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 2021)

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

KPMG Auditores, S.L.

P.º de la Castellana, 259C
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 2021, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 a) to the annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

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

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

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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 490,229 thousand) See notes 3.14 and 22.a to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
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. 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.	Our audit procedures included the following: - We evaluated the design and implementation of the key controls associated with the process of recognising revenue from sales made to third parties. - 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 reconciliation vis-à-vis 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 2021 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility regarding the information contained in the directors' report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report 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 2021, 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. We also:

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital file of Laboratorios Farmacéuticos Rovi, S.A. for 2021 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.

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The Directors of Laboratorios Farmacéuticos Rovi, S.A. are responsible for the presentation of the 2021 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 22 February 2022.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 17 June 2021 for a period of one year, from the year ended 31 December 2021.

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)

This report corresponds to stamp number 01/22/00186 issued by the Spanish Institute of Registered Auditors (ICJCE)

On the Spanish Official Register of Auditors ("ROAC") with No. 15825

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Annual Accounts and Management Report
for the annual period ended 31 December, 2021

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

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ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Financial Position at 31 December, 2021 and 2020
(Thousands of euros)

	Note	31 December	
		2021	2020
NON-CURRENT ASSETS		**131,457**	**141,497**
Intangible assets	5	**33,816**	**37,487**
Property, plant & equipment	6	**52,396**	**52,130**
Non-current assets in group and associated companies	8 & 9	**41,418**	**45,484**
Equity instruments		15,455	13,680
Credits to group companies	31	25,963	31,804
Non-current financial investments		**1,485**	**1,484**
Equity instruments	7 & 11	64	63
Other financial assets	7 & 10	1,421	1,421
Deferred tax assets	21	**2,342**	**4,912**
CURRENT ASSETS		**346,642**	**414,030**
Inventories	12	**105,784**	**74,677**
Trade and other receivables		**202,206**	**305,206**
Trade receivables, sales of goods and services	7 & 10	49,666	43,711
Trade receivables, group and associated companies	7 & 10	136,079	249,281
Sundry debtors	7 & 10	26	75
Current tax assets	23	9,889	8,342
Other credits with public authorities	23	6,546	3,797
Current investments in group & associated companies	7 & 10	**312**	**—**
Credits to companies		312	—
Current accruals and prepayments		**376**	**3**
Cash and cash equivalents	7 & 13	**37,964**	**34,144**
TOTAL ASSETS		**478,099**	**555,527**

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Financial Position at 31 December, 2021 and 2020
(Thousands of euros)

	Note	31 December 2021	31 December 2020
EQUITY		**339,631**	**330,686**
Equity		**337,522**	**328,283**
Capital	14	3,364	3,364
Share premium	14	87,636	87,636
Reserves	15	7,032	7,032
(Treasury shares)	15	(66,121)	(20,185)
Retained earnings	15	240,468	179,299
Profit for the year	16	65,143	71,137
Adjustments for change in value		**(2)**	**(3)**
Financial assets at fair value through equity		(2)	(3)
Grants, donations and legacies received	17	**2,111**	**2,406**
NON-CURRENT LIABILITIES		**58,036**	**64,135**
Non-current debt		**52,298**	**53,647**
Bank borrowings	7 & 18	44,107	44,825
Other financial liabilities	7 & 18	8,191	8,822
Deferred tax liabilities	21	**4,278**	**4,700**
Non-current accruals	19	**1,460**	**5,788**
CURRENT LIABILITIES		**80,432**	**160,706**
Current provisions	20	**9,430**	**15,741**
Current debt		**2,890**	**2,867**
Bank borrowings	7 & 18	714	175
Financial derivatives	7 & 18	17	925
Other financial liabilities	7 & 18	2,159	1,767
Current debt with group and associated companies	7 & 18	**290**	**184**
Trade and other payables		**67,036**	**140,834**
Trade payables	7 & 18	48,620	30,920
Trade payables, group and associated companies	7 & 18	8,546	104,228
Sundry creditors	7 & 18	3,713	371
Employees (outstanding remuneration)	7 & 18	4,717	4,038
Other debt with the public authorities	23	1,440	1,277
Current accruals	19	**786**	**1,080**
TOTAL EQUITY AND LIABILITIES		**478,099**	**555,527**

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Income Statement for the annual periods ended 31 December, 2021 and 2020
(Thousands of euros)

	Note	Annual period ended 31 December	
		2021	2020
CONTINUING OPERATIONS			
Net sales	22 a)	**509,920**	**459,424**
Sales of goods		490,229	459,424
Sales of services		19,691	—
Change in inventories of finished products and work in progress	12	**19,298**	**(7,245)**
Procurements		**(384,450)**	**(308,275)**
Raw materials and consumables used	22 b)	(381,336)	(310,039)
Inventory write-down	12	(3,114)	1,764
Other operating income		**6,948**	**5,111**
Ancillary and current management income	22 c)	6,363	4,595
Operating grants recognised in profit and los	22 d)	585	516
Employee benefit expenses	22 e)	**(40,562)**	**(32,803)**
Wages, salaries and similar remuneration		(33,764)	(26,974)
Welfare charges		(6,798)	(5,829)
Other operating expenses		**(69,470)**	**(61,815)**
External services	22 f)	(64,128)	(55,765)
Taxes		(5,484)	(6,080)
Losses, impairment and changes in trade provisions	22 g)	142	44
Other current operating expenses		—	(14)
Amortisation and depreciation charges	5 & 6	**(10,303)**	**(9,710)**
Allocation of grants for non-financial assets and other	17	**741**	**629**
Impairment and gains/(losses) on disposal of intangible assets and property, plant & equipment	6	**(120)**	**(70)**
Impairment and losses	5	(95)	(56)
Gains (losses) on sales and other		(25)	(14)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		**32,002**	**45,246**
Finance income		25,589	31,723
Finance expenses		(655)	(789)
Change in fair value of financial instruments		908	(796)
Exchange rate differences		(111)	77
Impairment and gains/(losses) on disposal of financial instruments		1.161	(245)
FINANCE COSTS – NET	24	**26,892**	**29,970**
PROFIT BEFORE TAX		**58,894**	**75,216**
Income tax	23	6,249	(4,079)
PROFIT FOR THE YEAR	16	**65,143**	**71,137**

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Changes in Equity for the annual periods ended
31 December, 2021 and 2020
(Thousands of euros)

A) STATEMENT OF RECOGNISED INCOME AND EXPENSES

	Note	Annual period ended 31 December	
		2021	**2020**
PROFIT FOR THE YEAR	16	**65,143**	**71,137**
Income and expenses credited or charged directly to equity		**700**	**514**
Financial assets at fair value through equity	11	1	—
Grants, donations and legacies received	17	933	686
Tax effect	21	(234)	(172)
Transfers to profit and loss		**(994)**	**(858)**
Grants, donations and legacies received	17	(1,326)	(1,145)
Tax effect	21	332	287
TOTAL RECOGNISED INCOME AND EXPENSES		**64,849**	**70,793**

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

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

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

	Share capital (Note 14)	Share premium (Note 14)	Reserves (Note 15)	Treasury shares (Note 15)	Retained earnings (Note 15)	Profit for the year (Note 16)	Adjusted for changes in value	Grants, donations & legacies received (Note 17)	TOTAL
BALANCE AT END OF 2019	**3,364**	**87,636**	**7,032**	**(10,341)**	**153,338**	**25,553**	**(3)**	**2,750**	**269,329**
Adjustments for changes in policies 2019 and prior periods	—	—	—	—	—	—	—	—	—
Adjustments for errors 2019 and prior periods	—	—	—	—	—	—	—	—	—
ADJUSTED BALANCE BEGINNING OF 2020	**3,364**	**87,636**	**7,032**	**(10,341)**	**153,338**	**25,553**	**(3)**	**2,750**	**269,329**
Total recognised income and expenses	—	—	—	—	—	71,137	—	(344)	70,793
- Application of profit for 2019	—	—	—	—	15,853	(15,853)	—	—	—
- Distribution of dividends	—	—	—	—	—	(9,700)	—	—	(9,700)
- Transactions with treasury shares (net)	—	—	—	(9,844)	10,077	—	—	—	233
- Other movements on equity	—	—	—	—	31	—	—	—	31
BALANCE AT END OF 2020	**3,364**	**87,636**	**7,032**	**(20,185)**	**179,299**	**71,137**	**(3)**	**2,406**	**330,686**
Adj. for changes in policies 2020 and prior periods	—	—	—	—	—	—	—	—	—
Adjustments for errors 2020 and prior periods	—	—	—	—	—	—	—	—	—
ADJUSTED BALANCE BEGINNING OF 2021	**3,364**	**87,636**	**7,032**	**(20,185)**	**179,299**	**71,137**	**(3)**	**2,406**	**330,686**
Total recognised income and expenses	—	—	—	—	—	65,143	1	(295)	64,849
- Application of profit for 2020	—	—	—	—	50,005	(50,005)	—	—	—
- Distribution of dividends	—	—	—	—	—	(21,132)	—	—	(21,132)
- Transactions with treasury shares (net)	—	—	—	(47,339)	10,882	—	—	—	(36,457)
- Other transactions with shareholders or owners	—	—	—	1,403	—	—	—	—	1,403
- Other movements on equity	—	—	—	—	282	—	—	—	282
BALANCE AT END OF 2021	**3,364**	**87,636**	**7,032**	**(66,121)**	**240,468**	**65,143**	**(2)**	**2,111**	**339,631**

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Cash Flows for the annual periods ended 31 December, 2021 and 2020
(Thousands of euros)

	Note	Annual period ended 31 December	
		2021	2020
Profit before income tax		58,894	75,216
Adjustments to profit		61	12,953
Changes in working capital		27,901	(69,633)
Other cash flows from operating activities		(22,176)	(4,631)
Cash flows generated (used) in operating activities	25	**64,680**	**13,905**
Payments of investments		(7,034)	(11,074)
Proceeds from disinvestments		(1,220)	813
Cash flows generated (used) in investing activities	26	**(8,254)**	**(10,261)**
Proceeds from and payments of financial liability instruments		4,983	(11,350)
Dividend payments and remuneration of other equity instruments		(21,132)	(9,700)
Transactions with treasury shares		(36,457)	233
Cash flows generated (used) in financing activities	27	**(52,606)**	**(20,817)**
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		**3,820**	**(17,173)**
Cash and cash equivalents at beginning of the year	13	34,144	51,317
Cash and cash equivalents at end of the year	13	37,964	34,144

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Notes to the Annual Accounts for the period 2021
(Thousands of euros)

1. General information

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

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

The annual accounts for 2021 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 2021 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 22 February, 2021, the consolidated annual accounts of Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries at 31 December, 2021 were approved, showing a profit of 153,077 thousand euros and equity, including the net profit for the year, of 470,976 thousand euros (61,057 thousand euros and 373,700 thousand euros, respectively, at 31 December, 2020).

As of 31 December, 2021, the company Norbel Inversiones, S.L. held 60.17% of the shares of Laboratorios Farmacéuticos Rovi, S.A. (Note 15). As of 31 December, 2020, the company Norbel Inversiones, S.L. held 63.11% of the shares of Laboratorios Farmacéuticos Rovi, S.A. Norbel Inversiones, S.L., with registered office at Calle Julián Camarillo, 35, Madrid, files consolidated annual accounts with the Madrid Companies Registry.

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

These annual accounts were approved by the Board of Directors on 22 February, 2022 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. The annual accounts are elaborated in accordance with the format and markup requirements set out in Commission Delegated Regulation (EU) 2019/815.

b) Critical accounting estimates and judgements

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

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

b.1) Revenue recognition

b.1.1) Sales of goods

The Company has recognised the total sales of goods marketed in 2021 as revenue and, where applicable, has claimed late-payment interest from the public authorities. The buyer has the right to return the goods sold. Although the Company believes that, based on previous experience, the level of returns will not be very meaningful, ROVI has recognised ordinary revenue for its sales together with the related provision against ordinary revenue for estimated returns. If the estimate changes by 1%, changes in revenue will not be significant.

b.1.2) Sales of services

The main services provided by the Group consist of manufacturing services for third parties. In these services, control is deemed to be transferred to the customer and the service obligations are deemed to have been completed on the basis of the percentage of completion of the work performed according to the defined milestones. If 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, 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 customers. 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. 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

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

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

b.3) Co-operation Agreement between the government and Farmaindustria

As a member of Farmaindustria, ROVI holds a commitment to assume and pay part of the interannual increase in the pharmaceutical spending of the Autonomous Communities, in accordance with reimbursement mechanisms established between the parties for each year.

The amounts payable estimated by Management are based on the evolution of public spending on medicines (excluding generics and biosimilars) and the Company’s market share, among other factors.

c) Grouping of items

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

d) New standards and amendments to existing ones

The accounting principles and measurement rules used by the Company to prepare the 2021 annual accounts are the same of those applied in 2020, except for the adoption of Royal Decree 1/2021. The main amendments refer essentially to the transposition of a large part of the rules included in IFRS-UE 9, IFRS-EU 15, IFRS-EU 7 and IFRS-EU 13 into national accounting. The main effects are:

Financial instruments

In relation to financial assets and liabilities, new criteria for their classification, measurement and derecognition are introduced, as well as new rules on hedge accounting. In its first adoption of this standard as of 1 January, 2021, ROVI chose the practical solution of not restating the comparative information for 2020, electing to apply it prospectively for hedge accounting and the classification of financial instruments. The alternative of changing the classification of the 2020 assets and liabilities without changing their measurement was chosen. The Company did not make any adjustments to the carrying amounts of financial assets and liabilities in reserves at 1 January, 2021.

Except for the changes in the name of the categories of financial assets, Royal Decree 1/2021 did not have any effect on equity.

The classification of the Company’s financial liabilities for measurement purposes did not change in comparison with the 2020 individual annual accounts, except for “Debits and payables”, which changed its classification to “Liabilities at amortised cost”, and derivatives, which are now classified as “Financial liabilities at fair value through profit and loss”. The measurement criteria applied previously were not affected.

Consequently, the breakdown of financial assets and liabilities by class and category at 31 December, 2020 is as follows:

	2020	2021
ASSETS		
Loans and receivables	326,292	—
Financial assets at amortised cost	—	326,292
Investments in group and associated companies	13,680	—
Financial assets at cost	—	13,680
Available-for-sale financial assets	63	—
Financial assets at fair value through other comprehensive income	—	63
LIABILITIES		
Held-for-trading financial assets	925	—
Financial liabilities at fair value through profit and loss	—	925
Debits and payables	150,330	—
Financial liabilities at amortised cost	—	150,330

Revenue recognition

The standard establishes a new recognition model for revenue from contracts with customers, where revenue must be recognised in accordance with completion of the performance obligations to the customers. Ordinary revenue represents the transfer of goods or services committed with the customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for said goods and services.

Additionally, an asset (or inventories) will be recognised for the costs incurred in fulfilling a contract with a customer and an accrual of expenses in the case of the incremental costs incurred in obtaining a contract with a customer, when, in both these cases, it is expected to recover them.

At the first adoption on 1 January, 2021, the Company chose the practical solution of applying the new standard for new contracts as of said date, electing not to restate the comparative information for 2020.

Furthermore, the entity decided to apply the practical solutions consisting of not considering the financing component to be material when the payment period was less than one year and recognising the incremental cost of obtaining contracts as an expense when the forecast period of allocation to profit and loss was one year or less.

Additionally, internal policies for revenue recognition were analysed for the different types of customer contracts, identifying the performance obligations, the determination of the calendar for meeting these obligations and the transaction price and its allocation, in order to identify possible differences with the revenue recognition model of the new standards. No material differences were found and no performance obligations that gave rise to recognition of a liability for customer contracts were observed.

The standard requires recognition of an accrued expense associated to the incremental costs of obtaining a contract with a customer. On the basis of the evaluations performed at the date the new standard came into force, no expenses of this type were observed in the Company.

3. Accounting policies

3.1 Intangible assets

a) Research and development expenses

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

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

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

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

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

b) Licences and trademarks

Product licences and trademarks are shown at acquisition cost. Those that have a finite useful life and are carried at cost less accumulated amortisation and recognised impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives, which are between 10 and 15 years.

Amortisable assets are tested for impairment whenever any event or change in circumstances indicates that their carrying amount may not be recoverable.

c) Computer software

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

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

3.2 Property, plant and equipment

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

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

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

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

Buildings - 40 years

Technical facilities and machinery – between 4 and 14 years

Other facilities, fittings and equipment and furniture – between 5 and 10 years

Other property, plant and equipment– between 4 and 5 years

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

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

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

3.3 Impairment losses on non-financial assets

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

3.4 Financial assets

a) Classification of financial assets

The Company classifies its financial assets into the following categories:

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. Loans and other receivables are included in “Credits to companies” and “Trade and other receivables” in the statement of financial position.

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

   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 recognized 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.

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 the equity remain there until they are derecognised.

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

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 the equity in profit and loss. Impairment losses on equity instruments recognised in profit and loss are not reversed through profit and loss.

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

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

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.

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

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

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

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

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

3.7 Equity

Share capital is represented by ordinary shares.

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

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

The Company classifies a financial instrument as a financial liability, in full or in part, provided that the substance of the economic situation represents a direct or indirect contractual obligation for the Company to deliver cash or another financial asset or to exchange financial assets and liabilities with third parties under potentially unfavourable conditions.

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

3.8 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 debts. These debts 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 debts are recognised initially at fair value, net of transaction costs directly incurred, and are subsequently stated at amortised cost applying the effective interest rate method. This effective interest 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 contractual interest rate are measured, both initially and subsequently, at their face value when the effect of not discounting the cash flows is not significant.

b) Financial liabilities 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.

3.9 Grants received

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

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

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

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

3.10 Current and deferred taxes

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

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

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

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

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

3.11 Employee benefits

a) Pension commitments

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

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

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

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

b) Termination benefits

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

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.

d) Share-based payments

The Company recognises the goods or services received or acquired in a transaction with share-based payments at the time the goods are obtained or the services received. If the goods or services are received in a transaction with share-based payments settled with equity instruments, an increase in equity is recognised, while if they are settled in cash, a liability is recognised, with its balancing item in profit or loss or in the assets of the statement of financial position.

The Company recognises transactions in share-based payments settled through Company equity instruments, including capital increases with non-monetary payments, as well as the increase in equity related thereto, at the fair value of the goods or services received, unless said fair value cannot be reliably estimated, in which case the value will be measured in accordance with the fair value of the equity instruments handed over.

Equity instruments handed over in consideration for services provided by Company employees or third parties who provide similar services will be measured in accordance with the fair value of the equity instruments handed over.

Share-based payments to employees settled by issuing equity instruments

Payments to employees settled by issuing equity instruments are recognized by applying the following criteria:

- If the equity instruments awarded vest immediately at the time they are awarded, the services received are charged to profit and loss with the resulting increase in equity;

- If the equity instruments awarded vest when the employees complete a certain period of service, the services received are recognized over the vesting period and credited to equity accounts.

The Company determines the fair value of the instruments awarded to employees at the date they are awarded.

Market and other conditions that do not determine vesting are considered when measuring the fair value of the instrument. The rest of the vesting conditions are taken into account by adjusting the number of equity instruments included when determining the amount of the transaction, in such a way that, finally, the amount recognised for the services received is based on the number of equity instruments that are likely to vest. Consequently, the Company recognizes the amount for the services received over the vesting period, based on the best estimate of the number of instruments that will vest and this estimate is revised in accordance with the rights that are expected to vest.

Once the services received and the related increase in equity are recognised, no additional adjustments will be made to the equity after the vesting date, although the relevant reclassifications in equity will be made.

If the Company retains equity instruments in order to pay the employee’s income tax into the Public Treasury, the entire plan will be treated as having been settled in equity instruments, except for the portion of the instruments retained that exceeds the fair value of the tax obligation.

3.12 Provisions and contingent liabilities

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

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

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

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

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

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

3.13 Business combinations

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

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

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

3.14 Revenue recognition

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

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 for that the necessary criteria have been met for customer acceptance.

The products are sold with volume discounts and customers are entitled to return damaged products or those that have expired. Sales are recognised at the price fixed in the sale contract, net of volume discounts and returns estimated at the date of sale. Volume discounts are measured based on estimated annual purchases. Returns are not significant and they are measured based on the Company’s historical experience (Note 2). Invoices are due within a maximum period of 90 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.

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 consisting of the realisation of certain phases of the production process of pharmaceutical products for other entities. Revenue is recognised as the milestones recognised 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 customers. 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 flow at the original effective interest rate of the instrument, and continues unwinding the discount as less interest income. Interest income on impaired loans is recognised using the effective interest rate method.

d) Dividend income

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

e) Other revenues: granting of exclusive distribution licences

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

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

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

3.15 Leases

When the Company is the lessee – Operating lease

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

3.16 Foreign currency transactions

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

3.17 Related-party transactions

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

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

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

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

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

In 2010, the government approved two packages of measures to reduce pharmaceutical spending. The first one focused on generic products, which are those out of patent, for which it established an average reduction of 25% in the selling price to laboratories. The second package addressed pharmaceutical products under patent. Since that time, a 7.5% discount has been applied to the selling price to the public. The Group recognises the amounts relating to these measures as a decrease in sales.

Since 2017, the Spanish government and the members of Farmaindustria, which include ROVI, have signed different agreements whereby the members assume the commitment to make certain contributions to the Public Health System. The Company recognises the sums accrued for these commitments as a reduction in sales.

4. Financial risk management

4.1 Financial risk factors

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

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

a) Market risk

(i) Exchange rate risk

Foreign exchange risk is low as (i) virtually all the Company's assets and liabilities are in euros; (ii) the majority of the transactions with foreign parties are carried out in euros; and (iii) transactions for a significant amount in currencies other than the euro are hedged with financial instruments that minimise the impact of exchange-rate risk. At 31 December, 2021, the Company held instruments of this kind for a value of 5,000 thousand dollars (13,500 thousand dollars in 2020), the measurement of which led to recognition of a loss of 17 thousand euros at the 2021 reporting date (at 31 December, 2020, the loss originating from measurement of these assets was 925 thousand euros). If, at 31 December, 2021, the exchange rate had been 10% higher, ROVI would have incurred a loss of 502 thousand euros and, if the exchange rate had been 10% lower, ROVI would have recorded a profit of 392 thousand euros from the measurement of these assets (at 31 December, 2020, the effect would have been a loss of 1,925 euros and a profit of 297 euros, respectively).

At 31 December, 2021, the Company held assets for an amount of 1,094 thousand zlotys (500 thousand zlotys at 31 December, 2020). 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 24 thousand euros 10 thousand euros in 2020) and if the exchange rate had been 10% lower, their value would have increased by 24 thousand euros (12 thousand euros in 2020).

(ii) Price risk

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

At 31 December, 2021 and 2020, a change in the quoted price of equity securities would have had no effect on the Company's statement of financial position.

(iii) Cash flow and fair value interest rate risk

The Company is subject to interest rate risk in respect of cash flows on long-term borrowing transactions at variable rates.

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

Had interest rates on financial debt at variable rates been 1% higher or lower at 31 December, 2021, with all other variables remaining constant, the gain/loss after taxes for the year would have decreased or increased by 51 thousand euros, respectively, owing to the difference in interest expense on loans at variable rates (51 thousand euros at 31 December, 2020).

b) Credit risk

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

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

At 31 December, 2021, the greatest investment in financial assets, including cash and cash equivalents but not including trade receivables, was related to Banco Santander, 15,835 thousand euros (21,540 thousand euros at 31 December, 2020). 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.

In 2020, ROVI signed credit policies for a total amount of 45 million euros. ROVI did not renew these policies when they expired in 2021.

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

				Thousand euros
At 31 December, 2021	**Less than 1 year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**Over 5 years**
Bank borrowings	993	13,334	19,709	12,052
Debt with government entities	2,159	3,081	4,193	1,767
Trade and other payables	65,886	-	-	-
	69,038	16,415	23,902	13,819

	Thousand euros			
	Less than	**Between**	**Between**	**Over**
At 31 December, 2021	**1 year**	**1 & 2 years**	**2 & 5 years**	**5 years**
Bank borrowings	474	7,585	19,753	18,843
Debt with government entities	1,767	3,520	4,118	2,190
Trade and other payables	139,741	0	0	0
	141,982	11,105	23,871	21,033

4.2 Fair value estimation

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

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

5. Intangible assets

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

	Development	**Patents, licences and trademark**	**Computer software**	**Total**
Balance at 01.01.20				
Cost	9,094	44,075	7,031	60,200
Accumulated impairment	—	(341)	—	(341)
Accumulated amortization	(1,215)	(11,387)	(5,670)	(18,272)
Carrying amount 01.01.20	**7,879**	**32,347**	**1,361**	**41,587**
Additions	—	—	159	159
Impairment	—	(56)	—	(56)
Amortisation charge	(455)	(3,191)	(557)	(4,203)
Balance at 31.12.20				
Cost	9,094	44,075	7,190	60,359
Accumulated impairment	—	(397)	—	(397)
Accumulated amortization	(1,670)	(14,578)	(6,227)	(22,475)
Carrying amount 31.12.20	**7,424**	**29,100**	**963**	**37,487**
Additions	—		319	319
Impairment	—	(95)	—	(95)
Amortisation charge	(455)	(2,925)	(515)	(3,895)
Balance at 31.12.21				
Cost	9,094	44,075	7,509	60,678
Accumulated impairment	—	(492)	—	(492)
Accumulated amortization	(2,125)	(17,503)	(6,742)	(26,370)
Carrying amount 31.12.21	**6,969**	**26,080**	**767**	**33,816**

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, 2021, the pertinent impairment loss was recognised. The loss recognised in 2021, which was 95 thousand euros (56 thousand euros at 31 December, 2020), was recognised under the caption “Impairment losses on non-current assets” in the income statement. The recoverable value of this asset was obtained by projecting the cash flows expected until the end of the contract in December 2023 and applying a discount rate of 7.2% (6.5% in 2020). The margins used in the cash flow projection were those forecast in accordance with ROVI’s historical knowledge of the revenue and costs generated by this asset. A change of 10% in the discount rate applied on the cash flows used as a basis would not have led to any significant change in the amount of the impairment.

b) Development

At 31 December, 2021 and 2020, 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 2021 or 2020.

Total research and development expenses incurred in 2021 were 27,445 thousand euros (23,801 thousand euros in 2020) 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 2021, 8,384 thousand euros was recognised under the “Employee benefit expenses” caption (Note 22.e) (7,001 thousand euros at 31 December, 2020) and 19,061 thousand euros under “External services ” (Note 22.f) (16,800 thousand euros in 2020).

c) Fully amortised intangible assets

At 31 December, 2021, there were fully-amortised intangible assets that were still in use with a carrying cost of 7,135 thousand euros (5,948 thousand euros at 31 December, 2020).

d) Assets affected by guarantees and ownership restrictions

At 31 December, 2021 and 2020, there were no significant intangible assets subject to ownership restrictions or pledged to guarantee liabilities.

e) Insurance

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

6. Property, plant and equipment

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

	Land and buildings	Technical facilities & other property, plant & equipment	Total
Balance at 01.01.20			
Cost	7,284	81,467	88,751
Accumulated depreciation	(1,416)	(40,593)	(42,009)
Net carrying amount 01.01.20	**5,868**	**40,874**	**46,742**
Additions	—	10,915	10,915
Retirements	—	(76)	(76)
Elimination from depreciation	—	56	56
Depreciation charge	(136)	(5,371)	(5,507)
Balance at 31.12.20			
Cost	7,284	92,306	99,590
Accumulated depreciation	(1,552)	(45,908)	(47,460)
Net carrying amount 31.12.20	**5,732**	**46,398**	**52,130**
Additions	7	6,708	6,715
Retirements	—	(165)	(165)
Elimination from depreciation	—	124	124
Depreciation charge	(136)	(6,272)	(6,408)
Balance at 31.12.21			
Cost	7,291	98,849	106,140
Accumulated depreciation	(1,688)	(52,056)	(53,744)
Net carrying amount 31.12.21	**5,603**	**46,793**	**52,396**

At 31 December, 2021 and 2020, the additions to property, plant and equipment were mainly related to investments in the Company's Granada plant and the pilot plants for development of ISM® technology.

a) Impairment losses

In the periods 2021 and 2020, no significant impairment losses were either recognised or reversed in relation to any individual item of property, plant and equipment.

b) Fixed-asset acquisition commitments

At 31 December, 2021 and 2020, the Company held commitments to acquire property, plant and equipment related to the normal course of business.

c) Fully-depreciated assets

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

	Thousand euros	
	2021	**2020**
Technical installations	3,071	2,971
Machinery	1,680	1568
Tools	277	266
Furniture	325	305
Computer equipment	1,391	1,382
Transport fleet	24	24
Other property, plant and equipment	8,934	8,544
	15,702	**15,060**

d) Operating leases

The income statement includes operating lease expenses relating to rental of vehicles and buildings for an amount of 2,813 thousand euros (2,649 thousand euros at 31 December, 2020).

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.

7. Analysis of financial instruments

7.1 Analysis by category

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

a) Financial assets

	Thousand euros			
	Equity instruments		Credits and other financial assets	
	2021	2020	2021	2020
Financial assets at fair value through equity (Note 11)	64	63	-	—
Financial assets at amortised cost (Nota 10)	-	—	27,384	33,225
Non-current	**64**	**63**	**27,384**	**33,225**
Financial assets at amortised cost (Note 10)	—	—	186,083	293,067
Cash and cash equivalents (Note 11)	—	—	37,964	34,144
Current	**—**	**—**	**224,047**	**327,211**
TOTAL	**64**	**63**	**251,431**	**360,436**

b) Financial liabilities

	Thousand euros			
	Bank borrowings		Financial liabilities	
	2021	2020	2021	2020
Financial liabilities at amortised cost (Note 18)	44,107	44,825	8,191	8,822
Non-current	**44,107**	**44,825**	**8,191**	**8,822**
Financial liabilities at amortised cost (Note 18)	714	175	68,045	141,508
Financial liabilities at fair value through PL (Note 18)	**—**	**—**	17	925
Current	**714**	**175**	**68,062**	**142,433**
TOTAL	**44,821**	**45,000**	**76,253**	**151,255**

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:

		Thousand euros	
Cash and cash equivalents	**Rating**	**2021**	**2020**
	A+	14,552	106
	A	18,385	20,148
	A-	94	13,023
	BBB+	4,930	125
	BBB	—	59
	Baa2	—	683
	Without rating	3	—
	Total cash (Note 13)	**37,964**	**34,144**

		Thousand euros	
Other non-current financial assets	**Rating**	**2021**	**2020**
	A	1,392	1,392
	Other	29	29
	Total other non-current finan. assets (Note 10)	**1,421**	**1,421**

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 August 2021, the company Rovi Biotech GmbH, with registered address at Bahnhofstrasse 10, 6300 Zug (Switzerland) was incorporated, 100% held by Laboratorios Farmacéuticos Rovi, S.A.

With this change, the companies in which Laboratorios Farmacéuticos Rovi, S.A. held a significant interest at 31 December, 2021 were:

			Shareholding		Voting rights	
Corporate name	Address	Activity	% Direct	% Indirect	% Direct	% Indirect
Pan Química Farmacéutica, S.A.	Madrid, C/ Rufino González, 50	(1)	100%	—	100%	—
Gineladius, S.L.	Madrid, C/ Rufino González, 50	(2)	100%	—	100%	—
Rovi Pharma Industrial Services, S.A.U.	Alcalá de Henares, Avenida Complutense, 140 (Madrid)	(1)	100%	—	100%	—
Bertex Pharma GmbH	Inselstr.17. 14129 Berlin (Germany)	(3)	100%	—	100%	—
Rovi Escúzar, S.L	Madrid, C/ Julián Camarillo, 35	(1)	100%	—	100%	—
Rovi Biotech GmbH	Bahnhofstrasse 10, 6300 Zug, (Switzerland)	(1)	100%	—	100%	—
Rovi Biotech Limited	10-18 Union Street, London (United Kingdom)	(1)	100%	—	100%	—
Rovi Biotech, S.r.l	Via Monte Rosa 91, Milan (Italy)	(1)	100%	—	100%	—
Rovi, GmbH	Ruhlandstr. 5, Bad Tölz (Germany)	(1)	100%	—	100%	—
Rovi, S.A.S.	24 Rue du Drac, Seyssins (France)	(1)	100%	—	100%	—
Rovi Biotech sp.z.o.o.	ul. Wincentego Rzymowskiego, 53, Warsaw (Poland)	(1)	100%	—	100%	—

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

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

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

Unless otherwise stated, the end of the reporting period for the latest annual accounts was 31 December, 2020.

At 31 December, 2021 and 2020, none of the group companies in which the Company held at interest was listed on the stock exchange.

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Notes to the Annual Accounts for the period 2021
(Thousands of euros)

The amounts of the capital, reserves, profit or loss for the period and other relevant information, as shown in the annual accounts of the individual companies at 31 December, 2021, were as follows:

	% direct interest	Carrying amount of interest	Capital	Reserves	Profit or loss for period	Total equity
Pan Química Farmacéutica, S.A.	100 %	1.771	601	1,274	68	**1,943**
Gineladius, S.L.	100 %	293	30	393	(26)	**397**
Bertex Pharma GmbH (Nota 29 b)	100 %	1,236	25	66	(15)	**76**
Rovi Pharma Industrial Services, S.A.U.	100 %	7,370	7,816	31,216	111,444	**150,476**
Rovi Biotech, Limited	100 %	7	6	(133)	91	**(36)**
Rovi Biotech, S.r.l.	100 %	340	10	562	436	**1,008**
Rovi Biotech, GmbH	100 %	1,575	25	1,363	552	**1,940**
Rovi S.A.S.	100 %	1,510	5	—	27	**32**
Rovi Biotech sp.z.o.o.	100 %	487	21	413	(159)	**275**
Rovi Escúzar, S.L.	100 %	590	30	490	(294)	**226**
Rovi Biotech GmbH	100 %	270	18	258	(16)	**260**
		15,449				

In 2021, the Company made a capital contribution of 270 thousand euros to Rovi Biotech GmbH. Additionally, credits were converted into equity instruments in Rovi S.A.S. for a value of 1,505 thousand euros.

At December 31, 2020, the figures were as follows:

	% direct interest	Carrying amount of interest	Capital	Reserves	Profit or loss for period	Total equity
Pan Química Farmacéutica, S.A.	100 %	1,771	601	1,274	290	**2,165**
Gineladius, S.L.	100 %	293	30	421	(28)	**423**
Bertex Pharma GmbH (Nota 29 b)	100 %	1,236	25	66	—	**91**
Rovi Pharma Industrial Services, S.A.U.	100 %	7,370	7,816	31,216	24,674	**63,706**
Rovi Biotech, Limited	100 %	7	6	(252)	10	**(236)**
Rovi Biotech, S.r.l.	100 %	340	10	265	297	**572**
Rovi Biotech, GmbH	100 %	1,575	25	904	459	**1,388**
Rovi S.A.S.	100 %	5	5	(1,514)	9	**(1,500)**
Rovi Biotech sp.z.o.o.	100 %	487	21	433	(7)	**447**
Rovi Escúzar, S.L.	100 %	590	30	541	(51)	**520**
		13,674				

In 2020, the Company reduced its interest in Gineladius by 144 thousand 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, 2021 and 2020 reflect an equity situation in line with the recent start-up of their activity and the Company’s holding in said companies cannot be deemed to have been impaired at said reporting dates. It is forecast that these companies will generate profits over forthcoming years and, therefore, the Company does not consider there to be any investments in Group companies where an impairment loss should be recognised.

9. Interests in joint ventures

There was no movement on the interests in joint ventures in 2021 and 2020. The amount of said interests was 6 thousand euros at both reporting dates.

The nature of the investment in joint ventures at 31 December, 2021 and 2020 was as follows:

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

a) Alentia Biotech, S.L.

In 2010, the company Alentia Biotech, S.L. (Alentia) was created, 100% held by ROVI. In February 2012, the effective sale of 50% of the shares in Alentia Biotech, S.L. by Laboratorios Farmacéuticos Rovi, S.A. to Grupo Ferrer Internacional, S.A. took place and Alentia became a joint venture held by these two companies at 50% each. The carrying amount of this interest at 31 December, 2021 and 2020 was 3 thousand euros.

b) Enervit Nutrition, S.L.

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

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

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

The carrying amount of this interest remained at 3 thousand euros at 31 December, 2021 and 2020.

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

Condensed financial information on joint ventures

The condensed financial information on Alentia Biotech, S.L. and Enervit Nutrition, S.L. as of 31 December, 2021 and 2020 is as follows:

	31 December, 2021		31 December, 2020	
Condensed statement of financial position	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition,**
Current				
Cash and cash equivalents	2	22	106	13
Other current assets (excluding cash)	—	2,311	—	2,087
Total current assets	**2**	**2,333**	**106**	**2,100**
Financial liabilities (excluding trade payables)	—	(48)	—	(926)
Other current liabilities (including trade payables)	—	(1,299)	—	(746)
Total current liabilities	**—**	**(1,347)**	**—**	**(1,672)**
Non-current				
Property, plant and equipment	—	2	—	17
Intangible assets	—	2,849	—	3,055
Other financial assets	—	—	—	5
Deferred tax assets	—	151	—	119
Total non-current assets	**—**	**3,002**	**—**	**3,196**
Financial liabilities	(2,100)	—	(2,200)	—
Other liabilities	—	—	—	—
Total non-current liabilities	**(2,100)**	**—**	**(2,200)**	**—**
NET ASSETS	**(2,098)**	**3,988**	**(2,094)**	**3,624**

	31 December, 2021		31 December, 2020	
Condensed statement of recognised income and expenses	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**
Revenue	—	7,442	—	5,669
Cost of sales	—	(5,929)	—	(4,507)
Employee benefit expenses	—	(375)	—	(501)
Other operating income	(4)	(565)	—	(599)
Amortisation and depreciation	—	(209)	—	(212)
Operating profit / (loss)	**(4)**	**364**	**—**	**(150)**
Finance costs – net	—	—	—	(7)
Corporate income tax	—	—	—	1
Profit / (loss) for period	**(4)**	**364**	**—**	**(156)**
Other comprehensive income	**—**	**—**	**—**	**—**
TOTAL RECOGNISED INCOME AND EXPENSES	**(4)**	**364**	**—**	**(156)**
Dividends received from joint ventures	—	—	—	—

10. Assets at amortised cost

	Thousand euros	
	2021	**2020**
Non-current assets at amortised cost		
- Deposits (a)	1,327	1,327
- Bank borrowings (b)	65	65
- Credits to Group companies	25,963	31,804
- Guarantee deposits	29	29
	27,384	33,225
Current assets at amortised cost		
- Trade receivables (c)	49,664	43,659
- Receivables from related parties (Note 31 i)	136,393	249,377
- Sundry debtors	26	31
	186,083	293,067
	213,467	**326,292**

a) Deposits

At 31 December, 2021 and 2020, "Deposits" included deposits at interest rates ranging from 2% to 3% pledged in favour of Banco Santander. The Company considers the credit risk associated to these deposits to be low and, therefore, no expected losses associated thereto were recognised.

b) Non-current bank receivables

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

c) Trade receivables

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

At 31 December, 2021, the balance receivable from the Social Security authorities and government entities was 6,513 thousand euros (7,744 thousand euros at 31 December, 2020), geographically distributed as follows:

	Rating 2021	**Balance 2021**	**Rating 2020**	**Balance 2020**
Portugal	BBB	1,978	BBB	3.629
Catalonia	BB	938	BB	881
Valencia	BB-	729	BB-	755
Madrid	BBB	722	BBB	644
Aragon	BBB	452	BBB	266
Basque Country	A	389	A	256
Andalusia	BBB-	311	BBB-	239
Canary Islands	BBB	99	BBB	138
Cantabria	BBB	139	BBB	134
Castilla La Mancha	BBB-	93	BBB-	106
Other	—	663	—	696
		6,513		**7,744**

At 31 December, 2021, there were matured receivables amounting to 12,640 thousand euros (13,316 thousand euros at 31 December, 2020), although they had suffered no impairment. Of both the 2021 and 2020 amounts, almost the entire debt aged over six months related to Social Security authorities or government entities. The Company claims the late-payment interest accrued on these debts from the different government entities and Social Security services.

The ageing analysis of matured balances is as follows:

	Thousand euros	
	2021	**2020**
Up to 3 months	12,803	12,290
3 to 6 months	(288)	430
6 months to 1 year	123	573
Over 1 year	2	23
	12,640	13,316

The total of the matured debt due from Social Security authorities and government entities at 31 December, 2021 was 1,869 thousand euros, in comparison with the 3,151 thousand euros that was outstanding at 31 December, 2020. This amount was geographically distributed as follows:

	Thousand euros	
	2021	**2020**
Spain	920	714
Portugal	949	2,437
	1,869	3,151

Matured receivables that had been impaired at 31 December, 2021 were 83 thousand euros (170 thousand euros at 31 December, 2020). The ageing of impaired receivables was as follows:

	Thousand euros	
	2021	**2020**
6 to 9 months	53	170
More than 9 months	30	—
	83	170

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

	Thousand euros	
	2021	**2020**
Balance at beginning of period	**170**	**158**
Net remeasurement of loss allowance	(142)	(44)
Derecognition due to non-recoverability	55	56
Balance at end of period	**83**	**170**

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 at fair value through equity include:

	Thousand euros	
	2021	**2020**
Listed securities:		
- Investment funds and equity securities	5	4
Non-listed securities		
- Equity securities – Euro zone	59	59
	64	63

Movement on financial assets at fair value through equity income was as follows:

	Thousand euros	
	2021	**2020**
Balance at beginning of year	**63**	**63**
Net gains / (losses) in comprehensive income	1	—
Balance at end of year	**64**	**63**
Less: non-current portion	64	63
Current portion	—	—

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	
	2021	**2020**
Trade inventories	44,348	34,622
Raw materials and other consumables	29,338	27,255
Finished goods	21,726	9,023
Work in progress	10,372	3,777
	105,784	74,677

In 2021, inventory write-downs rose by 3,114 thousand euros (reduction of 1,764 thousand euros in 2020), the total amount of these adjustments being 7,668 thousand euros at 31 December, 2021 (4,554 thousand euros at 31 December, 2020).

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

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

13. Cash and cash equivalents

	Thousand euros	
	2021	**2020**
Cash at bank and on hand	37,964	34,144
	37,964	34,144

14. Capital and share premium

a) Capital

In 2021 and 2020, 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, 2020	56,068,965	0.06	3,364
Balance at 31 December, 2020	56,068,965	0.06	3,364
Balance at 31 December, 2021	56,068,965	0.06	3,364

All the shares issued are fully paid up.

Shareholders owning direct or indirect significant interests of more than 3% in the share capital of Laboratorios Farmacéuticos Rovi, S.A. of which the Company is aware, according to the information in the official records of the National Securities Market Commission at 31 December, 2021, were the following:

Shareholder	% direct	% indirect	TOTAL
Norbel Inversiones, S.L.	60.170	-	60.170
Indumenta Pueri, S.L.	-	5.057	5.057
T. Rowe Price Associates Inc.	-	3.005	3.005

Norbel Inversiones, S.L. performed several share purchase and sale transactions with the Company's share capital in 2021. As a result Norbel Inversiones, S.L. held 60.17% of the shares of Laboratorios Farmacéuticos Rovi, S.A. at 31 December, 2021, in comparison with the 63.11% it held at 31 December, 2020. At 31 December, 2021, Norbel Inversiones, S.L. was owned by Ms Mercedes Encina Vega (9.62%) and Messrs Juan, Iván and Javier López-Belmonte Encina (30.12% each). Therefore, at 31 December, 2021, the interest held by Ms Mercedes Encina Vega in the Company's share capital was 5.79% of the share capital, while Messrs Juan, Iván and Javier López-Belmonte Encina held 18.12% each. At 31 December, 2020, Norbel Inversiones, S.L. was owned by Mr Juan López-Belmonte López (20.00%) and Messrs Juan, Iván and Javier López-Belmonte Encina (26.67% each). At 31 December, 2020, Mr Juan López-Belmonte López held an interest of 12.62% of the share capital and Messrs Juan, Iván and Javier López-Belmonte Encina each held an interest of 16.83%.

b) Share premium

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

- The Capital Increase was carried out for a nominal amount of 364,137.90 euros through the issue of 6,068,965 newly-issued ordinary shares in the Company with a par value of 0.06 euros each, belonging to the same class and series as the existing shares that were already in issue (the "New Shares").

- The price of issue of the New Shares was fixed at 14.50 per shares, 0.06 euros of which related to the nominal value, while 14.44 euros was the share premium (the "Issue Price").

- As a consequence of the foregoing, the effective total amount of the Capital Increase was 87,999,992.50 euros, 364,137.90 euros of which related to the nominal value and 87,635,854.60 to the share premium.

15. Reserves and retained earnings

a) Reserves

	Thousand euros	
	2021	**2020**
Legal reserves and reserves required by the Bylaws		
- Legal reserve	673	673
	673	673
Other reserves:		
- Non-distributable special reserve	5,036	5,036
- Voluntary reserves	472	472
- Revaluation reserve Royal Decree-Law 7/96	851	851
	6.359	6.359
	7.032	7.032

Legal reserve

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

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

Non-distributable special reserve

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

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

The balance of the "Revaluation reserve" comes from the balance sheet restatement regulated in article 5 of Royal Decree-Law 7/1996 of 7 June. The balance of this account is available and property, plant and equipment items related to this reserve had been fully depreciated at 31 December, 2021 and 2020.

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

b) Retained earnings

During 2021, retained earnings were increased and/or reduced as follows:

- On 17 June, 2021, the General Shareholders' Meeting of Laboratorios Rovi, S.A. resolved to approve the proposal for distribution of the profit for 2020 (71,137 thousand euros), allocating 21,373 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 241 thousand euros.

- The sale of treasury shares in 2021 led to a profit of 10,882 thousand euros, which was recognised in the retained earnings account (Note 16.b).

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

- On 20 October, 2020, the General Shareholders' Meeting of Laboratorios Rovi, S.A. resolved to approve the proposal for distribution of the profit for 2019 (25,553 thousand euros), allocating 4,474 thousand euros to dividends and the remainder to retained earnings. The dividend on the treasury shares held by ROVI at the time of the distribution was 118 thousand euros.

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

c) Treasury shares

At 31 December, 2021, the number of treasury shares was 1,218,776 (673,654 at 31 December, 2020). The following movements took place during 2021:

	Number of shares
Balance at 31.12.20	**673,654**
Shares acquired under liquidity contract (c.1)	826,381
Shares sold under liquidity contract (c.1)	(831,586)
Shares acquired in buy-back Programme (c.2)	585,583
Extraordinary bonus through award of shares (c.3)	(35,256)
Balance at 31.12.21	**1,218,776**

c.1) Liquidity contract

Under the liquidity contract that ROVI had signed, 826,381 shares were acquired (1,233,324 in 2020), for which a total sum of 42,224 thousand euros was disbursed (37,255 thousand euros in 2020). Likewise, a total of 831,586 shares were resold (1,246,626 in 2020) for a sum of 42,328 thousand euros (37,488 thousand euros in 2020). Said shares had been acquired at a weighted average cost of 31,446 thousand euros (27,411 thousand euros in 2020), giving rise to a profit of 10,882 thousand euros on the sale (10,077 thousand euros in 2020), which was recognised in reserves.

c.2) Share buy-back programme

ROVI commenced a buy-back programme for company shares effective 3 November, 2021 (the "Buy-Back Programme"). Its main features are the following:

- Purpose and scope: the purpose of the Buy-Back Programme is to write off 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 date on which the Buy-back Programme was published. Additionally, ROVI reserves the right to end the programme before its termination date.

- 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 Buy-back Programme publication date.

Under this resolution, 585,583 shares were acquired in 2021, for which ROVI paid a total of 36,561 thousand euros.

c.3) Extraordinary bonus through award of treasury shares

On 17 June, 2021, the Ordinary General Shareholders' Meeting of Laboratorios Farmacéuticos Rovi, S.A. approved an extraordinary bonus for the Company's executive directors through the award of treasury shares. The maximum number of shares to be awarded was determined by multiplying by three (i.e. by the number of beneficiaries of the bonus) the amount resulting from dividing 985 thousand euros by the average quoted price of the company shares in the 30 trading days immediately prior to approval of the bonus (54.48 euros), giving a number of 54,240 shares to be taken from the treasury shares.

The amount recognised for this bonus under the caption "Employee expenses" was 2,520 thousand euros.

d) Dividends

On 17 June, 2021, the General Meeting of Shareholders approved the distribution of the 2020 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 21,373 thousand euros (0.3812 euros gross per share). This dividend was paid out in July 2021.

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

16. Profit for the period

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

	Euros	
	2021	**2020**
Basis of application	65,143,322	71,136,875
Profit for the year	65,143,322	71,136,875
Application		
Retained earnings	11,563,819	49,763,386
Dividends	53,579,503	21,373,489
	65,143,322	71,136,875

17. Grants, donations and legacies received

Movement on this caption was as follows

	Thousand euros	
	2021	**2020**
Beginning of the year (net of tax)	**2,406**	**2,750**
Increases (net of tax)	267	128
Decreases (net of tax)	432	386
Allocation to profit and loss (net of tax)	(994)	(858)
End of the year (net of tax)	**2,111**	**2,406**

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 granted
(1) Andalusian Autonomous Govt.	1,744	Construction of Granada plant (Note 6.d)	2008
(2) Andalusian Autonomous Govt.	645	Construction bemiparin lines Granada	2012 & 2014
Miscellaneous govt. entities	426	Miscellaneous projects	2001 onward
	2,815		

(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, 2021 was 1,744 thousand euros (2,039 thousand euros at 31 December, 2020).

(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, 2021 was 32 thousand euros (93 thousand euros at 31 December, 2020). 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 2021 reporting date, showed a balance of 613 thousand euros under the "Grants, donations and legacies received" caption (697 thousand euros at 31 December, 2020).

18. Financial liabilities

	Thousand euros	
	2021	2020
Non-current financial liabilities at amortised cost		
- Bank borrowings (a)	44,107	44,825
- Debt with government entities (b)	8,191	8,822
	52,298	53,647
Current financial liabilities at amortised cost		
- Bank borrowings (a)	714	175
- Debt with government entities (b)	2,159	1,767
- Current debt with group and associated companies (Note 31 i)	290	184
- Trade payables	48,454	30,756
- Trade payables, related parties (Note 31 i)	10,596	105,992
- Sundry creditors	3,713	371
- Employees	2,833	2,438
	68,759	142,608
Current financial liabilities at amortised cost		
- Financial derivatives	17	925
	17	925
	68,776	142,608
	121,074	196,255

Delay in payments to suppliers

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

	2021	2020
	Days	Days
Average payment period to suppliers	52	53
Ratio of transactions paid	54	55
Ratio of transaction outstanding	41	17

	2021	2020
Total payments made (thousand euros)	247,886	161,250
Total payments outstanding (thousand euros)	36,691	9,180

Sundry creditors

This caption also includes amounts billed to 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 it had not yet accrued in accordance with the percentage of completion. The total amount was 2,638 thousand euros.

Fair value of non-current debt

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

			Thousand euros	
	Carrying amount		Fair value	
	2021	2020	2021	2020
Bank borrowings	44,107	44,825	43,359	44,072
Debt with government entities	8,191	8,822	8,520	9,425
	52,298	53,647	51,879	53,497

The fair values of current financial debt are equal to their corresponding nominal amounts since the effect of discounting is not significant. The fair values are based on cash flows discounted at a rate of 2%, based on the borrowing rate (2% in 2020).

To calculate the fair value of fixed-rate non-current bank borrowings at the 2021 and 2020 reporting dates, the interest rate on the latest variable-rate loan received by the Company was taken as a reference: Euribor at 3 months plus a 0.844% spread

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

a) Bank borrowings

Bank borrowings at 31 December, 2021 comprised the following bank loans:

	a)	b)	TOTAL
Entity	**BEI**	**BEI**	
Face value	**5,000**	**40,000**	
Interest rate	**Eur3+0.844%**	**0.681% Fixed**	
2022	714	—	714
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	1,251	17,144	18,395
	4,821	40,000	44,821
Non-current	4,107	40,000	44,107
Current	714	—	714

At 31 December, 2020, bank loans matured as follows:

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

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 2021 and 2020, compliance as of 31 December, 2020 and 2019, respectively, with the financial ratios fixed in this financing agreement was certified. At 31 December, 2021, ROVI met the ratios fixed, although this will not be certified until after these annual accounts have been approved.

b) Debt with government entities

Since 2001, the Company has been receiving reimbursable grants from different Ministries to finance a number of R&D projects. The amounts recorded as non-current debits and payables for this item at 31 December, 2021 amounted to 8,191 thousand euros (8,822 thousand euros at 31 December, 2020). 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 2021:
In 2021, the Company received various reimbursable advances from different entities, details of which are shown below:

			Thousand euros		Years	
Company	**Entity**	**Project**	**Face value**	**Initial fair value**	**Repayment period**	**Grace period**
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	54	46	13	4
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	28	24	12	3
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	46	40	12	3
Lab. Farm. Rovi	Technological Corporation of Andalusia	(1)	12	10	13	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	148	122	7	1
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	200	179	11	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(2)	106	92	16	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(2)	94	80	16	3
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	279	248	10	3
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	373	310	7	1
			1,340	1,151		

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

(2) Funds the projects for development of a biosimilar.

b.2) Advances received in 2020:
In 2020, the Company received various reimbursable advances from different entities, details of which are shown below:

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

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

At 31 December, 2021 and 2020, debt with government entities matured as follows:

	Thousand euros	
Year	**2021**	**2020**
2021	—	1,767
2022	2,159	1,662
2023	1,139	1,227
2024	1,400	1,309
2025	1,353	1,242
2026	1,385	1,234
2027 onward	2,914	2,148
	10,350	10,589
Non-current	8,191	8,822
Current	2,159	1,767

19. Current and non-current accruals

	Thousand euros	
	2021	**2020**
Non-current	1,460	5,788
Current	786	1,080
	2,246	6,868

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

In 2021, new deferred revenues of 518 thousand euros (1,253 thousand euros in 2020) were recognised in relation to new distribution contracts. In 2021, ROVI recognised revenue from the granting of distribution licences for a total amount of 5,140 thousand euros (944 thousand euros in 2020).

20. Other provisions

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

	Returns	Contribution to public health system	Other	Total
At 1 January, 2020	**1.365**	**8.437**	**25**	**9.827**
Additions	1.438	8.683	207	10.328
Applications	(1.365)	(3.024)	(25)	(4.414)
At 31 December, 2020	**1.438**	**14.096**	**207**	**15.741**
Additions/(Reversals)	2.338	615	8	2.961
Applications	(1.438)	(7.627)	(207)	(9.272)
At 31 December, 2021	**2.338**	**7.084**	**8**	**9.430**

Returns

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

Contribution to public health system

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

Additionally, within the contribution to the public health system, 3,214 thousand euros were related to the co-operation agreement signed between Farmaindustria, the Spanish pharmaceutical industry association, and the Spanish government (10,424 thousand euros at 31 December, 2020). ROVI, as a member of Farmaindustria, is subject to this agreement.

A 10% increase or decrease in the public spending growth under consideration would mean an increase of 611 thousand euros or a decrease of 106 thousand euros, respectively, in the amounts recognized.

In 2020, the pharmaceutical industry showed a clear will to extend the Agreement and, therefore, ROVI made provision for the estimated amounts for said year. The pharmaceutical industry proposed a mechanism to compensate the government for the increase in pharmaceutical spending, which was not finally applied because of the global pandemic caused by COVID-19, where the government's priorities were to solve the situation and those of the industry were to make an active contribution in its role as a priority industry to combat COVID-19. Therefore, according to current information, no payment will finally be required from the signatories of the Agreement.

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

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

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

21. Deferred income tax

Details of deferred income tax are as follows:

	Thousand euros	
	2021	**2020**
Deferred income tax assets		
- Temporary differences	2,342	1,293
- Other tax carryforwards	—	3,619
	2,342	4,912
Deferred tax liabilities		
- Temporary differences	(4,278)	(4,700)
	(4,278)	(4,700)
Net deferred income tax	**(1,936)**	**212**

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	
	2021	**2020**
Deferred tax assets		
- Deferred tax assets to be recovered at more than 12 months	514	2,925
- Deferred tax assets to be recovered at less than 12 months	1,828	1,987
	2,342	4,912
Deferred tax liabilities		
- Deferred tax liabilities to be recovered at more than 12 months	(840)	(1,960)
- Deferred tax liabilities to be recovered at less than 12 months	(3.438)	(2,740)
	(4,278)	(4,700)
Net deferred taxes	**(1,936)**	**212**

Movement on net deferred taxes was as follows:

	Thousand euros	
	2021	**2020**
Balance at beginning of the year	**212**	**3,759**
(Charged) / credited to profit and loss	(2,246)	(3,662)
Tax charged directly to equity	98	115
Balance at end of the year	**(1,936)**	**212**

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

Deferred tax liabilities	Grants, donations and legacies received	Freedom of amortization / depreciation	Other	Total
At 1 January, 2020	**(912)**	**(463)**	**(973)**	**(2,348)**
(Charged) / credited to profit and loss	—	80	(2,547)	(2,467)
Tax charged to equity	115	—	—	115
At 31 December, 2020	**(797)**	**(383)**	**(3,520)**	**(4,700)**
(Charged) / credited to profit and loss	—	75	249	324
Tax charged to equity	98	—	—	98
At 31 December, 2021	**(699)**	**(308)**	**(3,271)**	**(4,278)**

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 2021 for 75 thousand euros (80 thousand euros charged to the 2020 profit) in the column "Freedom of amortisation/depreciation" relate principally to the application of the free amortisation/depreciation system to the assets attached to R&D activity and to maintaining jobs.

Deferred tax assets	Tax credits pending application	Fin. assets at fair value through OCI	Provisions	Other	Total
At 1 January, 2020	**4,831**	**(1)**	**357**	**920**	**6,107**
Charged / (credited) to profit and loss	(1,212)	—	19	(2)	(1,195)
At 31 December, 2020	**3,619**	**(1)**	**376**	**918**	**4,912**
Charged / (credited) to profit and loss	(3,619)	—	1,026	23	(2,570)
At 31 December, 2021	**—**	**(1)**	**1,402**	**941**	**2,342**

The column “Other” shows, among other items, the deferred tax asset relating to the tax effect of 30% of the amortisation and depreciation expense for the period, which was not tax deductible in the periods 2013 and 2014 in accordance with Royal Decree-Law 16/2012 of 27 December, whereby various 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	
	2021	**2020**
Grants, donations and legacies received	98	115
	98	**115**

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	**2021**	**2020**
Spain	70 %	77 %
Germany	7 %	7 %
Italy	5 %	4 %
France	2 %	2 %
Turkey	2 %	2 %
Portugal	1 %	2 %
Greece	1 %	1 %
Austria	4 %	1 %
Czech Republic	1 %	—
UK	—	1 %
Other	8 %	4 %
	100 %	100 %

a) Sales of goods

The breakdown of sales by product group was as follows:

	Thousand euros	
	2021	**2020**
Specialty pharmaceuticals	342,732	292,497
Sales of bemiparin to other group companies (Note 31 a)	106,809	135,342
Contrast agents and other hospital products	35,494	30,736
Other	5,194	849
	490,229	459,424

The total amount of sales of goods was reduced by 11,909 thousand euros in 2021 (19,393 thousand euros in 2020) as a result of the rebates to the National Health System (Note 3.18). 2,564 thousand euros of the total amount of rebates to the national health system are related to the co-operation agreement signed between Farmaindustria and the Spanish government (6,306 thousand euros at 31 December, 2020) (Note 20).

a.2) Sales of services

At 31 December, 2021, “Sales of services” includes 18,419 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.

b) Goods, raw materials and other consumables used

	Thousand euros	
	2021	**2020**
Purchases	393,145	324,212
Change in inventories	(11,809)	(14,173)
	381,336	310,039

c) Ancillary and other current management income

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

d) Operating grants recognised in profit and loss

In 2021, the Company obtained and recognised as income official grants of 585 thousand euros (516 thousand euros in 2020) to cover principally expenses for the period in certain R&D projects.

e) Employees

	Thousand euros	
	2021	**2020**
Wages, salaries and similar	33,764	26,974
Employee benefits		
- Pension contributions and provisions (Nota 30 a)	6	24
- Other welfare charges	6,792	5,805
	40,562	32,803

In 2021, the figure of wages, salaries and similar was affected by non-recurring expenses totalling 1 thousand euros as a consequence of COVID-19 (180 thousand euros in 2020).

The caption "Wages, salaries and similar" includes termination payments of 521 thousand euros (524 thousand euros in 2020).

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

	2021	**2020**
Executive directors	3	3
Management	17	15
Research	279	232
Marketing	172	181
Administration	95	85
	566	516

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

	2021			**2020**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors	3	-	3	3	-	3
Management	9	8	17	8	7	15
Research	143	199	342	102	140	242
Marketing	85	85	170	87	86	173
Administration	36	63	99	27	64	91
	276	355	631	227	297	524

At 31 December, 2021, there were 12 employees with a disability rating equal to or higher than 33% (12 at the 2020 reporting date).

f) External services

The breakdown of the external services item was as follows:

	Thousand euros	
	2021	**2020**
Advertising costs	10,910	9,444
Services from third parties	10,185	8,346
Supplies	4,517	3,522
Transport and warehouse expenses	2,663	2,782
Repairs and maintenance	2,519	2,162
Operating leases	2,813	2,649
Other operating expenses	30,521	26,860
	64,128	55,765

In 2021, the external services figure was affected by non-recurring expenses totalling 155 thousand euros as a consequence of COVID-19 (2,635 thousand euros in 2020). Likewise, also as a result of COVID-19, certain external services have been reduced, mainly those included under the advertising costs caption derived from the reduction in the activity of the sales force.

g) Research and development expenses

Total research and development expenses incurred in 2021 were 27,445 thousand euros (23,801 thousand euros in 2020), 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 2021, 8,384 thousand euros were recognised under the "Employee benefit expenses" heading (7,001 thousand euros at 31 December, 2020) and 19,061 thousand euros under "Other operating expenses" (16,800 thousand euros in 2020).

23. Income tax and tax situation

As of 31 December 2021 and 2020, the balances with public authorities were as follows

			Thousand euros	
	2021		**2020**	
	Debit	**Credit**	**Debit**	**Credit**
Public Treasury, VAT	4,728	—	2,280	100
Public Treasury, personal income tax	—	743	—	594
Withholdings	908	—	759	—
Corporate income tax	9,889	—	8,342	—
Social Security	-	697	0	583
Other balances with public authorities	910	-	758	—
	16,435	1,440	12,139	1,277

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

	Thousand euros	
	2021	**2020**
Late payment interest receivable	—	70
Grants awarded but not received	910	688
	910	758

ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Notes to the Annual Accounts for the period 2021
(Thousands of euros)

On 1 August, 2007, the Company became the parent of tax group 362/07. Applying the consolidated tax regime provided for in the corporate income tax legislation, ROVI, the parent company of the tax group, included in its statement of financial position debt with Group companies resulting from a tax effect (Note 31.i) of 290 thousand euros (184 thousand euros in 2020), together with credits with group companies resulting from a tax effect of 18,362 thousand euros (22,494 thousand euros in 2020).

At 31 December, 2021, the reconciliation between the net income and expenses for the period and the tax profit was as follows:

			Thousand euros			
		Income statement		Income and expenses credited / (charged directly in equity		
Balance income & expenses			**65,143**			**(294)**
	Increases	Decreases	Total	Increases	Decreases	Total
Corporate income tax			(6,249)			(98)
Permanent differences						
- Individual	847	—	847	—	—	—
- Due to tax consolidation	—	(23,715)	(23,715)	—	—	—
Temporary differences:						
- Individual						
- originating in the period	5,916	—	5,916	—	—	—
- originating in previous periods	235	(7,747)	(7,512)	—	—	—
- Due to tax consolidation						
- originating in the period	—	(11,522)	(11,522)	—	—	—
- originating in previous periods	13,228	—	13,228	—	—	—
Taxable income			36,136			(392)

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

			Thousand euros			
		Income statement		Income and expenses credited / (charged directly in equity		
Balance income & expenses			**71,137**			**(344)**
	Increases	Decreases	Total	Increases	Decreases	Total
Corporate income tax			4.079			(115)
Permanent differences						
- Individual	1.658	—	1.658	—	—	—
- Due to tax consolidation	—	(31.151)	(31.151)	—	—	—
Temporary differences:						
- Individual						
- originating in the period	1.710	—	1.710	—	—	—
- originating in previous periods	251	(1.576)	(1.325)	—	—	—
- Due to tax consolidation						
- originating in the period	—	(13.899)	(13.899)	—	—	—
- originating in previous periods	3.822	—	3.822	—	—	—
Taxable income			36.031			(459)

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

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

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

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

Corporate income tax expense comprises:

	Thousand euros	
	2021	**2020**
Current tax	(8,943)	(9,045)
Tax credits	18,233	8,254
Deferred taxes	(2,246)	(3,662)
Adjustment income tax previous years.	(795)	374
	6,249	(4,079)

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

The Company generated tax credits of 3,673 thousand euros in 2021 (4,367 thousand euros in 2020), likewise being entitled to offset tax credits of 14,560 thousand euros from previous years (7,506 thousand euros at 31 December, 2020). In 2021, tax credits of 18,233 thousand euros (8,254 thousand euros in 2020) were applied and, therefore, there are no further tax credits pending application in future years (3,619 thousand euros at 31 December, 2020).

The amount settled by the Company as payments on account of the corporate income tax of companies belonging to the tax group was 30,463 thousand euros in 2021 (12,091 thousand euros in 2020). The consolidated current tax for 2021, after deduction of the payments on account and withholdings for the period, generated a current tax receivable of 9,805 thousand euro (4,387 thousand euros in 2020).

At 31 December, 2021, the following taxes were open to inspection by the tax authorities for the periods stated:

	Year
Corporate income tax	2017-20
Value-added tax	2018-21
Transfer tax	2018-21
Personal income tax	2018-21

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

24. Finance income and costs

	Thousand euros	
	2021	**2020**
Finance income:		
Gains and losses on equity instruments		
- In Group and associated companies (Nota 31 f)	24,964	31,151
Gains and losses on marketable securities and other financial instruments		
- In Group and associated companies (Nota 31 f)	558	569
- Of third parties	67	3
	25,589	31,723
Finance costs:		
Debt with third parties	(655)	(789)
	(655)	(789)
Change in fair value of financial instruments:		
Derivatives	908	(796)
	908	(796)
Exchange rate differences		
Exchange rate differences	(111)	77
	(111)	77
Impairment and gain or loss on disposal of financial instruments		
Gains and losses on disposals and other	1,161	(245)
	1,161	(245)
Finance income and costs	**26,892**	**29,970**

At December 31, 2020, ROVI held financial derivatives to minimise the impact of exchange rate risk for a value of 13,500 million US dollars, the fair-value measurement of which represented a loss of 925 thousand euros at the December 2020 reporting date. During 2021, these instruments, as well as others acquired during 2021, were liquidated and a profit of 1,161 thousand euros was obtained from these liquidations (a loss of 245 thousand euros in 2020). At 31 December, 2021, there were live contracts of this nature for a value of 5,000 thousand dollars, the measurement of which at the 2021 reporting date represented a loss of 17 thousand euros.

Finance income received from group and associated companies for a total of 24,964 thousand euros (31,151 thousand euros at 31 December, 2020) relates to dividends received from companies belonging to the ROVI Group, of which ROVI is the parent.

25. Cash flows from operating activities

	Thousand euros	
	2021	**2020**
Pre-tax profit for the year	58,894	75,216
Adjustment to the profit:		
- Amortization/depreciation of intangible assets and PPE (Notes 5 & &)	10,303	9,710
- Finance income (Note 24)	(514)	(649)
- Finance costs (Note 24)	655	789
- Adjustments for change in value of financial instruments	(908)	796
- Gain or loss on derecognition or disposal of financial instruments	(1,161)	245
- Net change in provisions	(6,311)	5,914
- Grant for non-financial assets and distribution licence revenue	(6,473)	(2,101)
- Share-based payments	1,403	—
- Other revenue and expenses	3,067	(1,751)
	58,955	88,169
Changes in working capital:		
- Inventories	(34,221)	(5,165)
- Debtors and other receivables	13,547	(141,429)
- Creditors and other payables	48,575	76,961
	27,901	(69,633)
Other cash flows from operating activities		
- Income tax received (paid)	(22,694)	(5,884)
- Other amounts received (paid) (Note19)	518	1,253
	(22,176)	(4,631)
Cash flows generated (used) in operating activities	**64,680**	**13,905**

26. Cash flows from investing activities

	Thousand euros	
	2021	**2020**
Payments for investments:		
- Intangible assets (Note 5)	(319)	(159)
- Property, plant and equipment (Note 6)	(6,715)	(10,915)
	(7,034)	(11,074)
Amounts received for disinvestments:		
- Group and associated companies (Note 8)	(1,775)	144
- Property, plant and equipment (Note 6)	41	20
- Other assets (Note 24)	514	649
	(1,220)	813
Cash flows generated (used) in investing activities	**(8,254)**	**(10,261)**

27. Cash flows from financing activities

	Thousand euros	
	2021	**2020**
Amounts received from and paid for financial liability instruments		
a) Issue		
- Other debt (Note 18)	1,340	1,430
	1,340	1,430
b) Reimbursement and repayment		
- Bank borrowings	(179)	(7,116)
- Debt with Group and associated companies (Note 31 g)	5,841	(3,135)
- Other debt	(1,731)	(2,230)
- Interest payments	(288)	(299)
	3,643	(12,780)
Dividend payments and remuneration of other equity instruments		
- Dividends (Notes 15 b) & 15 d))	(21,132)	(9,700)
- Transactions with treasury shares (Note 15 c)	(36,457)	233
	(57,589)	(9,467)
Cash flows generated (used) in financing activities	**(52,606)**	**(20,817)**

28. Contingencies

At 31 December, 2021, the Company held bank guarantees amounting to 2,592 thousand euros (2,385 thousand euros in 2020). 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, 2021 were 2,015 thousand euros (726 thousand euros at 31 December, 2020), 1,008 thousand euros of which related to payments due at less than one year (661 thousand euros at less than one year at 31 December, 2020).

The operating lease expense recognised in profit and loss in 2021 was 2,813 thousand euros (2,649 thousand euros in, 2020).

b) Acquisition of Bertex Pharma GmbH

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

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

- 350 thousand euros after finishing successfully the development of clinical trials of phase 1. Part of this amount, 100 thousand euros, was settled in 2011 and 250 thousand euros were settled in 2014;

- A payment of 200 thousand euros after finishing successfully the development of clinical trials of phase 2. This payment was made in 2016;

- A payment of 300 thousand euros after successfully finishing the development of clinical trials of phase 3 . This payment was made in 2020;

- A payment of 200 thousand euros at the beginning of the marketing of any pharmaceutical product;

- A payment of 200 thousand euros at the beginning of the marketing of any pharmaceutical product in any of the main markets (USA, Japan, Germany, France, Italy or UK).

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

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

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

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

30. Remuneration of the Board of Directors and Senior Management

At 31 December, 2020, the Board of Directors was composed of the following members:

Mr Juan López-Belmonte Encina	Chairman and Chief Executive Officer
Mr Javier López-Belmonte Encina	First Deputy Chairman
Mr Iván López-Belmonte Encina	Second Deputy Chairman
Mr Marcos Peña Pinto	Coordinating Director
Mr Fernando de Almansa Moreno-Barreda	Director
Ms. Fátima Báñez García	Director

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

a) In compliance with the provisions of Article 28 of the Board of Directors Regulations of Laboratorios Farmacéuticos Rovi, S.A., the following information is provided with respect to the members of the Board of Directors at 31 December, 2021:

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

   a. Per diem expenses or other fixed compensation received as director and additional remuneration received as chairman or member of any Board committee. The amounts for 2021 and 2020 were as follows:

	Thousand euros	
	2021	**2020**
Mr Juan López-Belmonte López	96	165
Mr Juan López-Belmonte Encina	80	70
Mr Javier López-Belmonte Encina	80	70
Mr Iván López-Belmonte Encina	80	70
Mr Fernando de Almansa Moreno-Barreda	80	70
Mr Marcos Peña Pinto	80	70
Ms Fátima Báñez García	80	70
	576	585

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

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

	Thousand euros	
	2021	**2020**
Mr Juan López-Belmonte Encina	2	8
Mr Javier López-Belmonte Encina	2	8
Mr Iván López-Belmonte Encina	2	8
	6	24

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

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

f. Remuneration for the performance of senior management functions received by executive directors. The remuneration of this kind for 2021 and 2020 was as follows:

	Thousand euros			
	2021		**2020**	
	Fixed	**Variable**	**Fixed**	**Variable**
Mr Juan López-Belmonte Encina	327	1,406	330	153
Mr Javier López-Belmonte Encina	239	1,271	242	125
Mr Iván López-Belmonte Encina	237	1,268	239	125
	803	3,945	811	403

At 31 December, 2021, the variable remuneration of the executive directors included the amounts accrued for their annual variable item, those accrued under the Long-Term Incentive Plan and the amount recognised in the income statement for the extraordinary bonus settled by handing over shares. At 31 December, 2020, it included the sums accrued for the annual variable item.

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

2. At 31 December, 2021 and 2022, there were no awards of shares, options or any other equity instrument tied to the value of the share that were pending accrual. On 17 June, 2021, the Ordinary General Shareholders' Meeting of Laboratorios Farmacéuticos Rovi, S.A. approved an extraordinary bonus for the Company's executive directors through the award of treasury shares. The maximum number of shares to be awarded was determined by multiplying by three (i.e. by the number of beneficiaries of the bonus) the amount resulting from dividing 985 thousand euros by the average quoted price of the company shares in the 30 trading days immediately prior to approval of the bonus (54.48 euros), giving a number of 54,240 shares to be taken from the treasury shares. The amount recognised for this bonus under the caption "Employee benefit expenses" was 2,520 thousand euros.

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	
	2021	**2020**
Remuneration of executive directors	4,748	1,214
Profit attributed to parent company	65,143	71,137
Remuneration of executive directors / Profit attributable to parent company	7.29 %	1.71 %

b) Remuneration of and loans to senior management

The total remuneration paid to members of senior management in 2021, excluding the remuneration received by the executive directors described in points a)1.c) and a)1.f above, was 1,478 thousand euros (1,464 thousand euros in 2020).

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 181 thousand euros accrued for this policy in 2021 (61 thousand euros in 2019).

c) Conflicts of interest on the part of the directors

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

31. Other related-party transactions

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

a) Sales of goods and other services

	Thousand euros	
	2021	**2020**
Sales of goods:		
- Subsidiaries (Note 22 a)	165,489	175,569
	165,489	175,569
Other services:		
- Subsidiaries (Note 22 c)	6,060	4,589
	6,060	4,589
	171,549	**180,158**

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

b) Goods and services purchased

	Thousand euros	
	2021	**2020**
Purchase of goods:		
- Subsidiaries	206,689	148,126
	206,689	148,126
Purchase of services:		
- Subsidiaries	11,796	10,481
- Directors	25	25
- Entities in which the López-Belmonte-Encina family holds a ownership interest.	1,109	1,109
	12,930	11,615
	219,619	**159,741**

Purchases of services from companies in which the López-Belmonte-Encina family holds an interest related to operating lease payments to the companies Inversiones Borbollón, S.L. Norba Inversiones, S.L. and Lobel and Losa Development, S.L.

c) Sales of property, plant and equipment

In 2021, ROVI sold property, plant and equipment to its subsidiary Rovi Pharma Industrial Services, S.A. for an amount of 8 thousand euros (73 thousand euros in 2020).

d) Purchases of property, plant and equipment

In 2021, the Company bought property, plant and equipment from its subsidiary Rovi Pharma Industrial Services, S.A. for an amount of 32 thousand euros.

e) Dividends paid

Dividends paid to the company Norbel Inversiones, S.L. in 2021 were 12,847 thousand euros (6,196 thousand euros in 2020). Additionally, in 2020 dividends of 1,197 thousand euros were paid to other significant shareholders (547 thousand euros in 2020).

f) Dividends received

In 2021 and 2020, the Company received the following dividends from Group companies (Note 24):

	Miles de euros	
	2021	**2020**
- Rovi Pharma Industrial Services, S.A.	24,674	30,700
- Pan Química Farmacéutica, S.A.	290	451
	24,964	31,151

g) Capital contributions

In 2021, the Company increased its interest in Rovi S.A.S. by offsetting credits it held with said company for an amount of 1,505 thousand euros. Additionally, it made a capital contribution of 270 thousand euros to Rovi Biotech GmbH.

In 2021, the Company returned to the subsidiary Gineladius, S.L. the shareholder contribution made in 2019 for an amount of 144 thousand euros.

h) Other transactions

In 2021, loans decreased by 5,841 thousand euros (increase of 2,802 thousand euros in 2020). Financial interest accrued and receivable on these loans was 558 thousand euros in 2021 (569 thousand euros in 2020). The loans mature in 2022 and 2029 and the interest rates agreed are between EURIBOR plus 2.00% and EURIBOR plus 3.63%. The capital contributions made to Rovi S.A.S., explained in point g) of this Note and in Note 8 were made through a non-monetary contribution and the offsetting of loan balances that ROVI held with its subsidiary at the time of the transaction.

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

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

Thousand euros

	2021		**2020**	
	Debit balance	**Credit balance**	**Debit balance**	**Credit balance**
Purchases/sales of goods or services				
- Subsidiaries	92,755	8,546	142,342	104,228
- Entities in which the López-Belmonte Encina fam.holds an interest	—	166	—	164
	92,755	8,712	142,342	104,392
Income tax charge				
- Subsidiaries (Note 23)	18,362	210	22,494	104
- Joint ventures	—	80	—	80
	18,362	290	22,494	184
Loans granted at fair value				
- Subsidiaries	25,963	—	31,804	—
- Joint ventures (*)	2	—	52	—
	25,965	—	31,856	—
Interest				
- Subsidiaries	312	—	528	—
	312	—	528	—
Dividends				
- Subsidiaries	24,962	—	83,917	—
	24,962	—	83,917	—
Other items				
- Directors	—	1,664	44	1,385
- Key management	—	220	—	215
	—	1,884	44	1,600
TOTAL	**162,356**	**10,886**	**281,181**	**106,176**

In 2021, ROVI offset debit and credit balances with Group companies, which affected the balances receivable by the Company for dividends, credit balances, trade payables and receivables and corporate income tax debit balances for 2021 and preceding years.

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

32. Environmental information

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

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

In 2021, in order to contribute to the protection and improvement of the environment, the Company incurred expenses of 546 thousand euros for waste elimination (715 thousand euros in 2020).

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

33. Events after the reporting date

ROVI announced (by publication of the relevant information number 14055 dated 15th of February of 2022) that the European Commission has 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.

ROVI announced on 22 February 2022 the end of the share buy-back programme, effective as of 3 November 2021, and the launching of a new share buy-back programme, effective from 23 February 2022.

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, 2021, a review of the internal control over financial reporting system, a review of compliance with the ratios for financing contracts) provided to Laboratorios Farmacéuticos Rovi, S.A. in 2021 were 116 thousand euros and 45 thousand euros, respectively (104 thousand euros and 45 thousand euros, respectively in 2020).

Additionally, the firm to which KPMG Auditores, S.L. belongs provided review services for the statement of non-financial information for 32 thousand euros in 2021 (18 thousand euros in 2020).

35. Other significant information

In 2021, the U.S. Food and Drug Administration (FDA) informed ROVI that there would be a delay in the inspection of the Risperidone ISM® manufacturing facilities as a result of the restrictions on movement due to COVID-19.

Free translation of the 2021 Management Report originally issued in Spanish. In the event of discrepancy, the Spanish version prevails.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

2021 Management Report

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

1. Corporate profile

ROVI is a specialised, fully-integrated, Spanish pharmaceutical Company engaged in the research, development, contract manufacturing and marketing of small molecules and biological specialties. The Company is the parent company of a fully-integrated specialized Spanish pharmaceutical group ("the Group") with two major pillars of growth:

- The specialty pharmaceutical area, which contains three divisions:
  - The low-molecular-weight heparin ("LMWH") división.
  - The speciality pharmaceutical division in Spain, which has a diversified portfolio of its own and licensed innovative products, protected by patents.
  - The contract manufacturing division, with high-value-added products.
- The R&D area, focused on ROVI's proprietary extended-release drug delivery platform, ISM®.

The growth of these pillars provides ROVI with a defensive profile that has allowed it to increase profits over recent years, in spite of the difficult environment that exists in the sector, hampered by the cuts in public pharmaceutical spending.

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

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

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

ROVI is aware of the health improvements their products provide and would like to meet certain social demands in relation to the impact of their activities on society and the environment. Therefore, ROVI's economic development must be compatible with its conduct in relation to ethics, society, the workplace, the environment and respect for human rights.

Awareness of these values, which express the Company's commitment in relation to business ethics and corporate responsibility, making them known to others and implementing them provide guidance for the actions of ROVI's Board of Directors and other governing bodies in their relations with stakeholders. For this purpose, the Company has support tools the objectives of which are to:

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

The business model, supported by the Company's financial model, has allowed the Company to achieve high revenues and cash flows, as well as high profitability for the interested parties, on a sustainable basis.

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

2. Business performance

Operating revenue increased by 11% to 509.9 million euros in 2021 driven by the strength of the specialty pharmaceutical business, where sales rose 17% widely surpassing the performance of the pharmaceutical market.

Sales of LMWH increased by 19% to 238.1.7 million euros in 2021. LMWH (enoxaparin biosimilar and bemiparin) sales represented 47% of operating revenue in 2021 compared to 43% in 2020.

ROVI's low-molecular-weight heparin (LMWH), Bemiparin, showed a positive performance in 2021, with sales up 9% to 110.1 million euros. Sales of Bemiparin in Spain (Hibor®) increased 1% to 69.4 million euros in 2021.

Sales of Neparvis®, a specialty product from Novartis, launched in December 2016, indicated for the treatment of adult patients with symptomatic chronic heart failure and reduced ejection fraction, increased 30% to 38.5 million euros in 2021, compared to 29.6 million euros in 2020.

Sales of Volutsa®, a specialty product from Astellas Pharma indicated for the treatment of moderate to severe storage symptoms and voiding symptoms associated with benign prostatic hyperplasia, launched in Spain in February 2015, increased by 14% to 16.3 million euros in 2021.

Sales of Vytorin®, Orvatez® and Absorcol®, specialty products from Merck Sharp & Dohme ("MSD") indicated as adjunctive therapy to diet in patients with hypercholesterolemia, remained constant at 28.3 million euros in 2021. In the second quarter of 2020, Orvatez® price was reduced by 30% due to the entrance of hybrid products formulated with ezetimibe and atorvastatine.

Sales of Hirobriz® Breezhaler® and Ulunar® Breezhaler®, both inhaled bronchodilators from Novartis for patients with respiratory difficulties due to a pulmonary disease known as Chronic Obstructive Pulmonary Disease (COPD), launched in Spain in the fourth quarter of 2014, decreased 17% to 9.4 million euros in 2021, compared to 11.3 million euros in the previous year, mainly due to Ulunar® Breezhaler® price reduction of 18% in the second quarter of 2020.

Sales of Medicebran® and Medikinet®, specialty products from Medice indicated for the treatment of ADHD (Attention Deficit and Hyperactivity Disorder) in children and teenagers, launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, increased by 4% to 3.6 million euros in 2021. In July 2019, Medikinet® (methylphenidate hydrochloride with a modified release) went out of protection for galenic innovation and its price was reduced by 50.3% on average.

According to IQVIA, Spanish innovative product market increased by 4% in 2021 compared to the previous year. Nevertheless, ROVI prescription-based pharmaceutical product sales increased 17% in 2021, outperforming the market by more than 13 percentage points.

Sales of contrast imaging agents and other hospital products increased by 15% to 35.5 million euros in 2021. This increase shows the strong recovery of the Spanish and Portuguese hospital activity in 2021 after the effects of lockdowns during the pandemic.

Since 2021, the Company has provided services to third parties for which it has recognized income amounting to 19.6 million euros.

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

3. Liquidity and capital resources

3.1 Liquidity

As of 31 December 2021, ROVI had gross cash position of 39.4 million euros, compared to 35.6 million euros as of 31 December 2020, 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 16.0 million euros, compared to a net debt of 21.1 million euros as of 31 December 2020.

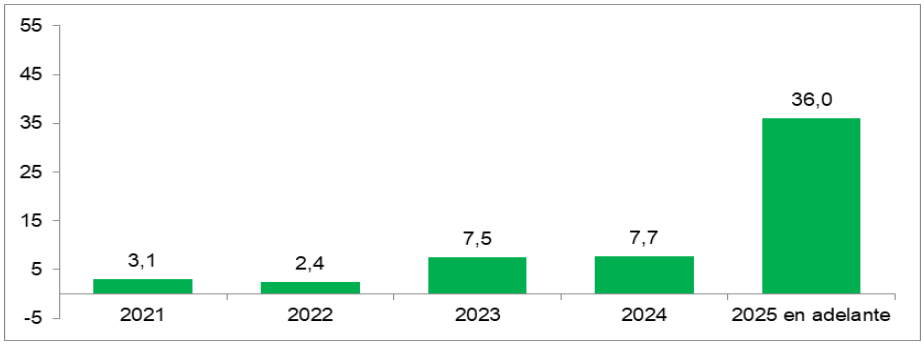
3.2 Capital resources

As of 31 December 2021, ROVI had total debt of 55.5 million euros (56.7 million euros as of 31 December 2020). Debt with public administration, which is 0% interest rate debt, represented 19% of total debt (19% in December 2020).

In thousand euros	**2020**	**2020**
Bank borrowings	44,821	45,000
Debt with public administration	10,350	10,589
Debt with Group & associated companies	290	184
Derivatives	17	925
Total	**55,478**	**56,698**

As of 31 December 2021, bank borrowings remained flat. In December 2017, ROVI announced the European Investment Bank (EIB) granted it a loan to support its investments in Research, Development and Innovation. The loan was for 45 million euros. As of 30 September 2019, ROVI had drawn 5 million euros against this credit line at a variable interest rate of Euribor at 3 months + 0.844%. The latest interest rate paid was 0.297% (January 2022). As of 31 December 2019, ROVI had drawn the remaining 40 million euros. The credit matures in 2029, includes a grace period of 3 years with a fixed interest of 0.681%.

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



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

In the ordinary course of activities, in order to manage its own transactions and financing, the Company has carried out certain transactions that are not included on the statement of financial position, such as operating leases. The Company's objective is to optimize the financing costs that are involved in determined financial transactions and, therefore, on certain occasions, has chosen operating leases rather than the acquisition of assets. The minimum future payments to be made for non-cancellable operating leases at 31 December, 2021 were 2,015 thousand euros (726 thousand euros at 31 December, 2020), of which 1,088 thousand euros are related to maturities at less than one year (661 thousand euros at less than one year at 31 December, 2020).

4. Key operating and financial events

4.1 ROVI receives the European Commission's approval of Okedi® as a treatment for schizophrenia

ROVI announced (by publication of the relevant information number 14055 dated 15th of February of 2022) that the European Commission has 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.

Risperidone ISM® is a prolonged-release injectable antipsychotic developed and patented by ROVI for the treatment of schizophrenia in adults for whom tolerability and effectiveness has been established with oral risperidone, since, as of the first injection, it provides immediate and sustained plasmatic drug levels and does not require loading doses or supplementation with oral risperidone.

This approval is based on the positive results of the pivotal PRISMA-3 study on the efficacy and safety of Risperidone ISM® in schizophrenia patients[1]. The results obtained in this study show that the two different doses (75 mg and 100 mg once a month) have achieved the prespecified primary and secondary efficacy endpoints for treatment of patients with acute exacerbation of schizophrenia. The primary efficacy endpoint, the PANSS total score (mean difference, CI: 95%), improved significantly with Risperidone ISM® 75 mg and 100 mg from the beginning until day 85, with adjusted differences of -13.0 (17.3 to -8-8; p <0.0001) and -13.3 (-17.6 to -8.9; p<0.0001), respectively. Significantly improved mean changes for the secondary endpoint, the CGI-S score, were also obtained for Risperidone ISM® in comparison with the placebo, -0.7 (-1.0 to -0.5; p<0.0001), for both doses. The significant statistical improvement for both efficacy results was observed as early as 8 days after the first injection. The most frequently reported treatment-emergent adverse events were increased blood prolactin (7.8%), headaches (7.3%), hyperprolactinemia (5%) and weight increase (4.8%). No important new or unexpected safety information was reported. Likewise, patients who successfully completed the double-blind period were offered the opportunity to continue in a long-term, open-label 12-month extension phase with once every four weeks injections of Risperidone ISM® (75 mg or 100 mg). New, clinically stable patients ("de novo" patients) were also able to enter this open phase of the study. Long-term treatment was observed to be effective, safe

and well tolerated in adult patients with schizophrenia, regardless the initial severity of the disease or whether they had been treated previously with Risperidone ISM® during an acute exacerbation or switched from stable doses of oral risperidone[2].

"We are very excited about the European Commission's approval of Risperidone ISM® because we think our medicine will be able to contribute to the clinical management of schizophrenia patients. Likewise, we hope to launch the product in Europe in the second quarter of 2022", commented Juan López-Belmonte Encina, ROVI's Chairman and Chief Executive Officer.

Regarding other territories, ROVI filed the application for marketing authorisation of Risperidone ISM® with the United State Health authorities, the U.S. Food and Drug Administration ("FDA") on 24 November, 2020 and the dossier is currently being reviewed by the FDA. Recently, the FDA informed ROVI of a delay in making a decision on the grant of said marketing authorisation.

4.2 New Share Buy-back Programme

ROVI announced on 22 February 2022 the end of the share buy-back programme, effective as of 3 November 2021, and the launching of a new share buy-back programme, effective as of 23 February 2022.

End of the share buy-back programme

ROVI informs that the Board of Directors has resolved to finalize the share buy-back programme launched by the Company as of 3 November 2021

Launching of a new share buy-back programme

ROVI further informs that, in accordance with the resolutions passed today by the Board of Directors of the Company, under the authorization granted by the general shareholders' meeting of the Company on 17 June 2021, item 13 of its agenda, the Company will launch, effective as of 23 February 2022, a new share buy-back program (the "Buy-back Program") under Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse ("Regulation 596/2014") and Commission Delegated Regulation (EU) No. 2016/1052 of 8 March 2016 supplementing Regulation (EU) No. 596/2014 of the European Parliament and of the Council with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures ("Delegated Regulation 2016/1052"), in accordance with the following terms:

1.- Purpose and scope: the Buy-back Program's purpose is to redeem own shares of ROVI (share capital reduction) and, at the same time, to contribute to ROVI's shareholders remuneration by increasing earnings per share.

The Buy-back Programme is approved as a continuation and renewal of the buy-back programme commenced as of 3 November 2021, that is deemed to be successfully concluded as previously indicated..

2.- Term: from 23 February 2022, the day following the date of publication of the notice informing of the approval and commencement of the Buy-back Program, and for a period of 6 months.

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

[2] *Filts Y, Litman RE, Martínez J, Anta L, Naber D, Correll CU. Long-term efficacy and safety of once-monthly Risperidone ISM® in the treatment of schizophrenia: Results from a 12-month open-label extension study. Schizophr Res. 2021 Nov 27;239:83-91.*

Nevertheless, the Buy-back Program will terminate before the end of the referred period upon acquisition of the maximum number of shares authorized by the Board of Directors or if the maximum monetary amount of the Buy-back Program is reached. Moreover, ROVI reserves the right to terminate the Buy-back Program before the end of the referred 6-month period if any other circumstance that makes it advisable occurs.

3.- Maximum monetary amount up to 46,000,000 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.

The maximum monetary amount of the Buy-back Program may be reduced in the amount applied by the Company, during its term, to the acquisition of own shares on the block trades market or over the counter for the same purpose, which will be notified to the market in the periodic other relevant information notices informing of the transactions carried out under the Buy-back Program.

4.- Maximum number of shares to be acquired: 560,700 shares of the Company, representing approximately 1% of the Company's share capital as of today.

The maximum number of shares to be acquired under the Buy-back Program may also be reduced if, during its term, acquisitions of own shares on the block trades market or over the counter are carried out for the same purpose, which will be notified to the market in the periodic other relevant information notices informing of the transactions carried out under the Buy-back Program.

5.- 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 Buyback Program shall be 25% of the average daily volume of ROVI's shares on the Continuous Market of the Spanish Stock Exchanges during the twenty trading days prior to the date of the purchase.

The Buyback Program shall be managed by Bestinver, S.V., S.A., that will manage the Buyback Program by making its decisions regarding the implementation of the purchases of ROVI's shares and their price and volume conditions independently.

It is noted that, as of 16 November 2021, ROVI does not have any liquidity agreements in place (nor has it suspended any transactions under any liquidity agreement).

Any potential amendment, interruption or termination of the Buyback Program and any acquisition of shares thereunder shall be communicated to the Spanish National Securities Market Commission pursuant to article 5 of Regulation 595/2014 and Delegated Regulation 2016/1052.

4.3 ROVI receives the positive opinion of the CHMP on Okedi® as a treatment for schizophrenia

ROVI announced (by publication of the relevant information number 13249 dated 17th of December of 2021) that the Committee for Medical Products for Human Use (CHMP) of the European Medicines Agency has recommended the approval of Okedi® (Risperidone ISM®) for the treatment of schizophrenia.

Risperidone ISM® is a prolonged-release injectable antipsychotic developed and patented by ROVI for the treatment of schizophrenia in adults for whom the tolerability and effectiveness has been established with oral risperidone, since, as of the first injection, it provides immediate and sustained plasmatic drug levels and does not require loading doses or supplementation with oral risperidone.

The positive opinion of the CHMP is based on the positive results of the pivotal PRISMA-3 study on the efficacy and safety of Risperidone ISM® in schizophrenia patients[3].The results obtained in this study show that the two different doses (75 mg and 100 mg once a month) have achieved the prespecified primary and secondary efficacy endpoints for treatment of patients with acute exacerbation of schizophrenia. The primary efficacy endpoint, the PANSS total score (mean difference, CI: 95%), improved significantly with Risperidone ISM® 75 mg and 100 mg from the beginning until day 85, with adjusted differences of -13.0 (17.3 to -8-8; p <0.0001) and -13.3 (-17.6 to -8.9; p<0.0001), respectively. Significantly improved mean changes for the secondary endpoint, the CGI-S score, were also obtained for Risperidone ISM® in comparison with the placebo, -0.7 (-1.0 to -0.5; p<0.0001), for both doses. The significant statistical improvement for both efficacy results was observed as early as 8 days after the first injection. The most frequently reported treatment-emergent adverse events were increased blood prolactin (7.8%), headaches (7.3%), hyperprolactinemia (5%) and weight increase (4.8%). No important new or unexpected safety information was reported. Likewise, patients who successfully completed the double-blind period were offered the opportunity to continue in a long-term, open-label 12-month extension phase with once-monthly injections of Risperidone ISM® (75 mg or 100 mg). New, clinically stable patients ("de novo" patients) were also able to enter this open phase of the study. The objective of the study extension phase is to check the safety, tolerability and durability of the long-term effect of Risperidone ISM®[4].

"We are very satisfied to receive the favourable recommendation for Risperidone ISM® announced by the CHMP because we believe that our product can contribute to the clinical management of schizophrenia patients", commented Juan López-Belmonte Encina, ROVI's Chairman and Chief Executive Officer.

The European Commission takes the recommendations of the CHMP (EMA) into consideration and usually follows them, issuing its final decision on the basis thereof. The approval of Risperidone ISM® is expected in approximately 60 days' time and it could be launched in Europe in the second quarter of 2022.

Regarding other territories, ROVI filed the application for marketing authorisation of Risperidone ISM® with the United State Health authorities, the U.S. Food and Drug Administration ("FDA") on 24 November, 2020 and the dossier is currently being reviewed by the FDA. Recently, the FDA informed ROVI of a delay in making a decision on the grant of said marketing authorisation.

4.4 ROVI Share Buyback Program

ROVI informed the market (by publication of inside information number 1143 dated 3rd of November of 2021) that, effective as of 3 November 2021, a share buyback program (the "Buyback Program") commenced, in accordance with the following terms:

1.- Purpose and scope: the Buyback Program's purpose is to redeem own shares of ROVI (share capital reduction) and, at the same time, to contribute to ROVI's shareholders remuneration by increasing earnings per share.

2.- Term: from 3 November 2021, date of publication of the communication of the approval and effectiveness of the Buyback Program, and for a period of 12 months.

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

[4] *Filts Y, Litman RE, Martínez J, Anta L, Naber D, Correll CU. Long-term efficacy and safety of once-monthly Risperidone ISM® in the treatment of schizophrenia: Results from a 12-month open-label extension study. Schizophr Res. 2021 Nov 27;239:83-91.*

3.- Maximum monetary amount: up to 125,000,000 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.

4.- Maximum number of shares to be acquired: 1,628,000 shares of the Company, representing approximately 3% of the Company's share capital.

5.- 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 Buyback Program is 25% of the average daily volume of ROVI's shares on the Continuous Market of the Spanish Stock Exchanges during the twenty trading days prior to the date of the purchase.

The Buyback Program is managed by Bestinver, S.V., S.A., that is managing the Buyback Program by making its decisions regarding the implementation of the purchases of ROVI's shares and their price and volume conditions independently.

4.5 The FDA delays its decision on Risperidone ISM®

ROVI announced (by publication of the relevant information number 12278 dated 21st of October of 2021) that it had been informed of the delay in the decision on the granting of marketing authorisation for Risvan® (Risperidone ISM®) by the U.S. Food and Drug Administration ("FDA"). The FDA will be taking a number of actions, including an in-situ inspection of the European production plant where the product is manufactured, located in Madrid (Spain). The grant of the marketing authorisation for Risperidone ISM® by the FDA is subject to the result of this inspection.

The delay in the inspection of the manufacturing facilities has been caused by the restrictions on movement due to COVID-19 and, thus, the FDA has not yet fixed the inspection date.

ROVI filed the application for marketing authorisation for Risvan® with the FDA on 24 November, 2020. On 24 September, 2021, ROVI received a Complete Response Letter from the FDA with outstanding questions on the Risvan® dossier. The Company has provided full response on 17th January 2022. ROVI expects its responses to clarify the outstanding questions.

In the Complete Response Letter, the FDA states that, due to the exceptional situation caused by the pandemic which has prevented the inspection from taking place within the term defined in the Filing Communication Letter, all the responses to outstanding questions will be evaluated in accordance with the timeline described in the "2020 Guidance for Industry Review Timelines for Applicant Reponses to Complete Response Letters When a Facility Assessment Is Needed During the COVID-19 Public Health Emergency", with an estimated review time of 6 months as of the submission of the responses to the questions raised in the Complete Response Letter.

4.6 Mr. Juan López-Belmonte Encina has been appointed as new Chairman of the Board of Directors of ROVI

ROVI announced (by publication of the inside information register No. 991 dated 16 July, 2021) that, subsequent to the death of its chairman Mr Juan López-Belmonte López (communicated as stated in point 7.2 below), the Board of Directors of ROVI had unanimously decided, acting on a proposal and report from the Appointments and Remuneration Committee, to appoint the current Chief Executive Officer, Mr Juan López-Belmonte Encina, as the new chairman of ROVI's Board of Directors. He will combine this position with his current post as Chief Executive Officer.

The Board of Directors has expressed the profound gratitude and respect of the Company and all of its employees towards the former Chairman, Mr. Juan López-Belmonte López. The Appointments and Remunerations Committee has considered that according to the career of Mr. Juan López-Belmonte Encina it is clear that he has unquestionable knowledge to perform the functions as Chairman of the Board, as well as a deep and extensive expertise in the Company, the Rovi Group and the sector in which it develops its activity, making him the suitable candidate to occupy such position. As indicated, Mr. Juan López-Belmonte Encina will continue to act also as a Chief Executive Officer. It was hereby stated that the Company has already appointed a lead independent director, Mr. Marcos Peña Pinto, among its independent directors.

4.7 The President of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A., Mr. Juan López-Belmonte López, passed away

ROVI announced (by publication of the relevant information number 10575 dated 13th of July of 2021) that the President of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A., Mr. Juan López-Belmonte López, passed away.

The First Vice President of the Board, Mr. Javier López-Belmonte Encina, exercised the functions of the presidency until the appointment of the new President in accordance with the provided succession plans and corporate procedures.

The Company will always be grateful for the commendable work carried out by its President and it will honour his example.

4.8 ROVI participates in the manufacture of the active substance of Moderna's COVID-19 vaccine

ROVI announced (by publication of the inside information number 837 dated 12th of April of 2021) that they will strengthen their collaboration for the manufacture of the active substance of the COVID-19 Vaccine Moderna. To this end, further industrial investment will be made in the ROVI Group's facility in Granada (Spain).

This investment consists of the installation of a new line supporting production phases of the active substance of the mRNA vaccine, which are prior and additional to the compounding and fill-finish of the vaccine. This line will have a production capacity equivalent to more than 100 million doses per year and is expected to begin to supply markets outside the United States in the third quarter of 2021.

With this addition, ROVI will extend the activities it performs in the manufacturing process of the COVID-19 Vaccine Moderna: it will take part in the manufacture of the active substance, as well as the compounding, filling and final packaging before the vaccine is distributed for administration to patients.

4.9 ROVI has requested to European Medicines Agency (EMA) to "stop the clock" on Day 181 of the Doria® authorisation process

ROVI announced (by publication of the inside information number 781 dated 2sd of March of 2021) that it had requested to European Medicines Agency (EMA) to "stop the clock" on Day 181 of the authorisation process to provide responses within the framework of the centralised registration procedure.

The purpose of said clock stop is to have sufficient time to repeat the bioavailability study comparing multiple doses of Doria® with oral risperidone, in response to the major observation of the Committee for Medicinal Products for Human Use (CHMP), which states that the study must be performed using the European reference product. The current dossier of Doria® already includes a clinical trial of bioavailability using the oral risperidone medicine marketed in the United States.

ROVI expected the trial using the U.S.A. reference product to be valid for Europe because the two products -the oral risperidone medicine marketed in the European Union and the one marketed in the U.S.A.- can be considered bioequivalents based on the in vitro and in vivo studies that ROVI had conducted and submitted to the EMA. Indeed, the

therapeutic indication in schizophrenia for oral risperidone was supported by the same efficacy clinical trials in both territories.

ROVI considers that the additional clinical information requested can be provided in November this year 2021, thus resuming the regulatory process and enabling the EMA to complete its evaluation. Additionally, the EMA includes a second major observation in its Day 180 evaluation, aimed to prevent possible problems related to the lack of flexibility in interrupting the treatment with a long-acting formulation, as well as other minor observations that will be answered on Day 181 of the procedure.

ROVI does not foresee any additional information requirements from the EMA and aspires to obtain the indication of "treatment of schizophrenia in adults", which would mean that Doria®, due to its unique pharmacokinetic profile, would not only be indicated for the maintenance treatment of stabilised patients, but could also be used in unstable patients with moderate to severe symptoms who require a fast and prolonged-acting product like Doria®. It would be the only long-acting injectable atypical antipsychotic with said indication in the European Union.

5. Research and development

ISM® technology platform

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

In January 2020, ROVI announced the commencement of the centralised procedure for registration of Okedi® with the European Medicines Agency (EMA). In March 2021, ROVI informed about the request of a "clock stop" in the Okedi® authorization process to provide answers within the framework of the centralized registration procedure. The purpose of said clock stop was to have sufficient time to repeat the bioavailability study comparing multiple doses of Okedi® with oral risperidone from EU source, in response to the major observation of the Committee for Medicinal Products for Human Use (CHMP), which states that the study must be performed using the European reference product. The original Okedi® dossier already included a clinical bioavailability trial using the oral risperidone drug marketed in the United States (USA). Thereafter, at the planned date, ROVI submitted the required answers and additional clinical data to the CHMP. On 16 December 2021, the CHMP adopted a positive opinion, recommending the granting of a marketing authorisation for the medicinal product Okedi®. Finally, on 15 February 2022, the European Commission authorized 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 could be launched in Europe in the second quarter of 2022.

Likewise, at its Capital Markets Day held on 24 November 2020, ROVI announced the filing of an NDA (New Drug Application), i.e. a registration dossier to obtain marketing authorisation in the USA, with the FDA (Food and Drug Administration). ROVI was informed of the delay in the decision on the granting of marketing authorisation for Risvan® (Risperidone ISM®) by the U.S. Food and Drug Administration ("FDA"). The FDA will be taking a number of actions, including an in-situ inspection of the European production plant where the product is manufactured, located in Madrid (Spain). The grant of the marketing authorisation for Risvan® by the FDA is subject to the result of this inspection. Furthermore, on 24 September 2021, ROVI received a Complete Response Letter from the FDA with outstanding questions on the Risvan® dossier. The Company has already answered them since, in its letter, the FDA recognises that it did not review some of the responses submitted during the evaluation process. ROVI expects its responses to clarify the outstanding questions. In the Complete Response Letter, the FDA states that, due to the exceptional situation caused by the pandemic which has prevented the inspection from taking place within the term defined in the Filing Communication Letter, all the responses to outstanding questions will be evaluated in accordance with the timeline described in the "2020 Guidance for Industry Review Timelines for Applicant Reponses to Complete Response Letters

When a Facility Assessment Is Needed During the COVID-19 Public Health Emergency", with an estimated review time of 6 months as of the submission of the responses to the questions raised in the Complete Response Letter.

As previously informed, the Risperidone ISM® dossier is mainly supported by the pivotal clinical trial "PRISMA-3"[5] whose results were published in November of 2020 in the medical journal npj Schizophrenia[6]. The PRISMA-3 study demonstrated that Risperidone ISM® provides rapid and progressive reduction of symptoms in patients with acutely exacerbated schizophrenia without need of oral risperidone supplementation or loading doses.

The company also announced in July 2019 the completion of an open-label extension (12 additional months) of the PRISMA-3 study[7], which is also included in the Risperidone ISM® dossier and further supports the long-term use of Risperidone ISM®. The results of this part of the PRISMA-3 study have been recently published in the medical journal Schizophrenia Research. In this article the authors conclude that Risperidone ISM® is an effective, safe, and well-tolerated long-term treatment of schizophrenia in adults, regardless of the initial disease severity or whether patients were previously treated with Risperidone ISM® during an acute exacerbation or switched from stable doses of oral risperidone[8].

Besides, several communications were presented at two international congresses, providing further clinical data of Risperidone ISM®:

– 8th European Conference on Schizophrenia Research (ECSR) held on 23-25 September 2021[9]:

  - Robert E. Litman, et al. Personal And Social Functioning In Patients With Schizophrenia Treated With Once-Monthly Risperidone ISM® [oral presentation #O-06-003].

  - Christoph U. Correll, et al. Risperidone ISM® Efficacy In Schizophrenia Patients With Severe Psychotic Symptoms During An Acute Exacerbation [poster #220].

  - Christoph U. Correll, et al. Efficacy Of Once-Monthly Risperidone ISM® In Schizophrenia Patients With A Psychotic Relapse Who Were Previously Treated With Either Risperidone Or Another Antipsychotic [poster #219].

– 34th European College of Neuropsychopharmacology (ECNP) congress held on 2-5 October 2021[10]:

  - Robert E. Litman, et al. Risperidone ISM® effect size evaluation: post-hoc findings from the Prisma-3 phase III study [poster #0839].

Furthermore, another article has been recently published in the journal Drug Design, Development and Therapy about a comparative bioavailability clinical trial of Risperidone ISM® and oral risperidone. The authors concluded that direct switch after 24 hours from the last oral risperidone dose to Risperidone ISM® treatment may be done in schizophrenia

[5] *Study to Evaluate the Efficacy and Safety of Risperidone In Situ Microparticles® (ISM®) in Patients With Acute Schizophrenia (PRISMA-3). Clinicaltrials.gov#NCT03160521 [https://clinicaltrials.gov/show/NCT03160521]. This clinical program has had the support of the Industrial Technological Development Centre ("CDTI").*

[6] *Correll CU, Litman RE, Filts Y, et al. Efficacy and safety of once-monthly Risperidone ISM® in schizophrenic patients with an acute exacerbation. NPJ Schizophr. 2020;6(1):37. https://doi.org/10.1038/s41537-020-00127-y.*

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

[8] *Filts Y, Litman RE, Martínez J, Anta L, Naber D, Correll CU. Long-term efficacy and safety of once-monthly Risperidone ISM® in the treatment of schizophrenia: Results from a 12-month open-label extension study. Schizophr Res. 2022;239:83-91. https://doi.org/10.1016/j.schres.2021.11.030.*

[9] *8th European Conference on Schizophrenia Research. Virtual meeting, 23-25 September 2021. [https://www.schizophrenianet.eu/portal/start.html].*

[10] *34th ECNP congress. Lisbon (Portugal), 2-5 October 2021 [https://www.ecnp.eu/Congress2021/ECNPcongress].*

patients with no time lag, maintaining steady-state levels of the active moiety throughout the treatment without the need for oral supplementation or loading doses[11].

In addition, the company continues with the clinical development of Letrozole ISM®, which represents the second candidate using ROVI's ISM® technology platform. This new investigational medicine is, to the best of ROVI's knowledge, the first long-acting injectable aromatase inhibitor intended for the treatment of hormone-dependent breast cancer. ROVI has obtained positive results that confirm that this ISM® formulation provides a prolonged release of letrozole which produces a sustained suppression of oestrogenic hormones. The company has initiated discussions with the FDA to review these results, as well as the next steps for continuing the clinical development of this novel long-acting injectable aromatase inhibitor.

Lastly, ROVI's R&D team is progressing in the development of a new formulation of Risperidone ISM® for a 3-monthly injection, which would complement the current formulation of Risperidone ISM® for the maintenance treatment of patients with clinically stable schizophrenia. This development is currently undergoing regulatory toxicity studies needed to conduct a Phase I clinical trial in humans.

6. Dividends

On June 17, 2021, the General Meeting of Shareholders approved the distribution of the 2020 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 21,373 thousand euros (0.3812 euros gross per share). This dividend was paid out in July 2021.

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

7. Capital expenditure

ROVI invested 7.0 million euros in 2021, compared to 11.1 million euros in 2020.

At 31 December, 2021 and 2020, 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, 2021, the number of treasury shares was 1,218,776 (673,654 at 31 December, 2020). The following movements took place in 2021:

	Number of shares
Balance at 31.12.20	**673,654**
Shares acquired under liquidity contract (a)	826,381
Shares sold under liquidity contract (a)	(831,586)
Share acquired under buy-back programme (b)	585,583
Extraordinary bonus through award of shares (c)	(35,256)
Balance at 31.12.21	**1.218.776**

a) Liquidity contract

Under the liquidity contract that ROVI had signed, 826,381 shares were acquired (1,233,324 in 2020), for which a total sum of 42,224 thousand euros was disbursed (37,255 thousand euros in 2020). Likewise, a total of 831,586 shares were

[11] *Walling DP, Hassman HA, Anta L, et al. The Steady-State Comparative Bioavailability of Intramuscular Risperidone ISM and Oral Risperidone: An Open-Label, One-Sequence Study. Drug Des Devel Ther. 2021;15:4371-4382. [https://doi.org/10.2147/dddt.s332026]*

resold (1,246,626 in 2020) for a sum of 42,328 thousand euros (37,488 thousand euros in 2020). Said shares had been acquired at a weighted average cost of 31,446 thousand euros (27,411 thousand euros in 2020), giving rise to a profit of 10,882 thousand euros on the sale (10,077 thousand euros in 2020), which was recognized in reserves.

b) Share buy-back programme

ROVI commenced a buy-back programme for company shares effective 3 November, 2021 (the "Buy-Back Programme"). Its main features are the following:

- Purpose and scope: the purpose of the Buy-Back Programme is to write off ROVI shares (capital reduction) while, at the same time, increasing ROVI's shareholder remuneration by increasing the earning per share.

- Term: 12 months as of 3 November, 2021, the date on which the Buy-back Programme was published. Additionally, ROVI reserves the right to end the programme before its termination date.

- 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 Buy-back Programme publication date.

Under this resolution, 585,583 shares were acquired in 2021, for which ROVI paid a total of 36,561 thousand euros.

c) Extraordinary bonus through award of treasury shares

On 17 June, 2021, the Ordinary General Shareholders' Meeting of Laboratorios Farmacéuticos Rovi, S.A. approved an extraordinary bonus for the Company's executive directors through the award of treasury shares. The maximum number of shares to be awarded was determined by multiplying by three (i.e. by the number of beneficiaries of the bonus) the amount resulting from dividing 985 thousand euros by the average quoted price of the company shares in the 30 trading days immediately prior to approval of the bonus (54.48 euros), giving a number of 54,240 shares to be taken from the treasury shares.

The amount recognised for this bonus under the caption "Employee expenses" was 2,520 thousand euros.

9. Headcount evolution

The average number of employees during 2021 has been 566 (516 in 2020).

10. Outlook for 2022

For 2022, ROVI is upgrading its operating revenue guidance from a mid-single-digit growth rate to the range between 10% and 15%.

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

The Company forecasts that it will continue to grow at a much higher rate than the Spanish pharmaceutical market expenditure in 2021, which, according to the Ministry of Health, Consumption and Social Welfare, showed a growth rate of 6.1%.

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

11. Risk management

11.1 Operating risks

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

- Changes in the conditions under which raw materials and other packaging materials needed for manufacturing its products are supplied;
- Failure to complete the Research and Development projects that ROVI is executing successfully or in the expected manner.
- Changes in the prescription criteria or changes in the legislation regulating the market aimed to contain pharmaceutical expense (price control, reference prices, support for generic products, co-payment, purchase platforms, …);
- Concentration of operations in certain geographical areas.
- Actions on the part of the competition that have an adverse impact on ROVI's sales.
- Ciber attack risk.
- Tax risk inherent to the activity of companies of the size and complexity of the Company.

ROVI is permanently on the alert and is keeping any risks that may have an adverse effect on its business activities under constant surveillance, applying the appropriate policies and mechanisms to manage them and constantly developing contingency plans that can be used to mitigate or offset their impact. Among them, we highlight the fact that the Company (i) continues with the diversification of suppliers of raw materials and other packaging materials necessary for the manufacture of the products; (ii) is continuing with its target of constantly opening up new markets as a result of its international expansion plan; (iii) continues to enhance its processes and controls, including those related to the internationalization process; (iv) is working intensively to maintain a broad and diversified portfolio of products and customers; (v) perseveres every year with its savings plan, which has focused mainly on improving the efficiency of its internal and external operating processes; (vi) the Company exercises strict credit control and manages its cash effectively, which ensures that sufficient working capital is generated and maintained to allow its day-to-day operations to be carried out; (vii) the Company has an exhaustive tax risk control system, with external tax advisors who review the preparation and filing of the different taxes as well as the Company's decision-making on tax issues; y (viii) the Company intensifies its work to mitigate the risk of cyberattacks by raising awareness among its staff and conducting cybersecurity reviews.

11.2 Financial risks

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

- *Market risk*

Market risk is divided in:

a) Foreign exchange risk: this risk is low because (i) virtually all the Company's assets and liabilities are in euros; (ii) a majority of the transactions with foreign parties are carried out in euros; and (iii) transactions for a significant amount in currencies other than the euro are hedged with financial instruments that minimise the impact of exchange-rate risk. At 31 December, 2020, the Company held instruments of this kind for a value of 13,500 thousand euros (26,500 thousand euros in 2019), the measurement of which led to recognition of a loss of 925 thousand euros at the 2020 reporting date (at the 2019 reporting date the loss was not significant).

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

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

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

- *Credit risk*

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

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

- *Liquidity risk*

Management periodically monitors the liquidity estimates of the Company in accordance with the expected cash flows. ROVI maintains sufficient cash and marketable securities to meet its liquidity requirements. In 2017, ROVI signed a financing agreement with the European Investment Bank, which it could draw down over the two years following signature of the agreement for a total amount of 45 million euros. As of 31 December, 2019, ROVI had drawn the full amount of this loan.

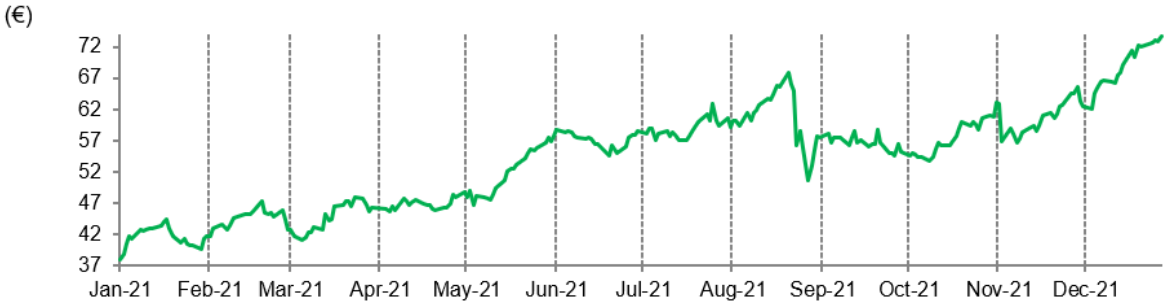
In 2020, ROVI signed credit policies for a total amount of 45 million euros. No amounts had been drawn down as of 31 December, 2020.

12. Stock market capitalization

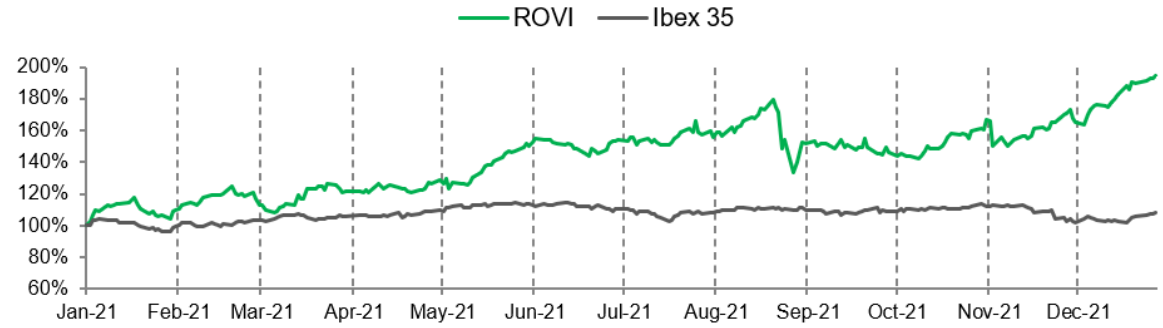
On the December 5th 2007, ROVI carried out an Initial Public Offering (IPO) of shares initially intended for qualified investors in Spain and to qualified institutional investors abroad. The face value of the operation, without including the shares corresponding to the green shoe purchase option, was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

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

The following graph shows the fluctuations of the share price in the stock market in 2021:



The following chart shows the performance of the share price of ROVI compared with the IBEX 35 index in 2021:



13. Corporate Government Annual Report

The Corporate Governance Annual Report prepared by Laboratorios Farmacéuticos Rovi, S.A. for the year 2021 forms an integral part of this Management Report, although it is presented as a separate document.

The document will be available at http://www.cnmv.es/Portal/consultas/EE/InformacionGobCorp.aspx?nif=A-28041283.

14. Annual Report on Directors' Remunerations

The Annual Report on Directors' Remunerations prepared by Laboratorios Farmacéuticos Rovi, S.A. for the year 2021 forms an integral part of this Management Report, although it is presented as a separate document.

The document will be available at https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6& nif =A-28041283.

15. Events after balance sheet date

ROVI announced (by publication of the relevant information number 14055 dated 15th of February of 2022) that the European Commission has 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.

ROVI announced on 22 February 2022 the end of the share buy-back programme, effective as of 3 November 2021, and the launching of a new share buy-back programme, effective from 23 February 2022.

16. Statement of non-financial information

The statement of non-financial information of the group of which the Company is the parent company, ROVI Group, has been included in the consolidated management report of Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries at 31 December, 2021 although is presented in a separate document.

The document will be available on 23 February 2022 at https://www.cnmv.es/portal/Otra-InformacionRelevante /Resultado-OIR.aspx?nif=A-28041283.

The Individual Annual Accounts of Laboratorios Farmacéuticos Rovi, S.A. ("**Rovi**" or the "**Company**") (which comprise the balance sheet, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and notes), as well as the individual management report of the Company (which comprise the Annual Corporate Governance Report and the Annual Directors' Remuneration Statement) for the fiscal year ended on 31 December 2021 and which precede this document, have been issued by the Board of Directors at its meeting of 22 February 2022 following the formatting requirements set out in Commission Delegated Regulations (EU) 2019/815 of 17 December 2018 (European Single Electronic Format - ESEF), whose members sign below in accordance with Article 253 of the Royal Decree 1/2010, of 2 July, approving the restated text of the Spanish Capital Companies Law (*Ley de Sociedades de Capital*), and Article 37 of the Spanish Commercial Code:

Madrid, 22 February 2022

Mr. Juan López-Belmonte Encina
Chairman and Chief Executive Officer

Mr. Javier López-Belmonte Encina
Vice Chairman 1º

Mr. Iván López-Belmonte Encina
Vice Chairman 2º

Mr. Marcos Peña Pinto
Lead Independent Director

Mr. Fernando de Almansa Moreno-Barreda
Director

Ms. Fátima Báñez García
Director

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

The members of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A. ("**Rovi**" or the "**Company**"), at its meeting held on 22 February 2022, 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 2021, issued by the Board of Directors at the abovementioned meeting of 22 February 2022, 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 statements) 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, 22 February 2022

Mr. Juan López-Belmonte Encina
Chairman and Chief Executive Officer

Mr. Javier López-Belmonte Encina
Vice Chairman 1º

Mr. Iván López-Belmonte Encina
Vice Chairman 2º

Mr. Marcos Peña Pinto
Lead Independent Director

Mr. Fernando de Almansa Moreno-Barreda
Director

Ms. Fátima Báñez García
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. Gabriel Núñez Fernández, Non-Director 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 CIFRADOC/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 respective non-financial information statements, corresponding to the financial year that ended on 31 December 2021 and drawn up by the Board of Directors at its meeting on 22 February 2022 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 22 February 2022 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).

II. That the Company's individual and consolidated Annual Financial Statements and Management Reports for the financial year that ended on 31 December 2021, and sent through the CIFRADOC/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 2021, attached hereto in the xHTML files, and sent through the CIFRADOC/CNMV electronic submission service, are a true copy of the originals signed on 22 February 2022 by Mr. José Ignacio Rodríguez de Prado, partner of KPMG Auditores, S.L., the Company's auditor.

IV. That the independent verification report on the non-financial information statement (NFS) and the auditor's report on the "information relating to the system of internal control over financial reporting (ICFR)", sent through the CIFRADOC/CNMV electronic submission service, are a true copy of the originals signed on 22 February 2022 by Mrs. Marta Contreras Hernández and by Mr. José Ignacio Rodríguez de Prado, respectively.

V. That the English translation of the annual individual and consolidated financial report, sent through the CIFRADOC/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 22 February 2022.