties

See notes 2.21.b, 4.2, 20.b and 22.b to the consolidated annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p><i>A portion of the Group's revenues corresponds to the provision of manufacturing and packaging services to third parties. Control is transferred to the customer and the performance obligations are deemed to be fulfilled when the manufactured goods are made available to the customer.</i></p> <p><i>In certain cases, the Group undertakes to reserve production capacity at its facilities in exchange for financial consideration that is either recognised as revenues when the contractual milestone is reached or, serves as a minimum payment in cases where the production service is carried out.</i></p> <p><i>In other cases, before providing manufacturing services and in accordance with certain determined milestones, the Group performs work to adapt, fit out and validate its facilities and machinery, which, when the final cost of such work is borne by the customer, is recognised as revenues on the basis of the percentage of completion method in accordance with the defined milestones. This requires the Group to perform estimates such as: the margin on each contract, the costs to be incurred, the probability of receiving additional revenues, if any, and meeting the established milestones.</i></p> <p><i>The recognition of revenues and the profit/loss on these contracts therefore entails a high level of judgement by Management and an exhaustive control of the estimates made and any deviations that might arise during their term, as well as compliance with the milestones established by contract. The estimates take into account all costs and revenues directly attributable to the contracts, including any costs incurred in addition to those originally budgeted.</i></p>	<p><i>Our audit procedures included the following:</i></p> <ul style="list-style-type: none"> - <i>Evaluating the design and implementation of key controls associated with the process of recognition of revenues using the percentage of completion method and revenues from production capacity reservations.</i> - <i>We obtained and evaluated contracts for the reservation of production capacity at the facilities in exchange for economic consideration in order to analyse the recognition of revenues for the provision of services and in particular, in the case of deferral, recognition as contractual liabilities, in accordance with the agreed terms and conditions and in compliance with the established milestones.</i> - <i>Where revenues from the provision of services is recognised using the percentage of completion method, we obtained contracts from which we selected a random sample, based on certain quantitative and qualitative criteria, to assess the estimates made for the purposes of the recognition of revenues and for which we obtained documentation supporting those estimates and evidence of the judgements made by the Group, where applicable.</i> <p><i>We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.</i></p>



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

Recognition of revenues from services rendered to third parties
See notes 2.21.b, 4.2, 20.b and 22.b to the consolidated annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p><i>Due to the high level of judgement and the significance of the outstanding contractual liabilities to be recognised in the income statement, this has been considered a key audit matter of the current period.</i></p>	

Capitalisation and recoverability of intangible assets
See notes 2.7, 4.1, 7, 23 and 24 to the consolidated annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p><i>The Group has significant intangible assets amounting to Euros 41,413 thousand, including Euros 32,784 thousand derived from the acquisition of trademarks and licences for products that are currently marketed, of which Euros 5,366 thousand reflect intangible assets with indefinite useful lives and Euros 7,487 thousand reflect development expenses.</i></p> <p><i>Management reviews these assets for the existence of indications of impairment on an annual basis. In addition, the relevant impairment analysis is performed on an annual basis for intangible assets with indefinite useful lives and, if applicable, for intangible assets with finite useful lives for which there are indications of impairment. The recoverability of these assets is based on the discounting of future cash flows using budgets approved by Management.</i></p> <p><i>The capitalisation of any development expenses also 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.</i></p> <p><i>In this connection, the Group has intangible assets amounting to Euros 7,487 thousand from the development of a low-molecular-weight heparin, an enoxaparin biosimilar, for which the corresponding marketing authorisation was obtained in 2017. No indications of impairment have been detected.</i></p>	<p><i>Our audit procedures included the following:</i></p> <ul style="list-style-type: none"> - <i>Assessment of the design and implementation of the controls associated with the process for estimating the recoverability of intangible assets and the process followed to recognise research and development expenses and to identify, where applicable, expenses that qualify for capitalisation.</i> - <i>We evaluated the criteria used by the Management in identifying indications of impairment.</i> - <i>We assessed the consistency of the profit and loss forecasts used as a basis for assessing the recoverability of the intangible assets with indefinite useful lives and assets with indications of impairment, in particular, the projected income and expenses and cash flows.</i> - <i>We received and assessed the documentation prepared by Management in relation to the analysis of research and development expenses, recognised in the income statement.</i> - <i>Our procedures for projects under development included an assessment of the reasonableness of the assumptions used by the Group in relation to obtaining the pertinent authorisations, by considering the current stage of development, and where appropriate, their capitalisation as an intangible asset.</i> <p><i>We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.</i></p>



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

Recognition of revenues from services rendered to third parties

See notes 2.21.b, 4.2, 20.b and 22.b to the consolidated annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p><i>In 2020 the Group incurred research and development expenses amounting to Euros 23,801 thousand that have not been capitalised, associated mainly with products under development based on the ISM@ platform.</i></p> <p><i>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.</i></p>	

Other Information: Consolidated Directors' Report

Other information solely comprises the 2020 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 regarding the information contained in the consolidated directors' report is defined in the legislation regulating the audit of accounts, as follows:

- a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.
- b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report 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 in the preceding paragraph, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2020, 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.



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

- 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 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 management, 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 23 February 2021.



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

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 20 October 2020 for a period of one year, beginning after the year ended 31 December 2020.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their general meeting, and have been auditing the annual accounts since the year ended 31 December 2017.

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

(Signed on original in Spanish)

José Ignacio Rodríguez Prado
On the Spanish Official Register of Auditors ("ROAC") with No. 15825

23 February 2021

**LABORATORIOS FARMACÉUTICOS ROVI, S.A.
AND SUBSIDIARIES**

Consolidated Annual Accounts and
Consolidated Management Report
at 31 December, 2020

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

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Thousands of euros)

	Note	31 December	
		2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	6	155,395	131,608
Intangible assets	7	41,413	45,079
Investment in a joint venture	10	1,812	1,843
Deferred income tax assets	19	11,105	14,660
Equity securities	9 & 11	71	71
Financial receivables	9 & 13	65	65
		209,861	193,326
Current assets			
Inventories	12	227,199	158,811
Trade and other receivables	9 & 13	76,401	81,541
Current income tax assets	27	7,803	10,104
Prepaid expenses		13	3
Cash and cash equivalents	9 & 14	53,162	67,426
		364,578	317,885
Total assets		574,439	511,211

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

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

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Thousands of euros)

	Note	31 December	
		2020	2019
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	673
Treasury shares	16	(20,185)	(10,341)
Retained earnings and voluntary reserve	16	241,158	201,784
Profit for the year	16	61,057	39,273
Other reserves	16	(3)	(3)
Total equity		373,700	322,386
LIABILITIES			
Non-current liabilities			
Financial debt	18	68,421	72,104
Deferred income tax liabilities	19	929	1,078
Contract liabilities	20	5,788	5,793
Deferred income	21	2,712	3,141
		77,850	82,116
Current liabilities			
Financial debt	18	6,022	12,701
Trade and other payables	17	91,364	91,914
Contract liabilities	20	25,005	1,566
Deferred income	21	498	528
		122,889	106,709
Total liabilities		200,739	188,825
Total equity and liabilities		574,439	511,211

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CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2020

CONSOLIDATED INCOME STATEMENT (Thousands of euros)

	Note	31 December	
		2020	2019
Revenue	5 & 22	419,961	381,313
Change in inventories of finished goods and work in progress		17,659	21,414
Raw materials and consumables used		(196,311)	(188,020)
Employee benefit expenses	23	(74,429)	(72,512)
Other operating expenses	24	(73,706)	(81,946)
Amortisation	6 & 7	(19,593)	(18,216)
Impairment of non-current assets	7	(56)	(341)
Recognition of government grants on non-financial non-current assets and other		1,157	1,151
OPERATING PROFIT		74,682	42,843
Finance income		4	51
Finance costs		(1,072)	(927)
Impairment and gain or loss on measurement of financial instruments		(1,041)	159
Exchange difference		39	(51)
FINANCE COSTS - NET	26	(2,070)	(768)
Share of profit of joint venture	10	(31)	(195)
PROFIT BEFORE INCOME TAX		72,581	41,880
Income tax	27	(11,524)	(2,607)
PROFIT FOR THE YEAR		61,057	39,273
Earnings per share (basic and diluted) attributable to the shareholders of the Company (euros)			
- Basic and diluted	28	1.10	0.71

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CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Thousands of euros)

	Note	31 December	
		2020	2019
Profit for the year		61,057	39,273
Items that may subsequently be reclassified to profit and loss		-	-
+ Changes in value of equity securities	11	-	-
Other comprehensive income (net of taxes)		-	-
Total comprehensive income for the year		61,057	39,273

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

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2020

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, 2019	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
Total comprehensive income	-	-	-	-	-	61,057	-	61,057
Transfer of 2019 profit	-	-	-	-	29,573	(29,573)	-	-
Dividends 2019 (Note 16 e)	-	-	-	-	-	(9,700)	-	(9,700)
Acquisition of treasury shares (Note 16 d)	-	-	-	(37,255)	-	-	-	(37,255)
Reissue of treasury shares (Note 16 d)	-	-	-	27,411	10,077	-	-	37,488
Other movements	-	-	-	-	(276)	-	-	(276)
Balance at 31 December, 2020	3,364	87,636	673	(20,185)	241,158	61,057	(3)	373,700

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

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CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2020

CONSOLIDATED STATEMENT OF CASH FLOWS (Thousands of euros)

	Note	31 December	
		2020	2019
Cash flows from operating activities			
Profit before income tax		72,581	41,880
Adjustments for non-monetary transactions			
Amortisation	6 & 7	19,593	18,216
Finance income	26	(43)	(51)
Valuation allowance	12 & 13	1,772	2,998
Adjustments for changes in value of derivatives		796	146
Gain or loss on derecognitions of financial assets and liabilities		245	(305)
Finance expenses	26	1,072	978
Grants, income from distribution licences and other deferred incomes		(2,101)	(4,408)
Share of profit of joint ventures	10	31	195
Changes in working capital:			
Trade and other receivables		7,468	(20,409)
Inventories		(70,398)	(67,227)
Other current assets (prepaid expenses)		(10)	18
Trade and other payables		(811)	23,953
Other collections and payments			
Proceeds from toll manufacturing services	20	21,617	-
Proceeds from distribution licences	20	1,253	3,194
Interest paid		(151)	(93)
Income tax cash flow		(6,038)	(8,129)
Net cash generated (used) in operating activities		46,876	(9,044)
Cash flows from investing activities			
Purchases of intangible assets	7	(355)	(14,626)
Purchases of property, plant and equipment	6	(39,337)	(25,899)
Proceeds from sale of property, plant and equipment	6	63	2
Interest received		4	51
Net cash flows generated (used) in investing activities		(39,625)	(40,472)
Cash flows from financing activities			
Repayments of financial debt		(13,179)	(21,242)
Proceeds from financial debt	18	1,430	47,033
Interest paid		(299)	(93)
Purchase of treasury shares	16 d)	(37,255)	(4,718)
Reissue of treasury shares	16 d)	37,488	4,871
Dividends paid	16 c)	(9,700)	(4,420)
Net cash generated (used) in financing activities		(21,515)	21,431
Net (decrease)/increase in cash and cash equivalents		(14,264)	(28,085)
Cash and cash equivalents at beginning of the year	9 & 14	67,426	95,511
Cash and cash equivalents an end of the year	9 & 14	53,162	67,426

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

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LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts for the annual period ended 31 December, 2020
(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, some of them internally developed. Low-molecular-weight heparins, which are marketed in various countries, are the Group's main products.

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).

As of 31 December, 2020 and 2019, the company Norbel Inversiones, S.L. held 63.11% of the shares of Laboratorios Farmacéuticos Rovi, S.A. (Note 15). Norbel Inversiones, S.L., with registered office at Calle Julián Camarillo, 35, Madrid, files consolidated annual accounts with the Madrid Companies Registry.

These consolidated annual accounts were approved by the Board of Directors on 23 February, 2021 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 4 thousand euros before tax in 2020 (a loss of 24 thousand euros in 2019) and its assets at 31 December, 2020 were 557 thousand euros (455 thousand euros at 31 December, 2019).

On 8 April, 2019, the company Rovi Biotech Ltda., established in Bolivia, was dissolved. The consolidated accounts at 31 December, 2019 did 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, 2020, the assets of this company were 13,049 thousand euros (1,263 thousand euros in 2019) and it showed a loss of 51 thousand euros (19 thousand euros in 2019).

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

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts for the annual period ended 31 December, 2020
(Thousands of 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 presentation

These consolidated annual accounts for 2020 (and those for 2019 presented for comparative purposes) have been prepared under the International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union pursuant to the provisions of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July, 2002, according to which all companies governed by the Law of a Member State of the European Union whose shares are listed on a regulated market of any of the Member States must present their consolidated annual accounts for the reporting periods starting on or after 1 January, 2005 in accordance with the IFRS endorsed by the European Union.

The consolidated annual accounts have been prepared, in general, under the historical cost convention, except for equity securities.

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, 2020

In 2020, the following standards and amendments to existing standards were endorsed by the European Union and came into force on 1 January, 2020. They have either been applied by ROVI or may affect the Group in the future:

- 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 and 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 entry into force of these rules has not led to any significant changes in the content of ROVI's consolidated annual accounts.
- 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,

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LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts for the annual period ended 31 December, 2020
(Thousands of euros)

and clarifies important areas, such as prudence and measurement uncertainty. It applies to annual periods commencing on or after 1 January, 2020 to issuers who develop accounting policies based on the Conceptual Framework.

- 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 – Phase 1): 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.
- IFRS 16 (Amendment) “Leases”. In response to the coronavirus pandemic caused by COVID-19, this Amendment authorises lessees not to account for rent concessions occurring as a direct consequence of the COVID-19 pandemic as lease modifications if they meet certain conditions. This Amendment came into force on 1 June, 2020 and has had no effect on ROVI.

In 2019, IFRS 16 “Leases”, which replaced IAS 17 “Leases”, IFRIC 4, SIC 15 and SIC 27, became mandatory. IFRS 16 establishes a single 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.

In 2019, the Group, as an asset lessee, 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.
- 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 was considered as a single underlying asset and, therefore, the low-value exemption was not applied to it.
- In the case of vehicles, the present value of the payments was determined on the basis of the commitment that the Group had.

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LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts for the annual period ended 31 December, 2020
(Thousands of euros)

- Elected to apply the modified retrospective effect, according to which the 2018 period will not be restated, as its transition model.
- 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, was applied. At the date of initial application, this was 1.5%.
- The terms of the leases were identified principally on the basis of the terms of the contracts.

The impacts of the adoption of IFRS 16 on the financial statements as of 31 December, 2019 were as follows:

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

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LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts for the annual period ended 31 December, 2020
(Thousands of euros)

31 December 2019	Note	Amounts without adoption of IFRS		As reported
		16	Adjust-ments	
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		42,113	(233)	41,880
Income tax	27	(2,665)	58	(2,607)
PROFIT FOR THE YEAR		39,448	(175)	39,273

31 December 2019	Note	Amounts without adoption of IFRS		As reported
		16	Adjust-ments	
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

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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, 2020

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 2021 onwards. ROVI considers that the following could be applicable to the Group, although they have not been adopted early:

- 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 in such a way that companies will apply said hedge accounting requirements 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 has had no impact on ROVI.
- IFRS 4 (Amendment) “Insurance Contracts” (deferral of effective date of IFRS 9 (Financial Instruments)). This Amendment approves the extension of the temporary exemption from the application of IFRS 9 in Europe (Amendments to IFRS 4) (“the Amendments”). The Amendments change the end of the temporary exemption from IFRS 9 from 1 January, 2021 to 1 January, 2023.

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 17 “Insurance Contracts”, replacing IFRS 4 “Insurance Contracts”. The new IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of IFRS 17. Moreover, it removes current inconsistencies and weaknesses through a new framework based on a single principle to account for all insurance contracts, including reinsurance contracts. The IASB proposes that this Standard should come into force on 1 January, 2023. No significant impacts on ROVI are expected.
- IAS 1 (Amendment) “Presentation of Financial Statements”. This will mean a change in the classification of liabilities. This Amendment arises with the intention of promoting uniform application and clarifying the requirements to determine whether a liability is current or non-current. The IASB proposes that this Amendment should come into force on 1 January, 2023. ROVI will analyse the potential impact of this Amendment, but no significant effects are expected.
- IFRS 3 (Amendment) “Business Combinations”. This Amendment is intended to clarify the definition of business in order to facilitate the practical application of the Standard. The IASB proposes that this Amendment should come into force on 1 January, 2022. ROVI will take this Amendment into account in the event that any transactions that require the Standard to be applied take place.

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- IAS 16 (Amendment) “Property, Plant and Equipment”. Through this Amendment, further details are given on measurement on recognition of the asset and the information to disclose. The IASB proposes that this Amendment should come into force on 1 January, 2022. ROVI will take this Amendment into account when presenting the financial statements to which it applies, although its impact is not expected to be significant.
- IAS 37 (Amendment) “Provisions, Contingent Liabilities and Contingent Assets”. This Amendment gives details of the costs of fulfilling a contract. The IASB proposes that this Amendment should come into force on 1 January, 2022. ROVI will take this Amendment into account in the event that any transactions that require the Standard to be applied take place.
- Annual Improvements to IFRSs. Cycle 2018 – 2020. The amendments affect IFRS 1, IFRS 9, IFRS 16 and IAS 41. The main changes that may apply to the Group refer to:
 - IFRS 1 “First-time Adoption of IFRSs”. The amendment permits a subsidiary that applies paragraph D16 (a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.
 - IFRS 9 “Financial Instruments”. The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.
 - IFRS 16, “Leases”. The amendment to Illustrative Example 13 accompanying IFRS 16.
 - IAS 41 “Agriculture”. The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The IASB proposes that these amendments should come into force on 1 January, 2022. When they do, ROVI will take these changes into account.

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.

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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 acquisition-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 subsidiaries 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.

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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 profit 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

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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.

Rights of use

For leases that meet the requirements of IFRS 16, the Group recognises an asset for the right of use of the underlying asset, which it measures by taking the amount of the associated liability as a reference and adding the initial direct costs incurred.

These assets are depreciated on a straight-line basis over the estimated useful life of each one of them.

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 identifiable 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;

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- 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 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.

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).

These assets have a useful life of 20 years, consistent with the term of pharmaceutical product patents. ROVI expects to obtain a positive return on the development during said period.

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2.8 Borrowing costs

General and specific interest costs that are directly attributable to the acquisition, 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 classified 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 instrument set out in NIC 32 "Financial Instruments: Presentation".

Financial instruments are recognised when the Group becomes an obliged party under a contract or legal transaction in accordance with the provisions thereof. The Group recognises financial instrument purchase or sale transactions through 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 which cannot be offset against each other, at the contract or settlement date, depending on the type of asset.

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.

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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.

(i) 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 measured at amortised cost 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.

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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”.

(ii) 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 Group applies the criteria for 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 Group 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 Group during the settlement period, running from the date on which the cash flows are received and the remittance date agreed with the final recipients, provided that any interest accrued is attributed to the final recipients.

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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.

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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.

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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 liabilities 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 and 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.

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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. This variable consideration is only recognised if it is highly probable that there will be no significant reversal in the amount of the cumulative revenue recognised will occur when the uncertainty associated with the variable consideration subsequently disappears.

b) Sales of services

The main services provided by the Group consist of manufacturing and packaging services for third parties (toll manufacturing). In these services, control is deemed to be transferred to the customer and the service obligations are deemed to have been completed when the manufactured goods are made available to the customer. Invoices are usually payable between 30 and 120 days.

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On occasions, before providing a manufacturing service, ROVI carries out, in accordance with determined milestones that have been defined, work to adapt, fit out and validate its facilities and machinery –either its own or acquired or subcontracted from third parties–, without which it would not be possible to provide the service under the conditions required by the customers. If the final cost of this work is paid by the customer, ROVI recognises the revenue related to the service provided on the basis of the percentage of completion of the work to be performed, according to the milestones defined. In the event that the percentage of completion includes the acquisition of certain assets, the margin is not recognized until they are finally installed.

ROVI has entered into a commitment with certain customers to reserve production capacity at its plants in exchange for a economic consideration. In these cases, revenue accrual is linked to attainment of a single milestone, fixed by contract, which may consist of either being ready to produce, or reaching the end of the period agreed without the customer having requested the production reserved. Additionally, in cases where the production takes place, said reserve capacity would act as a minimum payment for the production service.

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.

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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 at the end of the period for the estimated amount accrued but unpaid and the possible adjustment of the tax to the actual sales for the period.

In 2010, the government approved two packages of measures to reduce pharmaceutical spending. The first one focused on generic products, which are those out of patent, for which it established an average reduction of 25% in the selling price to laboratories. The second package addressed pharmaceutical products under patent. Since that time, a 7.5% discount has been applied to the selling price to the public. The Group recognises 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, to which ROVI belongs, and the Spanish government. This agreement was renewed until 31 December, 2019. 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. Although Farmaindustria and the Spanish government have not yet signed a new co-operation agreement applicable to 2020, the Spanish pharmaceutical industry and ROVI consider that the parties will finally reach an agreement affecting said period. Therefore, ROVI has recognised the estimated amount of this item as a decrease in sales in 2020.

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.

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a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is low because (i) most of the Group's assets and liabilities are in euros; (ii) a large part 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, 2020, the Group held instruments of this kind for a value of 13,500 thousand euros (26,500 thousand euros at 31 December, 2019), the measurement of which led to recognition of a loss of 925 thousand euros at the 2020 reporting date (at 31 December, 2019, the loss originating from measurement of these assets was 129 thousand euros). If, at 31 December, 2020, the exchange rate had been 10% higher, ROVI would have incurred a loss of 1,925 thousand euros and, if the exchange rate had been 10% lower, ROVI would have recorded a profit of 297 thousand euros from the measurement of these assets (at 31 December, 2019, the effect would not have been significant).

At 31 December, 2020, there were assets of 2,476 thousand pounds sterling and 2,992 thousand zlotys (1,240 thousand pounds sterling and 2,607 thousand zlotys at 31 December, 2019). If the exchange rate at the reporting date had been 10% higher, the value in euros of these assets denominated in pounds sterling and zlotys would have decreased by 310 thousand euros (188 thousand euros in 2019) and, if the exchange rate had been 10% lower, their value would have increased by 379 thousand euros (230 thousand euros at 31 December, 2019).

At 31 December, 2020, there were financial liabilities of 2,677 thousand pounds sterling and 1,911 thousand zlotys (1,491 thousand pounds sterling and 520 thousand zlotys at 31 December, 2019) 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 308 thousand euros and 377 thousand euros, respectively (170 and 208 thousand euros at 31 December, 2019), 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 equity securities 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, 2020 and 2019, a change in the listed price 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 2020, with all other variables remaining constant, the gain/loss after taxes for the period would have decreased or increased by 51 thousand euros, respectively, owing to the difference in interest expense on loans at variable rates (54 thousand euros at 31 December, 2019).

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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, 2020, the greatest investment in financial assets, including cash and cash equivalents and apart from trade receivables, was related to Banco de Santander, 25,112 thousand euros (41,464 thousand euros with BBVA at 31 December, 2019). 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, 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 (Note 18).

In 2020, ROVI signed credit policies for a total amount of 45 million euros. No amounts had been drawn down as of 31 December, 2020.

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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At 31 December, 2020				
Bank borrowing (Note 18)	474	7,585	19,753	18,843
Debt with government entities (Note 18)	1,853	3,691	4,276	2,199
Trade suppliers (Note 17)	63,452	-	-	-
Other payables (Note 17)	27,912	-	-	-
	93,691	11,276	24,029	21,042
At 31 December, 2019				
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

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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. These do not generate interest payments 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, 2020 and 2019 was as follows:

	2020	2019
Financial Debt (Note 18)	74,443	84,805
Less: Cash and cash equivalents (Note 14)	(53,162)	(67,426)
Less: Equity securities (Note 11)	(71)	(71)
Less: Deposits (Notes 9 & 13)	(1,399)	(1,407)
Net debt/(Cash)	19,811	15,901
Equity	373,700	322,386
Leverage index/Gearing ratio	5.3%	4.9%

In addition, the Group's net debt/cash at 31 December, 2020 and 2019 was as follows:

	2020	2019
Financial Debt (Note 18)	74,443	84,805
Less: Cash and cash equivalents (Note 14)	(53,162)	(67,426)
Less: Available-for-sale financial assets (Note 11)	(71)	(71)
Less: Deposits (Notes 9 & 13)	(1,399)	(1,407)
Net debt/(Cash)	19,811	15,901

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

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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.

a) 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, 2020 and 2019. 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.

b) 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 in Europe. Therefore, from that time until the effective commercialisation 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.

c) Co-operation Agreement between the government and Farmaindustria

In 2016, Farmaindustria, the Spanish pharmaceutical industry association, and the Spanish government signed a co-operation agreement. After subsequent renewals, this agreement was in force until 31 December, 2019. According to the agreement, in the event that public spending on medicines (excluding generics and biosimilars) exceeded the actual growth rate of the GDP of the Spanish economy, the pharmaceutical industry had to reimburse the government for said excess in cash. ROVI has recognised the estimated amount of this item as a decrease in sales.

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Although Farmaindustria and the Spanish government have not yet signed a new co-operation agreement applicable to 2020, the Spanish pharmaceutical industry and ROVI consider that the parties will finally reach an agreement affecting said period. Therefore, ROVI has recognised the estimated amount of this item as a decrease in sales in 2020.

When determining the amount for 2020, ROVI has considered that the pharmaceutical industry will reimburse the amount of the increase in public spending on medicines (excluding generics and biosimilar) estimated by Farmaindustria to the government.

An increase or decrease of 10% in the growth of said public spending would mean an increase of 585 thousand euros or a decrease of 590 thousand euros, respectively, in the amounts recognised.

4.2 Critical judgements in applying the accounting policies

Revenue recognition

The Group has recognised the total sales of goods marketed in 2020 and 2019 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.

The revenue recognised for the work performed to adapt, fit out and validate the facilities and machinery, –either its own or acquired or subcontracted from third parties– before providing a manufacturing service has been calculated in accordance with the percentage of completion of the work to be performed. Additionally, in the event that the percentage of completion includes the acquisition of certain assets, the margin is not recognised until they are finally installed.

Furthermore, the revenue from reserved capacity is recognised when the conditions agreed by contract are met (Note 2.21.b).

Determination of the percentage of completion of the service provision took account of Managements' best estimate in relation to meeting the defined milestones and costs already incurred or to be incurred in the future in relation to the work to be performed. Likewise, the Group must make a technical evaluation of whether the work to adapt, fit out and validate the facilities has been completed when determining the time at which they are ready for production.

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, which also includes the research and development activities carried on by the Group, has the principal activity of purchasing and subsequently selling pharmaceutical products.

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The heading "Other" includes other service activities that are not significant for the Group.

The segment information used by the Management Committee for 2020 was as follows:

	Manufacturing	Marketing	Other	TOTAL	Inter-segments transactions	Consolidated figures
Total segment revenues	239,683	463,737	-	703,420	(283,459)	419,961
Profit/(loss)	24,602	71,138	(28)	95,712	(34,655)	61,057
Income tax	8,671	4,188	(9)	12,850	(1,326)	11,524
Profit/(loss) before tax	33,273	75,326	(37)	108,562	(35,981)	72,581
Finance costs - net	542	(29,170)	(2)	(28,630)	30,700	2,070
Amortisation	7,703	11,890	-	19,593	-	19,593
EBITDA (*)	41,518	58,046	(39)	99,525	(5,281)	94,244
Amortisation	(7,703)	(11,890)	-	(19,593)	-	(19,593)
EBIT (**)	33,815	46,156	(39)	79,932	(5,281)	74,651

The 2019 figures were 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

(*) EBITDA is calculated as profit before tax, interest, depreciation and amortisation.

(**) EBIT is calculated as profit before tax and interest.

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

Each segment's sales to external customers in 2020 were as follows:

	Manufacturing	Marketing	Other	TOTAL
Total segment revenues	239,683	463,737	-	703,420
Inter-segment revenues	(148,126)	(135,333)	-	(283,459)
Revenues from external customers	91,557	328,404	-	419,961

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Each segment's sales to external 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

In 2020, a single customer accounted for 4% of the Group's sales (4% in 2019) and this amount related principally to the manufacturing segment.

At 31 December, 2020, the breakdown of assets and liabilities by segment was as follows:

	Manufacturing	Marketing	Other	TOTAL
Total assets	346,206	556,650	514	903,370
Of which:				
Investments in Group companies	-	9,489	-	9,489
Increases in non-current non-financial assets	28,579	11,254	-	39,833
Total liabilities	(281,903)	(227,674)	-	(509,577)

The assets of the aggregated segments at 31 December, 2020 can be reconciled with the total consolidated assets as follows:

	Manufacturing	Marketing	Other	Intercompany balances	Group investments	Consolidated figures
Total assets	346,206	556,650	514	(319,442)	(9,489)	574,439

Details of assets and liabilities by segment at 31 December, 2019 were 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 sectors 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

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

Net revenue	2020	2019
Spain	228,821	232,266
European Union	127,211	129,825
OECD countries	49,437	11,264
Other Countries	14,492	7,958
	419,961	381,313

Total assets	2020	2019
Spain	534,627	481,153
Portugal	6,725	7,969
Germany	19,736	13,644
Italy	8,563	6,243
UK	2,756	1,444
France	1,363	202
Poland	669	556
	574,439	511,211

Virtually all the investment in property, plant and equipment and intangible assets in 2020 and 2019 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	In progress	Total
Balances at 01.01.19							
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 01.01.19	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
Additions	406	22,574	47	1,635	141	14,675	39,478
Retirements	-	(96)	-	(16)	-	-	(112)
Eliminations from amortisation	-	47	-	9	-	-	56
Amortisation charge	(236)	(10,820)	(108)	(850)	(3,621)	-	(15,635)
Balances at 31.12.20							
Cost	35,745	229,888	3,449	16,885	24,375	14,675	325,017
Accumulated Amortisation	(18,593)	(126,339)	(2,760)	(14,714)	(7,216)	-	(169,622)
Net carrying amount 31.12.20	17,152	103,549	689	2,171	17,159	14,675	155,395

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A majority of the additions recognised in 2020 and 2019 related to investments in ROVI's manufacturing plants, principally:

- 3.2 million euros was invested in the Madrid injectables plant, in comparison with the 1.6 million euros invested in 2019.
- 8.6 million euros was invested in the injectables plant in San Sebastián de los Reyes, in comparison with the 4.3 million euros invested in 2019.
- 2.4 million euros was invested in the Granada plant, in comparison with the 5.9 million euros invested in 2019.
- 3.8 million euros was invested in the Alcalá de Henares plant, in comparison with the 8.3 million euros invested in 2019.
- 9.7 million euros was invested in the ISM® industrialisation, in comparison with the 3.5 million euros invested in 2019.
- 10.1 million euros was invested in the construction, in progress, of the new heparin plant in Escúzar (Granada), in comparison with the 1.0 million euros invested in 2019.

Property, plant and equipment in progress includes the assets related to the construction of the active substance plant in Escúzar and others related to machinery and facilities at other production plants belonging to the Group.

At 31 December, 2020, the Group held property, plant and equipment with a net carrying amount of 571 thousand euros subject to retention of title (628 thousand euros at 31 December, 2019).

At 31 December, 2020 and 2019, the Group held acquisition commitments for property, plant and equipment related to the ordinary course of its business.

In 2020 and 2019, 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.

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7. Intangible assets

Movement on intangible assets was as follows:

	Development	Trademarks and licences	Computer software	Total
Balances at 01.01.19				
Cost	8,860	30,930	11,484	51,274
Accumulated amortisation	(489)	(6,432)	(9,703)	(16,624)
Net carrying amount 01.01.19	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
Additions	13	-	342	355
Retirements	-	-	(9)	(9)
Eliminations from amortisation	-	-	2	2
Impairment	-	(56)	-	(56)
Amortisation charge	(455)	(2,672)	(831)	(3,958)
Balances at 31.12.20				
Cost	8,886	44,929	12,413	66,228
Accumulated impairment	-	(397)	-	(397)
Accumulated amortisation	(1,399)	(11,748)	(11,271)	(24,418)
Net carrying amount 31.12.20	7,487	32,784	1,142	41,413

Development

At 31 December, 2020 and 2019, the assets included under the “Development” caption correspond to assets related to the development of a low-molecular-weight heparin, an enoxaparin biosimilar, 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 2020 or 2019.

Trademarks and licences

Under the caption “Trademarks and licences”, assets with indefinite useful lives were recognised for an amount of 5,366 thousand euros at 31 December, 2020 and 2019. 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, was obtained by projecting the forecast cash flows for the following five years. In the cash flow projections as of 31 December, 2020, a discount rate of 6.5% was applied (6.9% at the end of 2019) and, for each year, the margins forecast on the basis of the characteristics of the manufacturing of the product in said year were used. A change of 10% in the discount rate applied or in the cash flows used as a basis would not have led to any impairment of the asset.

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In 2019, an addition was recognised under the “Trademarks and licences” caption 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.

Because the recoverable value of the asset related to acquisition of the distribution rights of the product Hirobriz® (belonging to the “Marketing” segment) had dropped below its net carrying amount, at 31 December, 2020, the pertinent impairment loss was recognised. The loss recognised in 2020, which was 56 thousand euros (341 thousand euros at 31 December, 2019), 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 6.5% (6.9% in 2019). 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. A change of 10% in the discount rate applied on the cash flows used as a basis would not have led to any significant change in the amount of the impairment.

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 2020 were 23,801 thousand euros (29,304 thousand euros in 2019) 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 2020, 7,001 thousand euros was recognised under the “Employee benefit expenses” (Note 22) heading (8,121 thousand euros at 31 December, 2019) and 16,800 thousand euros under “Other operating expenses” (Note 23) (21,183 thousand euros in 2019).

8. Financial instruments by category

a) Financial assets

At 31 December, 2020, the Group held trade receivables amounting to 63,330 thousand euros (71,791 thousand euros at 31 December, 2019) (Note 13), other receivables amounting to 94 thousand euros (87 thousand euros at 31 December, 2019) (Note 13), and other deposits amounting to 1,399 thousand euros (1,407 thousand euros at 31 December, 2019) (Note 13), which the Group classifies as loans and receivables for recognition and measurement purposes (Note 2.11.a).

At 31 December, 2020, the Group held cash amounting to 53,162 thousand euros (67,426 thousand euros at 31 December, 2019) (Note 14), which it classifies as cash and cash equivalents for recognition and measurement purposes (Note 2.13).

At 31 December, 2020, the Group held financial assets of 71 thousand euros (71 thousand euros at 31 December, 2019) (Note 11), which it classifies as equity securities for recognition and measurement purposes (Note 2.11.b).

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b) Financial liabilities

At 31 December, 2020 and 2019, all the loans included in financial debt (Note 18), as well as trade and other payables (Note 17), were recognised as financial liabilities 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	2020	2019
	A+	705	184
	A	23,720	22,243
	A-	24,853	41,452
	BBB+	202	214
	BBB	1,698	2,532
	BBB-	1,260	309
	Baa2	682	-
	No rating	42	492
	Total cash (Note 14)	53,162	67,426
Financial receivables	Rating	2020	2019
	A	65	65
	Total financial receivables (Note 13)	65	65
Equity securities	Rating	2020	2019
	A-	12	12
	No rating	59	59
	Total equity securities (Note 11)	71	71
Trade receivables	Rating	2020	2019
	AA	138	24
	A1	554	4,050
	Public centres and institutions (Note 13)	9,394	12,512
	Other (wholesalers, pharmacies, hospitals)	53,244	55,205
	Total trade receivables (Note 13)	63,330	71,791
Other deposits	Rating	2020	2019
	A	1,327	1,327
	No rating	72	80
	Total other deposits (Nota 13)	1,399	1,407

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10. Interests in joint ventures

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

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	1,843	2,038
Share in profits	(31)	(195)
Balance at end of the year	1,812	1,843

The nature of investment in joint ventures at 31 December, 2020 and 2019 was as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>% interest</u>	<u>Nature of the relationships</u>	<u>Measurement method</u>
Alentia Biotech, S.L.	Spain	50%	a)	Equity
Enervit Nutrition, S.L.	Spain	50%	b)	Equity

a) Alentia Biotech, S.L.

In 2010, the company Alentia Biotech, S.L. (Alentia) was created, 100% held by ROVI. In February 2012, the effective sale of 50% of the shares in Alentia Biotech, S.L. by Laboratorios Farmacéuticos Rovi, S.A. to Grupo Ferrer Internacional, S.A. took place and Alentia became a joint venture held by these two companies at 50% each.

b) Enervit Nutrition, S.L.

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

ROVI and Enervit S.p.A. agreed to create a joint venture between them to carry the project out. To do this, under certain agreements, ROVI lost control of its subsidiary Enervit Nutrition, S.L, which, instead of being 100%-owned by ROVI, became a joint venture under joint control with Enervit, S.p.A. The agreements were signed 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. With this sale, ROVI's percentage interest in Enervit Nutrition, S.L. dropped from 51% to 50%.

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Condensed financial information on joint ventures

The condensed financial information on Alentia Biotech, S.L. and Enervit Nutrition, S.L. as of 31 December, 2020 and 2019 is as follows:

Condensed statement of financial position	31 December, 2020		31 December, 2019	
	Alentia Biotech, S.L.	Enervit Nutrition, S.L.	Alentia Biotech, S.L.	Enervit Nutrition, S.L.
Current				
Cash and cash equivalents	106	13	108	133
Other current assets (excluding cash)	-	2,087	-	2,773
Total current assets	106	2,100	108	2,906
Financial liabilities (excluding trade payables)		(926)	-	(744)
Other current liabilities (including trade payables)	-	(746)	-	(1,758)
Total current liabilities	-	(1,672)	-	(2,502)
Non-current				
Property, plant and equipment	-	17	-	20
Intangible assets	-	3,055	-	3,264
Other financial assets	-	5	-	5
Deferred tax assets	-	119	-	88
Total non-current assets	-	3,196	-	3,377
Financial liabilities	(2,200)	-	(2,200)	-
Other liabilities	-	-	-	-
Total non-current liabilities	(2,200)	-	(2,200)	-
NET ASSETS	(2,094)	3,624	(2,092)	3,781

Condensed statement of comprehensive income	31 December, 2020		31 December, 2019	
	Alentia Biotech, S.L.	Enervit Nutrition, S.L.	Alentia Biotech, S.L.	Enervit Nutrition, S.L.
Revenue	-	5,669	-	6,170
Cost of sales	-	(4,507)	-	(5,023)
Employee benefit expenses	-	(501)	-	(590)
Other operating expenses	-	(599)	-	(773)
Amortisation and depreciation	-	(212)	-	(217)
Profit / (loss) before tax	-	(150)	-	(433)
Finance costs - net	-	(7)	-	15
Income tax	-	1	-	28
Profit / (loss) for the period	-	(156)	-	(390)
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME	-	(156)	-	(390)
Dividends received from joint ventures	-	-	-	-

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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, 2020 and 2019:

	31 December, 2020		31 December, 2019	
	Alentia Biotech, S.L.	Enervit Nutrition, S.L.	Alentia Biotech, S.L.	Enervit Nutrition, S.L.
Condensed financial information				
Net assets of joint ventures at the beginning of the year	(2,094)	3,781	(2,092)	4,076
Profit / (loss) of joint ventures in the year	-	(156)	-	(390)
Net assets of joint ventures at end of the year	(2,094)	3,625	(2,092)	3,686
Share in profit of joint venture	-	1,812	-	1,843
Carrying amount	-	1,812	-	1,843

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 liabilities in relation to its joint ventures.

11. Equity securities

	2020	2019
Beginning of the year	71	70
Net gains / (losses) recorded in equity	-	1
End of the year	71	71
Less: non-current portion	71	71
Current portion	-	-

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

	2020	2019
Non-listed securities:		
– Variable-income securities (equity securities)	59	59
	59	59
	2020	2019
Listed securities:		
– Investment funds and equity securities	12	12
	12	12

At 31 December, 2020 and 2019, these securities were denominated in euros.

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12. Inventories

	<u>2020</u>	<u>2019</u>
Raw materials and other consumables	137,123	79,775
Work in progress and semi-finished goods	31,753	42,877
Finished goods produced internally	53,419	24,636
Marketing products	4,904	11,523
	<u>227,199</u>	<u>158,811</u>

In 2020, the Group reduced the value of its inventories by 2,011 thousand euros (3,277 thousand euros in 2019) due to obsolescence and expiration and the valuation of the products according to the profit expected from their 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:

	<u>2020</u>	<u>2019</u>
Trade receivables	63,330	71,791
Less: loss allowance	(45)	(175)
Trade receivables – Net (13.a)	63,285	71,616
Other receivables	94	87
Receivables from related parties (Note 31)	96	96
Deposits (13.b)	1,399	1,407
Employee advances	95	83
Public authorities (13.c)	11,497	8,317
Total	<u>76,466</u>	<u>81,606</u>
Less: Non-current portion: Financial receivables	65	65
Current portion	<u>76,401</u>	<u>81,541</u>

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.

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At 31 December, 2020, the balance receivable from the Social Security authorities and other government entities was 9,394 thousand euros (12,512 thousand euros at 31 December, 2019), geographically distributed as follows:

	Rating 2020	Balance 2020	Rating 2019	Balance 2019
Portugal	BBB	3,629	BBB	3,704
Italy	BBB	1,650	BBB	1,326
Catalonia	BB	881	BB	966
Valencia	BB-	755	BB-	1,161
Madrid	BBB	644	BBB	1,804
Galicia	BBB	330	BBB	161
Aragón	BBB	266	BBB	350
Basque Country	A	256	A	241
Andalusia	BBB-	239	BBB-	699
Canary Islands	BBB	138	BBB	230
Cantabria	BBB	134	BBB	468
Castilla la Mancha	BBB-	106	BBB-	506
Castilla y León	Baa2	50	Baa2	398
Other	-	316	-	498
		9,394		12,512

At 31 December 2020, there were matured receivables amounting to 22,241 thousand euros (29,307 thousand euros at 31 December, 2019), although they had suffered no impairment. For both the 2020 and 2019 amounts, virtually all the 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:

	2020	2019
Up to 3 months	22,333	27,825
From 3 to 6 months	13	1,361
From 6 months to one year	450	214
Over one year	(555)	(93)
	22,241	29,307

The total of the matured debt due from government entities at 31 December, 2020 was 3,130 thousand euros, in comparison with the 4,202 thousand euros that was outstanding at 31 December, 2019. This amount was geographically distributed as follows:

	2020	2019
Spain	715	2,132
Portugal	2,437	2,070
Italy	(22)	-
	3,130	4,202

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Matured receivables that had been impaired at 31 December, 2020 were 45 thousand euros (175 thousand euros a 31 December, 2019). Movement on the provision for impairment of trade receivables was as follows:

	2020	2019
Beginning of the year	175	1,099
Net remeasurement of loss allowance	(102)	(872)
Derecognition due to non-collectibility	(28)	(52)
End of the year	45	175

The ageing of these accounts was as follows:

	2020	2019
From 6 to 9 months	383	302
More than 9 months	(338)	(127)
	45	175

b) Deposits

At 31 December, 2020, the deposits caption included fixed-term deposits amounting to 1,399 thousand euros (1,407 thousand euros at 31 December, 2019) bearing interest at a rate ranging from 2% to 3%. At 31 December, 2020 and 2019, 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.

c) Public authorities

Balances included in this caption at 31 December 2020 and 2019 relate to the following items:

	2020	2019
Value-added tax	9,980	7,265
Withholding tax	759	260
Late payment interest receivable	70	164
Grants awarded but not received	688	628
	11,497	8,317

Maximum credit exposure at the date this information is presented is the value recognised for each one of the categories of 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 2020 and 2019 reporting periods was as follows:

	2020	2019
Cash at bank and on hand	53,162	67,426
	53,162	67,426

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15. Share capital and share premium

The number of shares, the face value of the shares and the total share capital for the years 2020 and 2019 were as follows:

	No. shares	Face value (euros)	Total share capital (thousands)
Balance at 1 January, 2019	56,068,965	0.06	3,364
Balance at 31 December, 2019	56,068,965	0.06	3,364
Balance at 31 December, 2020	56,068,965	0.06	3,364

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, 2020, are the following:

Shareholder	% direct	% indirect	TOTAL
Norbel Inversiones, S.L.	63.107	-	63.107
Indumenta Pueri, S.L.	-	5.569	5.569
Wellington Management Group, LLP.	-	4.924	4.924

In May 2019, Norbel Inversiones, S.L. increased its interest in the Company's share capital with the result that, since then, it has 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). Therefore, as of 31 December, 2020 and 2019, the interest in the Company's share capital held by Mr Juan López-Belmonte López was 12.62%, while while Messrs Juan, Iván and Javier López-Belmonte Encina each held 16.83%.

16. Other information on reserves

a) Legal reserve

The legal reserve, which totalled 673 thousand euros at 31 December 2020 and 2019, 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.

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c) Retained earnings and voluntary reserves

During 2020, retained earnings were increased and/or reduced as follows:

- On 20 October, 2020, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for distribution of the profit for 2020 (25,553 thousand euros), allocating 9,818 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 118 thousand euros.
- The sale of treasury shares in 2020 led to a profit of 10,077 thousand euros, which was recognised in the retained earnings account (Note 16.d).

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).

Retained earnings at 31 December 2020 and 2019 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 2020 and 2019 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 2020, ROVI acquired a total of 1,233,324 of its own shares (224,449 in 2019), paying the sum of 37,255 thousand euros for them (4,718 thousand euros in 2019). Likewise, it resold a total of 1,246,626 of its own shares (232,548 in 2019) for a sum of 37,488 thousand euros (4,871 thousand euros in 2019). These shares had been acquired at a weighted average cost of 27,411 thousand euros (3,189 thousand euros in 2019), giving rise to a profit of 10,077 thousand euros on the sale (1,682 thousand euros in 2019), which was taken to reserves. At 31 December, 2020, the Group held 673,654 treasury shares (686,956 at 31 December, 2019).

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

e) Dividends

On October 20, 2020, the General Meeting of Shareholders approved the distribution of the 2019 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 9,818 thousand euros (0.1751 euros gross per share). This dividend was paid out in November 2020.

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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.

f) Application of profit

The proposed application of the profit for the period 2020 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 2019 based on the profit of the parent company, is as follows:

	<u>2020</u>	<u>2019</u>
<u>Basis of application</u>		
Profit for the year	71,137	25,553
<u>Application</u>		
Dividend	21,373	9,818
Retained earnings	49,764	15,735
	<u>71,137</u>	<u>25,553</u>

17. Trade and other payables

	<u>2020</u>	<u>2019</u>
Trade payables	63,452	68,770
Payables to related parties (Note 31)	2,070	1,673
Outstanding remuneration	4,564	5,264
Public authorities	4,936	4,703
Other payables	16,342	11,504
	<u>91,364</u>	<u>91,914</u>

At 31 December, 2020 and 2019, the "Other payables" caption included the following liabilities:

	<u>2020</u>	<u>2019</u>
Returns	1,438	1,365
Contribution to public health system	14,096	8,437
Other	7	25
	<u>15,541</u>	<u>9,827</u>

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, 10,424 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 (5,641 thousand euros at 31 December, 2019) (Note 2.24).

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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:

	2020	2019
	Days	Days
Average payment period to suppliers	55	53
Ratio of transactions paid	58	55
Ratio of transactions outstanding	19	35
	2020	2019
Total payments made (thousands of euros)	239,082	213,841
Total payments outstanding (thousands of euros)	16,116	25,709

18. Financial debt

	2020	2019
Non-current		
Bank borrowings	44,825	45,000
Debt with government entities	9,119	9,693
Financial liabilities for leases	14,477	17,411
	68,421	72,104
Current		
Bank borrowings	175	7,116
Debt with government entities	1,853	1,996
Financial liabilities for leases	3,069	3,460
Derivates	925	129
	6,022	12,701
	74,443	84,805

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a) Bank borrowings

Bank borrowings at 31 December, 2020 consisted of the following bank loans:

Entity	a.2.1)	a.2.2)	TOTAL
	BEI	BEI	
Face value	5,000	40,000	
Interest rate	Eur3+0.844%	0.681% Fixed	
2021	175	-	175
2022	704	-	704
2023	708	5,598	6,306
2024	711	5,637	6,348
2025	715	5,675	6,390
2026 onward	1,987	23,090	25,077
	5,000	40,000	45,000
Non-current	4,825	40,000	44,825
Current	175	-	175

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

Entity	a.1)	a.2.1)	a.2.2)	a.3)	TOTAL
	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

a.1) Loan of 20,000 thousand euros granted by BBVA in the first half of 2017. The repayment term of this loan was 3 years, with a grace period of 17 months and a fixed interest rate of 0.65%. Repayment of this loan was completed in 2020.

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 months 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 2020 and 2019, compliance as of 31 December, 2019 and 2018, respectively, with the financial ratios fixed in this financing agreement was certified. At 31 December, 2020, ROVI met the ratios fixed, although this will not be certified until after these annual accounts have been approved.

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a.3) Loan of 5,000 thousand euros signed in October 2019 with Banco Santander. This loan had a term of 3 months and a fixed annual interest rate of 0.36%. Repayment of this loan was completed in 2020.

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, 2020 amounted to 9,119 thousand euros (9,693 thousand euros at 31 December, 2019). 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 2020:

In 2020, the different Group companies received various reimbursable advances from different entities, details of which are given below:

Company	Government entity	Project	Thousands of euros		Years	
			Face value	Initial fair value	Repayment period	Grace period
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	68	57	9	4
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	58	50	12	3
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	127	110	12	3
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	648	582	10	3
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	354	302	10	3
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	175	156	10	3
			1,430	1,257		

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

b.2.2) Advances received in 2019:

In 2019, the different Group companies received various reimbursable advances from different entities, details of which are given below:

Company	Government entity	Project	Thousands of euros		Years	
			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.

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At 31 December, 2020 and 2019, debt with government entities matured as follows:

Year	2020	2019
2020	-	1,996
2021	1,853	1,600
2022	1,726	1,788
2023	1,304	1,178
2024	1,388	1,220
2025	1,285	1,108
2026 onward	3,416	2,799
	<u>10,972</u>	<u>11,689</u>
Non-current	9,119	9,693
Current	<u>1,853</u>	<u>1,996</u>

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, 2020 and 2019 were as follows:

	Carrying amount		Fair value	
	2020	2019	2020	2019
Bank borrowings	44,825	45,000	44,072	44,748
Debt with government entities	9,119	9,693	9,757	9,972
	<u>53,944</u>	<u>54,693</u>	<u>53,829</u>	<u>54,720</u>

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 2019).

To calculate the fair value of fixed rate non-current bank borrowings the 2020 and 2019 reporting dates, the interest rate on the last variable interest loan received by the Company was taken as a reference: Euribor at 3 months plus a 0.844% spread.

c) Financial liabilities for leases

As from 1 January, 2019, as a consequence of the entry into force of IFRS 16 Leases (Note 2.2.a), financial debt includes the lease liabilities.

The main liabilities recognised at 31 December, 2020 and 2019 under this caption are related to:

- Real estate leases: the Group holds leases on certain properties where it carries on its activities. The payment period of the liabilities generated by these leases has initially been fixed at 10 years.
- Vehicles: for its activities, the Group holds a lease on vehicles. The payment period of this liability is 3 years.
- Computer equipment: the Group leases certain computer equipment for its activities. The payment period fixed for these liabilities is 3 years.

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At 31 December, 2020 and 2019, financial liabilities for leases matured as follows:

Year	2020	2019
2020	-	3,460
2021	3,069	2,957
2022	1,977	1,974
2023	2,006	2,003
2024	2,036	2,033
2025	2,067	2,064
2026 onward	6,391	6,380
	<u>17,546</u>	<u>20,871</u>
Non-current	14,477	17,411
Current	<u>3,069</u>	<u>3,460</u>

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 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:

	2020	2019
Deferred tax assets:		
– Deferred tax assets to be recovered at more than 12 months	3,450	7,955
– Deferred tax assets to be recovered within 12 months	7,655	6,705
	<u>11,105</u>	<u>14,660</u>
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered at more than 12 months	874	884
– Deferred tax liabilities to be recovered within 12 months	55	194
	<u>929</u>	<u>1,078</u>

Net movement on the deferred tax account was as follows:

	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
At 1 January, 2019	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
(Charged) / credited to the income statement (Note 28)	(3,555)	149	(3,406)
At 31 December, 2020	11,105	(929)	10,176

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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, 2019	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
(Charged) / credited to the income statement	(2,755)	(1,231)	(117)	579	(31)	(3,555)
At 31 December, 2020	3,965	4,411	794	938	997	11,105

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 amortisation	Other	Total
At 1 January, 2019	611	632	1,243
(Charged) / credited to the income statement	(159)	(6)	(165)
At 31 December, 2019	452	626	1,078
(Charged) / credited to the income statement	(149)	-	(149)
At 31 December, 2020	303	626	929

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 2020 and 2019 was as follows:

	Distribution licences	Other contracts	Total
At 1 January, 2019	6,622	800	7,422
Additions	337	-	337
Charged / (credited) to income statement	(400)	-	(400)
At 31 December, 2019	6,559	800	7,359
Additions	1,253	33,446	34,699
Charged / (credited) to income statement	(944)	(10,321)	(11,265)
At 31 December, 2020	6,868	23,925	30,793

a) **Distribution licences**

In 2020, new contract liabilities of 1,253 thousand euros (337 thousand euros in 2019) were recognised in relation to agreements granting distribution licences.

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In 2020, ROVI recognised revenue from distribution licences for a total amount of 944 thousand euros (400 thousand euros in 2019) (Note 22).

At 31 December, 2020 and 2019, the contract liabilities related to distribution licences had the following estimated maturities:

Year	<u>2020</u>	<u>2019</u>
2020	-	761
2021	1,080	1,050
2022	1,282	1,252
2023	981	951
2024	74	44
2025	17	-
	<u>3,434</u>	<u>4,058</u>
Non-current	<u>2,354</u>	<u>3,297</u>
Current	<u>1,080</u>	<u>761</u>

At 31 December, 2020, there were contract liabilities related to distribution licences for an amount of 3,434 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 (2,501 thousand euros at 31 December, 2019).

b) Other contracts

This caption includes sums billed to customers for the adaptation, fitting-out and validation of the facilities and machinery – either its own or acquired or subcontracted from third parties– that at the year end had not yet been taken to profit and loss as revenue from services provided, since it had not yet accrued in accordance with the percentage of completion, amounting to 2,943 thousand euros at 31 December, 2020. Likewise, it includes the sum of 17,284 thousand euros in 2020 (800 thousand euros in 2019) for reserve capacity, which, at the end of the period, had not yet been taken to consolidated profit and loss as revenue from services provided because the contractual milestones that determine accrual of this revenue had not yet been reached (Note 2.21.b). These milestones are expected to be reached in the short term. Finally, this caption includes an amount billed and received for a purchase of production materials that will take place in 2021, the costs of which will be borne by the customer. Revenue recognition is linked to the use of said materials in the production process for customers in 2021.

21. Deferred income

	<u>2020</u>	<u>2019</u>
Non-current	2,712	3,141
	<u>2,712</u>	<u>3,141</u>
Current	498	528
	<u>498</u>	<u>528</u>
	<u>3,210</u>	<u>3,669</u>

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

	2020	2019
a) Deferred revenues from non-reimbursable capital grants	3,030	3,493
b) Deferred revenues from reimbursable capital grants	180	176
	<u>3,210</u>	<u>3,669</u>

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, 2020 was 2,039 thousand euros (2,334 thousand euros at 31 December, 2019).

b) 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:

	2020	2019
Sales of goods	327,460	315,263
Sale of services	91,557	65,650
Revenue from distribution licenses (Note 20)	944	400
	<u>419,961</u>	<u>381,313</u>

a) Sales of goods

As of 31 December, 2020, the "Sales of goods" caption included 3,179 thousand euros related to services to promote third-party products (1,817 thousand euros at 31 December, 2019).

Additionally, as of 31 December, 2020, the "Sales of good" caption included 3,514 thousand euros (3,970 thousand euros at the 2019 reporting date) related to royalties received on the basis of enoxaparin distribution agreements signed with third parties.

Total sales of goods fell by 19,393 thousand euros in 2020 (17,771 thousand euros in 2019) as a consequence of the rebates furnished to the National Health System (Note 2.24). 6,306 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 (2,174 thousand euros at 31 December, 2019) (Note 17).

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

	2020	2019
Pharmaceutical products	296,031	280,611
Contrast agents and other hospital products	30,736	32,556
Non prescription pharmaceutical products	-	1,152
Other	693	944
	327,460	315,263

b) Sales of services

At 31 December, 2020, the “Sales of services” caption included 11,829 thousand euros (3,800 thousand euros at 31 December, 2019) relating to the work to adapt, prepare and validate ROVI’s facilities and machinery, owned or acquired or subcontracted to third parties, to subsequently provide manufacturing services to certain customers, as well as reserve manufacturing capacity agreed with customers (Note 2.21.b).

c) Breakdown by geographical market and segment

The breakdown of revenue by geographical market and segment at 31 December, 2020 was as follows:

	Manufacturing	Marketing	TOTAL
Spain	9,512	219,309	228,821
EU	47,175	80,036	127,211
Other Countries	34,870	29,059	63,929
	91,557	328,404	419,961

At 31 December, 2019, the breakdown was as follow:

	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

Sales in the 2020 and 2019 reporting periods were made principally in euros.

23. Employee benefit expenses

Employee benefit expenses may be summarised as follows:

	2020	2019
Wages and salaries	60,171	58,836
Social security costs	14,234	13,652
Pension costs - defined-contribution pension plans	24	24
	74,429	72,512

In 2020, the “Wages and salaries” caption was affected by non-recurring expenses for a total amount of 1,338 thousand euros as a consequence of COVID-19.

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Total employee benefit expenses included expenses of 7,001 thousand euros at 31 December, 2020 (8,121 thousand euros at 31 December, 2019, Note 7) related to the R&D Department.

The “Wages and salaries” figure includes severance payments of 1,009 thousand euros in 2020 and 1,399 thousand euros in 2019.

The average number of employees was as follows:

	2020	2019
Management	33	35
Administration	205	232
Sales force	270	288
Production and plant	700	522
R&D	156	216
	<u>1,364</u>	<u>1,293</u>

At 31 December, 2020, the Group’s total headcount was 1,419 employees (1,310 at 31 December, 2019), 747 of whom were women (696 at 31 December, 2019). There were 13 women in management positions in 2020 (11 in 2019).

At 31 December, 2020, the Group’s total headcount included 26 people with a disability rating of 33% or more (25 at 31 December, 2019).

24. Other operating expenses

	2020	2019
Advertising costs	11,409	19,529
Services from third parties	9,502	8,127
Supplies	12,242	12,319
Transport and warehouse expenses	6,860	6,201
Repairs and maintenance	4,173	3,278
Operating leases	327	179
Other taxes	6,404	4,851
Other operating expenses	22,789	27,462
	<u>73,706</u>	<u>81,946</u>

During 2020, the “Other operating expenses” caption was affected by non-recurring expenses for a total amount of 2,691 thousand euros, due to COVID-19. Likewise, also as a result of COVID-19, certain operating expenses have been reduced, mainly those included in the line of advertising costs derived from the reduction in the activity of the sales force.

Total operating expenses at 31 December, 2020 included R&D-related expenses of 16,800 thousand euros (21,183 thousand euros at 31 December, 2019, 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 2020 fell by 327 thousand euros (179 thousand euros in 2019) (Note 2.2.a).

At 31 December, 2020 and 2019, there were no minimum future payments on uncancellable operating leases.

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26. Finance income/costs

	<u>2020</u>	<u>2019</u>
Interest income	4	51
Total finance income	<u>4</u>	<u>51</u>
Interest costs	(806)	(648)
Other finance costs	(266)	(279)
Total finance costs	<u>(1,072)</u>	<u>(927)</u>
Proceeds on disposal of financial instruments	(245)	305
Change in fair value of financial instruments	(796)	(146)
Impairment and gain/(loss) on measurement of financial instruments	<u>(1,041)</u>	<u>159</u>
Exchange rate differences	39	(51)
	<u>39</u>	<u>(51)</u>
Net finance income/(cost)	<u>(2,070)</u>	<u>(768)</u>

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

At 31 December, 2019, the Group held financial derivatives of 26,500 million dollars to minimise the impact of exchange rate risk. The measurement of these financial derivatives at fair value represented a loss of 129 thousand euros at the 31 December, 2019 reporting date. In 2020, these assets, as well as other acquired during 2020, were liquidated, incurring a loss of 245 thousand euros on the liquidations (profit of 305 thousand euros in 2019). At 31 December, 2020, there were active contracts of this nature of 13,500 thousand dollars, the measurement of which at the 2020 reporting date represented a loss of 925 thousand euros.

27. Income tax

In 2020 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.
- Pan Química Farmacéutica, S.A.
- Gineladius, S.L.
- Rovi Escúzar, S.L.

Income tax is broken down into the following items:

	<u>2020</u>	<u>2019</u>
Current tax	(8,316)	(3,798)
Deferred tax (Note 19)	(3,406)	1,789
Adjustment corporate income tax prior years	198	(140)
	<u>(11,524)</u>	<u>(2,607)</u>

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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:

	2020	2019
Profit before tax	72,581	41,880
Tax calculated at domestic tax rate of 25%	(18,145)	(10,471)
Share of profit of joint venture	(8)	(49)
Movement on capitalised negative tax assets	-	5,437
Adjustment corporate income tax prior years	198	(140)
Non-tax deductible expenses	(675)	(112)
Tax differences in subsidiaries results	(91)	86
R&D tax credits used	8,263	4,174
Movement on capitalised R&D tax credits	(1,066)	(1,680)
Otras deducciones aplicadas	-	148
Income tax expense	<u>(11,524)</u>	<u>(2,607)</u>

The non-deductible expenses and non-taxable income captions include principally the permanent differences of the companies at individual level, mainly related to donations.

Consolidated current corporate income tax for 2020, after deduction of the amounts paid on account and withholdings operated in the period, generated a current tax receivable of 3,730 thousand euros. At 31 December, 2020, the receivable recognised for the current tax for 2019 was 4,073 thousand euros.

Tax credits

The Group generated tax credits of 4,376 thousand euros in 2020 (3,774 thousand euros in 2019) and was likewise entitled to offset tax credits of 8,298 thousand euros from previous years (6,189 thousand euros at 31 December, 2019). In 2020, tax credits of 8,263 thousand euros were applied (4,322 thousand euros in 2019) and there were further R&D tax credits of 4,411 thousand euros that were pending application in future years (5,642 thousand euros at 31 December, 2019). At 31 December, 2020 and 2019, 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 3 years.

When calculating the corporate income tax for 2018, filed in July 2019, 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% was applicable.

Negative tax bases

At 31 December, 2020, the negative tax bases pending application were 25,460 thousand euros (34,938 thousand euros at 31 December, 2019), a total of 9,372 thousand euros of which will be applied in the 2020 corporate income tax. In 2020, the Group applied negative tax bases of 8,537 thousand euros in the corporate income tax for 2019, filed in July 2020 (1,397 thousand euros were used in 2019 in relation to the 2018 corporate income tax).

Of the total negative tax bases pending application, the Group has only recognised as assets those that it expects to recover within a period from three to five years, which totalled 16,088 thousand euros at 31 December, 2020 (26,653 thousand euros at 31 December, 2019).

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The following taxes are open to inspection for the periods mentioned:

	<u>Year</u>
Corporate income tax	2016-19
Value-added tax	2017-20
Transfer tax	2017-20
Personal income tax (withholdings)	2017-20

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 consolidated 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 2020 and 2019, the weighted average number of shares was calculated without taking the treasury shares that existed at any given moment into account.

	<u>2020</u>	<u>2019</u>
Profit attributable to the Company's shareholders	61,057	39,273
Weighted average number of outstanding ordinary shares (thousands)	55,386	55,180
Basic and diluted earnings per share (euros per share)	1.10	0.71

At 31 December, 2020 and 2019, there were no shares with potential diluting effects.

29. Contingencies

At 31 December, 2020, the Group held bank guarantees amounting to 2,397 thousand euros (2,503 thousand euros in 2019). 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.

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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. This payment was made in 2020;
- 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, 2020 and 2019. 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

	<u>2020</u>	<u>2019</u>
Purchases of goods and services:		
– Directors who are also shareholders	25	25
– Entities in which Mr. Juan López-Belmonte López holds an interest	2,033	2,036
	<u>2,058</u>	<u>2,061</u>

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.

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b) Director and key management remuneration

b.1) Director remuneration

	<u>2020</u>	<u>2019</u>
Wages and salaries and other current benefits	1,799	1,680
Contributions to defined-contribution pension plans (Notes 22 & 32.1.c)	24	24
	<u>1,823</u>	<u>1,704</u>

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).

On 29 May, 2018, the General Shareholders’ Meeting approved a Long-Term Incentive Plan for the executive directors for the years 2019 to 2021. The purpose of this plan was to provide compensation for the long-term creation of value for the Group in the interests of the shareholders. Amounts accrued under this Plan are recognised under the “Wages and other current benefits” caption in the income statement, but are not included in the above “Director remuneration” table.

b.2) Key management compensation

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:

	<u>2020</u>	<u>2019</u>
Wages and salaries and other current benefits	1,688	1,894
	<u>1,688</u>	<u>1,894</u>

At 31 December, 2020 and 2019, the Management Committee was formed by 12 members, three of whom were also members of the Board of Directors.

d) Dividends paid

Dividends paid to the company Norbel Inversiones, S.L. in 2020 were 6,196 thousand euros (2,754 thousand euros in 2019). Additionally, in 2020 dividends were paid to other significant shareholders in the amount of 547 thousand euros (241 thousand euros in 2019).

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.

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f) Balances at the end of the reporting period

	2020	2019
Receivables from related parties (Note 13):		
– Directors	44	44
– Joint ventures (*)	52	52
	96	96
Payables to related parties (Note 17):		
– Key management	255	290
– Directors	1,385	1,005
– Joint ventures	80	80
– Entities in which Mr. Juan López-Belmonte López holds an interest	350	298
	2,070	1,673

(*) This caption includes the balances receivable from joint ventures for sales of services and those relating to loans granted at their fair value.

32. Fees of account auditors and their group or related companies

The net fees accrued in 2020 by KPMG Auditores, S.L. for account auditing services were 196 thousand euros, who likewise accrued 31 thousand euros for other audit-related services and 14 thousand euros for other services (157 thousand euros, 29 thousand euros and 14 thousand euros, respectively, in 2019). Services other than audit or audit-related services included the work to review the internal control over financial reporting system and the review of compliance with the financial ratios for financing contracts.

Additionally, the firm to which KPMG Auditores, S.L. belongs provided services for the review of the Statement of Non-Financial Information amounting to 18 thousand euros (20 thousand euros in 2019).

33. Director remuneration

At 31 December, 2020, 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	Coordinating Director
Mr Fernando de Almansa Moreno-Barreda	Director
Ms Fátima Báñez García	Director

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

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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 2020:

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 2020 and 2019 were as follows:

	2020	2019
Mr. Juan López-Belmonte López	165	150
Mr. Juan López-Belmonte Encina	70	60
Mr. Enrique Castellón Leal	-	58
Mr. Javier López-Belmonte Encina	70	60
Mr. Iván López-Belmonte Encina	70	60
Mr. Miguel Corsini Freese	-	21
Mr. Fernando de Almansa Moreno-Barreda	70	60
Mr. Marcos Peña Pinto	70	39
Ms. Fátima Báñez García	70	2
	<u>585</u>	<u>510</u>

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):

	2020	2019
Mr. Juan López-Belmonte Encina	8	8
Mr. Javier López-Belmonte Encina	8	8
Mr. Iván López-Belmonte Encina	8	8
	<u>24</u>	<u>24</u>

d. No director received any severance payments agreed to or paid upon termination of his or her term of office.

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 2020 and 2019 was as follows:

	2020		2019	
	Fixed	Variable	Fixed	Variable
Mr. Juan López-Belmonte Encina	330	153	320	153
Mr. Javier López-Belmonte Encina	242	125	234	115
Mr. Iván López-Belmonte Encina	239	125	233	115
	<u>811</u>	<u>403</u>	<u>787</u>	<u>383</u>

The above amounts do not include sums accrued under the Long-Term Incentive Plan (Note 31 b.1).

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- g. In 2020 and 2019, 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 2020 and 2019, 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:

	<u>2020</u>	<u>2019</u>
Remuneration of executive directors	1,214	1,170
Profit attributed to the parent company	71,137	25,553
Remuneration of executive directors/profit attributed to the parent company	<u>1.71%</u>	<u>4.58%</u>

The Company holds a liability insurance policy for directors and senior management. A premium of 61 thousand euros accrued for this policy in 2020 (22 thousand euros in 2019).

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 reporting date

No significant events have taken place since the end of the 2020 reporting period.

35. Other significant information

The global pandemic caused by COVID-19 has had different effects on ROVI.

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Sales of pharmaceutical products have been affected. Although the World Health Organisation (WHO) has recommended ROVI's low-molecular-weight heparins (LMWHs), Bemiparin (Hibor®) and the Enoxaparin biosimilar as essential medicines for people hospitalised in intensive care units due to COVID-19, sales of Bemiparin in Spain have decreased slightly due to the significant reduction in the number of surgical operations performed during the period of lockdown.

Additionally, sales of contrast imaging agents and other hospital products decreased mainly due to the significant reduction in the number of diagnostic tests performed during the period of lockdown.

In 2020, as a consequence of COVID-19 the "Wages and salaries" caption was affected by non-recurring expenses for a total amount of 1,338 thousand euros and "Other operating expenses" caption was affected for a total amount of 2,691 thousand euros. Likewise, also as a result of COVID-19, certain operating expenses have been reduced, mainly those included in the line of advertising costs derived from the reduction in the activity of the sales force.

Finally, ROVI informed (on 9 July, 2020) of the collaboration with Moderna, Inc. for large-scale, commercial fill-finish manufacturing of Moderna's mRNA COVID-19 vaccine candidate (mRNA-1273) at ROVI's facility in Madrid, Spain.

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APPENDIX 1

Subsidiaries included in the Consolidated Group

Corporate name	Registered office	Ownership interest		Activity	Auditor
		2020	2019		
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.	Alcalá de Henares, Avenida Complutense, 140 (Madrid)	100%	100%	(1)	A
Bertex Pharma GmbH	Inselstr.17. 14129 Berlin (Germany)	100%	100%	(3)	N/A
Rovi Escúzar, S.L	Madrid, C/Julián Camarillo, 35	100%	100%	(1)	N/A
Rovi Biotech Limited	10-18 Union Street, London (United Kingdom)	100%	100%	(1)	B
Rovi Biotech, S.r.l	Via Monte Rosa 91, Milan (Italy)	100%	100%	(1)	N/A
Rovi, GmbH	Ruhlandstr. 5, Bad Tölz (Germany)	100%	100%	(1)	C
Rovi, S.A.S.	24 Rue du Drac, Seyssins (France)	100%	100%	(1)	D
Rovi Biotech sp.z.o.o.	ul. Wincentego Rzymowskiego, 53, Warsaw (Poland)	100%	100%	(1)	N/A

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 2020 and 2019 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 by KPMG AG.
- D Audited in 2020 and 2019 by KPMG, S.A.

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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 three principal growth pillars:

- Low-molecular-weight heparin (LMWH) division. In 2020 this division represents 50% of group revenue (47% in 2019). ROVI has two proprietary research products: bemiparin Hibor® and an enoxaparin biosimilar Becat®.
- Other pharmaceutical products division, with a diversified portfolio of both its own and licensed innovative products, protected by patents.
- Global-scale high-value-added contract manufacturing of injectables (prefilled syringes and vials) and oral forms for third parties with differentiated capabilities.

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.

In addition, ROVI has a sound, low-risk R&D policy, where the patented ISM® platform (internally-developed and patented innovative drug-release technology which allows the prolonged release of the compounds administered by injection) opens up new channels of growth. 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 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.

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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	2020	2019	Growth	% Growth
Operating revenues	420.0	381.3	38.6	10%
Other income	1.2	1.2	0.0	1%
Total revenue	421.1	382.5	38.7	10%
Cost of sales	-178.7	-166.6	-12.0	7%
Gross profit	242.5	215.9	26.6	12%
<i>% margin</i>	<i>57.7%</i>	<i>56.6%</i>		<i>1.1pp</i>
R&D expenses	-23.8	-29.3	5.5	-19%
SG&A	-124.4	-125.5	1.1	-1%
Share of profit/loss of a joint venture	0.0	-0.2	0.2	-84%
EBITDA¹	94.2	60.9	33.4	55%
<i>% margin</i>	<i>22.4%</i>	<i>16.0%</i>		<i>6.5pp</i>
EBIT¹	74.7	42.6	32.0	75%
<i>% margin</i>	<i>17.8%</i>	<i>11.2%</i>		<i>6.6pp</i>
Net profit	61.1	39.3	21.8	55%

[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.

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Operating revenue increased by 10% to 420.0 million euros in 2020, driven by the strength of the toll manufacturing business, which grew by 39%, and by the specialty pharmaceutical business, where sales rose 4%. Total revenue increased by 10% to 421.1 million euros in 2020.

Sales of prescription-based pharmaceutical products rose 6% to 297.0 million euros in 2020.

Sales of the heparin franchise (Low Molecular Weight Heparins and other heparins) increased by 14% to 209.3 million euros in 2020. Heparin sales represented 50% of operating revenue in 2020 compared to 48% in 2019.

Sales of Low Molecular Weight Heparins (LMWH) (Enoxaparin biosimilar and Bemiparin) increased by 14% to 202.8 million euros in 2020.

Sales of the Enoxaparin biosimilar increased 25% to 101.4 million euros in 2020. ROVI commenced the marketing of its Enoxaparin biosimilar in Germany in 2017; in UK, Italy, Spain, France, Austria, Latvia and Estonia in 2018; in Portugal, Poland, Costa Rica, Finland, and Sweden in 2019; and in South Africa, Israel, Peru, Holland, Panama and the Dominican Republic in 2020.

ROVI's low-molecular-weight heparin (LMWH), Bemiparin, showed a positive performance in 2020, with sales up 5% to 101.4 million euros. International sales of Bemiparin increased by 21% to 33.0 million euros. This significant increase was mainly linked to the increase in transfer prices to some partners due to the rise in LMWH raw material prices. Sales of Bemiparin in Spain (Hibor®) decreased 2% to 68.5 million euros in 2020 due to the significant reduction in the number of surgical operations performed during the period of lockdown.

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 34% to 29.6 million euros in 2020, compared to 22.0 million euros in 2019.

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 22% to 11.3 million euros in 2020, compared to 14.6 million euros in the previous year, mainly due to Ulunar® Breezhaler® price reduction of 18% in 2020.

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 7% to 14.2 million euros in 2020.

Sales of Vytorin®, Orvatez® and Absorcol®, specialty products from Merck Sharp & Dohme ("MSD") indicated as adjunctive therapy to diet in patients with hypercholesterolemia, decreased by 11% to 28.4 million euros in 2020. In this period, Orvatez® price was reduced by 30% due to the entrance of hybrid products formulated with ezetimibe and atorvastatine.

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 40% to 3.5 million euros in 2020. In July 2019, Medikinet® (methylphenidate hydrochloride with a modified release) went out of protection for galenic innovation and its price was reduced by 50.3% on average.

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According to IQVIA, Spanish innovative product market increased by 2% in 2020 compared to the previous year. Nevertheless, ROVI prescription-based pharmaceutical product sales increased 6% in 2020, outperforming the market by 4 percentage points.

In 2016, Farmaindustria, the Spanish pharmaceutical industry association, and the Spanish government signed a co-operation agreement. After subsequent renewals, this agreement was in force until 31 December, 2019. According to the agreement, in the event that public spending on medicines (excluding generics and biosimilars) exceeded the actual growth rate of the GDP of the Spanish economy, the pharmaceutical industry had to reimburse the government for said excess in cash. Although Farmaindustria and the Spanish government have not yet signed a new co-operation agreement applicable to 2020, the Spanish pharmaceutical industry and ROVI consider that the parties will finally reach an agreement affecting said period. Therefore, ROVI has recognised the estimated amount of this item, which amounts to 6.3 million euros, as a decrease in sales in 2020. When determining the amount for 2020, ROVI has considered that the pharmaceutical industry will reimburse the amount of the increase in public spending on medicines (excluding generics and biosimilar) estimated by Farmaindustria to the government.

Sales of contrast imaging agents and other hospital products decreased by 6% to 30.7 million euros in 2020. This fall is mainly due to the significant reduction in the number of diagnostic tests performed during the period of lockdown. Sales of contrast imaging agents and other hospital products increased by 12% in the fourth quarter of 2020 compared to the third quarter of 2020 and by 5% in the fourth quarter of 2020 compared to the fourth quarter of 2019.

Toll manufacturing sales (sale of services) increased by 39% to 91.6 million euros in 2020 as a result of (i) the redirection of our toll manufacturing activities strategy towards high-value-added products and (ii) the booking of the income related to the activities carried on under the agreement with Moderna.

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 ROVI to attain greater synergies and levels of efficiency in its industrial operations.

ROVI has carried on some activities linked to preparing the plant for the COVID-19 vaccine production under the agreement with Moderna and the income related to these activities was booked in the fourth quarter of 2020.

Likewise, by the end of 2021, ROVI expects the toll manufacturing business to have increased by between 10% and 15%, including Moderna activities but excluding the production of the vaccine.

Sales outside Spain increased by 28% to 191.1 million euros in 2020, 52.5 million euros (or 27%) of which related to international subsidiaries, mainly due to the increase in the toll manufacturing business. Sales outside Spain represented 46% of operating revenue in 2020 compared to 39% in 2019.

Other income (subsidies) increased by 1% to 1.2 million euros in 2020, compared to the same period of the previous year.

Gross profit increased by 12% to 242.5 million euros in 2020, the gross margin showing an increase of 1.1 percentage points from 56.6% in 2019 to 57.7% in 2020, mainly due to (i) the increase in toll manufacturing sales contributing higher margins to group sales; (ii) the increase in Bemiparin prices in hospitals due to rises in both LMWH raw material prices (caused by the African swine fever) and the demand for the product in hospitals to treat COVID-19; (iii) the improvement

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in enoxaparin margins in Spain, counteracting the drop in the margin on international sales of enoxaparin; and (iv) the end of the marketing of the Norgine B.V. product portfolio (Sintrom®, Salagen®, Cordiplast® and Estradem®), which had lower margins than the group. These factors with a positive impact on the gross margin offset the 36% increase in the LMWH raw material prices in 2020 compared to the same period last year. ROVI expects LMWH raw material prices to continue to decline in 2021. Nevertheless, despite the potential decrease in LMWH raw material prices, the impact on the gross margin will continue to be negative because of the long LMWH manufacturing process in which the raw material currently used, stocked for several months, was purchased at higher prices.

Research and development expenses (R&D) decreased 19% to 23.8 million euros in of 2020. R&D expenses were mainly related to (i) the preparation of the Doria® registration dossier to be submitted to the U.S. Food and Drug Administration (FDA); (ii) the development of the Letrozole-ISM® Phase I trial; and (iii) the development of a new formulation of Risperidone-ISM® for a 3-monthly injection.

Selling, general and administrative expenses (SG&A) decreased 1% to 124.4 million euros in 2020, despite the booking of 4.0 million euros in personnel and other expenses related to the COVID-19 measures implemented. Excluding expenses related to COVID-19, SG&A would have decreased by 4% to 120.4 million euros in 2020 mainly as result of a drop in (i) promotion expenses (travel and congress expenses) incurred by the sales force; and (ii) expenses of international subsidiaries (including Portugal), which amounted to 7.7 million euros, compared to 9.1 million euros in 2019, mainly because of the COVID-19 pandemic.

EBITDA increased to 94.2 million euros in 2020, a rise of 55% compared to the previous year, reflecting a 6.5 percentage point increase in the EBITDA margin, which was up to 22.4% in 2020 from 16.0% in 2019.

However, EBITDA "Pre-R&D", calculated excluding R&D expenses in 2020 and 2019, increased by 31%, from 90.2 million euros in 2019 to 118.0 million euros in 2020, reflecting a 4.5 percentage point rise in the EBITDA margin to 28.1% in 2020. Likewise, recognising the same amount of R&D expenses in 2020 as in 2019, EBITDA would have increased by 46% to 88.7 million euros, reflecting a 5.2 percentage point rise in the EBITDA margin to 21.1% in 2020, up from 16.0% in 2019.

Depreciation and amortisation expenses increased by 8% to 19.6 million euros in 2020, as a result of the new property, plant and equipment and intangible assets purchases made during the last twelve months.

EBIT increased by 75% to 74.7 million euros in 2020, reflecting a 6.6 percentage point rise in the EBIT margin, which was up to 17.8% in 2020 from 11.2% in 2019.

However, EBIT "pre-R&D", calculated excluding R&D expenses in 2020 and 2019, increased by 37%, from 72.0 million euros in 2019 to 98.5 million euros in 2020, reflecting a 4.6 percentage point rise in the EBIT margin to 23.4% in 2020. Likewise, recognising the same amount of R&D expenses in 2020 as in 2019, EBIT would have increased by 62% to 69.1 million euros, reflecting a 5.3 percentage point rise in the EBIT margin to 16.5% in 2020, up from 11.2% in 2019.

Net finance result amounted to 2.1 million euros (cost) in 2020 compared to 0.8 million euros (cost) in 2019, mainly due to the loss related to exchange-rate derivative financial instruments.

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The effective tax rate was 15.9% in 2020, compared to 6.2% in 2019, mainly due to (i) the increase of the profit before income tax; (ii) the recognition in 2019 of negative tax bases ROVI had the right to use; and (iii) the decrease of research and development tax credits in 2020 as a result of the decrease in R&D expenses in 2020 compared to the previous year.

As of 31 December 2020, negative tax bases of the Group amounted to 25.5 million euros, of which 9.4 million euros will be used in the 2020 income tax.

Net profit increased by 55%, from 39.3 million euros in 2019 to 61.1 million euros in 2020. However, net profit “pre-R&D”, calculated excluding R&D expenses in 2020 and 2019, increased by 21%, from 66.8 million euros in 2019 to 81.1 million euros in 2020. Likewise, recognising the same amount of R&D expenses in 2020 as in 2019, net profit would have increased by 44% to 56.4 million euros.

2.2.- Outlook for 2021

For 2021, ROVI expects the operating revenue to increase between 20% and 30%, including the production of the Moderna’s COVID-19 vaccine.

ROVI forecasts that it will continue to grow at a much higher rate than the Spanish pharmaceutical market expenditure in 2020, which, according to the Ministry of Health, Consumption and Social Welfare, showed a growth rate of 2.6%.

Notwithstanding, given the uncertainties associated to the development of the COVID-19 pandemic (which ROVI will continue to monitor closely), it is not yet possible to make a precise assessment of the impact that the pandemic will have on this year.

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, the agreement with Moderna and new contracts in the toll manufacturing area.

2.3.- Key operating and financial events

2.3.1 The Journal npj Schizophrenia Publishes the Results of the PRISMA-3 Study of the Efficacy and Safety of Doria® in Schizophrenic Patients

ROVI informed (by publication of the inside information with register number 610 dated 27 November, 2020) of the online publication of the results of the pivotal study PRISMA-3 on the efficacy and safety of Doria® in schizophrenic patients in the journal npj Schizophrenia¹.

The results of the phase III pivotal clinical trial show that the once-monthly injectable antipsychotic Doria® furnishes a significant improvement in the symptomatology and severity of the illness in patients with acute exacerbation of schizophrenia.

¹ Correll, C.U., Litman, R.E., Filts, Y. et al. Efficacy and safety of once-monthly Risperidone ISM® in schizophrenic patients with an acute exacerbation. npj Schizophr 6, 37 (2020). <https://doi.org/10.1038/s41537-020-00127-y>

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Doria® (Risperidone ISM®) is a novel investigational antipsychotic for the treatment of schizophrenia with once-monthly injections which has been developed and patented by Laboratorios Farmacéuticos ROVI S.A. and which, as of the first injection, provides immediate and sustained plasmatic drug levels and does not require loading doses or supplementation with oral risperidone.

The results obtained in this study show that both doses (75 mg and 100 mg once a month) have achieved the prespecified primary and secondary efficacy endpoints for treatment of patients with acute exacerbation of schizophrenia. The primary efficacy endpoint, the PANSS total score (mean difference, CI: 95%), improved significantly with Risperidone ISM® 75 mg and 100 mg from the beginning until day 85, with adjusted differences of -13.0 (17.3 to -8-8; $p < 0.0001$) and -13.3 (-17.6 to -8.9; $p < 0.0001$), respectively. Significantly improved mean changes for the secondary endpoint, the CGI-S score, were also obtained for Risperidone ISM® in comparison with the placebo, -0.7 (-1.0 to -0.5; $p < 0.0001$), for both doses. The significant statistical improvement for both efficacy results was observed as early as 8 days after the first injection. The most frequently reported treatment-emergent adverse events were increased blood prolactin (7.8%), headaches (7.3%), hyperprolactinemia (5%) and weight increase (4.8%). No important new or unexpected safety information was reported.

According to the authors of the article, Risperidone ISM® represents an effective therapeutic strategy in schizophrenic patients who are admitted to hospital with an acute episode with severe or moderate psychotic symptoms.

"We are very pleased with these results, since, not only do they prove that our ISM® technology works, but also because we believe that Doria® will be able to help cover an unmet medical need", said Dr. Ibón Gutierro, ROVI's Corporate R&D Manager. Likewise, Dr. Gutierro explained that *"this study is proof that a schizophrenic patient with moderate to severe psychotic symptoms can also be treated with a long-acting injectable antipsychotic like Doria®".*

On the basis of these positive results and the other data from the product, ROVI previously announced the commencement of the centralised procedure for registration with the European Medicines Agency (EMA) in January 2020. Likewise, at its Capital Markets Day held on 24 November, ROVI has just announced the filing of an NDA (New Drug Application), i.e. a registration dossier to obtain marketing authorisation in the USA, with the FDA (Food and Drug Administration).

2.3.2 Moderna and ROVI Announce Collaboration for Outside the United States Fill-Finish Manufacturing of Moderna's COVID-19 Vaccine Candidate

ROVI informed (by publication of the inside information with register number 322 dated 9 July, 2020) of the collaboration with Moderna, Inc. (Nasdaq: MRNA), a clinical stage biotechnology company pioneering messenger RNA (mRNA) therapeutics and vaccines to create a new generation of transformative medicines, for large-scale, commercial fill-finish manufacturing of Moderna's mRNA COVID-19 vaccine candidate (mRNA-1273) at ROVI's facility in Madrid, Spain.

As part of the agreement, ROVI will provide vial filling and packaging capacity by procuring a new production line and equipment for compounding, filling, automatic visual inspection and labeling to support production of hundreds of millions of doses of the vaccine candidate intended in principle to supply markets outside of the U.S. starting in early 2021. ROVI will also hire additional staffing required to support manufacturing operations and production.

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“Moderna is committed to helping address the COVID-19 crisis. We are pleased to partner with ROVI to potentially supply hundreds of millions of doses of finished mRNA-1273, once approved, and help address the need for a vaccine against COVID-19 around the world,” said Juan Andrés, Moderna’s Chief Technology Operations and Quality Officer. *“ROVI’s experience as a global manufacturer of drug product and expertise in fill-finish will be an important partnership for us to establish dedicated supply chains that can meet the needs of different countries and regions. I am delighted to be working with ROVI again”.*

“We are very happy about the collaboration with Moderna, whose vaccine against COVID-19 is one of the frontrunners in the race to solve this health crisis. We would be thrilled for ROVI to form part of the solution to this pandemic that is affecting all of us and to support Moderna in supplying it on a wide scale. Our proven experience and capabilities as a toll manufacturer of injectables has allowed us to reach this agreement, which would help strengthen our manufacturing area and would, in all probability, provide us with a significant growth opportunity in the area. Likewise, I would like to thank the Ministry of Health and the Spanish Medicines Agency for making themselves available and providing their support, which has been of fundamental importance, during this entire process”, said Juan López-Belmonte, Chief Executive Officer of ROVI.

2.3.3 ROVI informs on the impact of COVID-19 on the Group’s activities

ROVI reports (by publication of the relevant information number 1365 dated 2nd of April of 2020) that, since the beginning of the propagation of COVID-19, the Group has been executing the contingency plans necessary to guarantee the health and safety of its employees and those who work with it, as well as to ensure the continuity of the business and fulfil its responsibility to supply medicines to the hospitals of Spain and Europe.

To this end, ROVI has adopted a number of initiatives in line with the recommendations made by the authorities. Among them, we highlight the fact that ROVI has reduced the processes that must be performed in person at its facilities to a minimum. Thus, a significant part of the workforce is working from a distance. In the cases where home working is not possible, particularly at the manufacturing plants, ROVI is keeping all its production activities at a kind of normal activity level, with the relevant safety measures, in order to ensure that its medicines continue to be available to patients during the health crisis.

ROVI considers that it is extremely important to keep its manufacturing plants in operation in order to fulfil its responsibility as a pharmaceutical manufacturer. Therefore, ROVI wishes to acknowledge the commitment and responsibility shown by those of its employees who are physically present at work every day and, for these employees, has approved a bonus of 20% of their salary corresponding to the duration of the State of Alarm decreed by the Spanish government. Likewise, in order to work with the greatest safety and maintain the continuity of the production activities, ROVI recommends avoiding the use of public transport for travelling to the plants and assumes the cost of private transport and parking spaces for those employees who so require.

ROVI’s sales behaved in line with company’s expectations in the first nine months of 2020. As a consequence, the Group confirms the growth forecasts reported previously for 2020, which placed growth in operating revenue in mid-single-digit figures, i.e. from 0% to 10%. Notwithstanding, given the uncertainties associated to the development of the current situation (which ROVI will continue to monitor closely), it is not yet possible to make a precise assessment of the impact that the pandemic will have on the current year.

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Regarding the possible impact of COVID-19 on each one of the areas of ROVI, the following may be highlighted:

1. The World Health Organisation (WHO) has recommended ROVI's low-molecular-weight heparins (LMWHs), Bemiparin (Hibor®) and the Enoxaparin biosimilar, sales of which accounted for 47% of the Group's operating revenue in 2019, as essential medicines for people hospitalised in intensive care units due to COVID-19. For this reason, in view of the habitual use of the product in hospitalised patients, ROVI believes that there will be a rise in LMWH sales in hospitals during the period of the health crisis. On the other hand, ROVI expects that the significant reduction in the number of surgical operations performed during the period of confinement may, likewise, affect the division's sales. The industrial shutdown that took place in China at the beginning of the year and the current shutdown in Europe, combined with the evolution of African swine fever in China, confirm the price increase in sodium heparin for this first part of the year.
2. A majority of ROVI's innovative products are indicated for the treatment of chronic diseases and therefore, consumption of these products should remain stable in the short term. However, the confinement measures, which favour the habit of staying at home, combined with the fact that it is impossible for the sales force to promote the products among health professionals, could provoke a slowdown in the sales of the pharmaceutical specialities division if the isolation measures adopted in the health crisis were to be prolonged.
3. As we have mentioned previously, as of today's date, production activities remain at normal capacity at all the plants, although productivity has been impaired by the various preventive measures concerning sanitisation and safety in relation to COVID-19. ROVI is very proud and satisfied with its employees' response to this crisis. However, the current situation and its potential impact is so unpredictable and volatile that the foregoing assessment of the plants' operations could be affected in the event of infections within their workforces.
4. R&D activities are continuing and, as of today's date, ROVI is not aware that there will be any kind of delay in the approval process for Doria® in Europe or registration of the medicine in the United States. Notwithstanding, ROVI understands that the efforts of the European Medicines Agency are currently focused on COVID-19 and does not rule out delays in the approval process for the medicine under the current circumstances. Likewise, for registration of the medicine in the United States, ROVI depends on third-party assistance, which means that ROVI cannot be certain that the registration application will not be filed later the date reported previously (second half of 2020).

ROVI is continuing with its transformation process and the execution of its strategic plan. To date, the impact of the health crisis has not changed the Group's plans. Said strategic plan focuses on (i) the expansion of its enoxaparin biosimilar, with which it aspires to become a benchmark player in the low-molecular-weight heparin sub-market, and (ii) Doria® and Letrozol®, both of which are candidates that validate its extended-release drug delivery system, ISM®.

ROVI is also contributing to the provision of new solutions that help to improve the health situation of society overall and has taken the necessary steps to donate a million surgical masks and a thousand special protection suits to the Ministry of Health, Consumption and Social Welfare, taking account of the difficulties that the National Health System is having in accessing individual protection equipment at the present time. With this contribution, ROVI wishes to assist in the indispensable work carried out by the health professionals who are working nonstop to combat the COVID-19 pandemic in Spain.

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ROVI wishes a swift recovery to all those affected by coronavirus and sends special recognition to the health professionals, the State security forces and all the other professionals who, in order to protect all of us, are on the battlefield in the fight against the virus. Likewise, ROVI would like to thank all its employees for their commitment, responsibility, involvement and determination, especially those who continue to travel to its work centres every day.

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

ROVI informed (by publication of the material event number 286374 dated 31st of January of 2020) 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 ROVI 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), in 2020.

“We are continuing to progress with the approval phase of Doria® and are now closer to marketing it. We have confidence in the product’s potential and hope that we will soon be able to offer a therapeutic alternative for the treatment of this chronic, serious and progressive disorder”, said Juan López-Belmonte, ROVI’s Chief Executive Officer.

2.4.- Research and development

ISM® technology platform

Doria® (Risperidone ISM®) is the first ROVI’s product based in its leading-edge drug delivery technology, ISM®. It is a novel investigational antipsychotic for the treatment of schizophrenia with once-monthly injections which has been developed and patented by Laboratorios Farmacéuticos ROVI S.A. and which, as of the first injection, provides immediate and sustained plasmatic drug levels and does not require loading doses or supplementation with oral risperidone.

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In March 2019, ROVI informed topline results from the pivotal study of Risperidone ISM[®] “PRISMA-3”², and the 27th of November of 2020 announced the online publication in the journal *npj Schizophrenia*³.

The results obtained in this study show that both doses (75 mg and 100 mg once a month) have achieved the prespecified primary and secondary efficacy endpoints for treatment of patients with acute exacerbation of schizophrenia. The primary efficacy endpoint, the PANSS total score (mean difference, CI: 95%), improved significantly with Risperidone ISM[®] 75 mg and 100 mg from the beginning until day 85, with adjusted differences of -13.0 (17.3 to -8-8; p <0.0001) and -13.3 (-17.6 to -8.9; p<0.0001), respectively. Significantly improved mean changes for the secondary endpoint, the CGI-S score, were also obtained for Risperidone ISM[®] in comparison with the placebo, -0.7 (-1.0 to -0.5; p<0.0001), for both doses. The significant statistical improvement for both efficacy results was observed as early as 8 days after the first injection. The most frequently reported treatment-emergent adverse events were increased blood prolactin (7.8%), headaches (7.3%), hyperprolactinemia (5%) and weight increase (4.8%). No important new or unexpected safety information was reported. According to the authors of the article, Risperidone ISM[®] represents an effective therapeutic strategy in schizophrenic patients who are admitted to hospital with an acute episode with severe or moderate psychotic symptoms².

ROVI also announced in July 2019 the completion of an open-label extension of the PRISMA-3 study⁴, which provides clinical data on the long-term use of Risperidone ISM[®] (12 additional months).

Based on these positive results and the other data from the product, ROVI previously announced (by publication of the material event number 286374 dated 31st of January of 2020) the commencement of the centralised procedure for registration with the European Medicines Agency (EMA) in January 2020. Likewise, at its Capital Markets Day held on 24 November, ROVI has just announced the filing of an NDA (New Drug Application), i.e. a registration dossier to obtain marketing authorisation in the USA, with the FDA (Food and Drug Administration).

On the other hand, ROVI 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 study⁵) 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. ROVI is planning in the first half of 2021 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.

² 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”).

³ Correll, C.U., Litman, R.E., Filts, Y. et al. Efficacy and safety of once-monthly Risperidone ISM[®] in schizophrenic patients with an acute exacerbation. *npj Schizophr* 6, 37 (2020). <https://doi.org/10.1038/s41537-020-00127-y>.

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 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”).

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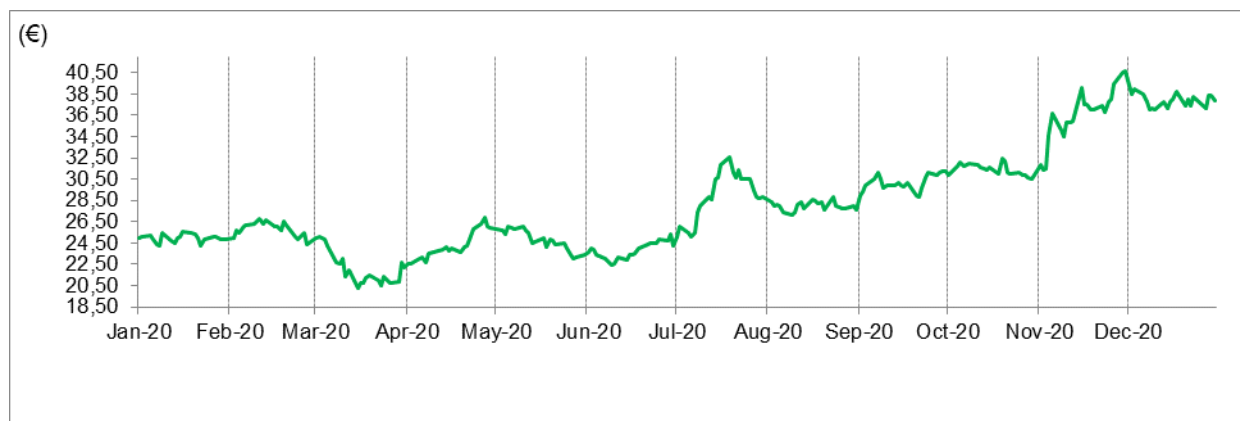
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2.5.- Stock market capitalization

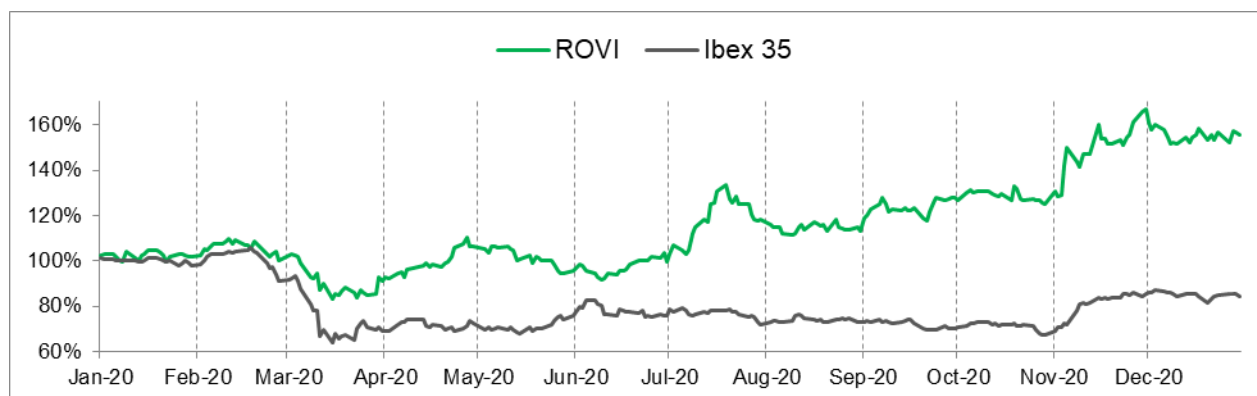
On the December 5th 2007, ROVI carried out an Initial Public Offering (IPO) of shares initially intended for qualified investors in Spain and to qualified institutional investors abroad. The face value of the operation, without including the shares corresponding to the green shoe purchase option, was 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 2020:



The following chart shows the performance of the share price of ROVI compared with the IBEX 35 index in 2020:



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3.- FINANCIAL INFORMATION

3.1.- Liquidity and capital resources

3.1.1.- Liquidity

As of 31 December 2020, ROVI had a gross cash position of 54.6 million euros, compared to 36.8 million euros as of 30 September 2020 and 68.9 million euros as of 31 December 2019, and net debt of 19.8 million euros (equity securities plus deposits plus financial derivatives plus cash and cash equivalents minus current and non-current financial debt), compared to 38.1 million euros as of 30 September 2020 and 15.9 million euros as of 31 December 2019.

3.1.2.- Capital resources

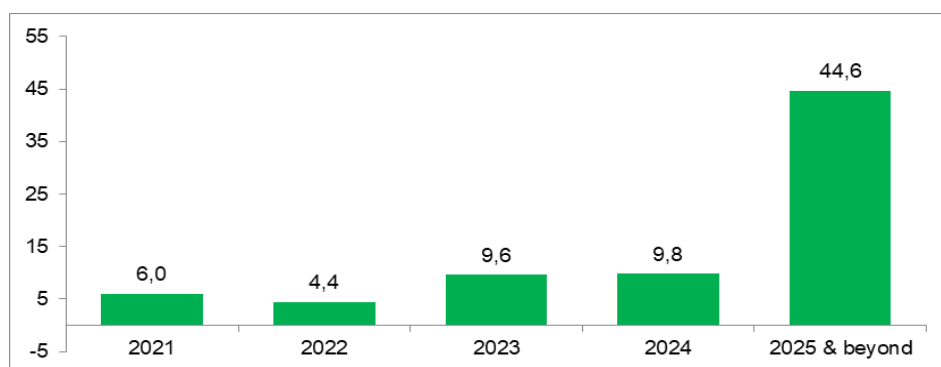
Debt with public administration, which is 0% interest rate debt, represented 15% of total debt as of 31 December 2020 (14% as of December 2019).

<i>In thousand euros</i>	2020	2019
Bank borrowings	45,000	52,116
Debt with public administration	10,972	11,689
Financial liabilities for leases	17,546	20,871
Derivatives	925	129
Total	74,443	84,805

As of 31 December 2020, bank borrowings decreased by 7.1 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 0.336% (January 2021). 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%.

Likewise, since the beginning of the COVID-19 crisis, ROVI has signed credit policies for an amount of 45 million euros, in order to ensure the Group's liquidity. As of 31 December 2020, ROVI had not used these credit policies. Thus, the Group is in a comfortable position to meet its payment obligations, debt maturities and any additional cash needs in the short and medium term.

Debt maturities at 31 December, 2020 are shown in the following graph (millions of euros):



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3.1.3.- Analysis of contractual obligations and items off the statement of financial position

In the normal course of business, in order to manage its own operations and financing, the Group has traditionally leased certain assets. The accounting record of these transactions did not affect the Group's statement of financial position but did affect the income statement. However, since 2019, when International Financial Reporting Standard 16 Leases (IFRS 16) came into force, this type of transaction has been included in the Group's statement of financial position: a liability is recognised for the total value of the payments to be made over the remaining term of the lease contract and a right-of-use asset is recognised for the underlying asset. Therefore, the payments to which the Group is committed in these transactions are recognised in the statement of financial position.

Regarding the contracts that are still recognized as operating leases because they do not meet the requirements for IFRS 16 to apply, at 31 December, 2020 and 2019, there were no minimum future payments due on these non-cancellable operating leases.

3.2.- Capital expenditure

ROVI invested 39.7 million euros in 2020, compared to 27.0 million euros in 2019. These investments in 2020 and 2019 was mainly related to investments in the production plants of ROVI:

- 3.2 million euros corresponds to capex related to the Madrid injectables facility, versus 1.6 million euros in 2019;
- 8.6 million euros were invested in the San Sebastián de los Reyes plant, versus 4.3 million euros in 2019;
- 2.4 million euros were invested in the Granada facility, versus 5.9 million euros in 2019;
- 3.8 million euros were invested in the Alcalá de Henares facility, versus 8.3 million euros in 2019;
- 9.7 million euros corresponds to the ISM[®] industrialization, versus 3.5 million euros in 2019;
- 10.1 million euros relates to investment capex regarding the Escúzar plant (the second heparin plant in Granada) versus 1.0 million euros invested in 2019; and
- 2.0 million euros relates to expenditure on maintenance and other capex, versus 2.4 million euros in 2019.

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

3.3.- Treasury shares transactions

In the course of 2020, ROVI acquired a total of 1,233,324 of its own shares (224,449 in 2019), paying the amount of 37,255 thousand euros for them (4,718 thousand euros in 2019). Likewise, it resold a total of 1,246,626 of its own shares (232,548 in 2019) for an amount of 37,488 thousand euros (4,871 thousand euros in 2019). These shares had been acquired at a weighted average cost of 27,411 thousand euros (3,189 thousand euros in 2019), giving rise to a profit of 10,077 thousand euros on the sale (1,682 thousand euros in 2019), which was taken to reserves. At 31 December, 2020, ROVI held 673,654 treasury shares (686,956 at 31 December, 2019).

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3.4.- Dividends

On October 20, 2020, the General Meeting of Shareholders approved the distribution of the 2019 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 9,818 thousand euros (0.1751 euros gross per share). This dividend was paid out in November 2020.

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.

4.- OTHER NON-FINANCIAL INFORMATION

Appendix 2 includes the “Non-financial information statement” for 2020.

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.
- 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, ...);
- Concentration of operations in certain geographical areas.
- Actions on the part of the competition that have an adverse impact on ROVI's sales.
- Ciber attack risk.
- 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

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filing of the different taxes as well as the Group's decision-making on tax issues; y (viii) the Group intensifies its work to mitigate the risk of cyberattacks by raising awareness among its staff and conducting cybersecurity reviews.

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:

5.2.1.- 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, 2020, the Group held instruments of this kind for a value of 13,500 thousand euros (26,500 thousand euros in 2019), the measurement of which led to recognition of a loss of 925 thousand euros at the 2020 reporting date (at the 2019 reporting date the loss was not significant).
- 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 maintains a diversified portfolio of suppliers and manages its stock levels efficiently.

5.2.2.- 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.

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5.2.3.- 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, 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.

In 2020, ROVI signed credit policies for a total amount of 45 million euros. No amounts had been drawn down as of 31 December, 2020.

6.- CORPORATE GOVERNMENT ANNUAL REPORT

Appendix 3 includes the Corporate Government Annual Report prepared by the Company for 2020.

7.- EVENTS AFTER BALANCE SHEET DATE

There have been no significant subsequent events after the end of fiscal year 2020.

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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 2020 that it considers significant:

Total revenue

This APM shows all the Group's revenues.

We calculate Total revenue as revenue plus the recognition of government grants on non-financial non-current assets and other.

Gross profit

Gross profit is an indicator that measures the direct profit that ROVI obtains from carrying out its income-generating activities.

We calculate gross profit as total revenue less change in inventories of finished goods and work in progress and raw materials and consumables used.

Gross margin

This APM is a percentage indicator that measures the profit that ROVI obtains from its revenue.

We calculate gross margin as the percentage that the gross profit represents in the revenue.

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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 2020); and
- Non-recurring expenses/income (see Note 23 to the consolidated annual accounts at 31 December 2020).

EBIT

EBIT (Earnings Before Interest and Taxes) is an indicator 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 2020); and
- Non-recurring expenses/income (see Note 23 to the consolidated annual accounts at 31 December 2020).

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 profit "Pre-R&D" as EBIT "Pre-R&D" plus:

- Finance costs-net; and

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- 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 financial derivatives, plus cash and cash equivalents, less current and non-current financial debt.

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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 2020

(Free translation from the original in Spanish. In case 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 2020, of Laboratorios Farmacéuticos Rovi, S.A. (hereinafter the Parent) and subsidiaries (hereinafter the Group) which forms part of the 2020 consolidated Group's Directors' Report.

The consolidated Directors' Report includes additional information to that required by prevailing mercantile legislation governing non-financial information that has not been subject of our assurance work. In this regard, our assurance work was limited only to providing assurance on the information contained in table "Information required by Law 11/2018" of the accompanying consolidated Directors' Report.

Directors' responsibilities

The Directors of the Parent are responsible for the preparation and presentation of the NFIS included in the Group's Directors' Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with each subject area in 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 are also responsible for defining, implementing, adapting and maintaining the management systems used to obtain the information required to prepare the NFIS.



Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the 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 the requirements of the Revised International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines for 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 and areas of the Parent 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 the Parent 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 and described in the section "Bases for authorisation of the Statement of Non-Financial Information" considering the content required in prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the NFIS for 2020.
- Review of the information related to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2020.



- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2020 and whether it has been adequately compiled based on data provided by the information sources.
- 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 2020 has not been prepared, in all material respects, in accordance with 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 aforementioned 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)

Ramón Pueyo Viñuales

23 February 2021

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

Statement of Non-financial Information for the year ending 31 December, 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 the light of the aforementioned Act, the Company has analysed the impacts derived from its business model and considers the following non-financial aspects to be relevant, based on the materiality matrix shown below and published on ROVI's website in the 2019 CSR Report (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, universal accessibility and equality.
- Human rights.
- Corruption and bribery.
- Information on social contribution: commitment to sustainable development, subcontractors and suppliers, consumers and tax information.

The most important issues for ROVI and its stakeholders are based on the internal and external consultation carried out in 2017. The result of this analysis is 20 material issues, considering their influence of the success of the business and their importance to stakeholders, grouped into eight categories, shown below, related to the Sustainable Development Goals (SDG) of the United Nations Global Compact.

Good governance and ethical conduct

1. Responsible governance
2. Ethics and compliance
3. Risks and crisis management

Transparency and dialogue

4. Information transparency
5. Dialogue and relations with stakeholders

Product quality and safety

6. Product quality
7. Pharmacovigilance and product safety

Environment

8. Circular economy → SDG 12
9. Atmospheric emissions → SDG 12
10. Climate change
11. Drug pollution

Relations with customers, patients and health professionals

12. Attention to and relations with customers, patients and health professionals

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- Work environment
 - 13. Safety and welfare → SDG 4
 - 14. Training and development → SDGs 4 & 8
 - 15. Attracting and retaining talent → SDG 4 & 8
 - 16. Internal dialogue and communication

- Supply chain
 - 17. Responsibility in the supply chain

- Health and welfare of society
 - 18. Access to medicines → SDG 3
 - 19. Research and development → SDG 4
 - 20. Contribution to the socioeconomic progress of the communities in which ROVI operates → SDGs 8 & 9

Materiality Matrix



As a result of the process of analysing the matters that are material for ROVI and its stakeholders and the content of Law 11/2018, it was decided that, given the nature of the activity, issues concerning food waste, biodiversity, light pollution or impact on protected areas are not considered material, given the specific features of the industry and the Group's activity.

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2. GENERAL INFORMATION

2.1. Group's business model (business environment and organisation)

The Company is the head of a pan-European pharmaceutical specialty group that enjoys great stability and has three diversified growth engines (the "Group", "ROVI" or "ROVI Group"):

- Proprietary Division, which is a leader in the low-molecular-weight heparin (LMWH) field.

In 2020, this Division accounted for 50% of the Group's total sales (47% in 2019).

ROVI has been engaged in the development of heparin-based drugs for more than 70 years and has a well-positioned vertically-integrated structure, with its own LMWH manufacturing plant.

ROVI has two of its own research products:

- Hibor® (bemiparin). Low-molecular-weight heparin (fast-acting anticoagulant) used to prevent and treat venous thromboembolic disease.
- Enoxaparin biosimilar Becat®. Enoxaparin is the main LMWH in the world. It is an anticoagulant medicine that belong to the world-leading low-molecular-weight heparin group and was first marketed by ROVI in 2017: It is used to prevent deep vein thrombosis and pulmonary embolism.

- Pharmaceutical Specialties Division, the leader in Spain:

ROVI holds a sound leading position in the Spanish market and is a principal partner for licences among the most important pharmaceutical companies worldwide.

The Company has a diversified portfolio of 18 products of its own and 18 licensed products, with a sales force formed by approximately 250 highly-qualified people.

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.

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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).

- Global-scale high-value-added contract manufacturing with differentiated capabilities. ROVI is one of the world leaders in the manufacture of prefilled injectables, exporting to more than 50 countries. International sales represent around 90% of the contract manufacturing business. ROVI has been successful in positioning itself strategically to take advantage of the growing trend among pharmaceuticals to outsource their manufacturing processes, providing a very cost-competitive manufacturing position. Thus, uses the manufacturing capacity available at its facilities by providing high-added-value service of the complete development, transfer and manufacture of injectables and solid oral forms.

Through its production plants for injectables and solid forms, located in San Sebastián de los Reyes, Madrid and Alcalá de Henares, it offers contract manufacturing services for a wide range of pharmaceutical forms, including prefilled syringes, vials, suppositories, tablets, hard capsules and sachets.

Within the framework of its contract manufacturing operations, in July 2020, ROVI announced its collaboration in the manufacture outside the United States of the fill-finish of Moderna's COVID-19 vaccine.

In addition, ROVI has a sound, low-risk R&D policy, where the patented ISM® platform opens up new channels of growth.

ROVI 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 and focuses on the innovative drug release technology ISM®, developed in-house and patented, which allows the prolonged release of the compounds administered by injection.

At the date of preparation of this document, three candidates associated to this technology are undergoing clinical trials:

- Monthly Risperidone ISM® (registered with the trademark Doria®), indicated for the treatment of schizophrenia. It is in the process of approval in Europe and, in November 2020, the dossier for its marketing was filed in the USA.
- Letrozol ISM®, indicated for the treatment of breast cancer. It is in Phase I, which began in November 2017.
- Risperidone, administered three-monthly. It is in the pre-clinical phase.

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. Likewise, in 2017, ROVI launched a biosimilar to enoxaparin, the leading molecule in the market and aspires to become a leading company in the LMWH field.

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- Diversified portfolio protected by patents: ROVI has a portfolio of products of its own and licensed, for most of which there is growing demand and which are not affected by the reference pricing system in Spain for nine therapeutic areas.
- 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.
- Low-risk innovation. ROVI operates with a low-risk strategy, concentrating on chronic diseases with broad medical requirements.

At 31 December, 2020, ROVI had a total of 1,419 employees and sales of 419,961 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, 2020 was 37.90 euros, having risen 55% in comparison with the end of the preceding year.

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 2020, ROVI was present in more than 75 countries and had local offices in the following:

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

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 Polish subsidiary, product marketing had not commenced at 31 December, 2020.

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Additionally, through strategic alliances with international partners, at the end of 2020, through the LMWH Division, ROVI was present in more than 75 countries, distributing its main product, Bemiparin, in 58 countries all over the world, while it was pending registration in 14 countries. In addition, at 31 December, 2020, ROVI was marketing its enoxaparin biosimilar in Germany, United Kingdom, Italy, Spain, France, Austria, Latvia, Estonia, Portugal, Poland, Costa Rica, Sweden, Finland, South Africa, Israel, Peru, Holland, Panama and the Dominican Republic. Likewise, all the EU countries where ROVI had applied for approval of the national registration of its enoxaparin biosimilar had approved registration. In total, ROVI had signed marketing agreements for its enoxaparin biosimilar in 98 countries.

Furthermore, international sales account for around 90% of the contract manufacturing business, with exports to over 50 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 1,300 million euros, due to the competitive edge provided by the vertical integration of processes in the Group. Additionally, ROVI intends to increase its presence in other markets with heavy growth potential through licensing agreements. Among other measures to increase its capacity, in 2019, ROVI announced that construction of a second heparin plant in Granada would begin.
2. The development of drugs to treat complaints with high application prospects. Currently, ROVI's product portfolio in the research and development phase focuses mainly on the development of new prolonged-release systems based on ISM[®] technology, as mentioned above.
3. The development of operating synergies and the extension of the scope of the value-added manufacturing services with present and potential customers. Prefilled syringes are expected to boost growth in the sterile injectable medicines market by more than 10% by 2023.
4. Launching new products in the market. ROVI's solid leadership in the Spanish market positions the Company as a principal partner for the main international pharmaceutical companies in Spain.
5. The manufacturing agreement signed with Moderna, whereby ROVI provides filling and finishing capacity for vials by acquiring a new production line and other equipment for compounding, filling, automatic visual inspection and labelling to provide support to the production of hundreds of thousands of the candidate vaccine outside the U.S.A.

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.

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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. In this respect, the Group has support tools the objectives of which are to:

- Favour attainment of the group's strategic objectives.
- Improve the group's competitiveness by implementing management practices based on innovation, equal opportunities, productivity, profitability and sustainability.
- Manage risks and opportunities derived from the changing environment responsibly, maximising the positive impacts of the group's activities in the different territories where it operates and minimising any adverse impacts as far as possible.
- Promote a culture of ethical conduct and increase business transparency, in order to generate credibility and confidence among stakeholders, including society as a whole.
- Promote trust relationships and value creation for all stakeholders, providing all of them with a balanced and integrating response.

2.4. Main factors and trends that may affect future evolution

The IQVIA report "The Global Use of Medicine in 2019 and Outlook to 2023" suggested growth expectations that would raise global billing to over 1.5 billion dollars. The accuracy of these forecasts could be seen in 2019, when MSCI World Health Care Total Return, an investment fund that captures the return on an index composed by equity securities in the health sector in developed markets, rose by 22%.

However, at that time, nobody could have predicted the appearance of the COVID-19 global pandemic and the tremendous impact it would have. Although it might have seemed that it would benefit the pharmaceutical industry overall, either directly, through the development and manufacture of antiviral medicines or the development of vaccines, or indirectly, given the sudden demand for healthcare material (diagnosis kits, masks, gloves, etc.) to combat the crisis that broke out as from February 2020, Spanish pharmacies closed 2020 with little movement on the previous year's billing, if we do not include the effect of products that protect against COVID-19 (+0.2%), according to the figures provided by IQVIA. If we take this effect into account, according to IQVIA, the pharmaceutical market increased by 4.4% in comparison with 2019.

Undoubtedly, at business level, it is true that the pharmaceutical sector is the one with the best prospects, given the defensive nature of the industry. Medicines are a basic necessity and are able to withstand economic slowdowns like the one that may come after the coronavirus epidemic, which has been demonstrated by their response to the pandemic and the resulting economic crisis.

Apart from this extraordinary situation, in its latest report dated 26 February, 2020, the consultancy firm IQVIA continues to bet on growth of between 3% and 6% until 2023. Three therapeutic areas will accumulate around 70% of the total absolute growth: oncology, anti-diabetics and autoimmune diseases.

According to IQVIA, positive growth is expected in the hospital area until 2023, although there will be deceleration in comparison with previous years. As positive factors for the growth in value, it mentions:

- Ageing of the population;
- Large number of launches of innovative medicines: 239 products in the last five years with total consumption of approximately 4,261 million euros;

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- Launch of orphan drugs;
- Increase in volume of patients treated:
 - Early diagnosis
 - Updating of clinical guidelines
 - Increase in life expectancy
 - Chronic pathologies

On the other hand, possible brakes that will be placed on growth in terms of value will be:

- New generic medicines and biosimilars.
- Centralised purchasing for hospital products.
- Innovative agreements: shared risks, payment for results in accordance with the cost efficiency of the treatment.

For 2021, ROVI expects operating revenue to grow by between 20% and 30%, including the production of Moderna's COVID-19 vaccine. Notwithstanding, given the uncertainties associated to the evolution of the COVID-19 pandemic (which ROVI will continue to monitor closely), it is not yet possible to make an accurate assessment of the impact of the pandemic on the coming year.

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 that 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.

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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 Group 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, ROVI 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.

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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 in 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.
- Failure to verify invoices for consumption leading to inappropriate consumption of water or energy.
- 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 employees updated on these matters. 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 has environmental liability insurance, which is renewed annually.

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Attention should be drawn to the fact that this insurance has been taken out voluntarily since, after making the relevant analysis of environmental risks, it is not obligatory for the ROVI Group's plants to hold a financial guarantee. Nevertheless, ROVI holds environmental liability insurance with a limit of one million euros per claim, which includes environmental liability, civil liability for pollution, costs of prevention and avoidance, pollution caused by transport, cleaning costs and subsidiary liability in relation to subcontractors, etc.

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 formed by nine people that is responsible exclusively for aspects related to environmental management, as well as those concerning workplace health and safety throughout the Group, and an Integrated Environmental Management and Occupational Hazard Prevention Policy which governs ROVI's activities in respect of environmental issues, most recently updated in January 2021. Additionally, each plant or work centre is allocated annual budget to cover safety and environment expenses.

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.

In 2020, ROVI decided to make a contribution to environmental initiatives, adopting a leadership position against global warming and developing and new Climate Change Policy.

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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 certifying firms. 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 the Group's activity. Precisely for this reason, the treatment and reduction of waste form an essential part of the ROVI'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 favour using and placing a value on it whenever possible.

In addition, through the waste managers it works with, ROVI always seeks for a value to be placed on the waste it generates, rather than its being destroyed.

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 all the production plants and the main offices of the Distribution business, the energy has been contracted with a provider of 100% renewable energy.

Attention should be drawn to the fact that, with regard to sustainability in resource consumption, ROVI includes this point in the new projects undertaken at its industrial plants. An example of this is the introduction of evaporating equipment that processes a water outlet stream at the heparin manufacturing plant at the San Sebastián de los Reyes plant, in order to treat it and produce water that may be fed back into the process, thus reducing water consumption in the activity, with less wastewater dumping and waste.

A further point to also consider is the energy-saving actions that are taken. Annually, practically all the industrial centres fix energy saving targets. Each plant has a multidisciplinary team that defines, implements and monitors the actions identified as necessary to reach said targets. The following are included among the actions defined for 2020 at some of the plants:

- Study of the inclusion of new electricity and natural gas measuring points.
- Study of changing LED luminaires at the warehouse at the building in Calle Julián Camarillo.
- Replacement of the economizing boiler water feed pumps at Julián Camarillo.
- Installation of an infrared detector to detect internal leaks.
- Awareness-raising events.
- Installation of an external cooler for lines U200 and U1040 to allow adjustment of water pumping at the Alcalá de Henares plant.
- Replacement of the general cooler by a higher-performance model at the Alcalá de Henares plant.

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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 2020, as mentioned above, ROVI developed a new Climate Change Policy and, additionally, undertook a project to reduce CO₂ emission, Zero Emissions, in the course of development of which the following initiatives were taken:

- Signed a contract for 100% of the electricity used at the industrial plants to come from renewable sources, which compensates part of the tonnes of scope 2 CO₂ emitted.
- Compensation of the rest of the tonnes emitted by VER (Voluntary Emission Reduction) projects. Specifically:
 - o GHANA COOKSTOVE. The Gyapa Cookstove cooks food faster and needs less fuel. Thus, not only does it reduce carbon emissions, but it also reduces exposure to toxic fumes. The key benefits are: reduction in fuel costs, improvement in health, deceleration in deforestation, generation of employment and reduction in carbon.
 - o Madre de Dios Amazon REDD Project. Madre de Dios Amazon REDD Project consists of 100,000 hectares of tropical jungle in the Amazon, only 400 km from the historical Machu Picchu sanctuary, the "Lost City of the Incas". The project is located in the region belonging to the Vilacamba-Amoboró Ecological Corridor, one of the critical points in biodiversity. The jungle where the project is located is very importance in terms of the conservation of biodiversity, since it provides a habitat to four tropical jungle wildlife species that are in danger of extinction and eleven that are endangered. From a social point of view, the project will contribute to the sustainable development of rural producers and indigenous communities (the Yine tribe, an indigenous people in voluntary isolation, associated to the Mascho Piro tribe, and other tribes not yet identified) that live in nearby areas.

The total guarantee and unquestionable transparency of the project furnish it with the highest ratings and certifications granted by the international carbon markets. The project has been certified by FSC (Forest Stewardship Council), CCB Gold Level (Climate, Community and Biodiversity) and VCS (Verified Carbon Standard).

Regarding the compensation of scope 1 emissions through VER projects, in the first months of 2021, 1,000 additional VER have been acquired to those already mentioned.

Additionally, when implementing industrial projects, the ROVI Group always takes account of their environmental component, seeking to cause the least impact possible or employ the best available technique established in the market. An example of this is the introduction of a thermal oxidiser at the Granada plant. This is considered the best alternative technique available to ensure compliance with the Volatile Organic Compound (VOC) emission limits. It is the treatment with the highest percentage reduction in VOC emissions, between 95% and 99%, also reducing the TOC by between 1-4 mg/Nm³. This project has represented a total investment of 1,140,000 euros.

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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 finished 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.

To calculate the tonnes of CO₂ emitted into the atmosphere, the emission factors provided by the Ministry for Ecological Transition and Demographic Challenge for electricity, natural gas and diesel fuel have been used.

Free translation of the 2020 Statement of Non-Financial Information originally issued in Spanish. In the event of discrepancy, the Spanish version prevails

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WASTE	2020				2019				Variation Total			
	Granada	Madrid & SSRR	Alcalá de Henares	Distribution	Granada	Madrid & SSRR	Alcalá de Henares	Distribution	Gr	Mad & SSRR	AH	Distr.
Tonnes of hazardous waste generated	2,054.3	344.8	12.5	8.9	1,910.2	236.1	120.0	15.0	8%	46%	-90%	-41%
Tonnes of non-hazardous waste generated	2,335.4	2,434.3	565.0	0.3	2,281.9	657.6	439.9	0.5	2%	270%	28%	-48%
WASTE	4,389.7	2,779.1	577.5	9.2	4,192.1	893.7	559.9	15.5	5%	211%	3%	-41%
Tonnes hazardous waste/million units	0.004	2.11	0.23	0.36	0.004	1.78	3.53	0.74	17%	18%	-93%	-51%
Tonnes non-hazardous waste/million units	0.005	14.89	10.46	0.01	0.004	4.97	12.94	0.02	11%	200%	-19%	-57%
Tonnes waste/million units	0.009	17.00	10.69	0.37	0.008	6.76	16.47	0.77	14%	152%	-35%	-51%

The substantial increase in the generation of non-hazardous waste in Madrid and San Sebastián de los Reyes in 2020 in comparison with 2019 was due to the inclusion of all the waste from the works carried out to perform manufacturing contracts. In 2020, the increase in the hazardous waste generated in Madrid and San Sebastián de los Reyes was due to voluminous destructions of a product that were carried out in 2020 for a customer, as well as the waste generated in the start-up tests of the new San Sebastián de los Reyes heparin manufacturing plant.

ENERGY CONSUMED	2020				2019				Variation Total			
	Granada	Madrid & SSRR	Alcalá de Henares	Distribution	Granada	Madrid & SSRR	Alcalá de Henares	Distribution	Gr	Mad & SSRR	AH	Distr.
kWh electricity consumed	3,848,018	7,091,109	9,673,660	637,543	3,822,809	7,795,638	8,906,808	623,206	1%	-9%	9%	2%
kWh electricity / million units produced	8	43,365	179,142	26,089	7	58,924	225,489	30,889	9%	-26%	-21%	-16%
kWh natural gas consumed	4,405,540	7,570,552	14,549,428	0	2,285,101	6,836,948	14,048,975	0	93%	11%	4%	-
kWh natural gas / million units produced	9	46,297	269,434	0	4	51,678	355,670	0	109%	-10%	-24%	-
Litres vehicle fuel	1,000	40,498	5,231	291,520	300	0	2,175	485,185	233%	-	140%	-40%

Due to a change in the calculation of the kWh of electricity consumed in the Distribution area, the 2019 Distribution figures shown above have been changed slightly from those reported in the 2019 Statement of Non-financial Information, in order to allow a comparison of this indicator.

The increase in the indicator of natural gas consumed at the Granada plant in 2020 in comparison with 2019 was due to the fact that, in June 2020, new facilities that required natural gas were put into operation. In addition, several incidents were detected that, to a lesser extent, led to an increase in gas consumption unrelated to the consumption in production. These incidents were duly solved.

NATURAL RESOURCES CONSUMED	2020				2019				Variation Total			
	Granada	Madrid & SSRR	Alcalá de Henares	Distribution	Granada	Madrid & SSRR	Alcalá de Henares	Distribution	Gr	Mad & SSRR	AH	Distr.
m3 water consumed	28,555	55,369	58,641	7,606	24,026	58,931	63,114	2,561	19%	-6%	-7%	197%
m3 water / million units produced	0.1	338.6	1,085.9	311.2	0.0	445.4	1,597.8	126.9	29%	-24%	-32%	145%

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In addition to the figure reported, in 2020 1,063 m3 of well water was consumed for watering at the Alcalá de Henares plant. 100% of the rest of the water supply from the mains.

The increase in water consumption in the Distribution area in 2020 in comparison to 2019 was due the fact that, in 2020, direct readings were taken in the equipment every month of the year. In 2019, however, readings were only taken of three months' consumption.

ATMOSPHERIC EMISSIONS	2020				2019				Variation Total			
	Granada	Madrid & SSRR	Alcalá de Henares	Distribution	Granada	Madrid & SSRR	Alcalá de Henares	Distribution	Gr	Mad & SSRR	AH	Distr.
Tonnes of Scope 1 CO ₂ emitted	805	1,494	2,663	836	468	1,399	2,880	1,262	72%	7%	-8%	-34%
Tonnes of Scope 2 CO ₂ emitted	0	0	0	102	1,101	2,245	2,565	179	-100%	-100%	-100%	-43%
Tonnes of Scope 2 CO ₂ avoided (*)	1,193	2,198	2,999	96	0	0	0	0	-	-	-	-
Tonnes CO₂ / million units.	0.004	22.58	104.85	42.30	0.003	27.54	137.86	71.42	38%	-18%	-24%	-41%

(*) Since all ROVI's production plants and two of the main Distribution offices hold a 100% renewable energy certificate, the emission of the tonnes of CO₂ stated above was avoided. The Scope 2 emissions avoided were reported for the first time in 2020, in order to reflect the Group's investment in clean energy.

Due to a change in the calculation of the kWh of electricity consumed in the Distribution area, the 2019 Distribution figures shown above have been changed slightly from those reported in the 2019 Statement of Non-financial Information, in order to allow a comparison of this indicator.

RAW MATERIALS CONSUMED	2020			
	Granada	Madrid	SSRR	Alcalá de Henares
Tonnes of raw materials consumed	1,169	316	10	446

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4. SOCIAL AND EMPLOYEE MATTERS

4.1.- Employment

As in preceding years, in 2020, the Group's continuing growth strategy 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. ROVI'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 (80% of the employees).

Another feature of the employment policy to highlight is the Group'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 its 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.

An event in 2020 to be highlighted was the agreement signed in June with the laboratory Moderna for provision of production, filling and storage services for the vaccine against COVID-19. This agreement will represent, predictably, an increase of activity in the industrial area and the workforce in this area.

The following figures show the indicators for the ROVI workforce at 31 December, 2000. Mention should be made of the fact that the figures do not include information in relation to scholarship contracts and that seasonality and cyclicity are not significant in the Company.

- Total number and distribution of employees by:

a) Gender

DISTRIBUTION OF EMPLOYEES BY GENDER	2020	2019	Total variation
Men	672	614	9%
Women	747	696	7%
TOTAL	1,419	1,310	8%

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b) Age

DISTRIBUTION EMPLOYEES BY AGE/GENDER	2020			2019			Total variation
	Men	Women	TOTAL	Men	Women	TOTAL	
18-30 years	101	137	238	88	222	310	-23%
31-40 years	198	216	414	179	187	366	13%
41-50 years	225	238	463	210	176	386	20%
51-60 years	125	127	252	116	93	209	21%
>60 years	23	29	52	21	18	39	33%
TOTAL	672	747	1,419	614	696	1,310	8%

c) Country

DISTRIBUTION EMPLOYEES BY COUNTRY/GENDER	2020			2019			Total variation
	Men	Women	TOTAL	Men	Women	TOTAL	
Spain	656	727	1,383	606	685	1,291	7%
UK	0	1	1	-	1	1	0%
Germany	11	9	20	3	2	5	300%
Italy	1	4	5	1	3	4	25%
France	3	1	4	3	-	3	33%
Poland	0	1	1	-	1	1	0%
Portugal	1	4	5	1	4	5	0%
TOTAL	672	747	1,419	614	696	1,310	8%

d) Professional classification

DISTRIBUTION DISMISSALS BY PROFESSIONAL GROUP*/GENDER	2020			2019			Total variation
	Men	Women	TOTAL	Men	Women	TOTAL	
1	1	5	6	1	6	7	-14%
2	42	31	73	26	20	46	59%
3	85	113	198	79	92	171	16%
4	138	111	249	130	105	235	6%
5	229	215	444	225	218	443	0%
6	84	120	204	68	103	171	19%
7	62	126	188	62	135	197	-5%
8	3	1	4	3	1	4	0%
0	12	5	17	12	5	17	0%
Subsidiaries	16	20	36	8	11	19	89%
TOTAL	672	747	1,419	614	696	1,310	8%

*Professional Group in accordance with the XIX Chemical Industry Collective Agreement..

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- Total number and distribution of employment contract type

a) Gender

DISTRIBUTION EMPLOYEES BY CONTRACT TYPE/GENDER	2020			2019			Total variation
	Men	Women	TOTAL	Men	Women	TOTAL	
Permanent full-time	544	589	1,133	496	526	1,022	11%
Permanent part-time	1	7	8	-	8	8	0%
Permanent reduced hours	-	-	0	4	35	-	-
Total permanent	545	596	1,141	500	569	1,069	7%
Temporary specific project or service	4	10	14	2	1	3	367%
Temporary work backlog	74	74	148	61	48	109	36%
Temporary substitution contract	5	-	5	6	8	14	-64%
Training/apprenticeship	34	47	81	31	51	82	-1%
Temporary part-time	10	20	30	14	19	33	-9%
Total temporary	127	151	278	114	127	241	15%
TOTAL	672	747	1,419	614	696	1,310	8%

b) Age

DISTRIBUTION EMPLOYEES BY CONTRACT TYPE/AGE	18-30	31-40	41-50	51-60	>60	TOTAL
Permanent	118	350	411	243	19	1,141
Temporary specific project or service	2	5	5	2	-	14
Temporary work backlog	47	46	46	6	3	148
Temporary substitution contract	2	3	-	-	-	5
Training/apprenticeship	69	10	1	1	-	81
Temporary part-time	-	-	-	-	30	30
TOTAL	238	414	463	252	52	1,419

c) Professional classification

DISTRIBUTION EMPLOYEES BY CONTRACT TYPE/PROFESSIONAL GROUP*	1	2	3	4	5	6	7	8	0	Subsidiaries	TOTAL
Permanent	6	19	135	211	370	168	186	4	17	25	1,141
Temporary specific project or service	-	2	6	2	2	2	-	-	-	-	14
Temporary work backlog	-	51	44	11	21	9	1	-	-	11	148
Temporary substitution contract	-	1	-	1	2	1	-	-	-	-	5
Training/apprenticeship	-	-	5	11	41	24	-	-	-	-	81
Temporary part-time	-	-	8	13	8	-	1	-	-	-	30
TOTAL	6	73	198	249	444	204	188	4	17	36	1,419

*Professional Group in accordance with the XIX Chemical Industry Collective Agreement.

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- Number of dismissals by:

a) Gender

DISTRIBUTION DISMISSALS BY GENDER	2020	2019	Total variation
Men	13	22	-41%
Women	5	17	-71%
TOTAL	18	39	-54%

b) Age

DISTRIBUTION DISMISSALS BY AGE/GENDER	2020			2019			Total variation
	Men	Women	TOTAL	Men	Women	TOTAL	
18-30 years	1	-	1	1	2	3	-67%
31-40 years	3	-	3	5	10	15	-80%
41-50 years	8	3	11	8	5	13	-15%
51-60 years	1	2	3	8	-	8	-63%
>60 years	-	-	-	-	-	-	-
TOTAL	13	5	18	22	17	39	-54%

c) Professional classification

DISTRIBUTION DISMISSALS BY PROFESSIONAL GROUP*/GENDER	2020			2019			Total variation
	Men	Women	TOTAL	Men	Women	TOTAL	
1	-	-	-	-	-	-	-
2	-	1	1	4	3	7	-86%
3	5	1	6	4	3	7	-14%
4	2	1	3	-	1	1	200%
5	4	-	4	10	7	17	-76%
6	1	-	1	3	2	5	-80%
7	1	2	3	1	1	2	50%
8	-	-	-	-	-	-	-
0	-	-	-	-	-	-	-
TOTAL	13	5	18	22	17	39	-54%

*Professional Group in accordance with the XIX Chemical Industry Collective Agreement.

- Average remuneration by:

a) Gender

AVERAGE REMUNERATION BY GENDER	2020	2019	Total variation
Men	38,677 €	36,782 €	5%
Women	35,410 €	35,244 €	0%
AVERAGE	37,044 €	36,013 €	3%

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b) Age

AVERAGE REMUNERATION BY AGE/GENDER	2020		2019		Total var.
	Men	Women	Men	Women	
18-30 years	24,737 €	25,705 €	22,813 €	28,091 €	-1%
31-40 years	30,216 €	34,177 €	29,893 €	34,909 €	-1%
41-50 years	42,890 €	38,655 €	44,772 €	41,400 €	-5%
51-60 years	51,676 €	42,276 €	48,836 €	40,914 €	5%
>60 years	60,862 €	33,752 €	51,672 €	36,987 €	7%

c) Professional classification

AVERAGE REMUNERATION* BY PROFESSIONAL GROUP** / GENDER	2020		2019		Total variation
	Men	Women	Men	Women	
1	16,447 €	18,304 €	16,000 €	17,262 €	4%
2	17,467 €	18,235 €	17,117 €	18,095 €	1%
3	19,408 €	20,901 €	19,137 €	21,510 €	-1%
4	26,734 €	26,299 €	26,350 €	25,951 €	1%
5	36,683 €	34,342 €	36,492 €	33,925 €	1%
6	43,441 €	36,584 €	43,960 €	34,910 €	1%
7	57,045 €	53,880 €	53,905 €	50,705 €	6%
8	113,338 €	105,013 €	104,044 €	102,851 €	6%
0	223,139 €	135,803 €	226,024 €	132,203 €	0%
Subsidiaries	81,134 €	58,366 €	71,545 €	66,091 €	1%

* Does not include scholarship remuneration, since scholarship-holders do not have a Professional Group.

** Professional Group in accordance with the XIX Chemical Industry Collective Agreement.

The above remuneration figures contain the items relating to fixed remuneration and variable remuneration (commissions and bonuses).

- Average remuneration of management

As of 31 December, 2020 and 2019, the Management Committee had 12 members, three of whom were members of the Board of Directors.

The average remuneration accrued by the members of the Company's Management Committee in 2020, including fixed and variable remuneration and remuneration in kind, was 264,615 euros for men and 153,713 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.

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A table with the above data is shown below:

AVERAGE REMUNERATION OF MANAGEMENT COMMITTEE /GENDER	2020			2019			Total variation
	Men	Women	AVERAGE	Men	Women	AVERAGE	
Fixed remuneration	188,677 €	116,229 €	152,453 €	179,399 €	113,333 €	146,366 €	4%
Variable remuneration	63,667 €	28,333 €	46,000 €	61,444 €	28,333 €	44,889 €	2%
Payment in kind	12,272 €	9,151 €	10,712 €	10,944 €	6,977 €	8,961 €	20%
AVERAGE TOTAL	264,615 €	153,713 €	209,164 €	251,787 €	148,643 €	200,215 €	4%

- Pay gap

ROVI is committed to applying 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 pay 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 consultancy 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 included 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. The consultancy firm PwC (PricewaterhouseCoopers) and an Equality Commission including the Company's principal interlocutors took part in preparing said Equality Plan.

However, the surprising publication of Royal Decrees 901/2020 and 902/2020 of 13 October, which regulated equality plans and the registration thereof and amended Royal Decree 713/2010, and Royal Decrees 901/2020 and 902/2020 of 13 October on equal remuneration for men and women led to substantial changes in the methodology for preparing the plan and in the Company's obligations. Therefore, the Equality Plan has been updated within the framework of the new legislation and is expected to be published during the first few months of 2021.

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- 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 ROVI’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 personnel. Thus, in 2020, the number of people with disabilities who formed part of ROVI’s direct workforce had increased in comparison with the preceding year. At 31 December, 2020, there were 26 employees, in comparison with 25 the previous year. Additionally, in 2020, 7 people were working for the company through a temporary employment company, making a total of 33.

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, please see section 7.1 Commitment to sustainable development).

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4.2. Organisation of work

The world health crisis that affected us for a large part of 2020 and continues at the date of publication of this text has led to the need to adapt the way in which all ROVI's employees provide their services to this unusual situation. This has had consequences in practically all areas of the employment relationship, including the place in which a large part of the employees provide their services, the way in which working hours are recorded and the organisation of work time. It has also affected the level of absences from work in the year and employee remuneration. Thus, in the worst moments of the crisis, between mid-March and June 2020, ROVI Group employees who were physically present at work received an economic reward equivalent to 20% of their salary for the period.

- 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. The foregoing 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 into the Group 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, ROVI 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.

The COVID-19 health crisis has brought a generalised use of teleworking to all the jobs where physical presence at the work centre is not indispensable and which permit distance working. The ease of implementing it and efficiency in the work performed have been variable in different jobs, but, however, prevention measures, the employees' health and public health have been given priority over any other criterion. During this crisis, all the office staff who do not necessarily need to be present at the work centre have worked from home. The percentage of teleworking has varied between 100% and 70%, depending on the severity of the different waves of the crisis, the need for a work-life balance and the health of each employee.

The foregoing has led to the adaptation of the already existing working hours registration system, where people clocked in physically on the company's premises, and the implementation of a clocking-in system better adapted to teleworking.

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- 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, ROVI foment 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.

The health crisis has also had an effect on the organisation of the work of shift workers who use the plants' changing rooms. COVID-19 has led to the need to disinfect the changing rooms at each change of shift for appropriate prevention and workplace safety. Additionally, there have been other changes. Thus, some shifts and lines have had to end their working day earlier, while others have had to extend it to avoid stopping production, with the damage this would cause. In cases where the working day has had to end early, no penalty has been applied to the workers' salaries and, when the working day has had to be extended, the workers have been compensated either economically or with time off.

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.

Employees in this area have also suffered changes in the organisation of their work due to of the health crisis. This has been because of the generalised restrictions on in-person medical visits that the health authorities have established to a greater or lesser degree in each wave of the crisis. In general terms, the change has entailed replacing in-person visits by digital interactions, videoconferences, virtual medical visits and other actions adapted to the aforementioned restrictions.

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 the last two groups mentioned, holidays are preferably taken in summer and, additionally, time off is arranged during school holidays.

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- 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 Group 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 2020 was below those of the sector in which it operates.

The following tables show a summary of the absolute absence rates in 2020 and 2019 for accidents at work, occupational diseases, common contingencies and, for 2020, information on sick leave due to COVID-19 in Spain. It is worth noting that the data on the last of the aspects mentioned, which are better than the sector average, have been possible partly due to the different prevention measures that ROVI introduced at an early stage at the beginning of the crisis. These are described later and range from taking the employees' temperatures, the use of disinfectant gels, continual disinfection of work areas, the availability of taxis to travel to work when this was necessary in the most severe phase of the crisis, and testing employees, among others.

ECONOMIC GROUP: 28/12/51 – ROVI GROUP
PERIOD: JANUARY TO DECEMBER
COMP. SECTOR

CNAE21 – MANUFACTURE OF PHARMACEUTICAL PRODUCTS

SUMMARY OF SICK LEAVE RATES IN THE PERIOD

	2020		2019	
	ECONOMIC GROUP	COMP. SECTOR	ECONOMIC GROUP	COMP. SECTOR
Total SL rate	3.34%	4.39%	2.52%	3.43%
SL rate: AW & OD	0.14%	0.16%	0.26%	0.20%
SL rate: CC	2.42%	3.39%	2.26%	3.23%
SL rate: COVID-19	0.77%	0.83%	0.00%	0.00%

SL: Sick leave

AW: Accident at work

OD: Occupational diseases

CC: Common contingencies

Source: Mutua de Accidentes de Trabajo FREMAP. Informe Anual de Absentismo Global GRUPO ROVI.

	2020				2019			
	Days sick leave	Days worked	Absence rate	Sector absence rate	Days sick leave	Days worked	Absence rate	Sector absence rate
TOTAL	16,656	499,355	3.34%	4.39%	12,000	476,347	2.52%	3.43%

Days sick leave: days sick leave for AW+OD+CC+COVID-19 recorded.

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Notional days worked: days worked by each worker in companies with professional and common cover with a mutual society that collaborates with the Social Security. In the file of movements sent by the General Treasury of the Social Security, the days worked in the company by each worker are calculated and the days of all the workers are added together..

Total absolute absence rate: percentage ratio between the days of sick leave (AW+OD+CC+COVID-19) and the notional days worked by each worker in companies with professional and common cover with a mutual society that collaborates with the Social Security (Days sick leave AW+OD+CC+COVID-19 / notional days) * 100.

Sector: Data relating to the group protected by the mutual society that collaborates with the Social Security in the sector and/or region selected.

Source: Mutua de Accidentes de Trabajo FREMAP. Informe Anual de Absentismo Global GRUPO ROVI.

From the data shown for accidents at work, occupational diseases and common contingencies, it may be seen that the number of days of absence was 16,656, equivalent to 133,248 working hours lost, representing an absence rate of 3.34%. There were no occupational diseases among ROVI's employees in 2020.

- 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 Work, 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, as an improvement on the government 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, in cases where the confidentiality obligations associated to the work documentation 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.

Due to the crisis caused by COVID-19, ROVI has prioritised this factor when organising its employees' work from home. Thus, in those cases where employees included in the teleworking system had difficulties in working the shifts where their in-person presence was required, they were excused from attending and allowed to work 100% of their working hours from home.

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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. It is planned for all the systems to migrate to the standard ISO 45001:15, an international standard for occupational health and safety management systems, in 2021.

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 number of incidents related to energy and fluid control in comparison to the last two years.
- Elimination of the manual loading of solid chemical products into several production tanks.
- Continuation of the blockout-tagout assessments.

The principal occupational hazards identified by ROVI, following 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.

Likewise, 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 sport among the employees and participation in races, among others, and, during 2019, conducted the campaign "Every Superhero has his protection equipment" to raise awareness regarding the responsible use of Personal Protection Equipment (PPE).

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During 2020, the priority in occupational health and safety management was focused on prevention of the impact of the COVID-19 pandemic. All the protocols necessary for early detection of cases in ROVI, as well as the evaluation of close contact, were established, and multiple safety measures were introduced to prevent contagions in the work environment, such as checking temperatures at the accesses to all our plants, the obligatory use of masks, the determination of safety distances, revision of workstations, encouragement of teleworking, increase in disinfections, etc.

The following are the indicators for accidents at work in 2020 and 2019:

WORK ACCIDENT FREQUENCY RATE (*) BY GENDER	2020	2019	Annual variation
Men	2.143	7.678	-72%
Women	6.769	11.540	-41%
TOTAL	4.574	9.652	-53%

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

WORK ACCIDENT SEVERITY INDEX (*) BY GENDER	2020	2019	Annual variation
Men	0.039	0.604	-94%
Women	0.290	0.405	-28%
TOTAL	0.171	0.503	-66%

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

WORK ACCIDENT INCIDENCE RATE (*) BY GENDER	2020	2019	Annual variation
Men	0.595	2.280	-74%
Women	1.874	3.161	-41%
TOTAL	1.268	2.778	-54%

* Rate calculated as No. accidents / No. workers * 100

The following shows the number of accidents at work in 2020 and 2019 broken down by gender:

NO. ACCIDENTS AT WORK BY GENDER	2020	2019	Annual variation
Men	4	14	-71%
Women	14	22	-36%
TOTAL	18	36	-50%

Note: accidents on the way to work and data of ROVI group employees are included. Information on personnel hired through temporary employment companies is excluded. In addition, a working day of 8 hours has been used to calculate the number of working days lost.

During 2020, no sick leave due to occupational diseases was taken by ROVI employees. In addition, the above data do not include sick leave caused by COVID-19.

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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 constant respect for 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 2020, labour relations ran as normal without any conflictive incidents. During the year, numerous meetings were held for negotiations or information and consultation on a number of matters, such as the preventive measures applied by ROVI in relation to the pandemic, the extension of working hours in critical areas of the manufacturing process for the same reason, the application of the antigen test to employees in the industrial area, the work calendar or the application of measures in the work shifts aimed to improve the shift cycles.

It is very important to the organisation that its employees are kept informed of all aspects that are important to ROVI. Therefore, the Group 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).

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 Group.

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.

This application has been especially useful to swiftly communicate the measures applied by the health authorities and the company during the pandemic caused by COVID-19.

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. 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.

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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 personal 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 Group knows that making training a priority is a long-term investment so that ROVI'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 foment 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 feedback, 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.

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- 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 Group 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 Group, 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 Group with a contract. The possibility for young talents to train and ROVI's investment in this training is indispensable in order to have a good reserve of talent for the future.

- 90% of the ROVI Group's scholarships are remunerated
- 90% of the scholarship are full time
- 90% of the scholarships last for 6+6 months

The total number of hours of training distributed by professional group are shown below:

	1	2	3	4	5	6	7	8	0	TOTAL 2020	TOTAL 2019	Var. Total
TOTAL HOURS OF TRAINING BY PROFESSIONAL GROUP	0.0	1,182.6	4,339.0	5,844.0	10,611.0	4,590.0	4,098.0	56.4	103.6	30,824.0	28,163.9	9%

**Professional Group in accordance with the XIX Chemical Industry Collective Agreement.*

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.

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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 Group'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 policies 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.

As mentioned above, during 2020, the ROVI Group worked to implement an Equality Plan in line with the regulatory framework set out in Royal Decree-Law 6/2019. The consultancy firm PwC (PricewaterhouseCoopers) and an Equality Commission formed by the Company's main interlocutors took part in preparing said Equality Plan.

However, the surprising publication of Royal Decree 901/2020 of 13 October, which regulated equality plans and the registration thereof and amended Royal Decree 713/2010, led to substantial changes in the methodology for preparing the plan and in the Company's obligations. Therefore, the Equality Plan has been updated within the framework of the new legislation and is expected to be published during the first few months of 2021.

ROVI's commitment to equality and non-discrimination is also set out in the Group's Code of Ethics and the principles that govern training programmes and actions.

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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.

Finally, to ensure that any reports that may be received informing of a violation of the aforementioned Protocol, the Code of Ethics or, in general, of 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.

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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. ROVI 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.

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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 (v) 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 ROVI Group Ethics Channel is also open to suppliers. This is so much the case that (i) the Code of Ethics for Suppliers establishes the obligation for the suppliers to notify the same breaches and (ii) obliges our suppliers to inform their employees and subcontractors of the existence of this Channel. Likewise, in ROVI's general contracting conditions, the same obligations are passed on to our suppliers.
 - 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.
 - Likewise, the ROVI Group has commenced a project intended to provide a due diligence procedure for suppliers. This procedure will be executed by an external service provider and will furnish information on the following aspects: (i) environmental performance, (ii) social performance and (iii) ethics performance, all aspects related to respect for workers' rights and human rights being included within the assessment.
- Number of reports of human rights violations:

It may be deduced from the solutions given to the complaints lodged through the Ethics Channel in 2020, all of which have now been resolved, that none of the cases entailed a human rights violation.

- 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:

Please see 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".

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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 government 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 unlawfully 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 10 September, 2020) 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.

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- 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. Likewise, in compliance with said Code, all transfers of value to health professionals and health organisations are disclosed annually.

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.

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- 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 is 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.

- Donations to foundations and non-profit organisations

The ROVI Group has a Donation Management Procedure that describes the process to be followed to approve a donation. As part of this procedure, the Group has appointed a Donations Committee, which evaluates and approves or rejects the Group's donation requests, as appropriate. This procedure came into force in July 2018 and was amended on 6 November, 2019.

In 2020, a total of 144,406 euros was contributed to foundations and non-profit entities through donations (69,000 euros), co-operation agreements (48,906 euros) and sponsorships (26,500 euros).

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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 (Madrid Region) and in Granada (Andalusia). It also has an extensive sales network deployed throughout Spanish territory and composed of more than 250 people and has 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 2020, ROVI's growth continued along an upward path, as may be seen from the employee data shown in Section 4.1 Employment of this report. Many of the new workers hired were for the production area, both to carry out the COVID-19 vaccine manufacturing project for Moderna in order to supply the whole world except the United States, and to increase the manufacturing capacity for low-molecular-weight heparin (LMWH), which are included as treatment for COVID-19 and classified as essential medicines during the pandemic by both the Ministry of Health and the World Health Organisation (WHO).

As a sample of ROVI's commitment to transparency, the Group voluntarily submitted itself to an assessment by Sustainalytics, a leading global company in rating corporate social responsibility. On the basis of analysing criteria such as corporate governance, business ethics, product handling and access to the services, bribery and corruption, and human capital, a classification of companies is established based on their ESG (Environment, Social and Governance) rating. ROVI obtained a rating of 21.8 points, which places the Group in a medium-low risk position in respect of suffering material financial impacts. This rating is the second highest from among the 360 international pharmaceutical companies assessed by Sustainalytics and the 30th of the 750 sector companies that took part (biotechnology companies, healthcare equipment companies and pharmaceutical laboratories).

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 2020 are listed below:

Social protection and mainstreaming of people with disabilities

- Fundación Manantial, with which ROVI has an employment programme for people with mental illnesses. It began in 2019 when the first people joined the Alcalá de Henares production plant and was extended to the Julián Camarillo plant (Madrid) in 2020.
- 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 an employment program for young people with intellectual disabilities at the Pozuelo and Julián Camarillo offices (Madrid).
- ISS Facility Services (Gelim), which provides cleaning services at ROVI's offices. With the outbreak of the pandemic, ROVI intensified the usual cleaning services, including new daily routines with virucides at the work centres (office workstations, changing rooms, common areas, etc).

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- Ilunion, which provides laundry services for plant clothing.
- Fundación A la par, engaged in the social and workplace integration of people with intellectual disabilities, which cleans the pallets used at the plants of Rovi Pharma Industrial Services.
- Fundación Deporte y Desafío, a non-profit organisation dedicated to mainstreaming disability sport. In 2020, ROVI strengthened the co-operation agreement with this association to conduct adapted skiing courses at the Madrid Xanadú shopping centre.
- Fundación También. This non-profit organisation works to include people with disabilities in sport. As it does each year, ROVI collaborated in acquiring adapted skiing material for the association.
- Cruz Roja Granada, with which ROVI collaborated in its assistance programme for disadvantaged families in Granada especially affected by coronavirus.

Knowledge sharing

- V OCARE Prizes (Observatory of Corporate Responsibility Communication and Action), which recognized the best communication campaigns by companies in the CSR area and which, for a further year, was sponsored by ROVI.

Corporate volunteering and charity races

In 2020, the number of activities with active participation of ROVI employees was reduced due to the restrictions applied to group activities because of the pandemic. Notwithstanding, the following list of activities was organised from the CSR area:

- IX Charity Race for Mental Health, organised by Fundación Manantial in Madrid (16 February), of which ROVI was the main sponsor. A group of 40 employees and members of their families took part in this charity race, which endeavours to raise awareness among the population of mental illnesses.
- Adapted ski campus with Fundación También, held in Sierra Nevada (Granada) between 14 and 16 February, 2020.
- V 100 Km Race for Africa, of Fundación Recover. In June, a group of 66 employees and members of their families took part in the challenge of completing 100 Km of this virtual race, the funds from which were used to combat COVID-19 in Africa.
- 9th Madrid También Solidario Race of Fundación También. Held virtually between 2 and 25 October, a group of 100 employees and members of their families took part in one of the three versions of this charity race: 1, 5 and 10 kilometres.

In addition, ROVI was a collaborating entity in the individual charity race *Muévete por la salud*, organised by Fundación Cofares and held between 5 and 8 December, the funds from which were used to cover the basic needs of hygiene and food items for groups that were vulnerable due to the COVID-19 pandemic.

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Donations Committee

During 2020, 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 Practice for the Pharmaceutical Industry, ROVI's Code of Ethics, and the Social and Environmental Sustainability Policy. From among the social and humanitarian proposals approved by the Donations Committee in 2020, the following may be highlighted:

- International co-operation:
 - Fundación Recover, cooperating with its programmes 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 has been reused for the soup kitchens they have in Alcalá de Henares, Alicante and Vigo.
 - Fundación Alentia, a private non-profit organisation whose purpose is to help minors who have suffered traumatic or unfavourable life experiences by donating laptops and tablets for the Children's Homes of the Madrid Region, to enable the minors who live there to continue their studies online during the confinement.

- Employee proposals:

In order to favour employee participation in ROVI's social action, an option has been provided for employees to propose charitable associations with which the Group might co-operate. From among the suggestions received, choosing on the basis of the relationship with the Group's Environmental and Social Sustainability Policy, the Donations Committee approved economic contributions to the following entities:

- Alcer Granada. This is an association that fights against kidney disease and defends the rights of kidney-disease patients in Granada.
- Ambulancia del Último Deseo. A foundation that tries to grant the wishes of terminal and/or paralysed patients.
- Somos NUPA. An association that helps children and adults with multivisceral transplants and those affected by intestinal failure and parenteral nutrition in the Intestinal Rehabilitation Unit at the La Paz Children's Hospital in Madrid.
- Asperger Madrid. An association that works to educate and integrate people on the autistic spectrum in Madrid.
- Asociación Uniendo Sonrisas para el Bierzo. Association created by a group of mothers of children in hospital that collaborates with the El Bierzo Hospital (León) to improve the experience of children in hospital by organising leisure and educational workshops, etc.

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Contribution to COVID-19

During the first wave of the pandemic in Spain, in March 2020, at the time when the health services were in a state of collapse and were having huge difficulties in accessing basic protection material, ROVI made a donation of a million masks and more than 1,000 protection suits to the National Health Management Institute (INGESA), which reports to the Ministry of Health.

Additionally, for the rest of the year, ROVI continued to make donations by contributing healthcare equipment considered especially useful for healthcare workers during the pandemic. Specifically, the following were donated:

- 241,000 surgical masks to 154 hospitals.
- 48 portable ultrasound machines to 41 hospitals.
- 2,345 stethoscopes to 90 hospitals.
- 2,710 pulse oximeters to 106 hospitals.

Commitment to research

ROVI is fully committed to supporting 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, ROVI has been carrying on intensive research activity with the intention of fomenting 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, a need and requirement of the "knowledge society". Therefore, it has, for years, endeavoured to hold collaboration 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 Group's main research lines from an important national entity, such as the Industrial Technological Development Centre (CDTI), and regional entities such as the Technological Corporation of Andalusia (CTA) and the *IDEA Agencia*, which made several visits to evaluate and monitor projects during 2020.

The COVID-19 pandemic activated numerous research initiatives seeking to generate scientific information and evidence about the disease, its effects and the possible ways to tackle it. Along these lines, ROVI reached a collaboration agreement with the HM Hospitales group to fund a clinical trial analysing the efficiency and safety of bempiparin in patients in hospital with pneumonia due to COVID-19 and D-dimer of over 500ng/ml, as well as another collaboration agreement with the University of Navarra to carry out an open-label randomised clinical test to evaluate the effect of prophylactic or therapeutic doses of bempiparin in patients with COVID-19 (BEMCOP).

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Commitment to training

In order for qualified students to enter a work environment and improve their skills, knowledge and experience, ROVI has a training programme underway in the organisation. In this respect, there are collaboration 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 2020, ROVI awarded scholarships to 33 people, 7 of whom obtained an employment contract with the Group after 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. For ROVI, 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 stakeholder group of strategic interest in relation to the Group's activities. For this reason, ROVI has put in place a series of specific action principles aligned with the ROVI'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 addition to the aforementioned Code, 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.

Among the criteria it includes, ROVI maintains a constant focus on equal opportunities, occupational safety or care of the environment and 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. In this respect, in 2020, ROVI adhered to the EcoVadis platform, a tool that allows assessments of the corporate social responsibility of Group suppliers to be conducted and areas for improvement and corrective actions to be identified. At the time of preparation of this report,

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ROVI and EcoVadis are compiling the first assessment questionnaires and inviting other suppliers who are not assessed by this platform to join.

As mentioned previously, attention should be drawn to the fact that more than 90% of the ROVI Group's suppliers operate in countries belonging to the European Union and those that carry on their activity outside the European Union enjoy recognised prestige in the international community, meaning that supplier non-compliance in respect of human rights is considered limited and controlled.

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 own safety and health and the safety and health of their workers.

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.

An aspect to highlight in supplier evaluations is that, in 2020, the on-site audits were replaced by remote audits (on-line) to check that suppliers were operating in accordance with the national and local regulations that affect our products, that there were no important breaches in respect of workplace safety and that there were no practices that violated the workers' rights. Among other aspects, the auditors ensured that a safe working environment was provided, environmental legislation was respected and employees were 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 2020, 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.

In 2020, ROVI strove to maintain adequate communication with both its existing and new suppliers, in line with its Communication and Transparency Policy. In this respect, they were informed of the procedures for continual improvement implemented to optimise and ensure the process of accounting for invoices, placing special emphasis on the management of digital and electronic invoices, in order to optimise and accelerate both the recognition and payment of the invoices.

In accordance with the new processes implemented, in 2020, a communication was sent informing and/or reminding suppliers of the procedure for sending invoices, giving details of the requirements, the incident management process and the procedures aimed to optimise and accelerate the process for accounting for the invoices and the process for paying them. This communication was sent to all new suppliers and to the existing suppliers where deemed appropriate.

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7.3. Consumers

Given their nature, products intended to improve patient health, medicines and healthcare products, require the instructions of a health professional for their administration or final use. The health professional determines the best therapeutic approach for a specific patient. Thus, prescription medicines and healthcare products are those that reach patients on the instructions of a doctor, using a prescription, irrespective of whether they are dispensed in a pharmacy or administered at health centres. There is, furthermore, a third category: non-prescription pharmaceuticals (OTC), which do not need a medical prescription but are obtained through pharmacies on the recommendation of the pharmacist.

Most of ROVI's medicines and health products fall within the category of prescription products, which means they reach the patients because they have been prescribed by a health professional. Therefore, ROVI's "consumers" can be divided into three broad groups:

- Customers, mainly wholesalers, who then distribute to pharmacies, but to whom service must be given.
- Professionals: doctors, nursing staff or pharmacists.
- Patients.

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 in place 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 in attention to patients, correctly establishing the lawful bases of the processes and the mechanisms necessary to obtain the consent on which the data processing is based.

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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 ROVI.
- 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 accept the voluntary codes that ensure the transparency and veracity of such actions.

Guaranteeing the quality, safety and efficacy of the products that the Group 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 compliance with 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.

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Moreover, 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 both the Spanish health authorities and those of the countries to which the products are exported. The exceptional situation created by the pandemic has forced the adoption of new formulas for conducting both the internal and external audits, as well as the inspections by the health authorities, in 2020. In many cases remote audits (held by teleconferencing) were chosen, restricting in-person presence at ROVI's work centres to the indispensable minimum, meeting the highest guarantees of safety and protection against contagion with COVID-19.

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 ROVI'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 Group 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).

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

	CUSTOMER COMPLAINTS		CUSTOMER QUERIES: QUALITY & THERAPEUTIC	
	No. customer complaints	Complaints / million units	No. customer queries	Queries / million units
Laboratorios Farmacéuticos Rovi, S.A.	117	5.68	75	3.64
Rovi Pharma Industrial Services, S.A.				
Madrid	249	2.42	0	0.00
San Sebastián de los Reyes	28	0.58	0	0.00
Alcalá de Henares	860	13.98	0	0.00
Pan Química Farmacéutica, S.A.	0	0.00	0	0.00
Laboratorios Farmacéuticos Rovi, S.A. perm. est. Portugal	12	15.41	4	5.14
Rovi Biotech, GmbH (Germany)	125	136.26	243	264.89
Rovi Biotech, Limited (United Kingdom)	3	30.29	17	171.62
Rovi Biotech, S.R.L (Italy)	7	4.10	0	0.00
Rovi S.A.S (France)	1	3.46	23	79.47
TOTAL DISTRIBUTION	1,402	5.92	362	1.53

(*) Quality queries are those where the patient or health professional asks about the conditions concerning storage, allergens, formula composition or similar. Therapeutic queries are defined as those relating to any scientific information and/or the uses of a product.

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.

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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 2020 by Company:

Thousands of euros	Profit after tax	Income tax paid	Government grants received
Laboratorios Farmacéuticos Rovi, S.A.	72,119	(3,877)	1,146
Laboratorios Farmacéuticos Rovi, S.A. permanent establishment Portugal	707	(202)	-
Laboratorios Farmacéuticos Rovi, S.A. permanent establishment Poland	(154)	-	-
Laboratorios Farmacéuticos Rovi, S.A. permanent establishment Germany	2,544	-	-
Rovi Pharma Industrial Services, S.A. (*)	33,374	(8,701)	-
Pan Química Farmacéutica, S.A. (*)	387	(97)	-
Gineladius, S.L. (*)	(37)	9	-
Rovi Escúzar, S.L. (*)	(74)	23	-
Bertex Pharma GmbH	-	-	-
Rovi Biotech, Limited	10	-	11
Rovi Biotech, S.R.L.	409	(112)	-
Rovi Biotech, GmbH	623	(164)	-
Rovi S.A.S.	9	-	-
Rovi Biotech spółka z o.o	(4)	(2)	-
TOTAL	109,913	(13,123)	1,157

(*) These companies form part of tax group 362/07, headed by Laboratorios Farmacéuticos Rovi, S.A.

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2020 Consolidated Management Report

APPENDIX 3

CORPORATE GOVERNMENT ANNUAL REPORT 2020

(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 2020 and which precede this document, have been issued by the Board of Directors at its meeting of 23 February 2021, 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, 23 February 2021

Mr. Juan López-Belmonte López
Chairman

Mr. Juan López-Belmonte Encina
Chief Executive Officer

Mr. Javier López-Belmonte Encina
Vice Chairman 1º

Mr. Iván López-Belmonte Encina
Vice Chairman 2º

Mr. Marcos Peña Pinto
Lead Independent Director

Mr. José Fernando de Almansa
Moreno-Barreda
Director

Ms. 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 23 February 2021, and in accordance with Article 118 of Royal Legislative Decree 4/2015, of 23 October, enacting the Consolidated Text of Securities Market Law (*Ley del Mercado de Valores*), Article 8.b) of the Royal Decree 1362/2007, of 19 October, implementing the Securities Market Law, as well as the Law 11/2018, of 28 December, amending the Spanish Commercial Code, the Capital Companies Law (*Ley de Sociedades de Capital*), approved by the Royal Decree 1/2010, 2 July, and the Law 22/2015 on Account Auditing (*Ley de Auditoría de Cuentas*), in the area of non-financial and diversity information, state that, to the best of their knowledge, the Individual Annual Accounts, as well as the Consolidated Annual Accounts of the Company and its subsidiaries, for the fiscal year ended on 31 December 2020, issued by the Board of Directors at the abovementioned meeting of 23 February 2021, and prepared in accordance with applicable accounting standards, present a fair view of the equity, financial condition and results of operations of the Company and its subsidiaries included within the scope of consolidation, taken as a whole, and that the management reports supplementing the individual and consolidated annual accounts (the last including the corresponding non-financial information statements) contain a fair assessment of the corporate performance and results and the position of Rovi and of the subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the main risks and uncertainties facing them.

Madrid, 23 February 2021

Mr. Juan López-Belmonte López
Chairman

Mr. Juan López-Belmonte Encina
Chief Executive Officer

Mr. Javier López-Belmonte Encina
Vice Chairman 1^o

Mr. Iván López-Belmonte Encina
Vice Chairman 2^o

Mr. Marcos Peña Pinto
Lead Independent Director

Mr. José Fernando de Almansa
Moreno-Barreda
Director

Ms. Fátima Báñez García
Director