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.

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

<table>
<tr><th colspan="2">Capitalisation and recoverability of intangible assets
See notes 2.b.2), 3.1, 5 and 22g) to the annual accounts</th></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>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.

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.

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.

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.

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.</td><td>Our audit procedures included the following:

Assessment of the design and implementation of the controls associated with the process for estimating the recoverability of intangible assets and the process used to recognize research and development expenses and to identify, where applicable, any expenses that qualify for capitalization.

We evaluated the criteria used by Management in identifying indications of impairment.

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.

We received and assessed the documentation prepared by Management in relation to the analysis of research and development expenses, recognized in the income statement.

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.

We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.</td></tr>
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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.	

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.

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.

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.

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

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

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	At 31 December 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**

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.

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**

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**

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

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.

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.

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.

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 other than goodwill that have suffered impairment are reviewed at the end of each reporting period to see whether the impairment has been reversed.

3.4 Financial assets

a) Classification of financial assets

The Company classifies its financial assets into the following categories:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b) Derecognition of financial assets

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

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

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

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

3.5 Financial derivatives and hedge accounting

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

Fair value hedges

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

3.6 Inventories

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

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

3.7 Equity

Share capital is represented by ordinary shares.

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

When treasury shares are purchased, the consideration paid, including any directly attributable incremental cost is deducted from the equity until the shares are cancelled, reissued or resold. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity.

3.8 Financial liabilities

a) Debits and payables

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

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

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

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

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

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

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

3.9 Grants received

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

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

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

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

3.10 Current and deferred taxes

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

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

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

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

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

3.11 Employee benefits

a) Pension commitments

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

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

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

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

b) Termination benefits

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

3.12 Provisions and contingent liabilities

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

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

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

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

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

3.13 Business combinations

Transactions of merger, spin-off or non-monetary contribution of a business between group companies are recorded applying the rules for transactions with related parties (Note 3.17).

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

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

3.14 Revenue recognition

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

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

a) Sale of goods

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

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

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

b) Sale of services

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

c) Interest income

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

d) Dividend income

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

e) Other revenues: granting of exclusive distribution licences

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

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

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

3.15 Leases

When the Company is the lessee – Operating lease

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

3.16 Foreign currency transactions

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

3.17 Related-party transactions

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

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

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

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

3.18 Health tax

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

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

At 31 December, 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).

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			
At 31 December, 2020	**Less than 1 year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Over 5 years**
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

	Thousands of euros			
At 31 December, 2019	**Less than 1 year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Over 5 years**
Bank borrowings	2,415	1,474	19,983	25,190
Debt with government entities	1,893	3,788	3,703	2,870
Trade and other payables	62,294	-	-	-
	66,602	5,262	23,686	28,060

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**

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.

(Thousands of euros)

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.

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.

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**

7.2 Credit rating of financial assets

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

		Thousands of euros	
Cash and cash equivalents	**Rating**	**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**

		Thousands of euros	
Other non-current financial assets	**Rating**	**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 Bolvia, was dissolved.
- In November 2019, the following three companieswere 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.

(Thousands of euros)

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

			Shareholding		Voting rights	
Corporate name	Address	Activity	% Direct	% Indirect	% Direct	% Indirect
Pan Química Farmacéutica, S.A.	Madrid, C/Rufino González, 50	(1)	100%	-	100%	-
Gineladius, S.L.	Madrid, C/Rufino González, 50	(2)	100%	-	100%	-
Rovi 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.

(Thousands of euros)

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.

(Thousands of euros)

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.

(Thousands of euros)

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:

	31 December, 2020		31 December, 2019	
Condensed statement of financial position	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**
Current				
Cash and cash equivalents	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**

	31 December, 2020		31 December, 2019	
Condensed statement of comprehensive income	**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	-	-	-	-

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
	33,225	30,421
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
	293,067	142,478
	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 2020	Balance 2020	Rating 2019	Balance 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**

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.

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
	63	63

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
	74,677	67,749

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.

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:

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 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%.

15. Reserves and retained earnings

a) Reserves

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

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.

- 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' Mee ting 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) <u>Treasury shares</u>

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) <u>Dividends</u>

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. <u>Profit for the period</u>

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

	Thousands of euros	
	2020	**2019**
Basis of application	71,137	25,553
Profit for the year	71,137	25,553
Application		
Retained earnings	49,764	15,735
Dividends	21,373	9,818
	71,137	25,553

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
	3,208		

(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).

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).

(Thousands of euros)

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:

	a.2.1)	a.2.2)	TOTAL
Entity	**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:

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

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.

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:

			Thousands of euros		**Years**	
Company	**Entity**	**Project**	**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.1) Advances received in 2019:

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

			Thousands of euros		Years	
Company	**Entity**	**Project**	**Face value**	**Initial fair value**	**Repayment period**	**Grace period**
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	4	3	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	160	136	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	712	593	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	163	146	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	312	261	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	37	33	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	645	548	10	3
			2,033	1,720		

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

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

	Thousands of euros	
Year	**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).

(Thousands of euros)

20. Other provisions

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

	Returns	Contribution to public health system	Other	Total
At 1 January, 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.

Athough 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 recongised 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 ot the provision and, when significant, the financial effect produced by the rebate, provided that the payments that will be made in each period can be reliably determined. The rebate rate is determined before tax, considering the time value of money and the specific risks that were not taken into account in the future flows related to the provision at each reporting date.

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

21. Deferred income tax

Details of deferred income tax are as follows:

	Thousands of euros	
	2020	**2019**
Deferred income tax assets:		
- Temporary differences	1,293	1,276
- Other tax carryforwards	3,619	4,831
	4,912	6,107
Deferred income tax liabilities:		
- Temporary differences	(4,700)	(2,348)
	(4,700)	(2,348)
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
	4,912	6,107
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
	(4,700)	(2,348)
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**

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**

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 bemiparin 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 sytem (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).

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).

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

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
	758	792

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:

	Thousands of euros					
	Income statement			**Income and expenses credited/(charged) directly in equity**		
Balance income & expenses			**71,137**			**(344)**
	Increases	Decreases	Total	Increases	Decreases	Total
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			36,031			(459)

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

						Thousands of euros
			Income statement			**Income and expenses credited/(charged) directly in equity**
Balance income & expenses			**25.553**			**(378)**
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax			159			(127)
Permanent differences						
- Individual	810	-	810	-	-	-
- Due to tax consolidation	-	(17,008)	(17,008)	-	-	-
Temporary differences:						
- Individual						
- originating in the period	1,633	-	1,633	-	-	-
- originating in previous periods	325	(1,240)	(915)	-	-	-
- Due to tax consolidation						
- originating in the period	-	(4,266)	(4,266)	-	-	-
- originating in previous periods	2,074	-	2,074	-	-	-
Taxable income			8,040			(505)

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).

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:

	Year
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

	Thousands of euros	
	2020	**2019**
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
	31,723	17,066
Finance costs:		
Debt with third parties	(789)	(624)
	(789)	(624)
Change in fair value of financial instruments:		
Derivatives	(796)	(146)
	(796)	(146)
Exchange rate differences:		
Exchange rate differences	77	24
	77	24
Impairment and gain or loss on disposal of financial instruments:		
Gains and losses on disposals and other	(245)	305
	(245)	305
Finance income and costs	**29,970**	**16,625**

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.

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
	88,169	37,864
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
	(69,633)	(60,206)
Other cash flows from operating activities:		
- Income tax received/(paid)	(5,884)	(8,087)
- Other amounts received/(paid) (Note 19)	1,253	394
	(4,631)	(7,693)
Cash flows generated (used) in operating activities	**13,905**	**(30,035)**

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)
	(11,074)	(26,539)
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
	813	157
Cash flows generated (used) in investing activities	**(10,261)**	**(26,382)**

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
	1,430	47,033
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)
	(12,780)	(18,819)
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
	(9,467)	(4,267)
Cash flows generated (used) in financing activities	**(20,817)**	**23,947**

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:

(Thousands of euros)

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.

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
	585	510

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

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

	Thousands of euros	
	2020	**2019**
Mr Juan López-Belmonte Encina	8	8
Mr Javier López-Belmonte Encina	8	8
Mr Iván López-Belmonte Encina	8	8
	24	24

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

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

f. Remuneration for the performance of senior management functions received by executive directors. The remuneration of this kind for 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
	811	403	787	383

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 remunration 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:

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

   In 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) <u>Remuneration of and loans to senior management</u>

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).

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
	175,569	98,958
Rendering of services:		
- Subsidiaries (Note 22.c)	4,589	2,755
	4,589	2,755
	180,158	**101,713**

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
	148,126	131,862
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
	11,615	11,634
	159,741	**143,496**

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.

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.

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

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

	Thousands of euros			
	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.

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 thee 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.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

2020 Management Report

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

1. Corporate profile

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

The Company 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.

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.

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

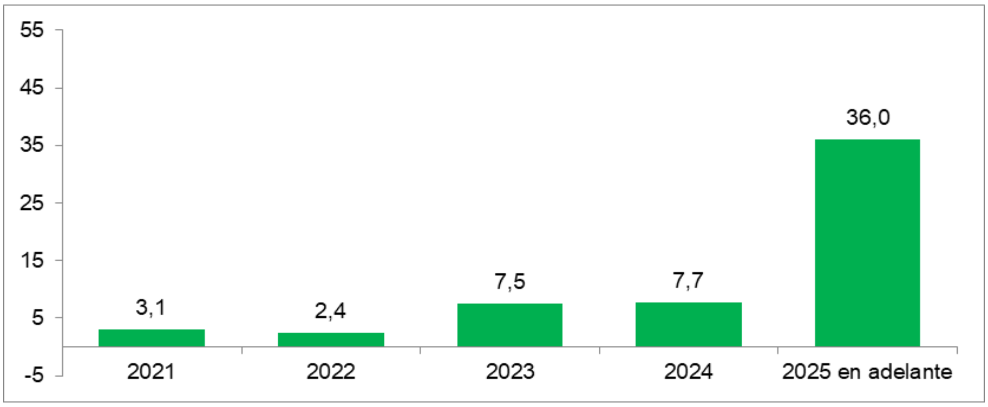
As of 31 December 2020, ROVI had total debt of 56.7 million euros (64.0 million euros as of 31 December 2019). Debt with public administration, which is 0% interest rate debt, represented 19% of total debt (18% in December 2019).

In thousand euros	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):



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 Schizophrenia[1].

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

"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

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 battlefront 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.

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]. 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.*

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[2].

The company also announced in July 2019 the completion of an open-label extension of the PRISMA-3 study[4], 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 study[5]) 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]. 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").*

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.

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.

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 mantains a diversified portfolio of suppliers and manages its stock levels efficiently.

- *Credit risk*

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

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

- *Liquidity risk*

Management 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.

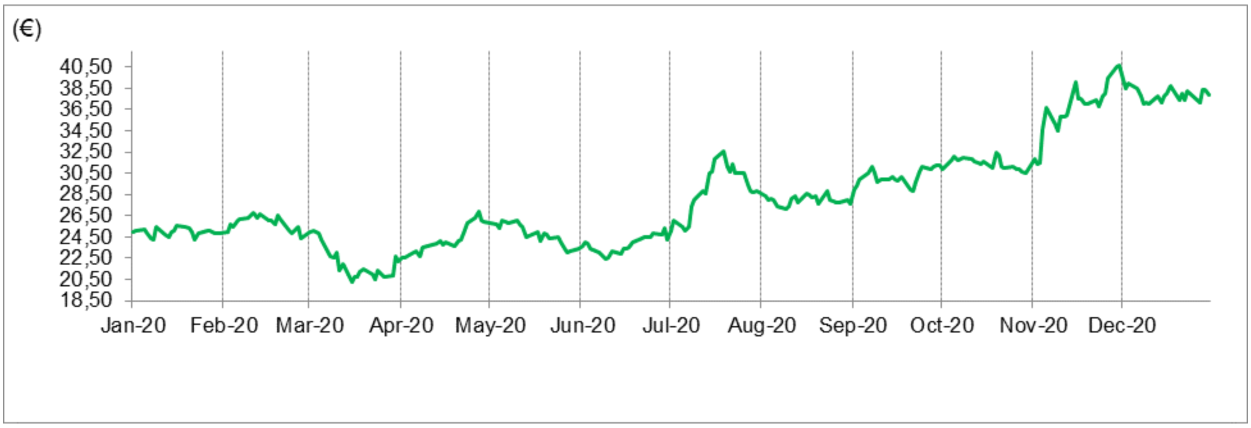
In 2020, ROVI signed credit policies for a total amount of 45 million euros. No amounts had been drawn down as of 31 December, 2020.

12. Stock market capitalization

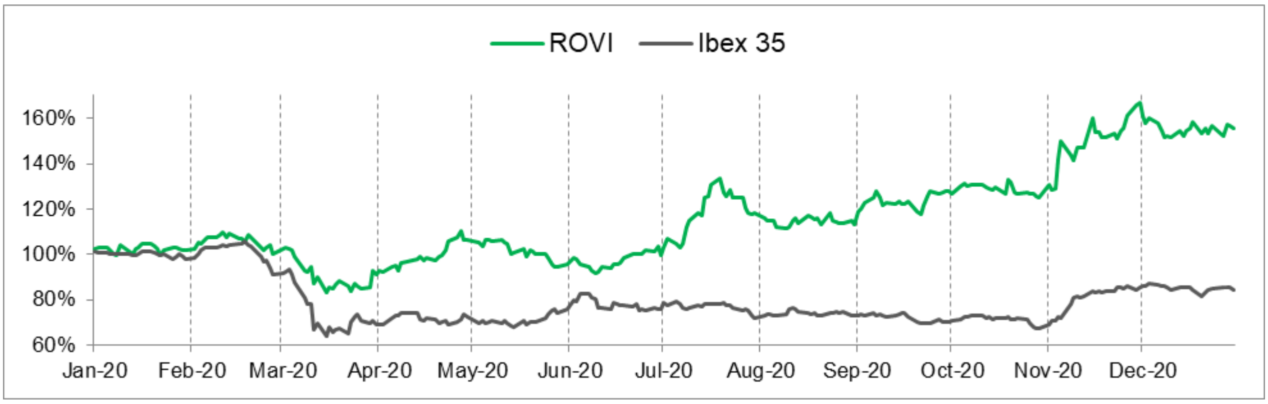
On the December 5th 2007, ROVI carried out an Initial Public Offering (IPO) of shares initially intended for qualified investors in Spain and to qualified institutional investors abroad. The face value of the operation, without including the shares corresponding to the green shoe purchase option, was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



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



13. <u>Corporate Government Annual Report</u>

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

14. <u>Events after balance sheet date</u>

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 thee 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. <u>Statement of non-financial information</u>

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.

APPENDIX 1

CORPORATE GOVERNMENT ANNUAL REPORT 2020

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

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

THIS TRANSLATION IS FOR INFORMATION PURPOSES ONLY.

IN THE EVENT OF ANY DISCREPANCY BETWEEN THE SPANISH VERSION AND THE ENGLISH VERSION, THE SPANISH VERSION SHALL PREVAIL.

ISSUER IDENTIFICATION

Year-end date: 31/12/2020

Tax identification No (C.I.F.): A-28041283

Company name:

LABORATORIOS FARMACEUTICOS ROVI, S.A.

Registered address:

JULIAN CAMARILLO, 35, MADRID

A. CAPITAL STRUCTURE

A.1. Complete the table below with details of the share capital of the company:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
18/10/2018	3,364,137.90	56,068,965	56,068,965

Please state whether there are different classes of shares with different associated rights:

[ ] Yes
[√] No

A.2. Please provide details of the company's significant direct and indirect shareholders at year end, excluding any directors:

Name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
WELLINGTON MANAGEMENT GROUP, LLP	0.00	4.92	0.00	0.00	4.92
T.ROWE PRICE ASSOCIATES, INC.	0.00	3.00	0.00	0.00	3.00
NORBEL INVERSIONES, S.L.	63.11	0.00	0.00	0.00	63.11
INDUMENTA PUERI, S.L.	0.00	5.06	0.00	0.00	5.06

The data have been taken from the official records of the National Securities Market Commission (CNMV).

Breakdown of the indirect holding:

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
WELLINGTON MANAGEMENT GROUP, LLP	DIVERSAS I.I.C.	4.92	0.00	4.92
T.ROWE PRICE ASSOCIATES, INC.	T. ROWE PRICE INTERNATIONAL FUNDS	3.00	0.00	3.00

Name of indirect shareholder	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights
INDUMENTA PUERI, S.L.	GLOBAL PORTFOLIO INVESTMENTS S.L.	5.06	0.00	5.06

State the most significant shareholder structure changes during the year:

Most significant movements

T. Rowe Price International Discovery Fund - a separate series within T. Rowe Price International Funds, Inc. whose funds are managed by T. Rowe Price Associates, Inc. and T. Rowe Price International Ltd. dropped below 3% of share capital on 14/12/2020.

The data have been taken from the official records of the National Securities Market Commission (CNMV).

A.3. In the following tables, list the members of the Board of Directors (hereinafter "directors") with voting rights in the company:

Name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
No data							

Total percentage of voting rights held by the Board of Directors	0.00

Breakdown of the indirect holding:

Name of director	Name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
No data					

A.4. If applicable, state any family, commercial, contractual or corporate relationships that exist among significant shareholders to the extent that they are known to the company, unless they are insignificant or arise in the ordinary course of business, except those that are reported in Section A.6:

Name of related party	Nature of relationship	Brief description
No data		

A.5. If applicable, state any commercial, contractual or corporate relationships that exist between significant shareholders and the company and/or group, unless they are insignificant or arise in the ordinary course of business:

Name of related party	Nature of relationship	Brief description
No data		

A.6. Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the Board and directors, or their representatives in case of proprietary directors.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders and/or companies in its group or those tied to significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and post of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders:

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
MR JUAN LÓPEZ-BELMONTE LÓPEZ	NORBEL INVERSIONES, S.L.	NORBEL INVERSIONES, S.L.	Chairman & shareholder

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
MR JUAN LÓPEZ-BELMONTE ENCINA	NORBEL INVERSIONES, S.L.	NORBEL INVERSIONES, S.L.	Director & shareholder
MR IVÁN JORGE LÓPEZ-BELMONTE ENCINA	NORBEL INVERSIONES, S.L.	NORBEL INVERSIONES, S.L.	Director & shareholder
MR JAVIER LÓPEZ-BELMONTE ENCINA	NORBEL INVERSIONES, S.L.	NORBEL INVERSIONES, S.L.	Director & shareholder

Norbel Inversiones, S.L. holds 63.107% of the Company's share capital and is partly owned by Mr Juan López-Belmonte López and his sons, Messrs Juan, Javier and Iván López-Belmonte Encina, none of whom hold control over the entity. Mr Juan López-Belmonte López is the Chairman of the Board of Directors of said company, while his sons, Messrs Juan, Javier and Iván López-Belmonte Encina, are Board members.

A.7. State whether the company has been notified of any shareholders' agreements that may affect it, in accordance with Articles 530 and 531 of the Corporate Enterprises Act ("Ley de Sociedades de Capital" or "LSC"). If so, describe these agreements and list the party shareholders:

[ ] Yes
[√] No

State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

[ ] Yes
[√] No

If any of the aforementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8. State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Spanish Securities Market Act (“Ley de Mercados de Valores ” or “LMV”). If so, please identify them:

[√] Yes
[ ] No

Name of individual or company
NORBEL INVERSIONES, S.L.

A.9. Complete the following table with details of the company’s treasury shares:

At the close of the year:

Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
673,654		1.20

(*) Through:

Name of direct shareholder	Number of direct shares
No data	

A.10. Provide a detailed description of the conditions and terms of the authority given to the Board of Directors to issue, repurchase, or dispose of treasury shares:

The General Shareholders’ Meeting held on 12 June, 2019 authorised the Company’s Board of Directors for the derivative acquisition of the Company’s own shares, both directly by the Company itself and indirectly through its subsidiaries, observing the legally-established limits and requirements, in the terms set out below**:**
a) The acquisitions may be made by means of purchase, exchange or any other type of share acquisition in return for a consideration permitted by law, up to the maximum amount permitted by law. b) The minimum acquisition price or minimum value of the consideration will be equivalent to the par value of the treasury shares acquired, while the maximum acquisition price or maximum value of the consideration will be equivalent to a price that is no higher than the higher of the latest transaction performed on the market between independent parties and the highest price contained in a purchase order on an order card. c) The authorisation will be in force for 5 years as of the date on which this resolution is approved. d) As a consequence of the acquisition of shares, including those that the Company, or a person acting in their own name but on behalf of the Company, acquired previously and has held on their portfolio, the resulting equity cannot fall lower than the amount of the share capital plus the reserves that, by law or pursuant to the Bylaws, are unavailable, all of which is in accordance with the Corporate Enterprises Act.
Likewise, for the purposes set out in the Corporate Enterprises Act, any of the subsidiaries is authorised to acquire shares in the Company in the same terms as set out in the resolution.
Shares acquired as a consequence of this authorisation may be disposed of or applied to the remuneration systems described in article 146.1.a) of the Corporate Enterprises Act, and to conduct programmes that encourage the holding of shares in the Company’s capital, such as, for example, dividend reinvestment plans, loyalty bonds or other similar instruments.
Likewise, said General Shareholders’ Meeting held on 12 June, 2019 delegated in the Board of Directors the power to increase the share capital, with authorisation to exclude preferential subscription rights (with no limitation), observing the limits and requirements set out in the Corporate Enterprises Act, for a maximum term of five years as of the resolution of the General Shareholders’ Meeting.

A.11. Estimated floating capital:

	%
Estimated floating capital	22.21

A.12. State whether there are any restrictions (article of associations, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those regimes for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

[ ] Yes
[√] No

A.13. State if the shareholders have resolved at a meeting to adopt measures to neutralise a take-over bid pursuant to the provisions of Act 6/2007.

[ ] Yes
[√] No

If so, please explain the measures approved and the terms under which such limitations would cease to apply:

A.14. State if the company has issued shares that are not traded on a regulated EU market.

[ ] Yes
[√] No

If so, please list each type of share and the rights and obligations conferred on each:

B. GENERAL SHAREHOLDERS' MEETING

B.1. State whether there are any differences from the minimum regime provided for in the Companies Enterprises Act (LSC) with respect to the quorum for the general meeting and if so, describe them in detail:

[ ] Yes
[√] No

B.2. State any differences with respect to the rules established in the Companies Enterprises Act for the adoption of corporate resolutions and, if so, explain:

[ ] Yes
[√] No

B.3. State the rules for amending the company's bylaws. In particular, state the majorities required to amend the bylaws and any provisions in place to protect shareholders' rights in the event of amendments to the bylaws.

Rules applicable to amending the Company's Bylaws.
According to articles 27.2 of ROVI's Bylaws and 5.i) of the Regulations of the General Shareholders' Meeting ("GSM"), the GSM will resolve on any amendment to the Bylaws. According to the same article 27.2 of the Bylaws and article 15 of the Regulations of the General Shareholders' Meeting, it will be necessary, on the first call, for shareholders holding at least fifty percent of the subscribed capital with voting rights to be present. On the second call, it will be sufficient for twenty-five percent of said capital to be present, although according to article 15 of the Regulations of the General Shareholders' Meeting, the amendments can only be validly adopted with the vote in favour of two thirds of the capital present or represented at the General Meeting when less than fifty percent of the Company's capital is present. Notwithstanding, if the capital present or represented exceeds fifty percent on either the first or the second call, an absolute majority will be sufficient for the resolution to be passed.
Similarly, articles 34.7 and 34.8 of the Bylaws state that resolutions of the General meeting will be passed by a simple majority of the capital present or represented, specifying that a resolution is passed when it obtains more votes of the capital present or represented in favour than against. Exceptionally, in cases where the applicable law or the Bylaws stipulate a larger majority and, in particular, when shareholders representing less than fifty percent of the subscribed capital with voting rights are present, resolutions concerning the matters described in article 194 of the Companies Enterprises Act will require the vote in favour of two thirds of the share capital present or represented at the General Meeting in order to be valid. Notwithstanding, if the capital present or represented exceeds fifty percent on either the first or the second call, an absolute majority will be sufficient to pass the resolution.

B.4. Indicate the attendance figures at the general shareholders' meetings held during the year of this report and the previous two years:

	Attendance data				
Date of General Meeting	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other	
29/05/2018	69.68	23.45	0.00	0.00	93.13
Of which, floating capital	0.04	3.85	0.00	0.00	3.89
12/06/2019	63.13	25.70	0.00	1.39	90.22
Of which, floating capital	0.02	10.04	0.00	1.39	11.45
20/10/2020	63.11	16.68	0.00	1.60	81.39
Of which, floating capital	0.00	16.68	0.00	1.60	18.28

B.5. State whether any items on the agenda of the general shareholders' meetings held during the year were not approved by the shareholders for any reason:

[ ] Yes
[√] No

B.6. State if the bylaws contain any restrictions requiring a minimum number of shares to attend general shareholders' meetings, or to vote by remote means:

[ ] Yes
[√] No

B.7. State whether it has been established that certain decisions other than those established by law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the general shareholders' meeting:

[ ] Yes
[√] No

B.8. State the address and manner of access to the page on the company website where one may find information on corporate governance and other information regarding general shareholders' meetings that must be made available to shareholders through the company's website:

The address of the Company's website is www.rovi.es. The corporate governance content is accessed by clicking on the section "Shareholders and Investors" and then on the third tab ("Corporate Governance").

C. COMPANY ADMINISTRATIVE STRUCTURE

C.1. Board of Directors

C.1.1 Maximum and minimum number of directors established in the bylaws and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	7

C.1.2 Please complete the following table with the members of the board:

Name of director	Representative	Director category	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MR JUAN LÓPEZ-BELMONTE LÓPEZ		Proprietary	CHAIRMAN	27/07/2007	31/05/2017	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR JUAN LÓPEZ-BELMONTE ENCINA		Executive	CHIEF EXECUTIVE OFFICER	27/07/2007	31/05/2017	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR JAVIER LÓPEZ-BELMONTE ENCINA		Executive	1st DEPUTY CHAIRMAN	27/07/2007	31/05/2017	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR IVÁN JORGE LÓPEZ-BELMONTE ENCINA		Executive	2nd DEPUTY CHAIRMAN	27/07/2007	31/05/2017	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR JOSÉ FERNANDO DE ALMANSA MORENO-BARREDA		Independent	DIRECTOR	09/06/2015	12/06/2019	GENERAL SHAREHOLDERS' MEETING RESOLUTION
MR MARCOS PEÑA PINTO		Independent	INDEPENDENT COORDINATING DIRECTOR	09/05/2019	12/06/2019	GENERAL SHAREHOLDERS' MEETING RESOLUTION

Name of director	Representative	Director category	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
MS FÁTIMA BÁÑEZ GARCÍA		Independent	DIRECTOR	20/12/2019	20/10/2020	GENERAL SHAREHOLDERS' MEETING RESOLUTION

Total number of directors	7

State if any directors, whether through resignation or by decision of the Board, have left the Board during the period subject to this report:

Name of director	Director type at time of leaving	Data of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
No data					

Reason for termination when it occurs before the end of the term of office and other observations; whether the director sent a letter to the other members of the board and, in the case of termination of non-executive directors, explanation or opinion of the director who was removed by the general meeting.

C.1.3 Complete the following tables regarding the members of the board and their categories:

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisational chart of the company	Profile
MR JUAN LÓPEZ-BELMONTE ENCINA	Executive (Chief Executive Officer and General Manager)	Mr López-Belmonte Encina graduated in Economic and Business Sciences, specialising in Auditing, from CEU San Pablo, Madrid in 1993. He is a shareholder of Norbel Inversiones, S.L., where he holds 26.67% of the share capital (this company is, in turn, ROVI's controlling shareholder) , and General Manager and CEO of ROVI. He is the Deputy Chairman of the Governing Council and Management Board of Farmaindustria. Likewise, he was Chairman of the R&D&i Committee of the CEOE (Spanish Confederation of Business

EXECUTIVE DIRECTORS		
Name or company name of director	Post in organisational chart of the company	Profile
		Organisations) from March 2015 until the end of 2018. He began his professional career working in different pharmaceutical areas of relevant international pharmaceutical companies in the United States and United Kingdom. He has been working for the Company since 1994, was appointed General Manager in October 2001 and has been the Company's CEO since October 2007. He was initially appointed to the Company's Board of Directors on 27 July, 2007 when ROVI was first listed on the securities markets and was re-elected at the General Shareholders' Meetings held on 2012 and 2017. In October 2020 he was named President of the National Business Association of the Pharmaceutical Industry in Spain (Farmaindustria).Currently, Mr López-Belmonte Encina is a member of the Boards of Directors of Norbel Inversiones, S.L., Norbepa Inversiones, S.L. and Alentia Biotech, S.L.
MR JAVIER LÓPEZ-BELMONTE ENCINA	Executive (Chief Financial Officer)	Mr López-Belmonte Encina graduated in Economic and Business Sciences from Colegio Universitario de Estudios Financieros (CUNEF), Madrid, specialising in Financing, in 1998. He obtained a joint Executive MBA from Brown University and the Instituto de Empresa in Madrid in 2017. He is a shareholder of Norbel Inversiones, S.L., where he holds 26.67% of the share capital (this company is, in turn, ROVI's controlling shareholder) and 1st Deputy Chairman of ROVI's Board of Directors. He began his professional career in the banking sector in 1998, working for Argentaria, S.A. in the United Kingdom as an analyst, and in the pharmaceutical sector with Medeva Pharma, also in the United Kingdom. He joined ROVI in 2000 and has been Chief Financial Officer since 2001. He was initially appointed to the Company's Board of Directors on 27 July, 2007 when ROVI was first listed on the securities markets and was re-elected at the General Shareholders' Meetings held on 2012 and 2017. He has been Vice President of CEIM, a member of its Management Board and Chairman of its Health Commission. Likewise, he has been a member of the Social Council of the Universidad Autónoma de Madrid representing CEIM and a member of the Board of Trustees of Fundación Universidad Autónoma de Madrid, representing the Social Council of the Universidad Autónoma de Madrid. Currently, Mr López- Belmonte Encina is a member of the Board of Directors of Norbel Inversiones, S.L., CEO and secretary of Norbepa Inversiones, S.L., deputy secretary and director of Alentia Biotech, S.L. and secretary and director of Enervit Nutrition, S.L.

MR IVÁN JORGE LÓPEZ-BELMONTE ENCINA	Executive (Corporate Development Manager)	Mr López-Belmonte Encina graduated in Economic and Business Sciences, specialising in Auditing, from CEU San Pablo, Madrid in 1994. He is a shareholder of Norbel Inversiones, S.L., where he holds 26.67% of the share capital (this company is, in turn, ROVI's controlling shareholder) and 2nd Deputy Chairman of ROVI's Board of Directors. As part of his post-graduate education, in 2008 he earned a Diploma in Advanced Studies which qualifies him as an investigator in the fields of economics, finance and accounting. He began his professional career in Germany, working in companies like Amersham, engaged in nuclear medicine, and Hexal AG, specialised in generics. He has been working for the Company since 1995 and has been ROVI's Corporate Development Manager since September 2007. He was initially appointed to the Company's Board of Directors on 27 July, 2007 when ROVI was first listed on the securities markets and was re-elected at the General Shareholders' Meetings held on 2012 and 2017. Currently, Mr López-Belmonte Encina is a member of the Boards of Directors of Norbel Inversiones, S.L. and Norbepa Inversiones, S.L., the joint and several administrator of Bertex Pharma GmbH, and Chairman and legal representative of Enervit Nutrition, S.L.

Total number of executive directors	3
% of Board	42.86

PROPRIETARY DIRECTORS		
Name of director	Name or company name of the significant shareholder represented or that has proposed their appointment	Profile
MR JUAN LÓPEZ-BELMONTE LÓPEZ	NORBEL INVERSIONES, S.L.	Sr. López-Belmonte López graduated in Economic and Business Sciences from Universidad Complutense de Madrid in 1969 and is an insurance actuary. He is the Chairman of ROVI and a shareholder of Norbel Inversiones, S.L., where he holds 20% of the share capital (this company is, in turn, ROVI's controlling shareholder). He was President of the Madrid Chamber of Commerce from March 2016 to April 2018. Likewise, he has been President of Asociación para el Autocuidado de la Salud (ANEFP) and Vice President of Farmaindustria. He was appointed as a director of the Company on 27 July, 2007 when ROVI was first listed on the securities markets and re-elected at the General Meetings held on 2012 and 2017. Currently, Mr López-Belmonte is Chairman and a member of the Board of Directors of Norbel Inversiones, S.L., Norbepa Inversiones, S.L., Lobel y Losa Development, S.L., Inversiones Borbollón, S.L. and Alentia Biotech, S.L.

Total number of proprietary directors	1
% of total Board	14.29

INDEPENDENT DIRECTORS	
Name of director	Profile
MR JOSÉ FERNANDO DE ALMANSA MORENO-BARREDA	Mr Almansa Moreno-Barreda holds a degree in law from the University of Deusto (Bilbao). Diplomat. He joined the Diplomatic Service on 2 December, 1974. Between 1976 and 1992 he held different positions: Secretary of the Spanish Embassy in Brussels, Cultural Attaché at the Spanish Embassy in Mexico, Chief Director of the Coordination Section of the Subdirectorate-General for Eastern Europe, Director of Atlantic Affairs at the Directorate-General of Foreign Policy for Europe and Atlantic Affairs, Political Counsellor to the Permanent Representative of Spain on the North Atlantic Council in Brussels, Minister-Counsellor of the Spanish Embassy in the Soviet Union, Secretary General of the National Commission for the Fifth Centenary of the Discovery of America and Subdirector General for Eastern Europe, reporting to the Directorate-General of Foreign Policy for Europe. From 1993 to 2002, His Majesty King Juan Carlos I appointed him as Head of the Royal Household with the rank of minister and he was appointed as a privy councillor of His Majesty King Juan Carlos I. He was a member of the Board of Directors of Telefónica, S.A. from 2003 to 2016, holding the position of chairman of the International Affairs Commission of its Board and forming part of several subsidiaries of Telefónica, S.A. in Latin America as a Board member. Likewise, from 2003 until 2015, he formed part of the Board of the Mexican bank BBVA BANCOMER. Currently, he is a director of Telefónica Móviles, S.A. in Mexico. He has been a director of ROVI since 9 June, 2015, having been re-elected at the 2019 Ordinary General Meeting.
MR MARCOS PEÑA PINTO	Mr Peña Pinto holds a law degree from the Universidad Complutense de Madrid and passed the official examination to become a Technical Labour and Social Security Inspector. From 1984 to 1989, Mr Peña held the position of Labour Attaché at the Spanish Embassy in Italy. Subsequently, from 1991 to 1996, he was the Secretary-General for Health at the Ministry of Health and Consumption and Secretary General for Employment and Labour Relations at the Ministry of Labour. Between 2005 and 2006, he was appointed expert member of the Economic and Social Council, which he presided until April 2019. Likewise, Mr Peña Pinto has been a member of the Council of State due to his position as president of the Economic and Social Council. In April 2020, Mr Peña became a trustee of the CEOE Foundation. Regarding his other professional activities, it should be noted that Mr Marcos Peña is specialised in collective bargaining and has held the position of chairman of the Negotiation Committee for many collective labour agreements (e.g. Telefónica, Renfe, Repsol, Alcatel, Endesa, Astilleros, etc.). Furthermore, Mr Peña Pinto has been an arbitrator and mediator in various labour conflicts on a nationwide scale and is the author of numerous publications, often publishing articles with the written press. He was appointed as an independent director of the Company by co-option by the Board of Directors, accepting his appointment on 9 May, 2019, and re-elected at the Ordinary General Shareholders' Meeting of 12 June, 2019.
MS FÁTIMA BÁÑEZ GARCÍA	Ms Báñez García holds a combined degree in Law and Economic and Business Sciences from the Universidad Pontificia de Comillas -ICADE E-3- and continued her academic education with a postgraduate degree in Company Administration from the University of Harvard, Boston, MA, likewise completing the Public Management Leadership Programme at the IESE Business School. She was Minister of Employment and Social Security in the Spanish government from December 2011 to June 2018, and provisional Minister of Health, Social Services and Equality from August to November 2016. Also in the public area, she was member of the Spanish Congress of Deputies for Huelva (2009-2019), holding important responsibilities in the economic area of the Popular Parliamentary Group, as well as the position of chairperson of the Foreign Affairs Commission of the Lower Chamber (2018-2019). Previously, from November 1997 to June 2000, she was a member of the Board of Directors of Radio Televisión de Andalucía. She began her professional life

INDEPENDENT DIRECTORS	
Name of director	Profile
	in the private sector as head of Corporate Strategy and Development of her family's company group (1993-1997) and returned to private activity as a business consultant and advisor in November 2019. She has extensive international experience, having represented Spain on the EPSCO Council, at the G-20, at the Ibero-American Summits and at meetings of the OECD and ILO, as well as at international employment forums. Ms Báñez is currently a director of Iberdrola Mexico, S.A., President of the Fundación México, S.A. and President of the CEOE Foundation. She was appointed director of the Company by co-option on 20 December 2019, and re-elected at the Ordinary General Shareholders' Meeting on 20 October 2020.

Number of independent directors	3
% of the Board	42.86

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

In this case, include a statement by the board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name of the director	Description of the relationship	Statement of the Board
No data		

OTHER EXTERNAL DIRECTORS			
Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company or its management or shareholders			
Name of director	Reason	Company, director or shareholder to whom the director is related	Profile
No data			

Total number of other external directors	N/A
% of the Board	N/A

State any changes in status that have occurred during the period for each director:

Name of Director	Date of change	Previous status	Current status
No data			

C.1.4 Complete the following table with information relating to the number of female directors at the close of the past 4 years, as well as the category of each:

	Number of female directors				% of directors for each category			
	Year 2020	Year 2019	Year 2018	Year 2017	Year 2020	Year 2019	Year 2018	Year 2017
Executive					0.00		0.00	0.00
Proprietary					0.00		0.00	0.00
Independent	1	1			33.33	33.33	0.00	0.00
Other external					0.00		0.00	0.00
Total:	1	1			14.29	14.29	0.00	0.00

C.1.5 State whether the company has diversity policies in relation to the Board of Directors of the company on such questions as age, gender, disability and training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Accounts Audit Act, will have to report at least the policy they have implemented in relation to gender diversity.

[√] Yes
[ ] No
[ ] Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also state the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

In the event that the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, including results achieved

ROVI is committed to establishing and developing policies that include equal treatment and opportunities for women and men, with no direct or indirect gender-based discrimination, as well as driving and fomenting measures to attain true equality in the organisation, establishing equal opportunities as a strategic principle of its human resources policy.

ROVI has an Equality Plan that puts mechanisms in place in areas such as selection and recruitment, internal promotion and professional development, training, remuneration, work-life balance, gender violence and harassment prevention, and communication. ROVI reviews the Equality Plan annually.
When Royal Decree-Law 6/2019, of 1 March, on urgent measures to guarantee equal treatment and opportunities for women and men in employment and occupation was published, ROVI initiated the process of adapting its Equality Plan to said legislation. The Plan Negotiating Commission was created and made a diagnosis negotiated with the workers' legal representatives on issues concerning selection and recruitment processes, professional classification, training, professional promotion, working conditions (including a wage audit between women and men), co-responsibility in exercising the rights to personal, family and professional life, female under-representation, remuneration, and sexual harassment prevention. With the entry into force of Royal Decree 901/2020 of 13 October which regulates equality plans and their registration and amends Royal Decree 713/2010 of 28 May on the registration and filing of collective bargaining agreements and collective employment agreements, the object of which is the regulatory development of equality plans and their diagnosis, including the obligations associated with registration, filing and access, the Company has commenced the process of adapting to the provisions of the law in relation to the negotiation, content and registration of its Equality Plan and bringing it in line with the new regulatory framework. It is anticipated that in 2021 an Equality Plan that is consistent with Royal Decree 901/2020 of 13 October regulating equality plans and their registration will be approved.
ROVI's commitment to equality and non-discrimination is also included in the Company's Code of Ethics and in the principles that govern training programmes and actions. Furthermore, ROVI has a Protocol for the Prevention and Treatment of Cases of Moral and Sexual Harassment in the Workplace, which all the employees are obliged to know and respect.
ROVI allocates significant resources to promote its career plans and professional evolution and growth. Likewise, the Company has a Director Selection Policy intended to: (i) ensure that the proposals for the appointment and re-election of directors of the company are based on a prior analysis of the needs of the Board of Directors; and (ii) favour diversity of knowledge, experience, age and gender, in such a way that decision-making is enriched and plural viewpoints are contributed to the debates on the matters that fall within the scope of the Board's competence. In December 2020 the Company amended this policy to bring it in line with the changes introduced into the Good Governance Code of Listed Companies approved by the CNMV in June of last year, at the same time changing the name to Board of Director Composition Policy.
When selecting candidates for the position of director, the starting point will be an analysis of the needs of the Company and its group, which must be made by the Board of Directors, with advice and reports from the Appointments and Remuneration Committee ("A&RC"). The A&RC will assess the skills, knowledge and experience required of the Board candidates. In this respect, the A&RC will define the functions and abilities required of the candidates to fill each vacancy and will also assess the time and dedication needed to perform their tasks properly. In the selection process, any kind of implicit bias that might suggest discrimination and, in particular, that hinders the selection of persons of either gender will be avoided. To that end, if there is an obvious imbalance in the composition of the Board of Directors, potential candidates must include women who meet the requirements and fit the profile being sought. Furthermore, the Board of Directors Composition Policy states that the company will strive for the number of female directors to represent at least 40% of total Board members in 2022 and no less than 30% before that.
When selecting Board candidates, the A&RC will ensure that the people proposed are honest and apt for the position, with recognised professional prestige, competence, experience, qualifications, training, availability and commitment to their duties, and that the composition of the Board is suitably balanced.
Regarding professional qualifications, the Policy requires candidates to have a university degree or at least five years' experience in administration, management, control or advisory functions in public or private entities with a similar size and requirements to the company. Furthermore, as guidance, the Board considers that, in general, directors should not be aged over 80.

C.1.6 Describe the means, if any, agreed upon by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates and which makes it possible to achieve a balance between men and women. State whether these measures include the company striving to have a significant number of women directors:

Explanation of means

The Appointments and Remuneration Committee assesses the skills, knowledge and experience necessary in candidates to form part of the Board, in accordance with the Regulations of the Board of Directors and the Regulations on the Appointments and Remuneration Committee. Specifically, as set out in the Board of Directors Composition Policy, the A&RC verifies that the selection procedures are not affected by any implicit bias that could imply some kind of discrimination and, in particular, that they do not hinder the selection of female directors.

The Company's Board of Directors is currently composed of the Company's three top executives, one proprietary director and three independent directors who enjoy recognised prestige, all of whom were appointed applying a professional criteria, irrespective of their gender.

The selection of directors to be appointed in the Company is based on the candidates' merits. In this respect, the Board of Directors and the Appointments and Remuneration Committee, within their respective spheres of competence, will ensure that honourable and suitable persons of recognised professional standing, with the right skills, experience, qualifications, education, availability and commitment are chosen and both men and women who meet the aforementioned requirements may be included among the potential candidates.

These measures also apply to the appointment of senior executives at ROVI, in particular, to the 10 members of the senior executives staff (excluding executive directors), four of whom are women, which demonstrates ROVI's commitment to striking a balance between men and women at all levels.

When, in spite of any measures that have been adopted, the number of women directors or senior executives is scant or nil, explain the reasons that justify this:

Explanation of the reasons
No new directors were selected in 2020. Ms Fátima Báñez was re-elected since she had been appointed by co-option. As previously mentioned, the composition of ROVI's executive staff reflects a balance between men and women.

C.1.7 Describe the conclusions of the appointments committee regarding verification of compliance with the policy designed to favour the appropriate composition of the board of directors.

It was not necessary to apply the Board of Directors Composition Policy in 2020. However, the latest appointment and re-election of a female director and the composition of ROVI's executive staff demonstrate the Company's commitment to the Policy, aimed at achieving a balanced Board of Directors.

C.1.8 If applicable, please explain the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name of shareholder	Reason
No data	

State whether the board has failed to meet any formal requests for membership from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. If this is the case, please explain why the aforementioned requests were not met:

[ ] Yes
[√] No

C.1.9 State the powers delegated by the board of directors, as the case may be, to directors or board committees:

Name of director or committee	Brief description
Juan López-Belmonte Encina	Chief Executive Officer. He holds all the powers and authorisations that may be delegated by law, as set out in the deed entering corporate resolutions into public record dated 21 June, 2017.

C.1.10 Identify any members of the board who are also directors, representatives of directors or executives in other companies in the group of which the listed company is a member:

Name of director	Name of group member	Position	Do they have executive powers?
MR JUAN LÓPEZ-BELMONTE ENCINA	PAN QUÍMICA FARMACÉUTICA, S.A	Representative Laboratorios Farmacéuticos Rovi, S.A.	Yes

Name of director	Name of group member	Position	Does the director have executive powers?
MR JUAN LÓPEZ-BELMONTE ENCINA	ROVI PHARMA INDUSTRIAL SERVICES, S.A.	Representative Laboratorios Farmacéuticos Rovi, S.A.	YES
MR JUAN LÓPEZ-BELMONTE ENCINA	GINELADIUS, S.L.	Representative Laboratorios Farmacéuticos Rovi, S.A.	YES
MR JUAN LÓPEZ-BELMONTE ENCINA	ROVI ESCÚZAR, S.L.	Representative Laboratorios Farmacéuticos Rovi, S.A.	YES
MR IVÁN JORGE LÓPEZ-BELMONTE ENCINA	BERTEX PHARMA GMBH	Joint & Several Administrator	YES
MR IVÁN JORGE LÓPEZ-BELMONTE ENCINA	ROVI BIOTECH LIMITED	Sole Administrator	YES
MR IVÁN JORGE LÓPEZ-BELMONTE ENCINA	ROVI GMBH	Sole Administrator	YES
MR JUAN LÓPEZ-BELMONTE ENCINA	ROVI BIOTECH SRL	Representative Laboratorios Farmacéuticos Rovi. S.A.	YES
MR JUAN LÓPEZ-BELMONTE ENCINA	ROVI S.A.S.	Representative Laboratorios Farmacéuticos Rovi, S.A.	YES
MR IVÁN JORGE LÓPEZ-BELMONTE ENCINA	ROVI S.A.S.	Representative Laboratorios Farmacéuticos Rovi, S.A.	YES
MR JAVIER LÓPEZ-BELMONTE ENCINA	ROVI S.A.S.	Representative Laboratorios Farmacéuticos Rovi, S.A.	YES
MR JUAN LÓPEZ-BELMONTE ENCINA	ROVI BIOTECH SP. ZO.O.	Chairman of the Board of Directors	YES
MR IVÁN JORGE LÓPEZ-BELMONTE ENCINA	ROVI BIOTECH SP. ZO.O.	First Deputy Chairman of the Board of Directors	YES
MR JAVIER LÓPEZ-BELMONTE ENCINA	ROVI BIOTECH SP. ZO.O.	Second Deputy Chairman of the Board of Directors	YES

Laboratorios Farmacéuticos ROVI, S.A. is Sole Administrator of the ROVI Group subsidiaries Gineladius, S.L., Pan Química Farmacéutica, S.A., Rovi Pharma Industrial Services S.A., Rovi Escúzar, S.L. and Rovi Biotech S.R.L.,having appointed Mr Juan López-Belmonte Encina as its representative. Laboratorios Farmacéuticos Rovi, S.A. holds the office of "First President" of ROVI S.A.S., the ROVI Group's French subsidiary, and is represented jointly by Messrs Juan, Javier Iván López-Belmonte Encina as natural persons.

C.1.11 List any directors or representatives of legal-entity directors of your company who are members of the board of directors representatives of legal-entity directors of other companies listed on regulated securities markets other than group companies, and have communicated that status to the Company:

Name of director	Name of listed company	Position
No data		

C.1.12 State whether the company has established rules on the maximum number of boards of other companies on which its directors may hold seats, providing details if applicable, identifying, where appropriate, where this is regulated:

[√] Yes
[ ] No

Explanation of the rules and identification of the document where this is regulated

Article 17 of ROVI's Regulations of the Board of Directors, which incorporates Recommendation 25 of the Good Governance Code, limits to ten the number of company boards of which its directors may form part (and a limit of eight if they are companies whose shares a traded on Spanish or foreign stock exchanges). The latter excludes positions that directors may hold in certain cases and a provision is made for the possibility that, depending on the circumstances of each case, the Appointments and Remuneration Committee may expressly authorise the director otherwise.

C.1.13 Indicate the amounts for the items regarding the overall remuneration for the board of directors:

Remuneration accrued by the Board of Directors during the year (thousand euros)	1,817
Amount of vested pension interests accumulated by current members (thousand euros)	883
Amount of vested pension interests accumulated by former members (thousand euros)	

ROVI's General Shareholders' Meeting held on 20 October 2020 approved a maximum annual remuneration for the members of the Board of Directors in their capacity as such (i.e. excluding the remuneration of the executive directors for performing their executive and senior management functions) of 660,000 euros for 2020. Likewise, the General Meeting delegated the distribution of said sum amongst the directors to the Board, taking into account the functions and responsibilities assigned to each director, whether or not they sit on Board committees, and other objective circumstances deemed relevant.

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name	Position
MR PEDRO CARRETERO TRILLO	Hospital Network Manager
MS ARÁNZAZU LOZANO PIRRONGELLI	Internal Audit
MR FERNANDO MARTÍNEZ GARIJO	Sales Effectiveness Manager
MR MIGUEL ÁNGEL CASTILLO SAN ROMÁN	International & Business Development Manager

Name	Position
MR FRANCISCO JAVIER ANGULO GARCÍA	Human Resources Manager
MS MERCEDES BENÍTEZ DEL CASTILLO SÁNCHEZ	Legal Department Manager
MR MIGUEL ÁNGEL ORTEGA SÁNCHEZ	Industrial Manager
MR IBÓN GUTIERRO ADÚRIZ	Pre-clinical Research Manager
MS Mª. ROSARIO PERUCHA PÉREZ	Marketing Manager
MS BEATRIZ ÁVILA ALCALDE	Sales Manager

Number of women in senior management positions	4
Percentage of total senior management positions	40%
Total senior management compensation (in thousands of euros)	1,688

C.1.15 State whether any amendments have been made to the board regulations during the year:

[√] Yes
[ ] No

Description modifications

At the meeting held on 3 December 2020, the Board of Directors, on the recommendation of the Audit Committee and the Appointments and Remuneration Committee, resolved to amend the Board Regulations as part of its commitment to continuously update and review the corporate governance system and the Company's internal regulations in order to bring them in line with best corporate governance practices. Specifically, amendments were introduced for the following purposes:

(i) To incorporate the updates of certain recommendations in the new version of the Good Governance Code published by the CNMV in June 2020, in order to: (a) place greater emphasis on non-financial information and sustainability and pay more attention to reputational and other non-financial risks; (b) adjust the wording regarding the explanation to be given by directors who leave before the end of their term of office and their obligations to the Company in the event of situations affecting the Company that could damage its credibility and reputation (c) adapt the wording on the operation, powers and functions of the Audit Committee to the new recommendations; and (d) adapt the wording on the operation, powers and functions of the Appointments and Remuneration Committee to the new recommendations.

(ii) To Include the changes introduced to the Corporate Enterprises Act by Law 11/2018 in the areas of non-financial reporting, the diversity of the composition of the Board of Directors and the powers of this body ineligible for delegation.

(iii) To make certain technical adjustments in order to improve the wording and interpretation of the Regulations and supplement their content.

In addition, as part of the process of updating and revising the Company’s corporate governance system and internal regulations, the Regulations of the Appointments and Remuneration Committee and the Regulations of the Audit Committee were also amended, and other corporate policies were adapted or approved: (i) the “Corporate Social Responsibility Policy” which was renamed the “Environmental and Sustainability Policy”; (ii) the “Director Selection Policy” which was renamed the “Board of Directors Composition Policy; and (iii) the policy on communication and contacts with shareholders, institutional investors and proxy advisors.

C.1.16 Specify the procedures for selection, appointment, re-election and removal of directors. Detail the competent bodies, steps to follow and criteria applied in each procedure.

According to Chapter VI of the Regulations of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A. (articles 17 to 21, inclusive), the appointment and removal of directors is regulated as follows:
a) Appointment: directors will be appointed and re-elected (i) at the proposal of the Appointments and Remuneration Committee in the case of independent directors; and (ii) with a prior report from the Appointments and Remuneration Committee in all other cases, by the General Meeting or the Board of Directors in accordance with legal provisions and the director selection policies approved by the Board at any given moment. The proposal must necessarily be accompanied by a report from the board describing the skills, experience and merits of the proposed candidate, which shall be appended to the minutes of the general meeting or board meeting. The Board and the Appointments and Remuneration Committee will ensure that the director selection procedures favour diversity of gender, experience, age and knowledge and do not show any implicit bias that hinders the selection of female directors. Any director may ask the A&RC to consider potential candidates to fill director vacancies if, in his or her opinion, they are suitable candidates. The Board of Directors and the A&RC, within the scope of their competencies, will strive for the candidates selected to be persons with recognised knowledge, competence, age and experience and must be particularly strict in relation to candidates that may fill the position of independent directors.
b) Term of office: directors will hold office for four years, at the end of which they may be re-elected one or more times for periods with the same maximum duration. Directors’ appointments will expire when, after the term has expired, either the following General Meeting has been held or the legal period allowed for

holding the Meeting that should approve the preceding year's accounts has elapsed. Directors appointed by co-option must have their appointment ratified at the first General Meeting held after they are appointed to the position. Directors whose term of office ends or who cease to be directors for any other reason may not be a director or hold management positions in any other entity that has a corporate purpose analogous to that of the Company during a period of two years. The Board of Directors may, if it sees fit, release the outgoing director from this obligation or shorten its duration.

c) Re-election: before proposing the re-election of directors to the General Meeting, the Appointments and Remuneration Committee and the Board of Directors will assess the quality of the work and the dedication to the position of the directors proposed during the preceding term of office.
d) Evaluation: the A&RC evaluates the skills, knowledge, age and experience necessary on the Board, defining, in consequence, the functions and abilities necessary in the candidates to fill each vacancy, and evaluates the time and dedication required for them to perform their task properly. The Board of Directors, in a plenary session, evaluates likewise: (i) the quality and efficiency of its own operation; (ii) the performance of their functions by the Chairman of the Board and the Company's chief executive, on the basis of a report that the A&RC submits to it; (iii) the operation and composition of the Board committees, on the basis of reports submitted to it by said committees; and (iv) the diversity of the composition and skills of the Board and the performance and contribution of each director, paying special attention to those responsible for the different committees.
e) Removal of directors: directors will leave the Board when the period for which they were appointed has expired and when the General Meeting thus decides using the powers it holds by law or in accordance with the Bylaws and when they tender their resignation. Directors must offer to resign and, if the Board sees fit, do so under a series of circumstances set out in the Regulations of the Board. In the event that, due to resignation or the decision of the General Meeting, a director leaves the Board before their term of office expires, they must explain their reasons for stepping down or, in the case of non-executive directors, their thoughts about the reasons for the removal by the general meeting in a letter that they will send to all the Board members. The Board of Directors may only propose the removal of an independent director before the bylaw-stipulated term expires when the Board considers there to be a fair reason subsequent to a report from the Appointments and Remuneration Committee. In particular, a fair reason will be deemed to exist when the director comes to hold new positions or acquires new obligations that prevent them from devoting the time necessary to the functions inherent to the position of director, they do not comply with the duties inherent to their position, or are affected by any of the circumstances that cause them to lose their independent status in accordance with the applicable legislation.

C.1.17 Explain how the annual evaluation of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
The annual evaluation of the Board of Directors was performed with the support of an external advisor - Deloitte Legal, S.L.P. – for a more objective and independent vision of the process. The evaluation confirmed the efficiency and proficiency of ROVI's Board of Directors. No significant changes in the Board's internal organisation or the procedures applicable to its activities have derived from said evaluation.

Describe the evaluation process and the areas evaluated by the board of directors with the help, if any, of external advisors, regarding the function and composition of the board and its committees and any other area or aspect that has been evaluated.

Description of the evaluation process and evaluated areas
The evaluation of the Board consisted of analysing (i) the quality and efficiency of its operation; (ii) the size, composition and diversity of the Board of Directors; (iii) the performance of their functions by the Chairman of the Board and the Company's chief executive; (iv) the performance and contributions of directors, with special emphasis on those chairing the different committees; (v) the frequency and length of meetings; (vi) the contents of meeting agendas and the time devoted to addressing the different items; (vii) the quality of the information received; (viii) the amplitude and openness of debates; and (ix) the Board's decision-making process, all pursuant to Recommendation 36 of the Good Governance Code developed in section 7 of the CNMV's Technical Guidance 1/2019, on Appointments and Remuneration Committees. The process of evaluating the Board and its Committees consisted of analysing the self-assessment surveys completed by ROVI's directors and conversations between Deloitte Legal representatives and the Company's directors. The Board analysed (i) the evaluation of the workings of the Board of Directors, (ii) the degree of compliance with the 2020 action plan and the action plan for 2021.

C.1.18 Describe, in those years in which the external advisor has participated, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

At the meeting held on 25 February 2020, ROVI's Appointments and Remuneration Committee verified the independence of Deloitte Legal, S.L.P. and issued a favourable report to the Board of Directors on the proposed appointment of this firm as an external advisor to assist with the evaluation of the Board of Directors for the year 2020. The proposal was approved by the Board at the meeting held on the same date.
Laboratorios Farmacéuticos Rovi, S.A. has no business relationship with Deloitte Legal, S.L.P. other than the evaluation of the Board of Directors and its committees. However, Laboratorios farmacéuticos Rovi, S.A. has signed contracts with certain companies related to Deloitte Legal, S.L.P. for process support services, cybersecurity services and occasional tax advice.

C.1.19 State the situations in which directors are required to resign.

According to article 21 of the Regulations of the Board of Directors, directors must offer to resign and, if the Board sees fit, do so in the following cases:
a) When they cease to hold the executive positions to which their appointment as directors was associated.

b) When they are affected by any of the causes of incompatibility or prohibition provided for by law.
c) When they receive a serious reprimand from the Board of Directors because they have not complied with their obligations as directors.
d) When they lose the professional good repute necessary to be a director of the Company, or the reasons for which they were appointed no longer exist (e.g. when a proprietary director disposes of their interest in the Company.)
e) In the case of independent directors, they may not hold this status for a continuous period of more than 12 years and, therefore, after said term, they must offer their resignation to the Board of Directors and resign.
f) In the case of proprietary directors (i) when the shareholder whom they represent sells its entire shareholding; and, likewise (ii) the corresponding number of directors must resign when said shareholder reduces its shareholding to a level that requires a reduction in the number of proprietary directors.

In addition, directors must report to the Company and, where applicable, resign when situations affecting them, which may or may not be related to their conduct in the Company, could damage the Company's standing and reputation, in particular, criminal cases when they are under investigation and procedural difficulties.

C.1.20 Are qualified majorities other than those established by law required for any specific decision?

[ ] Yes
[√] No

If so, please describe the differences.

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the board of directors:

[ ] Yes
[√] No

C.1.22 State whether the bylaws or the board rules establish any limit as to the age of directors:

[ ] Yes
[√] No

The Policy on the composition of the Board envisages that the directors should not, in general, be aged over 80.

C.1.23 State whether the bylaws or the board rules establish any term limits for independent directors other than those required by law:

[ ] Yes
[√] No

C.1.24 State whether the bylaws or board rules establish specific proxy rules for votes at board meetings in favour of other board members the procedure for doing so and, in particular, the maximum number of proxies a director may hold, as well as whether any restriction has been established as regards the categories of director that may be appointed as proxies, beyond the limits imposed by law. If so, please briefly describe the rules.

According to article 16 of the Regulations of the Board, when directors cannot attend Board meeting in person, they will grant written proxy to another Board member specifically for each meeting, including the appropriate instructions and notifying the Board Chairman accordingly. Notwithstanding the foregoing, non-executive directors may only grant proxy to another non-executive director.

C.1.25 State the number of meetings held by the board of Directors during the year, and if applicable, the number of times the board met without the chairman present. Meetings where the chairman sent specific proxy instructions are to be counted as attended.

Number of Board meetings	9
Number of Board meetings without the chairman	0

State the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	15

Please specify the number of meetings held by each committee of the board during the year:

Number of meetings of Audit Committee	7
Number of meetings of Appointments and Remuneration Committee	8

Marcos Peña Pinto, ROVI's coordinating director during 2020, was the Chairman of the Audit Committee and a member of the Appointments and Remuneration Committee, which are composed solely of independent directors. Therefore, on the occasions that these committees met, the coordinating director held 15 meetings with ROVI's independent directors during the year.

C.1.26 State the number of meetings held by the board of directors during the year in which all of its directors were present:

Number of meetings with in in-person attendance of at least 80% of the directors	9
% in-person attendance of the total votes during the year	100.00
Number of meetings with either in-person attendance or proxies granted with specific instructions by all the directors	9
% of votes cast in person or by proxy with specific instructions out of the total votes during the year	100.00

C.1.27 State if the individual and consolidated financial statements submitted to the board for preparation were previously certified:

[ ] Yes
[√] No

Identify, if applicable, the person/s who certified the individual and consolidated financial statements of the company for preparation by the board:

C.1.28 Explain any measures established by the board of directors to ensure that the annual accounts submitted by the board of directors to the general meeting of shareholders are prepared in accordance with generally-accepted accounting principles.

Article 40 of the Regulations of the Board of Directors states that the Audit Committee is responsible for ensuring that the annual accounts submitted by the board to the general meeting are prepared according to generally-accepted accounting principles. In exceptional cases where the auditors include a proviso in the auditor's opinion, the Chairman of the Audit Committee will explain and clarify at the general meeting the Audit Committee's opinion regarding the scope and content of the proviso, providing shareholders with a summary of its opinion when the general meeting is announced, along with the rest of the board's reports and proposals. Nonetheless, when the board considers that it must maintain a different position, it will publicly explain the scope and content of the discrepancy.

Before drawing up the annual accounts, pursuant to articles 13 of the Board rules and 6 of the Audit Committee rules, the Audit Committee must, among other aspects: -Review the Company's accounts; -Monitor compliance with legal requirements and the proper application of generally accepted accounting principles; -Review the regular financial information that the Board must provide to the markets and their supervisory bodies; -Oversee and evaluate the process of preparing and presenting the financial and non-financial information and the integrity of the information as well as the systems for managing and controlling financial and non-financial risks affecting the Company and the Group - including operational, technological, legal, social, environmental, political, reputational and corruption-related - reviewing compliance with legal requirements, the accurate demarcation of the consolidation perimeter and the proper application of accounting principles, and submit recommendations or proposals to the Board of Directors aimed to safeguard its integrity: and -Periodically review and supervise the internal control and risk management systems, as well as their efficacy, so that the principal risks are identified, managed and made known appropriately.

C.1.29 Is the secretary of the board also a director?

[ ] Yes
[√] No

If the secretary is not a director, please complete the following table:

Name of secretary	Representative
MR GABRIEL NÚÑEZ FERNÁNDEZ	

C.1.30 State the concrete measures established by the entity to ensure the independence of its external auditors and, if any, those regarding the independence of financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

The Regulations of the Board of Directors state that the Audit Committee has the duty of submitting the proposals for the selection, appointment, re-election and replacement of the account auditors, assuming responsibility for the selection process and their engagement conditions.
Furthermore, according to the Regulations of the Board, the Audit Committee is responsible for the Company's notifying the CNMV of the change in auditor as relevant information which will be accompanied by a statement on the possible existence of disagreements with the outgoing auditor and, if any such disagreements existed, the content thereof; and, in order to preserve the auditor's independence, article 13 of the Regulations of the Board of Directors and article 6 of the Regulations of the Audit Committee state that the Audit Committee should: (i) Establish the appropriate relations with the external auditors to receive information on any issues that might represent a threat to their independence. (ii) Issue annually, prior to issuance of the statutory audit report, a report expressing an opinion on whether the independence of the account auditors or audit firms has been jeopardised. This report must make a pronouncement on the provision of additional services by the account auditors. (iii) Supervise compliance with the audit contract, striving for the opinion on the annual accounts and the main contents of the audit report to be worded clearly and precisely, and evaluate the results of each audit. (iv) In the event that the external auditor resigns, examine the circumstances that caused this. (v) Ensure that the remuneration of the external auditor for its work does not jeopardise either quality or independence. (vi) Ensure that the external auditor holds, annually, one meeting with the Board of Directors in a plenary session to report on the work performed and the evolution of the Company's accounting and risk situation. (vii) Ensure that the Company and the external auditor respect current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, any other rules on auditor independence.

C.1.31 State whether the company changed its external auditor during the year. If so, please identify the incoming and outgoing auditor:

[ ] Yes
[√] No

If there were any disagreements with the outgoing auditor, please provide an explanation:

[ ] Yes
[√] No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its Group and, if so, the fees paid and the corresponding percentage of the total fees invoiced to the company and/or Group for auditing services:

[√] Yes
[ ] No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousand euros)	18	0	18
Amount invoiced for non-audit services/Amount for audit work (in %)	12.08	0.00	7.47

The fees charged by KPMG Auditores, S.L. for auditing services, audit-related services (limited review of the interim financial statements at 30 June 2020) and other services rendered to Laboratorios Farmacéuticos Rovi, S.A. and its subsidiaries in 2020 totalled €241,000 (€149,000 of which was for ROVI as parent company). Other non-audit services include the work performed for the review of the internal control system for financial reporting and the review of compliance with financial ratios for financing contracts. In addition, KPMG Auditores, S.L. provided enterprises related to the ROVI Group auditing services totalling €28,000.

In 2020, the services rendered by the firm to which KPMG Auditores, S.L. to review the non-financial information statements of Laboratorios Farmacéuticos Rovi, S.A. and its subsidiaries totalled €18,000. The services rendered to enterprises related to the ROVI Group in this regard totalled €2,000.

C.1.33 State whether the auditors' report on the financial statements for the preceding year contains a proviso. If so, please explain the reasons given by the chairman of the audit committee to explain the content and extent of the aforementioned proviso.

[ ] Yes
[√] No

Explain reasons and insert link to document provided to shareholders at the time of the announcement on this subject.
The auditor's opinion of the 2020 annual accounts contains no provisos.

C.1.34 State the number of consecutive years the current audit firm has been auditing the financial statements of the company and/or group. Furthermore, state the number of years audited by the current audit firm as a percentage of the total number of years that the financial statements have been audited:

	Individual	Consolidated
Number of consecutive years	4	4

	Individual	Consolidated
Number of years audited by the current audit firm/Number of fiscal years the company has been audited (by %)	12.90	16.67

C.1.35 State whether there is a procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time and provide details if applicable:

[√] Yes
[ ] No

Explanation of procedure

Article 15.4 of the Regulations of the Board states that notice of the meetings of said body must be given at least three days in advance and will always include the meeting's agenda and be accompanied by the relevant information, duly summarised and prepared. The agenda must clearly state the items on which the Board of Directors will have to adopt a decision or resolution. The Chairman, as the person responsible for the efficient operation of the Board, will ensure that the directors receive said information appropriately. Likewise, article 22 of the Regulations of the Board states that a director may contact the Secretary of the Board of Directors to request information on any matter that falls within scope of the Board's competence and, in this respect, examine its books, records, documents and other documentation. The right to information includes the Company's subsidiaries whenever possible. The Secretary will pass the request to the Board Chairman and the appropriate interlocutor in the Company. The Secretary will warn the director of the confidential nature of the information requested and received and of his/her duty of confidentiality, as provided for in the Regulations of the Board.

C.1.36 State whether the company has established rules whereby directors must report and, where applicable, resign when situations affecting them, which may or may not be related to his conduct in the company, could damage the company's standing and reputation. If so, provide details:

[√] Yes
[ ] No

Explain the rules

According to articles 21.3 and 32 of the Regulations of the Board, directors must report to the Company and, where applicable, resign when situations affecting them, which may or may be related to their conduct in the company, could damage the company's standing and reputation, in particular, criminal cases when they are under investigation and procedural difficulties.

Once the Board is informed or becomes aware of such a situation, it will examine the case as soon as possible and, depending on the specific circumstances and with a report from the A&RC, will decide whether or not to take measures such as opening an internal investigation, requesting the director's resignation or proposing removal.

Additionally, directors should offer to resign and, if the Board sees fit, do so in the following cases provided for in article 21.2 of the Regulations of the Board: -When they cease to hold the executive positions to which their appointment as directors was associated; -When they are affected by any of the causes of incompatibility or prohibition provided for by law; -When they receive a serious reprimand from the Board of Directors because they have not complied with their obligations as directors; -When they lose the professional good repute necessary to be a director of the Company or the reasons for which they were appointed no longer exist (e.g. when a proprietary director disposes of their interest in the Company); -In the case of independent directors, they may not hold this status for a continuous period of more than 12 years and, therefore, after said term, they must offer their resignation to the Board of Directors and resign; -In the case of proprietary directors (i) when the shareholder whom they represent sells its entire shareholding; and, likewise (ii) the corresponding number of directors must resign when said shareholder reduces its shareholding to a level that requires a reduction in the number of proprietary directors.

C.1.37 Barring special circumstances that are duly noted in the report, state whether the board has been informed or has otherwise become aware of any situation affecting a director, whether or not related to his or her conduct in the Company, which could harm the Company's credibility or reputation.

[ ] Yes
[√] No

C.1.38 Detail any material agreements entered into by the company that come into force, are modified or are terminated in the event of a change in control of the company following a public takeover bid, and their effects.

There are no significant agreements of this nature, although, due to the large number of contracts signed by the Company, the possibility that some of them may include clauses that provide for amendments thereto or the termination thereof in the event of corporate operations that entail changes in control over the Company cannot be ruled out.

C.1.39 Identify individually for directors, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing indemnity or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Number of beneficiaries	3
Beneficiary	Description of agreement
MR JUAN LÓPEZ-BELMONTE ENCINA, MR JAVIER LÓPEZ-BELMONTE ENCINA AND MR IVÁN LÓPEZ-BELMONTE ENCINA	-Mr Juan López-Belmonte Encina: The Company holds a service agreement with the chief executive officer. In particular, the causes for termination of the contract and the consequences thereof have been adapted to the latest changes made by the CNMV to the Good Governance Code in June 2020, which were in turn added to the executive directors' contracts following the review at the end of 2020. Thus, if the contractual relationship ends, a provision is made for an indemnity to the director of a gross sum equivalent to the two times the arithmetic average of the total annual compensation for the last three full years immediately preceding the contract termination date, except in the cases of (i) resignation from the position of director for reasons other than those included in the contract or (ii) revocation by the Company due to the director's failure to perform the duties established by law, contract or internal regulations, or the existence of a cause for fair dismissal in accordance with labour legislation (apart from unilateral termination by the employer). – Messrs Javier López-Belmonte Encina and Iván López-Belmonte Encina: The Company has signed employment contracts with these executive directors. In particular, regarding causes for termination of the contracts and the consequences thereof, the employment contracts refer to the provisions of the Workers' Statute.

State if these contracts have been communicated to and/or approved by management bodies of the company or of the Group. If they have, specify the procedures, events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General shareholders' meeting
Body authorising the severance clauses	√	

	Yes	No
Are these clauses notified to the General Shareholders' Meeting?	√	

In order to meet the provisions of article 249 of the Capital Companies Law, the aforementioned executive director contracts (and the amendments) were approved by the Board of Directors before they were signed, with the vote in favour of two thirds of the members (specifically, a unanimous vote on the part of the directors). The director involved in each case abstained from attending the deliberations and voting.

C.2. Committees of the board of directors

C.2.1 Provide details of all committees of the board of directors, their membership, and the proportion of executive, proprietary, independent and other external directors that comprise them:

Audit Committee		
Name	Post	Category

MR MARCOS PEÑA PINTO	CHAIRPERSON	Independent
MS FÁTIMA BÁÑEZ GARCÍA	MEMBER	Independent
MR JOSÉ FERNANDO DE ALMANSA MORENO- BARREDA	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the functions, including, where applicable, the additional ones to those legally envisaged, attributed to this committee and describe its procedures and organizational and operating rules. For each one of these functions, briefly describe its most important actions during the year and how it has exercise in practice each of the functions attributed thereto by law, in the Bylaws or other corporate resolutions.

The rules of organisation and operation of the Audit Committee ("AC") are set out in articles 47 of the Corporate Bylaws and 13 of the Regulations of the Board of Directors, as well as in the Committee's own Regulations approved in 2017 and modified in December 2020 to bring them in line with the changes introduced by the reform of the Code of Good Corporate Governance for Listed Companies approved by the CNMV in June 2020. The AC will be formed by a minimum of three and a maximum of five directors appointed from among the non-executive directors. They must all be appointed, and particularly the chairperson, taking account of their knowledge and experience in accounting, auditing and financial and non-financial risk management. At any event, at least a majority of the AC members must be independent. Overall, the AC members must have the relevant technical knowledge in relation to the sector of activity to which the Company belongs. At least one of the members should have information technology expertise.

The Chairperson of the AC will necessarily be an independent director and must be replaced every four years. The AC meets quarterly, in order to review the regular financial information that must be sent to the CNMV to be published, as well as the information that the Board must approve and include in the annual public documentation. Likewise, it will meet at the request of any of its members and whenever its Chairperson calls a meeting, which he or she must do whenever the Board or the Board Chairman requests a report be issued or proposals adopted; and when it is convenient for fulfilment of its functions. These meetings will be attended by (i) when the AC members consider it appropriate, members of the Company's management team or personnel, (ii) the internal auditors whenever financial information (annual or interim) is to be published, i.e. twice a year. Likewise, the AC will obtain the advice of other external experts when it considers this necessary.
The AC reports on its activity and assumes responsibility for the work performed at the first Board of Directors meeting held after its own meetings and it keeps minutes of its meetings, a copy of which is sent to all Board members. Likewise, it prepares an annual report on its operation. Basic functions: (i) To inform at the General Shareholders' Meeting on any questions raised in relation to subjects that fall within the scope of the AC's competence and, in particular, on the result of the audit, explaining how it has contributed to the integrity of the financial information and the role that the AC has played in this process; (ii) To submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the accounting auditors, assuming responsibility for the selection process and engagement conditions, and regularly obtain information on the audit plan and the execution thereof from the auditor, in addition to preserving the auditor's independence in the course of its functions; (iii) To oversee the internal audit systems; (iv) To review the Company's accounts, monitor compliance with legal requirements and the proper application of generally-accepted accounting principles; (v) To supervise the risk control and management policy; (vi) To supervise compliance with the audit contract, striving for the opinion on the annual accounts and the main contents of the audit report to be worded clearly and precisely, and evaluate the results of each audit; (vii) To receive information on structural and corporate changes that the Company plans to make in order to analyse them and provide the Board with a prior report on their economic conditions and accounting impact and, in particular, where applicable, on the proposed exchange ratio; (viii) To examine and supervise compliance with the Company's governance rules, ensuring that the corporate culture is in line with its purpose and values, and make the proposals necessary to improve them, including the periodic evaluation and review of the Company's corporate governance system and its environmental and social policy to ensure that it performs its mission of promoting the Company's interests, while taking account of, as appropriate, the lawful interests of the other stakeholders; (ix) To supervise the Company's environmental and social practices to make sure that are consistent with stated policy and strategy; (x) To supervise and evaluate the processes in relations with the different stakeholder groups; and (xi) To receive information and, where appropriate, issue reports on disciplinary measures it is intended to impose on members of the Company's senior management team.

The AC Annual Report for 2020, which will be made available to all shareholders on ROVI's website, summarises the most important actions carried out by the AC in said year. It states that the Report was drawn up in accordance with the aspects set out in the CNMV's Technical Guide 3/2017 on audit committees in public-interest entities.

Identify the members of the audit committee who has been appointed due to his/her knowledge and experience in accounting, auditing or both and state the number of years for which the chairperson of this committee has been in said position.

Names of directors with experience	MR MARCOS PEÑA PINTO
Date of appointment of chairperson	12/06/2019

Appointments and Remuneration Committee		
Name	Post	Category
MR JOSÉ FERNANDO DE ALMANSA MORENO- BARREDA	CHAIRPERSON	Independent
MR MARCOS PEÑA PINTO	MEMBER	Independent
MS FÁTIMA BÁÑEZ GARCÍA	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external directors	0.00

Explain the duties exercised by this committee, describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the Bylaws or other corporate resolutions.

The rules of organisation and operation of the Appointments and Remuneration Committee ("A&RC") are set out in article 14 of the Regulations of the Board of Directors and in the Committee's own Regulations approved in 2019 and modified in December 2020 to bring them in line with the changes introduced by the reform of the Code of Good Corporate Governance for Listed Companies approved by the CNMV in June 2020. The A&RC will be formed by a minimum of three directors and a maximum of five, appointed from among the non-executive directors, and at least a majority of the members will be independent. The members will be appointed by the Board of Directors taking account of their knowledge, skills and experience in relation to the tasks they are required to perform, especially in the areas of corporate governance, strategic analysis and evaluation of human resources, selection of directors and officers, performance of executive management functions, and design of compensation policies and plans for directors and officers. As a whole, the Committee members shall possess the pertinent technical knowledge of the sector in which the Company operates.
The Chairperson will necessarily be an independent director and must be replaced every four years.
The A&RC meets quarterly and must likewise meet whenever its Chairperson calls a meeting, which he or she must do whenever the Board or the Board Chairman requests a report be issued or proposals adopted; and when it is convenient for fulfilment of its functions.
The Committee may obtain the advice of external experts when it considers this necessary.
The A&RC reports on its activity and assumes responsibility for the work performed at the first Board of Directors meeting held after its own meetings and it keeps minutes of its meetings, a copy of which is sent to all Board members.
The A&RC annually submits to the Board, to be evaluated at a Board meeting, a report on the performance of their functions by the Chairman of the and the Company's chief executive, as well as a report on the operation of the A&RC itself.
Likewise, it annually prepares and submits to the Board a report on director remuneration to be approved and subsequently put to a consultative ballot at the General Shareholders' Meeting.
Basic functions: (i) To evaluate the skills, knowledge and experience necessary on the Board; (ii) To submit to the Board of Directors proposals for the appointment of independent directors to be co-opted to the Board or submitted for the decision of the General Shareholders' Meeting; (iii) To report to the Board of the proposals for the appointment of the other directors to be co-opted to the Board or submitted for the decision of the General Shareholders' Meeting; (iv) To report to the Board on proposals for the appointment and removal of senior management and the basic conditions of their contracts; (v) To report to the Board on gender diversity issues and director qualifications. In this respect, it will set a target for representation of the gender with less representation on the Board of Directors and will draw up guidance on how to achieve said goal; (v) To propose to the Board of Directors: (a) the remuneration policy for directors or general managers or those who perform senior management functions reporting directly to the Board, executive commissions or executive officers; and (b) the individual remuneration of the executive directors and the other conditions of their contracts; (vii) To verify observance of the remuneration policy established by the Company; (viii) To organise the succession of the Chairman and the Chief Executive; (ix) To ensure the transparency of the remuneration and verify the information on the remuneration of directors and senior management contained in the various corporate documents; (x) To oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the board; (xi) To supervise the application of the reporting policy for economic, financial, non-financial and corporate information as well as communications and relations with shareholders, institutional investors and advisers and to monitor the way in which the Company communicates with and relates to small and medium sized shareholders; and (xii) To review the Company's social and environmental sustainability policy, ensuring that it is directed towards value creation.
The A&RC's annual report for 2020, which will be made available to all shareholders on ROVI's website, summarises the most important actions carried out by the AC in said year. It states that the Report was drawn up in accordance with the aspects set out in the CNMV's Technical Guide 1/2019 on Appointments and Remuneration Committees in public-interest entities.

C.2.2 Complete the following table with information regarding the number of female directors who were members of board committees at the close of the past four years:

	Number of female directors							
	Year 2020		Year 2019		Year 2018		Year 2017	
	No.	%	No.	%	No.	%	No.	%
Audit Committee	1	33.33	1	33.33	0	0.00	0	0.00
Appointments & Remuneration Committee	1	33.33	1	33.33	0	0.00	0	0.00

C.2.3 State, where applicable, the existence of any regulations governing board committees, where these regulations may be found, and any amendments made to them during the year. Also state whether any annual reports on the activities of each committee have been voluntarily prepared.

Committee name
AUDIT COMMITTEE
Brief description
The rules of organisation and operation of the Audit Committee are set out in the Corporate Bylaws and the Regulations of the Board of Directors, which may be consulted on the Company's website (www.rovi.es). Furthermore, since November 2017, the Company has Regulations of the Audit Committee in accordance with the provisions of the CNMV's Technical Guide 3/2017, which may also be consulted on the Company's website. The Regulations were amended on 3 December 2020 by unanimous agreement of the Board of Directors in order to adapt them to the new working of the recommendation introduced by the CNMV to the Good Governance Code for Listed Companies following the review in June 2020.
Moreover, the Audit Committee prepares an annual report (which is made available to shareholders on the Company's website when notice of the General Meeting is given), which highlights the main activities and incidents, if any, that have taken place during the year in relation to its sphere of competence. Likewise, when the Audit Committee sees fit, said report will include proposals to improve the Company's governance rules.
Committee name
APPOINTMENTS AND REMUNERATION COMMITTEE
Brief description
The rules of organisation and operation of the Appointments and Remuneration Committee are set out in the Corporate Bylaws and the Regulations of the Board of Directors, which may be consulted on the Company's website (www.rovi.es). Furthermore, since November 2019, the Company has Regulations of the Appointments and Remuneration Committee in accordance with the provisions of the CNMV's Technical Guide 1/2019, which may also be consulted on the Company's website. The Regulations were amended on 3 December 2020 by unanimous agreement of the Board of Directors in order to adapt them to the new working of the recommendation introduced by the CNMV to the Good Governance Code for Listed Companies following the review in June 2020.
The Appointments and Remuneration Committee prepares an annual report (which is made available to shareholders on the Company's website when notice of the General Meeting is given), which highlights the main activities and incidents, if any, that have taken place during the year within its sphere of competence. Likewise, when the Committee sees fit, said report will include proposals to improve the Company's governance rules.

D. RELATED-PARTY AND INTRAGROUP TRANSACTIONS

D.1. Describe, if applicable, the procedure for approval of related-party and intragroup transactions.

According to articles 47 of the Corporate Bylaws, 13 of the Regulations of the Board of Directors and 10 of the Regulations of the Audit Committee, the Audit Committee is responsible for supervising compliance with the legislation on related-party transactions, ensuring that the obligatory communications to the market are carried out providing prior reports to the Board of Directors when it is going to make decisions on related-party transactions. Likewise, article 33 of the Regulations of the Board of Directors states any transaction the Company, or any company belonging to its group, performs with the directors, in the terms legally provided for, or with shareholders who hold, either individually or on a concerted basis with others, significant interests as defined in stock market legislation, including shareholders represented on the Board of Directors of the Company or other companies that form part of the same group, or with persons related thereto, will require the authorisation of the Board of Directors, subject to a prior report in favour from the Audi Committee. The directors affected or who represent or are related to the shareholders affected must refrain from taking part in the deliberations and voting on the resolution in question. Notwithstanding, this authorisation is not required in those related-party transactions that simultaneously meet three conditions: (i) they are carried out under contracts with standard conditions applied to a large number of customers; (ii) they are carried out at market prices or rates fixed on a general basis by the person or entity acting as supplier of the goods or services in question; and (iii) the amount of the transaction does not exceed 1% of the Company's annual revenue.

D.2. Describe any transactions which are significant, either because of the amount involved or subject matter, entered into between the company or entities within its group and the company's significant shareholders:

Name of significant shareholder	Name of company within the group	Nature of the relationship	Type of transaction	Amount (thousand euros)
NORBEL INVERSIONES, S.L.	Laboratorios Farmacéuticos Rovi, S.A.	Corporate	Dividends and other profits distributed	6,196

At its meeting held on 20 October 2020, the General Shareholders' Meeting passed a resolution to pay a gross dividend of 0.1751 per share to the shareholders. As a result of this resolution, the Company's shareholders received the amount corresponding to their shareholding on 19 November 2020. In particular, other Significant Shareholders received dividends amounting to 547 thousand euros.

D.3. Describe any transactions that are significant, either because of their amount or subject matter, entered into between the company or entities within its group and directors or managers of the company:

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
MR IVÁN JORGE LÓPEZ-BELMONTE ENCINA	LABORATORIOS FARMACÉUTICOS ROVI, S.A. - REPRESENTAÇAO EM PORTUGAL	Commercial	Operating lease agreements	25

Name of director or manager	Name of the related party	Relationship	Type of transaction	Amount (thousand euros)
MR JUAN LÓPEZ-BELMONTE LÓPEZ	LABORATORIOS FARMACÉUTICOS ROVI, S.A.	Commercial	Operating lease agreements	1,109
MR JUAN LÓPEZ-BELMONTE LÓPEZ	PAN QUÍMICA FARMACÉUTICA, S.A.	Commercial	Operating lease agreements	58
MR JUAN LÓPEZ-BELMONTE LÓPEZ	ROVI PHARMA INDUSTRIAL SERVICES S.A.U.	Commercial	Operating lease agreements	866

The Company and the ROVI group entity Rovi Pharma Industrial Services, S.A hold nine non-residential property rental contracts with the company Inversiones Borbollón, S.L, in which Mr Juan López-Belmonte López, Chairman of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A, holds a direct majority interest. Likewise, the Company holds three non-residential property rental contracts with the company Norba Inversiones, S.L., in which Mr Juan López-Belmonte López, Chairman of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A, holds an indirect majority interest.
Pan Química Farmacéutica S.A., a ROVI group entity, holds a non-residential property rental contract with the company Lobel y Losa Development, S.L., in which Mr Juan López-Belmonte López, Chairman of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A, holds a direct majority interest. The premises where ROVI's sales branch in Portugal is located belong to Mr Iván López-Belmonte Encina, who leases it to Laboratorios Farmacéuticos Rovi, S.A. - RepresentanCao em Portugal.

D.4. Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any event, note any intragroup transaction conducted with entities established in countries or territories which are considered tax havens:

Name of entity within the group	Brief description of the transaction	Amount (thousand €)
No data		N/A

D.5. State the amount of any transactions conducted with other related parties that have not been reported in the previous sections:

Name of related party	Brief description of the transaction	Amount thousand €)
ALENTIA BIOTECH S.L.	Laboratorios Farmacéuticos ROVI, S.A., as the lender, has two loan agreements with Alentia Biotech, S.L., as the borrower, for sums of fifty thousand (50,000) euros and one million fifty thousand (1,050,000) euros, respectively, each one with an interest rate of 2%, which accrued interest of twenty-two thousand (22,000) euros in 2020.	22

Name of related party	Brief description of the transaction	Amount thousand €)

Laboratorios Farmacéuticos ROVI, S.A. owns 50% of the company Alentia Biotech, S.L. and Mr Juan López-Belmonte López and Messrs Juan and Javier López-Belmonte Encina are members of its Board of Directors.

D.6. Describe the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

According to article 28 of the Regulations of the Board, directors must notify the Board of the existence of conflicts of interest relating both to the directors themselves and persons related to them. Persons related to a director are defined as follows: a) his or her spouse or person with whom the director has an analogous affective relationship; b) forebears, descendants and siblings of the director or the director's spouse; c) forebears, descendants and siblings of the director's spouse; and d) companies in which the director, him or herself, or through an intermediate person, is in one of the situations included in the first section of article 42 of the Code of Commerce. In the event of directors that are legal entity persons, related parties are defined as the following: a) shareholders who are, in respect of the director that is a legal person, in one of the situations included in the first section of article 42 of the Code of Commerce, b) the de facto o de jure administrators, the liquidators and the persons hold general powers of attorney from the director that is a legal person; c) the companies that form part of the same group and their shareholders; d) the persons who, in respect of the representative of the director that is a legal person, are considered persons related to a director.
The director must refrain from participating in the deliberations and voting on resolutions or decisions when he, or a related person, has a direct or indirect conflict of interest. Resolutions and decisions that affect the director in his capacity as such, like his appointment to positions on the governing body or others with analogous implications or the revocation of such appointments, are excluded from the aforementioned obligation. Likewise, directors must adopt the necessary measures to avoid situations in which their interests, either on their own behalf or on behalf of others, may enter into conflict with the corporate interests and their duties to the Company. In particular, the duty to avoid conflicts of interest obliges the director to refrain from: (a) performing transactions with the Company, except in the case of ordinary transactions, carried out under standard conditions for customers and of little importance, defined as those on which information is not necessary in order to express a true and fair view of the Company's equity, financial situation and results. In the case of transactions in the ordinary course of business that are habitual or recurring, a generic authorisation from the Board of Directors of the transaction and the conditions under which it is performed will suffice; (b) using the Company's name or referring to their status as a director to unduly influence the execution of private transactions; (c) making use of corporate assets, including the Company's confidential information, for private purposes; (d) taking advantage of the Company's business opportunities; (e) obtaining benefit or remuneration from third parties other than the Company associated to the performance of his or her position; (f) carrying on activities on the director's own behalf or on behalf of a third party that entail effective competition, whether it be real or potential, with the Company or that, in some other way, places the director in permanent conflict with the Company's interests. The Company may excuse the director in exceptional cases by authorising a director or a person related thereto to perform a determined transaction with the Company, use certain corporate assets, take advantage of a specific business opportunity or obtain benefit or remuneration from a third party.
The General Shareholders' Meeting must necessarily, in an express separate resolution, grant the authorisation to which the preceding paragraph refers when it is intended to excuse obtaining benefit or remuneration from a third party or affects a transaction for a value in excess of ten percent of the corporate assets. In the other cases, the authorisation may also be granted by the Board of Directors, provided that the independence of the members granting the authorisation in respect of the director receiving it is sufficiently guaranteed. Additionally, it will be necessary, in the latter of the cases mentioned, to ensure that the transaction authorised does not harm the Company's equity or, where applicable, is performed under market conditions, as well as the transparency of the process.
A director may only be excused from the non-compete obligation in the event that no harm can be expected for the Company or that any harm expected will be offset by the benefit it is expected to obtain from the authorisation. The authorisation will be granted in an express, separate resolution of the General Meeting.

D.7. State whether the company is controlled, pursuant to the meaning established in Article 42 of the Commercial Code, by another listed or non-listed entity, and has, directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them.

[√] Yes
[ ] No

State whether detailed information has been made public regarding the respective lines of business and the business relations between the listed company and its subsidiaries, on the one hand, and the parent company and its subsidiaries, on the other:

[√] Yes
[ ] No

Report on the respective lines of business and the business relations between the listed company and its subsidiaries, on the one hand, and the parent company and its subsidiaries, on the other, and state where this information has been made public
Norbel Inversiones, S.L., which owns 63.107% of the Company's capital, is participated by Mr Juan López-Belmonte López and his sons, Messrs Juan, Javier and Iván López-Belmonte Encina. There were no business relations between ROVI and NORBEL in 2020 with the exception of the related-party transaction referred to in part D.2 above and dividend payments. All business relations between ROVI and its group companies with the majority shareholder (and subsidiaries) have been published in the Annual Corporate Governance Reports in recent years. Regarding business sectors, because Norbel Inversiones is a family business dedicated to investments, its activities are not in conflict with those of ROVI and its affiliates.

Identify the mechanisms in place to resolve conflicts of interest between the other controlling company of the listed company and the rest of the group companies:

Mechanisms in place to resolve conflicts of interest
The mechanisms in place to resolve possible conflicts of interest between Norbel Inversiones or ROVI and group companies are described in section D.6 above.

E. RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

ROVI considers Risk Control and Management as an instrument that helps attain greater efficiency and efficacy in its operations. Therefore, though its Risk Control and Management Policy, the latest version of which was approved by the Board of Directors in December 2020, it has put in place the basic mechanisms and principles for proper management of the key risks it encounters. Through this Policy, the Company fixes the risk level. it deems acceptable, identifies the different types of financial and non-financial risks, including tax compliance risks, as well as the measures in place to mitigate the impact thereof should they materialise. Additionally, the Policy identifies the information and internal control systems that will be used to control and manage the aforementioned risks.

The Company's Risk Management System operates integrally and continuously, consolidating said management by area or business unit or activity, subsidiaries, geographical areas and support areas (human resources, financial-tax, marketing, management control, etc.) at corporate level. ROVI's risk management model is based on three lines of defence:

- The first line of defence is formed by the Group's different operating areas, which, in the course of their daily operations, must identify, classify, assess and monitor the risks, in accordance with the level of risk accepted by ROVI.

- The second line of defence is formed by the risk control and management function. This function is responsible for implementing the risk control and management system, collaborating in initially establishing it, and helping to improve it once it has been implemented, monitoring its operation and coordinating its development.

- The third line of defence is Internal Audit, which supervises the internal control and risk management systems by auditing both the first and second lines of defence.

Additionally, in the tax area, the Company's firm commitment to contribute to the economic and social development of the different markets in which it operates has materialised in the Board's determination of a Tax Strategy, the latest version of which was approved by the board in November 2020, the goal of which is to ensure that the Company's compliance with its tax obligations is conducted through ethical and responsible practices and which places special emphasis on the efficient operation of the tax risk control and management systems.

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.

According to article 5.3 of the latest version of the Regulations of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A. approved in December 2020, the plenary session of the Board of Directors is competent to approve the Risk Control and Management Policy for financial and non-financial risks, including tax compliance risks, as well as the periodic monitoring of the internal reporting and control systems. In accordance with article 13.2 of said Regulations, the functions of the Audit Committee include the supervision of the Risk Control and Management Policy that affect the attainment of corporate goals. To this end, the same article states that the Audit Committee will periodically review and supervise the internal risk control and management systems, including tax compliance risks, and the efficacy thereof, so that the main risks are identified, managed and made known appropriately. In particular, article 13.2 of the Regulations of the Board of Directors states that the Audit Committee will exercise the following functions in relation to the risk policy and management:

- Identify the different types of financial and non-financial risks (operational, technological, legal, social, environmental, political and reputational, including those related to corruption, among others) to which the Company is exposed. For financial and economic risks, this includes contingent liabilities and other off-balance sheet risks.

- Establish a risk control and management model based on different levels.
- Identify the level of risk that the Company considers acceptable.
- Identify the measures in place to mitigate the impact of the risks identified should they materialise.
- Identify the reporting and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities and other off-balance sheet risks.

The Audit Committee performs these functions through management, which identifies, classifies, evaluates and monitors the risks, taking account of the acceptable risk level categories fixed by the Audit Committee, and applies the measures that are in place to mitigate the impact thereof should they materialise.

The Internal Audit Department assumes the function of implementing a Risk Control and Management System, helping to improve it once it has been implemented, monitoring its operation and coordinating its development. Likewise, it reports to the Audit Committee at each of its meetings on the proper functioning of the System and/or, when appropriate, any risks that have materialised.

In relation to tax compliance risks, the Financial Department is directly responsible for controlling the effective implementation of the basic aspects of the Tax Strategy determined by the Board of Directors and establishing and applying measures to ensure that the tax compliance risk is assessed appropriately in the Company's decision-making process. Given the complexity of tax issues and the continual changes in the tax legislation, the Company and its group always enjoy the collaboration of external advisors who are experts on the subject, with the possibility of forming multidisciplinary teams if a specific transaction so requires, in order to ensure that their taxes are filed properly and appropriate decisions are made on tax issues.

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

The primary risk factors to which the Group considers itself to be exposed in relation to achieving its business goals 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 successfully or in the expected manner the Research and Development projects that ROVI is executing.
- Changes in the prescription criteria or changes in the legislation regulating the market aimed to contain pharmaceutical spending (price control, reference prices, support for generic products, co-payment, purchase platforms).
- Concentration of business in certain geographical areas.
- Actions on the part of the competition that have an adverse impact on ROVI's sales.
- Risk of cyberattacks.
- Tax risk inherent to the activity of companies of the size and complexity of the Group.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.

As part of the risk management process, the Audit Committee has established, for each one of the key risks identified, both the appetite for risk (the level of risk that ROVI is ready to accept to attain its strategic goals) and the tolerance (degree of change in appetite it will accept to attain its goals).

ROVI's risk tolerance level is low, which means that ROVI is not willing to tolerate risk in order to attain its goals and objectives and would only be willing to do so if the probabilities were remote or the impact, in the event of the risk materialising, were minor. Tolerance is updated periodically and whenever there is any change in the Group's strategy.

ROVI evaluates the level of identified corporate risks on a regular basis using the risk assessment scales for the variables of probability of occurrence and consequences approved annually by the Audit Committee in the process of updating the Company's risk map.

The Group then assesses whether the existing risk level exceeds the risk level it is willing to accept to attain the strategic goals, defining response plans as deemed necessary.

E.5. State which risks, including tax compliance risks, have materialised during the year:

The main risks that materialised during the year were as follows:

(i) Changes in the general economic situation due to the global pandemic caused by COVID-19.

The public health crisis caused by COVID-19 had a negative impact on the global economy in 2020. Despite this, its impact on ROVI was limited to: (i) reduced sales of certain products, mainly contrast agents and other hospital products used for diagnostic tests, which declined in 2020; (ii) an increase in costs related primarily to the protection of ROVI employees (personal protective equipment, cleaning supplies and disinfectant, etc.) and the adaptation of IT systems and equipment to facilitate remote work; and (iii) reduced commercial costs due to the reduction in commercial activity because of the restrictions on medical visits.

The slowdown in consumption or the adoption of measures by governments to contain pharmaceutical spending may have an impact on the pharmaceutical industry as a whole in the future.

(ii) Changes in the conditions under which raw materials and other packaging materials needed for manufacturing its products are supplied.

The principal raw material for manufacture of our two low-molecular-weight heparins (bemiparin and the enoxaparin biosimilar) is sodium heparin, which is obtained from pig mucosa. Therefore, any disease that affects pigs may have an effect on the global heparin market by affecting either the supply or the prices.

Since the end of 2018, there has been an outbreak of swine fever in China, the main producer of pork and pork derivatives worldwide which was declared to be "under control" by Chinese authorities in July 2019. This has already affected prices, which had been increasing but started to stabilise in the second half of 2020.

(iii) Actions by competitors that have had a negative impact on ROVI's turnover.

Because of the highly competitive nature of the pharmaceutical market, ROVI's turnover in 2020 was negatively impacted as a result of the launch of hybrid and generic products by competitors, which in turn led to a reduction in the price of certain ROVI products.

The Company has applied the supervision and control systems and response plans described in section E.6 to the risks mentioned in this section and considers that they have operated correctly to foresee and detect the occurrence of risks and minimise their impact.

E.6. Explain the response and monitoring plans for all major risks of the company, including tax compliance risks, as well as the procedures followed by the company in order to ensure that the board of directors respond to any new challenges that arise.

ROVI permanently monitors and is alert to any risks that might have an adverse effect on its business activities, applying the appropriate mechanisms to manage them and continually developing contingency plans able to reduce 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 its products; (ii) continues to pursue its goal of constantly opening up new markets through its international expansion project; (iii) continues to enhance is processes and controls, including those related to the internationalisation process; (iv) is working intensively to maintain broad and diversified portfolios of products and customers; (v) perseveres each year with an internal savings plan, which has focused mainly on improving the efficiency of its internal and external operating processes; (vi) the Group performs strict credit control and carries out effective cash management, which ensures that sufficient working capital is generated and maintained to permit day-to-day transactions to be performed; (vii) the Group has an exhaustive tax compliance risk control system and external advisors who review the preparation and filing of the various taxes, as well as the tax decisions made by the Group; and (viii) the Group has intensified its efforts to mitigate the risk of cyberattacks by raising the awareness of staff and conducting cybersecurity reviews.

F. INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATED TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms comprising the System of Internal Control over Financial Reporting (ICFR) of your company.

F.1. Control environment

Report on at least the following, describing their principal features:

F.1.1 The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

ROVI's System for Internal Control over Financial Reporting (hereinafter, "ICFR") has the goal of obtaining reasonable certainty as to the reliability of the financial reporting. The bodies responsible for it are:

- The Board of Directors: this is the body responsible for the existence and continuity of adequate and effective ICFR in accordance with the version of the Regulations of the Board of Directors approved on 3 December 2020.

- Senior Management performs the functions of implementing and designing the ICFR.

- The Audit Committee is the body responsible for overseeing ICFR, as stated in the company's Bylaws, the Regulations of the Board of Directors and the latest version of the Regulations of Audit Committee approved by the Board of Directors on 3 December 2020. This Regulation assigns the following responsibilities to the Audit Committee, among others:

o To oversee and evaluate the process of preparing and presenting the financial reporting of the company and, where applicable, the Group, and ensure it is complete, reviewing compliance with legal requirements, the accurate demarcation of the consolidated group and the proper application of accounting principles, and to put forward recommendations or proposals to the Board of Directors aimed to safeguard the integrity of the financial reporting.

o To receive, respond to and take account of, appropriately and adequately, any requirements that the public supervisor of the financial reporting may have sent in the present or previous years, ensuring that the same type of incidents previously identified in such requirements are not repeated in the financial statements.

o To discuss any significant internal control weaknesses detected in the course of the audit with the statutory auditors, where appropriate, without jeopardising their independence. In this respect, where appropriate, recommendations and proposals may be submitted to the Board of Directors, together with the relevant period for following them up.

o To regularly review and oversee the internal control and risk management systems and the efficacy thereof, in order for the main risks to be identified, managed and made known appropriately.

o To review the clarity and integrity of all the financial reporting and related non-financial reporting that the entity makes public, such as the financial statements, management reports, risk management and control reports and corporate governance reports, evaluating in which cases the statutory auditors should be involved in reviewing any of the reports in addition to the financial statements.

F.1.2 State whether the following are present, especially if they relate to the creation of financial information:

· Departments and/or mechanisms in charge of: (i) the design and review of corporate structure; (ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the entity:

- (i) Design and review of corporate structure;

The design and review of the organisational structure are carried out by the Human Resources Department with the involvement of the management of the relevant department. There are specific organisation charts for each financial area, which are sufficiently detailed and establish the lines of responsibility and authority.

(ii) clear definition of lines of responsibility and authority with an adequate distribution of tasks and functions;

Tasks and responsibilities in the preparation and supervision of financial reporting are defined for each position. The lines of authority and responsibility are described in the organisation charts for each department and are defined by Management. Likewise, the procedures related to the preparation of financial reporting set out the responsibilities of the different areas of the Company.

and (iii) assurance that adequate procedures exist for proper communication throughout the entity, especially in relation to the process of preparing the financial reporting.

The procedures concerning preparation of the financial reporting are communicated to those responsible for the financial function.

- Code of conduct, the body approving this, degree of dissemination and instruction, including principles and values, (state if there is specific mention of transaction recording and creation of financial information), a body charged with analysing breaches and proposing corrective actions and sanctions:

ROVI has a Code of Conduct (the "Code of Ethics"), the latest version of which was approved by the Board of Directors on 19 February, 2018, which is the basis of the ethics principles of the Company and its Group. This Code is applicable to all employees, to whom it has been communicated, and has the fundamental objective of providing a framework of guidelines and recommendations that transmit the good practices of ROVI's employees in their day-to-day work to its stakeholders (employees, shareholders, suppliers, customers, patients, professionals, public authorities and society in general), while, at the same time, it provides guidance for making everyday decisions. ROVI considers this Code of Ethics to be an opportunity to put the values that identify it as a company into practice, such as mutual respect, the quest for innovation, team work, efficiency, or the competitiveness that always results from scientific excellence.

The Code of Ethics is formally signed by all workers when they join the workforce of any ROVI Group company.

ROVI's Code of Ethics includes a specific section on financial integrity and protection of its assets, whereby it undertakes to apply the highest standards of ethics and transparency in its communications, information records and reports concerning its products and activities. This entails the obligation that, when preparing the accounting for the financial statements, books, records and accounts, ROVI will meet legal requirements and will properly apply current accounting principles, in order to provide an accurate picture of its business activities and the Group's financial situation.

Additionally, ROVI has an Anti-Bribery and Anti-Corruption Policy, the latest version of which was approved by the Board of Directors on 10 September 2020, which develops one of the principles of the Code of Ethics, which is to reject any practice that includes bribery or corruption. The Anti-Bribery and Anti-Corruption Policy, also applicable to all ROVI's employees, states that detailed books, records and accounts that accurately show the group's assets and transactions must be kept and that an appropriate system of internal control over financing reporting must be in place. No accounts outside these books are permitted, since such practices may facilitate or conceal undue payments. The document is available to employees in the internal mobile application and on other internal ROVI websites.

The body responsible for compliance with the Code of Ethics is the Compliance Function, to which this duty is assigned in the "Regulatory Compliance Function Charter, approved by the Audit Committee of 25 July, 2017. The Compliance Function is composed of a Compliance Committee (a permanent internal collegial body that reports directly to the Audit Committee and is considered an advisory body to said Committee on compliance matters) and the Compliance Department (area responsible for conducting day-to-day compliance coordination activities, providing support to the Compliance Committee and reporting to it on the relevant matters).

In 2020, personnel from ROVI's subsidiaries received training in the Code of Ethics, imparted by the Compliance area. Said training had two main goals: the first, to reinforce the idea that all the employees and members of governing bodies of ROVI are subject to the Code and that it is binding on them, and the second, to provide training on all the action principles contained in the Code of Ethics, with their possible applications and interpretations.

Additionally, the Compliance Committee approved the "Code of Ethics for Suppliers" on 7 November, 2017. The main objective of this Code is to ensure that ROVI's suppliers and other components of the value chain respect not only current legislation, but also the values of the ROVI's corporate governance system, the principles set out in its Corporate Social Responsibility Policy and other internal rules of ROVI. Implementation of the use of this Code is currently under development by some of the departments involved in supplier management. As part of this work, the general contracting conditions of the ROVI Group, and the rest of the contracts when the negotiations so permit, include the obligation to comply with the contents of the Code of Ethics for Suppliers.

ROVI has a "Regulations of the Ethics Channel for Employees and Suppliers", the latest update of which was approved by the Audit Committee on 7 May, 2019. They establish that the management body of ROVI's ethics channels is the Ethics Channel Management Committee, which is likewise responsible for ensuring that all reports submitted through the channel receive attention and are managed appropriately, in full and confidentially. Said body is responsible for analysing cases of non-compliance and proposing corrective actions. Possible sanctions derived from non-compliance are the responsibility of the Human Resources Department.

Additionally, ROVI has an Internal Regulations on Conduct in the Securities Markets, the latest version of which was approved by the Board of Directors on 7 May, 2019. The purpose of these Regulations is to adjust the actions of the company, its governing bodies and other persons subject to the rules on conduct to securities market-related legislation.

· Whistleblower channel, that allows notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, reporting, as the case may be, if this is of a confidential nature:

ROVI has a reporting channel (the "Ethics Channel") available to its employees, suppliers, business partners, agents and external collaborators, the purpose of which is to ensure smooth and efficient communication with the bodies responsible for ensuring compliance, ethics and transparency within the organisation.

This channel is intended to allow any financial, contractual, legal or ethical irregularities to be notified and to raise any queries that may arise on the interpretation of ROVI's Code of Ethics, the Code of Ethics for Suppliers or, in general, the different policies and procedures approved by the Group.

The Ethics Channel is regulated in the "Regulations of the Ethics Channel for Employees and Suppliers", which states that all ROVI Group employees and the suppliers subject to the Code of Ethics for Suppliers are obliged to notify:

- Any breaches of legislation of which they are aware, including failure to comply with rules that ROVI has decided to apply voluntarily, such as, for example, the Code of Good Practice for the Pharmaceutical Industry.
- Any conduct that may constitute an offence or a breach of the Group's Crime Prevention Model.
- Any conduct that may be classified as unethical or contrary to ROVI's Code of Ethics or the Code of Ethics for Suppliers.
- Any financial, accounting or other irregularities that may potentially have a material effect on the functioning and operation of the Group companies.
- Any breaches of internal policies or procedures of which they become aware.

Reports may be sent:
- By ordinary post, to the address provided in the "Regulations of the Ethics Channel for Employees and Suppliers".
- By e-mail, to the address provided for this purpose in the "Regulations of the Ethics Channel for Employees and Suppliers".
- By telephone.
- Through ROVI's internal mobile application.

All these methods of sending a report guarantee the confidentiality of the reports by restricting access to the telephone, the postal address where they are received and the e-mail (where the reports sent through the mobile application are also received) to only the recipients authorised in the "Regulations of the Ethics Channel for Employees and Suppliers".

· Training and periodic refresher programmes for staff involved in the preparation and revision of financial information, as well as assessment of the ICFR (Internal Control System for Financial Information), that covers at least accounting rules, audits, internal control and risk management.

The Company has a very stable workforce among the employees who participate in preparing the financial reporting, who have the knowledge necessary to perform the duties assigned to them. If any changes take place in the applicable legislation or the duties assigned to employees involved in these activities, specific training programmes are conducted in coordination with the Human Resources Department.

Additionally, the Company enjoys the assistance of external advisors who provide support to the personnel belonging to the financial function on questions concerning new tax, legal and accounting developments. There is regular contact with these advisors.

F.2. Assessment of financial information risks.

Report on at least the following:

F.2.1 The main characteristics of the risk identification process, including error and fraud risk, as regards:

· Whether the process exists and is documented:

The Company has a risk identification system, which includes risks of error or fraud in the financial information. Details are given in a "Risk Control and Management Policy", the latest version of which was approved by the Board of Directors in December 2020.

For each of the areas with a material financial impact, depending on its quantitative or qualitative importance, the relevant processes and sub-processes have been identified and the risks that could give rise to errors in the financial information or fraud in the transactions have likewise been identified, as have the control activities that mitigate these risks.

· If the process covers all of the objectives of financial information, (existence and occurrence; completeness; valuation; delivery; breakdown and comparability; and rights and obligations), whether it is updated and with what frequency:

For each one of the material processes identified, the risks that could generate errors in the financial information have been identified, covering the objectives of existence and occurrence, integrity, valuation, delivery, breakdown and comparability, and rights and obligations. The processes identified and documented are reviewed and updated annually in the event that there have been changes in the management of said processes or in the applicable legislation that thus requires.

· The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex company structures, shell companies, or special purpose entities:

The Company's perimeter of consolidation is reviewed and updated on a monthly basis by the area responsible for consolidation, with the pertinent quarterly supervision by the Audit Committee, which is the body responsible for reviewing the accurate demarcation of the perimeter of consolidation and the proper application of accounting principles.

There are no complex structures and, since there are few changes in the perimeter, any change is mentioned in the annual and half-yearly financial information issued by the Company.

· If the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements:

The process takes into account the effect of other types of risk, such as operational, technological, legal, reputational, environmental risks, etc., that may have a material effect on the financial information. In the event that any of these risks could affect the financial information, the Company identifies how it should proceed to mitigate said effect.
These risks are managed and assessed as set out in the Risk Management and Control Policy. This Policy identifies four types of risk:
- Strategic: those that affect high-level objectives, directly related to ROVI's strategic plan.
- Operational: those that affect objectives related to the efficiency and efficacy of the operations, including performance- and profitability-related targets.
- Reporting: those that affect the reliability of the information provided (including the financial information) both internally and externally.
- Compliance: those that affect objectives relating to compliance with the applicable laws and rules (including those concerning accounting, auditing, internal control and risk management).

· The governing body within the company that supervises the process:

The most important risks, whether they be financial or of any other nature, are notified to the Audit Committee to be subsequently reported to the Board of Directors. The Audit Committee is the body responsible for supervising the Risk Management and Control Policy, including tax compliance risks, for risks that affect attainment of the corporate objectives. Furthermore, the Audit Committee has the task of periodically supervising the internal control and risk management systems and the efficacy thereof, in order for the main risks to be identified, managed and made known appropriately.

F.3. Control activities

Report on whether the company has at least the following, describing their main characteristics

F.3.1 Review and authorisation procedures for financial information published by the stock markets and a description of the ICFR, indicating those responsible, as well as documentation describing the flow of activity and controls (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including financial closing procedures and the specific review of judgements, estimates, valuations and relevant forecasts.

ROVI conducts regular reviews of the financial information it prepares based on different levels:

- At each reporting date, the departments involved in closing the accounts and the corporate accounting department review the financial information prepared, carrying out the relevant checks to ensure the reliability of the records.
- Once the consolidation process is completed, the Financial Department conducts a review of the financial information, identifying any possible deviations.
- If the financial information is to be made public in compliance with stock market regulations:

1. The Audit Committee reviews the financial information. Before reviewing it, the Committee is informed of at least:

o The correctness of the perimeter of consolidation.
o Judgements, criteria, valuations and estimates made that have a material impact on the related financial and non-financial statements.
o Changes in the significant criteria applied.
o Alternative Performance Measures (“APM”) taken into account.
o Significant internal control weaknesses.
o Where applicable, significant adjustments used by the statutory auditor or resulting from reviews conducted by internal audit and the management’s position on these adjustments.
o Where applicable, requirements sent by the public supervisor of the financial information.
o Other relevant information.

2. The Board of Directors approves the financial information to be published.

The description of the ICFR system is reviewed by both the Financial Department and Internal Audit and the aforementioned governing bodies as part of the regular information that ROVI sends to the markets.

ROVI has descriptions of the activity flows of the main processes that affect the financial information, including the procedure for closing the accounts and preparing reports, which specifies the process of reviewing material judgements, estimates and projections. For each one of these procedures, the most significant controls and the transactions that could have a material effect on the financial statements have been identified. The documentation on each one of these processes is updated in cases where changes in the legislation or the processes make it necessary. This documentation is composed of:

- Details of the structure/company to which it applies.
- Descriptions of the sub-processes associated to each process.
- Flow charts of the principal sub-processes.
- Details of the material risks to the financial information.
  Description of controls (key and non-key) that mitigate the probability of occurrence of the risks identified for each one of them, details are given of: type of control, level of automation, supporting evidence, and person or body responsible

F.3.2 Internal IT control policies and procedures (access security, change controls, their operation, operational continuity, and segregation of duties, among others) which support relevant processes within the company and relate to the creation and publication of financial information.

ROVI's Corporate Information and Communication Technologies (ICT) Department is responsible for promoting and supporting the establishment of technical, organisational and control measures that ensure that integrity, availability, reliability and confidentiality of the information.

The Risk Manager of the Information Security Management System (ISMS-Risk Manager) is responsible for supervising the effective and efficient management of risks and incidents in respect of the security of confidential information and for promoting plans and policies to safeguard it.

Access to the information systems is managed on a centralised basis for all the offices, both in Spain and internationally. Protocols have been put in place to guarantee that ROVI users only access the data and programmes that they are allowed to access in accordance with their position or function, preventing unauthorised access. This access, defined on the basis of roles and profiles that define the functionalities to which a user should have access, takes place through a user name and password, which are personal and untransferable, for both systems (operating systems and shared folders) and databases and applications. Likewise, ROVI has systems that alert of any malicious or suspicious use of the information (DLP), likewise detaining possible attacks using malicious software, such as the well-known "Cryptolocker". Additionally, our Active Directory is monitored to alert of any conduct suspected of being an attack, such as stealing passwords, lateral movements, manipulation of certifications, application of permissions, abuse of privileges, etc.

As an additional security measure, all Company servers now have a virtual patching system. Specific Firewall rules ae applied daily to each one of the systems, in order to block any attacks that take advantage of security breaches that have not yet been patched through the monthly Operating System updates that are applied to them.

The segregation of functions is determined in the systems in accordance with the distribution of roles and profiles mentioned above. The Internal Audit function analyses the systems annually to ensure that no duties that are incompatible with the segregation of functions are carried out by the same user.

The general security policy does not allow software to be installed, deinstalled or modified in equipment without specific permissions, preventing non-administrator users from making substantial changes to the client equipment without the authorisation of an ICT administrator. Users are also prohibited from using external storage devices unless approved and inventoried by the IT Department.

At ROVI, a methodology for managing changes has been established on the basis of the Good Manufacturing Practice standards ("GMP standards"), which establish the precautions and validations necessary to limit risk in this process. This methodology is obligatory for any change made to the Company's ICT systems.

There is an internal 24-hour "Help Desk" service, which end users may contact if they encounter any incident with their workstation or system.

The Company has a Data Processing Centre (DPC) located in the Madrid Region, operated and managed by an external provider. It has all the measures for secure access to and availability of the service. Only authorised personnel may access these facilities and all accesses are recorded. Monitoring of all the systems and data links has been established to ensure their proper functioning and response. The operation and management of the DPC and the ROVI systems it houses are audited annually in accordance with the standard ISAE3402 on a satisfactory basis.

ROVI's communications and systems are protected by network elements such as firewalls, at various levels, and antiviruses, to reinforce internally the control against threats such as viruses or other types of malicious software.

Most of the systems have high local availability and there are redundant servers and data cabinets in the DPC itself, allowing availability to be ensured in the event of incidents.

Additionally, a back-up copy of the data and systems is made regularly and kept in a safe place in different locations. At least once a year, the system and data retrieval procedure is executed in relation to the financial information, thus verifying its reliability and proper operation.

ROVI has its ERP (SAP) virtualised, which furnishes greater tolerance in the event of disasters, maintaining a mirrored system in a DPC located elsewhere, at a different geographic location to the principal DPC, which would come into operation in the event of a major disaster.

F.3.3 Internal control policies and procedures intended to guide the management of subcontracted activities and those of third parties, as well as those aspects of assessment, calculation or evaluation entrusted to independent experts, which may materially affect financial statements.

At present, the only outsourced operation with a material effect on the financial information is the process of preparing the payroll. The payroll management process is monitored by the Human Resources Department. The supervisory activities are shown in the documentation describing the Company's flows and activities.

F.4. Information and communication

State whether the company has at least the following, describing their main characteristics:

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining a free flow of information to those responsible for operations in the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

In the Company's Financial Department, specifically in the accounting area, there is a specific function responsible for defining the accounting policies and keeping them updated, as well as solving any doubts or conflicts arising from the interpretation thereof.

The Company has an accounting policy manual that includes the main accounting criteria to be taken into account when preparing the financial information. Said manual is updated by ROVI's Financial Department periodically. The latest update took place in December 2017 and a revision process is currently underway to include the applicable new accounting principles.

F.4.2 Measures for capturing and preparing financial information with consistent formats for application and use by all of the units of the entity or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

All the companies that form part of the Group use SAP as the only system for capturing and preparing financial information. Data are uploaded to the application homogeneously for all the subsidiaries included in the perimeter of consolidation.

Moreover, since it is a group of companies with a highly centralised financial function, the key activities conducted in preparing the financial information are performed by the same team of employees for all the Group companies, which ensures the consistency of the information.

In relation to ICFR, the person responsible for preparing this information contacts the departments involved to obtain the documentation (financial and non-financial) necessary for proper compliance with the legal requirements in relation thereto.

F.5. Supervision of system performance

Describe at least the following:

F.5.1 The activities of the audit committee in overseeing ICFR as well as whether there is an internal audit function that has among its mandates support of the committee and the task of supervising the internal control system, including ICFR.
Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The Audit Committee met monthly to review the regular financial reporting sent to the National Securities Market Commission. It supervised the process of preparing both the individual and consolidated quarterly and half-yearly financial information and the integrity thereof. Specifically, the Committee reviewed, before it was sent, compliance with regulatory requirements, the accurate demarcation of the perimeter of consolidation and the proper application of accounting criteria in the regular information, within the periods established by law in this respect.

The Audit Committee was regularly informed by Internal Audit of ICFR-related activities. In this respect, Internal Audit drew up the annual internal audit work plan for 2020, which was examined and approved by the Audit Committee and contained, among other things, the work to be carried out in 2020 in relation to ICFR. The Audit Committee received the Annual Audit Report for 2020, which described, among other items, the status of execution of Internal Audit's work on the ICFR and informed of the results, stating, where applicable, the aspects that might materially affect the financial reporting.

Lastly, in order to avoid the individual and consolidated accounts approved by the Board of Directors being submitted to the General Meeting with qualifications in the Audit Report, the Audit Committee carried out the following tasks, among others, before they were approved: it reviewed the annual accounts, monitored compliance with legal requirements and the correct application of generally-accepted accounting principles, received information on the financial reporting process and the Company's internal control systems, and checked their suitability and integrity.

The Audit Committee reported favourably to the Board of Directors before the annual accounts were approved.

The Company has an internal audit function that provides support to the Audit Committee in supervising the internal control over financial reporting.

The Internal Audit function, under the supervision of the Audit Committee, ensures that the information and internal control systems operate properly. The Internal Audit function is regulated in an "Internal Audit Charter", the latest version of which was approved by the Board of Directors on the recommendation of the Audit Committee in December 2020. The head of Internal Audit submits the annual work plan to the Audit Committee, likewise informing the Committee directly of any incidents that arise in executing the plan and submitting an activity report to the Committee at the end of each year.

In 2020, as part of its Annual Work Plan, Internal Audit reviewed the efficacy of the design and implementation of the key controls of the processes with a material effect on ROVI's financial statements. Specifically, the design of the controls was assessed and proper operation thereof in the following processes was verified:
- Fixed assets
- Sales
- Purchasing
- Payroll
- Taxes
- Year-end close

The corrective measures identified with a material effect on the financial reporting were included in the Annual Internal Audit Report submitted to the Audit Committee at the year-end.

In 2021, audits to supervise the proper operation of the key ICFR processes will continue.

F.5.2 If there is a procedure by which the account auditor (in accordance with the contents of the Normas Técnicas de Auditoría (NTA) - "Auditing Standards"), internal auditor and other experts may communicate with senior management and the audit committee or senior managers of the company regarding significant weakness in internal control identified during the review of the annual accounts or any others they have been assigned. Additionally, state whether an action plan is available for correcting or mitigating any weaknesses found.

The Audit Committee has a stable and constant relationship with the statutory auditors. In its Annual Work Plan, the Audit Committee fixes the minimum annual meetings that it will hold with the statutory auditors, in such a way as ensure smooth communication and receive information on any significant internal control weaknesses detected.

In this respect, in 2020 the Audit Committee met with the statutory auditor three times, when it obtained information on both the planning of the work and the results and findings thereof (including significant control weaknesses). Before the annual accounts for the year were approved, the statutory auditor also met with the plenary session of the Board of Directors to report on the work executed.

Likewise, the Audit Committee holds regular meetings with ROVI's Internal Audit which, on a quarterly basis, reports on, among other aspects, any significant internal control weaknesses that may have been identified.

Apart from the scheduled meetings, in the event that any material weakness is detected, both the statutory auditors and Internal Audit are able to notify the Audit Committee immediately.

For all significant internal control weaknesses that are observed, action plans to mitigate or eliminate them are designed.

F.6. Other relevant information

There is no relevant information other than that included in the preceding sections.

F.7. External auditor's report

Report from:

F.7.1 If the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

The information on the internal control over financial reporting systems included in the Annual Corporate Governance Report was submitted to a review by an external auditor, a copy of which is attached hereto.

G. EXTENT OF COMPLIANCE WITH GOOD GOVERNANCE RECOMMENDATIONS

Specify the company's level of compliance with recommendations from the Unified Code of Good Governance.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company´s actions. General explanations are not acceptable.

1. That the bylaws of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

   Complies [X]   Explanation [ ]

2. When the listed company is controlled, pursuant to the meaning established in Article 42 of the Commercial Code, by another listed or non-listed entity, and has, directly or through its subsidiaries, business relationships with such entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them, this is reported publicly, with specific information about:

   a) The respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.

   b) The mechanisms in place to resolve any conflicts of interest that may arise.

   Complies [ ]   Complies partially [ ]   Explanation [ ]   Not applicable [X]

3. That, during the course of the ordinary general shareholders' meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the board of directors makes a detailed oral report to the shareholders regarding the most material aspects of corporate governance of the company, and in particular:

   a) Changes that have occurred since the last general shareholders' meeting.

   b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

   Complies [X]   Complies partially [ ]   Explanation [ ]

4. The company should define and promote a policy for communication and contact with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisors, that complies in full with the rules on market abuse and gives equal treatment to shareholders who are in the same position. The company should make said policy public through its website, including information regarding the way in which it has been implemented and the parties involved or those responsible for its implementation.

   Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders.

Complies [X] Complies partially [ ] Explanation [ ]

5. That the board of directors should not propose to the general shareholders' meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

And that whenever the board of directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies [ ] Complies partially [X] Explanation [ ]

ROVI's General Shareholders' Meeting held on 12 June, 2019 passed a resolution to delegate the power to increase the share capital to the Board of Directors, without previously consulting the General Meeting, on one or more occasions and at any time, for a term of five years as of the date the Meeting was held, by the maximum amount permitted by law, i.e. a maximum nominal amount of 1,682,068.95 euros, which is equal to half the share capital at the time the authorisation was granted, expressly authorising the Board of exclude, totally or partially, preferential subscription rights in the terms of article 506 of the Corporate Enterprises Act.

6. That listed companies which draft reports listed below, whether under a legal obligation or voluntarily, publish them on their web page with sufficient time before the general shareholders' meeting, even when their publication is not mandatory:

a) Report regarding the auditor's independence.

b) Reports regarding the workings of the audit committee and the appointments and remuneration committee.

c) Report by the audit committee regarding related-party transactions.

Complies [X] Complies partially [ ] Explanation [ ]

7. That the company reports in real time, through its web page, the proceedings of the general shareholders' meetings.

The company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large-cap companies and, to the extent that it is proportionate, attendance and active participation in the general shareholders' meeting.

Complies [X] Complies partially [ ] Explanation [ ]

8. The audit committee should strive to ensure that the financial statements that the board of directors presents to the general shareholders' meeting are drawn up in accordance to accounting legislation. And in those cases where the auditor includes any qualification in its report, the chairman of the audit committee should give a clear explanation at the general meeting of the opinion of the audit committee regarding the scope and content, making a summary of that opinion available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the board.

Complies [X] Complies partially [ ] Explanation [ ]

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the general shareholders' meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies [X]   Complies partially [ ]   Explanation [ ]

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the general shareholders' meeting, the company:

a) Immediately distributes the additions and new proposals.

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the board of directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the board of directors including, particularly, assumptions or default positions regarding votes for or against.

d) That after the general shareholders' meeting, a breakdown of the results of said additions or alternative proposals is communicated.

Complies [ ]   Complies partially [ ]   Explanation [ ]   Not applicable [X]

11. That, in the event the company intends to pay for attendance at the general shareholders' meeting, it establishes in advance a general policy of long-term effect regarding such payments.

Complies [X]   Complies partially [ ]   Explanation [ ]   Not applicable [ ]

12. That the board of directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's corporate interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies [X]   Complies partially [ ]   Explanation [ ]

13. That the board of directors is of an adequate size to perform its duties effectively and collegially, and that its optimum size is between five and fifteen members.

Complies [X]   Explanation [ ]

14. The board of directors should approve a policy aimed at promoting an appropriate composition of the board that:

a) is concrete and verifiable;

b) ensures that appointment or re-election proposals are based on a prior analysis of the competences required by the board; and

c) favours diversity of knowledge, experience, age and gender. Therefore, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.

The results of the prior analysis of competences required by the board should be written up in the nomination committee's explanatory report, to be published when the general shareholders' meeting is convened that will ratify the appointment and re-election of each director.

The nomination committee should run an annual check on compliance with this policy and set out its findings in the annual corporate governance report.

Complies [X]   Complies partially [ ]   Explanation [ ]

15. That proprietary and independent directors constitute a substantial majority of the board of directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that.

Complies [ ]   Complies partially [X]   Explanation [ ]

The Company complies with the recommendation to the extent that the number of directors is the minimum necessary, taking the percentage interest held by the executive directors in the Company's capital into account. Likewise, the external directors (four members, three of whom are independent, while one is proprietary) hold the majority of the Board (7 members).

16. That the percentage of proprietary directors divided by the number of non- executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

a) In companies with a high market capitalisation in which interests that are legally considered significant are minimal.

b) In companies where a diversity of shareholders is represented on the board of directors without ties among them.

Complies [X]   Explanation [ ]

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a high cap company with one shareholder or a group acting in a coordinated fashion who together control more than 30% of the company's equity, the number of independent directors represents at least one third of the total number of directors.

Complies [X]   Explanation [ ]

18. That companies publish and update the following information regarding directors on the company website:

a) Professional profile and biography.

b) Any other boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of individuals who represent significant shareholders, the shareholder that they represent or to which they are connected.

d) The date of their first appointment as a director of the company's board of directors, and any subsequent re-election.

e) The shares and options they own.

Complies [X]   Complies partially [ ]   Explanation [ ]

19. That the annual corporate governance report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies [ ]   Complies partially [ ]   Explanation [ ]   Not applicable [X]

20. That proprietary directors representing significant shareholders must resign from the board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

21. That the board of directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the bylaws unless the board of directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public share offer, joint venture or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies [X] Explanation [ ]

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, related or not to their actions within the company, and tendering their resignation as the case may be, and, in particular, to inform the board of directors of any criminal charges brought against them and the progress of any trial.

When the board is informed or becomes aware of any of the situations mentioned in the previous paragraph, the board of directors should examine the case as soon as possible and, attending to the particular circumstances, decide, based on a report from the nomination and remuneration committee, whether or not to adopt any measures such as opening of an internal investigation, calling on the director to resign or proposing his or her dismissal. The board should give a reasoned account of all such determinations in the annual corporate governance report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, at the time it adopts the corresponding measures.

Complies [X] Complies partially [ ] Explanation [ ]

23. That all directors clearly express their opposition when they consider any proposal submitted to the board of Directors to be against the company's interests. this particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the board of directors.

Furthermore, when the board of directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the board of directors, despite not being a director.

Complies [ ]   Complies partially [ ]   Explanation [ ]   Not applicable [X]

24. Directors who give up their position before their tenure expires, through resignation or resolution of the general meeting, should state the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for the general meeting resolution, in a letter to be sent to all members of the board of directors.

This should all be reported in the annual corporate governance report, and if it is relevant for investors, the company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons or circumstances provided by the director.

Complies [ ]   Complies partially[ ]   Explanation [ ] Not applicable [X]

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the board rules establish the maximum number of company boards on which directors may sit.

Complies [X]   Complies partially [ ]   Explanation [ ]

26. That the board of directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies [X]   Complies partially [ ]   Explanation [ ]

27. That director absences only occur when absolutely necessary and are quantified in the annual corporate governance report. and when absences occur, that the director appoints a proxy with instructions.

Complies [X]   Complies partially [ ]   Explanation [ ]

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the board of directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Complies partially [ ] Explanation [ ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies [X] Explanation [ ] Not applicable [ ]

31. That the agenda for meetings clearly states those matters about which the board of directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the board of directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies [X] Complies partially [ ] Explanation [ ]

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies partially [ ] Explanation [ ]

33. That the chairman, as the person responsible for the efficient workings of the board of directors, in addition to carrying out his duties required by law and the bylaws, should prepare and submit to the board of directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the board as well as, if applicable, the chief executive of the company, should be responsible for leading the board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies [X] Complies partially [ ] Explanation [ ]

34. That when there is a coordinating director, the bylaws or the board rules should confer upon him the following competencies in addition to those conferred by law: chairman of the board of directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non- executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

35. That the secretary of the board of directors should pay special attention to ensure that the activities and decisions of the board of directors take into account the recommendations regarding good governance contained in this code of good governance and which are applicable to the company.

Complies [X] Explanation [ ]

36. That the board of directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

a) The quality and efficiency of the board of directors' work.

b) The workings and composition of its committees.

c) Diversity of membership and competence of the board of directors.

d) Performance of the chairman of the board of directors and the chief executive officer of the company.

e) Performance and input of each director, paying special attention to those in charge of the various board committees.

In order to perform its evaluation of the various committees, the board of directors will take a report from the committees themselves as a starting point and for the evaluation of the board, a report from the appointments committee.

Every three years, the board of directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group shall be specified in the annual corporate governance report.

The process and the areas evaluated shall be described in the annual corporate governance report.

Complies [X] Complies partially [ ] Explanation [ ]

37. When there is an executive committee, there should be at least two nonexecutive members, at least one of whom should be independent; and its secretary should be the secretary of the board of directors.

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

38. That the board of directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the board of directors receive a copy of the minutes of meetings of the executive committee.

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

39. That all members of the audit committee, in particular its chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies [X] Complies partially [ ] Explanation [ ]

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the board or of the audit committee.

Complies [X] Complies partially [ ] Explanation [ ]

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, for approval by this committee or the board, inform it directly of any incidents or scope limitations arising during its implementation, the results and monitoring of its recommendations, and submit an activities report at the end of each year.

Complies [X] Complies partially[ ] Explanation [ ] Not applicable [ ]

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Monitor and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, where appropriate, to the group – including operating, technological, legal, social, environmental, political and reputational risks or those related to corruption – reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the board of the priorities and annual work programme of the internal audit unit, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational risk); receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting irregularities, or those of any other nature, related to the company, that they notice within the company or its group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.

d) In general, ensure that the internal control policies and systems established are applied effectively in practice.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examine the circumstances which caused said resignation.

b) Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Insist that the company file through the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensure that the external auditor holds an annual meeting with the board of directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

e) Ensure that the company and the external auditor comply with applicable rules regarding the rendering of services other than auditing, proportional limits on the auditor's billing, and all other rules regarding the auditor's independence.

Complies [X] Complies partially [ ] Explanation [ ]

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies [X] Complies partially [ ] Explanation [ ]

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the board of directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [ ] Complies partially [ ] Explanation [ ] Not applicable [X]

45. That the risk management and control policy identify or establish, as a minimum:

a) The various types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational and risks relating to corruption) which the company faces, including financial or economic risks, contingent liabilities and other off balance sheet risks.

b) A risk control and management model based on different levels, of which a specialised risk committee will form part when sector regulations provide or the company deems it appropriate.

c) The level of risk the company considers acceptable.

d) Means identified in order to minimise identified risks in the event they transpire.

e) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off balance sheet risks.

Complies [X] Complies partially [ ] Explanation [ ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the board of directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensure the proper functioning of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.

b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.

c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the board of directors.

Complies [X] Complies partially [ ] Explanation [ ]

47. That members of the appointment and remuneration committee – or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies [X] Complies partially [ ] Explanation [ ]

48. That high market capitalisation companies have formed separate appointments and remuneration committees.

Complies [ ] Explanation [ ] Not applicable [X]

49. That the appointments committee consult with the chairman of the board of directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the board of directors.

Complies [X] Complies partially [ ] Explanation [ ]

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Propose basic conditions of employment for senior management.

b) Verify compliance with company remuneration policy.

c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.

d) Oversee that potential conflicts of interest do not undermine the independence of external advice rendered to the board.

e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies [X] Complies partially [ ] Explanation [ ]

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies [X] Complies partially [ ] Explanation [ ]

52. That the rules regarding composition and workings of supervision and control committees appear in the rules governing the board of directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.

b) That their chairmen be independent directors.

c) That the board of directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the board of directors held after the committee's last meeting.

d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.

e) That their meetings be recorded and the minutes be made available to all directors.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

53. The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, a committee specialised in sustainability or corporate social responsibility, or a dedicated committee established by the board of directors under its powers of self-organisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions.

Complies [X] Complies partially [ ] Explanation [ ]

54. The minimum functions referred to in the previous recommendation are as follows:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.

b) Monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.

c) Periodically evaluate the effectiveness of the company's corporate governance system and environmental and social policy, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.

d) Ensure the company's environmental and social practices are in accordance with the established strategy and policy.

e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.

Complies [X]   Complies partially [ ]   Explanation [ ]

55. Environmental and social sustainability policies should identify and include at least:

a) The principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts.

b) The methods or systems for monitoring compliance with policies, associated risks and their management.

c) The mechanisms for supervising non-financial risk, including that related to ethical aspects and business conduct.

d) Communication channels, participation and dialogue with stakeholders.

e) Responsible communication practices that prevent the manipulation of data and protect integrity and honour.

Complies [X] Complies partially [ ] Explanation [ ]

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Complies [X] Complies partially [ ]

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged sell in order to meet the costs related to their acquisition.

Complies [X] Complies partially [ ] Explanation [ ]

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and are not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.

b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

59. The payment of the variable components of remuneration is subject to sufficient verification that previously established performance, or other, conditions have been effectively met. Entities should include in their annual directors' remuneration report the criteria relating to the time required and methods for such verification, depending on the nature and characteristics of each variable component.

Additionally, entities should consider establishing a reduction clause ('malus') based on deferral for a sufficient period of the payment of part of the variable components that implies total or partial loss of this remuneration in the event that prior to the time of payment an event occurs that makes this advisable.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

61. That a material portion of variable remuneration for executive directors is linked to the delivery of shares or instruments indexed to share value.

Complies [ ] Complies partially [X] Explanation [ ] Not applicable [ ]

The long-term variable remuneration of the Executive Directors provides for settlement, at the beneficiary's choice, in cash alone, in ROVI shares alone, or through a mixed system of 50% in cash and 50% in shares. Although it is true that the annual variable remuneration system does not provide for giving shares or financial instruments indexed to the share value, since the Executive Directors are likewise significant indirect shareholders in the Company through their shareholdings in Norbel Inversiones, S.L., their professional performance and the Company's interests are in alignment with each other.

62. Following the award of shares, options or financial instruments corresponding to the remuneration schemes, executive directors should not be able to transfer their ownership or exercise them until a period of at least three years has elapsed.

Except for the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director needs to dispose of to meet the costs related to their acquisition or, upon favourable assessment of the nomination and remuneration committee to address an extraordinary situation.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

64. That payments made for contract termination or extinction shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all criteria for payment or has met the predetermined performance criteria.

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual non-compete agreements.

Complies [X] Complies partially [ ] Explanation [ ] Not applicable [ ]

H. FURTHER INFORMATION OF INTEREST

1. If there is any aspect regarding corporate governance in the company or other companies in the group that have not been included in other sections of this report, but which are necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe them briefly below.

2. This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

   Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

3. The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other. In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July, 2010.

Section A.2- It is stated for the record that the information relative to the significant shareholder, T. ROWE PRICE ASSOCIATES, INC. and the entities that hold indirect stakes in ROVI matches the information on file in CNMV's official records.

Section A.2 - It is stated for the record that as of the date of this report, and according to the latest communication from the significant shareholder, Wellington Management Group LLP dated 3 February 2021, this shareholder indirectly controls 3.030% of the voting rights of ROVI, and possesses financial instruments representing 0.013% of ROVI's voting rights.

Section 3 – The Company has adhered to the Code of Good Practice for the Pharmaceutical Industry, the standard code of Farmaindustria for personal data protection in the field of clinical research and pharmacovigilance, and to the Code of Ethical Standards for the promotion and advertising of non-prescription medicines not financed by the National Health System and other healthcare products.

This annual corporate government report was approved by the Board of Directors of the Company at its meeting held on:

23/02/2021

State whether any directors voted against or abstained from voting on this report.

[ ] Yes
[√] No

Laboratorios Farmacéuticos Rovi, S.A.

Auditor's report referring to the “Information related to the Internal Control System over Financial Information (ICOFR)” of Laboratorios Farmacéuticos Rovi, S.A. corresponding to the 2020 financial year

(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

Auditor's report referring to the "Information related to the Internal Control System over Financial Information (ICOFR)" of Laboratorios Farmacéuticos Rovi, S.A. corresponding to the 2020 financial year

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

To the Directors of Laboratorios Farmacéuticos ROVI S.A.

As requested by the board of directors of Laboratorios Farmacéuticos ROVI, S.A. (the "Company") and in accordance with our proposal letter dated 12 January 2021, we have applied certain procedures to the "ICOFR disclosures" attached hereto in section F of the Annual Corporate Governance Report (ACGR) of Laboratorios Farmacéuticos ROVI, S.A. for 2020, which summarises the Company's internal control procedures for annual financial reporting.

The board of directors is responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and monitoring of an adequate system of internal control and developing improvements to that system, as well as defining the content of and preparing the ICOFR information attached hereto.

In this respect, it should be borne in mind that irrespective of the quality of the design and operation of the internal control system adopted by the Company in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Auditing Standards, our evaluation of the Company's internal control was solely aimed at enabling us to establish the scope, nature and timing of the audit procedures on the Company's annual accounts. Consequently, the scope of our evaluation of internal control, performed for the purposes of the audit of accounts, was not sufficient to enable us to issue a specific opinion on the effectiveness of this internal control over regulated annual financial reporting.

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

For the purposes of issuing this report, we have applied only the specific procedures described below and set out in the *Guidelines for preparing the auditor's report on the information on internal control over financial reporting of listed companies,* published on the website of the Spanish National Securities Market Commission (CNMV), which define the work to be performed, the minimum scope thereof and the content of this report. As the scope of the work resulting from these procedures is in any event limited and substantially less than that of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, nor on its design or operating effectiveness, with respect to the Company's annual financial reporting for 2020 described in the ICOFR information attached hereto. Consequently, had additional procedures been applied other than those established in the aforementioned Guidelines, or had an audit or a review been performed of the internal control system in relation to regulated annual financial reporting, other events or matters could have been identified, which would have been reported to you.

As this special work did not constitute an audit of accounts and is not subject to the legislation regulating the audit of accounts in Spain, we do not express an audit opinion under the terms provided in such legislation.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the Company regarding ICOFR – disclosures included in the directors' report – and an evaluation of whether this information meets all the reporting requirements, taking into account the minimum content described in section F, on the description of ICOFR, of the ACGR template provided in the Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013 and subsequent amendments, the most recent being CNMV Circular 1/2020 of 6 October 2020 (hereinafter "the CNMV Circulars").

2. Inquiries of the personnel responsible for drawing up the information detailed in point 1 above in order to: (i) gain an understanding of the preparation process; (ii) obtain information that allows us to assess whether the terminology used conforms to the definitions contained in the reference framework; (iii) obtain information on whether the control procedures described are in place and operational in the Company.

3. Review the explanatory documentation supporting the information detailed in point 1 above, which will mainly include documents made directly available to those responsible for preparing the ICOFR descriptive information. This documentation includes reports prepared by internal audit, senior management and other internal or external specialists supporting the audit committee.

4. Comparison of the information detailed in point 1 above with the understanding of the Company's ICOFR gained as a result of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes of the meetings of the board of directors, audit committee and other committees of the Company for the purposes of assessing the consistency of the matters discussed at these meetings in relation to ICOFR with the information detailed in point 1 above.

6. Obtaining a representation letter in connection with the work performed, signed by those responsible for preparing and approving the information detailed in point 1 above.

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

No inconsistencies or incidents that might affect ICOFR disclosures have come to light as a result of the procedures applied to those disclosures.

This report has been prepared exclusively within the context of the provisions of article 540 of the Revised Spanish Companies Act and the CNMV Circulars for the purposes of the description of ICOFR in annual corporate governance reports.

KPMG Auditores, S.L.

(Signed on original in Spanish)

José Ignacio Rodríguez Prado

Partner

23 February 2021

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

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 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