



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 2023)**

*(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 2023, 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 2023, 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 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.



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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.

Recognition of revenue from sales (Euros 575,661 thousand)

See notes 3.15 and 22.a to the annual accounts

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Sales revenue is obtained from a number of customers and products and through a large volume of transactions carried out during the year. The very low value of the transactions at unit level means that errors on an individual basis are insignificant. However, as they are difficult to detect and there is a large volume of transactions, they could ultimately give rise to material misstatements in the annual accounts.</p> <p>Due to the significance of the amount of sales revenue, the possibility of revenue being recognised in an incorrect period and the inherent risk of material misstatement, this has been considered a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">- We evaluated the design and implementation of the key controls associated with the process of recognising revenue from sales.- We performed a test using computer-assisted audit techniques enabling us to assess the existence and accuracy of a large volume of sales transactions during the year, individually matching the revenue to the orders and delivery notes.- We obtained external confirmation for a sample of outstanding invoices pending to collect and balance confirmation with Group companies, performing alternative procedures, where applicable, based on delivery notes or evidence of subsequent collection.- We also assessed whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

Other Information: Directors' Report

Other information solely comprises the 2023 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:



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- a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, 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 in the preceding paragraph, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2023, 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 the economic decisions of users taken on the basis of these annual accounts.

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



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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.



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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital file of Laboratorios Farmacéuticos Rovi, S.A. for 2023 in European Single Electronic Format (ESEF) comprising an XHTML file with the annual accounts for the aforementioned year, which will form part of the annual financial report.

The Directors of Laboratorios Farmacéuticos Rovi, S.A. are responsible for the presentation of the 2023 annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the directors' report.

Our responsibility consists of examining the digital file prepared by the Company's Directors, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the annual accounts included in the aforementioned digital file fully corresponds to the annual accounts we have audited, and whether the annual accounts have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

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 26 February 2024.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 14 June 2023 for a period of one year, from the year ended 31 December 2023.

Previously, we had been appointed for a period of one year, 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)

Begoña Pradera Goiri

On the Spanish Official Register of Auditors ("ROAC") with No. 22614

*This report corresponds
to stamp number
01/24/01553 issued by
the Spanish Institute of
Registered Auditors
(ICJCE)*

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Annual Accounts and Management Report
for the Annual Period ended 31 December 2023

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ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Financial Position at 31 December 2023 and 2022
(Thousand euros)

	Note	31 December	
		2023	2022
NON-CURRENT ASSETS		161,972	144,541
Intangible assets	5	27,248	30,371
Property, plant and equipment	6	47,071	48,285
Non-current assets in group and associated companies	8 & 9	84,982	63,230
Equity instruments		31,981	24,879
Credits to group companies	7 & 31	53,001	38,351
Non-current financial investments		1,436	1,416
Equity instruments	7 & 11	25	5
Other financial assets	7 & 10	1,411	1,411
Deferred tax assets	21	1,235	1,239
CURRENT ASSETS		302,406	341,100
Inventories	12	119,569	125,377
Trade and other receivables		119,411	94,159
Trade receivables, sales of goods and services	7 & 10	56,584	55,078
Trade receivables, group and associated companies	7 & 10	57,827	29,656
Sundry debtors	7 & 10	26	26
Employee benefit expenses		43	—
Current tax assets	23	—	3,917
Other credits with public authorities	23	4,931	5,482
Current investments in group and associated companies	7 & 10	48,842	53,090
Credits to companies		887	1
Other assets		47,955	53,089
Current accruals and prepayments		1,561	1,261
Cash and cash equivalents	7 & 13	13,023	67,213
TOTAL ASSETS		464,378	485,641

Notes 1 to 35 attached hereto are an integral part of these annual accounts.

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Financial Position at 2023 and 2022
(Thousand euros)

	Note	31 December	
		2023	2022
EQUITY		89,322	228,092
Equity		87,975	226,386
Capital	14	3,241	3,241
Share premium	14	87,636	87,636
Reserves	14	7,032	7,032
(Treasury shares)	15	(107,676)	(27,561)
Retained earnings	15	85,671	116,922
Profit for the year	15 16	12,071	39,116
Adjustments for changes in value		(20)	12
Financial assets at fair value through equity		—	(2)
Foreign exchange differences		(20)	14
Grants, donations and legacies received	17	1,367	1,694
NON-CURRENT LIABILITIES		143,899	131,945
Non-current debt		38,557	45,893
Bank borrowings	7 & 18	31,250	37,679
Other financial liabilities	7 & 18	7,307	8,214
Non-current debt with group and associated companies	7 & 18	99,800	80,000
Deferred tax assets	21	4,111	4,507
Non-current accruals	19	1,431	1,545
CURRENT LIABILITIES		231,157	125,604
Current provisions	20	8,235	5,148
Current debt		8,004	8,180
Bank borrowings	7 & 18	6,495	6,428
Financial derivatives	7 & 18	—	28
Other financial liabilities	7 & 18	1,509	1,724
Current debt with group and associated companies	7 & 18	2,216	385
Trade and other payables		212,378	111,597
Trade payables	7 & 18	34,460	55,915
Trade payables, group and associated companies	7 & 18	162,635	46,792
Sundry creditors	7 & 18	2,516	1,947
Employees (outstanding remuneration)	7 & 18	5,851	5,288
Current income tax liabilities	23	5,177	—
Other debt with public authorities	23	1,739	1,655
Current accruals	19	324	294
TOTAL EQUITY AND LIABILITIES		464,378	485,641

Notes 1 to 35 attached hereto are an integral part of these annual accounts.

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Income Statement for the annual periods ended 2023 and 2022
(Thousand euros)

	Note	Year ended 31 December	
		2023	2022
CONTINUING OPERATIONS			
Net sales		575,661	591,117
Sales of goods	22 a)	551,271	566,587
Sales of services		24,390	24,530
Change in inventories of finished products and work in progress	12	10,567	454
Procurements		(454,079)	(430,958)
Raw materials and consumables used	22 b)	(451,197)	(430,961)
Inventory write-down	12	(2,882)	3
Other operating income		10,284	9,809
Ancillary and current management income	22 c)	9,962	8,484
Operating grants recognised in profit and loss	22 d)	322	1,325
Employee benefit expenses	22 e)	(46,690)	(44,818)
Wages, salaries and similar remuneration		(38,001)	(36,702)
Welfare charges		(8,689)	(8,116)
Other operating expenses		(75,765)	(73,727)
External services	22 f)	(71,100)	(69,399)
Taxes		(4,866)	(4,280)
Losses, impairment and changes in trade provisions	22 g)	201	(48)
Amortisation and depreciation charges	5 & 6	(10,226)	(10,725)
Allocation of grants for non-financial assets and other	17	192	784
Impairment and gains/(losses) on disposal of intangible assets and other	6	(72)	15
Impairment and losses	5	—	(2)
Gains (losses) on sales and other		(72)	17
PROFIT / (LOSS) FROM OPERATING ACTIVITIES		9,872	41,951
Finance income		1,423	2,375
Finance expenses		(2,205)	(893)
Change in fair value of financial instruments		28	(11)
Foreign exchange differences		(104)	(570)
Impairment and gains/(losses) on disposal of financial instruments		1,097	1,828
FINANCE COSTS - NET	24	239	2,729
PROFIT BEFORE TAX		10,111	44,680
Income tax	23	1,960	(5,564)
PROFIT FOR THE YEAR	16	12,071	39,116

Notes 1 to 35 attached hereto are an integral part of these annual accounts.

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 Changes in Equity for the annual periods ended 31 December 2023 and 2022
(Thousand euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES (thousand euros)

	Note	Year ended 31 December	
		2023	2022
PROFIT FOR THE YEAR	16	12,071	39,116
Income and expenses credited or charged directly to equity		23	1,175
Foreign exchange differences		(35)	10
Grants, donations and legacies received	17	78	1,553
Tax effect	21	(20)	(388)
Transfers to profit and loss		(382)	(1,582)
Changes in financial instruments		3	—
Grants, donations and legacies received	17	(514)	(2,109)
Tax effect	21	129	527
TOTAL RECOGNISED INCOME AND EXPENSES		11,712	38,709

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ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Changes in Equity for the annual periods ended 31 December 2023 and 2022
(Thousand euros)

B) STATEMENT OF TOTAL CHANGES IN EQUITY (thousand 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)	Adjusted for changes in value	Grants, donations and legacies received (Note 17)	TOTAL
BALANCE, BEGINNING OF 2022	3,364	87,636	7,032	(66,121)	240,468	65,143	(2)	2,111	339,631
Total recognised income and expenses	—	—	—	—	—	39,116	10	(417)	38,709
– Distribution of profit for 2021	—	—	—	—	14,136	(14,136)	—	—	—
– Distribution of dividends	—	—	—	—	—	(51,007)	—	—	(51,007)
– Transactions with treasury shares	—	—	—	(96,448)	(2,794)	—	—	—	(99,242)
– Capital reduction	(123)	—	—	135,008	(134,885)	—	—	—	—
– Other movements	—	—	—	—	(3)	—	4	—	1
BALANCE AT END of 2022	3,241	87,636	7,032	(27,561)	116,922	39,116	12	1,694	228,092
Total recognised income and expenses	—	—	—	—	—	12,071	(32)	(327)	11,712
– Distribution of profit for 2022	—	—	—	—	(29,933)	29,933	—	—	—
– Distribution of dividends	—	—	—	—	—	(69,049)	—	—	(69,049)
– Transactions with treasury shares	—	—	—	(80,115)	(1,146)	—	—	—	(81,261)
– Other movements	—	—	—	—	(172)	—	—	—	(172)
BALANCE AT END OF 2023	3,241	87,636	7,032	(107,676)	85,671	12,071	(20)	1,367	89,322

Notes 1 to 35 attached hereto are an integral part of these annual accounts.

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 Cash Flows for the annual periods ended 31 December 2023 and 2022
(Thousand euros)

	Note	Year ended 31 December	
		2023	2022
Profit before income tax		10,111	44,680
Adjustments to profit		14,635	858
Changes in working capital		69,389	128,321
Other cash flows from operating activities		(39,931)	(42,715)
Cash flows generated (used) in operating activities	25	54,204	131,144
Payments of investments		(8,876)	(12,242)
Proceeds from disinvestments		58,631	2,152
Cash flows generated (used) in investing activities	26	49,755	(10,090)
Proceeds from and payments of financial liabilities		(7,839)	58,444
Dividend payments and remuneration of other equity instruments		(69,049)	(51,007)
Transactions with treasury shares		(81,261)	(99,242)
Cash flows generated (used) in financing activities	27	(158,149)	(91,805)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		(54,190)	29,249
Cash and cash equivalents at beginning of year	13	67,213	37,964
Cash and cash equivalents at end of year	13	13,023	67,213

Notes 1 to 35 attached hereto are an integral part of these annual accounts.

ANNUAL ACCOUNTS LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Notes to the Annual Accounts for the period 2023
(Thousand euros)

1. General information

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

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

The annual accounts for 2023 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 2023 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 26 February 2024, the consolidated annual accounts of Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries at 31 December 2023 were issued, showing a profit of 170,299 thousand euros and equity, including the net profit for the year, of 543,494 thousand euros (199,665 thousand euros and 521,379 thousand euros, respectively, at 31 December 2022).

As of 31 December 2023 and 2022, the company Norbel Inversiones, S.L. held 55.19% of the shares of Laboratorios Farmacéuticos Rovi, S.A (Note 14). Norbel Inversiones, S.L., with registered office at Calle Julián Camarillo, 35, Madrid, files consolidated annual accounts with the Madrid Companies Registry.

The Company's shares are listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and are included in the Spanish Stock Exchange Interconnection System (IBEX35).

These annual accounts were issued by the Board of Directors on 26 February 2024 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. When preparing them, the format and markup requirements of Delegated Regulation EU 2019/815 of the European Commission and Delegated Regulation EU 2022/352 of the European Commission were also followed.

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 judgements 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

b.1.1) Sales of goods

The Company has recognised the total sales of goods marketed in 2023 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.

ANNUAL ACCOUNTS LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Notes to the Annual Accounts for the period 2023 (Thousand euros)

b.1.2) Sales of services

The Company's principal sales of services are the provision of manufacturing services to third parties. In these services, control is deemed to be transferred to the customer and the service obligations are considered to have been fulfilled based on the percentage of completion of the work performed, in accordance with the defined milestones. In the event that the percentage of completion includes a determined acquisition of assets, the margin is not recognised until they are finally installed.

Occasionally, before providing the manufacturing service, ROVI carries out work to adapt, fit out and validate the facilities and machinery –which may be either its own or acquired or subcontracted from third parties– without which it would not be possible to provide the service under the conditions required by the customers. Revenue is calculated on the basis of the percentage of completion of the work performed. Additionally, if the percentage of completion includes a determined acquisition of assets, the margin is not recognised until they are finally installed.

Determining the percentage of completion of the service provision takes account of Management's best estimate regarding meeting the defined milestones and the costs incurred and yet to be incurred in relation to the work to be performed. Likewise, the Company must make a technical evaluation of whether the work to adapt, fit out and validate the facilities and machinery has been performed when determining the time at which they are ready for production.

b.2) Capitalisation of development expenses

ROVI 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 were 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 it is undertaking, ROVI considers that the requirements established in the rules on capitalisation of the associated development expenses have not yet been met.

b.3) Provisions for discounts, returns, commercial transactions, contributions to the public health system and others subject to a high degree of uncertainty

The provisions for returns, discounts, contributions to the public health system and other commercial transactions are recognised under "Current provisions" (Note 20). The provision is Management's best estimate based on both the Company's historical information related to product obsolescence, the regulatory framework and product cycles, and an assessment of the potential risks inherent to the activity.

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 breakdowns are included in the relevant Notes to the annual accounts.

d) Comparison of information

To permit a comparison, each of the figures presented in these annual accounts are shown together with the figures for the previous years.

In said comparative information, the following change has been made to the classification criteria used in the statement of financial position in order to enhance the presentation: the related-party balances for "Corporate income tax payable, group and associated companies" were previously included under the caption "Trade receivables, group and associated companies" in the statement of financial position. In the present annual accounts, they are included under the caption "Current investments in group and associated companies" in the statement of financial position for amounts of 47,955 thousand euros and 53,090 thousand euros, respectively.

In addition, the rest of the figures presented have been modified accordingly.

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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 cost incurred can be reliably determined, and
- Profits are likely to be generated.

The Company considers that, in the case of the development of pharmaceutical products, for new products developed under patent, the aforementioned requirements are met when the drugs have been approved for marketing by the health authorities and, for 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 has not yet been amortised is taken to profit and loss in the reporting period in which the change in circumstances takes place.

b) Licences and trademarks

Product licences and trademarks are shown at acquisition cost. Those that have a finite useful life 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 estimated 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 equipment and furniture – 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.

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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 of property, plant and equipment are calculated by comparing the proceeds with the carrying amount and are recognised in profit and loss.

3.3 Impairment losses on non-financial assets

Intangible assets that have an indefinite useful life or intangible assets that are not in conditions of use are not subject to amortisation and are tested annually for impairment.

Assets subject to amortisation/depreciation are reviewed for impairment considering various internal and external circumstances, including:

- Observable indications of a decline in market value.
- Assessment of any events that may have an adverse effect, both external (e.g. inflation or changes in the legal environment) or internal (e.g. restructuring plans or the asset is idle).
- Increase in the asset's market interest rates.
- Information on the asset's obsolescence or physical damage to the asset.
- Evidence from internal reports indicating that the asset's performance will be worse than expected.

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 cost to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash flows (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed at each reporting date 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:

- 1) Financial assets at amortised cost: financial assets at amortised cost 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. Financial assets held at amortised cost 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.

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 are also recognised in this category. If the Company were to sell other than an insignificant amount of these financial assets, the assets would be reclassified as financial assets at fair value through equity. These 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.

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.

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- 2) Financial assets at cost: this category includes investments in the equity of group and associated companies and investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument or cannot be reliably estimated. They are measured at cost less, if applicable, the cumulative amount of any impairment losses. Notwithstanding, when an investment exists 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 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 cost to sell 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.

- 3) Financial assets at fair value through equity: 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 financial assets at fair value through equity, 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 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.

- 4) Financial assets at fair value through profit and loss: these are assets with which the Company will operate in the short term. Basically, they include derivatives not designated as hedges. These assets are recognised, both initially and in subsequent measurements, at fair value, the resulting gains and losses being recognised in profit and loss.

b) Derecognition of financial assets

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

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

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

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

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 applicable, the type of hedge.

Fair value hedges

The changes in the fair values of the derivatives that 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 Cash and cash equivalents

This caption includes cash in hand, current bank accounts and temporary deposits and acquisitions of assets that meet all the following requirements: they can be converted into cash; their maturity does not exceed three months at the time of acquisition; they are not subject to a significant risk of change in value; and they form part of the Company's normal cash management policy.

3.7 Inventories

Inventories are measured at the lower of cost or net realisable value. The acquisition cost includes the amount invoiced by the seller after deduction of any discount or price reduction plus all additional expenses incurred until the goods are in place for sale, e.g. transport costs, customs duty or insurance. The net realisable value is defined as the amount that could be obtained by selling it on the market, deducting the applicable estimated costs to sell.

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). Since the group's inventories do not need a period of more than a year to be ready for sale, their cost does not include any finance costs.

The group uses the weighted average cost method to measure the value of the inventories.

Finally, when the net realisable value of inventories is lower than their acquisition price or production cost, the appropriate corrections are made to their value and taken to profit and loss as an expense.

3.8 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.

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The Company classifies a financial instrument acquired as a financial liability, in full or in part, when its real economic nature represents a direct or indirect contract obligation for the Company to deliver cash or another financial asset or to exchange financial assets or liabilities with another entity under potentially unfavourable conditions.

Contracts that impose an obligation on the Company to acquire its own equity instruments, in cash or by delivering a financial asset, are recognised in reserves as a financial liability at the present value of the amount to be paid. Transaction costs are likewise recognised as a decrease in reserves.

3.9 Financial liabilities

a) Financial liabilities at amortised cost

The Company classifies all liabilities in this category except when they must be measured at fair value through profit and loss. The category includes trade and non-trade debits. These debits are classified as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the reporting date.

These debits 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. The effective interest rate 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 contract 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 at fair value through profit and loss

Financial liabilities at fair value through profit and loss are those held for trading that the Company has irrevocably designated in this category and certain hybrid financial liabilities.

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.

3.10 Grants received

Grants are recognised at fair value when it is reasonably certain that the grant will be received and the Company meets all the conditions established for receiving it. Grants associated to reimbursable advances are recognised when the advances are granted.

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 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.

3.11 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 recognised directly in the equity is recognised in equity.

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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 profits will be available against which the temporary differences can be offset.

In 2022, the Company participated in four Economic Interest Groupings (EIGs) whose activity was research and development in the health sector. The Company allocated the negative tax bases and R&D&I tax credits generated by these EIGs against its interests in them, together with the related finance income for the difference with the debt recognised with the Public Treasury (Note 23).

3.12 Employee benefits

a) Pension commitments

The Company holds individual defined-contribution plans 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 the 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 the 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 back to present value.

c) Bonus obligations

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

3.13 Provisions and contingent liabilities

When issuing the annual accounts, the board of directors distinguishes between:

- Provisions: credit balances that cover present obligations as a result of past events, the settlement of which is likely to require an outflow of resources, although their amounts and/or times of settlement have not been determined.
- Contingent liabilities: possible obligations as a result of past events, the future materialisation of which depends on whether or not one or more future events take place irrespective of the Company's wishes.

The statement of financial position shows all the provisions for which it is considered more likely than not that settlement will be required. Contingent liabilities are not recognised in the accounts but are reported in the Notes.

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

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. No provisions are recognised for future operating losses.

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 out in the Notes (Note 28).

3.14 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 3.18).

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.

3.15 Revenue recognition

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

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) Sales 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 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). Invoices are due within a maximum period of 60 days. 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.

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b) Sales of services

The services provided by the Company consist of promoting third-party pharmaceutical products and providing manufacturing services.

In relation to the manufacturing services, the Company holds service agreements related to the performance of certain phases of the production process of pharmaceutical products for other entities. Revenue is recognised as the milestones stipulated in the contract accrue.

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

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 flows 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.

3.16 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.

3.17 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.

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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 financial assets at fair value through equity 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 financial assets at fair value through equity are included in equity.

3.18 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 liabilities form part the parent company of which is Spanish.

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

3.19 Contributions to the public health system

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

The tax calculated under Law 29/2006 is paid or settled with a time lag of approximately one year. Sales subject to the tax relate to certain Company products that are placed on the market by third parties through official National Health System prescriptions. This circumstance forces the Company to estimate the outstanding tax obligation and recognise it as a provision in its financial statements.

Similar estimates are applied in Italy, France and Portugal with their respective national health systems and the Company accounts for the provisions applying similar criteria. Calculating the provision in these territories follows the same principle and, therefore, the judgement likewise consists of estimating the sales subject to the different taxes, which are calculated in accordance with the actual sales indicators of the present and preceding periods.

To calculate the provision, the Group must estimate the sales placed on the market in the year through official prescriptions that are subject to Law 29/2006, to which it will apply the coefficients established in said law. To estimate the sales, the sales history comparing the Company's total sales with the National Health System sales considered will be taken as a basis and this corrective factor will be applied to the sales of said products in the period under consideration.

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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.

From 2017 onwards, the Spanish government and the members of Farmaindustria, to which ROVI belongs, signed different agreements whereby the members assumed a commitment to make certain contributions to the public health system. The Company recognised the amounts accrued for these commitments as a reduction in sales. No additional agreement has been signed since the last agreement ended in 2019

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 programme 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) Foreign exchange 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 2023, the Company did not hold any instruments of this type (3,000 million dollars at 31 December 2022) and, therefore, there was no impact on profit and loss (at 31 December 2022, the loss originating from measurement of these instruments was 28 thousand euros).

At 31 December 2023, the Company held assets of 710 thousand zlotys (831 thousand zlotys at 31 December 2022) . 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 15 thousand euros (16 thousand euros in 2022) and, if the exchange rate had been 10% lower, their value would have increased by 18 thousand euros (20 thousand euros in 2022).

(ii) Price risk

The Company is exposed to price risk on equity securities because of investments held by the Company and classified on the statement of financial position as held at fair value through equity 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 2023 and 2022, 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.

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Had interest rates on financial debt at variable rates been 1% higher or lower at 31 December 2023, with all other variables remaining constant, the gain/(loss) after taxes for the year would have decreased or increased by 39 thousand euros, respectively, owing to the difference in interest rates on loans at variable rates (46 thousand euros at 31 December 2022).

b) Credit risk

Credit risk is managed in groups. 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 2023, the greatest investment in financial assets, including cash and cash equivalents but not including trade receivables, was related to BBVA, 6,085 thousand euros (40,262 thousand euros with BNP Paribas at 31 December 2022). 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 regularly monitors the liquidity estimates of the Company in accordance with the expected cash flows, so that there is always enough cash and marketable securities to cover liquidity needs.

The following table analyses the Company's financial liabilities grouped by maturity date, based on the periods outstanding at the end of the reporting period through to the maturity dates stipulated in the contracts, including the corresponding interest. The amounts shown in the table relate to cash flows stipulated in the contracts, 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.

	Thousand euros			
	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years
At 31 December 2023				
Bank borrowings	6,647	13,178	18,583	—
Debt with government entities	1,509	3,259	3,179	1,308
Debt with group and associated companies	1,707	3,413	5,119	104,920
Trade and other payables	207,678	—	—	—
	217,541	19,850	26,881	106,228
	Thousand euros			
	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years
At 31 December 2022				
Bank borrowings	6,686	13,256	19,414	5,739
Debt with government entities	1,724	3,173	4,052	1,690
Debt with group and associated companies	1,368	2,736	4,104	85,472
Trade and other payables	110,327	—	—	—
	120,105	19,165	27,570	92,901

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4.2 Fair value estimation

The fair value of financial instruments traded in active markets (securities held at fair value through equity or profit and loss) 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 and trademarks	Computer applications	Total
Balance at 01.01.22				
Cost	9,094	44,075	7,509	60,678
Accumulated impairment	—	(492)	—	(492)
Accumulated amortisation	(2,125)	(17,503)	(6,742)	(26,370)
Carrying amount 01.01.22	6,969	26,080	767	33,816
Additions	—	—	447	447
Impairment	—	(2)	—	(2)
Amortisation charge	(455)	(2,950)	(485)	(3,890)
Balance at 31.12.22				
Cost	9,094	44,075	7,956	61,125
Accumulated impairment	—	(494)	—	(494)
Accumulated amortisation	(2,580)	(20,453)	(7,227)	(30,260)
Net carrying amount 31.12.22	6,514	23,128	729	30,371
Additions	—	—	485	485
Derecognition of amortisation	—	—	14	14
Amortisation charge	(455)	(2,876)	(291)	(3,622)
Balance at 31.12.23				
Cost	9,094	44,075	8,441	61,610
Accumulated impairment	—	(494)	—	(494)
Accumulated amortisation	(3,035)	(23,329)	(7,504)	(33,868)
Net carrying amount 31.12.23	6,059	20,252	937	27,248

a) Patents, licences and trademarks

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 2022, the Company had recognised impairment of 494 thousand euros. In 2023, this asset was fully amortised and no additional impairment losses were recognised in profit and loss (2 thousand euros at 31 December 2022).

b) Development

At 31 December 2023 and 2022, 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 either 2023 or 2022.

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Total research and development expenses incurred in 2023 were 23,521 thousand euros (23,869 thousand euros in 2022) 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 2023, 8,665 thousand euros was recognised under the "Employee benefit expenses" caption (Note 22.e) (9,242 thousand euros at 31 December 2022) and 14,856 thousand euros under "External services" (Note 22.f) (14,627 thousand euros in 2022).

c) Fully-amortised intangible assets

At 31 December 2023, there were fully-amortised intangible assets that were still in use with a carrying cost of 15,162 thousand euros (8,302 thousand euros at 31 December 2022).

d) Assets affected by guarantees and ownership restrictions

At 31 December 2023 and 2022, there were no significant intangible assets subject to ownership restrictions or pledged to guarantee liabilities.

e) Insurance

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

6. Property, plant and equipment

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

	Land and buildings	Technical facilities & other property, plant and equipment	Total
Balance at 01.01.22			
Cost	7,291	98,849	106,140
Accumulated depreciation	(1,688)	(52,056)	(53,744)
Net carrying amount 0.01.22	5,603	46,793	52,396
Additions	—	5,925	5,925
Retirements	(7)	(3,334)	(3,341)
Derecognition of depreciation		140	140
Depreciation charge	(136)	(6,699)	(6,835)
Balance at 31.12.22			
Cost	7,284	101,440	108,724
Accumulated depreciation	(1,824)	(58,615)	(60,439)
Net carrying amount 31.12.22	5,460	42,825	48,285
Additions	100	5,401	5,501
Retirements	—	(437)	(437)
Derecognition of depreciation	(7)	333	326
Depreciation charge	(137)	(6,467)	(6,604)
Balance at 31.12.23			
Cost	7,384	106,404	113,788
Accumulated depreciation	(1,968)	(64,749)	(66,717)
Net carrying amount 31.12.23	5,416	41,655	47,071

At 31 December 2023 and 2022, 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.

At 31 December 2023, there had been no additions or retirements with group companies. At 31 December 2022, there had been derecognitions with the company Rovi Escúzar, S.L.UI for a cost of 3,068 thousand euros and accumulated depreciation of 130 thousand euros (Note 31.c).

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a) Impairment losses

In 2023 and 2022, no significant impairment losses were either recognised or reversed in relation to any individual item of property, plant and equipment.

b) Property, plant and equipment acquisition commitments

At 31 December 2023 and 2022, the Company held commitments to acquire property plant and equipment of 230 and 158 thousand euros, respectively.

c) Fully-depreciated assets

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

	Thousand euros	
	2023	2022
Technical installations	9,845	3,160
Machinery	8,973	2,072
Tools	294	279
Furniture	362	343
Computer equipment	1,449	1,445
Transport fleet	24	24
Other property, plant and equipment	10,056	9,538
	31,003	16,861

d) Operating leases

The income statement includes operating lease expenses relating to the rental of vehicles and buildings for an amount of 3,319 thousand euros (2,753 thousand euros at 31 December 2022).

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 Autonomous Government) for an amount of 5,431 thousand euros (Note 17). This grant was collected in November 2008 and the part that has not yet been allocated to the income statement is recognised under the heading "Grants, donations and legacies received". This grant began to be allocated to the income statement in the second half of 2009, when depreciation of the assets for which it was granted commenced.

f) Insurance

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

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7. Analysis of financial instruments

7.1 Analysis by category

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

a) Financial assets

	Thousand euros			
	Equity instruments		Credits and other financial assets	
	2023	2022	2023	2022
Financial assets at fair value through equity (Note 11)	—	5	—	—
Financial assets at amortised cost (Nota 10)	25	—	54,412	39,762
Non-current	25	5	54,412	39,762
Financial assets at amortised cost (Note 10)	—	—	163,322	137,850
Cash and cash equivalents (Note 13)	—	—	13,023	67,213
Current	—	—	176,345	205,063
TOTAL	25	5	230,757	244,825

b) Financial liabilities

	Thousand euros			
	Bank borrowings		Financial liabilities	
	2023	2022	2023	2022
Financial liabilities at amortised cost (Note 18)	31,250	37,679	107,107	88,214
Non-current	31,250	37,679	107,107	88,214
Financial liabilities at amortised cost (Note 18)	6,495	6,428	209,187	112,051
Financial liabilities at fair value through P&L (Note 18)	—	—	—	28
Current	6,495	6,428	209,187	112,079
TOTAL	37,745	44,107	316,294	200,293

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7.2 Credit rating of financial assets

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

Cash and cash equivalents	Rating	Thousand euros	
		2023	2022
	A+	1,762	46,340
	A	6,085	15,426
	A-	140	249
	No rating	5,036	5,198
Total cash and cash equivalents (Note 13)		13,023	67,213

Other non-current financial assets	Rating	Miles de euros	
		2023	2022
	A+	1,392	1,393
	Other	19	18
Total other non-current financial assets (Nota 10)		1,411	1,411

At 31 December 2023, the Company held a cash and cash equivalents balance of 5,027 thousand euros that was not rated (5,193 at 31 December 2022). None of the assets classified as held at fair value through equity has received a financial rating. Note 10 "Financial assets at amortised cost" gives details of the credit quality of the balances receivable from public authorities.

8. Interests in group companies

In January, 2022, the company Glicopepton Biotech, S.L. was incorporated, with registered office at Calle Julián Camarillo 35, Madrid (Spain). This company is 51% held by Laboratorios Farmacéuticos Rovi, S.A.

The companies in which Laboratorios Farmacéuticos Rovi, S.A. held a significant shareholding at 31 December 2023 were:

Corporate name	Address	Activity	Shareholding		Voting rights	
			% Direct	% Indirect	% Direct	% Indirect
Pan Química Farmacéutica, S.A.U	Madrid, C/ Rufino González, 50	(1)	100%	-	100%	-
Gineladius, S.L.U	Madrid, C/ Rufino González, 50	(2)	100%	-	100%	-
Rovi Pharma Industrial Services, S.A.U.	Alcalá de Henares, Avenida Complutense, 140 (Madrid)	(1)	100%	-	100%	-
Bertex Pharma GmbH	Rudolf-Diesel-Ring 6, Holzkirchen (Germany)	(3)	100%	-	100%	-
Rovi Escúzar, S.L.U	Madrid, C/ Julián Camarillo, 35	(1)	100%	-	100%	-
Glicopepton Biotech, S.L.	C/ Julián Camarillo 35, Madrid (Spain)	(4)	51%	-	51%	-
Rovi Biotech GmbH	Bahnhofstrasse 10, 6300 Zug, (Switzerland)	(1)	100%	-	100%	-
Rovi Biotech Limited	Davis House 4th Floor, Suite 425 Robert Street, Croydon, (United Kingdom)	(1)	100%	-	100%	-
Rovi Biotech, S.r.l	Viale Achille Papa 30, Milan (Italy)	(1)	100%	-	100%	-
Rovi, GmbH	Rudolf-Diesel-Ring 6, Holzkirchen (Germany)	(1)	100%	-	100%	-
Rovi, S.A.S.	24 Rue du Drac, Seyssins (France)	(1)	100%	-	100%	-
Rovi Biotech sp.z.o.o.	Ulica Domaniewska 44, Warsaw (Poland)	(1)	100%	-	100%	-
Cells IA Technologies, S.L.	Madrid, C/Jose Ortega y Gasset 25 B	(5)	-	26%	-	50%

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- (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.
- (4) Manufacture and marketing of raw heparin and products with a high nutritional value for animal feed and fertilisers.
- (5) Information system maintenance activities, software design and development, and all the phases prior to the development thereof, particularly related to medical activity.

Unless otherwise stated, the end of the reporting period for the latest annual accounts was 31 December 2023.

At 31 December 2023 and 2022, none of the group companies in which the Company held at interest was listed on the stock exchange.

The amounts of the capital, reserves, profit or loss for the period and other relevant information, as shown in the individual annual accounts of the companies at 31 December 2023, are 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	1,727	232	2,560
Gineladius, S.L.	100%	293	30	359	(61)	328
Bertex Pharma GmbH (Nota 29.b)	100%	858	25	50	(12)	63
Rovi Pharma Industrial Services, S.A.U.	100%	7,370	7,816	304,641	151,163	463,620
Rovi Biotech, Limited	100%	6	6	(147)	131	(10)
Rovi Biotech, S.r.l.	100%	340	10	1,430	382	1,822
Rovi, GmbH	100%	1,575	25	2,689	668	3,382
Rovi S.A.S.	100%	1,510	5	141	152	298
Rovi Biotech sp.z.o.o.	100%	81	21	150	(90)	81
Glicopepton Biotech, S.L.	51%	4,318	10	8,448	(76)	8,382
Rovi Escúzar, S.L.	100%	13,590	30	12,677	(708)	11,999
Rovi Biotech, GmbH	100%	269	18	190	(7)	201
		31,981				

In 2023, the Company made shareholder contributions of 2,891 thousand euros to Glicopepton Biotech, S.L. A shareholder contribution was also made to Rovi Escúzar, S.L.U. by converting credits of 5,000 thousand euros.

In 2023, the Company tested the shares of the companies Bertex Pharma GmbH and Rovi Biotech sp.z.o.o. for impairment, giving rise to impairment of 378 thousand euros and 406 thousand euros, respectively, recognised under the caption "Impairment losses on shareholdings" in profit and loss. To estimate the impairment of these investments, the equity of the investee was considered and adjusted by any tacit capital gains that existed at the measurement date.

	31 December 2022	Impairment of shareholdings		31 December 2023
		Provisions	Reversals	
Bertex Pharma GmbH	1,236	(378)	—	858
Rovi Biotech sp.z.o.o.	487	(406)	—	81

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At 31 December 2022, the data 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	1,342	385	2,328
Gineladius, S.L.	100%	293	30	367	(8)	389
Bertex Pharma GmbH (Nota 29.b)	100%	1,236	25	51	(1)	75
Rovi Pharma Industrial Services, S.A.U.	100%	7,370	7,816	142,660	161,981	312,457
Rovi Biotech, Limited	100%	7	6	(37)	(110)	(141)
Rovi Biotech, S.r.l.	100%	340	10	998	432	1,440
Rovi, GmbH	100%	1,575	25	1,915	774	2,714
Rovi S.A.S.	100%	1,510	5	27	114	146
Rovi Biotech sp.z.o.o.	100%	487	21	279	(108)	192
Glicopepton Biotech, S.L.	51%	1,427	10	2,789	(9)	2,790
Rovi Escúzar, S.L.	100%	8,590	30	8,196	(519)	7,707
Rovi Biotech, GmbH	100%	270	18	236	(75)	179
		24,876				

In 2022, the Company paid a capital contribution, share premium and shareholder contribution into Glicopepton Biotech, S.L. for an amount of 1,427 thousand euros. Additionally, a shareholder contribution was made to Rovi Escúzar, S.L. during the year by converting credits of 8,000 euros.

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 2023 and 2022 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 in upcoming years and, therefore, the Company does not consider there to be any additional investments in group companies.

9. Interests in joint ventures

The nature of interests in joint ventures at 31 December 2023 and 2022 was as follows:

Name	Country of incorporation	% interest	Nature of relationship	Measurement method
Alentia Biotech, S.L. (1)	Spain	50%	a)	Equity
Enervit Nutrition, S.L. (2)	Spain	50%	b)	Equity

(1) Company dissolved in 2022

(2) Company sold in 2023

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, 2021 was 3 thousand euros. In March 2022, this company was dissolved and the group did not recognise any gain or loss on the transaction. At said date, ROVI held an interest in equity instruments of 3 thousand euros, a credit of 1,048 thousand euros, impaired in its entirety, and a trade receivable of 1 thousand euros in relation to Alentia.

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b) Enervit Nutrition, S.L.

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

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

In July 2018, Enervit S.p.A. exercised a call option it held on 1% of the shares of Enervit Nutrition, S.L. With this sale, ROVI's percentage interest in Enervit Nutrition, S.L. dropped from 51% to 50%.

On 6 November 2023, the shares the Company held in Enervit Nutrition, S.L. were sold. This led to the derecognition of 3 thousand euros in interests in joint ventures and a positive impact of 1,797 thousand euros on the profit for the year (Note 24).

Condensed financial information on joint ventures

The condensed financial information on Alentia Biotech, S.L. and Enervit Nutrition, S.L. as of 31 December 2023 and 2022 is as follows:

Condensed statement of financial position	31 December 2023		31 December 2022	
	Alentia Biotech, S.L.	Enervit Nutrition, S.L.	Alentia Biotech, S.L.	Enervit Nutrition, S.L.
Current				
Cash and cash equivalents	—	—	—	85
Other current assets (excluding cash)	—	—	—	2,517
Total current assets	—	—	—	2,602
Financial liabilities (excluding trade payables)	—	—	—	—
Other current liabilities (including trade payables)	—	—	—	(1,080)
Total current liabilities	—	—	—	(1,080)
Non-current				
Property, plant and equipment	—	—	—	1
Intangible assets	—	—	—	2,648
Other financial assets	—	—	—	—
Deferred tax assets	—	—	—	215
Total non-current assets	—	—	—	2,864
Financial liabilities	—	—	—	—
Other liabilities	—	—	—	—
Total non-current liabilities	—	—	—	—
NET ASSETS	—	—	—	4,386

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Notes to the Annual Accounts for the period 2023
(Thousand euros)

Condensed statement of comprehensive income	31 de diciembre de 2023		31 de diciembre de 2022	
	Alentia Biotech, S.L.	Enervit Nutrition, S.L.	Alentia Biotech, S.L.	Enervit Nutrition, S.L.
Revenue	—	5,727	—	7,377
Cost of sales	—	(4,777)	—	(6,027)
Employee benefit expenses	—	(351)	—	(401)
Other operating expenses	—	(448)	—	(542)
Amortisation and depreciation	—	(335)	—	(201)
Operating profit/(loss)	—	(184)	—	206
Finance costs - net	—	—	—	—
Income tax	—	—	—	192
Profit/(loss) for the period	—	(184)	—	398
Other comprehensive income	—	—	—	—
TOTAL COMPREHENSIVE INCOME	—	(184)	—	398
Dividends received from joint ventures	—	—	—	—

10. Financial assets at amortised cost

	Thousand euros	
	2023	2022
Non-current loans and receivables:		
– Deposits (a)	1,327	1,327
– Bank receivables (b)	65	65
– Credits to group companies	53,001	38,351
– Guarantee deposits	19	19
– Shares	25	—
	54,437	39,762
Current loans and receivables:		
– Trade receivables (c)	56,584	55,078
– Receivables from related parties (Note 31.i)	106,669	82,746
– Sundry debtors	26	26
	43	—
	163,322	137,850

a) Deposits

At 31 December 2023 and 2022, "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 value of financial assets at amortised cost does not differ significantly from their current value, 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.

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Notes to the Annual Accounts for the period 2023 (Thousand euros)

At 31 December 2023, the balance receivable for the social security authorities and government entities was 11,934 thousand euros (9,897 thousand euros at 31 December 2022), geographically distributed as follows:

	Rating 2023	Balance 2023	Rating 2022	Balance 2022
Portugal	BBB+	1,463	BBB+	1,225
Catalonia	BB	1,579	BB	952
Valencia	BB	2,317	BB	1,902
Madrid	A-	2,029	A-	1,731
Aragón	BBB+	926	BBB+	866
Basque Country	AA-	229	AA-	282
Andalusia	BBB+	1,312	BBB+	944
Canary Islands	A	150	A	212
Cantabria	BBB	269	BBB	556
Castilla La Mancha	BBB-	87	BBB-	90
Other	—	1,573	—	1,137
		11,934		9,897

At 31 December 2023, there were matured receivables amounting to 11,207 thousand euros (13,923 thousand euros at 31 December 2022), although they had suffered no impairment. Of both the 2023 and 2022 amounts, almost the entire debt aged over six months related to social security authorities or government entities.

The ageing analysis of matured balances is as follows:

	Thousand euros	
	2023	2022
Up to 3 months	12,071	14,221
From 3 to 6 months	(1,047)	(602)
From 6 months to 1 year	159	211
Over 1 year	24	93
	11,207	13,923

The total of the matured debt due from social security authorities and government entities at 31 December 2023 was 4,349 thousand euros, versus the 2,895 thousand euros that existed at 31 December 2022. This amount was geographically distributed as follows:

	Thousand euros	
	2023	2022
Spain	3,464	2,361
Portugal	885	534
	4,349	2,895

Matured receivables that had been impaired at 31 December 2023 were 244 thousand euros (417 thousand euros at 31 December 2022). The ageing of impaired receivables was as follows:

	Thousand euros	
	2023	2022
From 6 to 9 months	7	207
Over 9 months	237	210
	244	417

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(Thousand euros)

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

	Thousand euros	
	2023	2022
Balance at beginning of period	417	83
Net remeasurement of loss allowance	(201)	48
Derecognition due to non-recoverability	28	286
Balance at end of period	244	417

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. Financial assets at fair value through equity

Financial assets held at fair value through equity include:

	Thousand euros	
	2023	2022
Listed securities:		
– Investment funds and equity securities	—	5
	—	5

Movement on financial assets held at fair value through equity in 2023 and 2022 were as follows:

	Thousand euros	
	2023	2022
Balance at beginning of period	5	64
Derecognitions	(5)	(59)
Balance at end of period	—	5
Less: non-current portion	—	5

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

12. Inventories

	Thousand euros	
	2023	2022
Trade inventories	50,501	45,546
Raw materials and other consumables	25,949	47,279
Finished goods	37,921	16,528
Work in progress	5,198	16,024
	119,569	125,377

In 2023, adjustments for impairment increased by 2,882 thousand euros (written down by 3 thousand euros in 2022), the total amount of these adjustments being 10,547 thousand euros at 31 December 2023 (7,665 thousand euros at 31 December 2022).

Inventory 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.

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Notes to the Annual Accounts for the period 2023 (Thousand euros)

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

	Thousand euros	
	2023	2022
Cash at bank and in hand	13,023	22,788
Cash equivalents	—	44,425
	13,023	67,213

14. Share capital and share premium

a) Share capital

In 2023 and 2022, the number of shares, their face value and the share capital were as follows:

	No. shares	Face value (euros)	Total share capital (thousand euros)
Balance at 1 January 2022	56,068,965	0.06	3,364
Balance at 31 December 2022	54,016,157	0.06	3,241
Balance at 31 December 2023	54,016,157	0.06	3,241

All the shares issued are fully paid up.

In July 2022, Laboratorios Farmacéuticos Rovi, S.A. reduced its capital by cancelling treasury shares (Note 15), in accordance with the buy-back programmes approved by the Company in 2021 and 2022. The capital reduction totalled 123,168.48 euros (2,052,808 shares with a face value of 0.06 euros each). On the same date, the shares were delisted from the Securities Market Interconnection System (continuous market) and the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

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 was aware, according to the information in the official records of the National Securities Market Commission at 31 December 2023, were the following:

Shareholder	% direct	% indirect	TOTAL
Norbel Inversiones, S.L.	55,191	-	55,191
Indumenta Pueri, S.L.	-	5,057	5,057

These figures were as follows at 31 December 2022:

Shareholder	% direct	% indirect	TOTAL
Norbel Inversiones, S.L.	55,191	-	55,191
Indumenta Pueri, S.L.	-	5,057	5,057

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Notes to the Annual Accounts for the period 2023 (Thousand euros)

Norbel Inversiones, S.L. did not perform any transactions with Company shares during the year ended 31 December 2023, but it did carry out sale transactions with shares in the Company's capital in 2022. As a consequence, at 31 December 2022, Norbel Inversiones, S.L. held 55.19% of the shares in Laboratorios Farmacéuticos Rovi, S.A., versus the 60.17% it held at 31 December 2021. At 31 December 2023 and 2022, Norbel Inversiones, S.L. was owned by Messrs Juan, Iván and Javier López-Belmonte Encina (33% each). Therefore, at 31 December 2023, Messrs Juan, Iván and Javier López-Belmonte Encina each held an interest of 18.40% in the Company.

b) Share premium

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

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

15. Reserves and retained earnings

a) Reserves

	Thousand euros	
	2023	2022
Legal reserves and reserves required by the Bylaws:		
– Legal reserve	673	673
	<u>673</u>	<u>673</u>
Other reserves:		
– Non-distributable special reserve	5,036	5,036
– Voluntary reserves	472	472
– Revaluation reserve Royal Decree-Law 7/96	851	851
	<u>6,359</u>	<u>6,359</u>
	<u>7,032</u>	<u>7,032</u>

Legal Reserve

According to the Capital Companies Act, an amount equal to 10% of the profit for the year must be allocated to the legal reserve until at least 20% of the share capital is covered. The balance of the legal reserve may be used to increase the share capital provided that the portion of the balance used for this purpose does not exceed 10% of the capital after the increase. Except for this purpose, until it exceeds 20% of the share capital, this reserve may only be used to offset losses when insufficient other reserves are available for this purpose.

Special frozen 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.

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(Thousand euros)

Revaluation reserve Royal Decree-Law 7/996 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 2023 and 2022.

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).

Additionally, in 2023, adjustments were made to balances related to deferred tax assets and liabilities from previous years.

b) Retained earnings

In 2023, retained earnings were increased and/or reduced as follows:

- On 14 June 2023, the General Shareholders' Meeting of Laboratorios Rovi, S.A. passed a resolution to approve the proposal for application of the Company's profit for 2022 (39,116 thousand euros), allocating it to dividends in its entirety. Additionally, it resolved to allocate 30,770 thousand euros, charged to the freely-available reserves recognised under the "Retained earnings" caption, to dividends to be distributed among the shares entitled to receive them. The dividend on the treasury shares held by ROVI at the time of the distribution was 837 thousand euros.
- Adjustments were made to deferred taxes leading to a negative impact of 172 thousand euros on this caption.
- Sale of treasury shares in 2023 led to a loss of 1,146 thousand euros, recognised under the "Retained earnings" caption.

In 2022, retained earnings were increased and/or reduced as follows:

- On 14 June, 2022, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for distribution of the profit for 2021 (65,143 thousand euros), allocating 53,580 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 2,573 thousand euros.
- The sale of treasury shares in 2022 led to a loss of 2,794 thousand euros, which was recognised under the "Retained earnings" caption (Note 16.b).
- The share capital reduction (Note 14) through the cancellation of treasury shares (Note 15.c) had a negative impact of 134,885 thousand euros.

c) Treasury shares

At 31 December 2023, the number of treasury shares was 2,196,011 (644,114 at 31 December 2022). In 2023 and 2022 the following movements took place:

	2023	2022
Balance at beginning of period	644,114	1,218,776
Shares acquired under liquidity contract (c.1)	1,315,909	1,609,715
Shares sold under liquidity contract (c.2)	(1,312,404)	(1,598,794)
Shares acquired in buy-back programme (c.2)	1,548,392	1,467,225
Shares for capital reduction in buy-back programme (c.2)	—	(2,052,808)
Balance at end of period	2,196,011	644,114

c.1) Liquidity contract

Under the liquidity contract signed by ROVI, 1,315,909 shares were acquired (1,609,715 in 2022), for which a total sum of 52,813 thousand euros was paid (78,561 thousand euros in 2022). Likewise, a total of 1,312,404 shares were resold (1,598,794 in 2022) for a sum of 52,639 thousand euros (77,766 thousand euros in 2022). These shares had been acquired at a weighted average cost of 53,785 thousand euros (80,560 thousand euros in 2022), giving rise to a loss of 1,146 thousand euros on the sale (loss of 2,794 thousand euros in 2022), which was recognised in reserves.

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c.2) Share buy-back programme

ROVI informed the market (through publication of inside information No. 1926 of 26 July 2023) that, effective as of 26 July 2023, a buy-back programme had commenced with the following conditions:

- Purpose and scope: the cancellation of ROVI shares (capital reduction) while, at the same time, increasing ROVI's shareholder remuneration by increasing the earnings per share.
- Term: from 26 July 2023 for a twelve-month period.
- Maximum monetary amount: up to 130,000,000 euros, The maximum price per share could not exceed the amount provided for in article 3.2. of Delegated Regulation 20216/1052.
- Maximum number of shares to be acquired: 2,700,000 shares in the Company, representing approximately 5% of ROVI's share capital at 26 July 2023.
- Trading volume to be taken as a reference: the trading volume to be taken as a reference for the purposes of article 3.3 of Delegated Regulation 2016/1052 throughout the buy-back programme would be 25% of the average daily trading volume of the ROVI shares at the trading venue where the purchase was made during the twenty trading days prior to the date of purchase.

At 31 December 2023, ROVI had executed approximately 62.38% of the buy-back programme, having acquired a total of 1,548,392 shares for an amount of 81,087 thousand euros.

Effective 3 November 2021, ROVI commenced a buy-back programme for Company shares with the following main features:

- Purpose and scope: the cancellation of ROVI shares (capital reduction) while, at the same time, increasing ROVI's shareholder remuneration by increasing the earnings per share.
- Term: 12 months as of 3 November 2021, the publication date of the buy-back programme, or when either of the following two conditions was met. Additionally, ROVI reserved the right to end the programme before the term expired.
- Maximum monetary amount: up to 125,000,000 euros.
- Maximum number of shares to be acquired: 1,682,000 shares in the Company, representing approximately 3% of ROVI's share capital at the publication date of the buy-back programme.

Under this agreement, in 2022, 906,525 shares were acquired, for which ROVI paid a total of 59,873 thousand euros. This programme ended on 22 February 2022, a total of 1,492,108 shares having been acquired in 2021 and 2022 for a total amount of 96,434 thousand euros.

Effective 23 February 2022, ROVI commenced another share buy-back programme for Company shares, the main features of which were as follows:

- Purpose and scope: the cancellation of ROVI shares (capital reduction) while, at the same time, increasing ROVI's shareholder remuneration by increasing the earnings per share.
- Term: 6 months as of 23 February 2022, the publication date of the buy-back programme, or when either of the following two conditions was met. Additionally, ROVI reserved the right to end the programme before the term expired.
- Maximum monetary amount: up to 46,000,000 euros.
- Maximum number of shares to be acquired: 560,700 shares in the Company, representing approximately 1% of ROVI's share capital at the publication date of the buy-back programme.

Under this agreement, 560,000 shares were acquired in 2022, for which ROVI paid a total amount of 38,574 thousand euros. This programme ended on 29 March 2022.

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On 29 July 2022, the share capital reduction (Note 15) of 123 thousand euros through the cancellation of 2,052,808 ROVI shares was entered into the Companies Register. On the same date, the shares were delisted from the Stock Market Interconnection System and the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. The weighted average cost of the shares cancelled was 135,008 thousand euros and the difference of 134,885 thousand euros was recognised in retained earnings and voluntary reserves (Note 16 c).

d) Dividends

On 14 June, 2023, the General Shareholders' Meeting approved the distribution of the 2022 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 69,886 thousand euros (1.2938 euros gross per share). This dividend was paid out in July 2023.

On 14 June, 2022, the General Shareholders' Meeting approved the distribution of the 2021 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 53,580 thousand euros (0.9556 euros gross per share). This dividend was paid out in July 2022.

16. Profit for the period

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

	Thousand euros	
	2023	2022
<u>Basis of application</u>		
Profit for the year	12,071,013.68	39,116,103.39
Retained earnings	47,546,618.80	30,770,000.54
	59,617,632.48	69,886,103.93
<u>Application</u>		
Dividends	59,617,632.48	69,886,104.00
	59,617,632.48	69,886,104.00

17. Grants, donations and legacies received

The movements in this heading were as follows:

	Thousand euros	
	2023	2022
Beginning of year (net of tax)		
	1,694	2,111
Increases/decreases (net of tax)	59	1,165
Allocation to profit and loss (net of tax)	(386)	(1,582)
End of the year (net of tax)	1,367	1,694

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	Thousand euros	Purpose	Date awarded
(1) Andalusian Autonomous Govt.	1,154	Construction of Granada plant (Note 6.d)	2008
(2) Andalusian Autonomous Govt.	446	Construction bemiparin lines in Granada	2012 & 2014
Miscellaneous govt. entities	222	Miscellaneous projects	2001 onward
	1,822		

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- (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, 2023 was 1,154 thousand euros (1,449 thousand euros at 31 December 2022).
- (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, 2022 was taken to profit and loss in full. 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 2023 reporting date, showed a balance of 446 thousand euros (530 thousand euros at 31 December 2022).

18. Financial liabilities

	Thousand euros	
	2023	2022
Non-current financial liabilities at amortised cost		
– Bank borrowings (a)	31,250	37,679
– Debt with government entities (b)	7,307	8,214
– Non-current debt with group and associated companies (Note 31.i)	99,800	80,000
	138,357	125,893
Current financial liabilities at amortised cost		
– Bank borrowings (a)	6,495	6,428
– Debt with government entities (b)	1,509	1,724
– Current debt with group and associated companies (Note 31.i)	2,216	385
– Trade payables	34,336	55,824
– Trade payables, related parties (Note 31.i)	164,801	48,795
– Sundry creditors	2,516	1,947
– Employees	3,809	3,376
	215,682	118,479
Financial liabilities at fair cost through profit and loss		
– Financial derivatives	—	28
	—	28
	215,682	118,507
	354,039	244,400

Delay in payment 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 and Law 18/2022, are as follows:

	2023	2022
	Days	Days
Average payment period to suppliers	49	50
Ratio of transactions paid	51	52
Ratio of transactions outstanding	33	40
	2023	2022
Total payment made (thousand euros)	300,162	315,251
Total payment outstanding (thousand euros)	26,019	46,777

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	2023	2022
Invoices paid in less than 60 days (thousand euros)	221,283	216,909
No. of invoices paid in less than 60 days	13,481	10,559
% No. invoices paid in less than 60 days/Total No. invoices paid	74%	58%
% amount of invoices paid in less than 60 days/Total amount of invoices paid	73%	69%

In order to comply with the maximum periods stipulated in Law 15/2010, the Company has adapted its payment policy in such a way that, at 31 December 2023, the amount in euros of invoices maturing at less than 60 days was 93% of the total outstanding invoices. If the number of outstanding invoices is considered, the proportion is 94%.

Sundry creditors

This caption also includes amounts billed to manufacturing service customers for activities to adapt, fit out and validate the facilities and machinery –which may belong to ROVI or be acquired or subcontracted from third parties– that, at the reporting date, had not yet been taken to profit and loss as revenue from services provided, since they had not yet accrued in accordance with the percentage of completion. The total amount was 37 thousand euros (1,183 thousand euros at 31 December 2022).

Fair value of non-current debt

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

	Thousand euros			
	Carrying amount		Fair value	
	2023	2022	2023	2022
Bank borrowings	31,250	37,679	26,877	36,677
Debt with government entities	7,307	8,214	6,873	7,561
Debt with group and associated companies	99,800	80,000	72,517	74,587
	138,357	125,893	106,267	118,825

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 based on the market rate of the financial debt.

To calculate the fair value of fixed-rate non-current bank borrowings and the debt with group and associated companies at the 2023 and 2022 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.

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(Thousand euros)

a) Bank borrowings

Bank borrowings at 31 December 2023 comprised the following bank loans:

2023

Entity	a)	b)	TOTAL
	BEI	BEI	
Face value	5,000	40,000	
Interest rate	Eur3+0.844%	0.681% Fixed	
2023	754	5,741	6,495
2024	714	5,714	6,428
2025	714	5,714	6,428
2026	714	5,714	6,428
2027	537	5,714	6,251
2028 onward	—	5,715	5,715
	3,433	34,312	37,745
Non-current	2,679	28,571	31,250
Current	754	5,741	6,495

At 31 December 2022, bank loans matured as follows:

2022

Entity	a)	b)	TOTAL
	BEI	BEI	
Face value	5,000	40,000	
Interest rate	Eur3+0.844%	0.681% Fixed	
2022	714	5,714	6,428
2023	714	5,714	6,428
2024	714	5,714	6,428
2025	714	5,714	6,428
2026	714	5,714	6,428
2027 onward	537	11,430	11,967
	4,107	40,000	44,107
Current	3,393	34,286	37,679
Non-current	714	5,714	6,428

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

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

In the first half of 2023 and 2022, compliance as of 31 December 2022 and 2021, respectively, with the financial ratios fixed in this financing agreement was certified. At 31 December, 2023 ROVI met the ratios fixed, although this will not be certified until after these annual accounts have been approved.

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Additionally, in July 2022, the BEI granted ROVI a credit for a total amount of 50 million euros to finance R&D&I activities related to new developments of the prolonged drug release technology ISM®. The credit will be available to ROVI for a term of 24 months as of signature of the contract and the loan will mature 10 years after the drawdown date. The loan provides for a three-year grace period and financial conditions (i.e. the applicable interest rates, repayment periods, etc.) favourable to ROVI. The group had not drawn any of this loan at 31 December, 2022 and 2023.

In September 2023, the bank BBVA granted a credit line of 20 million euros. At 31 December 2023 the Group has not drawn down any amount of the credit facility.

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 recognised as financial liabilities at amortised cost for this item at 31 December 2023 was 7,307 thousand euros (8,214 thousand euros at 31 December 2022). 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 2023:

In 2023, the Company received various reimbursable advances from different entities, details of which are shown below:

Company	Entity	Project	Thousand euros		Years	
			Face value	Initial fair value	Repayment period	Grace period
ROVI	Industrial Technological Development Centre	(1)	349	297	14	2
ROVI	Industrial Technological Development Centre	(2)	153	136	8	0
ROVI	Ministry of Science and Innovation	(1)	81	61	9	3
ROVI	Ministry of Science and Innovation	(1)	81	58	9	3
ROVI	Technological Corp. of Andalusia Foundation	(1)	43	36	12	3
ROVI	Technological Corp. of Andalusia Foundation	(1)	18	15	12	3
ROVI	Technological Corp. of Andalusia Foundation	(1)	10	9	12	3
			735	612		

(1) Funds the projects to develop the prolonged drug-release technology.

(2) Funds the projects to develop a biosimilar.

b.2) Advances received in 2022:

In 2022 the Company received various reimbursable advances from different entities, details of which are shown below:

Company	Entity	Project	Thousand euros		Years	
			Face value	Initial fair value	Repayment period	Grace period
ROVI	Technological Corporation of Andalusia	(1)	77	65	12	3
ROVI	Technological Corporation of Andalusia	(1)	361	319	12	3
ROVI	Technological Corporation of Andalusia	(1)	37	31	12	3
ROVI	Technological Corporation of Andalusia	(1)	47	40	12	3
ROVI	Technological Corporation of Andalusia	(1)	105	91	13	4
ROVI	Technological Corporation of Andalusia	(1)	43	36	15	6
ROVI	Industrial Technological Development Centre	(1)	182	154	14	3
ROVI	Industrial Technological Development Centre	(1)	300	271	12	4
ROVI	Industrial Technological Development Centre	(1)	219	197	11	4
ROVI	Industrial Technological Development Centre	(2)	28	24	12	4
			1,399	1,228		

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

(2) Funds the projects to develop a biosimilar.

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At 31 December 2023 and 2022, debt with government entities matured as follows:

Year	Thousand euros	
	2023	2022
2023	—	1,724
2024	1,509	1,326
2025	1,447	1,406
2026	1,535	1,498
2027	1,332	1,295
2028	1,070	1,025
2029 onward	1,923	1,664
	8,816	9,938
Non-current	7,307	8,214
Current	1,509	1,724

19. Current and non-current accruals

	Thousand euros	
	2023	2022
Non-current	1,431	1,545
Current	324	294
	1,755	1,839

The current and non-current accruals caption 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 2023, new deferred revenues of 255 thousand euros (385 thousand euros in 2022) were recognised in relation to new distribution contracts. In 2023, ROVI recognised revenue from the granting of distribution licences for a total amount of 339 thousand euros (792 thousand euros in 2022).

20. Other provisions

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

	Returns	Contributins to public health system	Other	Total
At 1 January 2022	2,338	7,084	8	9,430
Additions	2,165	(346)	115	1,934
Applications	(2,338)	(3,870)	(8)	(6,216)
At 31 December 2022	2,165	2,868	115	5,148
Additions/(Reversals)	1,586	6,649	—	8,235
Applications	(2,165)	(2,868)	(115)	(5,148)
At 31 December 2023	1,586	6,649	—	8,235

Returns

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

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Contribution to public health system

As stated in Note 3.19, 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, there are other provisions of the same nature in Italy and Portugal.

At 31 December 2023, no amounts were recognised as contributions to the public health service related to the collaboration agreement between Farmaindustria and the Spanish government (Note 3.19), since no agreement had been signed since the previous one for the years 2017 to 2019. At 31 December 2021, the pharmaceutical industry had expressed its clear will to extend the Agreement and, therefore, ROVI provided for the amounts estimated for that year (3,214 thousand euros). Finally, the provision was reversed in 2022 as no agreement was signed.

Although these sums should not be considered as refunds or reimbursements to customers, they are recognised as a reduction in revenue, since the objective of the Law is to regulate the prices and margins obtained for these products.

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

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

21. Deferred taxes

Details of deferred taxes are as follows:

	Thousand euros	
	2023	2022
Deferred tax assets		
– Temporary differences	1,235	1,239
	<u>1,235</u>	<u>1,239</u>
Deferred tax liabilities		
– Temporary differences	(4,111)	(4,507)
	<u>(4,111)</u>	<u>(4,507)</u>
Net deferred taxes	(2,876)	(3,268)

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:

	Thousand euros	
	2023	2022
Deferred tax assets		
– Deferred tax assets to be recovered at more than 12 months	733	510
– Deferred tax assets to be recovered at less than 12 months	502	729
	<u>1,235</u>	<u>1,239</u>
Deferred tax liabilities		
– Deferred tax liabilities to be recovered at more than 12 months	(1,368)	(633)
– Deferred tax liabilities to be recovered at less than 12 months	(2,743)	(3,874)
	<u>(4,111)</u>	<u>(4,507)</u>
Net deferred taxes	(2,876)	(3,268)

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Movement on net deferred taxes was as follows:

	Thousand euros	
	2023	2022
Balance at beginning of the year	(3,268)	(1,936)
(Charged)/credited to profit and loss	455	(1,471)
Tax charged directly to equity	(63)	139
Balance at end of the year	(2,876)	(3,268)

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 & legacies received	Freedom of amortisation/ depreciation	Other	Total
At 1 January 2022	(699)	(308)	(3,271)	(4,278)
Charged/(credited) to profit and loss	—	58	(426)	(368)
Tax charged to equity	139	—	—	139
At 31 December 2022	(560)	(250)	(3,697)	(4,507)
Charged/(credited) to profit and loss	—	50	383	433
Tax charged to equity	109	(9)	(137)	(37)
At 31 December 2023	(451)	(209)	(3,451)	(4,111)

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 2023 for 50 thousand euros (58 thousand euros charged to profit and loss in 2022) in the column "Freedom of amortisation/depreciation" related principally to the application of the free amortisation/depreciation system associated to the assets attached to R&D activity and maintaining jobs.

Deferred tax assets	Measurement of financial assets at fair value through equity	Provisions	Others	Total
At 1 January 2021	(1)	1,402	941	2,342
Charged/(credited) to profit and loss	—	(847)	(256)	(1,103)
At 31 December 2021	(1)	555	685	1,239
Charged/(credited) to profit and loss	1	(145)	166	22
Tax charged to equity	—	(16)	(10)	(26)
At 31 December 2022	—	394	841	1,235

The column "Other" shows, among other items, the deferred tax asset relating to the tax effect of 30% of the annual amortisation and depreciation expense that was not tax deductible in the periods 2013 and 2014 in accordance with Royal Decree-Law 16/2012 of 27 December, whereby 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:

	Thousand euros	
	2023	2022
Grants, donations and legacies received	109	139
	109	139

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22.Revenue and expenses

a) Net sales

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

Market	%	
	2023	2022
Spain	77 %	72 %
Germany	4 %	5 %
Italy	6 %	5 %
France	1 %	1 %
Portugal	1 %	1 %
Greece	2 %	2 %
UK	— %	1 %
Other	9 %	13 %
	100 %	100 %

a.1) Sales

The breakdown of sales by product group was as follows:

	Miles de euros	
	2023	2022
Specialty pharmaceuticals	287,712	295,287
Contrast agents and other hospital products	45,673	40,069
Distribution licensing	339	792
Sales of bemiparin to other group companies	217,514	230,079
Other	33	360
	551,271	566,587

The total amount of sales of goods was reduced by 14,523 thousand euros in 2023 (11.006 thousand euros in 2022) as a result of the rebates to the National Health System (Note 3.19). The total amount of discounts to the National Health System does not include any revenue in relation to the collaboration agreement between Farmaindustria and the Spanish government (3,214 thousand euros at 31 December 2022) (Note 20).

a.2) Sales of services

At 31 December 2023, sales of services included 21,822 thousand euros relating to the work to adapt, fit out and validate the facilities and machinery –which may either belong to ROVI or be acquired or subcontracted from third parties– for customers in order to subsequently provide manufacturing services and reserve the manufacturing capacity agreed with them (22.920 thousand euros at 31 December 2022). In addition, it includes 1,600 thousand euros related to other group companies at 31 December 2023.

b) Goods, raw materials and other consumables used

	Thousand euros	
	2023	2022
Purchases	434,822	450,100
Change in inventories	16,375	(19,139)
	451,197	430,961

c) Ancillary and current management income

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

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d) Operating grants recognised in profit and loss

In 2023, the Company obtained and recognised as income government grants of 322 thousand euros (1,325 thousand euros in 2022) awarded to cover principally expenses for the period in certain R&D projects.

e) Employees

	Thousand euros	
	2023	2022
Wages, salaries and similar	38,001	36,702
Employee benefits		
– Pension contributions and provisions (Note 30.a)	6	6
– Other welfar charges	8,683	8,110
	46,690	44,818

The "Wages, salaries and similar" caption included termination payments of 31 thousand euros (338 thousand euros in 2022).

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

	2023	2022
Executive directors	3	3
Management	20	18
Research	352	360
Sales	190	180
Administration	121	98
	686	659

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

	2023			2022		
	Men	Women	Total	Men	Total	Total
Executive directors	3	—	3	3	—	3
Management	9	11	20	9	9	18
Research	142	213	355	147	202	349
Sales	90	103	193	95	97	192
Administration	45	81	126	35	67	102
	289	408	697	289	375	664

At 31 December 2023, there were 15 employees with a disability rating equal to or higher than 33% (14 at the 2022 reporting date).

f) External services

The breakdown of the external services item was as follows:

	Thousand euros	
	2023	2022
Advertising costs	15,649	15,364
Services from third parties	11,497	11,002
Utilities	6,174	6,406
Transport and warehouse expenses	3,283	3,232
Repairs and maintenance	3,873	3,433
Operating leases	3,319	2,753
Othre operating expenses	27,305	27,209
	71,100	69,399

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g) Research and development expenses

Total research and development expenses incurred in 2023 were 23,521 thousand euros (23,869 thousand euros in 2022), 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 2023, 8,665 thousand euros was recognised under the "Employee benefit expenses" caption (9,242 thousand euros at 31 December 2022) and 14,856 under "Other operating expenses (14,627 thousand euros 2022).

23. Income tax and tax situation

As of 31 December 2023 and 2022, the balances with public authorities were as follows:

	2023		2022	
	Debit	Credit	Debit	Credit
Public Treasury, VAT	2,512	—	2,794	—
Public Treasury, personal income tax	—	823	—	845
Withholdings	1,244	—	1,351	—
Corporate income tax	—	5,177	3,917	—
Social security	—	895	—	785
Other balances with the public authorities	1,175	21	1,337	25
	4,931	6,916	9,399	1,655

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

	Thousand euros	
	2023	2022
Grants awarded but not yet received	1,175	1,337
	1,175	1,337

The heading "Other balances with public authorities" includes accounts receivable from government entities for the following items: 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 661 thousand euros (385 thousand euros in 2022), as well as credits with group companies resulting from a tax effect of 47,955 thousand euros (53,089 thousand euros in 2022).

At 31 December 2023, the reconciliation between the net income and expenses for the period and the tax profit was as follows:

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Balance income and expenses	Thousand euros					
	Income statement			Income and expenses credited/ (charged) directly in equity		
	12,071			(359)		
	Increases	Decreases	Total	Increases	Decreases	Total
Corporate income tax			(1,960)			(109)
Permanent differences						
– Individual	1,287	—	1,287	—	—	—
– Due to tax consolidation	—	—	—	—	—	—
Temporary differences						
– Individual						
– originating in the period	1,854	—	1,854	—	—	—
– originating in previous periods	963	(2,517)	(1,554)	—	—	—
– Due to tax consolidation						
– originating in the period	—	(12,274)	(12,274)	—	—	—
– originating in previous periods	13,715	—	13,715	—	—	—
Taxable income			13,139			(468)

At 31 December 2022, the reconciliation between the net income and expenses for the period and the tax profit was as follows:

Balance income and expenses	Thousand euros					
	Income statement			Income and expenses credited/ (charged) directly in equity		
	39,116			(407)		
	Aumentos	Disminuciones	Total	Aumentos	Disminuciones	Total
Corporate income tax			5,564			(139)
Permanent differences						
– Individual	634	(13,384)	(12,750)	—	—	—
– Due to tax consolidation	—	—	—	—	—	—
Temporary differences						
– Individual						
– originating in the period	2,435	—	2,435	—	—	—
– originating in previous periods	239	(6,879)	(6,640)	—	—	—
– Due to tax consolidation						
– originating in the period	—	(14,317)	(14,317)	—	—	—
– originating in previous periods	12,401	—	12,401	—	—	—
Taxable income			25,809			(546)

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

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 amortisation/depreciation associated to maintaining jobs.

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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:

	Miles de euros	
	2023	2022
Current corporate income tax	(3,315)	(6,549)
Tax credits	4,573	10,366
Deferred taxes	455	(1,471)
Adjustment income tax previous years	477	585
Withholdings borne in other countries	(230)	(861)
Negative tax bases & tax benefits in EIGs with no effect on tax expense	—	(7,634)
	1,960	(5,564)

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

The Company generated tax credits of 4,573 thousand euros in 2023 (5,678 thousand euros in 2022), although it was not entitled to offset tax credits from previous years (450 thousand euros had not yet been offset at 31 December 2022). In 2023, tax credits of 4,573 thousand euros were applied (6,078 thousand euros in 2022) and, therefore, there were no further tax credits pending application (neither were there any tax credits pending application at 31 December 2022).

In 2022, ROVI made investments of 5,870 thousand euros in equity instruments of four economic interest groupings (EIGs). Given the special features in the taxation of EIGs, at the 2022 reporting date, tax benefits of 7,634 thousand euros was generated (4,288 thousand euros in R&D tax credits and negative tax bases of 3,346 thousand euros, considered, in the latter case, as individual permanent differences for corporate tax purposes). The investments were derecognised during the year. At 31 December, 2022, the Group had used all its tax benefits.

The amount settled by the Company as payments on account of the corporate income tax of companies belonging to the tax group was 41,050 thousand euros in 2023 (52,915 thousand euros in 2022). The consolidated current tax for 2023, after deduction of the payments on account and withholdings for the period, generated a current tax payable of 5,213 thousand euros (a receivable of 3,847 thousand euros in 2022)

At 31 December 2023, the following taxes were open to inspection by the tax authorities for the periods stated:

	Years
Corporate income tax	2019-22
Value-added tax	2020-23
Transfer tax	2020-23
Personal income tax	2020-23

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.

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24. Finance income and costs

	Thousand euros	
	2023	2022
Finance income		
Gains and losses on marketable securities and other financial instruments		
– In group and associated companies (Note 31.f)	911	610
– Of third parties	512	1,765
	<u>1,423</u>	<u>2,375</u>
Finance costs		
Debt with third parties	(2,205)	(893)
	<u>(2,205)</u>	<u>(893)</u>
Change in value of financial instruments		
Derivatives	28	(11)
	<u>28</u>	<u>(11)</u>
Foreign exchange differences		
Foreign exchange differences	(104)	(570)
	<u>(104)</u>	<u>(570)</u>
Impairment and gain or loss on disposal of financial instruments		
Gains and losses on disposals and other	1,097	1,828
	<u>1,097</u>	<u>1,828</u>
Finance income and costs	<u>239</u>	<u>2,729</u>

At 31 December 2023, the Company did not hold any financial derivatives. At 31 December 2022, the Company held financial derivatives to minimise the impact of exchange rate risks for a value of 3,000 thousand dollars, measurement of which at fair value as of 31 December 2022 entailed a loss of 28 thousand euros.

In 2023, the caption "Impairment and proceeds from disposals of financial instruments" was affected principally by a positive impact of 1,797 thousand euros related to the sale of the company Enervit Nutrition, S.L., 50% of which had been held the Company (Note 9) and a negative impact related to the allowance for impairment of the shares in the companies Bertex Pharma GmbH and Rovi Biotech sp.z.o.o. for a total amount of 784 thousand euros (Note 8).

Finance income received from group and associated companies relates to dividends received from companies belonging to the ROVI Group, of which the Company is the parent. In 2023 and 2022, no income was received for this item.

Regarding gains and losses on marketable securities and other financial instruments of third parties, at 31 December 2023, the Company had recognised finance income of 512 thousand euros relating to the settlement of deposits (1,765 thousand euros at 31 December 2022 related to the derecognition of the equity investments of 5,870 thousand euros that it held in four economic interest groupings (EIGs), since the requirements to allocate 7,634 thousand euros of tax benefits from said entities had been met (see Note 23).

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25. Cash flows from operating activities

	Thousand euros	
	2023	2022
Pre-tax profit for the year	10,111	44,680
Adjustments to the profit:		
– Amortisation/depreciation of intangible assets and PPE	10,226	10,725
– Finance income (Note 24)	(1,423)	(2,375)
– Finance costs (Note 24)	2,205	893
– Foreign exchange differences (Note 24)	104	570
– Adjustments for change in value of financial instruments	(28)	11
– Gain or loss on derecognition or disposal of financial instruments	(1,097)	(1,828)
– Net change in provisions	3,087	(4,282)
– Grants for non-financial assets and distribution licence revenue	(1,120)	(2,903)
– Other revenue and expenses	2,681	47
	24,746	45,538
Changes in working capital		
– Inventories	2,926	(19,590)
– Debtors and other receivables	(29,047)	40,206
– Creditors and other payables	95,510	107,705
	69,389	128,321
Other cash flows from operating activities		
– Income tax received (paid)	(40,186)	(43,100)
– Other amounts received (paid) (note 19)	255	385
	(39,931)	(42,715)
Cash flows generated (used) in operating activities	54,204	131,144

26. Cash flows from investing activities

	Thousand euros	
	2023	2022
Payments for investments		
– Group and associated companies (Note 8)	(2,890)	(1,427)
– Other financial assets	—	(5,870)
– Intangible assets (Note 5)	(485)	(447)
– Property, plant and equipment (Note 6)	(5,501)	(5,925)
	(8,876)	(13,669)
Amounts received for disinvestments		
– Group and associated companies	57,929	—
– Other financial assets	82	30
– Property, plant and equipment (Note 6)	97	2,938
– Other assets (Note 24)	523	611
Cash flows generated (used) in investing activities	58,631	3,579

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Notes to the Annual Accounts for the period 2023
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27. Cash flows from financing activities

	Thousand euros	
	2023	2022
Amounts received from and paid for financial liability instruments		
a) Issue		
– Debt with group and associated companies (Note 31.h)	19,800	80,000
– Other debt (Note 18)	734	1,399
	<u>20,534</u>	<u>81,399</u>
b) Reimbursement and repayment		
– Bank borrowings	(6,429)	(714)
– Debt with group and associated companies	(19,650)	(20,388)
– Other debt	(1,908)	(1,562)
– Interest payments	(386)	(291)
	<u>(28,373)</u>	<u>(22,955)</u>
Dividend payments and remuneration of other equity instruments		
– Dividends (Note 15.b and d)	(69,049)	(51,007)
– Transactions with treasury shares (Note 15.c)	(81,261)	(99,242)
	<u>(150,310)</u>	<u>(150,249)</u>
	<u>(158,149)</u>	<u>(91,805)</u>

28. Contingencies

At 31 December 2023, the Company held bank guarantees amounting to 2,791 thousand euros (2,432 thousand euros in 2022). 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 2023 were 3,849 thousand euros (1,061 thousand euros at 31 December 2022), 2,560 thousand euros of which related to payment due at less than one year (1,008 thousand euros at less than one year at 31 December 2022).

The operating lease expense recognised in profit and loss in 2023 in relation to operating leases was 3,319 thousand euros (2,753 thousand euros in 2022).

b) Acquisition of Bertex Pharma GmbH

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

b.1) If the development and marketing are performed internally:

- 350 thousand euros after successfully completing the development of phase 1 clinical trials. Part of this amount, 100 thousand euros, was settled in 2011, while 250 thousand euros were settled in 2014;
- A payment of 200 thousand euros after successfully completing the development of phase 2 clinical trials. This payment was made in 2016;
- A payment of 300 thousand euros after successfully completing the development of clinical trials of phase 3. This payment was made in 2020;
- A payment of 200 thousand euros upon commencement of the marketing of any pharmaceutical product. This payment was made in 2022.

ANNUAL ACCOUNTS LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Notes to the Annual Accounts for the period 2023 (Thousand euros)

- A payment of 200 thousand euros upon commencement of the marketing of any pharmaceutical product in any of the main markets (United States, Japan, Germany, France, Italy or the United Kingdom). This payment was made in 2022.

b.2) If the development or marketing are performed by third parties:

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

Payments for the internal development or marketing detailed in section b.1) exclude those performed under section b.2) and vice versa. However, 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 2023, the Board of Directors was formed by the following:

Mr Juan López-Belmonte Encina	Chairman & Chief Executive Officer
Mr Juan López-Belmonte Encina	First Deputy Chairman
Mr Iván López-Belmonte Encina	Second Deputy Chairman
Mr Marcos Peña Pinto	Coordinating Director
Ms Marina del Corral Téllez	Director
Ms Teresa Corzo Santamaría	Director
Ms Fátima Báñez García	Director

The non-director secretary was Mr Gabriel Núñez Fernández.

a) In compliance with the provisions of Article 28 of the Regulations of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A., the following information is provided with respect to the members of the Board of Directors at 31 December, 2023:

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 chair or member of any Board committee. The amounts for 2023 and 2022 are as follows:

	Thousand euros	
	2023	2022
Mr Juan López-Belmonte Encina	180	180
Mr Javier López-Belmonte Encina	80	80
Mr Iván López-Belmonte Encina	80	80
Ms Marina del Corral Téllez	80	51
Ms Teresa Corzo Santamaría	80	3
Mr Fernando de Almansa Moreno-Barreda	—	77
Mr Marcos Peña Pinto	80	80
Ms Fátima Báñez García	80	80
	660	631

- 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 3.12); or increases in the vested rights of the director in the case of contributions to defined-benefit plans (no defined-benefit plans exist):

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Notes to the Annual Accounts for the period 2023
(Thousand euros)

	Thousand euros	
	2023	2022
Mr Juan López-Belmonte Encina	2	2
Mr Javier López-Belmonte Encina	2	2
Mr Iván López-Belmonte Encina	2	2
	6	6

- 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. This remuneration of this kind for 2023 and 2022 was as follows:

	Thousand euros			
	2023		2022	
	Fixed	Variable	Fixed	Variable
Mr Juan López-Belmonte Encina	743	421	728	416
Mr Javier López-Belmonte Encina	248	224	244	220
Mr Iván López-Belmonte Encina	247	223	241	219
	1,238	868	1,213	855

The variable remuneration of the executive directors included the amounts accrued for their annual variable item and those accrued under the Long-Term Incentive Plan. (At 31 December, 2022, it included the same items plus the amount recognised for the extraordinary bonus settled by awarding shares).

- 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.

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

	Thousand euros	
	2023	2022
Remuneration of executive directors	2,106	2,068
Profit attributable to parent company	12,071	39,116
Remuneration of executive directors/Profit attributable to parent company	17.45%	5.29%

b) Remuneration and loans to senior management

The total remuneration paid to members of senior management in 2023, excluding the remuneration received by the executive directors described in points a)1.c and a)1.f above, was 1,659 thousand euros (1,614 thousand euros in 2022).

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 205 thousand euros accrued for this policy in 2023 (180 thousand euros in 2022).

ANNUAL ACCOUNTS LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Notes to the Annual Accounts for the period 2023
(Thousand euros)

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 other services

	Miles de euros	
	2023	2022
Net sales:		
– Sales of goods to subsidiaries (Note 22.a)	217,514	230,079
– Sales of services to subsidiaries (Note 22.a)	1,600	—
	<u>219,114</u>	<u>230,079</u>
Ancillary and other current management income		
– Subsidiaries (Note 22.c)	9,894	8,414
	<u>9,894</u>	<u>8,414</u>
	<u>229,008</u>	<u>238,493</u>

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

b) Goods and services purchased

	Thousand euros	
	2023	2022
Purchase of goods:		
– Subsidiaries	235,701	214,859
	<u>235,701</u>	<u>214,859</u>
Purchase of services		
– Subsidiaries	8,699	9,871
– Directors	25	25
- Entidades participadas por la familia López-Belmonte Encina	1,564	1,197
	<u>10,288</u>	<u>11,093</u>
	<u>245,989</u>	<u>225,952</u>

Purchases of services from companies in which the López-Belmonte-Encina family holds an interest related to operating lease payments to the companies Norba Inversiones, S.L. and Lobelvia Inversiones, S.L. In 2022, mergers took place between Inversiones Borbollón, S.L. (absorbed company) and Norba Inversiones, S.L. (absorbing company), and Lobel and Losa Development, S.L. (absorbed company) and Lobelvia Inversiones, S.L. (absorbing company).

c) Sales of property, plant and equipment

No sales of property, plant and equipment were made to group companies in 2023. In 2022, ROVI sold property, plant and equipment of 2,938 thousand euros to its subsidiary Rovi Escúzar, S.L.U.

d) Purchases of property, plant and equipment

No property, plant and equipment was purchased from group companies in either 2023 or 2022.

ANNUAL ACCOUNTS LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Notes to the Annual Accounts for the period 2023 (Thousand euros)

e) Dividends paid

Dividends paid to the company Norbel Inversiones, S.L. in 2023 were 38,571 thousand euros (28,488 thousand euros in 2022). Additionally, dividends of 4,917 thousand euros were paid to other significant shareholders (3,123 thousand euros in 2022).

f) Dividends received

The Company did not receive any dividends from group companies in either 2023 or 2022 (Note 24).

g) Capital contributions

In 2023, the Company increased its interest in the company Rovi Escúzar, S.L.U. by 5,000 thousand euros through a shareholder contribution carried out by converting credits (at 31 December 2022, an identical transaction took place for 8,000 thousand euros). Additionally, a shareholder contribution of 2,891 thousand euros was made to Glicopepton Biotech, S.L. (capital contributions, share premium and shareholder contributions of 1,427 thousand euros had been paid into this company at 31 December 2022).

h) Other transactions

In 2023, loans increased by 14,650 thousand euros (reduction of 12,388 thousand euros in 2022). Financial interest accrued on these loans was 910 thousand euros 2023 (609 thousand euros in 2022).

In 2023, the Company signed two new loans with the companies Gineladius, S.L. and Rovi GmbH, for which the agreed interest rates are 2.26% and 1.72% respectively. The loan with Gineladius, S.L. is for 600 thousand euros and matures at 10 years, while the loan with Rovi GmbH was repaid in 2023.

The only loan at 31 December 2022 was to Rovi Escúzar, S.L.U. It matures in 2029 and has an interest rate of 1.71%. The shareholder contributions to Rovi Escúzar, S.L.U. that took place in 2023 and 2022, explained in point g) of this Note and Note 8, were made through non-monetary contributions and the offsetting of loan balances that ROVI held with its subsidiary at the time of the transaction.

Likewise, in 2022, the Company received a loan from its subsidiary Rovi Pharma Industrial Services, S.A.U. for 80,000 euros, which increased by 19,800 thousand euros in 2023. This loan had accrued interest of 1,555 thousand euros at 31 December 2023 (299 thousand euros at 31 December 2022). It matures in 2032 and the agreed interest rate is 1.71%.

On 6 November 2023, the shares the Company held in Enervit Nutrition, S.L. were sold for 3 thousand euros, with a positive impact of 1,797 thousand euros on profit and loss.

In 2022, financial assets of 20 thousand euros were disposed of to shareholders and members of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A.

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Notes to the Annual Accounts for the period 2023
(Thousand euros)

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

	Thousand euros			
	2023		2022	
	Debit balance	Credit balance	Debit balance	Credit balance
Purchases/sales of goods or services				
– Subsidiaries	57,827	162,635	29,655	46,794
– Entities in which the López-Belmonte Encina family hold an interest	—	124	—	89
	<u>57,827</u>	<u>162,759</u>	<u>29,655</u>	<u>46,883</u>
Income tax charge				
– Subsidiaries (Note 23)	47,955	661	53,090	385
	<u>47,955</u>	<u>661</u>	<u>53,090</u>	<u>385</u>
Loans granted at fair value				
– Subsidiaries	53,001	99,800	38,351	80,000
	<u>53,001</u>	<u>99,800</u>	<u>38,351</u>	<u>80,000</u>
Interest				
– Subsidiaries	887	1,555	1	—
	<u>887</u>	<u>1,555</u>	<u>1</u>	<u>—</u>
Other items				
– Directors	—	1,801	—	1,677
– Key management	—	241	—	235
	<u>—</u>	<u>2,042</u>	<u>—</u>	<u>1,912</u>
TOTAL	<u>159,670</u>	<u>266,817</u>	<u>121,097</u>	<u>129,180</u>

In 2022, ROVI offset debit and credit balances with group companies. The balances receivable by the Company for dividends, credit balances and trade debtors were affected by this offsetting, as well as corporate income tax debit balances.

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.

No investments were made in systems, equipment or facilities for environmental activities in either 2023 or 2022.

In 2023, in order to contribute to the protection and improvement of the environment, The Company incurred expenses of 1,071 thousand euros (939 thousand euros in 2022).

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

33. Events after the reporting date

In January 2024, the U.S. Food and Drug Administration (FDA) inspected the active substance manufacturing plant in Granada with a satisfactory outcome. The inspection focused on the processes of manufacture and control of the active substance used to manufacture the Moderna mRNA COVID-19 vaccine. This result authorises Moderna to market the vaccine that ROVI manufactures in Spain in the United States.

34. Fees of account auditors

The fees accrued by KPMG Auditores, S.L. for audit services and other related-services (consisting of a limited-scope review of the interim financial statements as of 30 June, 2023, a review of compliance with the ratios for financing contracts, a review of the internal control over financial reporting system and the review of the supporting account for grants) provided to Laboratorios Farmacéuticos Rovi, S.A. in 2023 were 130 thousand euros and 52 thousand euros, respectively (125 thousand euros and 47 thousand euros, respectively in 2022).

ANNUAL ACCOUNTS LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Notes to the Annual Accounts for the period 2023 (Thousand euros)

Additionally, the network of firms to which KPMG Auditores, S.L. belongs provided Laboratorios Farmacéuticos Rovi, S.A with other review services for the statement of non-financial information for 53 thousand euros in 2023 (in 2022, this service was provided by other firms belonging to the KPMG Auditores, S.L. network for an amount of 45 thousand euros).

35. Other significant information

ROVI informed the market (through publication of inside information No. 1926 of 26 July 2023) that, effective as of 26 July 2023, a buy-back programme had commenced with a maximum amount of 130,000,000 euros and a term of 12 months. The purpose was to cancel treasury shares while, at the same time, helping to increase shareholder remuneration by increasing the earnings per share.

ROVI announced (through publication of inside information No. 1835 of 25 April 2023) that it had decided to start the clinical development of a new three-monthly formulation of letrozole (hereinafter, Letrozole LEBE), the objective of which is to reach bioequivalence in the plasma levels of letrozole in comparison with the daily administration of oral doses of Femara® 2.5 mg.

With this new clinical programme for Letrozole LEBE, ROVI estimates it could reduce the research times in comparison to those for an annual formulation, thus making it likely that the three-monthly formulation could be marketed several years earlier and, furthermore, reduce the investment necessary to attain the objectives of this project.

ROVI informed (through publication of relevant information No. 23963 of 28 July 2023) on the evaluation process to obtain marketing authorisation for Risvan® (Risperidone ISM®) in the United States and reported that the U.S. Food and Drug Administration (FDA) had issued a Complete Response Letter. In this letter, the FDA stated that it considered the replies to the evaluation of the Risvan® dossier to be complete and that there were no additional observations. Likewise, the letter said that ROVI should close the observations made by the FDA during its May 2023 inspection.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

2023 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

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

- Pharmaceutical specialties, split in two areas:
 - Prescription products: With two divisions: Low-molecular-weight heparin division (LMWH) and own and licensed product division.
 - Diagnostic imaging contrast agents and other hospital products.
- Contract manufacturing: Specialists in solutions for prefilled syringes, solid oral forms and vials.
- R&D, split in three areas:
 - Innovative drug release technology, ISM®.
 - Glycomics area.
 - Multilayer technology for urethral catheters.

As a result of a combination of factors, among which the Group’s stability, due to the growth of its recurring business and its strong financial position, sound strategy and clear pillars of growth may be highlighted, the Company’s reactive profile has been reinforced. This has allowed operating revenue to rise year after year, materialising in growth of 26% in 2022.

In addition, ROVI has a sound, low-risk R&D policy, where the patented ISM® platform (internally-developed and patented innovative drug-release technology which allows the prolonged release of the compounds administered by injection) opens up new channels of growth. The Company allocates a large part of its resources to research, in order to remain in the vanguard in both the product area and the manufacturing and development systems area.

ROVI enjoys a series of competitive advantages that have allowed it to position itself as one of the principal leaders in its market niche, in a sector which, moreover, has high entry barriers:

- Unique knowledge of low-molecular-weight heparins (LMWH).
- Infrastructure with operating advantages.
- Diversified portfolio
- Low-risk innovation

In all its business lines, ROVI as a group is aware that its activity does not consist only of the health improvements provided by its products but that, additionally, it wishes to respond to the social and environmental demands related to the impact of its activity. To achieve this, ROVI’s economic development must be compatible with its conduct in respect of ethical, social, labour and environmental issues, and respect for human rights.

For more information, please see Integrated Report or visit: www.rovi.es

2. Business evolution

Operating revenue increased by 2% to 575.7 million euros in 2023.

Sales of LMWH decreased by 5% to 233.1 million euros in 2023. LMWH (enoxaparin biosimilar and bemiparin) sales represented 40% of operating revenue in 2023 compared to 41% in 2022.

Sales of Bemiparin in Spain (Hibor®) shown a reduction of 8% to 61,7 million euros in 2023. Enoxaparin biosimilar decreased by 1% to 140.0 million euros in 2023.

Sales of Neparvis®, a specialty product from Novartis, launched in Spain in December 2016, indicated for the treatment of adult patients with symptomatic chronic heart failure and reduced ejection fraction, increased 16% to 45.5 million euros in 2023, compared to 39.1 million euros in 2022.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

2023 Management report

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, decreased by 30% to 12.4million euros in 2023 mainly due to a product price reduction of 47% in the second quarter of 2023.

Sales of Vytorin® and Orvatez®, specialty products from Merck Sharp & Dohme ("MSD") indicated as adjunctive therapy to diet in patients with hypercholesterolemia, decreased 17% to 26.6 million euros in 2023. ROVI ceased to distribute Absorcol® as of 31 December of 2022 and Vytorin® as of 31 January 2023. Orvatez® sales rose 8% to 26.5 million euros in 2023, compared to 24.5 million euros in 2022. Sales of Absorcol® and Vytorin® accounted for 24% of total sales of the products indicated to treat hypercholesterolemia in 2022.

ROVI ceased to promote and distribute Xelevia® (sitagliptin) and Velmetia® (sitagliptin and metformin), two antidiabetic drugs from Merck Sharp and Dohme ("MSD"), as of 31 January 2024. Sales of both products were 12.1 million euros in 2023.

Sales of contrast imaging agents and other hospital products increased by 14% to 45.7million euros in 2023. This increase shows the strong recovery of the Spanish and Portuguese hospital activity during this year after the effects of lockdowns during the pandemic.

CMO sales are 24,4 million euros in 2023 along the same line as previous year.

3. Liquidity and capital resources

3.1 Liquidity

As of 31 December 2023, ROVI had gross cash position of 116,3 million euros (available-for-sale financial assets plus deposits plus financial derivatives plus cash and cash equivalents minus short term and long term financial debt), compared to 160 million euros as of 31 December 2022, 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 32,6 million euros, compared to a net debt of 25,6 million euros as of 31 December 2022.

3.2 Capital resources

As of 31 December 2023, ROVI had total debt of 148.6 million euros (134.4 million euros as of 31 December 2022). Debt with public administration, which is 0% interest rate debt, represented 6% of total debt (7% in December 2022).

<i>In thousand euros</i>	2023	2022
Bank borrowings	37,745	44,107
Debt with public administration	8,816	9,938
Financial liabilities for leases	102,016	80,385
Derivatives	—	28
Total	148,577	134,430

As of 31 December 2023, bank borrowings remained almost stable. In December 2017, ROVI announced the European Investment Bank (EIB) had granted it a loan to support its investments in Research, Development and Innovation. The loan was for 45 million euros. As of 31 December 2023, ROVI had drawn 45 million euros against this credit line; 5 million euros at a variable interest rate of Euribor at 3 months + 0.844% (the latest interest rate paid was 4.816% in January 2024) and 40 million euros at a fixed interest of 0.681%. Repayment of the variable interest loan started in October 2021 (quarterly repayments) and its current outstanding balance is 3.4 million euros.

In February 2023, repayment of the fixed interest loan and its current outstanding balance is 34.3 million euros. The credit matures in 2029 and includes a grace period of 3 years.

Additionally, in July 2022, the BEI granted ROVI a credit for a total amount of 50 million euros to finance R&D&I activities related to new developments of the prolonged drug release technology ISM®. The credit will be available to ROVI for a term of 24 months as of signature of the contract and the loan will mature 10 years after the drawdown date. The loan provides for a three-year grace period and financial conditions (i.e. the applicable interest rates, repayment periods, etc.) favourable to ROVI. The Group had not drawn any of this loan at 31 December, 2023.

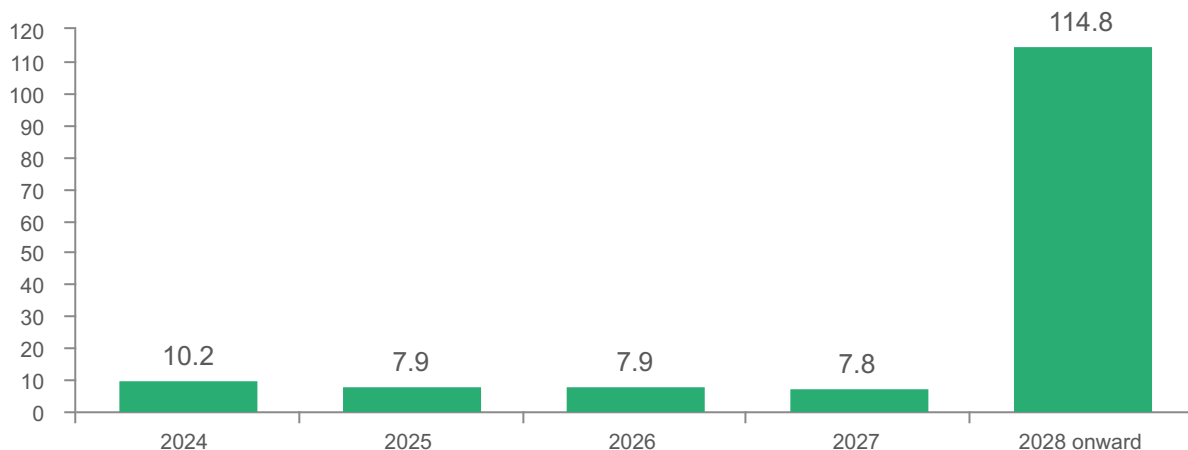
In September 2023, the bank BBVA granted a credit line of 20 million euros. At 31 December 2023 the Group has not drawn down any amount of the credit facility.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

2023 Management report

During 2022, Rovi Pharma Servicios Industriales, S.A.U. granted a loan to the Company for 80,000 miles of euros. The loan matures in 2032 and has an interest rate of 1.71%. In 2023, it has granted a loan for 19.800 miles of euros with same conditions.

Debt maturities at 31 December 2023 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 normal course of business, in order to manage its own operations and financing, the Group has traditionally leased certain assets. The accounting record of these transactions did not affect the Group's statement of financial position but did affect the income statement. However, since 2019, when International Financial Reporting Standard 16 Leases (IFRS 16) came into force, this type of transaction has been included in the Group's statement of financial position: a liability is recognised for the total value of the payments to be made over the remaining term of the lease contract and a right-of-use asset is recognised for the underlying asset. Therefore, the payments to which the Group is committed in these transactions are recognised in the statement of financial position. The minimum future payments to be made for non-cancellable operating leases at 31 December, 2023 were 3,849 thousand euros (1,061 thousand euros at 31 December, 2022), of which 2,560 thousand euros are related to maturities at less than one year (1,061 thousand euros at less than one year at 31 December, 2022).

4. Key operating and financial events

4.1 *ROVI Share Buy-back Programme*

ROVI informed (by publication of the inside information number 1926 dated 26th of July 2023) that the Company launched, effective as of 26 July, 2023, a share buy-back programme (the "Buy-back Programme"), in accordance with the following terms:

- Purpose and scope: the Buyback Program's purpose is to redeem own shares of ROVI (share capital reduction) and, at the same time, boost the remuneration of the ROVI shareholder by increasing the profit per share.
 - Term: from 26 July 2023, and for a period of 12 months.
 - Maximum monetary amount: up to 130,000,000 euros, provided that the maximum price per share may not exceed that provided for by article 3.2 of Delegated Regulation 2016/1052. The authorization granted by the general shareholders' meeting of the Company on 17 June 2021 established (a) a minimum price for the acquisition corresponding to the nominal value of the acquired shares and (b) a maximum price for the acquisition corresponding to a price not above the highest between (i) the last transaction carried out on the market by independent parties and (ii) the highest price of a purchase order amongst those contained in the orders book.
 - Maximum number of shares to be acquired: 2,700,000 shares of the Company, representing approximately 5% of the Company's share capital on 26 July 2023.
 - Trading volume to be considered as reference: the trading volume to be taken as a reference for the purposes of the provisions of article 3.3 of Delegated Regulation 2016/1052 for the entire duration of the buy-back program shall be 25% of the average daily volume of ROVI's shares on the trading venue on which the purchase is carried out during the twenty trading days prior to the date of the purchase.
- As of 31 January 2024, ROVI had executed approximately 74.85% of the buy-back programme, having acquired 1,808,392 shares for an amount of 97.3 million euros.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

2023 Management report

4.2 ROVI commences clinical development of a new three-monthly formulation of Letrozole (Letrozole LEBE)

ROVI informed (by publication of the inside information number 1835 dated 25th of April 2023) that it has decided to commence the clinical development of a new threemonthly formulation of Letrozole (hereinafter, Letrozole LEBE), rather than the initially planned annual formulation of Letrozole ISM®. The objective of this new development is to reach bioequivalence in the plasma levels of letrozole in comparison with the daily administration of oral doses of Femara® 2.5 mg.

With this new clinical programme for Letrozole LEBE, ROVI estimates it could reduce the research times in comparison to those for an annual formulation of the product, thus making it likely that the three-monthly formulation could be marketed several years earlier and, furthermore, the investment necessary to attain the objectives of this project could also be reduced.

The positive results of the LISA-1 trial, of which ROVI has already informed the market, showed that the first development of letrozole (annual Letrozole ISM®) allows an oestrogen suppression higher than that of Femara® to be predicted (with an initial dose of 100 mg plus a further 100 mg after 8 weeks, and annual maintenance doses of 100 mg, compared with daily oral doses of 2.5 mg), maintaining plasma levels of letrozole significantly lower than those reached with daily oral doses of 2.5 mg of Femara®, taking account the fact that the inhibition of the enzyme aromatase and, therefore, a reduction in oestrogen synthesis is the only known pharmacological mechanism of letrozole.

ROVI sought the advice of the United States Food and Drug Administration (FDA) with a view to using the suppression of the plasma oestrogen levels (oestradiol and estrone) as a surrogate efficacy endpoint in a clinical trial on the superiority of Letrozole ISM® over Femara® in oestrogen inhibition in parallel groups of post-menopausal women with early hormone-dependent breast cancer. The proposal is based on the fact that oestrogen inhibition is letrozole's only pharmacological mechanism. However, the FDA rejected the use of this variable as a surrogate efficacy endpoint.

ROVI contacted the FDA again on 26 October, 2022 to reach an agreement on the clinical development of the product. As reported at the Capital Markets Day of November 2022, the FDA required ROVI to perform a clinical efficacy trial in women with advanced breast cancer using Progression Free Survival (PFS) or the Objective Response Rate (ORR) as the key variable. Likewise, the FDA suggested that further advice should be requested ("End of Phase 2 meeting") after completion of said clinical trial to evaluate a new study that supported registration of the product.

In the light of the advice received from the FDA, the clinical development that would foreseeably be required to obtain marketing authorisation (at least in the United States) for the annual formulation of Letrozole ISM® would entail, first, a Phase 2 clinical trial on Letrozole ISM® vs Femara®, both medicines being combined with CDK 4/6 inhibitors, in post-menopausal women with advanced breast cancer and, subsequently, a Phase 3 trial in women with early breast cancer. This clinical path would probably last more than ten years and would require an investment much higher than initially planned before the dossier to apply for marketing authorisation for the product could be filed. As a result, the company has decided to place the clinical development of annual Letrozole ISM® on hold for the time being.

However, the knowledge acquired with the results of the LISA-1 trial have enabled ROVI to use the time to progress with the preclinical development of a new three-monthly formulation of letrozole (Letrozole LEBE), which aspires to obtain plasma levels equivalent to those obtained with daily oral doses of 2.5 mg of Femara®. This candidate completed all the preclinical evaluation phases and has commenced its clinical development.

Consequently, ROVI is carrying out in Europe a phase I clinical trial to evaluate the safety and pharmacokinetic characterisation of single increasing doses of Letrozole LEBE in healthy post-menopausal women. This new clinical trial (LEILA-1 study) is designed in several cohorts. In each one of them, the volunteers will take 2.5 mg of Femara® daily for 14 days and, after a washout period of at least 28 days, will receive a single dose of Letrozole LEBE. This trial has started subjects' recruitment in July 2023 and will last approximately two years and cost around 5 million euros.

The objective of this trial is (i) to validate the conclusions reached in the preclinical development of the product regarding its capacity to be bioequivalent to the oral formulation and (ii) to identify the dosage of Letrozole LEBE necessary for humans to obtain steady-state plasma levels equivalent to Femara®.

4.3 ROVI informs on the evaluation process to obtain marketing authorisation for Risvan® in the United States

ROVI informed (by publication of the relevant information number 23963 dated 28th July 2023) on the evaluation process to obtain marketing authorisation for Risvan® (Risperidone ISM®) in the United States and reported that the United States Food and Drug Administration (FDA) had issued a Complete Response Letter. In this letter, the FDA informed ROVI that it considered the responses to the evaluation of the Risvan® dossier to be complete and made no additional observations.

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Likewise, the letter stated that ROVI might close the observations made by the FDA during its inspection in May 2023. On 21 September 2023, ROVI received the Establishment Inspection Report from the FDA with 4 outstanding observations from the FDA inspection of the facility. ROVI provided responses on 29 September 2023 and the FDA has established a new Goal Date of 29 March 2024.

Furthermore, there are no observations that have not yet been resolved by ROVI's suppliers.

Therefore, ROVI will continue to report on the milestones deemed significant in the process to obtain authorisation of Risvan® from the FDA.

5. Research and development

ISM® Technology platform

Okedi® (Risperidone ISM®) is the first ROVI product based in its leading-edge drug delivery technology, ISM®. It is a novel investigational antipsychotic for the treatment of schizophrenia with once-monthly (every 28 days) 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.

On 15 February 2022, the European Commission authorised the marketing of Okedi® (Risperidone ISM®) for the treatment of schizophrenia in adults for whom tolerability and effectiveness has been established with oral risperidone, and it was launched in 2022 in Germany, UK and Spain and in 2023 in Portugal, Italy, Austria, Greece and Serbia.

On 27 July 2023, ROVI reported that the United States Food and Drug Administration (FDA) had issued a Complete Response Letter. In this letter, the FDA informed ROVI that satisfactory resolution of the deficiencies from the last inspection was required before the approval of the application, and that there were no outstanding questions related to the dossier. On 21 September 2023, ROVI received the Establishment Inspection Report from the FDA with 4 outstanding observations from the FDA inspection of the facility.

ROVI provided responses on 29 September 2023 and the FDA established a new Goal Date of 29 March 2024. Furthermore, there were no observations that have not yet been resolved by ROVI's suppliers.

Therefore, ROVI will continue to report on the milestones deemed significant in the process to obtain authorisation of Risvan® from the FDA.

Likewise, ROVI's R&D team is progressing in the development of a new formulation of Risperidone for a 3-monthly injection, which would complement the current 4-weekly formulation of Risperidone ISM® for the maintenance treatment of adult patients with clinically stable schizophrenia. The company is currently conducting a phase I clinical trial to evaluate the safety, tolerability, and pharmacokinetics of various candidate formulations at different dose strengths and injection sites; patient's recruitment for this study began in September of 2023.

Lastly, the company has decided to commence the clinical development of a new three monthly formulation of Letrozole (hereinafter, Letrozole LEBE), rather than the initially planned annual formulation of Letrozole ISM®. The objective of this new development is to reach bioequivalence in the plasma levels of letrozole in comparison with the daily administration of oral doses of Femara® 2.5 mg.

With this new clinical programme for Letrozole LEBE, ROVI estimates it could reduce the research times in comparison to those for an annual formulation of the product, thus making it likely that the three-monthly formulation could be marketed several years earlier and, furthermore, the investment necessary to attain the objectives of this project could also be reduced.

Accordingly, ROVI is currently carrying out a phase I clinical trial in Europe to evaluate the pharmacokinetics, safety and tolerability of single ascending doses of Letrozole LEBE, at different strengths, in voluntary healthy post-menopausal women (LEILA-1 study). This first clinical trial of Letrozole LEBE began in July 2023

6. Dividends

On 14 June, 2023, the General Shareholders' Meeting approved the distribution of the 2022 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 69,886 thousand euros (1.2938 euros gross per share). This dividend was paid out in July 2023.

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On 14 June, 2022, the General Shareholders' Meeting approved the distribution of the 2021 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 53,580 thousand euros (0.9556 euros gross per share). This dividend was paid out in July 2022.

7. Capital expenditure

ROVI invested 6.0 million euros in 2023, compared to 6.4 million euros in 2022.

At 31 December, 2023 and 2022, 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

At 31 December 2023, the number of treasury shares was 2,196,011 (644,114 at 31 December 2022). In 2023 and 2022 the following movements took place:

	<u>2023</u>	<u>2022</u>
Balance at beginning of period	644,114	1,218,776
Shares acquired under liquidity contract (a.1)	1,315,909	1,609,715
Shares sold under liquidity contract (a.2)	(1,312,404)	(1,598,794)
Shares acquired in buy-back programme (a.2)	1,548,392	1,467,225
Shares for capital reduction in buy-back programme (a.2)	—	(2,052,808)
Balance at end of period	2,196,011	644,114

a.1) Liquidity contract

Under the liquidity contract signed by ROVI, 1,315,909 shares were acquired (1,609,715 in 2022), for which a total sum of 52,813 thousand euros was paid (78,561 thousand euros in 2022). Likewise, a total of 1,312,404 shares were resold (1,598,794 in 2022) for a sum of 52,639 thousand euros (77,766 thousand euros in 2022). These shares had been acquired at a weighted average cost of 53,785 thousand euros (80,560 thousand euros in 2022), giving rise to a loss of 1,146 thousand euros on the sale (loss of 2,794 thousand euros in 2022), which was recognised in reserves.

a.2) Share buy-back programme

ROVI informed the market (through publication of inside information No. 1926 of 26 July 2023) that, effective as of 26 July 2023, a buy-back programme had commenced with the following conditions:

- Purpose and scope: the cancellation of ROVI shares (capital reduction) while, at the same time, increasing ROVI's shareholder remuneration by increasing the earnings per share.
- Term: from 26 July 2023 for a twelve-month period.
- Maximum monetary amount: up to 130,000,000 euros, The maximum price per share could not exceed the amount provided for in article 3.2. of Delegated Regulation 20216/1052.
- Maximum number of shares to be acquired: 2,700,000 shares in the Company, representing approximately 5% of ROVI's share capital at 26 July 2023.
- Trading volume to be taken as a reference: the trading volume to be taken as a reference for the purposes of article 3.3 of Delegated Regulation 2016/1052 throughout the buy-back programme would be 25% of the average daily trading volume of the ROVI shares at the trading venue where the purchase was made during the twenty trading days prior to the date of purchase.

At 31 December 2023, ROVI had executed approximately 62.38% of the buy-back programme, having acquired a total of 1,548,392 shares for an amount of 81,087 thousand euros.

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Effective 3 November 2021, ROVI commenced a buy-back programme for Company shares with the following main features:

- Purpose and scope: the cancellation of ROVI shares (capital reduction) while, at the same time, increasing ROVI's shareholder remuneration by increasing the earnings per share.
- Term: 12 months as of 3 November 2021, the publication date of the buy-back programme, or when either of the following two conditions was met. Additionally, ROVI reserved the right to end the programme before the term expired.
- Maximum monetary amount: up to 125,000,000 euros.
- Maximum number of shares to be acquired: 1,682,000 shares in the Company, representing approximately 3% of ROVI's share capital at the publication date of the buy-back programme.

Under this agreement, in 2022, 906,525 shares were acquired, for which ROVI paid a total of 59,873 thousand euros. This programme ended on 22 February 2022, a total of 1,492,108 shares having been acquired in 2021 and 2022 for a total amount of 96,434 thousand euros.

Effective 23 February 2022, ROVI commenced another share buy-back programme for Company shares, the main features of which were as follows:

- Purpose and scope: the cancellation of ROVI shares (capital reduction) while, at the same time, increasing ROVI's shareholder remuneration by increasing the earnings per share.
- Term: 6 months as of 23 February 2022, the publication date of the buy-back programme, or when either of the following two conditions was met. Additionally, ROVI reserved the right to end the programme before the term expired.
- Maximum monetary amount: up to 46,000,000 euros.
- Maximum number of shares to be acquired: 560,700 shares in the Company, representing approximately 1% of ROVI's share capital at the publication date of the buy-back programme.

Under this agreement, 560,000 shares were acquired in 2022, for which ROVI paid a total amount of 38,574 thousand euros. This programme ended on 29 March 2022.

On 29 July 2022, the share capital reduction (Note 15) of 123 thousand euros through the cancellation of 2,052,808 ROVI shares was entered into the Companies Register. On the same date, the shares were delisted from the Stock Market Interconnection System and the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. The weighted average cost of the shares cancelled was 135,008 thousand euros and the difference of 134,885 thousand euros was recognised in retained earnings and voluntary reserves.

9. Headcount

The average number of employees during 2023 has been 686 (659 in 2022).

10. Outlook

For 2024, ROVI expects its operating revenue to decrease by a mid-single-digit percentage in comparison with 2023. Notwithstanding, there are certain factors that have been considered when calculating this guidance that, although they could be relevant to the estimates, are difficult to specify at present, including, among others:

- First, the saturation of the National Health Systems due to the low vaccination ratios during the 2023 COVID-19 campaign could favour a more successful vaccination campaign in 2024. However, as of today's date, the Company is not in a position to forecast how demand and production might evolve for the vaccination campaign in 2024.
- Second, it is hoped that the expansion of the compounding, aseptic filling, inspection, labelling and packaging capacities at ROVI's facilities in Madrid and the current high demand for CDMO services in the market might favour obtaining new customers, with the resulting sales impact. This would have to be taken into consideration but cannot be estimated at present.

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- Last, ROVI expects to obtain marketing authorisation for Risvan® from the United States Food and Drug Administration (FDA) in March 2024 and to market the product on the United States market, probably through a partner. The potential sales of this product in 2024 will depend on the terms of the agreement reached with the potential partner, which could likewise affect the estimates for 2024.

11. Risk management

11.1 Operating risk

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

- Incidents related to the quality of the products sold by ROVI and incidents in the clinical trials of medicines, side effects of the products sold by ROVI or incorrect management of the notifications in this respect.
- Concentration of operations in specific customers.
- Changes in the prescription criteria or market regulations intended to contain pharmaceutical spending.
- Risk of cyberattacks.
- Failure to conclude successfully – or as expected – the Research & Development projects that ROVI is conducting.
- Impact of the current geopolitical, socio-political and macroeconomic threats.
- Changes in the supply conditions of the necessary manufacturing materials or the products that ROVI markets.
- Difficulty in attracting, motivating or retaining personnel.
- Actions by the competition that could have an adverse effect on ROVI.
- Risk derived from adapting to climate change requirements and regulations.
- Failure to comply with the regulations applicable to the industry and/or ROVI's activities.
- Tax risk inherent to the activity of companies of the Group's size and complexity.

ROVI monitors and remains permanently alert to any risks that may adversely affect its business activities, applying the appropriate policies and measures to manage them and constantly developing contingency plans that can reduce or offset their impact. Among these, special attention should be drawn to the fact that the Group (i) continues to improve its processes and controls, including those related to the manufacturing processes and those arising from internationalisation; (ii) is working intensively to maintain broad and diversified portfolios of both products and customers; (iii) continues to pursue its goal of constantly opening up new markets as a result of its international expansion project; (iv) is intensifying its efforts to mitigate the risk of cyberattack by raising awareness among its employees and conducting cybersecurity reviews; (v) is continuing with the diversification of its suppliers of raw materials and other packaging materials necessary to manufacture its products; (vi) continues striving to improve its personnel policies; (vii) has started to quantify the risk derived from climate change; and (viii) continues to monitor regulatory compliance, including compliance with the regulations applicable in the different geographical areas where it operates.

11.2 Finance risk

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

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– Market risk

a) Market risk is divided in:

- a. Foreign exchange risk: this risk is low because (i) virtually all the Group's assets and liabilities are in euros; (ii) a majority of the transactions with foreign parties are carried out in euros; and (iii) transactions for a significant amount in currencies other than the euro are hedged with financial instruments that minimise the impact of exchange-rate risk.
- b. Price risk: the Group is exposed to price risk for equity securities because of investments held by the Group and classified as equity securities on the consolidated statement of financial position. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The portfolio is diversified in accordance with the limits set by the Group. The Group does not use derivatives to hedge price risk.
- c. Interest rate risk: the Group is subject to interest rate risk in respect of cash flows on non-current financial debt transactions at variable rates. Group policy is to try to keep most of its financial debt in the form of debt with government entities by obtaining reimbursable advances on which there is no interest-rate risk and, in the case of bank debt, to obtain cash flows not only at variable rates, but also at fixed rates, thus keeping the impact of interest-rate risk to a minimum.
- d. Raw material price risk: the Group is exposed to changes in the conditions under which raw materials and other packaging materials needed to manufacture its products are supplied. To minimise this risk, the Group maintains a diversified portfolio of suppliers and manages its stock levels efficiently.

– Credit risk

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

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

– 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.

Additionally, in July 2022, the BEI granted ROVI a credit for a total amount of 50 million euros to finance R&D&I activities related to new developments of the prolonged drug release technology ISM®. The credit will be available to ROVI for a term of 24 months as of signature of the contract and the loan will mature 10 years after the drawdown date. The loan provides for a three year grace period and financial conditions (i.e. the applicable interest rates, repayment periods, etc.) favourable to ROVI. The Group had not drawn any of this loan at 31 December, 2023.

In September 2023, the bank BBVA granted a credit line of 20 million euros. At 31 December 2023 the Group has not drawn down any amount of the credit facility.

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.

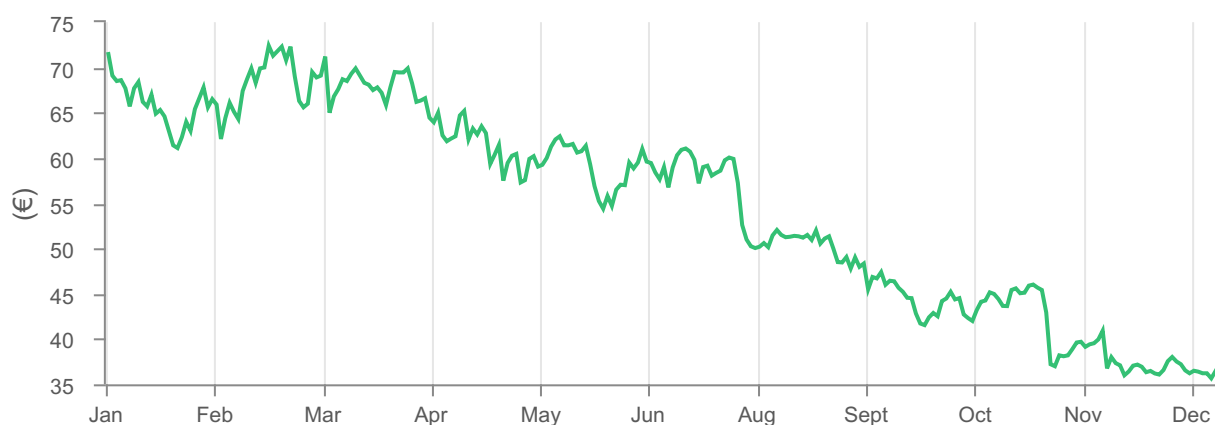
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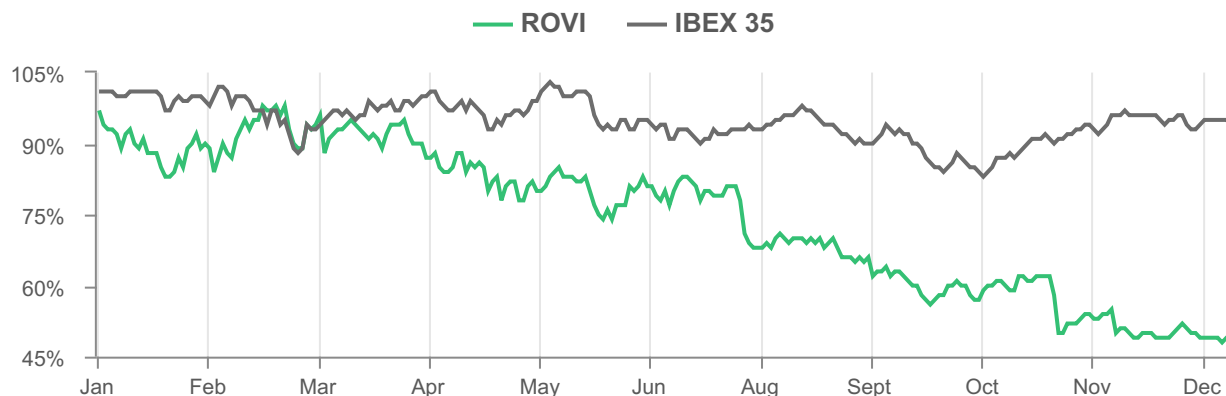
Additionally, in 2018, a capital increase was carried out through the issue of 6,068,965 newly-issued ordinary shares in the Company with a par value of 0.06 euros each, belonging to the same class and series as the existing shares that were already in issue.

In July 2022, Laboratorios Farmacéuticos Rovi, S.A. reduced its capital by cancelling treasury shares (Note 16) as planned in the Buy-back Programmes approved by the Company in 2021 and 2022. The total amount of the capital reduction was 123,168.48 euros (2,052,808 shares with a par value of 0.06 euros each). The following graph shows the fluctuations of the share price in the stock market in 2022.

The following graph shows the fluctuations of the share price in the stock market in 2023:



The following chart shows the performance of the share price of RVI compared with the IBEX 35 index in 2023:



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13. Average payment method

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 and Law 18/2022, are as follows:

	2023	2022
	Days	Days
Average payment period to suppliers	49	50
Ratio of transactions paid	51	52
Ratio of transactions outstanding	33	40
	2023	2022
Total payment made (thousand euros)	300,162	315,251
Total payment outstanding (thousand euros)	26,019	46,777
	2023	2022
Invoices paid in less than 60 days (thousand euros)	221,283	216,909
No. of invoices paid in less than 60 days	13,481	10,559
% No. invoices paid in less than 60 days/Total No. invoices paid	74%	58%
% amount of invoices paid in less than 60 days/Total amount of invoices paid	73%	69%

14. Research and development

Total research and development expenses incurred in 2023 were 23,521 thousand euros (23.869 thousand euros in 2022), 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 2023, 8,665 thousand euros was recognised under the "Employee benefit expenses" caption (9,242 thousand euros at 31 December 2022) and 14,856 under "Other operating expenses (14,627 thousand euros 2022).

15. Corporate government annual report

The Annual Corporate Governance Report prepared by Laboratorios Farmacéuticos Rovi, S.A. for the year 2023 is an integral part of this Management Report, although it is presented as a separate document.

The document will be available on 26 February, 2024 at <https://www.cnmv.es/portal/consultas/ee/informaciongobcorp.aspx?nif=A-28041283&lang=es>

16. Annual Report on director's remuneration

The Annual Report on Directors' Remunerations prepared by Laboratorios Farmacéuticos Rovi, S.A. for the year 2023 is an integral part of this Management Report, although it is presented as a separate document.

The document will be available on 26 February in <https://www.cnmv.es/portal/consultas/ee/informaciongobcorp.aspx?TipoInforme=6&nif=A-28041283>

17. Events after reporting date

In January 2024, the U.S. Food and Drug Administration (FDA) inspected the active substance manufacturing plant in Granada with a satisfactory outcome. The inspection focused on the processes of manufacture and control of the active substance used to manufacture the Moderna mRNA COVID-19 vaccine. This result authorises Moderna to market the vaccine that ROVI manufactures in Spain in the United States.

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18. Statement of Non-Financial Information (Integrated Report)

The Integrated Report of which the Company is the parent company, the ROVI Group, which includes all the information requirements of the Statement of Non-Financial Information, in compliance with the reporting duties set forth in Law 11/2018, of 28 December, which amends the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Act 22/2015, of 20 July, on the Auditing of Accounts, in relation to non-financial information and diversity, is an integral part of the consolidated management report of Laboratorios Farmacéuticos Rovi, S. A. and subsidiaries at 31 December 2023.

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 and the Annual Directors’ Remuneration Statement) for the fiscal year ended on 31 December 2023 and which precede this document, have been issued by the Board of Directors at its meeting of 26 February 2024 following the formatting requirements set out in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (European Single Electronic Format - ESEF) and in Commission Delegated Regulation (EU) 2022/352 of 29 November 2021, whose members sign below in accordance with Article 253 of the Royal Legislative Decree 1/2010, of 2 July, approving the restated text of the Spanish Companies Law (*Ley de Sociedades de Capital*), and Article 37 of the Spanish Commercial Code:

Madrid, 26 February 2024

Mr. Juan López-Belmonte Encina
Chairman and Chief Executive Officer
(Consejero Delegado)

Mr. Javier López-Belmonte Encina
Vice Chairman 1º

Mr. Iván López-Belmonte Encina
Vice Chairman 2º

Mr. Marcos Peña Pinto
Lead Independent Director

Ms. Fátima Báñez García
Director

Ms. Marina del Corral Téllez
Director

Ms. María Teresa Corzo Santamaría
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 held on 26 February 2024, and in accordance with Article 8.1.b) of Royal Decree 1362/2007 of 19 October, 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 2023, issued by the Board of Directors at the abovementioned meeting of 26 February 2024, 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 latter including the corresponding non-financial information statement (also called “Informe Integrado ROVI 2023”)) contain a fair assessment of the corporate performance and results and of 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 they face.

Madrid, 20 de febrero de 2024

Mr. Juan López-Belmonte Encina
Chairman and Chief Executive Officer (Consejero Delegado)

Mr. Javier López-Belmonte Encina
Vice Chairman 1º

Mr. Iván López-Belmonte Encina
Vice Chairman 2º

Mr. Marcos Peña Pinto
Lead Independent Director

Ms. Fátima Báñez García
Director

Ms. Marina del Corral Téllez
Director

Ms. María Teresa Corzo Santamaría
Director

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.

Mr. Ignacio Zarzalejos Toledano, Non-Director Deputy Secretary of the Board of Directors of Laboratorios Farmacéuticos ROVI, S.A. (“**ROVI**” or the “**Company**”) with registered address in Calle Julián Camarillo, 35, Madrid, entered in the Commercial Registry of Madrid in Tome 3823, Section 8, Folio 1, sheet number M-64245, entry number 62, and holding Tax ID number (NIF) A-28041283

HEREBY CERTIFIES

- I. That the documents sent to the National Securities Market Commission (CNMV) by means of the CIFRADO/CNMV electronic submission service through the “FEUE” procedure for the “Audited financial statements of listed companies” (i.e., ROVI’s individual and consolidated annual financial statements and management reports, with the latter including the Annual Corporate Governance Report, the Annual Report on the Remuneration of the Directors, and the non-financial information statement (also called “*Informe Integrado ROVI 2023*”), corresponding to the financial year that ended on 31 December 2023 and drawn up by the Board of Directors at its meeting on 26 February 2024 for the approval by the General Shareholders’ Meeting, as well the respective statements of responsibility) were drawn up in electronic format and signed by all members of the Board of Directors at the aforementioned meeting of 26 February 2024 with the express assent of all the members of the Board of Directors and following the formatting (and tagging) requirements set out in Commission Delegated Regulations (EU) 2019/815 of 17 December 2018 (European Single Electronic Format - ESEF) and Commission Delegated Regulations (EU) 2022/352 of 29 November 2021.
- II. That the Company’s individual and consolidated annual financial statements and management reports for the financial year that ended on 31 December 2023, and sent through the CIFRADO/CNMV electronic submission service, correspond with those audited by KPMG Auditores, S.L.
- III. That the audit reports on the individual and consolidated Annual Financial Statements corresponding to the financial year that ended on 31 December 2023, attached hereto in the xHTML files, and sent through the CIFRADO/CNMV electronic submission service, are a true copy of the originals signed on 26 February 2024 by Mrs. Begoña Pradera Goiri partner of KPMG Auditores, S.L., the Company’s auditor.
- IV. That the independent verification report on the non-financial information statement (NFS) (also called “*Informe Integrado ROVI 2023*”) and the auditor’s report on the “information relating to the system of internal control over financial reporting (ICFR)”, sent through the CIFRADO/CNMV electronic submission service, are a true copy of the originals signed on 26 February 2024 by Mrs. Marta Contreras Hernández and by Mrs. Begoña Pradera Goiri, respectively.
- V. That the English translation of the annual individual and consolidated financial report, sent through the CIFRADO/CNMV electronic submission service, has been prepared internally and for information purposes only, and has not been drawn up by the Board of Directors of the Company. In the event of any discrepancy between the Spanish and English versions, the Spanish version shall prevail.

In witness whereof, and for all relevant purposes, I issue this certificate in Madrid on 26 February 2024.