



2017 Annual Report





2017 Annual Report



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Researching to grow
for health.



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Financial and non-financial figures

Financial figures

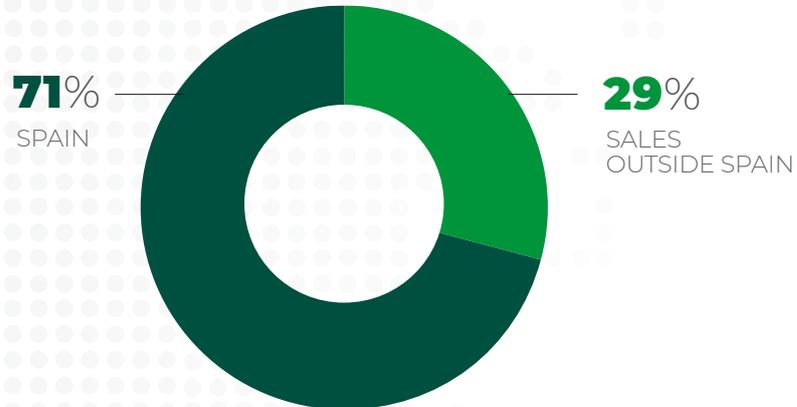
Million euros

Results

<i>(million euros)</i>	2017	2016	2015	2014	2013
Sales	277.4	266.7	247.0	240.9	218.9
EBITDA	30.5	39.3	31.8	36.6	32.4
EBIT	19.0	28.3	21.8	27.7	25.5
Net profit	17.2	26.1	19.8	24.1	23.0
Capex	19.9	18.1	19.9	25.1	24.7
Financial debt	43.2	33.8	42.8	36.3	31.0
Net financial debt	1.1	-9.0	12.1	8.3	-5.8

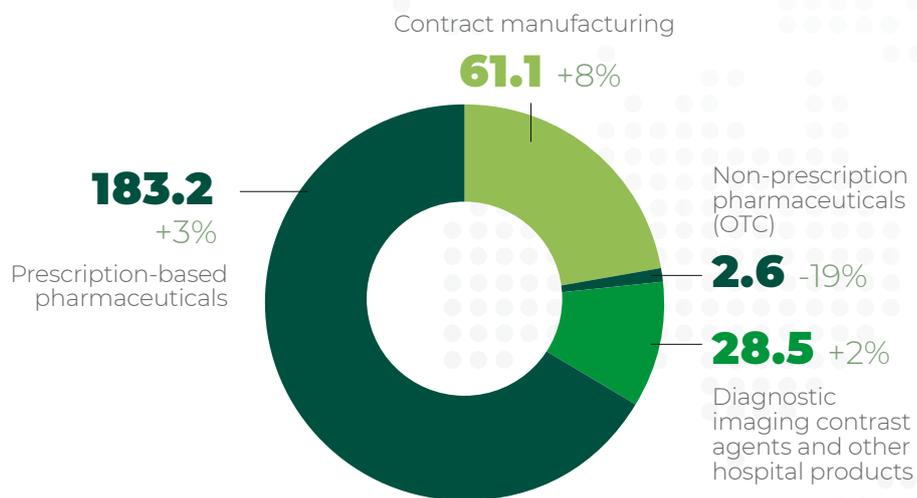
Sales by location

(percentage)



Sales by business

(million euros)



Financial structure

(ratio)	2017	2016	2015	2014	2013
Net debt/EBITDA	0.04x	-0.23x	0.38x	0.23x	-0.18x
Net debt/Equity	0.01x	-0.05x	0.07x	0.05x	-0.04x

Stock market information

	2017	2016
Number of shares	50,000,000	50,000,000
Year-end closing price	15.65 euros	12.33 euros
Capitalization at 31/12	782,500,000 euros	616,500,000 euros
Total dividend	9,025,000 euros	6,853,000 euros
Dividend per share paid in 2017 against 2016 profit	0.1830 euros	0.1390 euros
Proposed dividend per share against 2017 profit	0.1207 euros	0.1830 euros
Pay-out (as % of consolidated net profit)	35%	35%
Profit per share	0.34 euros	0.52 euros
PER	45.4	23.6

Non-financial figures

G4-9, G4-10

Human resources

	2017	2016	2015
<i>Average number of employees</i>	1,177	1,126	1,102
<i>Net jobs created</i>	51	24	20
Diversity <i>(men / women)</i>	525 / 652	508 / 618	495 / 607
<i>By location</i>			
<i>Spain and Portugal</i>	1,175	1,126	1,102
<i>Germany</i>	1	-	-
<i>France</i>	1	-	-
<i>Italy</i>	-	-	-
<i>United Kingdom</i>	1	-	-
<i>Hours of training</i>	28,215	636,059	9,000
<i>Turnover</i>	2.9%	2.8%	2.9%
<i>Accident rate</i>	1.1%	1.3%	2.9%
<i>Absenteeism rate</i>	1.9%	2.9%	3.4%

Environment

	2017	2016	Variación
<i>CO2 emissions (tonnes)</i>	8,957	9,926	-10%
<i>Tonnes CO2 / million units produced</i>	0.04	0.07	-37%
<i>Hazardous waste generation (tonnes)</i>	1,079	642	68%
<i>Non-hazardous waste generation (tonnes)</i>	1,948	2,169	-10%
<i>Electricity consumed (kWh)</i>	19,313,337	17,846,340	-24%
<i>Natural gas consumed (kWh)</i>	24,103,226	23,187,891	-27%
<i>Vehicle fuel consumed (litres)</i>	469,620	454,705	3%
<i>Water consumed (m3)</i>	156,021	125,022	25%
<i>m3 of water / million units produced</i>	0.76	0.87	-12%

Community

	2017	2016	2015
<i>Economic value generated (million euros)</i>	277.4	270.8	247.0
<i>Value distributed (million euros)</i>			
<i>Shareholders</i>	6.0	9.1	7.0
<i>Suppliers</i>	154.7	153.5	137.0
<i>Society</i>	0.3	1.8	1.1
<i>R&D</i>	28.3	17.5	16.5
<i>Employees</i>	64.0	60.5	61.8
<i>Providers of capital</i>	0.9	0.5	0.9
<i>Amortization and depreciation</i>	11.5	11.0	10.0
<i>Reserves (retained value)</i>	11.8	17.0	12.8

Group profile

ROVI is a specialized pharmaceutical company engaged in the research, development, manufacturing and marketing of pharmaceutical products. Its operations encompass the marketing of both its own and licensed products and the provision of services, such as production, filling, packaging and running clinical trials, to other companies.

On its own product portfolio, special attention should be drawn to Bemiparin, which is currently distributed in more than 56 countries through

strategic alliances and has become one of the leading therapeutic propositions for the prevention and treatment of venous thromboembolism.

In addition, the company provides a wide range of services to other companies, ranging from product manufacturing, filling, packaging and distribution to running clinical trials.

Corporate information

Name: Laboratorios Farmacéuticos Rovi, S.A.

Address: Julián Camarillo, 35. 28037 Madrid. Spain

Telephone: 0034 91 375 62 30

Website: www.rovi.es

Share capital: 3,000,000.00 euros

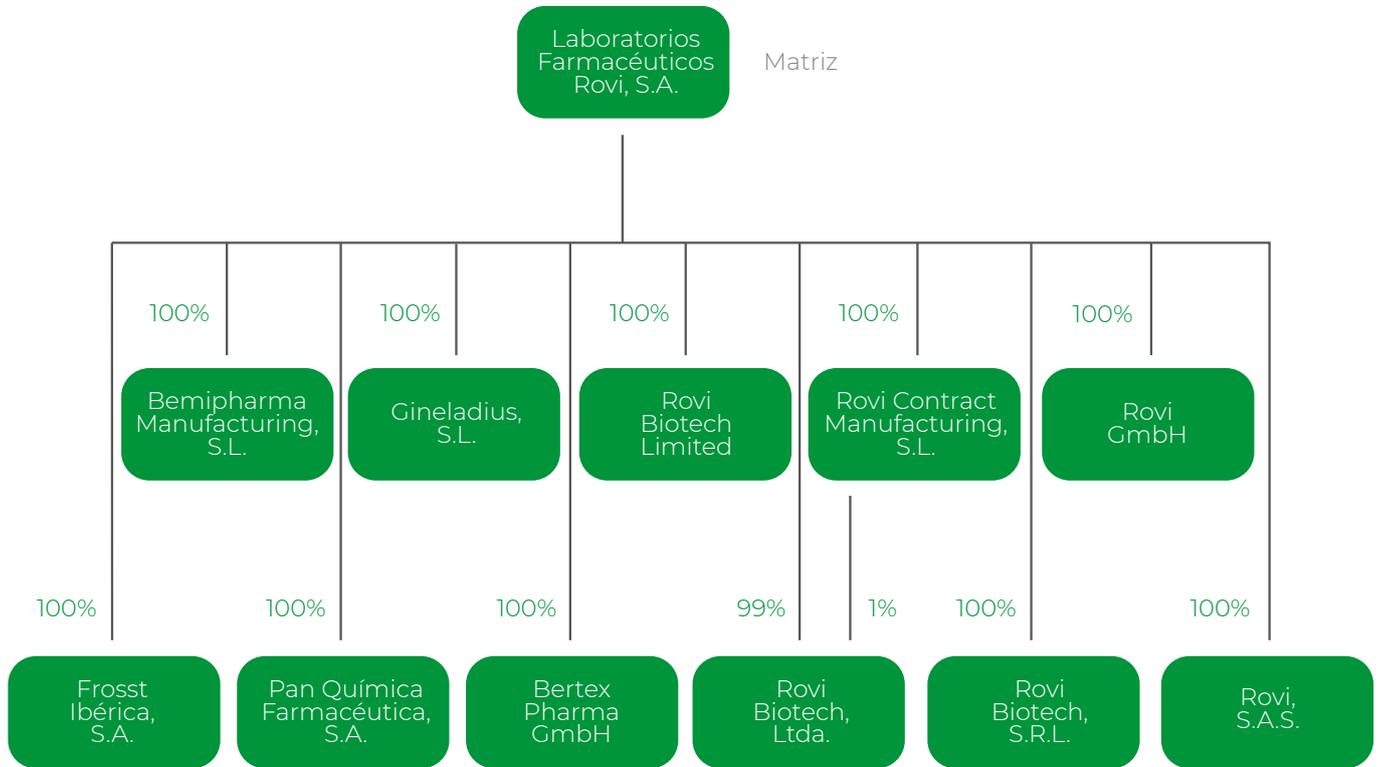
Number of shares: 50,000,000

Per value: 0.06€ share

Activity: Manufacturing and marketing of pharmaceutical products and contract manufacturing services.

Markets: The ROVI group has direct presence in Spain, Portugal, Germany, France, the United Kingdom and Italy and is listed on the Barcelona, Bilbao, Valencia and Madrid Stock Exchanges.

Corporate structure



Corporate Name	Address	Activity
<i>Pan Química Farmacéutica, S.A.</i>	<i>Madrid, C/Rufino González, 50</i>	(A)
<i>Gineladius, S.L.</i>	<i>Madrid, C/Rufino González, 50</i>	(B)
<i>Rovi Contract Manufacturing, S.L.</i>	<i>Madrid, C/Julián Camarillo, 35</i>	(A)
<i>Bemipharma Manufacturing, S.L.</i>	<i>Madrid, C/Julián Camarillo, 35</i>	(A)
<i>Bertex Pharma GmbH</i>	<i>Inselstr.17. 14129 Berlín (Alemania)</i>	(C)
<i>Frosst Ibérica, S.A.</i>	<i>Alcalá de Henares, Avenida Complutense, 140 (Madrid)</i>	(A)
<i>Rovi Biotech, Ltda.</i>	<i>La Paz (Bolivia)</i>	(A)
<i>Rovi Biotech Limited</i>	<i>Davis House. 4th Floor, Suite 425 Robert Street CRO 1QQQ. Croydon (Reino Unido)</i>	(A)
<i>Rovi Biotech, S.R.L.</i>	<i>Via Monte Rosa 91, Milán (Italia)</i>	(A)
<i>Rovi GmbH</i>	<i>Ruhlandstr. 5, Bad Tölz (Alemania)</i>	(A)
<i>Rovi, S.A.S.</i>	<i>24 Rue du Drac, Seyssins (Francia)</i>	(A)

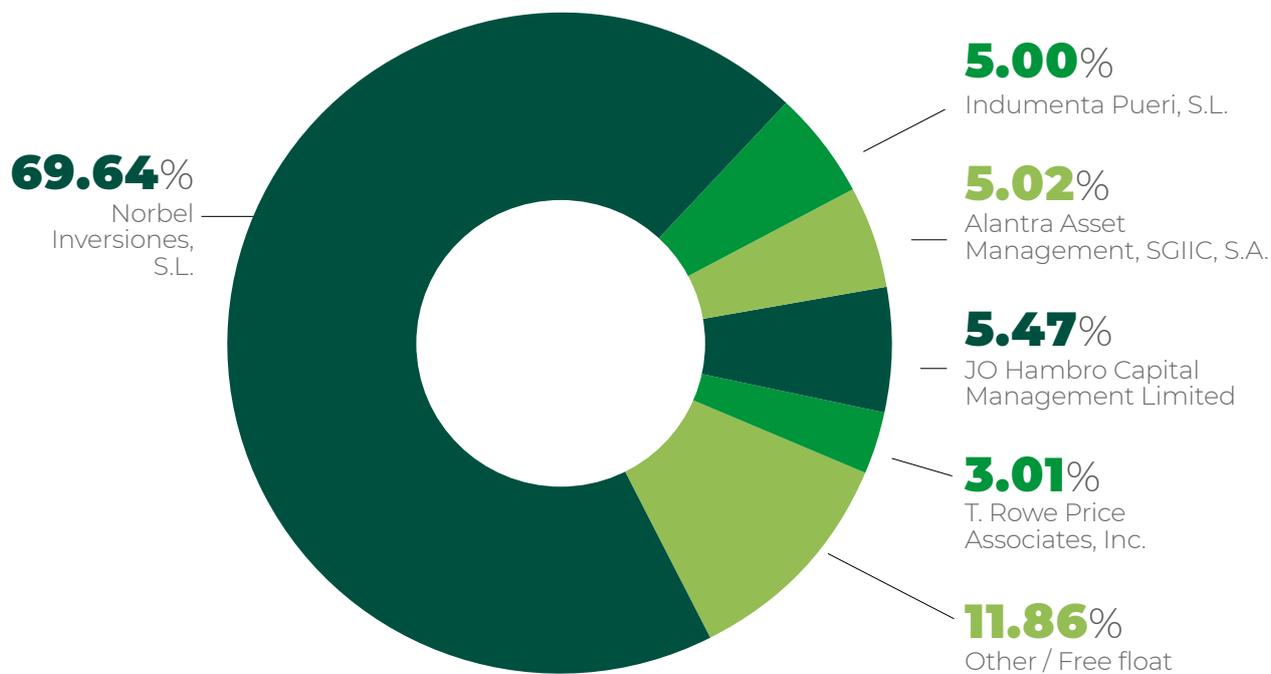
(A) Manufacturing, marketing and sale of pharmaceutical, health and medicinal products.

(B) Import, export, purchase, sale, distribution and marketing of articles related to comprehensive women's healthcare.

(C) Development, distribution and trading of pharmaceutical products related to microparticle technology.

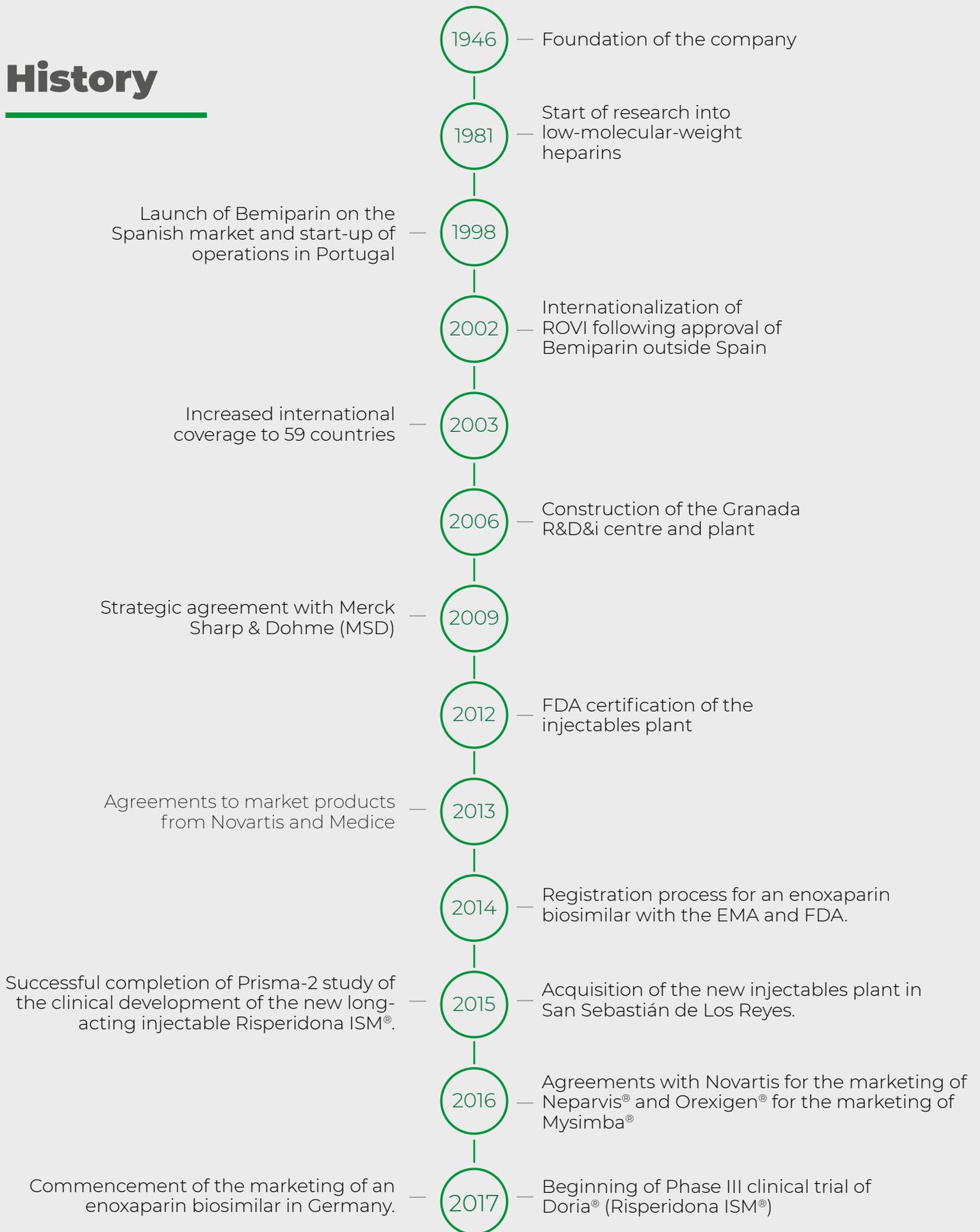
Shareholders

As of 31 December, 2017



Alantra Asset Management, SGIIC, S.A. is a collective investment institution management company to which the shareholders QMC II Iberian Capital Fund and QMC II Iberian, S.L. have delegated the management of their interest in ROVI and, therefore, exercises the voting rights of said shareholders.

History



Letter from the Chairman



Dear Shareholders,

Although challenges, opportunities and key moments arise every year, last year will always be very special for ROVI as one of the most important years in its history. It was the year when we took a very decided leap forward internationally. We commenced our entry into Europe in terms of both our own presence, with the establishment of our operations in Germany, and the development and launching of products with huge potential and a markedly global focus. It was also the year when the results and successes of the enormous R&D&I effort that will guarantee our company's long-term future became closer than ever.

All this has taken place in the context of a forecast of new adjustments to domestic health expenditure, which will drop from 6% to 5.8% of the GDP, the lowest spending forecast since 2017, with an increase in only 2% in the innovative product market according to QuintilesIMS, indicating a growth rate of between 1% and 4% in Spain until 2021. Even in this difficult situation, ROVI has not only surpassed the pharmaceutical expenditure estimates, but is ready to continue to do so in the future.

Profitable business with strong future prospects in a complex environment

In 2017, we attained 4% growth in operating revenue, mainly due to the strength of our contract manufacturing and pharmaceutical specialty manufacturing businesses.

This resulted in revenue of 277.4 million euros, a gross profit of 167.2 million euros and a net profit of 17.2 million euros.

Although it is true that EBITDA, 30.5 million euros, and EBIT, 19 million euros, fell in comparison with the figures attained in previous years, we should also remember that R&D expenses rose by 62%, to 28.2 million euros, looking to the future and the profitability that these investments will provide.

Profitable products and growing business

Once again, sales of Bemiparin, ROVI's low-molecular-weight heparin, progressed, rising by 5% to 83.9 million euros, and continued to be the basis of the company's business in Spain and elsewhere.

Sales of ROVI's prescription pharmaceuticals grew by 3% in 2017, which was 1 percentage point higher than market growth. Sales of diagnostic imaging contrast agents and other hospital products likewise increased by 2% to 28.5 million euros and contract manufacturing sales rose by 8%, totalling 61.1 million euros, mainly due to the positive behaviour of the injectables business, sales of which grew by 13% as a result of the higher volumes manufactured for some customers and growth of 2% at the Frosst Ibérica plant.

ROVI's present and future based on its innovation effort

Apart from our flagship product, Bemiparin, which is firmly established in all the markets in which it is present, in 2017 we were also able to add, in the low-molecular-weight heparin segment, our enoxaparin biosimilar, which was launched in Germany in September. We hope to expand the presence of this product, both in Europe and on other continents, over the next few years.

The product, which has already contributed a significant sales figure of 1.5 million euros in the last quarter of 2017 alone in Germany, has huge prospects, since it is aimed at a market of more than 1,500 million euros where there are high entry barriers for our competitors.

With the enoxaparin biosimilar, ROVI aspires to become one of the main European players, due to the competitive edge provided by the vertical integration of processes in the group. We have prepared ourselves thoroughly for this, making a significant investment effort over recent years in relation to the production plants, which are fully prepared for the production milestone that will be reached in the near future. This product, therefore, is our present and is the successful culmination of an innovation-based strategy, always targeting the most sound and profitable markets.

However, the future must be assured by maintaining the innovative capacity and rate and, in this respect, ROVI has a new name: Doria®. The product known as Risperidona IMS® until last year has now commenced its Phase III clinical trial, the final stage before marketing, which, if the trial results are favourable and the calendar is met, is likely to begin in 2019.

This is a product that we hope will improve the quality of life of patients with the most acute forms of schizophrenia by ensuring correct medication, since it is based on one of the technologies with the greatest future prospects in the extended-release injectables market. The ISM® technology, patented by ROVI, is state of the art in this field. In forthcoming years, new products will be on offer to eliminate the need to take oral medicines on a daily basis, not only for schizophrenic patients but also, as a result of the development of Letrozol ISM®, in other segments of the population with a heavy weight in the healthcare market, such as breast cancer sufferers.

These people will be able to forget about the daily tablet and, with a simple injection each month, or even every three months, they will be sure of adhering to a treatment that will improve their quality of life. Furthermore, doctors will be able to monitor and control their patients with greater certainty and, in short, things will become more sustainable for everyone involved.

ROVI devoted 28.3 million euros to research in 2017, easily surpassing the 17.6 million euros spent in 2016, and will be making even higher investment in R&D over the next few years in order to develop the Phase III of Doria® and the Phase I of Letrozol ISM®. The average will be close to 32 million euros per year, but it will drop to 22 million per year for the period 2020-2021. We can cover this cost with both our own funds and the credit of 45 million euros granted by the European Investment Bank to support the group's investment effort.

ROVI, a future prospect

ROVI has shown sustained growth over recent years, in spite of the difficult situation that is still affecting the pharmaceutical industry in Spain, and we hope to continue growing at a rate that exceeds the pharmaceutical expenditure growth estimates in the future.

Our sound management bases, innovation in our day-to-day and a roadmap of products with high growth prospects in specific market niches with limited competition mean that that the all the members of the group's team feel proud and optimistic when contemplating the opportunities that are opening up for us.

2017 was a record year
for revenue
and recurring
profits, new
product
launches and
business
consolidation

Furthermore, the response has not been slow. 2017 was a record year for both revenue and recurring profits, new product launches and business consolidation. At the same time, it was also the year in which we set out our most ambitious investment plan.

All the foregoing was reflected in ROVI's stock market value, quarter by quarter, in 2017. The revaluation of its share was constant and sustained, which has continued in the first few months of 2018, reaching its highest historical values. Furthermore, the good 2017 results will allow the General Shareholders' Meeting to approve a dividend of 0.127 euros per share, which will entail the distribution of approximately 35% of the 2017 net consolidated profit.

International consolidation

In 2017, ROVI entered new geographic areas, with the opening of the subsidiary in France, which means we have local presence in the main European Union countries, including Germany, Italy and the United Kingdom, in addition to, of course, Spain and Portugal.

Sales outside Spain grew by 5% in 2017 in comparison with 2016, totalling 79.9 million euros, mainly due to the increase in the international contract

manufacturing business and the commencement of sales of the enoxaparin biosimilar. These sales abroad now represent 29% of the operating income and this figure will grow progressively over forthcoming years.

However, ROVI's bet on international business in 2017 and years to come goes even further. We not only want to be present. We want to lead. And the path to leadership is the development of innovative products, in addition to maintaining solid relationships with key partners in the different international markets. We are very excited about this new stage, in which we aspire to become one of the leading companies worldwide in the low-molecular-weight heparin field.

These three pillars, which are balanced within the group and take advantage of the unique personality of ROVI that stems from our being a manufacturer with leading-edge technology and global capacity, place us in an unbeatable position.

Sustained, sustainable and ethical growth

Neither do we at ROVI lose sight of another of our hallmarks: we seek profitability and growth, but we do so from our deep commitment to the values of corporate social responsibility (CSR) and professional ethics.

Therefore, in 2017, we continued to expand and develop the Corporate Social Responsibility Strategic Plan 2017-2020. It was also the year in which the company's new Code of Ethics was approved, which will guide both our activity and the relationship with all our environment and stakeholders in an effort to improve both our performance and that of those who surround us, in order to attain an even deeper and more beneficial social impact.

Thank you

At this point, I can only express my thanks. Thank you, firstly, to a management team that has been able to handle a difficult environment, convinced that the values and strategy that we initiated many years ago were the right change.

Thanks to all the research and development team, since nothing would be possible without their

passion for creating products that mark a turning point in patient treatment. We must not forget that, in short, we are in the business of improving health.

Thank you to each and every one of the people who make up ROVI's human team and are our intangible profits. Total dedication, the capacity to meet challenges and the desire to make a contribution -from every area of the company- are the engines that drive ROVI forward.

And my thanks also go to all those who support ROVI's project. To our investors and shareholders, since their involvement allows us to be increasingly ambitious and to provide better results. Listed companies with family-owned stakes furnish the shareholder with reliability and safety. To the official and educational entities and authorities that believe in ROVI's innovative drive and the benefits our work provides to society.

Juan López-Belmonte López
CHAIRMAN

About this report

**19 Features
of the document**

**21 Materiality
analysis**

Features of the document

This Annual Report includes relevant information on ROVI in relation to financial and strategic aspects and ESG (environment, social and governance) in 2017. The previous report was drawn up in 2017 and included information on the 2016 calendar year. The information provided in this document relates to the company as a whole, except where specified otherwise.

The structure of the information contained herein follows the Integrated International Reporting Council (IIRC) framework [IR] and, for non-financial aspects, the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines.

The Investor Relations Department, together with the Communication and CSR Department, compiled the data from the different areas of the group, structured the information and submitted it to Management for validation before it was published.

This Annual Report also contains information based on forecasts for the future. Information of this nature implies known and unknown risks, uncertainties and other factors that may mean that ROVI's results, profitability or actual achievements, or its industrial results, differ materially from the results, profitability or future achievements described or implied in the forecast-based information contained herein.

The information contained in this document represents ROVI's prospects and forecasts at the date of this Report. ROVI wishes to make it clear that future events and developments may lead to changes in these prospects and forecasts. Notwithstanding, although ROVI may choose to update this information with new forecasts at some point in the future,

we expressly wish to state that we are under no obligation to do so. These forecasts should not be relied upon as representing ROVI's prospects or forecasts at any date subsequent to the date hereof.

In 2017, the external company that audited the annual financial statements was KPMG Auditores, S.L. Therefore, there was a change from previous years, when the audit was performed by PriceWaterhouseCoopers Auditores S.L.

Any queries regarding this Report may be sent to:

Marta Campos

Investor Relations

José Isbert, 2

28223 Pozuelo de Alarcón (Madrid)

Tel: + 34 91 244 44 22

Fax: + 34 91 304 78 81

Email: ir@rovi.es

Materiality analysis

In order to determine which issues are most important to ROVI and its different stakeholders and include these items in the company's Annual Report, a materiality analysis was carried out in 2017 with the assistance of the consultancy firm PwC. The work consisted of an external diagnosis –in which analyses were made of four companies in the same sector, 15 reference studies and information appearing in the general, financial and industry-related media– and an internal diagnosis –with a self-evaluation of the group's performance and six interviews with members of the management team–. Thus, 20 material issues were identified and are discussed in this report, grouped into eight categories:

Good governance and ethical conduct

1. Responsible governance ("Corporate Governance" heading)
2. Ethics and compliance ("Ethics framework" sub-heading)
3. Risks and crisis management ("Risk management" sub-heading)

Transparency and dialogue

4. Transparency of information ("About this report" heading)
5. Dialogue and relations with stakeholders ("Identity and commitment" sub-heading)

Product quality and safety

6. Product quality ("Customers" sub-heading)
7. Pharmacovigilance and product safety ("Customers" sub-heading)

Environment

8. Circular economy ("Environment" sub-heading)
9. Atmospheric emissions ("Environment" sub-heading)
10. Climate change ("Environment" sub-heading)
11. Drug pollution ("Environment" sub-heading)

Relations with customers, patients and health professionals

12. Attention to and relation with customers, patients and health professionals ("Customers" sub-heading)

Work environment

13. Safety and wellbeing ("Human resources" sub-heading)
14. Training and development ("Human resources" sub-heading)
15. Attracting and retaining talent ("Human resources" sub-heading)
16. Internal dialogue and communication ("Human resources" sub-heading)

Supply chain

17. Responsibility in the supply chain (“Suppliers” sub-heading)

Health and wellbeing of society

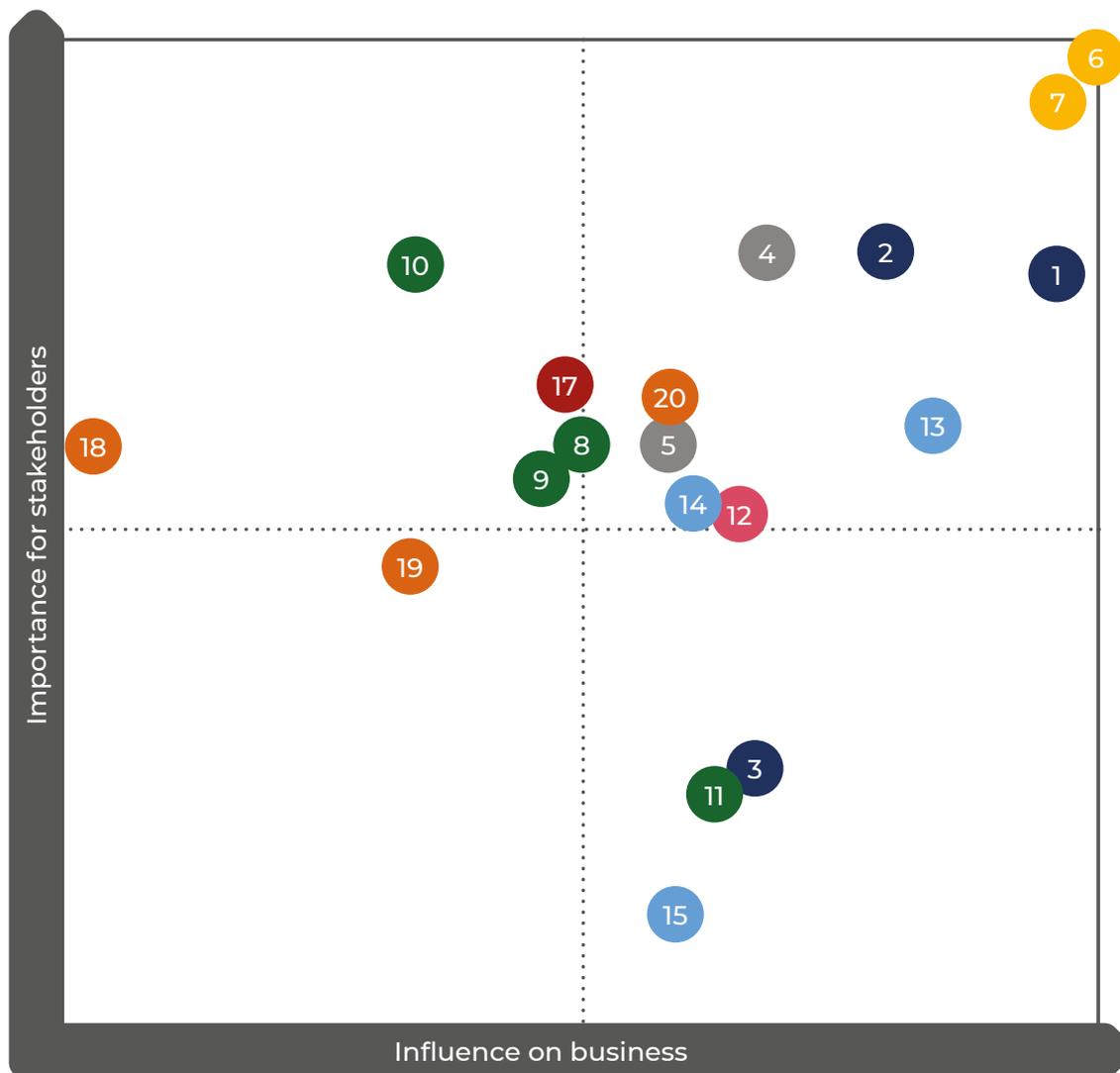
18. Access to medicines

19. Research and development (“Business units” sub-heading)

20. Contribution to the social and economic progress of the communities in which ROVI operates (“Society and public authorities” sub-heading)

The following materiality graph shows the degree of influence of these matters on ROVI’s long-term objectives. This influence has a dual axis: the influence on business success and the importance for stakeholders.

Materiality matrix



Business **model**

**23 Identity and
commitment**

**31 Business
units**

Identity and commitment



Mission

We work for the wellbeing of society and to improve the quality of life of patients and the attention they receive, promoting human health through researching, manufacturing, marketing and distributing medicines and other health products.



Vision

We aspire to be recognized as a benchmark for our work in the research and development of new products and a trusted supplier due to our commitment to the manufacture, marketing and distribution of medicines and health products.



Values

Honesty, integrity and ethics



Consistency
Self-criticism
Equity
Justice
Honesty
Legality

Team, co-operation, involvement



Commitment
Co-operation
Empathy
Co-responsibility
Solidarity

Efficiency



Justice
Objectivity
Balance
Determination
Profitability

Patient benefits



Commitment
Involvement
Empathy
Proximity
Proactiveness

Respect



Consideration
Truthfulness
Honesty

Innovation



Proactiveness
Involvement
Creativity

Management of CSR at Laboratorios ROVI

Corporate social responsibility (CSR) is a crucial part of ROVI's identity and is incorporated into the company's business strategy to ensure its long-term sustainability and reinforce the confidence of our stakeholders.

For ROVI, CSR is a commitment with society. The importance of the work it performs and the quality of the products it offers has a direct impact on improving people's health and their quality of life. This is why, over recent years, ROVI has carried on significant and intensive activity to support research and foment prevention, information and communication in relation to the knowledge of certain diseases.

The company integrates CSR into its governance, management and day-to-day activity. Decisions on CSR strategy are made by the Management Committee and, finally, by the Board of Directors.

ROVI's commitment to ethical management and transparency is reflected in the new General Corporate Social Responsibility Policy approved by the Board of Directors in 2015 and updated on 20 April, 2017. Additionally, ROVI has reviewed its CSR strategy, approving CSR Strategic Plan 2017-2020 in

the first half of 2017. This is structured and based on the seven core issues of the international standard ISO 26000, which describe what social responsibility is and what organizations need to do to operate in a socially responsible manner.

Both ROVI globally and each one of the individual companies that form part of it are aware that their products provide health improvements for people and would like to use them to meet certain social demands in relation to the impact of their business activity on society and the environment.

CSR policy objectives and support tools

ROVI's economic development must be compatible with its conduct in relation to ethics, society, the workplace, the environment and respect for human rights. ROVI's commitment to business ethics and the CSR work in relation to knowledge of these values, making them known to others and implementing them provide guidance for the actions and decisions of ROVI's Board of Directors and other governing bodies in their relations with stakeholders.

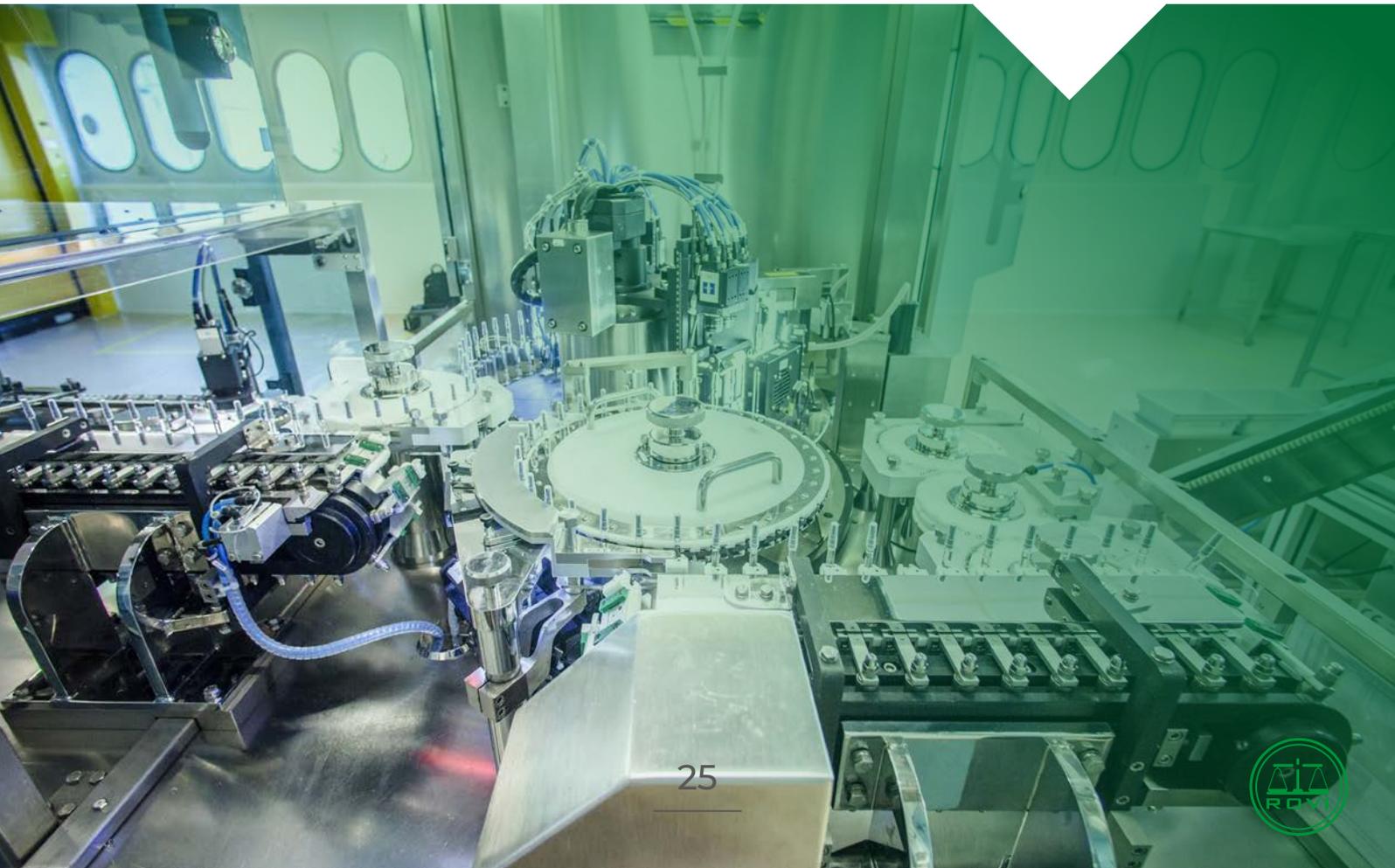
The support tools developed are:

- 1 Corporate Social Responsibility Policy
- 2 Integrated Management Policy (Environment and Occupational Health and Safety)
- 3 Code of Ethics
- 4 Annual Corporate Social Responsibility Report

Applying these tools in ROVI's day-to-day allows us to:

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

**ROVI
approved
its CSR
Strategic Plan
2017-2020,
based on
seven core
issues**



ROVI's General Principles for Action



Legality

Compliance with current legal regulations in the places where ROVI companies are located.



Human rights

Support the principles of the United Nations Global Compact by adopting and transmitting them, as well as those of other international instruments, especially in the areas of human rights, workplace practices, the environment and anti-corruption.



Ethics

Follow the guidelines of the Code of Ethics, which includes the company's commitment to the principles of business ethics and transparency in all its spheres of action and regulates responsible conduct on the part of all group professionals in the course of their work.



Honesty

Promote free market practices, rejecting any kind of illegal or fraudulent practice and implementing effective mechanisms to prevent, monitor and penalize irregularities.



Communication

Foment communication and dialogue channels, as well as promoting the group's relations with shareholders, investors, employees, customers, suppliers and, in general, all its stakeholders. Thus, the group contributes to harmonizing business values and social expectations by adapting, as far as possible, the group's policies and strategies to the interests, concerns and needs of stakeholders, using all the communication tools available, including direct contact and the group's



Environment

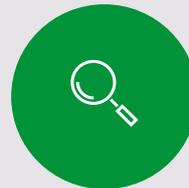
Conservation and promotion of the environment. ROVI carries on its activity with the firm commitment of contributing to sustainability from an environmental standpoint. This commitment materializes

by integrating the environment into the different business areas, conserving biodiversity, preventing pollution, managing resources efficiently and adapting to and mitigating climate change, in accordance with the group's Environmental Policy.



Contribution to society

The taxes ROVI pays in the places where it operates are the main contribution that group companies make to sustaining public funds and, therefore, are one of its contributions to society.



Transparency

Commitment to transparency as a way to transmit confidence and credibility among stakeholders. This will entail:

- a. *Providing stakeholders with relevant and accurate information, complying with any legal public information requirements that may exist.*
- b. *Preparing and publishing financial and non-financial information, using, in the latter case, an internationally-accepted methodology, and submitting the information to the appropriate internal and external review processes that guarantee the reliability of the information and encourage continuing improvement.*

Identification of and relations with stakeholders

As part of the CSR strategy, ROVI strives to find out its stakeholders' expectations and detect and respond to their interests. To do this, it maintains smooth and constant dialogue with them, thus contributing to ensure the business's long-term viability.

The company has identified six groups that contribute directly or indirectly to good business results:



Communication channels

ROVI has put a number of communication and consultation channels in place in order to find out the needs of its stakeholders and respond to their expectations and needs:

Employees

- Suggestion boxes: these may be found throughout the facilities and are intended enable employees to submit anonymous communications concerning improvements
- Confidential communication mechanisms for irregularities considered illegal, criminal or a breach of the principles of ROVI's Code of Ethics.

Suppliers

- A voluntary document called "CSR Commitment" is sent to all the group's suppliers and subcontractors. This document requests certifications or urges them to adopt good practices.
- On-site audits which check that:
 - The suppliers operate in accordance with national and local regulations.
 - There are no significant breaches of workplace safety rules.
 - No practices infringing workers' rights exist.

Shareholders

Since the company was first listed on the stock markets, it has reported regularly on all its activities and keeps its "Policy for Communication with Shareholders, Institutional Investors and Proxy Advisors" updated.

Direct investor communication channels:

- ir@rovi.es
- Web form at www.rovi.es/contacto

Finding out our stakeholders' interests forms part of ROVI's CSR strategy

If they so wish, shareholders have the possibility of receiving ROVI's financial information automatically through an e-mail alert system and the group provides regular, prompt and relevant information on the company, such as presentations and legal documents on economic and financial aspects and corporate governance, which may be consulted on the corporate website www.rovi.es.

For additional information on investor relations activity, see the "Stock market information" heading (page 91).

Customers

There is a query channel for information requests from both international partners and direct customers, patients and professionals: www.bemimed.com.

In the event of a complaint, the company opens enquiries immediately in order to identify the cause and prevent any repetition.

Society and environment

ROVI's commitment to society and environmental protection is firm and constant and forms part of its day-to-day activities.

The company's environmental policy is based on commitments to continuous improvement, legal compliance and additional voluntary requirements. In relation to environmental queries, ROVI has a corporate procedure (SOPc813 "Communication, Participation and Consultation") through which it manages communications (queries, complaints, etc.) related to the environment and occupational health and safety. On the corporate website (www.rovi.es), the quality, environmental and occupational health and safety certifications held by group companies are available to the public.

Furthermore, ROVI uses part of its resources to promote medical research. Over recent years, the company has carried on intensive activity to support research and foment the prevention and knowledge of certain diseases.

*The company carries on **intensive activity to support** research and foment the prevention and knowledge of certain diseases*



Business units

ROVI is a leading pharmaceutical company engaged in the research, development, manufacturing and marketing of small molecules and biological specialties. It has three principle pillars of growth:

Pharmaceutical specialties:

Diversified portfolio of its own products, with long-term patents



Contract manufacturing:

Specialist in prefilled syringe solutions and oral forms



R&D policy

Solid and low-risk



Although it is facing an environment affected by cuts in public pharmaceutical spending, the soundness of these growth pillars has furnished ROVI with a defensive profile that has been the key factor in increasing its profits over recent years, as was again the case in 2017, when total revenue growth was 4%.

Growth pillars

Leading Spanish pharmaceutical specialty company

Revenue 2017:
214.3 Mn€
2004-17 CAGR*
12%

Contract manufacturing of prefilled syringes and oral solid forms

Revenue 2017:
61.1 Mn€
2004-17 CAGR*
12%

Sound R&D&i and extensive portfolio of products under development

**More than
450 patents:**
314 granted
137 in the examination and evaluation phase

OPERATING
REVENUE 2017:
**275.6
MILLION €**

2004-17
CAGR*:
12%

(*) CAGR: Compound Annual Growth Rate

Competitive advantages

ROVI's nature, principles and commitment to the activity it carries on have allowed the group to obtain a series of competitive advantages that have positioned it as one of the main leaders in its market niche, in a sector which, moreover, has high entry barriers.



Unique knowledge of LMWHs

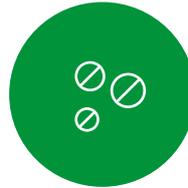
Since it was founded in 1946, ROVI has been engaged mainly in the study and development of drugs based on heparin, a fast-acting anticoagulant, and, since 1981, of its fractionated derivatives, low-molecular-weight heparins (LMWH). As a result of ROVI's 70 years' experience, its main product, Bemiparin, has positioned itself as one of the principle treatments for venous thromboembolic disease worldwide.



Infrastructure with operating advantages

ROVI is one of the main companies in the contract manufacturing business in the sector and among the world leaders in prefilled syringe production. It has one of the largest European plants for manufacturing oral solid forms, exporting to more than 40 countries.

Its production plants in Madrid and Alcalá de Henares are approved by the European and United States regulators –the European Medicines Agency (EMA) and the Food and Drug Administration (FDA)-, as is the San Sebastián de Los Reyes plant, acquired in 2015, which has allowed the injectables production lines to be expanded.



Diversified portfolio protected by patents

The company has more than 30 products on its portfolio (including both its own and licensed products) for which there is growing demand and which are not affected by the reference pricing system in Spain. They cover nine therapeutic areas:

- Cardiovascular
- Osteoarticular – women's health
- Anaesthesia – pain relief
- Diagnostic imaging contrast agents
- Central nervous system
- Urology
- Endocrinology
- Respiratory system
- Primary healthcare

It also has an OTC product line (no prescription required) and more than 20 products launched since 2005.



Low-risk innovation

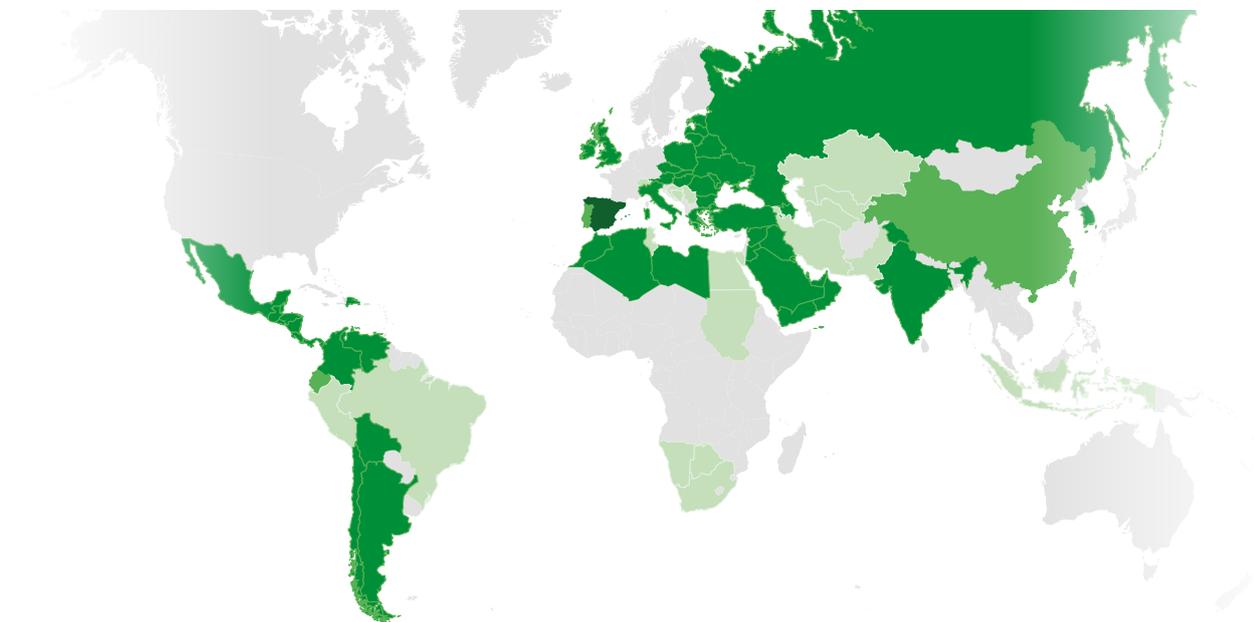
ROVI operates with a low-risk strategy, concentrating on diseases with broad medical requirements. Furthermore, the company allocates a large part of its revenue to research, in order to remain in the vanguard in terms of both products and extended-release drug systems.



International expansion

ROVI continues with its strategic objective of expanding its international presence and, in 2017, made great strides forward in this respect. It expanded its presence with a new subsidiary in France and commenced the marketing of the enoxaparin biosimilar in Germany. Its main product, Bemiparin, is registered in 60 countries, due to strategic alliances with international partners, and is positioned as one of the main therapeutic propositions for the prevention and treatment of venous thromboembolic disease.

Global presence of Bemiparin



● **ROVI Group**

● **56 countries**
in which the product has been launched through strategic alliances

● **60 countries**
where registration has been approved

● **14 countries**
where registration is pending approval

● **14 countries**
where registration is in progress

Pharmaceutical specialties



ROVI has a diversified portfolio comprising around thirty of its own and licensed products in both Europe and elsewhere. This portfolio has a defensive profile, since it has been practically unaffected by reference pricing in Spain and no significant patents will expire until 2019.

The most important products in terms of their contribution to the group's EBITDA are described below:

Hibor® (bemiparin)

Low-molecular-weight heparin (fast-acting anti-coagulant) used to prevent and treat venous thromboembolic disease (VTE), in both surgical and medical patients, and for the acute long-term treatment of patients who have suffered VTE. VTE is a serious and potentially fatal process, the main characteristic of which is the formation of a fibrin clot, thrombosis, inside the veins of the deep vein system, with the consequences that may result from the evolution of the venous thrombus, including growth, progression and fragmentation. In the event of fragmentation, some of the fragments may reach the lung and cause pulmonary embolism.

Bemiparin has become one of the main treatments for this disease worldwide, having expanded its presence to more than 56 countries as the result of a strategic alliance network. Bemiparin is ROVI's principal product and accounts for 30% of the group's operating revenue.

Neparvis® (sacubitril/valsartan)

This product is indicated in adult patients for treatment of symptomatic chronic heart failure with reduced ejection (the proportion of blood leaving the heart) fraction. ROVI began to sell Neparvis® in December 2016, under a licence from Novartis.

Absorcol®, Vytorin® and Orvatez® (ezetimibe) / (ezetimibe and simvastatin) / (ezetimibe and atorvastatin)

These are used as adjunctive therapy to diet in patients with hypercholesterolemia. They represent the first of five licences from MSD and ROVI has been distributing them in Spain under a co-marketing agreement since January 2011, in the case of Absorcol and Vytorin, and since June 2015, in the case of Orvatez.

Hirobriz® Breezhaler® and Ulunar® Breezhaler®*(indacaterol maleate) / (indacaterol maleate and glycopyrronium bromide)*

Long-acting bronchodilators indicated for the maintenance treatment of Chronic Obstructive Pulmonary Diseases (COPD) in adult patients and administered by inhalations through the Breezhaler device. ROVI has been marketing both products under licence from Novartis since 2014.

Volutsa®*(solifenacin succinate and tamsulosin hydrochloride)*

Indicated for the treatment of moderate to severe storage systems symptoms (urgency, increased micturition frequency) and voiding symptoms associated with benign hyperplasia (BPH) in men who are not responding adequately to monotherapy treatment. ROVI began to market Volutsa, an Astellas Pharma product, in 2015.

Medikinet® and Medicebran®*(methylphenidate hydrochloride with modified release) ((methylphenidate hydrochloride with immediate release)*

Prescription medicines that are indicated for treatment of ADHD (Attention Deficit Hyperactivity Disorder) in children and adolescents. Both products are from the company Medice and ROVI has been distributing them on an exclusive basis in Spain since December 2013.

Exxiv®*(etoricoxib)*

A selective COX-2 inhibitor, an anti-inflammatory indicated for the symptomatic relief of arthritis, rheumatoid arthritis, ankylosing spondylitis, and the pain and signs of inflammation associated to acute gouty arthritis, as well as the moderate short-term pain associated to dental surgery. It is a Merck Sharp & Dohme research product that has been marketed in Spain by ROVI since 2008.

Mysimba®*(naltrexone HCl / prolonged-release bupropion HCl)*

In August 2016, an agreement was signed with Orexigen Therapeutics Ireland Ltd. (Orexigen), a biopharmaceutical company focusing on obesity treatment, to market Mysimba® in Spain. Marketing commenced in January 2017.

Diagnostic imaging contrast agents and other hospital products

ROVI is one of the market leaders in the marketing of contrast agents, hospital products for imaging diagnosis (computed tomography, magnetic resonance imaging, ultrasound scan, etc.). This area, which accounts for approximately 10% of the company's revenue, comprises a broad product portfolio, including those marketed under licence from Bracco: lomeron® and lopamiro® (for computed tomography and intervention), Multihance® y Prohance® (for magnetic resonance imaging), Sonovue® (for ultrasounds), and Bracco Injeenering: EmpowerCTA+®, EmpowerMR® and CT Exprès (contrast injection systems and compatible disposable material).

The hospital product portfolio is completed by healthcare products for care and maintenance of intravenous catheters: Fibrilin® and Fibrilin Salino®.

OTC products

ROVI also has business line for the distribution of pharmaceuticals for which no prescription is required (OTC), the active substance of which is EnerZona, distributed under a licence from Enervit. In March 2016, ROVI and Enervit extended this co-operation by setting up a joint venture for the distribution of nutritional and other non-pharmacological products in Spain and Portugal.

Enoxaparin biosimilar

In March 2017, ROVI completed the decentralized procedure that the company employed to apply for authorization to market a low-molecular-weight heparin (enoxaparin biosimilar) in twenty-six European Union countries.

In September, 2017, the company reported that the national phase of the commercial authorization of the enoxaparin biosimilar had been approved by the competent national authorities in Germany and marketing had commenced.

As of 31 December, 2017, the countries that had approved national registration of the enoxaparin biosimilar were Germany, France, the United Kingdom, Italy, Norway, Sweden, Austria, Hungary, Slovenia, Estonia, Latvia, Slovakia and Bulgaria.

The company has now signed distribution agreements with local and international partners in a further twenty-six countries outside the European Union and the United States, subject to obtaining marketing authorization from the national authorities of each country. In the United States, ROVI is at an advanced stage in negotiations with a partner for the distribution of its enoxaparin biosimilar. Once an agreement has been reached, the

dates for the new filing of the dossier with the regulatory authorities (FDA) will be fixed.

ROVI will manufacture and package its enoxaparin biosimilar in Spain thanks to its four production plants, in which it has invested 17,2 million euros over the last three years in order to increase capacity and prepare for this new production milestone. The company has a limited initial capacity because it is subject to regulatory changes during the first 17/20 months. Therefore, each of the head offices' contribution to sales will depend on sales in Germany, which acted as Reference Member State (RMS) in the decentralized procedure and is where the product was first marketed last September. The cost projections for the enoxaparin biosimilar are expected to be close to 8 million euros in 2018, mainly related to marketing expenses.

With the enoxaparin biosimilar, ROVI aspires to become one of the main European players in a 1,000-million-euro market, due to the competitive edge provided by the vertical integration of processes in the group. Likewise, the company hopes to increase its presence in emerging markets, where enoxaparin sales total 500 million euros.

Contract manufacturing



Because it has developed a strategy that seeks to identify the best and most profitable opportunities in its sector, ROVI has been able to take advantage of the trend among pharmaceutical companies to outsource their manufacturing processes. This allows the company to make use of the high manufacturing capacity available at its facilities by providing the whole range of manufacturing services for injectables, suppositories and oral solid forms.

The company, through its three production plants, two of which are used for injectables (ROVI Contract Manufacturing in Madrid and the San Sebastián de Los Reyes plant), while the other specializes in oral forms (Frosst Ibérica), provides manufacturing services to other companies for a wide range of pharmaceutical forms, including prefilled syringes, vials, suppositories, tablets, hard capsules and sachets.

ROVI offers a flexible global service, the main characteristic of which is the possibility of unifying all the services within the same company, from the development of a project until the final product release, including preliminary clinical trials, stability studies and physical, chemical and microbiological analyses, with the resulting savings of time and money for the customers. Thus, it provides a personalized service depending on the needs of each customer.

The contracts signed with the customers for whom ROVI manufactures usually have an average term of between 3 and 5 years, which contributes to considerable revenue stability. Furthermore, the long regulatory process that a pharmaceutical

company has to undergo to change its manufacturer makes contract manufacturing a long-term -usually permanent- business co-operation model, as long as the service provided is optimal in meeting the customer's needs.

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Contract manufacturing is divided into:

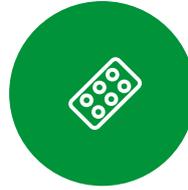


Injectables

ROVI is currently one of the leading prefilled syringe manufacturers in Europe in terms of the number of units manufactured (filled) per year, with a total annual production capacity of 270 million units.

The market has high entry barriers, given the biological nature of the medicines manufactured and the aseptic conditions in which pre-filled syringes are filled. This means there are very few competitors capable of equalling ROVI's processes, such as the filling of the product in sterile microbiologically-controlled rooms, terminal sterilization if the product so requires, or the additional possibility of placing safety devices in the syringes.

ROVI has two plants specialized in the filling and packaging of parenteral solutions in prefilled SCF syringes of from 0.5ml to 20ml (filled from 0.2ml to 20ml) and in vials of from 2ml to 10ml. Its annual vial capacity is 60 million, while for suppositories, the capacity is 150 million. The plant is approved by the European and United States regulators. It has also been approved by the regulators of Korea and Brazil and those of the Gulf States. It likewise holds the ISO 9001, ISO 14001 and OSHAS certifications. The San Sebastián de Los Reyes plant, which came into operation in 2016, has already been approved by the European health authorities.



Oral solid forms

ROVI has a plant for solid forms that has a long tradition in the manufacture of pharmaceutical products and uses the most advanced technology for the manufacture of oral forms (tablets, coated tablets, hard capsules and sachets).

The plant, with 83,000 square metres, has a global annual capacity of 3,000 million tablets, 300 million hard capsules and 30 million sachets. using different production lines. Furthermore it has storage capacity for 9.000 pallets.

In order to supply all markets, this plant is approved by the European and United States authorities. It has also been approved by the Japanese, Mexican, Brazilian, Kenyan and Belarusian authorities and those of the Gulf States.



Clinical trials

ROVI provides a wide range of services for performing clinical trials, preparation and filling, labelling, packaging and logistics, always applying the most rigorous quality standards. The machinery used is the same as for an industrial-scale batch and, therefore, it complies with the latest European legislation on clinical trials.

Furthermore, the company provides cost-competitive, flexible and reliable technical support, since it operates under both American and European quality standards.

Commitment to research and technology



Research and development are strategic factors in order to compete in today's market and differentiate the company from others in the sector. ROVI is a company committed to innovation, with a patent portfolio comprising more than 492 patents, 366 of which have been granted, while 126 are in the examination and evaluation phase.

Currently, ROVI's product portfolio in the research and development phase focuses mainly on the development of new controlled-release systems based on ISM[®] technology, in order to obtain new pharmaceutical products that allow the regular administration of drugs that must be administered on a daily basis for chronic or prolonged conditions, such as Doria[®] (Risperidona ISM[®]) and Letrozol ISM[®], both of which are described in detail below. In addition, in the glycomics field, ROVI has recently developed an enoxaparin sodium biosimilar (currently the leading low-molecular-weight heparin worldwide), which was first marketed in 2017 in Germany. Likewise, the company continues to expend scientific knowledge of the use of its second-generation low-molecular-weight heparin, Hibor[®] (bemiparin sodium), in various clinical situations and special patient populations, through co-operation agreements with several research centres.

In 2017, the group invested a total of 28.3 million euros in R&D&i, i.e. 10.3% of the operating revenue, easily surpassing the 17.5 million euros spent in 2016. In this respect, the main milestone in 2017 was the agreement between ROVI and the EIB (European Investment Bank), whereby the company was granted a credit of 45 million euros to support its research into IS[®] technology. This will provide great impetus in this area over the next few years.

ROVI is making significant investment in R&D to develop the Phase III of Doria[®] and the Phase I of Letrozol ISM[®]. This investment will be the pillar for future growth. In the period 2017-2019, 32 million euros will be invested (76% used for the Phase III of Doria[®] and the Phase I of Letrozol ISM[®]), while, for the period 2020-2021, the investment will be 22 million per year (57% for the Phase III of Doria[®] and the Phase I of Letrozol ISM[®]).

The research activities associated to this agreement reinforce ROVI's innovation capacity and help the company maintain a competitive edge and expand its international presence. As a result of these investments, at present, approximately 50% of the revenue from the pharmaceutical specialties area comes from the company's own products, such as Bemiparin, the first second-generation low-molecular-weight heparin, which has become the company's main product and is currently marketed in 57 countries.

ROVI has three R&D&i centres and two pilot plants for the manufacture of injectable medicines on which research is in progress, and is present in the creation of large national strategic research consortia in the CENIT program: Nanofarma (2006), the Melius Consortium (2007) and the CeyeC Consortium (2009). Likewise, since 2011, it has been actively leading other research consortia, including the SNC_Integra Consortium, the ADELIS Consortium (2013) and the BIOMAP Consortium (2015), within the framework of the FEDER-Innterconecta Program for Andalusia, cofinanced by European Union Structural Funds.

At the same time, ROVI keenly supports academic research and holds agreements with different

universities to combine efforts and reinforce scientific, technological and educational activities, as well as spreading knowledge, in Spain. It is co-operating with the University of Granada in research activities and the training of scientific personnel through two projects: SNS_Integra and ADELIS, both of which fall within the framework of the FEDER-Innterconecta program, as mentioned above. Likewise, it co-operates with the Biomedical Research Centre of the CSIC (Spanish National Research Council) and the University of La Rioja (UNIR).

Furthermore, in 2017, ROVI received the support of the Ministry of Economy, Industry and Competitiveness for its research and development work through the Torres Quevedo program. This program promotes the recruitment of doctors to carry out industrial research and experimental development programs as well as prior viability studies, in order to favour the professional careers of the developers, stimulate private-sector demand for personnel who are sufficiently qualified to undertake R&D plans and projects, and help consolidate technological companies.

As a result of the financing received, the company's personnel has been reinforced by the recruitment of two doctors to carry out R&D&I activities within the framework of the following projects:

- Technological clinical research platform for the development of medicines (ISM[®], In Situ Microparticles). Ref.: PTQ-15-07720
- Evaluation of the efficacy of Risperidona ISM[®] in adult patients with acute exacerbation of schizophrenia. Ref.: PTQ-15-07457.

As of 31 December, 2017, ROVI had 186 employees engaged in research and development.

ROVI
keenly
supports
academic
research
and
holds
**agreements
with
different
universities**



FEDER - ININTERCONECTA



Una manera de hacer Europa



Subvencionado por el CDTI

Technology impulse

Since 2014, ROVI's scientific advisors have been using mobile devices to carry out their task of informing on the company's products and managing value transfers with health professionals. This means that the information is centralized and constantly updated. All commercial activity is integrated into the CRM, allowing the feed-back required for the salesforce's activity.

In order to meet the needs of health professionals, ROVI has opened up new communication channels adapted to the new habits for accessing informing, helping the company to spread its messages among the medical profession in accordance with their preferences. The new digital trends mean that any company must invest in digital information, converting this type of project into a continuing improvement process.

In 2017, ROVI renewed the company fleet for employees with the Mercedes brand, allowing the employees to choose among the highest-end vehicles, thus providing them with greater safety and comfort.

Likewise, in 2017, ROVI opened new offices in Pozuelo de Alarcón, Madrid (Calle José Isbert, 2), to which the management team, the marketing and commercial areas, and other central group services moved. These new offices include new technological features in comparison with other offices. The meeting rooms have two screens –55 and 65 inches– and three ways of projecting the information: wireless, using a device called Wepresent, using HDMI or with a CGA cable. Likewise, these offices have a room with a webcam for videoconferences.

Digital transformation

In the last four months of the year, ROVI launched the Digital and Industry Transformation Plan 4.0 internally, in order to ensure a favourable position from which to face the challenges ahead with guarantees of success.

The digital evolution in other pharmaceutical sector companies is progressing slowly. However, ROVI's firm commitment to digital transformation provides it with a great opportunity to differentiate itself, achieve a competitive edge and become the sector benchmark.

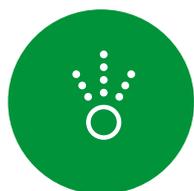
ROVI is undertaking digitalization by establishing an action plan that seeks a balance between the present and the future, operation and innovation, and efficiency and growth, by applying different strategies and forms of management. The plan consists of a two-year roadmap (ROVI 2020), where the goal is to imbue ROVI's DNA and its entire value chain with digitalization, oriented primarily towards data, speed and flexibility. The methodological framework of this transformation covers each and every one of the company's departments in full. These projects and initiatives are developed along the axes of industry, sales and marketing, culture and communication, and back-office processes.

Among the direct benefits of this digital transformation are:

- Improvements in productivity.
- Multichannel experience for the employee, which results in greater satisfaction and commitment.
- Process automation through operational enhancements that increase efficiency and reduce costs.
- Improvement in decision-making and performance indicators, due to immediate access to homogenous, granular information.
- Activation of new types of creativity and innovation.
- Introduction of digital solutions that complement traditional approaches.

Research areas

Current research developments are addressed primarily at three areas: drug release technologies, glycomics and multilayer technologies for urethral catheters.



Drug-release technologies

Drug administration has a direct effect on its efficacy, since it affects factors such as concentration and absorption by the organism. Research in this field allows factors like active substance degradation to be minimized, the prevention of side effects and an increase in bio-availability (the drug's capacity to act with the appropriate dose).

In forthcoming years, ROVI's research will focus on this field. As stated previously, the company and the European Investment Bank (BEI) signed a credit of 45 million euros in 2017 in order to drive forward research into technologies for the administration and prolonged release of medicines, including preclinical development and clinical studies, which will allow future treatments for cancer and central nervous system diseases to be developed. ROVI may draw the aforementioned amount over period of 24 months as from signature of the contract and the credit will mature in 2029. The credit allows a three-year grace period and financial conditions (i.e. applicable interest rate, repayment periods, etc.) favourable to ROVI. This financing transaction is supported by the European Union under the European Fund for Strategic Investments (EFSI), with the framework of what is known as the "Juncker Plan".

For the company, the BEI credit represents a supplementary financing channel for its R&D&I projects, to which it likewise devotes a considerable amount of its own funds.



ISM® technology and long-acting injectables

ISM® is a technological drug-release platform patented by ROVI, which is based on the formation of biodegradable matrices in situ after administration of a transporting liquid. The product is presented as a kit with two syringes. One of them contains the polymer and active substance in solid form, while the other contains the liquid required for reconstitution, which is carried out extemporaneously. The design increases the composition's stability considerably, avoiding the need to store it in a cool place, and allows therapeutically appropriate release profiles to be obtained as from the first day after the injection. These are maintained over time and reproduced after intramuscular administration, meaning that it does not require any oral supplement or the establishment of initial guidelines.

Using ISM® technology, the product is reconstituted immediately before administration. After reconstitution, a suspension is obtained and administered via an intramuscular injection. This precipitates in situ in the organism, giving rise to a solid or semi-solid biodegradable implant that contains the active substance. As the implant erodes, the active substance is released over time in a controlled and sustained manner.

ISM® technology, exclusive to ROVI and protected by patents until 2033, is intended to overcome most of the difficulties of extended-release oral or parenteral formulations and has certain advantages, such as

being easier to administer, highly-efficient encapsulation, greater stability of the active substance and better control of the initial release of the drug, among others.

3,400 million dollars for 2021, with around 3 million patients diagnosed with schizophrenia, a complaint the symptoms of which can be controlled efficiently, even though it has no cure.



Doria®, ROVI's future in the anti-psychotic market

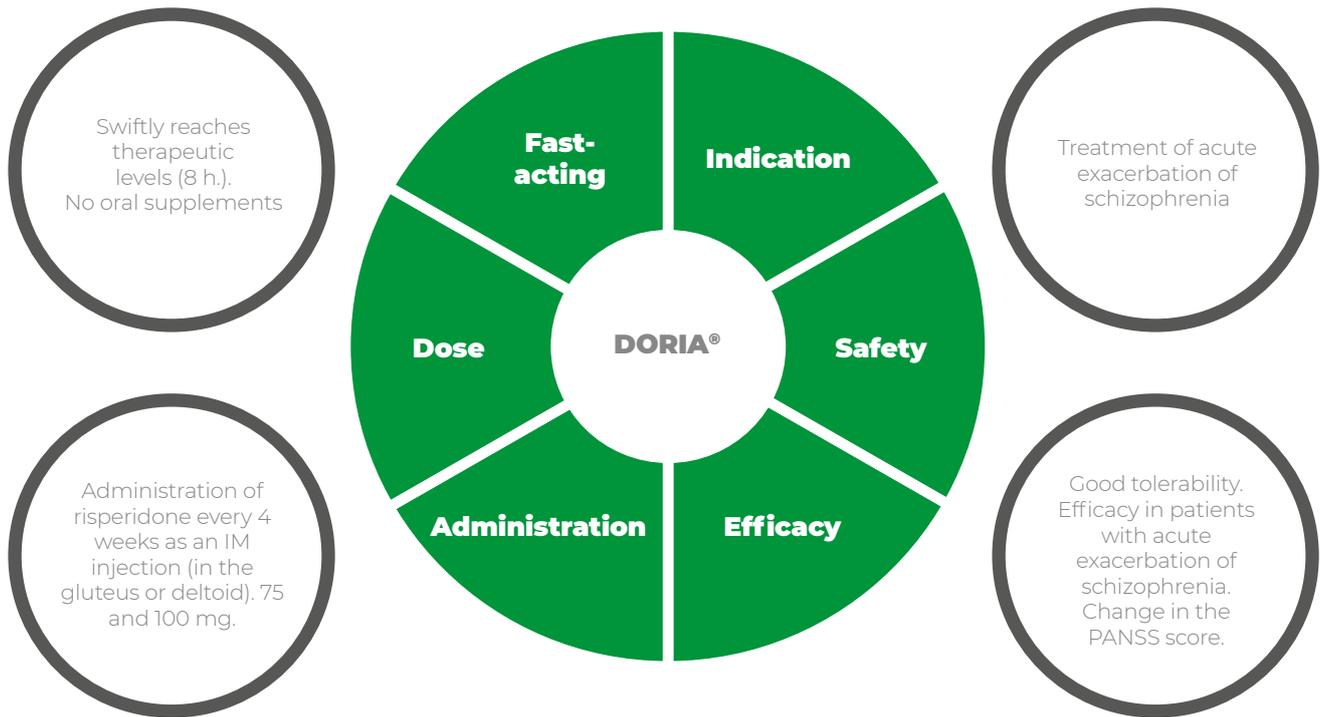
Now called Doria®, but known previously as Risperidona ISM®, this is a long-acting anti-psychotic injection (LAI) for the treatment of schizophrenia, based on the ISM® technology patented by ROVI. With this new product, the group wishes to provide an alternative in a market that, in Europe and the United States alone, has an estimated value of

LAI anti-psychotics are now a benchmark in the treatment of schizophrenia, rather than oral treatment, and this is where ROVI wants to position Doria®. Its active substance, risperidone – a second-generation antipsychotic – is one of the most widely used to treat this complaint. Compared with haloperidol, risperidone has shown greater efficacy in preventing relapses in the maintenance phase and also has a stronger safety profile⁽¹⁾. In 2016, its market share was 19% of total prescriptions for the treatment of schizophrenia in the most acute cases. Combining it with ISM® technology has shown excellent results in the Phase I and Phase II studies^{(2) (3)}.

Doria® has a pharmacological profile that allows a swift effect and a single monthly injection, with no oral supplements or loading doses, which would favour therapeutic adherence and reduce the serious consequences of not adhering to the treatment in



- 1 Csernansky J, Mahmoud R, Brenner R. A comparison of risperidone and haloperidol for the prevention of relapse in patients with schizophrenia. *N Engl J Med* 2002;346(1):16-22.
- 2 Llaudó J, Anta L, Ayani I, Martínez J, Schronen J, Morozova M, Ivanov M, Gutierro I. Phase I, open-label, randomized, parallel study to evaluate the pharmacokinetics, safety, and tolerability of one intramuscular injection of risperidone ISM at different dose strengths in patients with schizophrenia or schizoaffective disorder (PRISMA-1). *Int Clin Psychopharmacol* 2016;31(6):323-31.
- 3 Anta L, Llaudó J, Ayani I, Martínez J, Litman RE, Gutierro I. A phase II study to evaluate the pharmacokinetics, safety, and tolerability of Risperidone ISM multiple intramuscular injections once every 4 weeks in patients with schizophrenia. *Int Clin Psychopharmacol* 2018;33(2):79-87.



a chronic pathology with prolonged treatment like schizophrenia.

Non-adherence to the treatment with oral antipsychotics causes many relapses in patients with schizophrenia, which are the main cause of hospitalization. Therefore, these patients are candidates for an antipsychotic medication with long-acting injectables, which ideally allow therapeutic levels to be obtained as from the first dose, applying simple administration guidelines that minimize the variability between the maximum and minimum concentrations in plasma in stationary equilibrium and reduce the inter- and intra-individual variability. In this respect, ROVI intends to conduct a Phase III clinical evaluation of a sustained-release implantable system of risperidone developed using ISM® technology, in order to assess the soundness of said formulation and attain a medicine that solves the state-of-the-art limitations for this type of patient.

LAI antipsychotics like Doria® represent a new approach to schizophrenia. Their objective is to reduce relapses and the problems derived from non-adherence to treatment, such as the progression of irreversible cognitive brain damage, which lowers the quality of life of the patients and also has a negative

emotional and financial effect on their families and carers. These factors justify the pharmaeconomic profitability of these products.

Doria® provides ROVI with a unique opportunity to launch an active substance of proven efficacy and safety with an innovative administration system on to the market. Between 2017 and 2019, Phase III (PRISMA-3 study) ⁽⁴⁾ of the clinical development of this drug will be conducted, where it is intended to demonstrate its efficacy, safety and tolerability in comparison with a placebo in the treatment of patients with acute exacerbation of schizophrenia. It is also planned to conduct a bio-availability study comparing it with oral risperidone.

The objective for 2019/2020 is to apply to the FDA (Food and Drug Administration) for marketing authorization for the United States and the EMA (European Medicines Agency) for Europe. Subsequently, the applications will be extended to other countries.

4 Study to Evaluate the Efficacy and Safety of Risperidone In Situ Microparticles® (ISM®) in Patients With Acute Schizophrenia (PRISMA-3). <http://www.clinicaltrials.gov/show/NCT03160521>



Letrozol ISM[®], innovation in the breast cancer treatment field

Letrozol is an aromatase inhibitor (AI) that is currently used to treat hormone-dependent breast cancer. It requires a daily dose, administered orally, meaning that adherence to a treatment of these characteristics over the long time periods that the experts currently recommend (at least five years) is a challenge, even for such highly-motivated patients as cancer patients. ISM[®] technology could provide better results and additional benefits for patients who are suffering from this type of tumour.

With the development of Letrozol ISM[®], ROVI's objective is to obtain a long-acting (2 or 3 months) injectable

formulation of letrozol for the treatment of hormone-dependent breast cancer, which would avoid the need for daily administration. It is the first injectable of this kind to be developed and has various potential advantages, such as an improvement in the patient's quality of life, a decrease in public health costs and improvement in the treatment adherence rate.

Currently, ROVI is in Phase I (LISA-1 Study), with the objective of defining the pharmacokinetic profile of increasing single doses of Letrozol ISM[®] and to assess its safety and tolerability in healthy postmenopausal women.





Glycomics

Glycomics is the study and profiling of the sugars that compose a cell, including the glycosaminoglycans (GAG), which, in addition to their role in regulating blood coagulation, are involved in processes like cell growth, immune response and inflammation. To carry out these functions, the GAGs interact with numerous proteins. Glycomics studies provide very valuable information in this respect, since they allow the receptors that take part in the interaction with each type of GAG to be determined.

The degree of specialization and knowledge attained in this area allows the expansion of applications, indications and action mechanisms that are alternatives to heparin-derived products and other glycosaminoglycans, based on both anticoagulant and non-anticoagulant activity, to be considered

As a result of its effort and investment in this area, ROVI has developed an enoxaparin biosimilar (a low-molecular-weight heparin with an antithrombotic effect), marketing of which commenced in 2017, as described in the “Pharmaceutical specialties” section of this Annual Report (page 39).



Multilayer technologies for urethral catheters

One of the most important aspects in the use of stents and urethral catheters is the high prevalence of bacteria that, in some cases, may lead to the appearance of clinical symptoms and complications, including severe sepsis and death. At present, the incidence of urinary tract infection is still very high, as biofilm formation makes it difficult to eradicate microorganisms using antibiotics.

During 2017, ROVI continued with the preclinical development of its multilayer technology, which uses polymeric materials to form a bioerodible system that depends on the bacterial metabolism. It provides significant advantages over the current state of the art, decreasing bacterial adhesion, facilitating biofilm elimination, reducing the appearance of encrustations and, to a large extent, preventing catheter blockage.

ROVI now has a portfolio of 14 international patent applications in this area, but the development of this line of research provides the possibility of increasing the portfolio of both the company’s patents and its commercial products in the medical device area in a way that is both innovative and competitive, since this technology is intended as a platform for future development.

ROVI has developed an enoxaparin biosimilar, marketing of which commenced in 2017

Production plants and R&D centres

ROVI has three research and development centres and four manufacturing plants for its own products and services to others. The work performed at these facilities is crucial to the group's business.



ROVI CONTRACT MANUFACTURING



Madrid

402

syringes : 150 million
 suppositories : 150 million



INJECTABLES PLANT



San Sebastián de los Reyes

36

syringes : 120 million
 vials : 60 million

R&D&i
centre

Production
plant

Employees
average

Annual production
capacity

ROVI has three R&D&i centres and two pilot plants

for the manufacture of injectable medicines
on which research is in progress



BEMIPARIN PRODUCTION PLANT



Granada

| 69

| syringes : 240 million



FROSST IBÉRICA



Alcalá de Henares

| 221

| tablets : 3.000 million
hard capsules : 300 million
sachets : 30 million

R&D&i
centre

Production
plant

Employees
average

Annual production
capacity

Strategy

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Market environment

Although public spending on medicines has dropped over recent years, especially in Spain, the prospects for forthcoming years are more optimistic. As QuintilesIMS Institute says in its report *Outlook for Global Medicines through 2021*, medicine expenditure worldwide will grow by between 4% and 5%, mainly driven by new medicines in developed markets and a higher volume in emerging markets. According to said document, the total volume of medicines consumed all over the world will rise by approximately 3% per year until 2021⁵. This growth rate is a little faster than the growth in the population and demographic changes caused by different factors worldwide.

Global medicine spending will rise to 1.5 billion dollars in 2021, 370 million euros higher than the 2016⁵. Attention should be drawn to the fact that growth in 2014 and 2015 was mainly due to the appearance of new medicines for hepatitis and cancer, the impact of which will fall off in forthcoming years. Most of the spending in developed markets is linked to the oncology area, autoimmune diseases and treatments for diabetes, where important innovations are expected in the future.

The U.S.A. continues to be the principal world market, although it will suffer a reduction in its growth, followed by China, which has remained in this position since 2012. In the first 20 places, there are nine countries with emerging medicine markets, which will continue to be driven by generic products, which already account for 98% of the market and 78% of the spending⁵. The opposite is true in the developed markets, where the original brands still have specific weight in comparison with generics.

But the difference between some companies and others will be denoted by their capacity to provide

the market with new and better products. New medicines, which represented 20% ten years ago, will hold 35% of the market in 2012⁵. This growth is due to the latest scientific and R&D advances, such as ROVI's ISM[®] technology, including their capacity to contribute to improving costs and the value provided by prescribing these products.

Trends: U.S. vs Europe vs emerging medicine markets

The QuintilesIMS report shows significant growth in the number of new medicines that will reach the patients, with 2,240 medicines in the final phase and the launch of 45 new active substances (NAS) per year on average until 2021(1). In addition to continuous research into new mechanisms for use with currently-existing medicines, there will be a constant flow of new mechanisms to attack cellular processes and diseases throughout the spectrum.

By geographic area, the study states that, in 2021, growth in the United States will be reduced to half the 2015 figure. It is calculated that it will be between 6% and 9% in said year⁵. The factors are diverse: a lower incidence of hepatitis C or the end of key patents held exclusively by different brands. The end of exclusive rights over different brands will mean a sales reduction of 143,500 million dollars over forthcoming years⁵. However, this will be an opportunity for companies who present biosimilar products, which will represent sales of between 27 and 58 million dollars⁵. These are the products that are expected to obtain the best sales levels in this market over the next few years, with between 25 and 35 launches under development.

In Europe, the debate concerns price and growth. The main countries, after an increase in public spending

5. Outlook for Global Medicines through 2021. Quintiles IMS Institute.

in 2014 and 2015, have adopted a policy of reducing expenditure over the next few years. Germany will retain its dominant position and, primarily, the United Kingdom will be the country with the best growth prospects. The fact is that Brexit will be the most determining political phenomenon in forthcoming years. While uncertainties persist, the impact on the United Kingdom pharmaceutical market is expected to be modest. According to IQVIA, the growth forecast for the British market (4% from 2016 to 2021⁷) is the highest among the five most important European Union markets. Price control mechanisms and access to new medicines will continue to be the tools that governments use to manage a country's pharmaceutical expenditure, which will limit the growth in spending over years to come.

Finally, generic medicines, with a 91% market share⁵, dominate the emerging medicine markets, which have driven growth over the last few years. No public spending growth is expected in these markets due to the world macroeconomic situation, where the currencies of these countries have depreciated against the dollar. Growth is expected to drop to 4%, in comparison with an average growth of 9% between 2007 and 2014⁵, with China as the main brake on growth, falling from 17% growth in annual spending to the forecast rate of 4% in 2021⁵. The ambitious economic problems of recent years have given way to series of commitments that have not been successful, as well as delayed, renewed or cancelled expansion programs, and it may be difficult to resume these initiatives, even if favourable economic conditions return.

Specific view of Spain

In the case of Spain, in the report *Evolución y tendencias del mercado farmacéutico español* ("Evolution and Trends in the Spanish Pharmaceutical Market"), also by QuintilesIMS, we find that the market will be around 20,800 million euros in 2020, with annual growth of around 2-3%.

The factors that had been driving the market to date are diminishing, while others are gaining strength, such as the ageing of the population, the chronification of pathologies or niche therapies. The drop in medicine financing and the launch of high-cost drugs in therapeutic areas such as oncology and hepatitis C are becoming growth factors. The non-protected market now accounts for two thirds of the total, close to 68.7%⁶, health and wellbeing being ever-present issues in the present context, both socially and in business.

In the OTC (non-prescription product) market field, general consumption trends – prevention, healthy lifestyle, body worship, perceived value, technology, differentiation, etc. – help to identify the future of the health market. In short, the consumer will seek to live better, longer and more intensely. The industry in general will have to tackle an environment of constant innovation, where new indications and needs, presentations unknown to date, extensions of product lines and a vigorous diversification of generics and ethical products will be constantly appearing

The retail market will be frozen until 2020, although there are factors that will contribute to its growth, such as demographic factors, new product launches or the introduction of co-payment. The hospital area will see less growth than in other years, but will be driven by the arrival of innovative drugs, an increase in the volume of patients treated, or the appearance of generics and biosimilars, hospital product purchasing centres and innovative shared-risk agreements.

6. *Evolución y tendencias del mercado farmacéutico español*. Quintiles IMS Institute

7. 2018 and Beyond: Outlook and Turning Points. IQVIA Institute for Human Data Science

Strategic and financial priorities

In an environment that, although complicated, presents new opportunities, ROVI has, over recent years, been getting ready to take full advantage of the circumstances with:

- 1 The marketing of an enoxaparin biosimilar.
- 2 The development of drugs to treat complaints with high growth prospects.
- 3 The launch of new products on the market.

Therefore, the marketing of the enoxaparin biosimilar that commenced in September, with sales prospects of between 20 and 30 million euros in 2018, is of strategic importance to ROVI, as well as the development of products such as Doria® and Letrozol ISM®, both focused on high-potential market niches – treatment of schizophrenia and breast cancer – and based on ROVI's proprietary ISM® technology. With this technology, ROVI wants to provide a solution based on long-acting injectables that represents significant improvement in patient adherence to treatment and, therefore, the quality of their lives.

Broadly speaking, since further details of both projects are given in other sections of this Annual Report, they allow the daily oral dose to be replaced

by an injection every one, two or three months in order to treat the aforementioned complaints. This reduces the problems derived from non-adherence to treatments and improves the medical monitoring of the patients (see pages 45 to 48).

The foregoing revolves around significant investment in research and development, the expense of which will increase by 62% in 2017, totalling 28.3 million euros, principally as result of preparing and commencing the Phase III trial of Doria® (formerly Risperidona-ISM®) and the Phase I of Letrozol-ISM®. Over forthcoming years, the significant investment effort in research and development will continue, with an average of 32 million euros between 2017 and 2019). In addition to ROVI's good results over recent years, this investment is guaranteed by the

credit granted by the European Investment Bank, which will provide 45 million euros.

For 2018, ROVI expects the operating revenue growth rate to be within mid-single digit numbers (and that its growth engines, in addition to the results of the enoxaparin biosimilar, will continue to be Bemiparin, the latest distribution licence agreements (Neparvis®, Volutsa®, Orvatez® and Ulunar®), the existing pharmaceutical specialty portfolio, new product distribution licences and new customers in the contract manufacturing area.

The patent for the active substance ezetimibe expires in 2018 and, therefore, a decrease in the price of Absorcol® is expected. Furthermore, as of the fourth quarter of 2018, the group will cease to distribute the Merus Labs products (Sintrom®, Salagen®, Cordiplast® and Estraderm®).

For 2018,
ROVI
expects the
**operating
revenue
growth
rate**
to be
within
mid-single
digit figures



CSR Strategic Plan

Aware of the health improvements provided by their products, all the ROVI companies wish to provide a response to certain social demands in relation to the impacts of their activities on society and the environment. For this reason, the group has drawn up action policies that express ROVI's commitment to business ethics and corporate social responsibility, which guide the actions of the Board of Directors

and other group bodies in their relations with stakeholders.

These policies materialize in the Annual CSR Report, the Integrated Management Policy and the Code of Ethics, which are tools to attain the following objectives defined in the group's General CSR Policy (approved in 2016 and reviewed in April 2017):

Objectives defined in the group's General CSR Policy

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

To attain these CSR objectives, the ROVI group has adopted the following general principles for action, which likewise appear in the General CSR Policy:

General principles for action in the General CSR Policy

- Compliance with legal regulations in the places where group companies are located.
- Support the principles of the United Nations Global Compact by adopting and transmitting them, as well as those of other international instruments, especially in the areas of human rights, workplace practices, the environment and anti-corruption.
- Follow the guidelines of the Code of Ethics, which includes the company's commitment to the principles of business ethics and transparency in all its spheres of action and regulates responsible conduct on the part of all group professionals in the course of their work.
- Promote free market practices, rejecting any kind of illegal or fraudulent practice and implementing effective mechanisms to prevent, monitor and penalize irregularities.
- Commitment to transparency as a way to transmit confidence and credibility among stakeholders. This will entail:
 - Providing stakeholders with relevant and accurate information, complying with any legal public information requirements that may exist.
 - Preparing and publishing financial and non-financial information, using, in the latter case, an internationally-accepted methodology and submitting the information to the appropriate internal and external review processes that guarantee the reliability of the information and encourage continuing improvement.
- Improvement of communication and dialogue channels, as well as promoting the group's relations with shareholders, investors, employees, customers, suppliers and, in general, all its stakeholders. Thus, the group contributes to harmonizing business values and social expectations by adapting, as far as possible, the group's policies and strategies to our stakeholders' interests, concerns and needs, using all the communication tools available, including direct contact and the group's corporate website.
- Conservation and promotion of the environment. ROVI carries on its activity with the firm commitment of contributing to sustainability from an environmental standpoint. This commitment materializes by integrating the environment into the different business areas, conserving biodiversity, preventing pollution, managing resources efficiently and adapting and mitigating climate change, in accordance with the group's Environmental Policy.
- Tax responsibility. The taxes ROVI pays in the places where it operates are the main contribution that group companies make to sustaining public funds and, therefore, are one of its contributions to society.

In March 2017, the group approved two specific objectives, aligned with the requirement of certification SA-8000:

- Approval of the company's new values in 2017, set out at the beginning of this Annual Report.
- In 2017, a materiality report was prepared, allowing us to know the aspects that have a significant present and future influence on ROVI's activities in relation to sustainability and corporate social responsibility.

A materiality report was prepared, which has allowed us
to find out significant CSR-related aspects



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Corporate Governance Model

The corporate governance of Laboratorios Farmacéuticos ROVI includes current national and international recommendations and, in particular, its internal regulations apply the Good Governance Code of Listed Companies approved by the National Securities Market Commission (CNMV) in February 2015 (the Good Governance Code). This model guarantees ethical behaviour on the part of the company, allowing the trust created among stakeholders to be preserved and the defence of the interests of all our shareholders to be assured.

ROVI's main governing bodies are the General Shareholders' Meeting and the Board of Directors. The powers and operation of each of these is regulated in the company's Bylaws, the Regulations of the Board of Directors and the Regulations of the General Shareholders' Meeting which are available to be consulted on the company's website (www.rovi.es).

The Board of Directors is ROVI's highest management body and is responsible for defining corporate strategy and monitoring and controlling that Management meets the objectives established and respects the company's corporate purpose and interests. Good governance requires stakeholders to have access to relevant information, in relation to both governance rules and practice and the results attained. Therefore, each year, ROVI presents an Annual Corporate Governance Report and Annual Director Compensation Report. Furthermore, it submits regular information on the company's most significant results to the CNMV and draws up a Management Report that accompanies the Annual Financial Statements. This documentation is available on the corporate website (www.rovi.es).

In addition to the governing bodies described above, ROVI has a Management Committee, which handles the company's day-to-day management and is formed by 14 members of management, led by the CEO.

*ROVI's
corporate
governance
model
**guarantees
ethical
behaviour**
on the part of
the company*

Governing bodies

General Shareholders' Meeting

The General Shareholders' Meeting is the company's highest decision-making and control body for the matters within its competence. It meets at least once a year at the Ordinary General Meeting, held within the first six months of each year to, if appropriate, approve the corporate management and the annual financial statements for the preceding year and adopt a decision on the application of the profit, although it is likewise competent to deliberate and decide on any other item on the Agenda.

Extraordinary General Meetings are those not included in the preceding paragraph

Unlimited right to attend

All shareholders, irrespective of the number of shares they hold, are entitled to attend both ordinary and extraordinary general meetings, provided the shares are registered in their name in the relevant account entry register five days before the date the general meeting is held.

Additionally, in order to attend a General Meeting, each shareholder must have an attendance card and the certificate issued by the entity responsible for the relevant account entry register or, as applicable, the document which legally proves their status as a shareholder.

2017 General Shareholders' Meeting

On 31 May, 2017, ROVI held an Ordinary General Shareholders' Meeting. Shareholders representing a total of 93.57% of the share capital were either present or represented (70.73% present and 22.84% represented).

The resolutions passed by the Meeting included:

1. Approval of the individual annual financial statements of ROVI and the consolidated annual financial statements of the company and its subsidiaries, as well as the company's individual management report and the consolidated management report of the company and its subsidiaries, all of which were for the reporting period ended 31 December, 2016.
2. Approval of the proposed application of the individual profit for the reporting period ended 31 December, 2016, specifically payment of a fixed gross dividend of 0.1830 euros per share with the right to receive it.
3. Approval of the management and performance of the Board of Directors in the reporting period ended 31 December, 2016.
4. Approval of the maximum annual compensation of the members of the Board of Directors in their capacity as such for 2017, fixing it at the sum of 609,600 euros.

On 31 May, 2017, the Ordinary General Shareholders' Meeting was held, **with 94.6% of the share capital either present or represented**



5. Re-election of the following members of the Board of Directors for the Bylaw-stipulated term:
 - Mr Juan López-Belmonte López as a proprietary director.
 - Mr Iván López-Belmonte Encina as an executive director.
 - Mr Javier López-Belmonte Encina as an executive director.
 - Mr Juan López-Belmonte Encina as an executive director.
 - Mr Enrique Castellón Leal as an independent director.
6. Appointment of KPMG Auditores, S.L. as the account auditor for the company and its consolidated group for the 2017, 2018 and 2019 reporting periods.
7. Delegation of powers to formalize and register the resolutions passed by the General Shareholders' Meeting and carry out the mandatory filing of the annual financial statements.
8. Approval, on a consultative basis, of the company's Annual Director Compensation Report.

Board of Directors

The Board of Directors is the company's highest decision-making, supervision and control body, except in matters reserved to the General Shareholders' Meeting. It is currently formed by three executive directors, one proprietary director and three independent directors of recognized prestige. All of them were appointed on the basis of their merits, irrespective of gender. According to the Bylaws, the Board of Directors must be formed by no less than

five and no more than 15 members, pursuant to corporate governance recommendations.

As the highest decision-making body, it delegates ordinary business management to the management team and focuses its activities on general supervisory duties. This implies determining ROVI's policies, controlling management, evaluating the performance of the managers and, in general,

Board of Directors

	Position	Type of director	Nomination and Compensation Commission	Audit Committee
Don Juan López-Belmonte López	Chairman	Chairman		
Don Juan López-Belmonte Encina	Chief Executive Officer	Chief Executive Officer		
Don Iván López-Belmonte Encina	First Deputy Chairman	First Deputy Chairman		
Don Javier López-Belmonte Encina	Second Deputy Chairman	Second Deputy Chairman		
Don Miguel Corsini Freese	Director	Director	Chairman	Member & Secretary
Don José Fernando de Almansa Moreno-Barreda	Director	Director	Member	Member
Don Enrique Castellón Leal	Coordinating Director	Coordinating Director	Member & Secretary	Chairman
Don Gabriel Núñez Fernández	Non-director Secretary			

adopting the most important decisions for the running of the company, as well as liaising with shareholders.

In the course of its duties, it strives to ensure that regulatory requirements and the company's social and ethical duties are met. Likewise, it ensures that no one person or small group exercises decision-making power within the company without being submitted to counterweights and controls and that no shareholder is treated more favourably than others.

Its responsibilities are set out in article 5 of the Regulations of the Board of Directors and include, specifically, those of preparing the strategic plan, management objectives and annual budget. Likewise, it defines the structure of the company group, establishes the investment and financing policy and approves the dividend, treasury share, corporate governance and social responsibility policies. It also establishes the risk control and management policy, including tax risks, as well as regularly monitoring the internal information and control systems and determining the company's tax strategy.

In 2017, the Board of Directors held nine meetings, one of which took place using the written procedure without the physical presence of the members. All the meetings were chaired by the Chairman. The percentage attendance was 100% of total votes. In accordance with article 5.7 of the Regulations of the Board of Directors, which covers the content of Recommendation 36 of the Good Governance code of Listed Companies and article 529 nonies of the Capital Companies Act, the Board of Directors carried out the annual evaluation of its own performance, with the advice and methodological support of PricewaterhouseCoopers Auditores, S.L., the report having been approved by the Nomination and Compensation Commission at its meeting of 19 February, 2018. This evaluation reflected the efficiency and proper operation of the ROVI's Board of Directors and did not give rise to any important changes in internal organization or the procedures applicable to its activities.

Likewise, following the recommendations of the CNMV's Technical Guide 3/2017 on Audit Committees (Technical Guide 3/2017), at the proposal of the Audit Committee, the Board of Directors unanimously

approved the Regulations of the Audit Committee, which regulate the operation of said Committee, at its meeting of 7 November, 2017, as well as the publication thereof on the company's website.

In accordance with article 8.3 of the Regulations of the Board of Directors, the Lead Director, Mr Enrique Castellón Leal, is entitled to request a Board meeting be called or that new items be included on the agenda of a Board meeting that has already been called, as well as to coordinate and meet with the non-executive directors and, if applicable, organize the periodic evaluation of the Chairman of the Board. Likewise, he is authorized to chair Board meetings in the absence of the Chairman and Deputy Chairmen; voice the concerns of non-executive directors; maintain contacts with investors and shareholders in order to hear their points of view and form an opinion on their concerns, in particular in relation to the company's corporate governance; and coordinate chairman succession planning.

*The Board
of Directors
met on nine
occasions
and the
**percentage
of
attendance
was 100%***

Director profiles



Mr Juan López-Belmonte López

Juan López-Belmonte López has served as the Chairman of our Board of Directors for over 24 years. He holds a degree in business and economics from the Universidad Complutense de Madrid in 1969. He was first appointed as a director of the Company on July 27, 2007, when Rovi was admitted to trading on the stock market, and was re-elected at the shareholders' general meeting in 2012 and 2017. He has been President of the Chamber of Commerce of Madrid from April 2016 until April 2018. He is a shareholder of Norbel Inversiones, S.L. (Rovi's controlling shareholder), with a holding of 20%. He is currently Chairman of the Board of Directors of Norbel Inversiones, S.L., Norbepa Inversiones, S.L., Lobel y Losa Development, S.L., Inversiones Borbollón, S.L. and Alentia Biotech, S.L.



Mr Juan López-Belmonte Encina

Chief Executive Officer since October 2007, he has been working for the company since 1994 and was appointed General Manager in 2001. He graduated in Economic and Business Sciences from CEU San Pablo, Madrid, specializing in Auditing, in 1993. He began his professional career working in important international pharmaceutical companies, such as Nielzen Group in Spain, Tyco Group in the United States, and Boots Pharmaceuticals in the United Kingdom, in different pharmaceutical areas. He is a member of the Governing Council and Management Board of Farmaindustria and a member of the Management Board of the CEOE (Spanish Confederation of Business Organizations). He is a shareholder of Norbel Inversiones, S.L. (ROVI's controlling shareholder).



Mr Javier López-Belmonte Encina

Chief Financial Officer since 2001, he graduated in Economic and Business Sciences from Colegio

Universitario de Estudios Financieros (CUNEF), Madrid, specializing in Financing, in 1998. Joint Executive MBA Brown Univ and IE Madrid. He began his professional career in the banking sector in 1998, working for Argentaria, S.A. in the United Kingdom as an analyst and in the pharmaceutical sector with Medeva Pharma. He joined ROVI in the year 2000. He is a shareholder of Norbel Inversiones, S.L. (ROVI's controlling shareholder).



Mr Iván López-Belmonte Encina

Corporate Development Manager since 2007 and Assistant General Manager since 2001, he graduated in Economic and Business sciences from Universidad Complutense de Madrid, specializing in Auditing, in 1994. He began his professional career in Germany, working in pharmaceutical sector companies such as Amersham and Hexal AG. He has been working for the company since 1994. He is a shareholder of Norbel Inversiones, S.L. (ROVI's controlling shareholder).



Mr Miguel Corsini Freese

Miguel Corsini Freese holds a degree in Law and is an expert in Labor Law. His professional career was linked to Renfe for many years, chairing its Board of Directors from 1996 to 2004. He was also President of the UIC (International Union of Railways) from 1998 to 2000. He is Chairman of Cetren and natural person representing Sonicor, S.L. as member of the Boards of Directors of Azvi, S.A. He was appointed as independent member of our Board of Directors in 2008, being re-elected at the shareholders' general meeting in 2014. This year the Board has proposed to the following general shareholders' meeting his re-election for a new term of four years.



Mr Enrique Castellón Leal

One of ROVI's external independent directors, he was appointed as a director of ROVI on 24 October, 2007,

re-elected for a five-year term at the General Meeting held on 13 June, 2012, and further re-elected for the Bylaw-stipulated term of four years at the General Shareholders' Meeting held on 31 May, 2017. He is a regular participant in several foundations engaged in promoting Research & Development in health sciences; carries on consulting activities with Castellón Abogados; and has worked as a health project consultant on several Inter-American Development Bank projects (World Bank Group). He has been a physician with the Internal Medicine Service at Hospital Clínico San Carlos, Madrid, a Social Security Medical Inspector, General Manager of the Galician Health Service, Deputy Head of the Health Department of the Madrid Autonomous Region and Undersecretary at the Ministry of Health and Consumption. He is a founding shareholder and Chairman of the Board of Directors of Cross Road Biotech FCR, Chairman of Cross Road Biotech Inversiones Biotecnológicas, SGECR, S.A., Health in Code S.L. and Venter Pharma S.L., and is a member of the Board of Directors of Atlas Molecular Pharma S.L., Owl Genomics, S.L., Biocross, S.L. and Traslational Cancer Drugs Pharma, S.L.



Mr José Fernando de Almansa Moreno-Barreda

One of ROVI's external independent directors, he was appointed to the Board on 9 June, 2015 for the Bylaw-stipulated term of four years. Mr Almansa is a diplomat. He has been Secretary of the Spanish Embassy in Brussels, Cultural Attaché at the Spanish Embassy in Mexico, Chief Director of the Coordination Section of the Subdirector General for Eastern Europe, Director of Atlantic Affairs at the Directorate-General of Foreign Policy for Europe and Atlantic Affairs, Political Counsellor to the Permanent Representative of Spain on the North Atlantic Council in Brussels, Minister-Counsellor of the Spanish Embassy in the Soviet Union, Secretary General of the National Commission for the Fifth Centenary of the Discovery of America and Subdirector General for Eastern Europe, reporting to the Directorate-General of Foreign Policy for Europe. Likewise, from 1993 to 2002, he was appointed Privy Counsellor to HRH King Juan Carlos I. Currently, he is a member of the Board of Directors of the company Telefónica Móviles México, S.A. de C.V.

Commissions

In order to enhance its efficiency in performing its duties, the Board of Directors organizes its work through two committees: the Nomination and Compensation Commission and the Audit Committee.

Nomination and Compensation Commission

It is formed by three directors, all of whom are independent. They were appointed on the basis of their knowledge, skills and experience in relation to the tasks they are required to perform. The Chairman is also an independent director and must be replaced every four years, although he can be re-elected when one year has elapsed since he left the position. The Commission's main role is to report on and submit proposals on the appointment and dismissal of directors and senior management to the Board of Directors, assessing the skills, knowledge and experience necessary on the Board, as well as the time and dedication required from Board members for the proper fulfilment of their duties; preparing and reviewing the criteria that should be followed regarding the composition of the company's management team; and striving to ensure that the compensation policy established by the Commission is observed and remains transparent. In 2017, it met on six occasions, which was sufficient to allow it to carry out its duties correctly.

Audit Committee

It is formed by three Board members, all of whom are independent, appointed on the basis of their knowledge and experience in accounting, auditing or risk management, as well as their knowledge, skills and experience in relation to the Committee's other duties. The Chairman is also an independent director, likewise appointed on the basis of his knowledge and experience in accounting, auditing or both, and must be replaced every four years, although he can be re-elected when one year has elapsed since he left the position. Among other duties, the Committee supervises the process of preparing the financial reporting on the company and the group, ensuring it is complete; regularly reviews the information and internal control systems and risk management policy; and strives to ensure the independence and efficacy of the auditors. It meets on a quarterly basis to review the financial information which the company, as a listed company, must publish regularly. In 2017, the Committee held eight meetings, one of which was held using the written procedure without the physical presence of the members. Therefore, its meetings were sufficiently frequent to allow it to carry out its duties correctly.

The composition of the Management Committee favours
**diversity of knowledge,
experience and gender**

Management Committee

Since 15 February, 2017, the Management Committee has been formed by 14 members who represent ROVI's main organizational areas. The Management Committee, led by the CEO, Mr Juan López-Belmonte Encina, is the body to which the Board of Directors delegates the day-to-day running of the company.

The composition of the Management Committee is as follows:

- Mr Juan López-Belmonte Encina. Chief Executive Officer.
- Mr Javier López-Belmonte Encina. Chief Financial Officer.
- Mr Iván López-Belmonte Encina. Corporate Development Manager.
- Mr Francisco Javier Ángulo García. Human Resources Manager.
- Ms Beatriz Ávila Alcalde. Sales Manager, Line B.
- Ms. Mercedes Benítez del Castillo Sánchez. Legal Department Manager.
- Mr Pedro Carretero Trillo. Hospital Network Manager
- Mr Miguel Ángel Castillo Román. International & Business Development Manager.
- Mr Pablo Domínguez Jorge. Financial-Administrative Manager.
- Mr Ibón Gutierro Adúriz. Pre-clinical Research Manager.
- Mr Fernando Martínez Garijo. Sales Effectiveness Manager.
- Ms. Maite Muñoz Pineda. Sales Manager, Lines C & D.
- Mr Miguel Ángel Ortega Sánchez. Industrial Manager.
- Ms. M^a Rosario Perucha Pérez. Marketing Manager.

This Committee reflects ROVI's commitment to promoting a policy of equal opportunities for men and women, avoiding discrimination in wages, training, promotion opportunities or any other area.

The composition of the Committee favours diversity of knowledge, experience and gender, with women accounting for close to 30% of the total members.

1. Mr Francisco Javier Ángulo García. Human Resources Manager.
2. Ms. Mercedes Benítez del Castillo Sánchez. Legal Department Manager.
3. Mr Fernando Martínez Garijo. Sales Effectiveness Manager.
4. Ms. Maite Muñoz Pineda. Sales Manager, Lines C & D.
5. Ms. M^a Rosario Perucha Pérez. Marketing Manager.
6. Mr Ibón Gutierro Adúriz. Pre-clinical Research Manager.
7. Mr Iván López-Belmonte Encina. Corporate Development Manager.
8. Mr Juan López-Belmonte Encina. Chief Executive Officer.



- 9. Mr Miguel Ángel Ortega Sánchez. Industrial Manager.
- 10. Ms Beatriz Ávila Alcalde. Sales Manager, Line B.
- 11. Mr Miguel Ángel Castillo Román. International & Business Development Manager.
- 12. Mr Pedro Carretero Trillo. Hospital Network Manager
- 13. Mr Javier López-Belmonte Encina. Chief Financial Officer.
- 14. Mr Pablo Domínguez Jorge. Financial-Administrative Manager.



Incorporation of CSR into ROVI's management

ROVI considers Corporate Social Responsibility (CSR) to be a commitment acquired with society, given the importance of its work and products in enhancing people's health and quality of life. This commitment has resulted in intensive activity on the part of ROVI over the last few years to support research and foment the prevention and knowledge of certain diseases.

Likewise, ROVI's commitment to ethical management and transparency is reflected in the development of its internal regulations.

ROVI incorporates CSR into its governance, management and day-to-day operations. CSR decisions are made by the Board of Directors and, in particular, the Board is responsible for approving the company's Corporate Social Responsibility Policy, in accordance with article 5.3 of the Regulations of the Board of Directors.

According to article 13 of the Regulations of the Board of Directors, the Audit Committee is responsible for reviewing the CSR Policy, ensuring that it is orientated towards value creation, and for monitoring corporate social responsibility strategies and assessing the degree of compliance therewith.

Likewise, according to article 14.2 of the Board Regulations, the Nomination and Compensation Commission is the body responsible for reviewing the company's CSR Policy, ensuring that it is orientated towards value creation

In 2017, subsequent to a favourable report from the Nomination and Compensation Commission, the Board of Directors examined and approved the Corporate Social Responsibility Report for 2016, which had been prepared in accordance with Recommendation 55 of the Good Governance Code. This report is published on ROVI's website in accordance with Recommendation 6 of the Good Governance Code



Compensation Policy

In compliance with article 14 of the Regulations of the company's Board of Directors, which incorporates the provisions of article 529 quincecies, of Royal Legislative Decree 1/2010 of 2 July, whereby the revised text of the Capital Companies Act was approved (the "Capital Companies Act"), the Nomination and Compensation Commission prepared a compensation policy for the company's directors and senior management in 2017, which was submitted to the Board of Directors for approval.

Likewise, ROVI's General Shareholders' Meeting held on 31 May, 2016 approved, at the proposal of the Board of Directors, with a prior favourable report from the Nomination and Compensation Commission, the director compensation policy for 2016 and the three following years (2017-2019), in accordance with article 529 novodecies of the Capital Companies Act.

In order to draw up said director compensation policy, the company received advice from Landwell-PricewaterhouseCoopers Tax & Legal Services, S.L.

According to article 45 of the company's Bylaws, the members of the Board of Directors are entitled to be compensated, in their capacity as such, by a fixed annual sum in cash, the maximum global amount of which for the entire Board will be determined by the General Shareholders' Meeting. The Board will distribute the compensation decided by the General Meeting among its members, taking into account the duties and responsibilities attributed to each director, whether or not they sit on Board committees and any other objective circumstances that the Board of Directors deems relevant.

Additionally, irrespective of the compensation mentioned above, although likewise within the framework of the compensation policy, provision is made for the possibility that the General Shareholders' Meeting may establish director

compensation systems linked to the share price, or systems that entail awarding shares or share options.

According to article 24 of the Regulations of the Board of Directors, compensation through the award of company shares may also be considered for compensating non-executive directors, when this is subject to the shares being held by the director in question until he/she leaves the Board, unless he/she needs to dispose of them to settle costs related to their acquisition.

Insofar as concerns the weight of variable compensation items in respect of fixed items, the company's compensation policy has been and is for the executive directors' fixed compensation to represent a significant proportion of their total compensation.

The General Shareholders' Meeting approved the director compensation policy for 2016 and the following three years

The executive directors will receive an annual bonus in relation to the targets fixed for each year, which may total up to 50% of the fixed global compensation received by the executive directors overall as members of senior management (this percentage may be raised to 60% in the event that the targets are surpassed), depending on attainment of the objectives fixed for the group and for each director at the beginning of the period.

The company's director compensation policy does not provide for any variable compensation being paid to external directors.

In 2017, the Board of Directors distributed 510 thousand euros among its members, out of the maximum sum of 609.6 thousand euros approved by the General Meeting as the fixed annual compensation of Board members for 2017 for performing their duties and responsibilities as directors. It was allocated on the basis of the duties and responsibilities assigned to each director and whether or not he sat on any Board Committees and the distribution was proposed by the Nomination and Compensation Commission.

Likewise, the Board agreed to distribute global fixed annual compensation of 900 thousand euros among the executive directors as remuneration for their executive and senior management duties, in accordance with the terms of their contracts as executives and the terms and conditions agreed with the company, taking the duties and responsibilities performed by each director into account and likewise based on the proposal submitted by the Nomination and Compensation Commission. Once the relevant adjustments had been made in accordance with the conditions of their contracts, the executive directors received an actual total amount of 771 thousand euros as global fixed remuneration.

At the proposal of the Nomination and Compensation Commission, the Board distributed 383 thousand euros as variable compensation, taking the following three objectives assigned to each executive director for 2017 into account:

The director compensation policy does not provide for any variable compensation being paid to external directors

1. A quantitative financial objective at ROVI group level, which, for the three executives, consisted of the ROVI group's obtaining the operating revenue fixed in the 2017 Budget.
2. A second quantitative financial objective, at departmental level, which, for the three executives, considered the results obtained by the different management areas for which each one of the executives is responsible.
3. A third objective, fixed individually and qualitative in nature, consisting of the development and, if appropriate, execution of projects considered strategic for the ROVI group in which the executive directors were involved.

The Annual Director Compensation Report drawn up by the Board of Directors is available on the company's website (www.rovi.es) and at the CNMV (www.cnmv.es).

ROVI's payroll, which consisted of 1,191 employees at 31 December, 2017, received gross global annual compensation of around 63,990 thousand euros in 2016.

Ethics Framework

In order to reaffirm the values and principles which are the basis for ROVI's activities and strategies, the group has drawn up a Compliance Policy, implementation of which has been assigned to the Compliance Function. ROVI's Compliance Policy reflects its commitment to ethical behaviour and legal compliance. The Compliance Function's objective is to strive to ensure that all ROVI's interactions with its stakeholders are governed by ethics, integrity, good practice and strict legal compliance.

The Compliance Function comprises a Compliance Committee, a collegial internal body that reports directly to the Audit Committee and is considered as an advisory body to said Committee, which holds the highest responsibility in ROVI in relation to compliance and risks; and a Compliance Department, the main function of which is to ensure legal compliance and execute the guidelines issued by the Audit Committee, coordinating the day-to-day of compliance activity and providing support to both the Compliance Committee and the Audit Committee.

As the cornerstone of ROVI's Compliance Policy, the Board of Directors approved an update of the Code of Ethics on 19 February, 2018.

ROVI's Code of Ethics establishes the basic business and professional conduct requirements that the company expects of all its employees and those who work with it and is mandatory for all of them. With the approval of the Code of Ethics, ROVI seeks for all interactions with shareholders, suppliers, commercial partners, employees and society in general to be governed by ethics and good practices. According to the Code, the company undertakes to apply the highest standards of ethics and transparency in its communications, information records and reports, in relation to both financial matters and its products and activities. This implies the obligation that, when preparing the group or individual accounting, financial statements, books,

registers and accounts, legal requirements must be met and current accounting principles must be correctly applied, in order to give an accurate picture of the company's business activities and financial situation.

The body responsible for ensuring compliance with the Code of Ethics is the Audit Committee, which has delegated the daily execution of said powers to the ROVI group's Compliance Function. The latter, in accordance with the "Regulations of the Legal Compliance Function", approved by the Audit Committee on 25 July, 2017, has been assigned the supervision of ROVI's Code of Ethics, among many other functions.

ROVI also has a Code of Ethics for Suppliers and Commercial Partners, the main objective of which is to ensure that the conduct of its suppliers and other components of the value chain not only respects current legislation, but also the values of ROVI's corporate governance system, the principles set out in its Corporate Responsibility Policy and other internal group rules.

Secondly, as a basic tool to ensure compliance, ROVI has a confidential Ethics Channel which can and should be used by any company employee to inform the Ethics Channel Committee, which is the body responsible for managing the Channel, of any breach of current legislation, the Code of Ethics, internal policies and/or the voluntary codes and standards to which ROVI has adhered, such as the Code of Good Practices of the Pharmaceutical Industry, as well as any financial or accounting irregularity.

Likewise, ROVI has set up an Ethics Channel for Suppliers and Commercial Partners, in order to have a secure, confidential communications channel through which its suppliers and commercial partners may report any irregularity they may detect to the Ethics Channel Committee.

The two channels have “Regulations of the Ethics Channel for Employees and Suppliers”, the latest update of which was approved by the Audit Committee on 7 November, 2017. These Regulations state that the body responsible for managing these channels is the Ethics Channel Committee, which is likewise responsible for ensuring that all reports received are handled and managed appropriately, in full and confidentially. This body is responsible for analysing cases of non-compliance and proposing corrective measures. The possible penalties derived from non-compliance are the responsibility of the Human Resources Department.

ROVI employees may communicate with the Ethics Channel at the e-mail address canaletico@rovi.es, or by physical mail. Likewise, third parties may communicate with the Ethics Channel for Suppliers and Commercial Partners by e-mail, addressed to canaleticoproveedores@rovi.es, or through a physical mailbox located at ROVI's offices.

In 2017, only one complaint was received and has now been resolved. The Audit Committee and Board of Directors were duly informed of the facts and the decision that the company had adopted.

The company has an Anti-bribery and Anti-corruption Policy that applies to all ROVI's employees, agents and other third parties acting on behalf of ROVI. This Policy expressly prohibits any conduct that may be considered as corruption, bribery or influence-peddling. Likewise, it sets out detailed rules on giving and receiving gifts, meal or event invitations, donations and sponsorship, prohibits contributions to political parties and defines a communication system for cases of non-compliance and accounting control.

The group also strives to monitor and control the Good Governance Code recommendations. Thus, ROVI has mechanisms to prevent conduct that is damaging to its shareholders and stakeholders, such as a concentration of power, lack of transparency or lack of auditor independence.

ROVI has mechanisms in place to prevent conduct that is damaging to its shareholders and stakeholders

In this respect, on 25 July, 2017, the latest version of the “Internal Code of Conduct on the Stock Markets” was approved, the purpose of which is to ensure that the actions of the company, its governing bodies, employees and other persons subject thereto respect the rules of conduct established by stock market regulations.

Likewise, on 7 November, 2017, the Audit Committee approved the “Regulations of the Audit Committee” in accordance with the recommendations contained in Technical Guide 3/2017 of the CNMV on Audit Committees. These new Regulations reinforce the independence and autonomy of ROVI's Audit Committee.

Lastly, we mention the fact that ROVI actively supports the Universal Declaration of Human Rights and requires its employees, commercial partners, suppliers and others who work with it to comply with said principles in their day-to-day activity. The company combats practices contrary to human dignity and workplace discrimination.

Risk Management

ROVI has a Risk Management and Control System that allows any possible contingency that could prevent the attainment of corporate objectives to be identified, classified, assessed and provided with a response.

The objectives of this system, which is supervised by the Audit Commission, are to promote attainment of the proposed objectives, avoid adverse impacts derived from the materialization of risks, preserve the company's image and reputation, ensure continuity in the analysis and detection of possible threats, obtain reliable accounting information and reinforce confidence in the company's compliance with the applicable rules.

ROVI follows a risk management and control model based on three lines of defence:

*The risk
management
and control
model is
based on*
**three lines of
defence**

1

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

2

The second line of defence comprises the risk control and management service. This service is responsible for the implementation of the risk control and management system, cooperating in initially establishing it and, once it is in place, contributing to its enhancement, monitoring its performance and coordinating its development.

3

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

Responsibility for risk control, monitoring and management

According to the Risk Management and Control Policy, which includes the general risk management principles applied in Rovi, the bodies involved in this management are:

- **Audit Committee.** This is the body responsible for reviewing and supervising the company's internal control and risk management mechanisms, as well as their efficacy, so that the main risks can be appropriately identified, managed and made known.
- **Management Committee.** The Management Committee identifies, classifies, assesses and monitors the risks, taking the categories of risk and acceptable risk levels fixed by the Audit Committee into account, and applies the measures that are in place to mitigate the impact in the event that any risks materialize.
- **Head of Risk Management and Control System.** Duties include the task of implementing the System, cooperating in initially establishing it and, once it is in place, contributing to its enhancement, monitoring its performance and coordinating its development. Likewise, he/she reports periodically to the Audit Committee on the correct operation of the System and/or, if applicable, any risks that may have materialized.

Risk Control and Management Process

The steps that ROVI follows in risk management are as follows:

- **Fixing the risk level.** The Audit Committee establishes a risk classification in accordance with the possible economic impact, considering the probability of occurrence and a valuation of the losses that a risk could cause if it materialized.
- **Identification.** The different areas of ROVI proceed to identify the risks that could affect attainment of the company's objectives. Once they have been identified, risks are classified as follows:
 - **Strategic risks:** those that affect high-level objectives, directly related to ROVI's strategic plan.
 - **Operational risks:** those that affect objectives related to the efficiency and efficacy of the operations, including objectives concerning performance and profitability.
 - **Reporting risks:** they affect objectives concerning the reliability of the information provided both internally and externally.
 - **Compliance risks:** those that affect compliance with the applicable rules and legislation.
- **Assessment.** Each one of the risks identified is assessed in accordance with the probability of occurrence and impact. The assessment obtained will determine the position of each risk on the corporate risk map.
- **Determination of the response to a risk.** Measures are adopted to tackle any possible contingencies as efficiently and economically as possible, minimizing exposure. At the same time, mechanisms and procedures must be put in place to allow management to supervise the implementation of actions to neutralize any risk detected and control their effectiveness.

- **Risk management monitoring.** All the departments have both periodic and continuous information systems capable of duly capturing any changes that have either already taken place or will be taking place in the future that might prevent attainment of objectives under the forecast conditions, as well as the viability, efficiency, efficacy and sufficiency of the responses established for the different risks.
- **Reporting to the Audit Committee.** The Audit Committee is informed on at least the following aspects of risk management at least every six months:
 - Whether the Risk Control and Management System is operating efficiently or not, taking possible changing conditions, both internal and external, into account.
 - Whether Risk Management incidents are detected and solved swiftly.
 - Whether the Map has been duly updated with the applicable changes (changes in the risks considered, any applicable new risks, etc.).
 - Whether any of the risks included in the Catalogue or any other risk materialized in the preceding period.



Risk Map

The main risks to which the company considers it is exposed in respect of meeting its business objectives and which, among others, form part of the risks included in the Corporate Risk Map are:

Strategic risks:

- Changes in the market rules and regulations aimed to contain pharmaceutical expenditure (price control, reference pricing, promotion of the use of generic drugs, co-payment, purchase platforms).
- End of the contractual relationship with customers who represent a significant part of its sales or renewal under terms that are less favourable than the current ones
- Changes in the supply conditions for raw materials and other packaging materials necessary for the manufacture of its products.

Operational risk:

- Short-term delay in payment from the public authorities.

Compliance risk:

- Tax risk inherent to companies of the size and complexity of ROVI.

ROVI is permanently vigilant and alert to the risks that may have an adverse effect on its business activities, applying the appropriate principles and mechanisms to manage them and constantly developing contingency plans able to mitigate or offset their impact. Among them, we can highlight the fact that the group has an internal saving plan, which focuses on improving efficiency, and is likewise continuing with its objective of opening up new markets as a result of its international expansion plan and working incessantly to maintain broad and diversified product and customer portfolios.

Additionally, the company is prepared for any eventuality that may arise from market risks, such as exchange rate risk, which is very low because almost all the group's assets and liabilities are in euros and a large part of the transactions with foreign counterparties are carried out in euros, and cash-flow-interest-rate risk on non-current bank borrowings obtained at variable rates, which ROVI manages by trying to obtain cash flows with banks not only at variable rates but also at fixed ones, holding part of its debt with government entities through repayable advances that are not subject to interest-rate risk.

Likewise, the company implements strict credit control and effective cash management that ensures that sufficient working capital is generated and maintained to enable it to carry out its day-to-day operations. In spite of the delays in payments from the Autonomous Regions, which may have a significant effect on companies in the sector, ROVI's liquidity risk is not high, due to group management's regular monitoring of liquidity payments in accordance with the forecast cash flows, meaning that there is always sufficient cash and marketable securities to cover liquidity needs and maintain a sound financial position.

Risk materialized in 2017

The principal risk in 2017 came from the measures adopted by the national and regional governments over recent years to reduce the public health deficit. The pharmaceutical expenditure containment measures that have been affecting the pharmaceutical sector over recent years through Royal Decree-Laws 4 and 8/2010, 9/2011 and 16/2012 and, in particular, Royal Decree 177/2014 of 21 March, which regulated the reference pricing system and homogenous drug groups in the National Health System and certain information systems concerning medicine and health product financing and prices, as well as the successive Ministerial Orders that updated the reference pricing system for medicines in the National Health System, have been causing a significant decrease in public expenditure on pharmaceuticals in Spain since 2010.

The latest changes to the reference pricing system were the entry into force of Order SSI/2160/2015, Order SSI/1305/2016 and Order SSI/1157/2017, which updated the reference pricing system for medicines in the National Health Service in 2015, 2016 and 2017, respectively. These changes did not have a material impact on ROVI, since the number of group products affected was very low and, moreover, they had already been affected by previous Royal Decrees or Ministerial Orders.

Although, basically, the impact of these latest measures has been minimal for ROVI because its product portfolio is new, the company continues to work to maintain a well-diversified product portfolio in which the boost provided by innovative

and competitive products offsets and surpasses the deceleration of those most affected by the governmental and regional measures to contain pharmaceutical expenditure. Additionally, ROVI is persevering with an internal saving plan that has concentrated principally on enhancing the efficiency of its internal and external operating processes.

*The company
continues
to work to
maintain
**a highly-
diversified
product
portfolio***

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Results for the period

Once again, ROVI has been faced with an unfavourable environment in which, as expected, health expenditure dropped by 6% to 5.8% of the GDP, according to the draft 2018 Budget. Sales of ROVI's prescription pharmaceuticals grew by 3% in 2017, surpassing the market by one percentage point. Operating revenue rose by 4% to 275.6 million euros. This increase is mainly the result of the strength of the contract manufacturing business, the revenue of which rose by 8%, and the pharmaceutical specialities line, which increased by 3%, slightly surpassing the pharmaceutical market average. Total revenue rose by 4% in 2017, totalling 277.4 million euros.

Gross profit increased by 8% in 2017, totalling 167.2 million euros, reflecting an increase of 2.3 percentage points in the gross margin for the year, which was 60.7%, in comparison with 58.3% in 2016. This increase in the gross margin was also due to the increase in contract manufacturing sales, especially in the injectables division, which give higher margins, and growth in Bemiparin sales.

The net profit dropped to 17.2 million euros in 2017, a reduction of 34% in comparison with the preceding period. Likewise, EBITDA fell by 22% to 30.5 million euros in 2017, reflecting a drop of 3.8 percentage points of the EBITDA margin, which was 11.1% in 2017, compared to the 14.8% obtained in 2016. Finally, EBIT decreased by 33% to 19.0 million euros in 2017, which, compared to 2016, was a drop of 3.8 percentage points in the EBIT margin, which fell from 10.7% in 2016 to 6.9% in 2017.

However, if these lines are calculated excluding R&D expenses in 2017 and 2016 and the impact of non-recurring revenue in 2016, they become double-digit

*Gross profit
increased by
8% in 2017,
totalling*
**167.2 million
euros**

figures in 2017. Net profit grew by 16%, rising from 38.7 million euros to 45 million euros, while EBIT attained 13% growth, increasing from 41.8 million euros in 2016 to 47.3 million euros in 2017, reflecting an increase in the EBIT margin of 1.4 percentage points to 17.1% in 2017. EBITDA rose by 11%, from 52.8 million euros in 2016 to 58.7 million euros in 2017, showing an increase of 1.4 percentage points in 2017, when it was 21.3%.

Consolidated statement of financial position

(thousands of euros)

ASSETS	31 December, 2017	31 December, 2016
NON-CURRENT ASSETS		
Property, plant and equipment	89,056	82,822
Intangible assets	27,078	24,872
Investment in joint venture	2,054	2,571
Deferred tax assets	11,893	10,252
Available-for-sale financial assets	69	70
Financial receivables	65	189
Total non-current assets	130,215	120,776
CURRENT ASSETS		
Inventories	75,492	67,386
Trade and other receivables	49,747	53,842
Current tax assets	2,228	4,466
Cash and cash equivalents	40,700	41,378
Total current assets	168,167	167,072
TOTAL ASSETS	298,382	287,848
EQUITY		
CAPITAL AND RESERVES ATTRIBUTABLE TO COMPANY SHAREHOLDERS		
Share capital	3,000	3,000
Legal reserve	600	600
Treasury shares	(8,407)	(8,701)
Retained earnings and voluntary reserves	179,255	162,421
Profit for the period	17,241	26,089
Reserve for available-for-sale assets	(2)	(3)
Total equity	191,687	183,406
LIABILITIES		
NON-CURRENT LIABILITIES		
Financial debt	27,029	20,828
Deferred tax assets	1,438	1,640
Deferred revenue	5,005	5,532
Total non-current liabilities	33,472	28,000
PASIVOS CORRIENTES		
Financial debt	16,208	12,966
Trade and other payables	52,942	59,852
Deferred revenue	565	746
Provisions for other liabilities and charges	3,508	2,878
Total current liabilities	73,223	76,442
TOTAL LIABILITIES	106,695	104,442
TOTAL EQUITY AND LIABILITIES	298,382	287,848

Consolidated income statement

(thousands of euros)

	Period ended 31 December	2017	2016
Revenue		275,649	265,166
Cost of sales		(110,192)	(112,024)
Employee benefit expenses		(63,990)	(60,465)
Work carried out by the group on its own assets		2,057	-
Other operating expenses		(74,809)	(58,916)
Depreciation, amortization and impairment		(11,479)	(11,023)
Recognition of government grants on non-financial assets and other		1,773	1,565
Other income		-	3,997
OPERATING PROFIT		19,009	28,300
Finance income		93	426
Finance costs		(1,013)	(915)
FINANCE COSTS - NET		(920)	(489)
Share in profit from joint ventures		(567)	71
PROFIT BEFORE TAX		17,522	27,882
Income tax		(281)	(1,793)
PROFIT FOR THE PERIOD		17,241	26,089

Net
profit

17.2

MILLION EUROS

Bemiparin and enoxaparin biosimilar, guarantees for the future

ROVI's main business lines showed significant growth in 2017 and their growth prospects for forthcoming years are optimistic, accompanied by the forecast of an increase in pharmaceutical spending in the European countries where ROVI has direct presence. The company is not only prepared for this environment, but is in an unbeatable position, due to the development and marketing of new products, such as the enoxaparin biosimilar Doria® and Letrozol ISM®.

Sales outside Spain grew by 5%, totalling 79.9 million euros in 2017, mainly due to the increase in the international contract manufacturing business and the recognition of sales of the enoxaparin biosimilar. They accounted for 29% of operating revenue in 2017, similar to the 2016 figure.

Prescription pharmaceutical sales rose by 3% to 183.2 million euros. ROVI's flagship product, Bemiparin, a low-molecular-weight heparin (LMWH) achieved a 5% sales increase to 83.9 million euros. In Spain alone, under the Hibor® brand, they increased by 7% to 58.8 million euros, while, outside Spain, they totalled 25.1 million euros.

Sales of the enoxaparin biosimilar that ROVI has been distributing in Germany since September 2017 were 1.5 million euros, 1 million euros of which were recorded in December. These sales allow ROVI to be optimistic about this product's contribution to group sales in years to come.

Attention should be drawn to the fact that ROVI ceased to market both Corlantor® and Thymanax®, in the first half of the year and November 2017, respectively.

For 2018, ROVI expects the operating revenue growth rate to be in mid-single digit numbers and for sales of the enoxaparin biosimilar to be within a range of 20 to 30 million euros.

The company expects its growth engines to be Bemiparin, the latest distribution licence agreements (Neparvis®, Volutsa®, Orvatez® and Ulunar®), the enoxaparin biosimilar, new product distribution licences and new customers in the contract manufacturing area.

Sales by product

(million euros)

Bemiparin (Hibor®)



Enoxaparin biosimilar



Vytorin®, Orvatez® and Absorcol®



Hirobriz® Breezhaler® and Ulunar® Breezhaler®



Volutsa®



Medicebran® and Medikinet®



Neparvis®



Corlantor®



Exxiv®



Thymanax®



*ROVI
maintains
a low
financial
leverage,
following its
conservative
financial policy*

Further growth in contract manufacturing

The contract manufacturing sales figure grew by 8% in 2017 in comparison with the 2016 figure, totalling 61.1 million euros, very close to the sales obtained in 2015 (62.3 million euros). This recovery was mainly due to the favourable evolution of the injectables business, the revenue of which increased by 13% as a result of the higher volumes manufactured for some customers and the performance of the Frosst Ibérica plant, the revenue of which rose by 2%.

Sales of diagnostic imaging contrast agents and other hospital products increased by 2%, to 28.5 million euros, in 2017, continuing the slightly upward trend they have been following since 2015.

Decrease in OTC product sales

Sales of non-prescription pharmaceuticals ("OTC") and others dropped 19% to 2.6 million euros in 2017, in comparison with the preceding year. The 2017

OTC sales do not include the sales of the EnerZona products, while sales of 0.5 million euros were recorded in 2016 for this product, before the joint venture between ROVI and Enervit was created for the distribution of nutritional products in Spain and Portugal.

Analysis of the financial situation

Regarding capital management, ROVI is still true to its goal of having low leverage. This makes it easier for the group to obtain external funding to undertake new investments if necessary, as shown by the agreement signed with the European Investment Bank in 2017.

At 31 December, 2017, ROVI had total debt of 43.2 million euros. Debt with government entities, at a 0% interest rate, represented 28% of the total debt

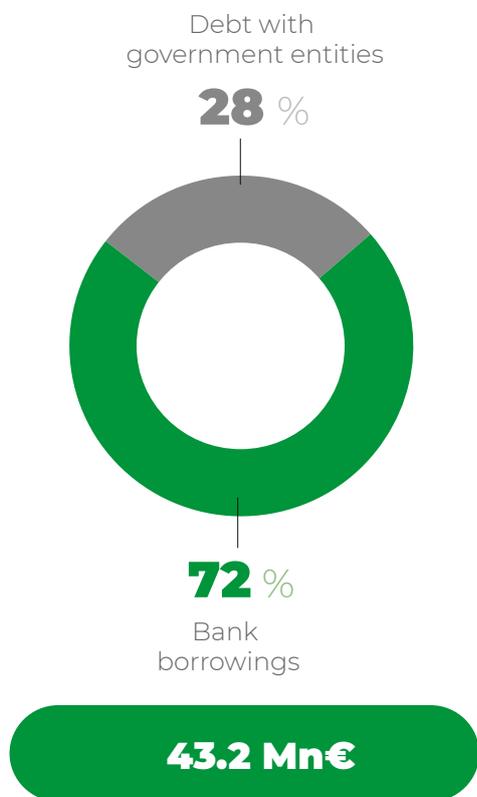
Bank borrowings increased by 10 million euros. In 2017, ROVI raised its bank borrowings with a new loan of 20 million euros, with a fixed interest rate of 0.65%, repayment period of three years and a 17-month grace period. Likewise, in December 2017, ROVI announced that the European Investment Bank had granted it a credit to support its investments in Research, Development & Innovation. The credit is for 45 million euros, which ROVI may draw over a period of 24 months as from signature of the contract, and will mature in 2029. The credit allows a three-year grace period and financial conditions (i.e. applicable interest rate, repayment periods, etc.) favourable to ROVI.

The increase in working capital in 2017 was due mainly to a rise in inventories of 8.1 million euros, principally as a consequence of higher levels of heparin stocks in the year; a 6.9 million euro decrease in "Trade and other payables"; a reduction of 4.1 million euros in "Trade and other receivables"; and a cash decrease of 0.7 million euros in 2017.

At the end of the period, ROVI held a gross cash position of 42.1 million euros, compared with the 42.8 million euros at the same date of 2016, and net debt of 1.1 million euros (available-for-sale financial assets, plus deposits, plus cash and cash equivalents, less current and non-current financial debt), as opposed to net cash of 9.0 million euros in the preceding year.

Breakdown of debt

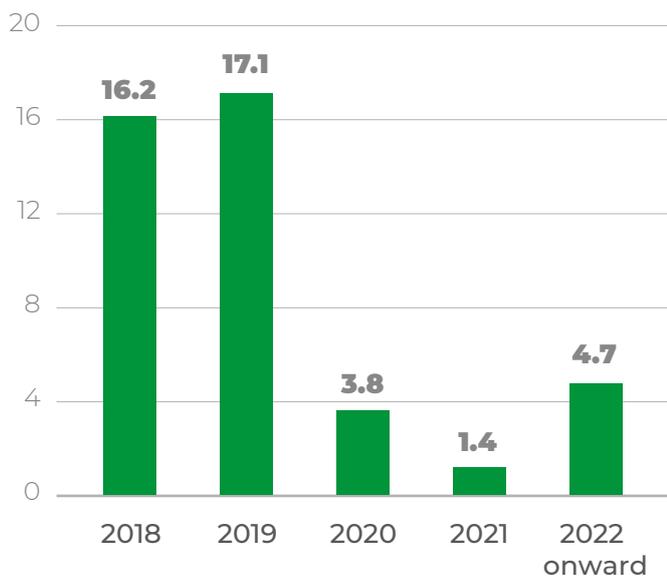
(percentage)



*Debt with government entities, at a 0% interest rate, represents **28% of the total debt***

Debt maturities

(million euros)



Consolidated statements of cash flow

(thousands of euros)

	Period ended 31 December	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		17,522	27,882
ADJUSTMENTS FOR NON-MONETARY TRANSACTIONS:			
Amortization, depreciation and impairment		11,479	11,023
Interest income		(93)	(426)
Impairment losses		(1,437)	1,864
Interest expense		1,013	915
Net changes in provisions		630	381
Grant on non-financial assets and income from distribution licences		(2,012)	(1,847)
Gain/(loss) on creation of joint venture		-	(3,997)
Share in profits/(losses) of joint ventures		567	(71)
CHANGES IN WORKING CAPITAL			
Trade and other receivables		3,534	4,131
Inventories		(6,454)	(4,940)
Trade and other payables		(6,910)	13,505
OTHER COLLECTIONS AND PAYMENTS:			
Proceeds from distribution licences		87	505
Income tax cash flow		113	(3,399)
Net cash generated (used) in operating activities		18,039	45,526
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of intangible assets		(5,012)	(8,396)
Purchases of property, plant and equipment		(14,932)	(9,680)
Proceeds from sales of property, plant and equipment		25	43
Investment in joint venture		-	(3)
Sale of investments in joint ventures		450	1,000
Interest received		285	738
Net cash generated (used) in investing activities		(19,184)	(16,298)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of financial debt		(13,084)	(10,274)
Proceeds from financial debt		22,350	797
Interest paid		(253)	(230)
Purchase of treasury shares		(532)	(987)
Reissue of treasury shares		1,011	446
Dividends paid		(9,025)	(6,853)
Net cash generated (used) in financing activities		467	(17,101)
Net (decrease)/increase in cash and cash equivalents		(678)	12,127
Cash and cash equivalents at beginning of the period		41,378	29,251
Cash and cash equivalents at end of the period		40,700	41,378

Investments

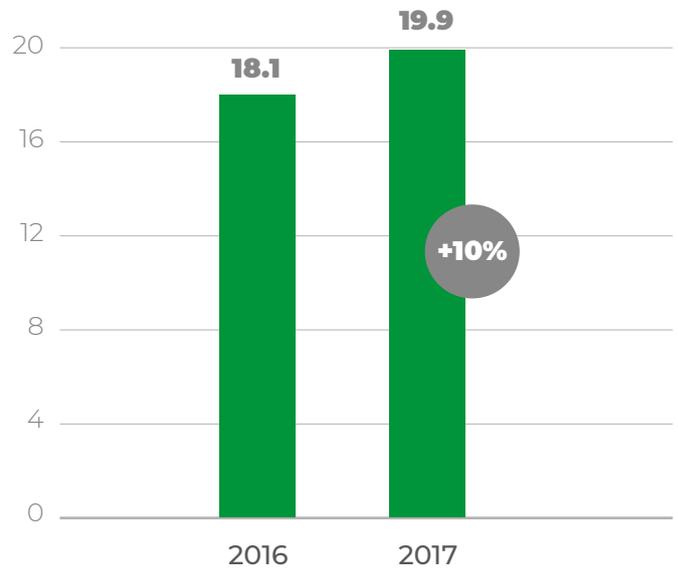
ROVI invested 19.9 million euros in fixed assets in 2017, in comparison with the 18.1 million euros of 2016. The following investments may be highlighted:

- 2.9 million euros were invested in the injectables plant, in comparison with the 2.6 million euros invested in 2016.
- 4.8 million euros were applied to investments in the San Sebastián de Los Reyes plant in 2017, in comparison with the 3.2 million euros invested in 2016.
- 1.6 million euros were invested in the Granada plant, in comparison with the 0.6 million euros invested in 2016.
- 3.8 million euros were invested in the Alcalá de Henares (Frosst Ibérica) plant, in comparison with 2.6 million euros in 2016.
- 6.8 million euros related to investment in maintenance and other (including expenses of 4.5 million euros for the enoxaparin biosimilar), in comparison with the 9.1 million euros invested in 2016 (which included the investment related to the distribution agreements for the products Neparvis® and Mysimba®).

Investments were **19.9 million euros in 2017**, in comparison with the 18.1 million euros of 2016

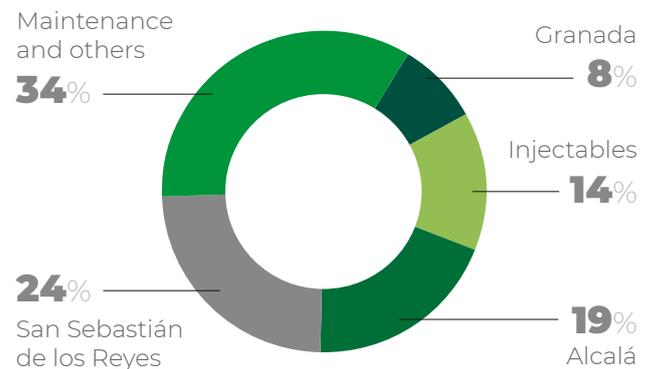
Evolution of CAPEX

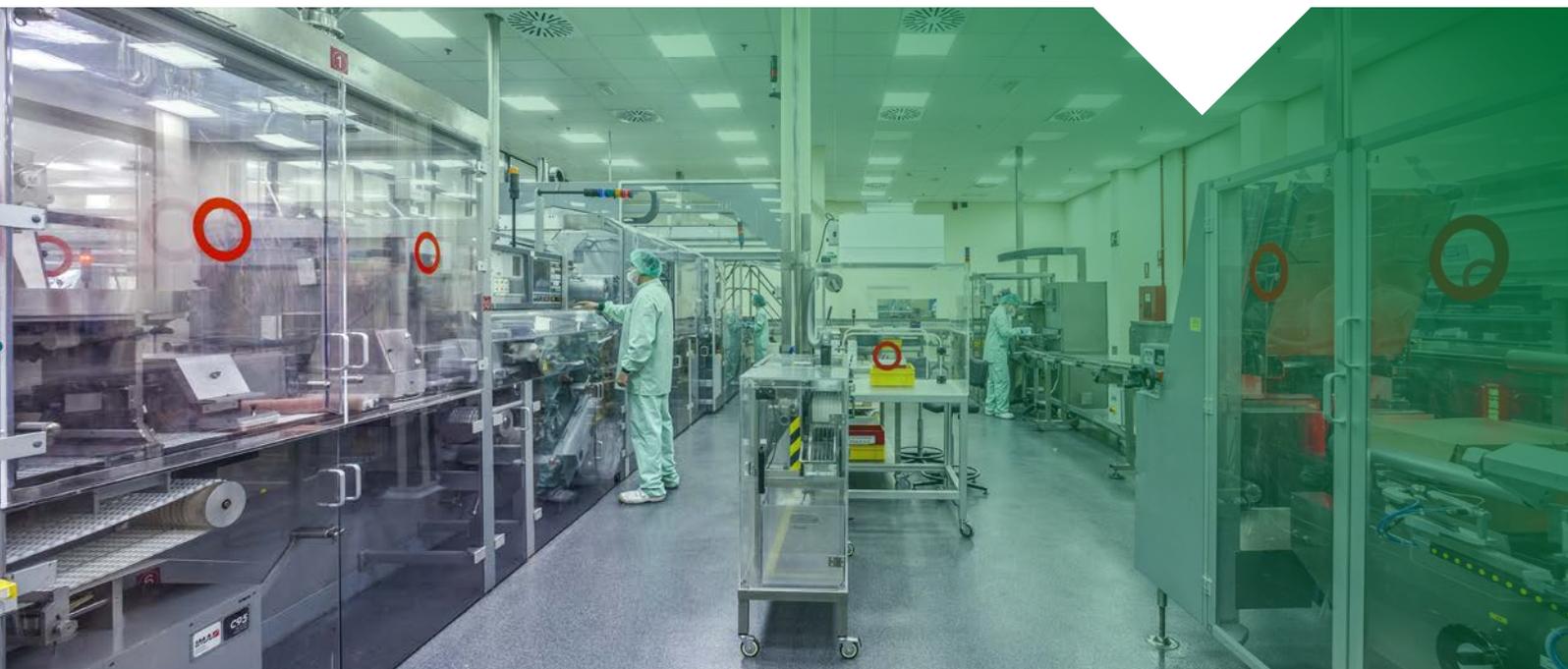
(million euros)



Breakdown of CAPEX

(percentage)





Evolution of R&D projects

As explained in greater detail in the Innovation and technology section of this Annual Report (see pages 42 to 50), ROVI has made significant progress in the development of Doria[®], the first candidate of its leading edge drug-release technology, ISM[®], for a prolonged release of risperidone, a second-generation antipsychotic medicine the use of which is consolidated in the treatment of schizophrenia.

After successfully completing the program for Phases I and II of Doria[®], ROVI commenced the crucial Phase III trial, "PRISMA-3", with the recruitment of the first patient in May 2017. Long-acting injectables (LAIs) are becoming the benchmark for the care of schizophrenia, rather than the oral treatment, and, with Doria[®], ROVI hopes to occupy a prominent position in schizophrenia treatment with LAIs in the United States and Europe, with an estimated total value of 3,400 million dollars in 2021 (2,500 million dollars in the United States and 930 million dollars in the five main markets in Europe).

The driving strategies of Doria[®] are:

- Doria[®] is a long-acting injectable (LAI) based on the ISM[®] technology developed by ROVI.

- LAIs are becoming the usual treatment for schizophrenia.
- Doria[®] has a good pharmacological profile, which allows a swift effect and single monthly injection, with no oral supplements or loading doses.
- The monthly injection implies a complete medical supervision of the patient. All the problems that may arise with an oral product are eliminated and a lower relapse rate is guaranteed, which justifies the pharmoeconomic profitability of LAIs.

In addition, ROVI commenced the first clinical trial of Phase I of Letrozol ISM[®] in November 2017. Letrozol ISM[®] is a long-acting injectable aromatase inhibitor to treat hormone-dependent breast cancer. ROVI's goal is to obtain a long-acting (2 or 3 months) injectable formulation of letrozole that avoids the need for a daily dose and is included the market for the maintenance treatment of breast cancer.

Results

(million euro)

Net sales: **240.5 million euros**

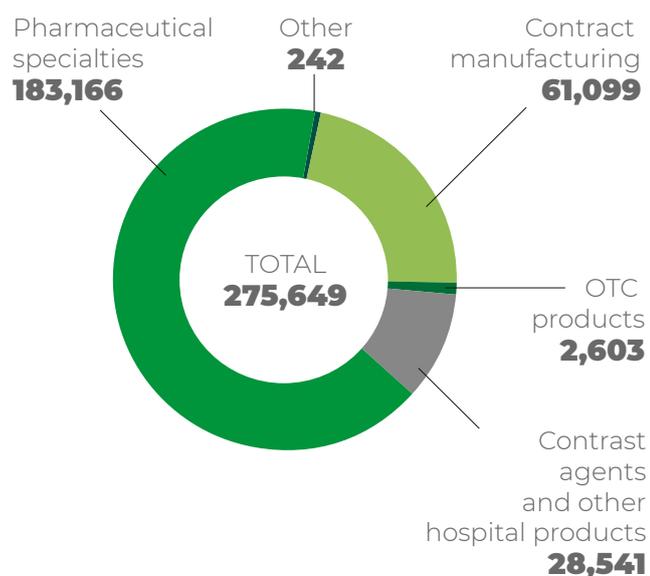
EBITDA: **30.5 million euros**

Operating profit: **19.0 million euros**

Attributable net profit: **17.2 million euros**

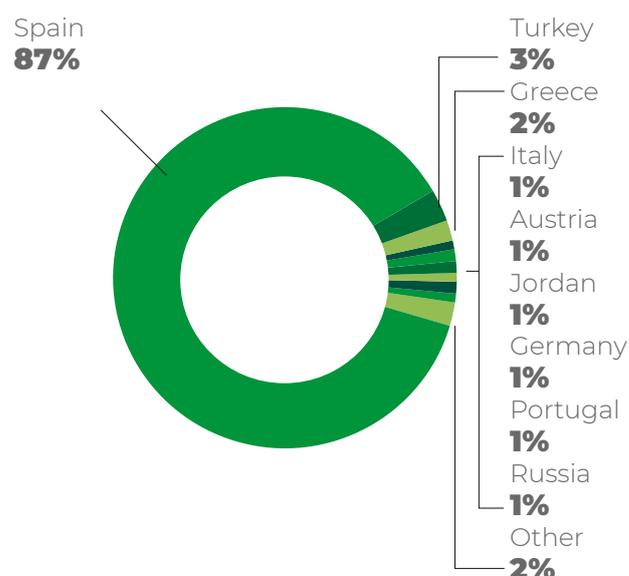
Sales by activity

(thousands euros)



Sales by location

(porcentaje)



Financial position

Net financial debt: **1.1 million euros**

Net financial debt / EBITDA: **1.1 mill. euros / 30.5 mill. euros**

EBITDA / financial result: **30.5 mill. euros / (0.920) mill. euros**

Leverage (%): **0.57%**

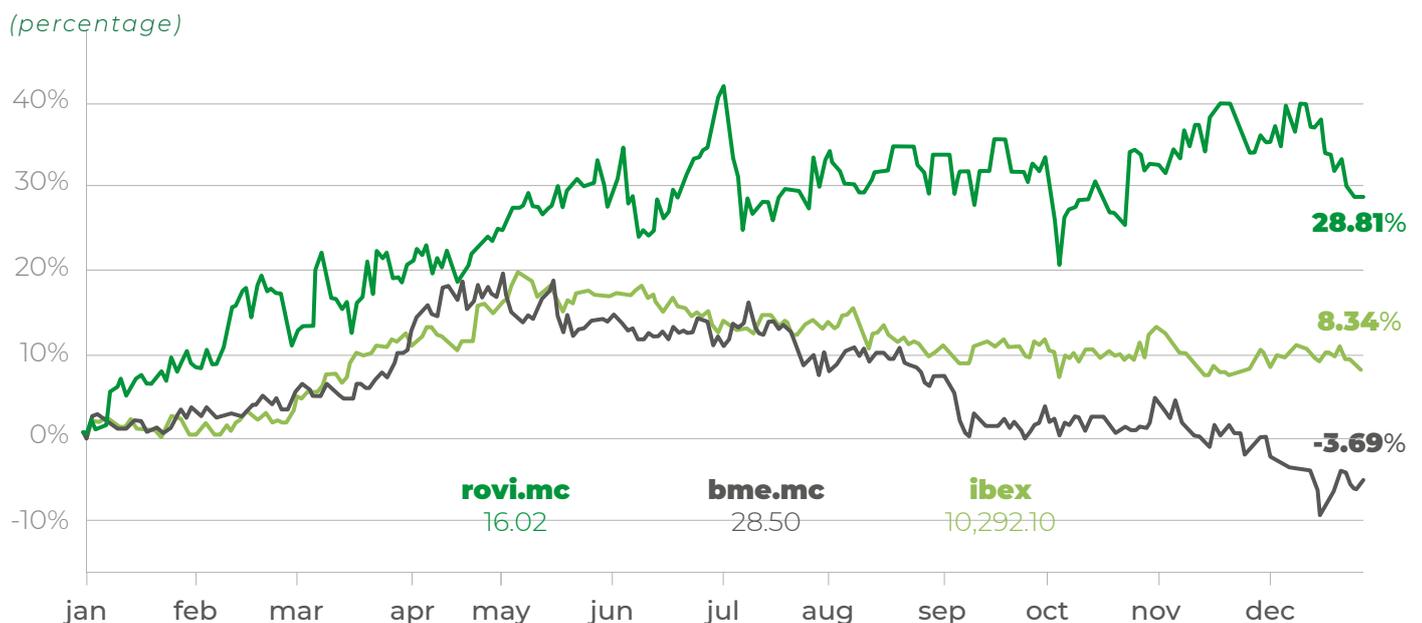
Stock market information

After an irregular year in 2016, when ROVI's share price was lower at the end of the year than at the beginning, record figures were achieved in 2017 and the ROVI share showed itself to be one of the most profitable securities with the highest growth rate on the market. Starting at 12.33 euros per share at 30 December, 2016, it closed 2017 with a value of 15.65 euros, reaching an all-time-high of 17.25 euros per share in July.

Until the second quarter, ROVI's growth was above that of the market. Furthermore, in the second half of the year, when some of the main indexes, such as the Continuous Market and the Ibex-35, began to show some deterioration and a fall in price, this was not the case of the ROVI share, which continued upwards and reached growth of 27% at the end of 2017 in comparison with the previous year. The Ibex-3 grew by 7% in the year, meaning that the ROVI share exceeded the index price by 20 percentage points in 2017.

The price of the ROVI share exceeded the Ibex-35 index by 20 percentage points

Evolution of the share in comparison with the Continuous Market and Ibex-35



The announcement, in the first quarter of the year, of the decentralized procedure to register the enoxaparin biosimilar in 26 European countries, was a key factor in the rise in the ROVI share value and the good prospects of the development and marketing of Doria® between 2017 and 2019 are expected to have a positive impact on the share price over forthcoming years.

Furthermore, ROVI's good financial results will allow the General Shareholders' Meeting to propose a dividend charged to the 2017 profit of 0.1207 euros per share entitled to receive it, which

would mean that approximately 35% of the 2017 net consolidated profit would be distributed.

Shareholders owning significant direct or indirect interests of more than 3% in the share capital of Laboratorios Farmacéuticos Rovi, S.A. of which the company is aware, according to the information in the official records of the National Securities Market Commission at 31 December, 2017, are the following:

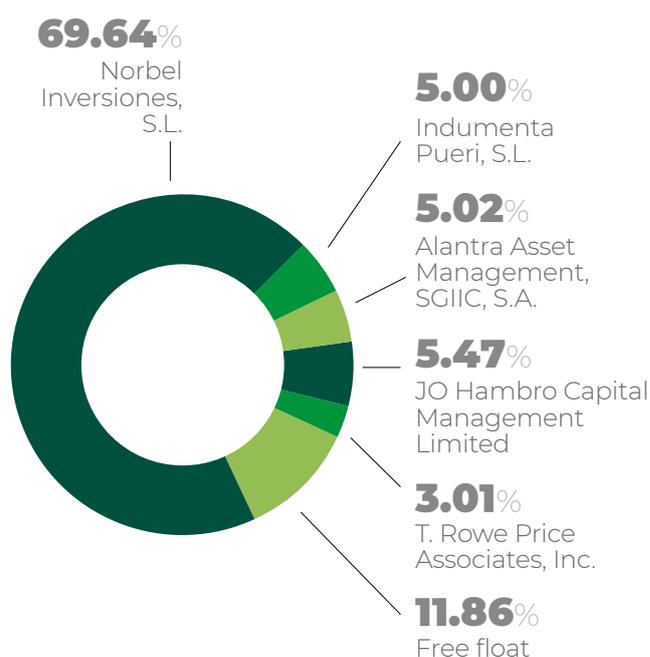
The company Norbel Inversiones, S.L. holds 69.64% of the shares of Laboratorios Farmacéuticos Rovi,

Sotck market figures

2017

Number of shares	50,000,000
Closing price	15.65 euros
Capitalization at 31/12	782,500,000 euros
Total dividend	9,025,000 euros
Dividend per share paid in 2017 against the 2016 profit	0.1830 euros
Proposed dividend per share against the 2017 profit	0.1207 euros
Pay-out (as percentage of net consolidated profit)	35%
Earnings per share	0.34 euros
PER	49.43

Shareholden composition



Alantra Asset Management, SGIC, S.A. is a collective investment institution management company to which the shareholders QMC II Iberian Capital Fund and QMC II Iberian, S.L. have delegated the management of their interest in ROVI and, therefore, exercises the voting rights of said shareholders.

S.A. Norbel Inversiones, S.L. is owned by Juan López-Belmonte López (20.00%) and Messrs Juan, Iván and Javier López-Belmonte Encina (26.67% each). Therefore, Mr Juan López-Belmonte López held an interest of 13.93% in the share capital of ROVI at the end of the 2017 and 2016 reporting periods, while Messrs Juan, Iván and Javier López-Belmonte Encina each held 18.57% at the end of both 2017 and 2016.

The rest of the shareholders with significant interests are as follows:

- Indumenta Pueri, S.L. is the asset management company of the Domínguez family, which owns the children's fashion company Mayoral in Malaga.
- Alantra Asset Management SGICC, S.A. is a collective investment institution management company headquartered in Madrid.
- QMC II Iberian Capital Fund, FIL is a company that has delegated management of its assets to Alantra Asset Management, SGIIC, S.A. Consequently, the voting rights of the funds will be exercised by Alantra Asset Management, SGIIC, S.A..
- JO Hambro Capital Management Limited is a collective investment institution management company headquartered in the United Kingdom.
- T.Rowe Price Associates, Inc Limited is a collective investment institution management company headquartered in the United States.

Since the company was first listed on the stock markets, it has reported regularly on all its activities and keeps its "Policy for Communication with Shareholders, Institutional Investors and Proxy Advisors" updated, ensuring that it is applied. It likewise has several channels for direct communication with investors, including an e-mail address for direct queries (ir@rovi.es), with form on the website (www.rovi.es/contacto).

If they so wish, shareholders have the possibility of receiving ROVI's financial information automatically through an e-mail alert system and the group provides regular, prompt and relevant information on the company, such as presentations

and legal documents on economic and financial aspects and corporate governance, which may be consulted on the corporate website www.rovi.es.

Investor relations activity

ROVI carries on intensive investor relations activity, which resulted in a total of 115 meetings in 2017 and contact with 150 investors, who received attention at 47 events all over the world (Madrid, Paris, London and New York). Furthermore, 10 analysts were covering ROVI at the end of 2017.

*There was a total of 115 meetings and contact with **more than 150 investors**, who received attention at 47 events*

Customers, patients and professionals

ROVI considers itself to have a triple commitment with customers, patients and professionals. They are the centre of its day-to-day activity and it wants to achieve a high degree of satisfaction with them, creating solid and long-lasting relations of trust.

Its goal is, therefore, to meet the needs and expectations of its customers, whether it be by providing “a la carte” services in the contract manufacturing area or by offering the best treatment options to health professionals, not forgetting the patients who may benefit from the latest advances and best medicines for treatment of their complaints.

The group divides its activity into contract manufacturing and the distribution of products either manufactured at our plant or marketed under licence. ROVI offers other laboratories the possibility of outsourcing their manufacturing processes for a broad range of pharmaceutical forms, including prefilled syringes, vials, suppositories, tablets, hard capsules and sachets.

Likewise, ROVI's products are distributed to subsidiaries and international partners, pharmaceutical wholesalers, pharmacies and hospitals all over Spain, which form a new group of differentiated customers for the company.

Finally, ROVI has been working as a marketing partner for medicines and medical devices of other companies for years. In 2017, the group held marketing agreements with, among others, Astellas Pharma, MSD, Novartis and Orexigen.

The group considers it essential to establish long-lasting commercial relationships based on proximity, with a permanent approach of providing service and trust. To do this, it has set up a query channel for information requests by both international partners, through an exclusive portal created in 2008 (www.bemimed.com), and direct customers, patients and professionals.

ROVI's principal objective is to
guarantee the quality, safety and efficacy
of its products

Quality, safety and efficacy

The principal objective of ROVI and all the people who form part of it is to guarantee the quality, safety and efficacy of its products. To do this, all the group companies have put in place procedures that describe the controls performed at all stages of the processes, including product research and development, the receipt of raw materials, packaging materials, production, storage and distribution to our customers.

Through the Bemimed portal, complaints are received. The company then initiates an enquiry process to identify the cause, provide the remedy and prevent repetition. The enquiry may involve several departments or even suppliers and/or subcontractors. The efficacy of these actions is analysed annually by ROVI management in the system review.



The standards in place meet the company's internal requirements and the external requirements imposed by the regulatory bodies of the different products that make up our portfolio. In order to assess compliance with these procedures, internal audits of all the group's facilities are performed regularly. Annually, there are management reviews, in which the main points of our organizations that require improvement are analysed.

Furthermore, the quality audits performed by external entities show the commitment to continuing improvement and the upholding of high quality standards.

Moreover, depending on the frequency established in the legislation applicable to the products, all the group companies are inspected by either the Spanish health authorities or those of the countries to which their products are exported.

In 2017, the Manufacturing Quality Department at the Alcalá plant attended to 105 complaints and the Distribution Quality Department, 102 (claim/million units put on the market: 6.90).

Constant vigilance of patient safety

ROVI, as a medicine manufacturer and distributor, is committed to the safety of the patients to which its medicines are administered. In this respect, it has established the appropriate controls to ensure that the medicines maintain the best benefit/risk balance and, furthermore, has implemented a pharmacovigilance system that allows any adverse reactions to our medicines and health products to be detected.

An adverse reaction is any response to a medicine that is harmful and unintentional. ROVI has the e-mail address farmacovigilancia@rovi.es for reporting adverse reactions.

In compliance with the established guidelines, 629 adverse reactions were recorded in 2017.

Human Resources

For ROVI, the training and preparation of its employees is of crucial importance and, therefore, the company applies significant resources to investment in human capital. Through preparation and training, it foments professional evolution and growth.

ROVI strives for and promotes good relations, proper treatment and tolerance among its employees and the people with whom it works through training activities and programs, providing opportunities for dialogue and mediation. The design and implementation of Human Talent Development Policies form the process whereby the ROVI group, depending on its objectives, establishes its personnel needs and defines its human talent management plans and programs, in order to integrate personnel management and practices into the organization's priorities.

Equality at ROVI, a committed company

ROVI has an Equality Plan that establishes mechanisms in areas such as selection and recruitment, internal promotion and professional development, training, remuneration, work-life balance, the prevention of gender violence and harassment, and communication.

In each and every one of the areas in which it carries on its activity, with regard to selection, promotion, wage policy, training, work and employment conditions, workplace health, the organization of working time, and work-life balance, ROVI assumes the principle of equal opportunities for women and men, paying special attention to indirect discrimination, defined as the situation where an apparently neutral rule, criterion or practice places a person of one gender at a particular disadvantage in comparison with people of the other gender. As a result of these policies, the ROVI payroll has a higher percentage of women than men.

*ROVI has an
**Equality
Plan**
that
establishes
control
mechanisms
in different
areas*

As of 31 December, 2017, there were 1,191 employees on the payroll (1,150 at 31 December, 2016), representing net job creation of 41 posts. A payroll of highly-qualified, young and dynamic professionals, based on equal opportunities. 664 of them were women (636 at 31 December, 2016). The percentage of total women employees was 56% in 2017, in comparison with 55% in 2016.

This equality policy is likewise reflected in ROVI's Board of Directors, where the selection criteria for the appointment of directors is based on the candidates' merit (people of recognized knowledge, skills and experience) and the potential candidates may include both men and women who meet these requirements. For this reason, one of ROVI's objectives in the equality policy for director selection is for the number of women directors to represent at least 30 percent of total Board members in 2020. ROVI will,

therefore, promote the presence of women candidates in director selection and renewal processes.

Another of the lines of work from the Human Resources Department is the fight against absenteeism, the rate of which was 1.89% in December 2017. The group's objective is to keep this indicator below 3%.

Attracting and retaining talent

ROVI's success requires, indispensably, that it should be able to select and retain talent transparently and effectively. Therefore, its Selection Policy is based on principles such as:

- Equal opportunities.
- Objectivity and impartiality. Selection processes are based on merits and capabilities.
- Confidentiality in the process.
- Favouring the recruitment of young people, people from disadvantaged groups and differently-abled people.
- Promotion and reinforcement of internal candidatures.

The Human Resources Department is responsible for designing and managing these policies.

ROVI group workers enjoy a series of social benefits (life insurance) and flexible items of remuneration at their personal choice, such as health insurance, restaurant vouchers, nursery school vouchers or public transport vouchers.

Continuing training of the best professionals

For ROVI, the training and preparation of its employees is of crucial importance and, therefore, the company applies significant resources to investment in human capital. Through preparation and training, it foments professional evolution and growth, involving both the professional and his/her direct superiors. Young professionals have the support

of more experienced colleagues who guide them and help to develop their technical skills. Thus, ROVI favours and ensures the transfer of the knowledge and experience acquired by senior professionals, another of the great assets of the group's payroll, to the new generations.

The company's investment in training has grown annually. In 2017, the total number of hours of training, including both internal and external training, grew by 8% in comparison with 2016 and the sum allocated to training during 2017 grew by 1.5% in comparison with 2016. 92% of the employees received training in 2017; the average investment in training per employee per year was 428.1 euros and the hours of training per employee per year were 25.75. 52% of the payroll learns using the new technologies (e-learning).

In 2017, the requirements of the standard SA-8000 were revised and, therefore, companies holding the SA-8000 certification, like ROVI, have raised awareness regarding the requirements among all their employees.

Occupational Hazard Management Policies

Managing risks related to the employees falls within the scope of the department that handles exclusively aspects related to environmental management, as well as those concerning workplace health and safety in the whole group.

This department is responsible for managing occupational hazards. ROVI has an Integrated Environmental and Occupational Hazard Prevention Management Policy, applicable to the whole group. Its objective is to protect the life, physical integrity and health of all the workers, including both the group's own workers and those of companies who work with ROVI. This Policy is based on a series of corporate procedures, as well as local procedures or work instructions specific to each centre.

The principal occupational hazards identified by ROVI, having followed the corporate procedure for identifying hazards, assessing risks and determining controls, are mainly those inherent to a production plant: contact with and exposure to chemical products, noise exposure, overexertion, etc.

These risks are managed through planning the preventive activity (existence of specific procedures compliance with which minimizes the probability that these risks will materialize) and training (there are occupational hazard training plans and refresher plans). Furthermore, the risks identified are managed in accordance with the specific procedures created to control and regularly monitor the actions taken, such as those concerning work permits, safety inspections and the identification and evaluation of legal requirements.

The application of all these policies allowed the accident rate target to be attained in all the group companies in 2017 (1.8%) and a total sum of 327,800 euros was invested in Occupational Health and Safety.

The group has several Health and Safety Committees, on which all ROVI employees (100%) are represented.

Work-life balance and healthy lifestyle

ROVI's commitment with its employees is a key factor in the company's success. The work-life balance is also part of this concern. The wellbeing and health of the workers has a direct effect on value creation in the company. Since 2012, there have been flexible

working hours to help to enhance our employees' quality of life.

In 2017, 49 people (38 women and 11 men) enjoyed shorter working hours to enable them to reconcile their personal and professional lives. Three of them have not yet returned. In 2016, the number of people was 33.

In addition, in the aspect of promoting healthy lifestyle habits among employees, the initiatives that had been in progress since 2015 were reinforced, such as healthy breakfasts, vending machines that provide healthy food at the plants, sports at nearby sports centres and the participation in races, such as the Charity Race of the Fundación También in October 2017 and the Companies' Race organized by the publication "Actualidad Económica" last December.

Trade union information and collective agreement cover

ROVI has an adequate relationship with the workers' representatives. The ROVI group adheres to the XVIII Chemical Industrial Collective Labour Agreement, last signed and updated in 2015. 100% of the employees are covered by this Agreement or the agreements applicable in each specific work area (offices, sales, etc.). The company not only complies with the Agreement, but also implements certain enhancements, such as paying a supplement to Social Security benefits in the event of sick leave.

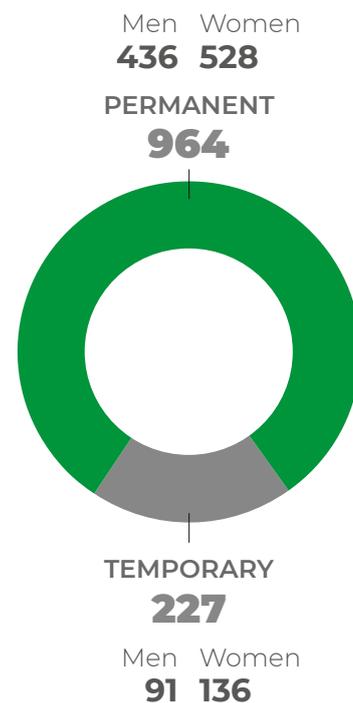
Safety at work

	2017	2016
Accident rate (n° accidents / n° workers)*100	1.08	1.30
Investments in OHS	327,800€	321,112€

Employees at 31 December 2017

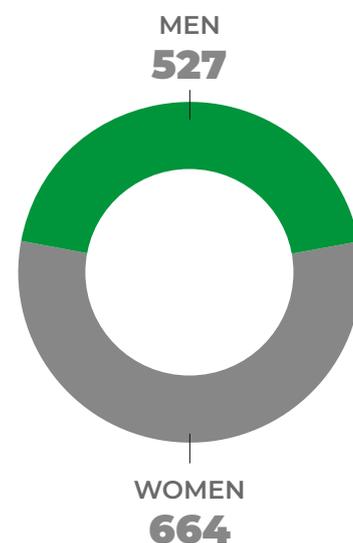
Employees by type of contract

	Permanent	Temporary	TOTAL
Lab. Fcos. Rovi	380	68	448
Rovi CM	302	94	396
Bemipharma	0	0	0
Panquímica	109	4	113
Gineladius	0	0	0
Frosst Ibérica	164	61	225
Germany	4	0	4
Italy	2	0	2
United Kingdom	1	0	1
France	2	0	2
TOTAL	964	227	1,191



Employees by professional group and gender

	Men	Women	TOTAL
Executive directors	3	-	3
Managers	23	10	33
Research	66	120	186
Sales	143	149	292
Administration	91	189	280
Production and plant	201	196	397
TOTAL	527	664	1,191



Turnover: **2.93%**

Net job creation: **51 new jobs** (17 men / 34 women)

Training Chart

Training by professional category

<i>Directors and/or heads of functional areas (managers, supervisors, etc.)</i>	<i>24 hours</i>
<i>Middle management</i>	<i>27 hours</i>
<i>Qualified professionals</i>	<i>27 hours</i>
<i>Specialist technicians</i>	<i>26 hours</i>
<i>Employees/workers/administrative personnel/ancillary personnel</i>	<i>25 hours</i>

Hours per employee: **25.75 hours per employee** (average)

Investment in training: **428.1 euros per employee**



Suppliers

Suppliers are a group of strategic interest in relation to ROVI's activities. For this reason, it has put in place a series of specific action principles aligned with the company's principles and values and intended to reinforce the sustainability and competitive advantage of the value chain.

In the same way as internally, ROVI invites all its suppliers to guarantee factors such as equal opportunities, occupational safety or care of the environment and to declare their commitment to basic principles of ethics and professional conduct. At the same time, it tries to involve suppliers and subcontractors in the adoption of the best corporate social responsibility practices in order to regulate their activities in accordance with the standards included in the certifications SA-8000, SGE-21 or similar.

*The company has systems to encourage the adoption of **good practices** in its supply chain*

CSR in the supply chain

The group makes its best efforts to comply with its commitments, where selection criteria and information transparency prevail, and is aware of the important role that suppliers play in its business in this respect.

The company has two mechanisms to try to guarantee and encourage the adoption of good social responsibility practices in its supply chain:

- It periodically sends a **voluntary document entitled "Commitment to CSR"** to all group suppliers and subcontractors, where it requests certifications such as SA-8000 or urges them to adopt good business practices. At present, more than 55% of the companies have signed this social responsibility commitment. ROVI's target is for all its suppliers to adhere to this initiative.
- **On-site audits**, in which it checks that suppliers operate in accordance with national and local regulations, that there are no significant non-compliances in respect of occupational safety and that there are no practices that infringe the workers' rights. Among other aspects, the auditors ensure that a safe work environment is provided, environmental legislation is observed and the employees do not suffer abuse or discrimination

Anti-bribery and anti-corruption

As stated in the ROVI's Code of Ethics, any practice involving bribery or corruption as a way to obtain a decision favourable to the company's interests is rejected and practices intended to do business using undue means are not tolerated.

No ROVI employee may offer a third party any type of benefit that aims to influence or is offered with

the intention of illicitly influencing the third party's capacity to adopt objective and legitimate business decisions.

Likewise, ROVI employees are expressly prohibited from accepting any kind of corruption or bribery offered by a third party.

All interaction with health professionals, health organization, health systems, pharmacies, stores, purchasers, distributors, suppliers, commercial partners, public employees or any other third parties must be governed by legality and ethics and in line with ROVI's values, company policies, the laws applicable to us and industry standards.

ROVI has an anti-corruption policy that regulates both giving and accepting gifts. This policy must be known and observed by all the professionals. In no case may the acceptance or giving of gifts be used as a subterfuge for bribery or the concealment of an illicit action.

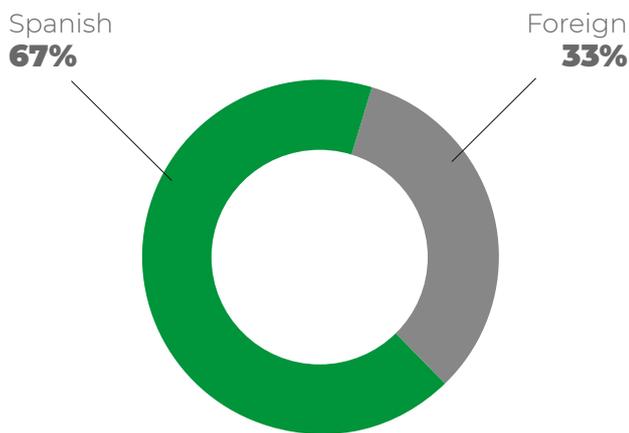
Supplier payment

Since 2013, the group has had a supplier payment policy in order to establish a common framework for relations with suppliers and creditors throughout the company. This guarantees total efficiency in accounting for invoices, an appropriate payment policy and greater consistency in negotiations.

ROVI's average supplier payment period in 2017 was 57 days, in line with the maximum payment periods provided for in Law 17/2010, which was amended by Law 11/2013.

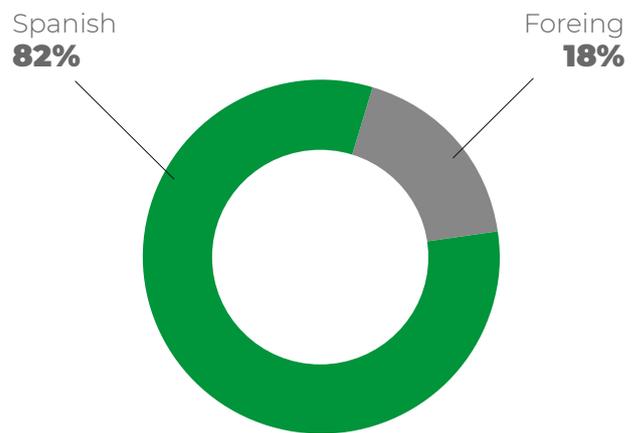
Suppliers by geography purchases in euros ratio

(percentage)



Number of suppliers by geographical area

(percentage)



Number of suppliers 1,871

Society and public authorities

ROVI is aware of the social impact of its activity on different levels of society. For this reason, apart from its commercial activity, the group is permanently involved in providing support to medical research, committed to higher education in Spain, and acts responsibly both in respect of its tax obligations and in its role as an employer and economic agent in its immediate environment.

ROVI's activity of researching, developing and manufacturing pharmaceutical products is carried out entirely in Spain, distributed over the Madrid and Granada centres. The company is, therefore, fully involved in innovation in national territory and this involvement materializes in figures such as:

- R&D investment rose again in 2017, totalling 28.3 million euros, in comparison with the 17.5 million euros of 2016.
- Capital expenditure rose to 19.9 million euros in 2017, including investments in the injectables plant (2.9 million), the San Sebastián de Los Reyes plant (4.8 million), the Granada plant (1.6 million) and the Alcalá de Henares plant (3.8 million), as well as investment in maintenance and other items (6.8 million euros).

In 2017, the group took a leap forward in international expansion, with the opening of new subsidiaries in Germany, France, Italy and the United Kingdom, in addition to the already-existing branch in Portugal, with the commitment to meet its tax obligations and its obligations as an employer and economic agent responsibly.

Furthermore, the group's activity also has an impact on the generation of local employment, which, according to the figures of recent years, has shown a constant trend of quality job creation for highly-qualified people.

*The research,
development
and
manufacturing
activity is
**carried on
entirely in
Spain***

Economic value created and distributed by ROVI in 2017

(million euros)

	2017	2016
Economic value created	277.4	270.8
Economic value distributed		
Shareholders	6.0	9.1
Suppliers	154.7	153.5
Society	0.3	1.8
R&D	28.3	17.5
Employees	64.0	60.5
Providers of capital	0.9	0.5
Amortization and depreciation	11.5	11.0
Reserves	11.8	17.0

Commitment to social projects and voluntary work

As an example of the high degree of ROVI's commitment to society, it assiduously cooperates with non-profit organizations like the Granada Red Cross, supporting initiatives to help and protect children; Proyecto Hombre Granada, co-operating in the continuation of its social reintegration activities; and Fundación Recover, co-operating with a program to improve healthcare in Africa.

In 2017, the corporate volunteering program initiated in 2016 continued. The objective of this program is to give all employees the chance to play a leading role in change, co-operating as volunteers with social actions organized with foundations with which ROVI has been co-operating for years. In 2017, this program continued through the following activities:

- **Adaptive skiing weekend campus in Sierra Nevada** (11 and 12 March), in collaboration with Fundación También and Cetursa Sierra Nevada. The voluntary work consisted of helping people with disabilities to enjoy two days of adaptive skiing in Sierra Nevada and share experiences over the weekend.
- **Day of trekking in Pelayos de la Sierra (Madrid)** with Fundación Deporte y Desafío (6 May). The ROVI volunteers accompanied people with disabilities by sharing a day's trekking in the mountains of Madrid.
- **Adaptive descent of the River Sella (29 and 30 June) with Fundación También.** During the weekend, ROVI volunteers helped and accompanied people with disabilities in the descent of a stretch of the River Sella in canoes.

- **Photography exhibition of Silvia Cachafeiro** at the Moda Shopping Centre in Madrid (from 4 to 15 December) with Fundación Recover. Hospitals for Africa. ROVI volunteers acted as gallery attendants during the exhibition, which was intended to collect funds for the foundation's projects in Africa.
- **Majadahonda Charity Race** (17 December) with Fundación Recover. Hospitals for Africa. ROVI volunteers helped in signposting the charity race organized by Fundación Recover.

In addition, as part of its commitment to spreading the best business practices related to Corporate Social Responsibility, ROVI forms part of the Advisory Board of the Ocare Observatory. Created in 2014 and promoted by the university CEU San Pablo and the Medialuna consultancy firm, the Observatory of Corporate Responsibility Communication and Action (Ocare) is intended to recognize the importance of communication in the CSR field, promoting the exchange of experiences and generation of knowledge on the subject.

Social integration in the workplace

As part of its commitment to integrating people with disabilities into the workplace, ROVI has hired certain services from the following foundations and employment centres:

- **ISS Facility Services** (Gelim). ROVI has contracted the cleaning of its offices by people with disabilities.

- **Ilunion**, with which ROVI has contracted the laundry service.
- **Fundación Manantial**, which has the purpose of integrating people with severe mental disorders. ROVI cooperates with this foundation in several ways, since it is also certified for the secondary packaging of the company's products, in addition to catering services at group offices.

Furthermore, at 31 December, 2017, the ROVI group had 16 people with disabilities among its employees, one more than in 2016.

ROVI	ROCM	Frosst	Group total
7	4	5	16

Public authorities

As a provider of high-quality active substances, medicines, healthcare products, food supplements and cosmetics, ROVI has a constant ongoing relationship with the health agencies. The group actively strives to ensure that all their requirements are met in all its activities -industrial development, the manufacture and supply of products, the supply of units for clinical trials-, which are always carried on in an environment of strict compliance with all the legal and regulatory requirements that apply to them, as well as the authorizations granted by the authorities.

*ROVI cooperates assiduously
with non-profit organizations
like the Red Cross, Proyecto Hombre
and Fundación Recover*

Environment

ROVI is aware that its day-to-day work has an inevitable impact on both the environment and workplace health and safety in various ways, since each of its companies has a different context depending on whether it is engaged in manufacturing or marketing and where it is located. Therefore, ROVI undertakes to minimize the effects of its activity where and when possible, making all necessary means available to guarantee people's health and safety.

At ROVI, as a contribution to the fight against climate change, not only is electricity consumption taken into account, but the CO₂ emissions from the consumption of natural gas and diesel oil, derived from electricity and vehicles, are measured, as well as other substances that destroy the ozone layer. In 2017, ROVI achieved a significant reduction in the consumption of natural resources and fossil fuels in its activity. Thus, electricity consumption dropped by 24% and a 27% decrease in natural gas consumption was attained. All the foregoing likewise led to a 10% reduction in greenhouse gas emissions.

Regarding water consumption, although the total amount increased due to the inclusion of a new production plant in 2016, the measures adopted have allowed use to be optimized, achieving a lower ratio of cubic metres of water per million units produced, which fell by 12%.

Waste generation is inherent to ROVI's activity and, precisely for this reason, treating and reducing it is a crucial part of the company's commitment to preventing pollution. The processes related to waste treatment are mainly intended to minimize waste in production processes and, when it has been produced, manage it correctly to foment its recovery and recycling wherever possible.

The production increase in 2017 also had the consequence of a slight growth in hazardous waste generation but, the same time, non-hazardous waste dropped by 10%. Recycling and disposal have been treated more responsibly, applying the highest

The measures adopted have allowed
water consumption to be optimized,
with a lower ratio of consumption per unit produced

industry standards and ensuring that there is no kind of environmental or health problem.

One of the key tools to ensure correct management of environmental aspects is the introduction of an environmental management system based on the criteria established by the international standard ISO 14001:2004 and the Eco Management and Audit Scheme Regulation (EMAS). These certifications recognize the quality of ROVI's environmental management system and assure its commitment to the environment in terms that go beyond current national legislation. Therefore, at all ROVI's production facilities, production management respectful of the environment is fostered, meaning a constant effort to reduce energy consumption and manage waste more efficiently.

Frosst Ibérica S.A., Rovi Contract Manufacturing S.L. and Laboratorios Farmacéuticos Rovi S.A. have their environmental management systems certified under standard ISO14001:2007. In 2018, the systems



will be certified in accordance with the new version of this ISO: ISO 14001:2015.

In 2017, a total amount of 230,000 euros was employed in different actions related to environmental management.

Responsible environmental management, one of the pillars of ROVI's activity

ROVI has a department that handles exclusively aspects related to environmental management and those concerning occupational health and safety throughout the group, as well as an Integrated Environmental and Occupational Hazard Prevention Management Policy, which governs ROVI's activity in respect of environmental issues. Within its environmental management and occupational health and

safety project, ROVI assumes not only compliance with current legal requirements and other third-party requirements that it meets voluntarily, but also the concept of sustainable development.

ROVI's intention is to be an environmentally-sustainable business project committed to preventing any damage to or deterioration in people's health. By defining environmental and occupational health and safety objectives and targets for its activities, ROVI undertakes to improve day by day, maintaining a clear vision of a more sustainable future in which to continue its development.

The main targets that ROVI has defined in environmental issues are:

- Attaining efficient energy management, rationalizing the use of natural resources.
- Promoting the best guidelines for risk and waste management, including the principles of risk

prevention, waste minimization and recycling in its activities whenever possible.

- Obtaining certifications of the environmental management systems.

ROVI is committed to making a joint effort with its suppliers and contractors to minimize the impact of its activities on the environment and the risks derived for health and safety both in the environment and for the group's workers. It has a corporate risk and opportunity management procedure, the objective of which is to define a work method that allows environmental risks and opportunities to be identified, together with an action plan to address them and the planning and review of the resulting actions, taking the context of the organization and the interested parties into account.

Control of environmental hazards

Environmental hazard control is defined by the environmental management system itself and all the tools that form part of it. Risks are controlled through procedures concerning the identification and assessment of environmental aspects or the identification and assessment of legal requirements.

Among the main risks related to the environmental activity, apart from those inherent thereto, are those concerning access to and verification of the environmental regulations in the different areas in which ROVI operates, as well as possible restrictions imposed by the authorities due to location. To prevent these risks from materializing, ROVI has information systems that keep its employees updated, at the same time as it maintains a smooth relationship and with the different public authorities whose task is to ensure the environment is conserved and provides them with its collaboration, which allows any changes in legislation that apply to ROVI to be constantly updated.

The result of the policies and procedures applied by ROVI in environmental issues is, year after year, a favourable assessment of the group's integrated environmental management system, both internally and externally by the firms issuing the certificates. Additionally, the whole system is periodically reviewed with the management of the different centres and the points on which these reviews are based include any improvement opportunities and

significant changes that may affect the system and/or environmental management.

In relation to environmental queries, ROVI has a corporate Communication, Participation and Query procedure, through which communications (queries, complaints, etc.) related to the environment and workplace health and safety are managed. On the corporate website (www.rovi.es), the environmental certificates held by group companies are available to the public. In 2017, the Distribution area handled 10 external queries of this nature.

*In 2017,
ten external
queries
concerning
**the
environmental
certifications**
held by the
group
were answered*

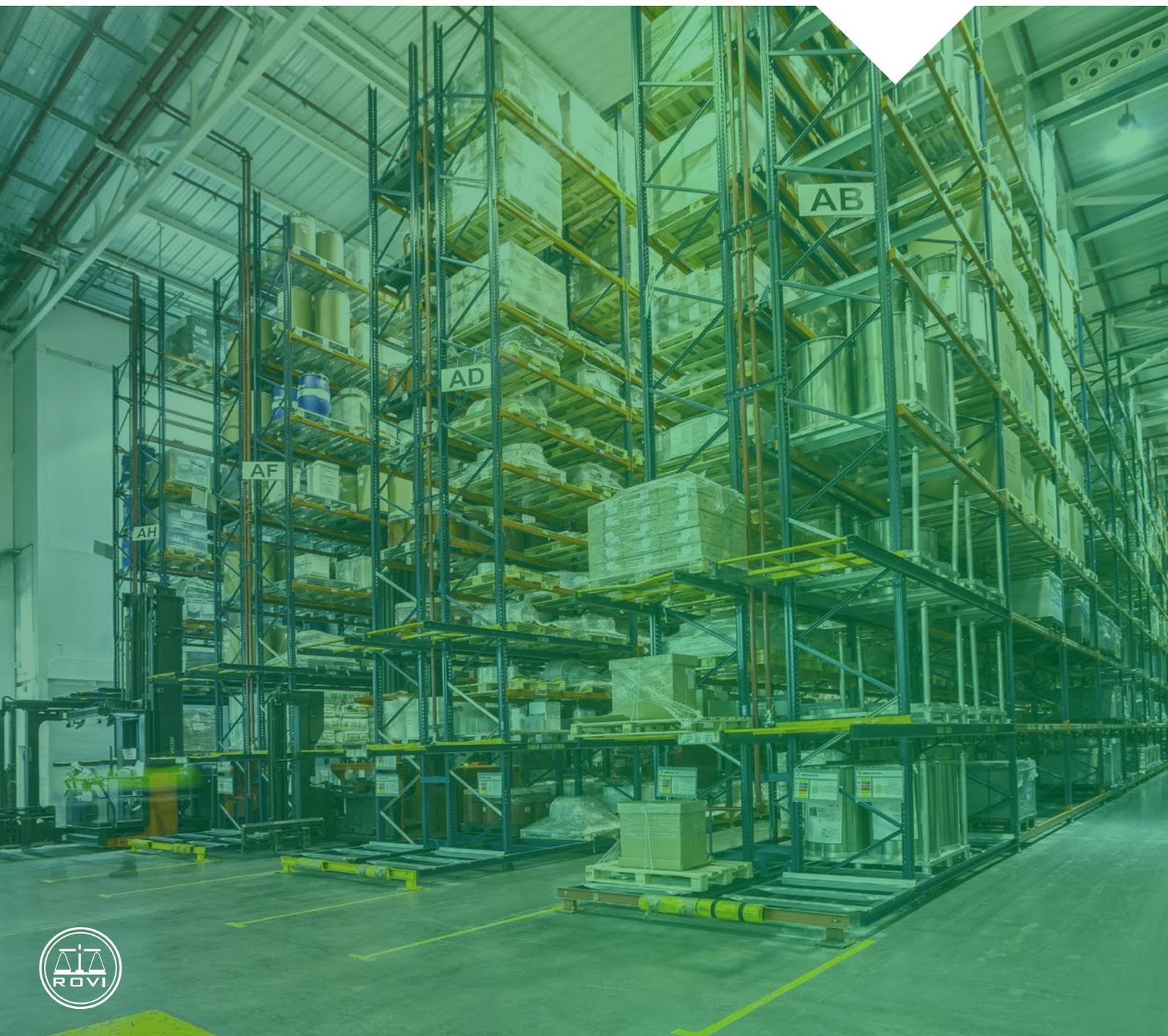
Environmental figures charts

	2017	2016	Variation
<i>CO₂ emissions (tonnes)</i>	8,957	9,926	-10%
<i>Tonnes CO₂/million units produced</i>	0.04	0.07	-37%
<i>Hazardous waste generation (tonnes)</i>	1,079	642	68%
<i>Non-hazardous waste generation (tonnes)</i>	1948	2,169	-10%
<i>Electricity consumed (kWh)</i>	19,313,337	17,846,340	-24%
<i>Natural gas consumed (kWh)</i>	24,103,226	23,187,891	-27%
<i>Vehicle fuel consumed (litres)</i>	469,620	454,705	3%
<i>Water consumed (m³)</i>	156,021	125,022	25%
<i>m³ of water / million units produced</i>	0.76	0.87	-12%

GRI

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2017 Annual Report

C/ José Isbert, 2
28223 Pozuelo de Alarcón (Madrid)
Tel: (+34) 91 021 30 00
www.rovi.es

