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

(Together with the consolidated annual accounts and consolidated directors' report of Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries for the year ended 31 December 2022)

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

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Consolidated Annual Accounts

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

To the Shareholders of Laboratorios Farmacéuticos Rovi, S.A.

REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Opinion

We have audited the consolidated annual accounts of Laboratorios Farmacéuticos Rovi, S.A. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for Opinion

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

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

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

On the Spanish Official Register of Auditors ("ROAC") with No. S0702, and the Spanish Institute of Registered Auditors' list of companies with No. 10.
Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of revenue from services rendered to third parties (Euros 403,546 thousand)
See notes 2.21, 4.2, 20.b and 22.b to the consolidated annual accounts

Key audit matter	*How the matter was addressed in our audit*
The Group provides, inter alia, manufacturing and packaging services to third parties. In certain cases, the Group undertakes to reserve production capacity at its plants in exchange for financial consideration and, in addition, prior to the provision of this manufacturing service, and in accordance with certain defined milestones, the Group carries out adjustment, overhaul and validation work on its facilities and machinery assumed by the customer. The provision of these different types of services requires the application of judgement, among other aspects, to determine the performance obligation, the allocation of the price and the time at which the obligation is satisfied, and revenue is recognised. Due to the high level of judgement applied in identifying the different types of performance obligations, allocating transaction prices and making the estimates used in applying the percentage of completion for contracts that are recognised over time, and taking into account the significance of the revenue recognised in the income statement and the contractual liabilities still to be recognised in the income statement at year end, this has been considered a key audit matter.	Our audit procedures included the following: - We evaluated the design and implementation of key controls associated with the processes of recognising manufacturing and packaging services revenue, revenue using the percentage of completion method, and revenue from production capacity reservations. - We obtained and analysed the framework agreements for the provision of services and assessed the appropriate identification of distinct performance obligations, the allocation of the transaction price to each of them and the reasonableness of the revenue recognition criteria applicable to each of the obligations identified. - We obtained and evaluated contracts for the reservation of production capacity at the facilities in exchange for financial consideration and analysed the appropriate recognition thereof as revenue based on the terms of the contracts and, where necessary, the recognition of contractual liabilities that defer revenue recognition until milestones are met. - Where revenue for the provision of services is recognised over time, we have checked that the percentage of completion method applied is appropriate in accordance with applicable accounting standards. To this end, we selected a sample of all contracts in force, partially based on quantitative and qualitative criteria, partially randomly selected to assess the reasonableness of the estimates of the percentage of completion and applied in revenue recognition, checking the costs incurred against supporting documentation and assessing the reasonableness of any judgements made by the Group. - With regard to manufacturing and packaging revenue, we performed a test using computer-

Recognition of revenue from services rendered to third parties (Euros 403,546 thousand) See notes 2.21, 4.2, 20.b and 22.b to the consolidated annual accounts	
Key audit matter	*How the matter was addressed in our audit*
	assisted audit techniques enabling us to assess the existence and accuracy of a large volume of service transactions during the year, individually matching the revenue to the orders and delivery notes. In addition, using statistical sampling techniques, we selected a sample of transactions and evaluated their existence and accuracy by means of a bank statement. - We also assessed whether the disclosures in the consolidated annual accounts meet the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2022 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors, and which does not form an integral part of the consolidated annual accounts.

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

a) Determine, solely, whether the consolidated non-financial information statement and certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned consolidated annual accounts. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described in the preceding paragraph, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2022, and that the content and presentation of the report are in accordance with applicable legislation.

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

Directors' and Audit Committee's Responsibility for the Consolidated Annual Accounts

The Parent's Directors are responsible for the preparation of the accompanying consolidated annual accounts in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit committee is responsible for overseeing the preparation and presentation of the consolidated annual accounts.

Auditor's Responsibilities for the Audit of the Consolidated Annual Accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

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

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

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

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

- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

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

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Laboratorios Farmacéuticos Rovi, S.A. and its subsidiaries for 2022 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated annual accounts for the aforementioned year and the XBRL files tagged by the Company, which will form part of the annual financial report.

The Directors of Laboratorios Farmacéuticos Rovi, S.A. are responsible for the presentation of the 2022 annual financial report in accordance with the format and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the consolidated directors' report.

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

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

In our opinion, the digital files examined fully correspond to the audited consolidated annual accounts, and these are presented and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit Committee of the Parent

The opinion expressed in this report is consistent with our additional report to the Parent's audit committee dated 20 February 2023.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 14 June 2022 for a period of one year, from the year ended 31 December 2022.

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

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

(Signed on original in Spanish)

This report corresponds to stamp number 01/22/00184 issued by the Spanish Institute of Registered Auditors (ICJCE)

Begoña Pradera Goiri

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

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts and
Consolidated Management Report
at 31 December, 2022

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

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousand euros)

	Note	31 December	
		2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	215,541	181,775
Intangible assets	**7**	35,744	38,558
Investment in a joint venture	**10**	2,193	1,994
Deferred income tax assets	**19**	2,078	3,850
Equity securities	**9 & 11**	9	72
Financial receivables	**9 & 13**	65	65
		255,630	**226,314**
Current assets			
Inventories	**12**	311,944	245,473
Trade and other receivables	**9 & 13**	180,011	150,172
Current income tax assets	**27**	4,148	9,891
Prepaid expenses		2,025	1,791
Cash and cash equivalents	**9 & 14**	124,945	99,035
		623,073	**506,362**
Total assets		**878,703**	**732,676**

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

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

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Thousand euros)

	Nota	31 December	
		2022	2021
EQUITY			
Equity attributed to the Company		**520,012**	**470,976**
Share capital	15	3,241	3,364
Share premium	15	87,636	87,636
Legal reserve	16	673	673
Treasury shares	16	(27,561)	(66,121)
Retained earnings and voluntary reserve	16	256,362	292,349
Profit for the year	16	199,669	153,077
Accumulated other comprehensive income	16	(8)	(2)
Non-controlling interests	16	**1,367**	**—**
Total equity		**521,379**	**470,976**
LIABILITIES			
Non-current liabilities			
Financial debt	18	59,441	66,745
Deferred income tax liabilities	19	677	776
Contract liabilities	20	1,545	1,460
Deferred income	21	1,774	2,331
		63,437	**71,312**
Current liabilities			
Financial debt	18	12,725	6,417
Trade and other payables	17	165,776	125,173
Current tax liabilities	27	—	681
Contract liabilities	20	114,901	57,632
Deferred income	21	485	485
		293,887	**190,388**
Total liabilities		**357,324**	**261,700**
Total equity and liabilities		**878,703**	**732,676**

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

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2022

CONSOLIDATED INCOME STATEMENT
(Thousand euros)

	Note	31 December	
		2022	2021
Revenue	5 & 22	817,698	648,677
Change in inventories of finished goods and work in progress		38,883	782
Raw materials and consumables used		(339,824)	(264,637)
Work carried out by the Group on non-current assets	8	2,856	—
Employee benefit expenses	23	(106,522)	(89,803)
Other operating expenses	24	(136,482)	(93,502)
Amortisation and depreciation	6 & 7	(22,871)	(21,364)
Impairment of non-current assets	7	(2)	(95)
Recognition of govt grants on non-financial non-current assets & other		2,112	1,334
OPERATING PROFIT		**255,848**	**181,392**
Finance income		1,770	68
Finance costs		(849)	(905)
Impairment and gain or loss on measurement of financial instruments		1,820	2,069
Exchange difference		(821)	(178)
FINANCE COSTS - NET	**26**	**1,920**	**1,054**
Share of profit of joint venture	10	**199**	**182**
PROFIT BEFORE INCOME TAX		**257,967**	**182,628**
Income tax	27	(58,302)	(29,551)
PROFIT FOR THE YEAR		**199,665**	**153,077**
Attributable to:			
- The Company		199,669	153,077
- Non-controlling interests		(4)	—
Earnings per share (basic and diluted) attributable to the shareholders of the Company			
- Basic	28	3.73	2.76
- Diluted	28	3.73	2.76

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

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

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Thousand euros)

	Note	31 December	
		2022	2021
Profit for the year		**199,665**	**153,077**
Items that may subsequently be reclassified to profit and loss		**19**	**1**
Changes in value of equity securities	**11**	(4)	1
Exchange differences		22	—
Tax effect		1	—
Other comprehensive income (net of taxes)		**19**	**1**
Total comprehensive income for the year		**199,684**	**153,078**
Attributable to:			
- Shareholders of the Company		199,688	153,078
- Non-controlling interests		(4)	—

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

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousand euros)

	Share capital (Note 15)	Share premium (Note 15)	Legal reserve (Note 16)	Treasury shares (Note 16)	Retained earnings and voluntary reserve (Note 16)	Profit for the year (Note 16)	Accumulated other comprehensive income (Note 16)	Non-controlling interests (Note 16)	TOTAL EQUITY
Balance at 1 January, 2021	**3,364**	**87,636**	**673**	**(20,185)**	**241,158**	**61,057**	**(3)**	**—**	**373,700**
Total comprehensive income	—	—	—	—	—	153,077	1	—	**153,078**
Transfer of 2020 profit	—	—	—	—	39,925	(39,925)	—	—	**—**
Dividends 2020 (Note 16 c)	—	—	—	—	—	(21,132)	—	—	**(21,132)**
Acquisition of treasury shares (Note 16 d)	—	—	—	(78,785)	—	—	—	—	**(78,785)**
Reissue of treasury shares (Note 16 d)	—	—	—	31,446	10,882	—	—	—	**42,328**
Other transactions with shareholders & owners	—	—	—	1,403	—	—	—	—	**1,403**
Other movements	—	—	—	—	384	—	—	—	**384**
Balance at 31 December, 2021	**3,364**	**87,636**	**673**	**(66,121)**	**292,349**	**153,077**	**(2)**	**—**	**470,976**
Total comprehensive income	—	—	—	—	—	199,669	19	(4)	**199,684**
Transfer of 2021 profit	—	—	—	—	102,070	(102,070)	—	—	**—**
Dividends 2021 (Note 16 c)	—	—	—	—	—	(51,007)	—	—	**(51,007)**
Acquisition of treasury shares (Note 16 d)	—	—	—	(177,008)	—	—	—	—	**(177,008)**
Reissue of treasury shares (Note 16 d)	—	—	—	80,560	(2,794)	—	—	—	**77,766**
Capital reduction (Note 15)	(123)	—	—	135,008	(134,885)	—	—	—	**—**
Non-controlling interests								1,371	**1,371**
Other movements	—	—	—	—	(378)	—	(25)	—	**(403)**
Balance at 31 December, 2021	**3,241**	**87,636**	**673**	**(27,561)**	**256,362**	**199,669**	**(8)**	**1,367**	**521,379**

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

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2022

CONSOLIDATED STATEMENT OF CASH FLOWS
(Thousand euros)

	Note	31 December 2022	2021
Cash flows from operating activities			
Profit before income tax		257,967	182,628
Adjustments for non-monetary transactions			
Amortisation and depreciation	**6 & 7**	22,871	21,364
Finance income	**26**	(1,770)	(68)
Valuation allowance	**12 & 13**	5,160	4,885
Adjustments for changes in value of derivatives		11	(908)
Gain or loss on derecognitions of financial assets and liabilities		(1,831)	(1,161)
Exchange differences	**26**	821	—
Finance expenses	**26**	849	905
Grants, distribution licences and other deferred income		(2,904)	(6,473)
Share of profit in joint ventures	**10**	(199)	(182)
Share-based payments		—	1,403
Changes in working capital:			
Trade and other receivables		(26,820)	(74,187)
Inventories		(71,591)	(23,427)
Other current assets (prepaid expenses)		(234)	(1,778)
Trade and other payables		41,672	35,358
Other collections and payments			
Proceeds from contract manufacturing services	**20**	57,104	34,429
Proceeds from distribution licences	**20**	385	518
Interest paid		—	(4)
Income tax cash flow		(43,889)	(23,861)
Net cash generated (used) in operating activities		**237,602**	**149,441**
Cash flows from investing activities			
Purchases of intangible assets	**7**	(669)	(722)
Purchases of property, plant and equipment	**6**	(50,719)	(40,218)
Proceeds from sale of property, plant and equipment	**6**	78	33
Purchases of other financial assets		(5,870)	—
Proceeds from sale of other financial assets		20	—
Interest received		6	68
Net cash flows generated (used) in investing activities		**(57,154)**	**(40,839)**
Cash flows from financing activities			
Repayments of financial debt		(6,768)	(6,192)
Proceeds from financial debt	**18**	1,399	1,340
Interest paid		(291)	(288)
Purchase of treasury shares	**16 d)**	(177,008)	(78,785)
Reissue of treasury shares	**16 d)**	77,766	42,328
Dividends paid	**16 c)**	(51,007)	(21,132)
Capital contribution to subsidiaries		1,371	—
Net cash generated (used) in financing activities		**(154,538)**	**(62,729)**
Net (decrease)/increase in cash and cash equivalents		**25,910**	**45,873**
Cash and cash equivalents at beginning of the year	**9 & 14**	**99,035**	**53,162**
Cash and cash equivalents at end of the year	**9 & 14**	**124,945**	**99,035**

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

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts for the annual period ended 31 December, 2022
(Thousand euros)

1. General information

Laboratorios Farmacéuticos Rovi, S.A. (the “parent company" or "the Company") was incorporated as a public limited company (“sociedad anónima”) in Madrid on 21 December, 1946. It is entered in the Companies Register of Madrid, sheet 1,179, folio 197 of volume 713 of Companies Book 283. Its registered office and the tax address are at Julián Camarillo, 35, Madrid (Spain)

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

Laboratorios Farmacéuticos Rovi, S.A. is the parent of a pharmaceutical business group (hereinafter, “ROVI” or “Rovi Group” or “Group”) engaged in the production and sale of pharmaceutical products. Low-molecular-weight heparins, which are marketed in various countries, are the Group’s main products.

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

As of 31 December, 2022, the company Norbel Inversiones, S.L. held 55.19% of the shares of Laboratorios Farmacéuticos Rovi, S.A. (Note 15). As of 31 December, 2021, the company Norbel Inversiones, S.L. held 60.17% of the shares of Laboratorios Farmacéuticos Rovi, S.A. Norbel Inversiones, S.L., with registered office at Calle Julián Camarillo, 35, Madrid, files consolidated annual accounts with the Madrid Companies Registry.

These consolidated annual accounts were approved by the Board of Directors on 20 February, 2023 and are pending approval by the General Meeting of Shareholders. Nevertheless the Directors of the Company expect the annual accounts to be approved without any changes.

Changes in the consolidated group

The main changes during 2022 have been:

- In January 2022, the company Glicopepton Biotech, S.L. was incorporated, with registered office at Calle Julián Camarillo 35, Madrid (Spain). This company is 51% held by Laboratorios Farmacéuticos Rovi, S.A. and is fully consolidated, which has led to new breakdowns in the Group’s financial statements where non-controlling interests are described. At 31 December, 2022, the company showed a pre-tax loss of 9 thousand euros and held assets of 2,790 thousand euros.
- In March 2022, the company Alentia Biotech, S.L., with registered office at Avenida de la Ilustración 10, Granada (Spain, was dissolved. Until then, it had been 50% held by Laboratorios Farmacéuticos Rovi, S.A. (see Note 10). This transaction did not give rise to any profit or loss for the Group.

In relation to 2021, in August, the company Rovi Biotech GmbH, with registered office is at Bahnhofstrasse 10, 6300 Zug (Switzerland) was incorporated,100% owned by Laboratorios Farmacéuticos Rovi, S.A. The pre-tax loss of this company 31 December, 2021 at was 16 thousand euros and its assets at the same date were 269 thousand euros.

2. Summary of key accounting policies

The principal accounting policies applied in the preparation of these consolidated annual accounts are set out below. These policies have been consistently applied to all the reporting periods presented in these consolidated annual accounts.

2.1 Bases of presentation

These consolidated annual accounts for 2022 (and those for 2021 presented for comparative purposes) have been prepared under the International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union pursuant to the provisions of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July, 2002 and, likewise, in accordance with the format and markup requirements of Delegated Regulation EU 2019/815 of the European Commission and Delegated Regulation EU 2022/352 of the European Commission, according to which all companies governed by the Law of a Member State of the European Union whose shares are listed on a regulated market of any of the Member States must present their consolidated annual accounts for the reporting periods starting on or after 1 January, 2005 in accordance with the IFRS endorsed by the European Union.

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

The preparation of consolidated annual accounts in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated annual accounts are disclosed in Note 4.

2.2 New standards and amendments and interpretations of existing ones

a) Standards, amendments and interpretations mandatory for all annual periods starting on or after 1 January, 2022

In 2022, the following standards and amendments to existing standards were endorsed by the European Union and came into force on 1 January, 2022. They have either been applied by ROVI or may affect the Group in the future:

- IFRS 3 (Amendment) "Business combinations". This amendment clarifies the definition of business in order to facilitate the application of the standard.

- IAS 16 (Amendment) "Property, Plant and Equipment". Through this Amendment, further details are given on measurement upon recognition of the asset and the information to disclose.

- IAS 37 (Amendment) "Provisions, Contingent Liabilities and Contingent Assets". This Amendment gives details of the costs of fulfilling a contract.

- Annual Improvements to IFRSs. Cycle 2018 – 2020. The amendments affect IFRS 1, IFRS 9 and IFRS 16 The main changes that may apply to the Group refer to:

    - IFRS 1 "First-time Adoption of IFRSs". The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
    - IFRS 9 "Financial Instruments". The amendment clarifies which fees an entity includes when it applies the "10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.
    - IFRS 16, "Leases". The amendment to Illustrative Example 13 accompanying IFRS 16.

The entry into force of the above standards has not had a significant impact on ROVI.

b) Standards, amendments and interpretations that have not yet come into force but have been endorsed by the European Union

At the signature date of these consolidated annual accounts, the IASB and the IFRS Interpretations Committee had published the following standards, amendments and interpretations application of which is mandatory from 2023 onwards. ROVI considers that the following could be applicable to the Group, although they have not been adopted early:

- IFRS 17 “Insurance Contracts”, replacing IFRS 4 “Insurance Contracts”. The new IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of IFRS 17. Moreover, it removes current inconsistencies and weaknesses through a new framework based on a single principle to account for all insurance contracts, including reinsurance contracts. The IASB proposes that this Standard should come into force on 1 January, 2023. No significant impacts on ROVI are expected.

- IFRS 17 (Amendment) “Insurance Contracts” and IFRS 9 (Amendment) 9 “Financial Instruments”. These amendments clarify the comparative information to be disclosed by companies that adopt these two Standards for the first time. No significant impacts on ROVI are expected.

- IAS 12 (Amendment) “Income Taxes” and IFRS 1 (Amendment) “First-time Adoption of International Financial Reporting Standards”. These amendments establish principles on how companies should account for deferred taxes on transactions such as leases and decommissioning obligations and are intended to reduce the diversity of the information reported. The IASB proposes that this Amendment should come into force on 1 January, 2023. No significant impacts on ROVI are expected.

- IAS 1 (Amendment) “Presentation of Financial Statements) and IAS 8 (Amendment) “Accounting policies, changes in accounting estimates and errors”. These amendments seek to clarify the distinction between accounting policies and accounting estimates to ensure greater consistency in applying the accounting policies and the comparability of the financial statements. The IASB proposes that these Amendments should come into force on 1 January, 2023. No significant impacts on ROVI are expected.

c) Standards, amendments and interpretations of existing standards that have not been endorsed by the European Union.

At the date of signature of these consolidated annual accounts, the International Accounting Standards Board (IASB) and the International Financial Standards Interpretations Committee (IFRIC) had published the standards, amendments and interpretations described below which have not yet been endorsed by the European Union. ROVI considers that the following could be applicable to the Group:

- IAS 1 (Amendment) “Presentation of Financial Statements”. This will mean a change in the classification of liabilities. This Amendment arises with the intention of promoting uniform application and clarifying the requirements to determine whether a liability is current or non-current. The IASB proposes that this Amendment should come into force on 1 January, 2024. ROVI will analyse the potential impact of this Amendment, but no significant effects are expected.

- IFRS 16 (Amendment) “Leases”. The Amendment specifies the requirements that a lessor must use to measure the lease liability in a sale and leaseback transaction. The IASB proposes that this Amendment should come into force on 1 January, 2024. ROVI will analyse the potential impact of this Amendment, but no significant effects are expected.

2.3 Consolidation principles

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group holds control. The Group controls an entity when it is exposed to or entitled to obtain variable yields from its involvement in the entity and is able to use its power over said entity to influence these yields. Subsidiaries are consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The Group uses the purchase method to account for business combinations. The consideration transferred for acquisition of a subsidiary corresponds to the fair value of the assets transferred, liabilities incurred with the previous owners of the acquiree and equity instruments issued by the Group. The consideration transferred includes the fair value of any asset or liability coming from a contingent consideration agreement. Identifiable assets acquired and identifiable liabilities and contingencies assumed in a business combination are measured initially at their acquisition-date fair value. For each business combination, the Group may elect to recognise any non-controlling interest in the acquired entity at fair value or for the non-controlling entity's proportional part in the amounts recognised for the acquiree's identifiable net assets.

Acquisition-related costs are recognised as expenses in the period in which they are incurred.

If the business combination takes place in stages, the acquisition-date carrying amount of the acquirer's previously-held interest in the equity of the acquiree is remeasured at acquisition-date fair value. Any loss or gain arising from this remeasurement is recognised in profit and loss.

Any contingent consideration to be transferred by the Group is recognised at acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration that are considered an asset or liability are recognised in accordance with IAS 39 in profit and loss. Contingent considerations classified as equity are not remeasured and their subsequent settlement is recognised in equity.

The financial statements of companies with a functional currency other than the euro are translated as follows:

- Asset and liabilities are translated at the exchange rate on the reporting date.
- Revenue and expenses are translated at the average exchange rate for the period if there have been no significant changes in the exchange rate during the period.
- Translation differences resulting from applying the above criteria are recognised as exchange differences in equity.

Inter-company transactions and balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated. When necessary, the amounts shown for subsidiaries have been adjusted to adapt them to Group accounting policies.

Exhibit 1 to these Notes lists the identification data of the fully-consolidated subsidiaries. All subsidiaries and associates have the same annual period as the parent company.

b) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11, joint arrangements are classified into either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and has determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method, interests in joint ventures are initially recognised at cost and are then adjusted to recognise the Group's share in post-acquisition profits and losses and movements in other comprehensive income. When the Group's share in the losses of a joint venture equals or exceeds its interests in joint ventures (including any long-term interest that, substantially, forms part of the Group's net investment in joint ventures), the Group does not recognise additional losses unless it has acquired obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence that the assets transferred have suffered an impairment loss. The accounting policies for joint ventures have been modified where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segment reporting is presented consistently with the internal information presented to the chief decision-making authority. The chief decision-making authority, which is responsible for allocating resources to the operating segments and assessing the performance of said segments, has been identified as the Management Committee, which makes the strategic decisions.

2.5 Foreign currency transactions

a) Functional and presentation currency

Items included in the annual accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated annual accounts are presented in euros, which is the Group's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates in force at the transaction dates or, if the items have been remeasured, the measurement dates. Foreign currency losses and gains that result from the settlement of these transactions and the translation of the monetary assets and liabilities denominated in foreign currencies at the rates in force at the end of the reporting period are recognised in profit and loss, except if deferred in other comprehensive income, as is the case with eligible cash flow hedges and eligible net investment hedges. Foreign currency losses and gains relating to loans and cash and cash equivalents are presented as "Finance costs – net" in the income statement. Other foreign currency losses and gains are presented as "Other net gains / (losses)".

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

Translation differences on non-monetary items, such as equity instruments held at fair value through profit and loss, are recognised in profit and loss as part of the fair value gain or loss. Translation differences on non-monetary items measured at fair value, such as equity instruments classified as equity securities, are included in other comprehensive income.

2.6 Property, plant and equipment

Items included in property plant and equipment are recognised at cost less depreciation and, when appropriate, less accumulated impairment losses, except in the case of land, which is presented net of impairment losses, if these exist.

Historical cost includes expenditure that is directly attributable to the acquisition of the items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to gradually reduce their acquisition costs to their residual values over their estimated useful lives:

Buildings - 40 years
Technical facilities and machinery – between 4 and 14 years
Other facilities, fittings and equipment and furniture – between 5 and 10 years
Other property, plant and equipment – between 4 and 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment in progress includes elements under adaptation, construction or assembly. Property, plant and equipment in progress is recognised at its acquisition cost and is not depreciated.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are measured by comparing proceeds with carrying amount and are recognised in profit and loss.

Rights of use

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

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

2.7 Intangible assets

a) Patents and industrial property. Trademarks and licences

Patents and industrial property and trademarks and licences bought from third parties are shown at historical cost. In general, they have a finite useful life and are carried at cost less accumulated amortisation. The amortisation of those with finite useful lives is calculated using the straight-line method to allocate the cost of these assets over their useful lives, which are estimated at between 10 and 15 years. Amortisable assets are tested for impairment whenever any event or change in circumstances indicates that their carrying amount may not be recoverable.

There are trademarks and licences with indefinite useful lives, which are tested for impairment annually. An impairment loss is recognised when the asset's carrying amount exceeds its recoverable value. The recoverable value is the higher of the asset's fair value less costs to sell and its value in use. In order to assess impairment losses, assets are grouped at the lowest level for which there are separately identifiable cash inflows that are largely independent (cash-generating units). Previous impairment losses on non-financial assets (other than goodwill) are reviewed at each reporting date to see whether they can be reversed.

Intangible assets in progress are shown at cost less impairment provision, if applicable.

b) Computer software

Computer software maintenance costs are recognised as expenses when incurred. Development expenses directly attributable to designing and testing computer programmes that are identifiable and unique and may be controlled by the Group are recognised as intangible assets when the following conditions are met:

- It is technically possible to complete the production of the intangible asset so it can be available for use or sale;
- Management intends to complete the intangible asset to be used or sold;
- The entity has the capacity to use or sell the intangible asset;
- It is possible to show evidence of how the intangible asset will generate probable economic benefits in the future;
- There are the proper technical, financial or other resources available to complete the development and to use or sell the intangible asset; and
- It is possible to measure reliably the expenditure attributable to the intangible asset during development.

Directly attributable costs that are capitalised as part of the computer software include the costs of the employees developing said programmes and an appropriate percentage of overheads.

Expenses that do not meet these criteria are recognised as expenses when incurred. Expenditure on an intangible asset initially recognised in profit and loss will not subsequently be recognised as intangible assets. Computer software has a useful life from 4 to 10 years.

c) Research and development expenses

Research expenditure is recognised as an expense when incurred. Costs incurred in development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following requirements are met:

- It is technically possible to complete the production of the intangible asset so it can be available for use or sale;
- Management intends to complete the intangible asset to be used or sold;
- There is the capacity to use or sell the intangible asset;
- It is possible to measure reliably the expenditure attributable to the intangible asset during development.
- There are the proper technical, financial or other resources available to complete the development and to use or sell the intangible asset; and
- It is possible to measure reliably the expenditure attributable to the intangible asset during development.

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

The cost of assets generated internally by the Group is measured following the same principles as established for determining the production cost of inventories. Production costs are capitalised by crediting the costs attributable to the asset to accounts under the heading “Work performed by the Group on non-current assets” in the consolidated income statement (consolidated statement of comprehensive income).

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

2.8 Borrowing costs

General and specific interest costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are those that necessarily require a substantial time period before they are ready for their planned use or to be sold, are added, if applicable, to the cost of these assets until the time when said assets are substantially ready for their intended use or to be sold.

Finance income obtained from the temporary investment of specific loans while they are waiting to be used on the qualifying assets is deducted from capitalisable interest costs.

The rest of the interest costs are expensed in the annual period in which they are incurred.

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life and those that are not in a usable condition are not amortised and are tested annually for impairment. Amortisable assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows that are largely independent (cash-generating units). Previous impairment losses on non-financial assets (other than goodwill) are reviewed at each reporting date to see whether then can be reversed.

2.10 Financial instruments

Financial instruments are classified upon initial recognition as financial assets or financial liabilities, in accordance with the economic nature of the contract and the definitions of financial asset and financial liability set out in IAS 32 “Financial Instruments: Presentation”.

Financial instruments are recognised when the Group becomes an obliged party under a contract or legal transaction in accordance with the provisions thereof. The Group recognises financial instrument purchase or sale transactions through conventional contracts, defined as those in which the reciprocal obligations of the parties must be performed within a time frame established by regulations or market conventions and which cannot be offset against each other, depending on the type of asset at the contract or settlement date.

For measurement purposes, the Group classifies financial instruments in the categories of financial assets and liabilities carried at fair value through profit and loss. The Group designates a financial asset or liability as fair value through profit and loss upon initial recognition if, by so doing, it eliminates or significantly reduces an inconsistency in the measurement or recognition that would arise otherwise, i.e. if the assets or liabilities or the recognition of the gain or loss thereon were measured on different bases.

The Group holds forward contracts for the purchase or sale of foreign currency. Some of these insurance contracts are considered derivative financial instruments that meet the conditions to be considered hedging instruments. Hedges that cover foreign currency risk on the fair value of monetary financial assets and liabilities in foreign currency, including both changes in the market value of the financial instruments designated as hedges and changes in the market value of the hedged item caused by the hedged risk, are charged or credited to profit and loss, as appropriate.

Acquisition of its own equity instruments

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

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

2.11 Financial assets

a) Classification of financial assets

The Group classifies its financial assets in the following categories: financial assets at amortised cost and financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities longer than 12 months after the end of the reporting period, which are classified as non-current assets. Financial assets at amortised cost are classified as “trade and other receivables” and “financial receivables”.

Deposits in financial institutions maturing at more than 90 days and less than 12 months are included in this category as current assets.

Trade receivables are measured at amortised cost less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Impairment of financial assets at amortised cost

Significant financial difficulties of the debtor, the probability that the debtor will become insolvent or require financial reorganisation and default or delinquency in payments are considered indicators that a trade receivable is impaired. Impairment of financial assets, including loans and receivables, is measured using the expected credit loss model.

The Group measures provisions for losses at a sum equivalent to the expected losses over the life of the asset.

Provisions for losses on financial assets measured at amortised cost are presented separately as a reduction in the gross carrying amount of the asset.

In relation to trade receivables, risk exposures in each group are segmented on the basis of the customer type (government or non-government) and the age of the debt:

- The balance receivable from public authority customers relates to receivables from government entities, regarding which, based on their nature and the information currently available, ROVI considers the credit risk to be low and, therefore, does not recognise any expected losses in relation thereto. The Group is entitled to claim late-payment interest originating from delay in collecting these balances from government entities.

- The balance with non-government entities includes mainly wholesalers, contract manufacturing customers, other pharmaceutical companies and private centres. The provision for impairment of balances with non-government customers is measured in accordance with the age of the debt.

Additionally, the provision for impairment includes all those customer balances for which there are indications of impairment, even if six months have not yet elapsed since their due date.

Impairment losses are recognised in the income statement as “other operating expenses”. When a receivable becomes unrecoverable, it is written off against the amount of the impairment. Subsequent recovery of amounts previously written off is recognised as a credit item in “other operating expenses”.

(ii) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are non-derivatives that are either designated in this category or not classified in any of the other possible categories. They are included in non-current assets under the name of “equity securities” unless Management intends to dispose of the investment within 12 months of the end of the reporting period.

Purchases and sales of investments are recognised on the trade date, i.e. the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets at fair value through other comprehensive income are subsequently carried at fair value through other comprehensive income. Investments are derecognised when the rights to receive cash flows from the investments have expired or been transferred and the Group has substantially transferred all risks and rewards of ownership.

Dividends from equity instruments classified as financial assets at fair value through other comprehensive income are recognised in profit and loss as “Finance costs-net” when the Group’s right to receive payment is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value on the basis of an analysis of discounted cash flows.

At each reporting date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as financial assets at fair value through other comprehensive income, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for financial assets at fair value through other comprehensive income, the cumulative loss –measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss– is removed from equity and recognised in profit and loss. Impairment losses on equity instruments recognised in profit and loss are not reversed through profit and loss. The expected credit loss is recognised in other reserves and does not reduce the fair value of the assets.

b) Derecognition of financial assets

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

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

- Payment of the cash flows depends on their having been received previously;
- The Group cannot sell or pledge the financial asset; and

- The cash flows received on behalf of the final recipients are remitted without significant delay and the Company is not able to reinvest the cash flows. An exception is made for investments in cash or cash equivalents made by the Group during the settlement period, running from the date on which the cash flows are received and the remittance date agreed with the final recipients, provided that any interest accrued is attributed to the final recipients.

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

2.12 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.14 Share capital

The subscribed share capital is represented by ordinary shares.

Incremental costs directly attributable to the issue of new shares, face value reductions or the write-off of existing shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group company purchases shares in the Company (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's shareholders until the shares are cancelled, reissued or resold. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effect, is included in equity attributable to the Company's shareholders.

2.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants relating to reimbursable advances are recognised when these advances are granted to the Group.

Government grants relating to costs are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit and loss on a straight-line basis over the expected lives of the related assets.

Reimbursable advances at zero interest rate or those with a subsidised interest rate are recognised at fair value at the time they are received, subsequently being recognised at amortised cost. The difference between the fair value and the face value is registered as "Recognition of government grants on non-financial assets and others" if the loans are financing incurred expenses or are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the useful life of the assets which have been funded with said loans.

2.16 Trade payables

Trade payables are payment obligations for goods or services acquired from suppliers in the ordinary course of business. The payables are classified as current liabilities if they mature at one year or less (or if they mature within a normal operating cycle, if longer). Otherwise, they are shown as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.17 Financial debt

Liabilities recognised as financial debt are broken down as follows:

a) Financial liabilities at amortised cost

Financial liabilities at amortised cost are recognised initially at fair value less transaction costs incurred. Subsequently, financial debt is measured at amortised cost, any difference between the funds obtained (less the costs necessary to obtain them) and the repayment value being recognised in profit and loss over the period of the borrowings in accordance with the effective interest rate method.

Financial liabilities at amortised cost are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Commissions paid for obtaining a credit line are recognised as debt transaction costs, provided that it is likely that part or all of the line will be drawn down. In this case, the commissions are deferred until the line is drawn down. To the extent that it is unlikely that all or part of the credit line will be drawn down, the commission will be capitalised as an advance payment for liquidity services and amortised over the period for which the credit is available.

b) Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss are recognised initially at fair value. Transaction costs directly attributable to purchase or issue are subsequently recognised as an expense when incurred. The initial value of a financial instrument is usually the transaction price, unless said price contains items other than the instrument, in which case the Group determines the fair value.

After initial recognition, they are recognised at fair value through profit and loss. Changes in the fair value include the interest component and dividends. The fair value is not reduced by any transaction costs that may be incurred if the instrument is sold or otherwise disposed of.

The Group classifies derivatives not designated as hedges as financial liabilities at fair value through profit and loss.

2.18 Current and deferred taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax expense is calculated on the basis of the laws enacted or substantively enacted at the end of the reporting period in the countries in which the Group operates and in which taxable income is generated. Management regularly assesses the positions adopted in the tax returns in relation to situations where the applicable tax regulations are subject to interpretation and, if necessary, sets up provisions in accordance with the amounts it is expected to pay to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual accounts. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax assets and deferred tax liabilities are offset when, and only when, there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority on the same entity or taxpayer or on different entities or taxpayers which intend to settle current tax assets and liabilities for their net amount.

Regarding the interests in Economic Interest Groupings (EIGs), the Group allocates the negative tax bases and R&D&I tax credits generated by the EIGs against its interests in them, together with the related financial income for the difference with the debt recognised with the Public Treasury.

2.19 Employee benefits

a) Pension obligations

The Group holds an individual defined-contribution plan exclusively on behalf of certain Group employees. A defined-contribution plan is a pension plan under which the Group pays fixed contributions into an external fund and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For the defined-contribution plans, the Group pays contributions into pension insurance plans managed publicly or privately on a mandatory, contract or voluntary basis. Once the contributions have been paid, the Group holds no further payment obligations. The contributions are recognised as employee benefits when accrued. Benefits paid in advance are recognised as an asset to the extent that cash is refunded or future payments are reduced.

b) Termination payments

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises these benefits on the earlier of the following dates: (a) when the Group can no longer withdraw the offer of said benefits; or (b) when the entity recognises restructuring costs within the scope of IAS 37 and this means termination benefits must be paid. When an offer is made in order to encourage voluntary redundancies on the part of the employees, the termination benefits are measured in accordance with the number of employees who are expected to accept the offer. The benefits that will not be paid within the twelve months following the end of the reporting period are discounted back to their present value.

c) Bonus obligations

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

d) Share-based payments

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

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

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

Share-based payments to employees settled by issuing equity instruments.

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

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

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

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

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

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

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

2.20 Provisions

The Group recognises provision liabilities when:

- It has a legal or constructive obligation as a result of past events;

- It is more likely than not that an outflow of resources will be required to settle the obligation; and

- The amount can be reliably estimated.

When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations is low.

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

2.21 Revenue recognition

The Group recognises revenue for the amount of the transaction price corresponding to the considerations the Group expects to be entitled to receive for the transfer of goods or provision of services to a customer and other revenue obtained in the ordinary course of the Group's activities promised to a customer. These may be fixed or variable amounts or a combination of the two. Revenue is presented net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when it satisfies an obligation by transferring goods or services to the customer and the latter obtains control of said asset. At the beginning of the contract, the Group determines whether it will settle the obligations over a period of time or at a point in time, depending on the specific conditions for each one of the Group's activities, as described below.

In accordance with IFRS 15, the Group follows the five-step model to determine when and how much revenue should be recognised. The steps are as follows:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

In this respect, for each performance obligation identified, the Group determines whether it will satisfy the obligation over time or at a point in time.

a) Sales of goods

The Group's "Sales of goods" are derived from the sale of pharmaceutical products, contrast agents and other hospital products, and other non-prescription pharmaceutical products, where control transfers to the customers and the performance obligations are satisfied when the goods are made available to other pharmaceutical companies or, for the remaining customers, at the time of delivery. Invoices are usually due in a maximum period of 90 days.

IFRS states that that an entity that grants the right to return the product should recognise revenue for the amount of the consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer, as well as a refund liability and an asset for the right to recover the goods. ROVI recognises revenue net of the estimated returns at the date of sale, while also recognising a refund liability. The Group does not recognise an asset for the right to recover the goods because, in the light of its experience and the type of product sold, returned items can no longer form part of the Group's inventories.

The amount of revenue recognised is adjusted for expected returns, which are estimated considering the average returns rates of recent years.

Discounts granted to government customers are recorded as a deduction from revenue at the time the related revenues are recorded. Where appropriate, a liability is calculated on the basis of historical experience, which requires the use of judgement by the management.

Therefore, ROVI's revenue from sales of products is subject to variable consideration for rebates, refunds and returns. This variable consideration is only recognised if it is highly probable that there will be no significant reversal in the amount of the cumulative revenue recognised will occur when the uncertainty associated with the variable consideration subsequently disappears.

b) Sales of services

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

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

ROVI has entered into commitments with certain customers to reserve production capacity at its plants in exchange for a financial consideration. The conditions that govern these reservation commitments differ in accordance with the conditions established in each contract. In some cases, revenue accrual is linked to achieving a single milestone, fixed by contract, which may consist of being ready to produce or of reaching the end of the term agreed without the customer requesting the reserved production. Additionally, the reservation of capacity may be linked to the production carried out in determined time periods and may be refundable in accordance with the actual production completed. In these cases, the capacity reservation would act as a minimum payment for the production service.

c) Interest income

Interest income is recognised in accordance with the effective interest method.

d) Dividend income

Dividend income is recognised when the right to receive payment is established.

e) Other revenue: granting of exclusive distribution licences

Occasionally the Group grants licenses to other pharmaceutical companies to sell its products on an exclusive basis in a specific territory and also promises to manufacture the pharmaceutical product for the customer. For these agreements, the Group collects a single down-payment for the transfer of the license, which is either non-refundable or may be refunded to the customer under very strict terms if the product is finally not authorised for distribution in the agreed territory. In these contracts signed with third parties whereby Rovi grants the distribution licenses, the obligations arising from the granting of these licenses are always linked to the obligation to supply and manufacture the product, which no other entity can manufacture. As the customer cannot benefit from the licence without the manufacturing service, the licence and the manufacturing service cannot be separated and, therefore, the Group recognises the licence and the manufacturing service as a single performance obligation.

Additionally, in these types of contracts the Group has an enforceable right to payment for performance completed to date, as the entity would be entitled to an amount that at least compensated the Group for its performance completed to date in the event that the customer or another party were to terminate the contract for reasons other than the entity's failure to perform as promised. Consequently, the Group recognises the revenue over time and defers revenues from the granting of product distribution licenses over the number of units produced.

2.22 Leases

When a Group company is the lessee – Operating lease

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

2.23 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the Group’s consolidated annual accounts in the period in which the dividends are approved by the Company’s shareholders.

2.24 Contributions to the public health system

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

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

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

3. Financial risk management

3.1 Financial risk factors

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

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

a) Market risk

(i) Foreign exchange risk

Foreign exchange risk is low because (i) most of the Group's assets and liabilities are in euros; (ii) a large part of the transactions with foreign parties are carried out in euros; and (iii) transactions for a significant amount in currencies other than the euro are hedged with financial instruments that minimise the impact of exchange-rate risk. At 31 December, 2022, the Group held instruments of this kind for a value of 3,000 thousand dollars (5,000 thousand dollars at 31 December, 2021), the measurement of which led to recognition of a loss of 28 thousand euros at the 2022 reporting date (at 31 December, 2021, the loss originating from measurement of these assets was 17 thousand euros). If, at 31 December, 2022, the exchange rate had been 10% higher, ROVI would have incurred a loss of 318 thousand euros and, if the exchange rate had been 10% lower, ROVI would have recorded a profit of 251 thousand euros from the measurement of these assets (at 31 December, 2021, the impact would have been a loss of 502 thousand euros or a profit of 392 thousand euros, respectively).

At 31 December, 2022, there were assets of 2,118 thousand pounds sterling, 1,772 thousand zlotys and 258 thousand Swiss francs on the balance sheet (3,187 thousand pounds sterling, 2,491 thousand zlotys and 278 Swiss francs at 31 December, 2021). If the exchange rate at the reporting date had been 10% higher, the value in euros of the assets denominated in pounts sterling, zlotys and Swiss francs would have decreased by 275 thousand euros thousand euros (419 thousand euros in 2021), and if the exchange rate had been 10% lower, their value would have increased by 337 thousand euros (512 thousand euros at 31 December, 2021).

At 31 December, 2023, there were liabilities of 2,242 thousand pounds sterling, 2,917 thousand zlotys and 65 thousand Swiss francs on the balance sheet (3,217 thousand pounds sterling, 2,456 thousand zlotys and 10 thousand Swiss francs at 31 December, 2021). If the exchange rate at the reporting date had been 10% higher or lower, these liabilities would have decreased or increased by 292 or 357 thousand euros, respectively (397 and 486 thousand euros at 31 December, 2021), with the corresponding effect on profit and loss.

(ii) Price risk

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

At 31 December, 2022 and 2021, a change in the listed price of equity securities would have had no significant effect of the Group's statement of financial position.

(iii) Cash-flow interest-rate risk

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

Had interest rates on financial debt at variable rates been 1% higher or lower at 31 December 2022, with all other variables remaining constant, the gain/loss after taxes for the period would have decreased or increased by 46 thousand euros, respectively, owing to the difference in interest expense on loans at variable rates (51 thousand euros at 31 December, 2021).

b) Credit risk

Credit risk is managed in groups. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, receivables classified as equity securities and trade receivables.

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

At 31 December, 2022, the greatest investment in financial assets, including cash and cash equivalents and apart from trade receivables, was related to BBVA, 63,562 thousand euros (53,328 thousand euros with Banco Santander at 31 December, 2021). A significant proportion of trade and other receivables relates to accounts receivable from government entities, on which, in view of their nature, with the information currently available, Management considers there to be no credit risk (Note 13).

c) Liquidity risk

Management periodically monitors the liquidity estimates of the Group in accordance with the expected cash flows. The Group maintains sufficient cash and marketable securities to meet its liquidity requirements.

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

At 31 December, 2022	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank borrowing (Note 18)	6,686	13,256	19,414	5,739
Debt with government entities (Note 18)	1,810	3,305	4,088	1,690
Trade suppliers (Note 17)	128,484	—	—	—
Other payables (Note 17)	37,292	—	—	—
	124,272	16,561	23,502	7,429

At 31 December, 2021	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank borrowing (Note 18)	993	13,334	19,709	12,052
Debt with government entities (Note 18)	2,245	3,253	4,275	1,719
Trade suppliers (Note 17)	97,407	—	—	—
Other payables (Note 17)	27,766	—	—	—
	128,411	16,587	23,984	13,771

3.2 Capital risk management

The Group's objective in relation to the management of capital is to maintain a low level of gearing that will make it easier for the Group to obtain additional financial debt if required in order to make new investments. A part of the Group's financial debt takes the form of reimbursable advances from government entities. These do not generate interest payments since they are subsidised.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt/cash divided by net equity. Net debt/cash is calculated as total financial debt less cash and cash equivalents. Equity is as shown under the relevant caption in the statement of financial position in the consolidated annual accounts.

The leverage index or gearing ratio at 31 December, 2022 and 2021 was as follows:

	2022	2021
Financial debt (Note 18)	72,166	73,162
Less: Cash and cash equivalents (Note 14)	(124,945)	(99,035)
Less: Equity securities (Note 11)	(9)	(72)
Less: Deposits (Notes 9 & 13)	(1,416)	(1,427)
Net debt / (cash)	**(54,204)**	**(27,372)**
Equity	521,379	470,976
Leverage Index / Gearing ratio	**-10.4 %**	**-5.8 %**

3.3 Fair value estimate

Measurement of financial instruments at market price is classified into:

- Level 1. Quoted prices on active markets for identical instruments.
- Level 2. Observable inputs for the instrument, either directly observable (prices) or indirectly observable (price-based).
- Level 3. Inputs not based on observable market data.

Measurements at market prices of the Group's financial assets recorded at fair value, the totality of which are classified as financial assets at fair value through other comprehensive income, recognised on the statement of financial position as "equity securities" (Note 11), are classified at Level 1.

The fair value of financial instruments traded in active markets (such as equity securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of the reimbursable advances without a rate of interest or with a subsidised interest rate is determined by applying the interest rate curve in force at the date of receipt of the advance to the reimbursements to be made and adding the spread normally applied in loans to the Group. For financial reporting purposes, fair value is calculated at the end of each reporting period by applying the interest rate curve in force at the end of each reporting period to the payments outstanding and adding the corresponding spread. For loans at variable rates of interest, fair value has been regarded as coinciding with the amount for which they are recognised (Note 18). Measurement of reimbursable advances without an interest rate at market price is classified as Level 2.

4. Critical accounting estimates and judgements

Critical accounting estimates and judgements are continuously assessed and are based on historical experience and other factors, including expectations of future events deemed reasonable under the circumstances.

4.1 Significant estimates and assumptions

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

Regarding the impact of climate change-related matters, at 31 December. 2022, ROVI, in collaboration with external experts, had performed its first exercise to identify and quantify climate-related risks following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The result of this analysis allowed ROVI to assess the financial impact of acute physical risks on each one of the Group's production plants as not significant.

a) Recoverability of intangible assets

Under the caption "Trademarks and licences", assets with indefinite useful lives were recognised for an amount of 5,366 thousand euros at 31 December, 2022 and 2021. Management reviews these assets for indications of impairment on an annual basis, although there have been none to date. The recoverable value, which was higher than the carrying amount at the end of both reporting periods, has been obtained by projecting the forecast cash flows for the following five years.

b) Capitalisation of development expenses

The Group considers that its development project for a low-molecular-weight heparin, a biosimilar of enoxaparin, has met all the requirements mentioned in note 2.7.c) since last quarter of 2014, when an application was filed with the European health authorities to obtain authorisation for the marketing of this biosimilar in Europe. Therefore, from that time until the effective commercialisation in Europe of this biosimilar, all the expenses incurred in this project have been capitalised. Amortisation of this asset commenced during the first quarter of 2017, with the favourable result of the decentralised process used by the Group to apply for marketing authorisation in twenty-six European Union countries. These assets have a useful life of 20 years, which is consistent with the term of pharmaceutical product patents. ROVI considers that it will obtain a positive return on said development over that period.

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

c) Provisions for discounts, returns, trading transactions and contributions to the public health system (Note 17)

The "Other payables" caption includes the provisions for returns, discounts, contributions to the public health system and other trading transactions. The provision is Management's best estimate based on both the historical information available to the Company, related to product obsolescence, the regulatory framework and the product cycle, and an assessment of the potential risks inherent to the activity.

4.2 Critical judgements in applying accounting policies

Revenue recognition

The Group has recognised the revenue from the total sales of goods marketed in 2022 and 2021 at face value and has, when applicable, claimed late payment interest from the public authorities. The buyer has the right to return the goods sold. Although the Group believes that, based on previous experience, the level of returns will not be very meaningful, ROVI has recognised ordinary revenue from its sales together with the related provision against ordinary revenue for estimated returns. If the estimate changes by 1%, changes in revenue will be not significant.

Revenue recognised for the work to adapt, fit out and validate the facilities and machinery –which may be either owned by ROVI or acquired or subcontracted from a third party– prior to provision of a manufacturing service was calculated in accordance with the percentage of completion of the work to be carried out. Additionally, if the percentage of completion includes a determined acquisition of assets, the margin is not recognised until they are finally installed.

Furthermore, revenue from reservations of capacity is recognised when the circumstance agreed by contract occurs (Note 2.21.b).

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

5. Segment reporting

The Group's operating segments have been determined on the basis of the information used by the Management Committee for decision-making. This information is divided in accordance with whether it was generated by manufacturing or marketing activities, irrespective of the geographical area where the activities took place. Therefore, segment identification does not relate so much to the geographical distribution of the business but to a differentiated type of activity.

Thus, the segment called "manufacturing" obtains its income from service contracts that relate to the finalisation of the pharmaceutical product production process for external entities and the manufacture of products to be subsequently marketed by other group companies, while the "marketing" segment, which also includes the research and development activities carried on by the Group, has the principal activity of purchasing and subsequently selling pharmaceutical products.

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

The segment information used by the Management Committee for 2021 was as follows:

	Manufacturing	Marketing	Other	Aggregated total	Inter-segment transactions	Consolidated total
Total segment revenues	619,230	414,153	—	**1,033,383**	(215,685)	**817,698**
Profit/(loss)	190,167	10,580	(9)	200,738	(1,073)	199,665
Income tax	52,844	5,826	(3)	58,667	(365)	58,302
Profit/(loss) before tax	243,011	16,406	(12)	259,405	(1,438)	257,967
Finance costs - net	395	(2,315)	—	(1,920)	—	(1,920)
Amortisation/depreciation	14,169	8,724	—	22,893	(22)	22,871
EBITDA (*)	**257,575**	**22,815**	**(12)**	**280,378**	**(1,460)**	**278,918**
Amortisation/depreciation	(14,169)	(8,724)	—	(22,893)	22	(22,871)
EBIT (**)	**243,406**	**14,091**	**(12)**	**257,485**	**(1,438)**	**256,047**

The 2021 figures were as follows

	Manufacturing	Marketing	Other	Aggregated total	Inter-segment transactions	Consolidated total
Total segment revenues	471,788	383,975	—	**855,763**	(207,086)	**648,677**
Profit/(loss)	136,122	44,492	(40)	180,574	(27,497)	153,077
Income tax	35,433	(4,924)	(9)	30,500	(949)	29,551
Profit/(loss) before tax	171,555	39,568	(49)	211,074	(28,446)	182,628
Finance costs - net	616	(26,344)	—	(25,728)	24,674	(1,054)
Amortisation/depreciation	11,117	10,247	—	21,364	—	21,364
EBITDA (*)	**183,288**	**23,471**	**(49)**	**206,710**	**(3,772)**	**202,938**
Amortisation/depreciation	(11,117)	(10,247)	—	(21,364)	—	(21,364)
EBIT (**)	**172,171**	**13,224**	**(49)**	**185,346**	**(3,772)**	**181,574**

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

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

Each segment's sales to external customers in 2022 were as follows:

	Manufacturing	Marketing	Other	TOTAL
Total segment revenues	619,230	414,153	—	1,033,383
Inter-segment revenues	(215,685)	—	—	(215,685)
Revenues from external customers	403,545	414,153	—	817,698

In 2021, sales to external customers were as follows:

	Manufacturing	Marketing	Other	TOTAL
Total segment revenues	471,788	383,975	—	855,763
Inter-segment revenues	(207,096)	10	—	(207,086)
Revenues from external customers	264,692	383,985	—	648,677

At 31 December, 2022, the breakdown of assets and liabilities by segment was as follows:

	Manufacturing	Marketing	Other	Aggregated total
Total assets	**635,501**	**490,357**	**474**	**1,126,332**
Of which:				
Investments in group companies	-	18,917	-	18,917
Increases in non-current non-financial assets	49,292	6,451	-	55,743
Total liabilities	**(294,877)**	**(276,786)**	**(9)**	**(571,672)**

The assets of the aggregated segments at 31 December, 2022 can be reconciled with the total consolidated assets as follows:

	Manufacturing	Marketing	Other	Intercompany balances	Group investments	Consolidated TOTAL
Total assets	635,501	490,357	474	(228,712)	(18,917)	878,703

At 31 December, 2021, the breakdown of assets and liabilities by segment was as follows:

	Manufacturing	Marketing	Other	Aggregated total
Total assets	**396,164**	**468,900**	**483**	**865,547**
Of which:				
Investments in group companies	—	9,489	—	9,489
Increases in non-current non financial assets	35,190	9,827	—	45,017
Total liabilities	(222,497)	(149,283)	(8)	(371,788)

The assets of the aggregated segments at 31 December, 2021 can be reconciled with the total consolidated assets as follows:

	Manufacturing	Marketing	Other	Intercompany balances	Group investments	Consolidated TOTAL
Total assets	396,164	468,900	483	(123,382)	(9,489)	732,676

The following tables show the revenue and total assets of the Group by geographical area:

	2022	2021
Spain	264,267	256,698
European Union	136,545	119,632
OECD countries	376,764	243,556
Other countries	40,122	28,791
	817,698	**648,677**

Total assets	**2022**	**2021**
Spain	816,048	650,075
Portugal	5,234	10,943
Germany	31,278	34,310
Italy	16,916	30,698
UK	2,388	3,798
France	6,199	2,041
Switzerland	262	269
Poland	378	542
	878,703	**732,676**

Virtually all the investment in property, plant and equipment and intangible assets in 2022 and 2021 was made in Spain.

6. Property, plant and equipment

Movement on property, plant and equipment was as follows:

	Land & buildings	Technical facilities, machinery & tools	Furniture, fittings & other	IT equipment and vehicles	Rights of use	In progress	Total
Balance at 01.01.21							
Cost	35,745	229,888	3,449	16,885	24,375	14,675	325,017
Accumulated depreciation	(18,593)	(126,339)	(2,760)	(14,714)	(7,216)	—	(169,622)
Net carrying am. 01.01.21	**17,152**	**103,549**	**689**	**2,171**	**17,159**	**14,675**	**155,395**
Additions	1,498	18,902	162	1,654	4,077	18,002	44,295
Retirements	—	(33)	—	(78)	—	—	(111)
Eliminations from deprec.	—	—	—	78	—	—	78
Transfers	7	4,616	13	(14)	—	(4,622)	—
Depreciation charge	(292)	(12,562)	(87)	(1,046)	(3,895)	—	(17,882)
Balance at 31.12.21							
Cost	37,250	253,373	3,624	18,447	28,452	28,055	369,201
Accumulated depreciation	(18,885)	(138,901)	(2,847)	(15,682)	(11,111)	—	(187,426)
Net carrying am. 31.12.21	**18,365**	**114,472**	**777**	**2,765**	**17,341**	**28,055**	**181,775**
Additions	8,061	29,322	252	965	4,355	12,119	55,074
Retirements	(192)	(2,206)	—	—	—	—	(2,398)
Eliminations from deprec.	3	477	—	—	—	—	480
Depreciation charge	(317)	(13,551)	(96)	(1,181)	(4,245)	—	(19,390)
Balance at 31.12.22							
Cost	45,119	280,489	3,876	19,412	32,807	40,174	421,877
Accumulated depreciation	(19,199)	(151,975)	(2,943)	(16,863)	(15,356)	—	(206,336)
Net carrying am. 31.12.22	**25,920**	**128,514**	**933**	**2,549**	**17,451**	**40,174**	**215,541**

A majority of the additions recognised in 2022 and 2021 related to investments in ROVI's manufacturing plants, principally:

- 2.1 million euros was invested in the Madrid injectables plant, compared to the 2.9 million euros invested in 2021.
- 3.0 million euros was invested in the San Sebastián de los Reyes injectables plant, compared to the 2.0 million euros invested in 2021.
- 0.7 million euros was invested in the Granada plant, compared to the 1.4 million euros invested in 2021.
- 3.4 million euros was invested in the Alcalá de Henares plant, compared to the 4.2 million euros invested in 2021.
- 6.7 million euros was invested in the ISM® industrialisation, compared to the 5.5 million euros invested in 2021.
- 13.8 was invested in the construction, currently in progress, of the new heparin plant in Escúzar (Granada), compared to the 18.8 million euros invested in 2021.
- 1.9 million euros was invested in the Glicopeptón Biotech, S.L. plant (company incorporated in 2022).
- 17.2 million euros was invested in the new vial filling line and the expansion of operations, compared to the 2.9 million euros invested in 2021.

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

At 31 December, 2022, the Group had generated internally additions of 2,856 thousand euros (no additions had been generated internally at 31 December, 2021).

Rights of use totalled 17,451 thousand euros at 31 December, 2022 (17,341 thousand euros in 2021). The principal item within rights of use relates to real property leases.

At 31 December, 2022, the Group held property, plant and equipment with a carrying amount of 457 thousand euros subject to retention of title (514 thousand euros at 31 December, 2021).

At 31 December, 2022 and 2021 , the Group held acquisition commitments of 731 and 6,873 thousand euros, respectively, for property, plant and equipment related to the ordinary course of its business.

In 2022 and 2021, there was no impairment of property, plant and equipment.

The Group holds insurance policies to cover to risks to which the property, plant and equipment is exposed. This insurance cover is considered sufficient.

7. Intangible assets

Movement on the intangible assets was as follows:

	Development	Trademarks & licences	Computer software	Total
Balance at 01.01.21				
Cost	8,886	44,929	12,413	66,228
Accumulated impairment	—	(397)	—	(397)
Accumulated amortization	(1,399)	(11,748)	(11,271)	(24,418)
Net carrying amount 01.01.21	**7,487**	**32,784**	**1,142**	**41,413**
Additions	13	—	709	722
Impairment	—	(95)	—	(95)
Amortisation charge	(455)	(2,422)	(605)	(3,482)
Balance at 31.12.21				
Cost	8,899	44,929	13,122	66,950
Accumulated impairment	—	(492)	—	(492)
Accumulated amortization	(1,854)	(14,170)	(11,876)	(27,900)
Net carrying amount 31.12.21	**7,045**	**30,267**	**1,246**	**38,558**
Additions	—	—	669	669
Impairment	—	(2)	—	(2)
Amortisation charge	(442)	(2,447)	(592)	(3,481)
Balance at 31.12.22				
Cost	8,899	44,929	13,791	67,619
Accumulated impairment	—	(494)	—	(494)
Accumulated amortization	(2,296)	(16,617)	(12,468)	(31,381)
Net carrying amount 31.12.22	**6,603**	**27,818**	**1,323**	**35,744**

At 31 December, 2022 and 2021, all the Group's intangible assets belonged to the marketing segment.

Development

At 31 December, 2022 and 2021, the assets included under the "Development" caption correspond to assets related to the development of a low-molecular-weight heparin, an enoxaparin biosimilar, sales of which commenced in 2017. Amortisation of this asset commenced during the first quarter of 2017, with the favourable result of the decentralised process used by the Group to apply for marketing authorisation in twenty-six European Union countries. The useful life of this asset is 20 years, and no indications of impairment were noted in 2022 or 2021.

Trademarks and licences

Under the caption "Trademarks and licences", assets with indefinite useful lives were recognised for an amount of 5,366 thousand euros at 31 December, 2022 and 2021. Management reviews these assets for indications of impairment on an annual basis, although there has been none to date. The recoverable value, which was higher than the carrying amount at the end of both reporting periods, was obtained by calculating the value in use by projecting the forecast cash flows for the following five years. In the cash flow projections as of 31 December, 2022, a discount rate of 8.1% was applied (7.2% at the end of 2021) and, for each year, the margins forecast on the basis of the characteristics of the manufacturing of the product in said year were used. A change of 10% in the discount rate applied or in the cash flows used as a basis would not have led to any impairment of the asset.

Because the recoverable value of the asset related to acquisition of the distribution rights of the product Hirobriz® (belonging to the "Marketing" segment) had dropped below its net carrying amount, the pertinent impairment loss was recognised at 31 December, 2022. The loss recognised in 2022, which was 2 thousand euros (95 thousand euros at 31 December, 2021), was recognised under the caption "Impairment losses on non-current assets" in the income statement. The recoverable value of this asset was obtained by projecting the cash flows expected until the end of the contract in December 2023 and applying a discount rate of 8.1% (7.2% in 2021). The margins used in the cash flow projection were those forecast in accordance with ROVI's historical knowledge of the revenue and costs generated by this asset. A change of 10% in the discount rate applied on the cash flows used as a basis would not have led to any significant change in the amount of the impairment.

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

Total research and development expenses incurred in 2022 were 23,869 thousand euros (27,445 thousand euros in 2021) and were mainly concentrated on the Glycomics and ISM® platforms, the latter of which is a proprietary drug release system, belonging to ROVI, the objective of which is to improve patient treatment adherence. Of the total research and development expenses incurred in 2022, 9,242 thousand euros was recognised under the "Employee benefit expenses" heading (Note 23) (8,384 thousand euros at 31 December, 2021) and 14,627 thousand euros under "Other operating expenses" (Note 24) (19.061 thousand euros in 2021).

8. Financial instruments by category

Financial instruments by category	2022	2021
FINANCIAL ASSETS		
Non-current financial assets	**74**	**137**
Financial receivables (Note 13)	65	65
Equity securities (Note 11)	9	72
Current financial assets	**286,659**	**230,386**
Trade and other receivables (Nota 13)	161,714	131,351
Cash and cash equivalents (Nota 14)	124,945	99,035
FINANCIAL LIABILITIES		
Non-current financial liabilities	**60,986**	**68,205**
Contract liabilities (Note 20)	1,545	1,460
Financial debt (Note 18)	59,441	66,745
Current financial liabilities	**287,262**	**183,683**
Contract liabilities (Note 20)	114,901	57,632
Financial debt (Note 18)	12,725	6,417
Trade and other payables (Note 17)	159,636	119,634

At 31 December, 2022 and 2021, all the financial assets fell within the category of financial assets at amortised cost, except the equity securities, which were in the category of financial assets at fair value through other comprehensive income. In trade and other receivables, the balance receivable from the public authorities is excluded from the above table.

At 31 December 2022 and 2021, all the financial liabilities fell within the category of financial liabilities at amortised cost, except the financial derivatives, which were included in current financial debt and belong to the category of financial liabilities at fair value through profit and loss. In trade and other payables, the balance payable to the public authorities is excluded from the above table.

9. Credit rating of financial assets

The credit quality of financial assets which have not yet matured and which have suffered no impairment loss can be assessed based on the credit rating assigned by organisations external to the Group or, in the case of unrated customers, by separating those corresponding to Social Security authorities and government entities which, due to their nature, are not subject to impairment:

Cash and cash equivalents	Rating	2022	2021
	A+	52,383	53,221
	A	63,562	21,035
	A-	511	165
	BBB+	132	5,014
	BBB	3,129	19,565
	Not rated	5,228	35
	Total cash and cash equivalents (Note 14)	**124,945**	**99,035**

Financial receivables	Rating	2022	2021
	A	65	65
	Total financial receivables (Note 13)	**65**	**65**

Equity securities	Rating	2022	2021
	A	9	—
	A-	—	13
	Not rated	—	59
	Total equity securities (Note 11)	**9**	**72**

Trade receivables	Rating	2022	2021
	AA	273	(27)
	A1	1,272	1,357
	Public centres and institutions (Note 13)	14,652	9,026
	Other (wholesalers, pharmacies, hospitals)	144,565	119,502
	Total trade receivables (Note 13)	**160,762**	**129,858**

Other deposits	Rating	2022	2021
	A+	1,327	—
	A	—	1,327
	Not rated	89	100
	Total other deposits (Note 13)	**1,416**	**1,427**

10. Interests in joint ventures

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

	2022	2021
Balance at beginning of the year	**1,994**	**1,812**
Share in profits	199	182
Balance at end of the year	**2,193**	**1,994**

The nature of investment in joint ventures at 31 December, 2022 and 2021 was as follows:

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

(1) Alentia Biotech, S.L. dissolved in 2022.

a) Alentia Biotech, S.L.

In 2010, the company Alentia Biotech, S.L. (Alentia) was created, 100% held by ROVI. In February 2012, the effective sale of 50% of the shares in Alentia Biotech, S.L. by Laboratorios Farmacéuticos Rovi, S.A. to Grupo Ferrer Internacional, S.A. took place and Alentia became a joint venture held by these two companies at 50% each. In March 2022, this company was wound up. The Group did not recognise any gain or loss on this transaction. At said date, ROVI held an interest in equity instruments of 3 thousand euros in Alentia, as well as a credit of 1,048 thousand euros, which was fully impaired, and a trade receivable of 1 thousand euros. At said date, ROVI held an interest in equity instruments of 3 thousand euros in Alentia Biotech, S.L., as well as a credit of 1,048 thousand euros, which was fully impaired, and a trade receivable of 1 thousand euros.

b) Enervit Nutrition, S.L.

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

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

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

Condensed financial information on joint ventures

The condensed financial information on Alentia Biotech, S.L. and Enervit Nutrition, S.L. as of 31 December, 2022 and 2021 is as follows:

	31 December, 2022		31 December, 2021	
Condensed balance sheet	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition,**
Current				
Cash and cash equivalents	—	85	2	22
Other current assets (excluding cash)	—	2,517	—	2,311
Total current assets	**—**	**2,602**	**2**	**2,333**
Financial liabilities (excluding trade payables)	—	—	—	(48)
Oher current liabilities (including trade payables)	—	(1,080)	—	(1,299)
Total current liabilities	**—**	**(1,080)**	**—**	**(1,347)**
Non-current				
Property, plant and equipment	—	1	—	2
Intangible assets	—	2,648	—	2,849
Other financial assets	—	—	—	—
Deferred tax assets	—	215	—	151
Total non-current assets	**—**	**2,864**	**—**	**3,002**
Financial liabilities	—	—	(2,100)	—
Other liabilities	—	—	—	—
Total non-current liabilities	**—**	**—**	**(2,100)**	**—**
NET ASSETS	**—**	**4,386**	**(2,098)**	**3,988**

	31 December, 2022		31 December, 2021	
Condensed statement of comprehensive income	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**
Revenue	—	7,377	—	7,442
Cost of sales	—	(6,027)	—	(5,929)
Employee benefit expenses	—	(401)	—	(375)
Other operating expenses	—	(542)	(4)	(565)
Amortisation and depreciation	—	(201)	—	(209)
Profit / (loss) before tax	**—**	**206**	**(4)**	**364**
Finance costs - net	—	—	—	—
Income tax	—	192	—	—
Profit / (loss) for the period	**—**	**398**	**(4)**	**364**
Other comprehensive income	**—**	**—**	**—**	**—**
TOTAL COMREHENSIVE INCOME	**—**	**398**	**(4)**	**364**
Dividends received from joint ventures	—	—	—	—

Reconciliation of the condensed financial information

Reconciliation of the condensed financial information presented with the carrying amount of the interests in the joint ventures at 31 December, 2022 and 2021:

	31 December, 2022		31 December, 2021	
Condensed financial information	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**
Net assets of joint ventures at the beginning of the year	**—**	**3,988**	**(2,098)**	**3,624**
Profit/(loss) of joint ventures in the year	—	398	(4)	364
Net assets of joint ventures at the end of the year	**—**	**4,386**	**(2,102)**	**3,988**
Share in profit of joint venture	—	2,193	—	1,994
Carrying amount	**—**	**2,193**	**—**	**1,994**

Enervit Nutrition, S.L. and Alentia Biotech, S.L. are private entities and, therefore, no quoted market price is available for their shares.

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

11. Equity securities

The breakdown of these financial assets, which are measured at fair value through other comprehensive income, is as follows:

	2022	2021
Beginning of the year	**72**	**71**
Net gains / (losses) recorded in equity	(4)	1
End of the year	(59)	—
Less: non-current portion	**9**	**72**
Current portion	9	72
Beginning of the year	—	—

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

	2022	2021
Non-listed securities		
– Variable-income securities (equity securities)	—	59
	—	59

	2022	2021
Listed securities		
– Investment funds and equity securities	9	13
	9	13

At 31 December, 2022 and 2021, these securities were denominated in euros.

12. Inventories

	2022	2021
Raw materials and other consumables	159,029	124,940
Work in progress and semi-finished goods	78,723	50,447
Finished goods produced internally	46,114	35,507
Commercial inventories	28,078	34,579
	311,944	**245,473**

In 2022, the Group reduced the value of its inventories by 5,120 thousand euros (5,153 thousand euros in 2021) due to obsolescence and expiration and the measurement of the products according to the profit expected from their sale. The reduction in value of inventories is recognised under the “Raw materials and consumables used” and “Change in stocks of finished goods and work in progress” captions of the income statement. As of December 31, 2022, the provision for the reduction in the value of the Group's inventories amounted to 22,400 thousand euros (17,286 thousand euros in 2021).

The inventories purchase/sale commitments for the Group at the end of the reporting period were as normal in its course of its business. Management estimates that meeting these commitments will not generate losses for the Group. The Group holds insurance policies to cover the risks the inventories are exposed to. The insurance cover is considered sufficient.

13. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	2022	2021
Trade receivables	160,762	129,858
Less: loss allowance	(536)	(57)
Trade receivables – Net (13.a)	160,226	129,801
Other receivables	26	90
Receivables from related parties (Note 31)	—	2
Deposits (13.b)	1,416	1,427
Employee advances	111	96
Public authorities (13.c)	18,297	18,821
Total	180,076	150,237
Less: Non-current portion: Financial receivables	65	65
Current portion	180,011	150,172

a) Trade and other receivables

Management considers that the fair value of trade and other receivables does not differ significantly from their recognised values, since they consist principally of balances receivable at less than one year and are subject to possible interest charges if they are not collected within said period.

The carrying amounts of receivables are denominated in euros, pounds sterling, zlotys and Swiss francs.

At 31 December, 2022, the balance receivable from the Social Security authorities and other government entities was 14,652 thousand euros (9,026 thousand euros at 31 December, 2021), geographically distributed as follows:

	Rating 2022	Balance 2022	Rating 2021	Balance 2021
Portugal	BBB+	1,225	BBB	1,978
Italy	BBB	4,753	BBB	2,509
Catalonia	BB	953	BB	938
Valencia	BB	1,902	BB-	729
Madrid	A-	1,732	BBB	725
Galicia	A	390	BBB	232
Aragón	BBB+	866	BBB	452
Basque Country	AA-	282	A	389
Andalusia	BBB+	944	BBB-	312
Canary Islands	A	212	BBB	99
Cantabria	BBB	556	BBB	139
Castilla la Mancha	BBB-	90	BBB-	93
Castilla y León	Baa1	107	Baa2	47
Other		640		384
		14,652		**9,026**

At 31 December 2022, there were matured receivables amounting to 51,455 thousand euros (29,987 thousand euros at 31 December, 2021), although they had suffered no impairment. For both the 2022 and 2021 amounts, virtually all the debt aged over six months related to Social Security authorities and government entities.

The ageing analysis of trade receivables due for payment is as follows:

	2022	2021
Up to 3 months	51,274	30,398
From 3 to 6 months	(7)	579
From 6 months to one year	157	(739)
Over one year	31	(251)
	51,455	29,987

The total of the matured debt due from government entities at 31 December, 2022 was 3,789 thousand euros, in comparison with the 1,871 thousand euros that was outstanding at 31 December, 2021. This amount was geographically distributed as follows:

	2022	2021
Spain	2,361	920
Portugal	534	949
United Kingdom	18	2
Italy	876	—
	3,789	1,871

Matured receivables that had been impaired at 31 December, 2022 were 536 thousand euros (57 thousand euros a 31 December, 2021). Movement on the provision for impairment of trade receivables was as follows:

	2022	2021
Beginning of the year	**57**	**45**
Net remeasurement of loss allowance	38	(363)
Derecognition due to non-collectability	441	375
End of the year	**536**	**57**

The ageing of these accounts was as follows:

	2022	2021
From 6 to 9 months	223	56
Over 9 months	313	1
	536	57

b) Deposits

At 31 December, 2022, the deposits caption included fixed-term deposits amounting to 1,416 thousand euros (1,427 thousand euros at 31 December, 2021) bearing interest at a rate ranging from 2% to 3%. At 31 December, 2022 and 2021, 1,327 thousand euros of these deposits was pledged to Banco Santander. The Group considers these deposits as low credit risk and, therefore, no expected losses have been recorded.

c) Public authorities

Balances included in this caption at 31 December 2022 and 2021 related to the following items:

	2022	2021
Value-added tax	15,609	17,003
Withholding tax	1,351	908
Grants awarded but not yet received	1,337	910
	18,297	18,821

Maximum credit exposure at the date this information is presented is the value recognised for each one of the categories of receivables mentioned above. The Group does not hold any guarantee as security.

14. Cash and cash equivalents

The breakdown of cash and cash equivalents at the end of the 2022 and 2021 reporting periods is as follows:

	2022	2021
Cash at bank and in hand	80,520	99,035
Cash equivalents	44,425	—
	124,945	99,035

15. Share capital and share premium

a) Share capital

The number of shares, their par value and the total share capital for the years 2022 and 2021 were as follows:

	No. shares	Face value (euros)	Total share capital (thousands)
Balance at 1 January, 2021	56,068,965	0.06	3,364
Balance at 31 December, 2021	56,068,965	0.06	3,364
Balance at 31 December, 2022	54,016,157	0.06	3,241

All issued shares were fully paid up.

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

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, 2022, are the following:

Shareholder	% direct	% indirect	TOTAL
Norbel Inversiones, S.L.	55.191	—	55.191
Indumenta Pueri, S.L.	—	5.057	5.057

At 31 December, 2021 the information was as follows:

Shareholder	% direct	% indirect	TOTAL
Norbel Inversiones, S.L.	60.179	—	60.179
Indumenta Pueri, S.L.	—	5.057	5.057
T. Rowe Price Associates Inc.	—	3.005	3.005

Norbel Inversiones, S.L. performed share purchase and sale transactions with the Company's share capital in 2022. As a result, Norbel Inversiones, S.L. held 55.19% of the shares of Laboratorios Farmacéuticos Rovi, S.A. at 31 December, 2022, in comparison with the 60.17% held at 31 December, 2021. At 31 December, 2022, Norbel Inversiones, S.L. was owned by Messrs Juan, Iván and Javier López-Belmonte Encina (33.33% each). Therefore, at 31 December, 2022, the interest in the Company held by Messrs Juan, Iván and Javier López-Belmonte Encina was 18.40% each. At 31 December, 2021, Norbel Inversiones, S.L. was owned by Ms Mercedes Encina Vega (9.62%) and Messrs Juan, Iván and Javier López-Belmonte Encina (30.12% each). Therefore, at 31 December, 2021, Ms Mercedes Encina Vega held an interest of 5.79% of the Company's share capital and Messrs Juan, Iván and Javier López-Belmonte Encina each held an interest of 18.12%.

b) Share premium

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

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

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

– As a consequence of the foregoing, the effective total amount of the Capital Increase was 87,999,992.50 euros, 367,137.90 euros of which related to the nominal and 87,635,854.60 to the share premium.

16. Other information on reserves and non-controlling interests

a) Legal reserve

The legal reserve, which totalled 673 thousand euros at 31 December 2022 and 2021, was set up in accordance with Article 274 of the Capital Companies Act ("Ley de Sociedades de Capital"), which states that 10% of the profit for the period must be allocated to the legal reserve until at least 20% of the share capital is covered. The legal reserve is not available for distribution. Should the legal reserve be used to offset losses in the event of no other reserves being available for this purpose, it must be replenished with future profits.

b) Other accumulated comprehensive income

These reserves include the accumulated changes in the values of equity securities (Note 11), net of the amounts taken to profit and loss due to impairment and exchange rate differences.

c) Retained earnings and voluntary reserves

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

– On 14 June, 2022, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for distribution of the profit for 2021 (65,143 thousand euros), allocating 53,580 thousand euros to dividends and the remainder to retained earnings. The dividend on the treasury shares held by ROVI at the time of the distribution was 2,573 thousand euros.

– The sale of treasury shares in 2022 led to a loss of 2,794 thousand euros, which was recognised in the retained earnings account (Note 16.d).

– The share capital reduction (Note 15) executed by cancelling treasury shares (Note 16.d) led to a negative impact of 134,885 thousand euros.

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

– On 17 June, 2021, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for distribution of the profit for 2021 (71,137 thousand euros), allocating 21,373 thousand euros to dividends and the remainder to retained earnings. The dividend on the treasury shares held by ROVI at the time of the distribution was 241 thousand euros.

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

Retained earnings at 31 December 2022 and 2021 included restricted reserves amounting to 1,704 thousand euros relating to legal reserves in group companies other than the Company itself. Also included was a special restricted reserve of 5,036 thousand euros at 31 December 2022 and 2021 set up by ROVI in 1994, when the share capital was reduced without contributions being refunded to shareholders. This reserve is treated in the same way as the legal reserve and may only be used to offset losses if there are no other reserves available for this purpose.

Dividends that reduce the balance of available reserves to an amount lower than the total development expense balances that have not yet been amortised may not be distributed (Note 7).

d) Treasury shares

At 31 December, 2022, the number of treasury shares was 644,114 (1,218,776 at 31 December, 2021). The following movements took place in 2022:

	2022	2021
Balance at beginning of year	**1,218,776**	**673,654**
Shares acquired under liquidity contract (d.1)	1,609,715	826,381
Shares sold under liquidity contract (d.1)	(1,598,794)	(831,586)
Share acquired under buy-back programmes (d.2)	1,467,225	585,583
Shares for capital reduction under buy-back programmes (d.2)	(2,052,808)	—
Extraordinary bonus through award of shares (d.3)	—	(35,256)
Balance at end of year	**644,114**	**1,218,776**

d.1) Liquidity contract

Under the liquidity contract that ROVI had signed, 1,609,715 shares were acquired (826,381 in 2021), for which a total sum of 78,561 thousand euros was disbursed (42,224 thousand euros in 2021). Likewise, a total of 1,598,794 shares were resold (831,586 in 2021) for a sum of 77,766 thousand euros (42,328 thousand euros in 2021). Said shares had been acquired at a weighted average cost of 80,560 thousand euros (31,446 thousand euros in 2021), giving rise to a loss of 2,794 thousand euros on the sale (profit of 10,882 thousand euros in 2021), which was recognised in reserves.

d.2) Share buy-back programme

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

- Purpose and scope: the purpose of the buy-back programme was to cancel ROVI shares (capital reduction) while, at the same time, increasing ROVI’s shareholder remuneration by increasing the earnings per share.

- Term: 12 months as of 3 November, 2021, the date on which the buy-back programme was published, or as of the date that either of the following two conditions was met. Additionally, ROVI reserved the right to conclude the programme before its term ended.

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

- Maximum number of shares to be acquired: 1,682,000 shares in the Company, representing approximately 3% of ROVI’s share capital at the buy-back programme publication date.

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

Effective 23 February, 2022, ROVI commenced another share buy-back programme with the following main features:

- Purpose and scope: the cancellation of ROVI shares (capital reduction) and, at the same time, an increase in the remuneration of ROVI shareholders through an increase in the earnings per share.

- Term: 6 months as of 23 February, 2022, the date on which the buy-back programme was published, or as of the date that either of the following two conditions was met. Additionally, ROVI reserved the right to conclude the programme before its term ended.

- Maximum monetary amount: up to 46,000,000 euros.

- Maximum number of shares to be acquired: 560,700 shares in the Company, representing approximately 1% of ROVI’s share capital at the buy-back programme publication date.

Under this resolution, in 2022, 560,700 share were acquired, for which ROVI paid a total amount of 38,574 thousand euros. The programme ended on 29 March, 2022.

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

d.3) Extraordinary bonus through award of treasury shares

On 17 June, 2021, the Ordinary General Shareholders' Meeting of Laboratorios Farmacéuticos Rovi, S.A. approved an extraordinary bonus for the Company's executive directors through the award of treasury shares. The maximum number of shares to be awarded was determined by dividing 985 thousand euros by the average quoted price of the company shares in the 30 trading days immediately prior to approval of the bonus (54.48 euros). A total of 54,240 treasury shares were awarded to the executive directors (Note 31). The amount recognised for this bonus under "Employee benefit expenses" was 2,520 thousand euros.

e) Dividends

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

On 17 June, 2021, the General Meeting of Shareholders approved the distribution of the 2020 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 21,373 thousand euros (0.3812 euros gross per share). This dividend was paid out in July 2022.

f) Application of profit

The proposed application of the profit of the parent company for the period 2022 that will be submitted to the General Meeting of Shareholders, determined on the basis of generally- accepted accounting principles in Spain, together with the application approved for 2021 based on the profit of the parent company, is as follows:

	2022	2021
Basis of application		
Profit for the year	39,116	65,143
	30,770	—
	69,886	**65,143**
Distribution		
Dividends	69,886	53,580
Retained earnings	—	11,563
	69,886	**65,143**

g) Non-controlling interests

In 2022, the company Glicopepton Biotech, S.L. was incorporated, 51% held by Laboratorios Farmacéuticos Rovi, S.A. and fully consolidated (Note 1). This led to recognition of non-controlling interests which, at 31 December, 2022, totalled 1,367 thousand euros.

17. Trade and other payables

	2022	2021
Trade payables	128,484	97,407
Payables to related parties (Note 31)	2,256	2,336
Outstanding remuneration	6,478	5,466
Public authorities	6,140	5,539
Other payables	22,418	14,425
	165,776	125,173

At 31 December, 2022 and 2021, the "Other payables" caption included the following liabilities, among others:

	2022	2021
Discounts, returns and other trading transactions	18,577	6,249
Contribution to public health system	2,868	7,085
	21,445	**13,334**

Contribution to public health system

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

In contributions to the public health system, at 31 December, 2022, no amounts had been recognised in relation to the collaboration agreement between Farmaindustria and the Spanish government (Note 2.24), since no agreement had been signed since the agreement in force for the years 2017 to 2019. At 31 December, 2021, the pharmaceutical industry had expressed its clear will to extend the Agreement and, therefore, ROVI made provision for the estimated amounts for said year (3,214 thousand euros).

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

Delay in payments to suppliers

Details of payments for trading transactions performed during the reporting period and outstanding at the reporting date in relation to the maximum legal periods provided for in Law 15/2010, amended by Law 11/2013 and Law 18/2022, are as follows:

	2022	2021
	Days	Days
Average payment period to suppliers	54	57
Ratio of transactions paid	57	61
Ratio of transactions outstanding	39	40

	2022	2021
Total payments made (thousand euros)	570,562	424,190
Total payments outstanding (thousand euros)	99,415	74,341

	2022
Invoices paid in less than 60 days (thousand euros)	336,738
No. of invoices paid in less than 60 days	18,991
% No. invoices paid in less than 60 days/Total No. invoices paid	46 %
% Amount of invoices paid in less than 60 days/Total amount of invoices paid	59 %

18. Financial debt

Non-current	**2022**	**2021**
Bank borrowings	37,679	44,107
Debt with government entities	8,365	8,416
Financial liabilities for leases	13,397	14,222
	59,441	66,745
Current		
Bank borrowings	6,428	714
Debt with government entities	1,810	2,245
Financial liabilities for leases	4,459	3,441
Financial derivatives	28	17
	12,725	6,417
	72,166	**73,162**

a) Bank borrowings

In December 2017, the European Investment Bank (EIB) granted ROVI a credit line to support its investments in Research, Development and Innovation (R&D&I). The credit line was for 45,000 thousand euros. ROVI could draw down this amount over a term of 24 months as from signature of the agreement and the credit matures in 2029. The credit line provides for a three-year grace period and financial conditions (i.e. applicable interest rates, repayment period, etc.) that are favourable to ROVI. As of 31 December, 2020, ROVI had drawn down the entirety of this credit line in:

a) A draw-down of 5,000 thousand euros in 2018 at an annual interest rate of Euribor at 3 months plus 0.844%.
b) A draw-down of 40,000 thousand euros in 2019 at a fixed annual interest rate of 0.681%.

At 31 December, 2022, this loan matured as follows:

	a)	**b)**	**TOTAL**
Entity	**BEI**	**BEI**	
Face value	**5,000**	**40,000**	
Interest rate	**Eur3+0.844%**	**0.681% Fixed**	
2023	714	5,714	6,428
2024	714	5,714	6,428
2025	714	5,714	6,428
2026	714	5,714	6,428
2027	714	5,714	6,428
2028 onward	537	11,430	11,967
	4,107	40,000	44,107
Non-current	3,393	34,286	37,679
Current	714	5,714	6,428

As of 31 December, 2021, this loan matured as follows:

2021

	a)	b)	TOTAL
Entity	**BEI**	**BEI**	
Face value	**5,000**	**40,000**	
Interest rate	**Eur3+0.844%**	**0.681% Fixed**	
2021	714	—	714
2022	714	5,714	6,428
2023	714	5,714	6,428
2024	714	5,714	6,428
2025	714	5,714	6,428
2026 onward	1,251	17,144	18,395
	4,821	40,000	44,821
Non-current	4,107	40,000	44,107
Current	714	—	714

In the first half of 2022 and 2021, compliance as of 31 December, 2021 and 2020, respectively, with the financial ratios fixed in this financing agreement was certified. At 31 December, 2022, ROVI met the ratios fixed, although this will not be certified until after these annual accounts have been approved.

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

b) Debt with government entities

b.1) Since 2001, the Company has been receiving reimbursable grants from different Ministries to finance a number of R&D projects. The amounts recorded as non-current financial debt for this item at 31 December, 2022 amounted to 8,365 thousand euros (8,416 thousand euros at 31 December, 2021). The transactions do not accrue interest and have been recognised at their initial fair values. The difference between the initial fair value and the face value accrues at market interest rates (Euribor and the interest rate on Spanish Treasury debt plus a spread in accordance with the Group's risk). This means that this debt accrues interest at effective interest rates ranging from 2.9% to 4.9%.

b.2.2) Advances received in 2022:

In 2022, the different Group companies received various reimbursable advances from different entities, details of which are given below:

			Thousand euros		Years	
Company	Government entity	Project	Face value	Initial fair value	Repayment period	Grace period
ROVI	Corporación Tecnológica de Andalucía	(1)	77	65	12	3
ROVI	Corporación Tecnológica de Andalucía	(1)	361	319	12	3
ROVI	Corporación Tecnológica de Andalucía	(1)	37	31	12	3
ROVI	Corporación Tecnológica de Andalucía	(1)	47	40	12	3
ROVI	Corporación Tecnológica de Andalucía	(1)	105	91	13	4
ROVI	Corporación Tecnológica de Andalucía	(1)	43	36	15	6
ROVI	Centro para el Desarrollo Tecnológico Industrial	(1)	182	154	14	3
ROVI	Centro para el Desarrollo Tecnológico Industrial	(1)	300	271	12	4
ROVI	Centro para el Desarrollo Tecnológico Industrial	(1)	219	197	11	4
ROVI	Centro para el Desarrollo Tecnológico Industrial	(2)	28	24	12	4
			1,399	1,228		

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

b.2.3) Advances received in 2021:

In 2021, the different Group companies received various reimbursable advances from different entities, details of which are given below:

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

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

At 31 December, 2022 and 2021, debt with government entities matured as follows:

Year	2022	2021
2022	—	2,245
2023	1,810	1,208
2024	1,400	1,479
2025	1,449	1,396
2026	1,524	1,410
2027	1,303	1,177
2028 onward	2,689	1,746
	10,175	10,661
Non-current	8,365	8,416
Current	1,810	2,245

Fair value of the financial debt

The carrying amounts and fair values of non-current bank borrowings and debt with government entities at 31 December, 2022 and 2021 were as follows:

	Carrying amount		Fair value	
	2022	2021	2022	2021
Bank borrowings	37,679	44,107	36,677	43,359
Debt with government entities	8,365	8,416	7,714	8,766
	46,044	52,523	44,391	52,125

The fair values of current financial debt are equal to their corresponding nominal amounts since the effect of discounting is not significant. The fair values are based on cash flows discounted at a market rate.

To calculate the fair value of fixed rate non-current bank borrowings the 2022 and 2021 reporting dates, the interest rate on the last variable interest loan received by the Company was taken as a reference: Euribor at 3 months plus a 0.844% spread.

c) Financial liabilities for leases

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

The main liabilities recognised at 31 December, 2022 and 2021 under this caption are related to:

- Real estate leases: the Group holds leases on certain properties where it carries on its activities. The payment period of the liabilities generated by these leases has initially been fixed at 10 years.

- Vehicles: the Group holds a lease on vehicles for use in its activities. The payment period of this liability is 3 years.

- Computer equipment: the Group leases certain computer equipment for its activities. The payment period fixed for these liabilities is 3 years.

At 31 December, 2022 and 2021, financial liabilities for leases matured as follows:

Year	2022	2021
2022	—	3.441
2023	4,459	3,422
2024	3,017	2,181
2025	2,714	2,112
2026	2,580	2,137
2027	2,551	2,169
2028 onward	2,535	2,201
	17,856	17,663
Non-current	13,397	14,222
Current	4,459	3,441

d) Derivative financial instruments

At 31 December, 2022, derivative financial instruments were measured at 28 thousand euros (17 thousand euros in 2021). Financial derivatives are not classified as hedges and, therefore, fall within the category of financial liabilities at fair value through profit and loss.

19. Deferred taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority. A breakdown of the estimated periods for offsetting is as follows:

	2022	2021
Deferred tax assets:		
– Deferred tax assets to be recovered at more than 12 months	202	104
– Deferred tax assets to be recovered within 12 months	1,876	3,746
	2,078	3,850
Deferred tax liabilities		
– Deferred tax liabilities to be recovered at more than 12 months	636	758
– Deferred tax liabilities to be recovered within 12 months	41	18
	677	776

Net movement on the deferred tax account was as follows:

	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
At 1 January, 2021	**11,105**	**(929)**	**10,176**
(Charged)/credited to profit and loss (Note 28)	(7,255)	153	(7,102)
At 31 December, 2021	**3,850**	**(776)**	**3,074**
(Charged)/credited to profit and loss (Note 28)	(1,372)	99	(1,273)
(Charged)/credited to equity	(400)	—	(400)
At 31 December, 2022	**2,078**	**(677)**	**1,401**

Movement on deferred tax assets was as follows:

	Negative tax bases	Tax credits not yet applied	30% amortisation 13 &14	Provisions	Other	Total
At 1 January, 2021	**3,965**	**4,411**	**794**	**938**	**997**	**11,105**
(Charged)/credited to profit and loss	(3,965)	(4,411)	(151)	2,044	(772)	(7,255)
At 31 December, 2021	**—**	**—**	**643**	**2,982**	**225**	**3,850**
(Charged)/credited to profit and loss	—	10	(127)	(1,453)	198	(1,372)
(Charged)/credited to equity	—	—	—	—	(400)	(400)
At 31 December, 2022	**—**	**10**	**516**	**1,529**	**23**	**2,078**

The amounts for deferred tax assets shown in the column “30% amortisation/depreciation 2013 & 2014” relate to the tax effect of the 30% of the amortisation/depreciation charge for the period, which was not tax deductible in the years 2013 and 2014, as established in Royal Decree-Law 16/2012 of 27 December, whereby various measures intended to consolidate public finance and stimulate economic activity were adopted. Additionally, the column “Provisions” shows the amounts related to booking non-tax deductible provisions in the years reported.

Movement on deferred tax liabilities was as follows:

	Freedom of amortisation/ depreciation	Other	Total
At 1 January, 2021	**303**	**626**	**929**
(Charged)/credited to profit and loss	(153)	—	(153)
At 31 December, 2021	**150**	**626**	**776**
(Charged)/credited to profit and loss	(99)	—	(99)
At 31 December, 2022	**51**	**626**	**677**

The deferred tax liabilities included as “freedom of amortisation/depreciation” refer to the application of the free amortisation/depreciation system associated to assets attached to R&D activity and maintaining jobs.

20. Contract liabilities

Movement on contract liabilities in 2022 and 2021 was as follows:

	Distribution licences	Other contracts	Total
At 1 January, 2021	**6,868**	**23,925**	**30,793**
Additions	518	98,435	98,953
(Charged)/credited to profit and loss	(5,140)	(65,514)	(70,654)
At 31 December, 2021	**2,246**	**56,846**	**59,092**
Additions	385	149,899	150,284
(Charged)/credited to profit and loss	(792)	(92,138)	(92,930)
At 31 December, 2022	**1,839**	**114,607**	**116,446**

a) Distribution licences

In 2022, new contract liabilities of 385 thousand euros (518 thousand euros in 2021) were recognised in relation to agreements granting distribution licences.

In 2022, ROVI recognised revenue from distribution licences for a total amount of 792 thousand euros (5,140 thousand euros in 2021) (Note 22).

At 31 December, 2022 and 2021, the contract liabilities related to distribution licences had the following estimated maturities:

Year	2022	2021
2022	—	786
2023	294	269
2024	273	248
2025	206	182
2026	99	74
2027 onward	77	71
	949	1,630
Non-current	655	844
Current	294	786

At 31 December, 2022, there were contract liabilities related to distribution licences for an amount of 890 thousand euros for which the time at which they would be recognised in the income statement could not be determined, since they were subject to meeting certain milestones for which no dates had been fixed (616 thousand euros at 31 December, 2021).

b) Other contracts

This caption includes sums billed to customers for the adaptation, fitting-out and validation of the facilities and machinery – either owned by ROVI or acquired or subcontracted from third parties– that, at the year end, had not yet been taken to profit and loss as revenue from services provided, since these sums had not yet accrued in accordance with the percentage of completion. It totalled 85,443 thousand euros at 31 December, 20212 (38,575 thousand euros in 2021). Likewise, it includes 27,998 thousand euros in 2022 (8,784 thousand euros in 2021) for reserved capacity, which had not yet been taken to consolidated profit and loss at the reporting date. It will be allocated when and as the contract conditions that determine accrual of the revenue from services are satisfied (Note 2.21.b). These milestones are expected to be reached in the short term. Finally, this caption includes an amount billed and received for a purchase of materials for production that will take place in 2023, the costs of which are borne by the customer. Revenue recognition is linked to the use of said materials in the production process.

21. Deferred income

	2022	2021
Non-current	1,774	2,331
	1,774	2,331
Current	485	485
	485	485
	2,259	**2,816**

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

	2022	2021
a) Deferred revenues from non-reimbursable capital grants	2,128	2,564
b) Deferred revenues from reimbursable capital grants	131	252
	2,259	2,816

a) Deferred revenue from non-reimbursable capital grants

These are taken to profit and loss in proportion to the amortisation charge in the period for the assets whose purchase is subsidised. The most significant non-reimbursable grants that have not yet been taken to profit and loss are related to construction of the Granada bemiparin plant, which came into operation in 2009. In said reporting period, the allocation of a non-reimbursable grant of 5,431 thousand euros, awarded by the Innovation and Development Agency of Andalusia (Innovation, Science and Business Department), to profit and loss commenced. This grant was received in November 2008. The amount recognised for this grant under the caption "Current and non-current deferred revenues from grants" at 31 December, 2022 was 1,449 thousand euros (1,744 thousand euros at 31 December, 2021).

b) Deferred revenue from reimbursable grants

These relate to grants with an implicit interest rate derived from recognising reimbursable grants awarded at a zero interest rate at fair value (Note 18.b). The most significant amounts recognised as deferred revenues in relation to reimbursable grants awarded by government entities relate mainly to a number of research and development projects. They are taken to profit and loss on the basis of accrual of the expenses for which the reimbursable grant was awarded.

22. Revenues

Revenues are broken down into the following items

	2022	2021
Sales of goods	413,361	378,845
Sales of services	403,545	264,692
Revenue from distribution licences	792	5,140
	817,698	648,677

a) Sales of goods

As of 31 December, 2022, the "Sales of goods" caption included 700 thousand euros related to services to promote third-party products (1,792 thousand euros at 31 December, 2021).

Additionally, at 31 December, 2022, the "Sales of good" caption included 11,700 thousand euros (8,928 thousand euros at the 2020 reporting date) related to royalties received on the basis of enoxaparin distribution agreements signed with third parties.

Total sales of goods fell by 11,006 thousand euros in 2022 (11,909 thousand euros in 2021) as a consequence of the rebates furnished to the National Health System (Note 2.24). Of the total amount of rebates to the National Health System 3,214 thousand euros of income were related to the co-operation agreement signed between Farmaindustria and the Spanish government (2,564 thousand euros at 31 December, 2021) (Note 17).

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

	2022	2021
Specialty pharmaceuticals	371,829	342,237
Contrast agents and other hospital products	40,069	35,494
Other	1,463	1,114
	413,361	378,845

b) Sales of services

At 31 December, 2022, the "Sales of services" caption included 92,795 thousand euros (64,006 thousand euros at 31 December, 2021) relating to the work to adapt, fit out and validate ROVI's facilities and machinery, which may be either owned by ROVI or acquired or subcontracted from third parties, to subsequently provide manufacturing services to certain customers, as well as reserved manufacturing capacity as agreed with customers (Note 2.21.b).

c) Breakdown by geographical market and segment

The breakdown of revenue by geographical market and segment at 31 December, 2022 was as follows:

	Manufacturing	Marketing	TOTAL
Spain	5,501	258,766	264,267
European Union	37,413	99,132	136,545
Other countries	360,632	56,254	416,886
	403,546	**414,152**	**817,698**

At 31 December, 2021, the breakdown was as follows:

	Manufacturing	Marketing	TOTAL
Spain	7,000	249,698	256,698
European Union	34,678	84,954	119,632
Other countries	223,014	49,333	272,347
	264,692	**383,985**	**648,677**

Sales in the 2022 and 2021 reporting periods were made principally in euros.

23. Employee benefit expenses

Employee benefit expenses may be summarised as follows:

	2022	2021
Wages and salaries	85,979	73,025
Social security costs	20,537	16,772
Pension costs - defined-contribution pension plans	6	6
	106,522	89,803

Total employee benefit expenses included expenses of 9,242 thousand euros at 31 December, 2022 (8,384 thousand euros at 31 December, 2021, Note 7) related to the R&D Department.

The “Wages and salaries” figure includes severance payments of 758 thousand euros in 2022 and 813 thousand euros in 2021.

The average number of employees was as follows:

	2022	2021
Management	40	34
Administration	237	171
Sales force	302	270
Production and plant	1,118	936
R&D	201	177
	1,898	1,588

At 31 December, 2022, the Group’s total headcount was 1,993 employees (1,751 at 31 December, 2022), 1,050 of whom were women (919 at 31 December, 2021). There were 16 women in managerial roles in 2022 (13 in 2021).

At 31 December, 2022, the Group’s total headcount included 37 people with a disability rating of 33% or more (14 at 31 December, 2021).

24. Other operating expenses

	2022	2021
Advertising costs	19,993	12,713
Services from third parties	12,782	11,881
Supplies	40,151	24,192
Transport and warehouse expenses	10,527	7,764
Repairs and maintenance	7,184	4,987
Operating leases	3,470	839
Other taxes	5,296	5,707
Other operating expenses	37,079	25,419
	136,482	93,502

Total operating expenses at 31 December, 2022 included R&D-related expenses of 14,627 thousand euros (19,061 thousand euros at 31 December, 2021, Note 7), most of which are recognised under the “Other operating expenses” caption.

25. Operating leases

At 31 December 2022 and 2021, there were no minimum future payments on uncancellable operating leases.

26. Finance income/(costs)

	2022	2021
Interest income	6	68
Other finance income	1,764	—
Total financial income	1,770	68
Interest paid	(606)	(669)
Other finance costs	(243)	(236)
Total finance costs	(849)	(905)
Proceeds on disposal of financial instruments	1,831	1,161
Change in fair value of financial instruments	(11)	908
Impairment and gain/(loss) on measurement of financial instruments	1,820	2,069
Exchange rate differences	(821)	(178)
	(821)	(178)
Net finance income/(costs)	**1,920**	**1,054**

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

At 31 December, 2022, the Group had recognised finance income of 1,764 thousand euros in relation to the derecognition of 5,870 thousand euros of investments in equity instruments that it held in four economic interest groupings (EIGs), since the requirements to allocate tax relief of 7,634 thousand euros originating in said entities had been met (see Note 27).

At 31 December, 2022, the Group held financial derivatives of 5,000 thousands dollars to minimise the impact of exchange rate risk. The measurement of these financial derivatives at fair value had represented a loss of 17 thousand euros at the December 2021 reporting date. In 2022, these assets, as well as other acquired during 2022, were liquidated, obtaining a profit of 1,831 thousand euros (profit of 1,161 thousand euros in 2021). At 31 December, 2022, there were current contracts of this nature of 3,000 thousand dollars, the measurement of which at the 2022 reporting date represented a loss of 28 thousand euros.

27. Income tax

In 2022 and 2021, the corporate income tax return was submitted jointly for the following group companies as a tax group, the company Laboratorios Farmacéuticos Rovi, S.A. being the tax group 362/07 parent:

- Rovi Pharma Industrial Services, S.A.U.
- Pan Química Farmacéutica, S.A.U
- Gineladius, S.L.U
- Rovi Escúzar, S.L.U

Income tax expense breaks down into the following items:

	2022	2021
Current tax	(56,610)	(21,941)
Deferred tax (Note 19)	(1,273)	(7,102)
Adjustment corporate income tax prior years	442	(508)
Withholding taxes paid abroad	(861)	—
	(58,302)	(29,551)

The tax on the Group's pre-tax profit differs from the notional amount that would have been calculated using the 25% tax rate applicable to the profits of the consolidated companies, as follows:

	2022	2021
Profit before tax	257,967	182,628
Tax calculated at domestic tax rate of 25%	(64,492)	(45,657)
Share of profit of joint venture	50	46
Movement on capitalised negative tax bases	—	592
Adjustment corporate income tax prior years	442	(508)
Non-tax deductible expenses	837	104
Tax differences in results of subsidiaries	(267)	74
R&D tax credits used	6,931	19,667
Movement on capitalized R&D tax credits	(942)	(3,869)
International double taxation tax credit	(861)	—
Income tax expense	(58,302)	(29,551)

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

The current tax for Spain, Portugal, Germany and Italy in 2022, after deducting the amount of payments on account and withholdings during the year, generated a current tax receivable of 4,148 thousand euros.

Tax credits

The Group generated tax credits of 5,989 thousand euros in 2022 (3,945 thousand euros in 2021) and was likewise entitled to offset tax credits of 942 thousand euros from previous years (15,722 thousand euros at 31 December, 2021). In 2022, tax credits of 6,931 thousand euros were applied (19,667 thousand euros in 2021) and there were thus no further tax credits to be offset in future years .

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

Negative tax bases

At 31 December, 2020, the Group had recognised all its negative tax bases that had not yet been offset, which it expected to recover in a period of three to five years. These negative tax bases were applied to the 2021 corporate income tax.

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

	Years
Corporate income tax	2018-21
Value-added tax	2019-22
Transfer tax	2019-22
Personal income tax (withholdings)	2019-22

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

28. Earnings per share

Basic and diluted.

The basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the period.

In order to determine the number of shares in issue for 2022 and 2021, the weighted average number of shares was calculated without taking the treasury shares that existed at any given moment into account.

	2022	2021
Profit attributable to the Company's shareholders	199,669	153,077
Weighted average number of ordinary shares in issue (thousands)	53,466	55,404
Basic and diluted earnings per share (euros per share)	3.73	2.76

At 31 December, 2022 and 2021, there were no shares with potential diluting effects.

29. Contingencies

At 31 December, 2022, the Group held bank guarantees amounting to 2,848 thousand euros (2,606 thousand euros in 2021). These guarantees were granted principally to enable Group companies to participate in public tenders and to receive reimbursable grants and advances.

30. Commitments

Acquisition of Bertex Pharma GmbH

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

The commitments related to this transaction are:

a) If the development and marketing are performed internally:

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

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

b) If the development and marketing are performed by third parties:

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

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

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

31. Related-party transactions

The Group is controlled by Norbel Inversiones, S.L., which, at 31 December, 2022, held 55.19% of the shares of the parent company (60.17% at 31 December, 2021). At 31 December, 2022, Norbel Inversiones, S.A. belonged to Messrs Juan, Javier and Iván López-Belmonte Encina (at 31 December, 2021, it belonged Ms Mercedes Encina Vega and Messrs Juan, Javier and Iván López-Belmonte Encina).

a) Purchases of goods and services

	2022	2021
Purchases of services:		
– Directors who are also shareholders	25	25
– Entities in which the López-Belmonte Encina family holds an interest	2,160	2,030
	2,185	2,055

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

b) Director and senior management remuneration

b.1) Director remuneration

	2022	2021
Wages, salaries and other current benefits	2,699	5,324
Contributions to defined-contribution pension plans (Notes 22 & 33.a)1.c)	6	6
	2,705	5,330

The “Wages and salaries and other current benefits” caption includes the remuneration of the executive directors for performing senior management functions (Note 33.1.f) and the remuneration agreed for the directors as members of the Board of Directors (Note 33.1.a).

ROVI had a Long-Term Incentive Plan for the executive directors for the years 2019 to 2021. The purpose of this plan is to reward the long-term creation of value for the Group in the interests of the shareholders. The amounts accrued under this Plan were recognised under the “Employee benefit expenses” caption in the income statement and are included in the above “Director and senior management remuneration” table. At 31 December, 2022, the sums accrued under the Plan had been partially settled.

At 31 December, 2022, ROVI had a Long-Term Incentive Plan for the executive directors for the period 2022 to 2024. The purpose of this plan is to reward the long-term creation of value for the Group in the interests of the shareholders. The amounts accrued under this Plan were recognised under the "Employee benefit expenses" caption in the income statement and are included in the above "Director and senior management remuneration" table.

On 17 June, 2021, the Ordinary General Shareholders' Meeting of Laboratorios Farmacéuticos Rovi, S.A. approved an extraordinary bonus for the executive directors by awarding them treasury shares (Note 16). The total number of shares to be awarded to each director was determined by the result of dividing 985 thousand euros by the average quoted price of the Company's share in the 30 trading days immediately preceding approval of the bonus (54.48 euros). The executive directors were awarded 54,240 treasury shares. The amount recognised in the income statement for this transaction was 2,520 thousand euros and it is included in the above "Director remuneration" table.

b.2) Senior management remuneration

Members of the Management Committee and the Internal Audit Direction are deemed to be senior management. The following table shows the annual remuneration of those who were members of the Management Committee but not of the Board of Directors at the end of each reporting period:

	2022	2021
Wages, salaries and other short-term benefits	1,877	1,706
	1,877	1,706

At 31 December, 2022 and 2021, the Management Committee was formed by 12 members, three of whom were also members of the Board of Directors.

c) Dividends paid

Dividends paid to the company Norbel Inversiones, S.L. in 2022 were 28,488 thousand euros (12,847 thousand euros in 2021). Additionally, dividends of 3,123 thousand euros (1,197 thousand euros in 2021) were paid to other significant shareholders.

d) Other transactions

In 2013, Laboratorios Farmacéuticos Rovi, S.A. granted a loan of 1,050 thousand euros to Alentia Biotech, S.L. (Note 10). The interest rate agreed was 2.00% p.a. The interest accrued on this loan is 22 thousand euros p.a. Alentia Biotech, S.L. was wound up in 2022.

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

e) Balances at the reporting date

	2022	2021
Receivables from related parties (Note 13)		
– Joint ventures (*)	—	2
	—	2
Payables to related parties (Note 17):		
– Senior management	285	260
– Directors	1,678	1,665
– Joint ventures	—	80
– Entities in which the López-Belmonte Encina family holds an interest	293	331
	2,256	2,336

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

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

The fees for the services provided by the audit firm KPMG Auditores, S.L. for the annual account audits of the Group and the other companies belonging to its group in the years ended 31 December were as follows (irrespective of when they were invoiced):

	2022	2021
Audit services	192	184
Other review services	50	48
	242	232

Other review services include services include services which are required to be provided by the account auditors under the applicable regulations and relate to a limited-scope review of the interim financial statements at 30 June, a review of compliance with financial ratios for financing contracts, a review of the internal control over financial reporting system and a review of the account evidencing the details of grants.

Additionally, other entities belonging to KPMG International provided professional services to the Group during the years ending 31 December, as follows:

	2022	2021
Audit services	70	60
Other review services	8	9
Other review services	45	32
	123	101

Other review services and other services relate to a review of the packaging declaration of one of the group companies and a review of the ROVI Group's Statement of Non-financial Information, respectively.

Lastly, the audit work carried out by companies independent of the firm KPMG totalled 14 thousand euros (14 thousand euros in 2021).

33. Director remuneration

At 31 December, 2021, the members of the Board of Directors were as follows:

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

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

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

Notes to the Consolidated Annual Accounts for the annual period ended 31 December, 2022

(Thousand euros)

a) In accordance with the provisions of Article 28 of the Board of Directors Regulations of Laboratorios Farmacéuticos Rovi, S.A., the following information is provided with respect to the members of the Board of Directors at 31 December 2022:

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

   a. Per diem expenses or other fixed remuneration received as director and additional remuneration received as chairman or member of any Board committee. The amounts for 2022 and 2021 were as follows:

	2022	2021
Mr Juan López-Belmonte López	—	96
Mr Juan López-Belmonte Encina	180	80
Mr Javier López-Belmonte Encina	80	80
Mr Iván López-Belmonte Encina	80	80
Ms Marina del Corral Téllez	51	—
Ms Teresa Corzo Santamaría	3	—
Mr Fernando de Almansa Moreno-Barreda	77	80
Mr Marcos Peña Pinto	80	80
Ms Fátima Báñez García	80	80
	631	576

   b. No director received remuneration from profit-sharing or premiums, and the reason why such amounts were awarded.

   c. Contributions made to defined contribution pension plans in the directors' favour (Note 2.19.a) or increases in the vested rights of the director in the case of contributions to defined-benefit plans (no defined-benefit plans exist):

	2022	2021
Mr Juan López-Belmonte Encina	2	2
Mr Javier López-Belmonte Encina	2	2
Mr Iván López-Belmonte Encina	2	2
	6	6

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

   e. No director received any remuneration as a director of other group companies.

   f. Remuneration for the performance of senior management functions received by executive directors. The remuneration of this nature for 2022 and 2021 was as follows:

	2022		2021	
	Fixed	Variable	Fixed	Variable
Mr Juan López-Belmonte Encina	728	416	327	1,406
Mr Javier López-Belmonte Encina	244	220	239	1,271
Mr Iván López-Belmonte Encina	241	219	237	1,268
	1,213	855	803	3,945

   At 31 December, 2022, the variable remuneration of the executive directors includes the amounts accrued as variable remuneration, the sums accrued under the Long-Term Incentive Plan and the amount recognised in the income statement for the extraordinary bonus awarded in shares (Note 31.b.1). At 31 December, 2021, same concepts were included as well as extraordinary bonus for the executive directors by awarding them treasury shares.

g. In 2022 and 2021, no item of remuneration existed other than the above, irrespective of its nature or the group company paying it, particularly including related-party transactions and any items the omission of which would distort the true and fair view of the total remuneration received by the director.

2. At 31 December, 2021 and 2022, there were no awards of shares, options or any other equity instrument tied to the value of the share that were pending accrual. On 17 June, 2021, the Ordinary General Shareholders' Meeting of Laboratorios Farmacéuticos Rovi, S.A. approved an extraordinary bonus for the Company's executive directors through the award of treasury shares. The maximum number of shares to be awarded to each director was determined by dividing 985 thousand euros by the average quoted price of the company shares in the 30 trading days immediately prior to approval of the bonus (54.48 euros). A total of 54,240 treasury shares were awarded to the executive directors (Note 31). The amount recognised for this bonus under "Employee benefit expenses" was 2,520 thousand euros, which is included in the variable remuneration in the table in point f) above.

3. Information on the relationship between remuneration received by executive directors and results or other measurements of the Company's performance:

	2022	2021
Remuneration of executive directors	2,068	4,748
Profit of parent company	39,116	65,143
Remuneration of executive directors / Profit attributable to parent company	5.29 %	7.29 %

The Company holds a liability insurance policy for directors and senior management. A premium of 181 thousand euros accrued for this policy in 2022 (61 thousand euros in 2021).

b) Conflicts of interest on the part of the directors

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

34. Events after the reporting date

ROVI informed (by publication of the relevant information number 20446 dated 16th of February 2023) on the evaluation process to obtain marketing authorisation for Risvan® (Risperidone ISM®) in the United States and reported that it has now filed the final responses to the Complete Response Letter received from the United States Food and Drug Administration (FDA) in the third quarter of 2022. These responses likewise included the answers of one of ROVI's suppliers to outstanding questions.

The FDA has notified ROVI that the user fee goal date is 27 July 2023.

Likewise, ROVI has now filed the final report on correction of the deficiencies noted when the FDA inspected its facilities in June 2022.

Furthermore, in January 2023, the FDA carried out a pending inspection of a ROVI supplier. As a result of the inspection, the FDA issued a series of observations to said supplier, which the latter is working to answer. The time frame for the supplier's response will depend on how the FDA evaluates the observations issued.

35. Other significant information

ROVI announced (by publication of the inside information number 1299 dated 16th of February of 2022) a long-term collaboration with Moderna to increase capacities for the compounding, aseptic filling, inspection, labelling, and packaging of ROVI's facilities located in Madrid, San Sebastián de los Reyes and Alcalá de Henares.

This new agreement, which has a term of ten years, includes a series of investments expected to allow the manufacturing capacity to increase across ROVI's facilities in Madrid, Spain. In addition to producing Moderna's COVID-19 vaccine, ROVI's platform could also be utilized to service future Moderna mRNA vaccine candidates.

ROVI announced (by publication of the relevant information number 14055 dated 15th of February of 2022) that the European Commission had authorised the marketing of Okedi® (Risperidone ISM®) for the treatment of schizophrenia in adults for whom tolerability and effectiveness has been established with oral risperidone.

The commercialization of Okedi® (Risperidone ISM®) has been carried out throughout 2022, launching the product in Germany in April, in the United Kingdom in July and in Spain in September 2022.

APPENDIX 1

Subsidiaries included in the consolidated group

		Ownership interest			
Corporate name	Address	2022	2021	Activity	Auditor
Pan Química Farmacéutica, S.A.	C/ Rufino González 50, Madrid (Spain)	100%	100%	(1)	A
Gineladius, S.L.	C/ Rufino González 50, Madrid (Spain)	100%	100%	(2)	N/A
Rovi Pharma Industrial Services, S.A.U.	Avda. Complutense 140 , Alcalá de Henares (Spain)	100%	100%	(1)	A
Rovi Escúzar, S.L	C/ Julián Camarillo 35, Madrid (Spain)	100%	100%	(1)	N/A
Glicopepton Biotech, S.L.	C/ Julián Camarillo 35, Madrid (Spain)	51%	-	(4)	N/A
Rovi Biotech GmbH	Bahnhofstrasse 10, Zug, (Switzerland)	100%	100%	(1)	N/A
Bertex Pharma GmbH	Rudolf-Diesel-Ring 6, Holzkirchen (Germany)	100%	100%	(3)	N/A
Rovi Biotech Limited	10-18 Union Street, SE1 1SZ London, (United Kingdom)	100%	100%	(1)	B
Rovi Biotech, S.r.l	Viale Achille Papa 30, Milan (Italy)	100%	100%	(1)	E
Rovi, GmbH	Rudolf-Diesel-Ring 6, Holzkirchen (Germany)	100%	100%	(1)	C
Rovi, S.A.S.	Rue du Drac 24, Seyssins (France)	100%	100%	(1)	D
Rovi Biotech sp.z.o.o.	Ulica Domaniewska 44, Warsaw, Poland	100%	100%	(1)	N/A

The percentage ownership interests have been rounded up or down to two decimal points.

Unless otherwise stated, the closing date of the latest annual accounts is 31 December.

Activity:

(1) Production, marketing and sale of pharmaceutical, healthcare and medicine products.
(2) Import-export, purchase, sale, distribution and marketing of articles related to integral female healthcare.
(3) Development, distribution and marketing of pharmaceutical products related to micro-particle technologies.
(4) Production and marketing of raw heparin and products with a high nutritional value for animal feed and fertilisers.

Auditor:

A Audited in 2022 and 2021 by KPMG Auditores, S.L.
B Audited in 2022 and 2021 by Dains, LLP.
C Audited in 2022 and 2021 by KPMG AG.
D Audited in 2022 and 2021 by KPMG, S.A.
E Audited in 2022 and 2021 by KPMG SpA.

Free translation of the 2022 Consolidated Management Report originally issued in Spanish. In the event of discrepancy, the Spanish version prevails.

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

2022 Consolidated Management Report

1.- CORPORATE PROFILE AND BUSINESS MODEL

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

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

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

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

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

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

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

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

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

2022 Consolidated Management Report

2.- BUSINESS PERFORMANCE AND SIGNIFICANT MATTERS

2.1.- Business performance

€ Million	2022	2021	Growth	% Growth
Operating revenues	817.7	648.7	169.0	26%
Other income	2.1	1.3	0.8	58%
Total revenue	**819.8**	**650.0**	**169.8**	**26%**
Cost of sales[1]	(300.9)	(263.9)	(37.1)	14%
Gross profit[1]	**518.9**	**386.2**	**132.7**	**34 %**
% margin	*63.5%*	*59.5%*		*3.9pp*
R&D Expenses	(23.9)	(27.4)	3.6	-13 %
SG&A	(216.3)	(156.0)	(60.3)	39 %
Share of profit on Joint Venture	0.2	0.2	—	n.a.
EBITDA[1]	**278.9**	**202.9**	**76.0**	**37%**
% margin	*34.1%*	*31.3%*		*2.8pp*
EBIT[1]	**256.0**	**181.6**	**74.5**	**41%**
% margin	*31.3%*	*28.0%*		*3.3pp*
Net profit	**199.7**	**153.1**	**46.6**	**30%**

[1] See Appendix 1 about Alternative Performance Measures

Note: certain numerical figures included in this document have been rounded. Therefore, discrepancies in tables between totals and the sums of the amounts listed may occur due to such rounding.

Operating revenue increased by 26% to 817.7 million euros in 2022, driven by the strength of the contract manufacturing organisation business, which grew by 52%, and by the specialty pharmaceutical business, where sales rose 8%. Total revenue increased by 26% to 819.8 million euros in 2022.

Sales outside Spain increased by 41% to 553.4 million euros in 2022, 82.6 million euros (or 15%) of which related to international subsidiaries, mainly due to (i) the increase in LMWH international sales and (ii) the increase in the contract manufacturing organisation business. Sales outside Spain represented 68% of operating revenue in 2022 compared to 60% in 2021.

Sales of prescription-based pharmaceutical products rose 7% to 372.6 million euros in 2022.

Sales of the heparin franchise (Low Molecular Weight Heparins and other heparins) increased by 9% to 264.0 million euros in 2022. Heparin sales represented 32% of operating revenue in 2022 compared to 37% in 2021.

Sales of Low Molecular Weight Heparins (LMWH) (Enoxaparin biosimilar and Bemiparin) increased by 9% to 256.6 million euros in 2022.

Sales of the Enoxaparin biosimilar increased 23% to 152.9 million euros in 2022 mainly because of (i) the launch of the product in five new countries during 2022 and (ii) the increase in the demand for the product in countries where we are already present. ROVI commenced the marketing of its Enoxaparin biosimilar in Germany in 2017; in UK, Italy, Spain, France, Austria, Latvia and Estonia in 2018; in Portugal, Poland, Costa Rica, Finland, and Sweden in 2019; in South Africa, Israel, Peru, Holland, Panama, and the Dominican Republic in 2020; in Canada, Belgium, Malaysia, Albania, North Macedonia, Guatemala, El Salvador, Honduras, Georgia, Bahamas, Jamaica, Gabon, Democratic Republic of Congo, and Trinidad and Tobago in 2021; and in Brazil, Luxembourg, Colombia, Bosnia and Herzegovina and Kosovo in 2022.

Bemiparin sales decreased 6% to 103.8 million euros in 2022. International sales of Bemiparin decreased by 11% to 36.9 million euros. This decrease was mainly linked to the decrease in sales in the Turkish and Russian markets. Sales of Bemiparin in Spain (Hibor®) decreased 4% to 66.9 million euros in 2022, mainly due to a lower penetration of the product in the prophylaxis segment.

On October 4, 2022, ROVI presented Glicopepton Biotech, S. L., a joint venture with Càrniques Celrà, S.L. and Grupo Empresarial Costa, S.L. that involves the creation of one of the first national structures for self-sufficiency in heparins and products of high nutritional value to be used in the composition of animal feed and fertilisers.

The project involves the construction of a facility at the Industrial Logistics Platform of Fraga (Huesca), which will produce compounds of high biological value that derive from the intestinal mucosa of pigs. It will involve a joint investment of approximately 40 million euros over the next four years and is expected to create around 30 direct skilled jobs. The project will be subject to obtaining the applicable administrative and regulatory permits and authorisations.

ROVI has in-house production capacity to transform raw heparin into sodium heparin and intends to expand this capacity through the construction of a new sodium heparin production line (already underway), in order to be present in all the manufacturing phases of low-molecular-weight heparins.

Sales of Neparvis®, a specialty product from Novartis, launched in Spain in December 2016, indicated for the treatment of adult patients with symptomatic chronic heart failure and reduced ejection fraction, increased 2% year on year to 39.1 million euros in 2022, compared to 38.5 million euros in 2021.

Sales of Volutsa®, a specialty product from Astellas Pharma indicated for the treatment of moderate to severe storage symptoms and voiding symptoms associated with benign prostatic hyperplasia, launched in Spain in February 2015, increased by 9% to 17.8 million euros in 2022.

Sales of Vytorin®, Orvatez® and Absorcol®, specialty products from Merck Sharp & Dohme ("MSD") indicated as adjunctive therapy to diet in patients with hypercholesterolemia, increased 13% to 32.1 million euros in 2022. ROVI ceased to distribute Absorcol® as of 31 December 2022 and Vytorin® as of 31 January 2023. Sales of Absorcol® and Vytorin® represented 24% of total hypercholesterolemia product sales in 2022.

Sales of Okedi®, the first ROVI product based on its leading-edge drug delivery technology, ISM®, for the treatment of schizophrenia in adults for whom tolerability and effectiveness has been established with oral risperidone, reached an amount of 2.0 million euros in 2022. It was launched in Germany in April, in UK in July and in Spain in September 2022.

In Germany, access to doctors is accelerated in the fourth quarter of 2022, where sales multiplied by 2.1 compared to the previous quarter of the same year, and the product was received very positively in the medical education activities ROVI carried out. In the United Kingdom, the product is in the introduction phase in the "trusts" (entities that manage the health areas). Subsequently, it will be introduced in the hospitals managed by each "trust" and it is expected that it will soon become available in most hospital pharmacies. In Spain, the introduction of the product in the regions and hospitals is progressing swiftly and, at the end of 2022, it was already available in the 100% of the autonomous communities.

According to IQVIA, Spanish innovative product market increased by 4% in 2022 compared to last year. Nevertheless, ROVI prescription-based pharmaceutical product sales increased 7% in 2022, outperforming the market by 3 percentage points.

In 2022, ROVI signed a new agreement with Merck Sharp and Dohme (MSD), to promote and distribute Xelevia® (sitagliptin) and Velmetia® (sitagliptin and metformin) in Spain. The marketing of both products began in January 2023 for a period of 3 years, renewable annually.

Sitagliptin is indicated as an adjunct to diet and exercise to improve glycemic control in adults with type 2 diabetes mellitus. The metformin and sitagliptin combination is used to treat high blood sugar levels caused by type 2 diabetes. Metformin reduces the absorption of sugar from the stomach, reduces the release of stored sugar from the liver, and helps your body use sugar better.

In 2022, ROVI signed a new agreement with Teva Pharma S.L.U. to promote and distribute Baceq® (paliperidone) in Spain, a monthly injectable generic medicine corresponding to Xeplion® of Janssen Pharmaceuticals and indicated for maintenance treatment of adult schizophrenia patients stabilised with paliperidone or risperidone. ROVI's hospital line is responsible for promoting this product in the hospital segment. Marketing of this product commenced in January 2023 for a period of ten years.

Thus, ROVI is seeking a prominent position in the psychiatry area by including a once-monthly injectable generic alternative on its portfolio, thus contributing to the sustainability of the public health system.

According to IQVIA data, in the twelve months up to December 2022 (MAT December 2022), the injectable antipsychotic market in Spain totalled 283.8 million euros. In the same period, the medicine Xeplion® held a 30% share of the injectable antipsychotic market in Spain.

Sales of contrast imaging agents and other hospital products increased by 13% to 40.1 million euros in 2022. This increase shows the strong recovery of the Spanish and Portuguese hospital activity during this period after the effects of lockdowns during the pandemic.

CMO sales increased by 52% to 403.5 million euros in 2022 because of (i) the booking of the income related to the production of the COVID-19 vaccine, (ii) the booking of the income related to the activities to prepare the plant for the COVID-19 vaccine production under the agreement with Moderna, and (iii) the reorientation of our contract manufacturing activities strategy towards high-value-added products.

The growth achieved in 2022 surpassed by 12 percentage points the higher end of the range of between 30% and 40% published when the company released its 2021 results.

Other income (subsidies) increased by 58% to 2.1 million euros in 2022, compared to the year 2021.

Gross profit increased by 34% to 518.9 million euros in 2022. Gross margin showing an increase of 3.9 percentage points, from 59.5% in 2021 to 63.5% in 2022. This increase is mainly due to the increase in the CMO business that contributes higher margins to the Group sales. This positive impact on the gross margin offset the increase in the LMWH cost of goods sold in 2022 compared to the year 2021.

R&D expenses decreased 13% to 23.9 million euros in 2022. They were mainly related to (i) preparing the development of the phase II of Letrozole ISM® and (ii) the development of a new formulation of Risperidone ISM® for a 3-monthly injection.

SG&A expenses increased 39% to 216.3 million euros in 2022 mainly as a result of (i) an increase in expenses related to the manufacture of the Moderna vaccine; (ii) an increase of 5.4 million euros in the energy cost; and (iii) an increase in expenses due to the Okedi® launch in Europe.

Depreciation and amortisation expenses increased by 7% to 22.9 million euros in 2022, as a result of the new property, plant and equipment and intangible assets purchases made during the last twelve months.

Net financial income increased 82% to 1.9 million euros in 2022 mainly due to higher returns on financial investments. This income was partially offset by lower income related to exchange-rate derivative financial instruments and higher negative exchange differences.

The effective tax rate was 23% in 2022, compared to 16% in 2021, mainly due to the increase of the profit before income tax.

EBITDA increased to 278.9 million euros in 2022, a rise of 37% compared to the previous year. This positive result reflects a 2.8 percentage point increase in the EBITDA margin, which was up to 34.1% in 2022 from 31.3% in 2021.

EBIT increased by 41% to 256.0 million euros in 2022, reflecting a 3.3 percentage point rise in the EBIT margin, which was up to 31.3% in 2022 from 28.0% in 2021.

Net profit increased by 30%, from 153.1 million euros in 2021 to 199.7 million euros in 2022.

Non-controlling interests refer to ROVI's partners in Glicopepton Biotech, S. L.

EBITDA “Pre-R&D”, calculated excluding R&D expenses, increased by 31%, from 230.4 million euros in 2021 to 302.8 million euros in 2022, reflecting a 1.5 percentage point increase in the EBITDA margin to 37.0% in 2022 (see “Pre-R&D costs” columns of the table below). Likewise, recognising the same amount of R&D expenses in 2022 as in 2021, EBITDA would have increased by 36% to 275.3 million euros, reflecting a 2.4 percentage point increase in the EBITDA margin to 33.7% in 2022, up from 31.3% in the previous year (see “Flat R&D costs” columns of the table below).

EBIT “pre-R&D”, calculated excluding R&D expenses, increased by 34%, from 209.0 million euros in 2021 to 279.9 million euros in 2022, reflecting a 2.0 percentage point increase in the EBIT margin to 34.2% in 2022 (see “Pre-R&D costs” columns of the table below). Likewise, recognising the same amount of R&D expenses in 2022 as in 2021, EBIT would have increased by 39% to 252.5 million euros, reflecting a 2.9 percentage point rise in the EBIT margin to 30.9% in 2022, up from 28.0% in 2021 (see “Flat R&D costs” columns of the table below).

Net profit “pre-R&D”, calculated excluding R&D expenses, increased by 24%, from 176.1 million euros in 2021 to 218.1 million euros in 2022 (see “Pre-R&D costs” columns of the table below). Likewise, recognising the same amount of R&D expenses in 2022 as in 2021, net profit would have increased by 29% to 196.9 million euros (see “Flat R&D costs” columns of the table below).

2.2.- Outlook for 2023

For 2023, ROVI expects its operating revenue to show low-double-digit negative growth on 2022, although a positive growth of between 5% and 10% is expected in comparison with the 2021 figure.

For 2023, ROVI is assuming a new post-pandemic scenario in which COVID-19 would foreseeably be a seasonal disease and, in principle, the vaccine would be administered once a year. For this reason, ROVI expects a stronger second half of the year compared to the first half regarding the CMO business. The first quarter of 2023 is expected to include revenues linked to the production of vaccines in the fourth quarter of 2022 but the second quarter of 2023 is expected to be the lowest quarter in terms of CMO sales.

Nevertheless, the uncertainty related to the evolution of the disease is very high. It is not, therefore, possible to make a precise assessment of the impact that this new scenario could have on its CMO business. Likewise, under the terms of the agreement signed with Moderna in February 2022, ROVI is still investing in increasing the compounding, aseptic filling, inspection, labelling and packaging capacities at its facilities and expects them to be fully installed at the end of 2024. Taking account of the aforementioned guidance on a decrease in operating revenue in 2023, as well as the fact that ROVI will continue with its investment policy as stated, it is reasonable to expect that the Company's profits may also see a downward adjustment in 2023.

2.3. Key operating and financial events

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

ROVI informed (by publication of the relevant information number 20446 dated 16th of February 2023) on the evaluation process to obtain marketing authorisation for Risvan® (Risperidone ISM®) in the United States and reported that it has now filed the final responses to the Complete Response Letter received from the United States Food and Drug Administration (FDA) in the third quarter of 2022. These responses likewise included the answers of one of ROVI's suppliers to outstanding questions.

The FDA has notified ROVI that the user fee goal date is 27 July 2023.

Likewise, ROVI has now filed the final report on correction of the deficiencies noted when the FDA inspected its facilities in June 2022. The evaluation of these corrections, as well as the notification as to whether the FDA will need to reinspect the ROVI facilities, is expected within the period ending on the user fee goal date.

Furthermore, in January 2023, the FDA carried out a pending inspection of a ROVI supplier. As a result of the inspection, the FDA issued a series of observations to said supplier, which the latter is working to answer. The time frame for the supplier's response will depend on how the FDA evaluates the observations issued.

Thus, ROVI is continuing with the roadmap that it notified in the presentation of the update of its strategy at its 2022 Capital Markets Day and will continue to report on the milestones deemed relevant in the process to obtain authorisation of Risvan® from the FDA as the timeline for registration in the United States advances.

2.3.2 Glicopepton Biotech founded to produce compounds of high technological value

ROVI announced (by publication of the relevant information number 18544 dated 4th of October 2022) that it presented with Càrniques Celrà, S.L. and Grupo Empresarial Costa, S.L., Glycopepton Biotech, S.L., a joint venture that involves the creation of one of the first national structures for self-sufficiency in heparins and products of high nutritional value to be used in the composition of animal feed and fertilisers. The goals of this project focus on transforming the present livestock production process into a high-value-added technological process based on a circular economy model.

The project involves the construction of a facility at the Industrial Logistics Platform of Fraga (Huesca), which will produce compounds of high biological value that derive from the intestinal mucosa of pigs. It will involve a joint investment of approximately 40 million euros over the next four years and is expected to create around 30 direct skilled jobs. The project will be subject to obtaining the applicable administrative and regulatory permits and authorisations.

Glicopepton Biotech combines ROVI's experience as a leading company in the research into low-molecular-weight heparins (LMWH) with the track records of Càrniques Celrà and Grupo Empresarial Costa, two major companies in the livestock and meat industry in Spain. LMWHs are anticoagulant drugs used to prevent and treat venous thromboembolic disease. They are a biological product whose raw material is obtained from the intestinal mucosa of pigs. This project seeks both the creation of economic and technological value, transforming pig mucosa into a high-value-added product like heparin, and the development of new animal food supplements and fertilisers.

ROVI has in-house production capacity to transform raw heparin into sodium heparin and intends to expand this capacity through the construction of a new sodium heparin production line (already underway), in order to be present in all the manufacturing phases of low-molecular-weight heparins.

Juan López-Belmonte Encina, ROVI's chairman and chief executive officer, highlighted "the strategic importance for Spain of a project with these characteristics, since it provides the country with the capacity to be self-sufficient in obtaining a raw material that is indispensable for the production of an essential medicine like low-molecular-weight heparins. At ROVI, we are very excited about this project since, as a company specialised in these medicines, it will enable us to take a further step in the vertical integration of our LMWH manufacturing."

2.3.3 ROVI Share Buy-back Programme

ROVI announced (by publication of the inside information number 1308 dated 22 February 2022) the end of the share buy-back programme, effective as of 3 November 2021, and the launching of a new share buy-back programme, effective as of 23 February 2022.

End of the share buy-back programme

ROVI informed that, on 22 February 2022, the Board of Directors resolved to finalize the share buy-back programme launched by the Company as of 3 November 2021, having acquired 1,492,108 own shares, this is, 89% of the maximum number of shares to be acquired under the buy-back programme.

Launching of a new share buy-back programme

ROVI further informed that the Company launched, effective as of 23 February 2022, a new share buy-back program (the "Buy-back Program"), in accordance with the following terms:

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

2.- **Term:** from 23 February 2022 and for a period of 6 months.

3.- **Maximum monetary amount:** up to 46,000,000 euros.

4.- **Maximum number of shares to be acquired: mero máximo de acciones a adquirir:** 560,700 shares of the Company, representing approximately 1% of the Company's share capital as of the launch date of the programme.

5.- **Trading volume to be considered as reference:** the trading volume to be taken as a reference for the purposes of the provisions of article 3.3 of Delegated Regulation 2016/1052 for the entire duration of the Buyback Program shall be 25% of the average daily volume of ROVI's shares on the Continuous Market of the Spanish Stock Exchanges during the twenty trading days prior to the date of the purchase.

On 29 March 2022, ROVI informed of the finalization of this second buy-back programme. The Company had acquired 560,700 treasury shares, this is, 100% of the maximum number of shares foreseen under the buy-back programme.

The purpose of the two buy-back programmes was to cancel treasury shares held by ROVI (by reducing the capital). The reduction of the capital through cancellation of 2,052,808 shares repurchased within the framework of the aforementioned buy-back programmes was approved at the General Shareholders' Meeting of 14 June, 2022 and executed by entering the pertinent deed of capital reduction into public record. The deed has inscribed at the Madrid Companies Registry and the new amount of the share capital, after the shares mentioned have been cancelled and excluded from trading, has appeared in the registers of the National Securities Market Commission and Iberclear.

2.3.4 Moderna and ROVI expand long-term collaboration for the manufacture of mRNA medicines over the next ten years

ROVI announced (by publication of the inside information number 1299 dated 16th of February of 2022) a long-term collaboration with Moderna to increase capacities for the compounding, aseptic filling, inspection, labelling, and packaging of ROVI's facilities located in Madrid, San Sebastián de los Reyes and Alcalá de Henares.

This new agreement, which has a term of ten years, includes a series of investments expected to allow the manufacturing capacity to increase across ROVI's facilities in Madrid, Spain. In addition to producing Moderna's COVID-19 vaccine, ROVI's platform could also be utilized to service future Moderna mRNA vaccine candidates.

"ROVI has been a pivotal partner in supporting the manufacturing of our COVID-19 mRNA vaccine for countries outside of the U.S., and this long-term agreement expands our partnership and allows for further scale-up for future mRNA medicines," said Juan Andres, Moderna's Chief Technical Operations and Quality Officer.

Mr. Juan López-Belmonte Encina, ROVI's Chairman and Chief Executive Officer, said: "We are delighted to expand our collaboration with Moderna and become a long-term manufacturing partner. At ROVI we are working to contribute all our experience as a high-technological-value contract manufacturer of injectables to the solution of this pandemic and we are confident of our ability to take part in the manufacturing of new mRNA candidates in the future."

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

ROVI announced (by publication of the relevant information number 14055 dated 15th of February of 2022) that the European Commission had authorised the marketing of Okedi® (Risperidone ISM®) for the treatment of schizophrenia in adults for whom tolerability and effectiveness has been established with oral risperidone.

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

This approval is based on the positive results of the pivotal PRISMA-3 study on the efficacy and safety of Risperidone ISM® in schizophrenia patients[1]. The results obtained in this study show that the two different doses (75 mg and 100 mg once a month) have achieved the prespecified primary and secondary efficacy endpoints for treatment of patients with acute exacerbation of schizophrenia. The primary efficacy endpoint, the PANSS total score (mean difference, CI: 95%), improved significantly with Risperidone ISM® 75 mg and 100 mg from the beginning until day 85, with adjusted differences of -13.0 (17.3 to -8-8; p <0.0001) and -13.3 (-17.6 to -8.9; p<0.0001), respectively. Significantly improved mean changes for the secondary endpoint, the CGI-S score, were also obtained for Risperidone ISM® in comparison with the placebo, -0.7 (-1.0 to -0.5; p<0.0001), for both doses. The significant statistical improvement for both efficacy results was observed as early as 8 days after the first injection. The most frequently reported treatment-emergent adverse events were increased blood prolactin (7.8%), headaches (7.3%), hyperprolactinemia (5%) and weight increase (4.8%). No important new or unexpected safety information was reported. Likewise, patients who successfully completed the double-blind period were offered the opportunity to continue in a long-term, open-label 12-month extension phase with once every four weeks injections of Risperidone ISM® (75 mg or 100 mg). New, clinically stable patients ("de novo" patients) were also able to enter this open phase of the study. Long-term treatment was observed to be effective, safe and well tolerated in adult patients with schizophrenia, regardless the initial severity of the disease or whether they had been treated previously with Risperidone ISM® during an acute exacerbation or switched from stable doses of oral[2] risperidone.

"We are very excited about the European Commission's approval of Risperidone ISM® because we think our medicine will be able to contribute to the clinical management of schizophrenia patients. Likewise, we have launched the product in Germany, United Kingdom and Spain", commented Juan López-Belmonte Encina, ROVI's Chairman and Chief Executive Officer.

2.4.- Research and development

ISM® technology platform

Okedi® (Risperidone ISM®) is the first ROVI product based in its leading-edge drug delivery technology, ISM®. It is a novel investigational antipsychotic for the treatment of schizophrenia with once-monthly (every 28 days) injections which has been developed and patented by Laboratorios Farmacéuticos ROVI S.A. and which, as of the first injection, provides immediate and sustained plasmatic drug levels and does not require loading doses or supplementation with oral risperidone.

In January 2020, ROVI announced the commencement of the centralised procedure for registration of Okedi® with the European Medicines Agency (EMA). On 16 December 2021, the CHMP adopted a positive opinion, recommending the granting of a marketing authorisation for the medicinal product Okedi®. Finally, on 15 February 2022, the European Commission authorised the marketing of Okedi® (Risperidone ISM®) for the treatment of schizophrenia in adults for whom tolerability and effectiveness has been established with oral risperidone, and it was launched in Germany in April 2022, in the UK in July 2022 and in Spain in September 2022.

Likewise, at its Capital Markets Day held on 24 November 2020, ROVI announced the filing of an NDA (New Drug Application), i.e. a registration dossier to obtain marketing authorisation in the USA, with the FDA (Food and Drug Administration). ROVI was informed of the delay in a decision on granting marketing authorisation for Risvan® (Risperidone ISM®) by the U.S. Food and Drug Administration ("FDA"). Furthermore, on 24 September 2021, ROVI received a Complete Response Letter from the FDA with outstanding questions on the Risvan® dossier, which were answered in January 2022. In the third quarter of 2022, the FDA issued a second Complete Response Letter, with some outstanding questions for ROVI and also with questions for one of its manufacturers. Both ROVI and the manufacturer provided answers to the FDA. The FDA has notified ROVI that the user fee goal date is 27 July 2023.

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

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

The grant of the marketing authorisation for Risvan® by the FDA is also subject to the closure of the observations issued by the FDA after the pre-approval inspection (PAI) of the plant where the product is manufactured (located in Madrid, Spain) that was conducted on the second half of June 2022. Responses to these observations were provided to the FDA and ROVI is awaiting the FDA's review of these responses and notification from the FDA as to whether or not a second inspection to ROVI's manufacturing plant is required to close the pending observations.

In addition, in January 2023 the FDA conducted the pending inspection of a supplier to close deficiencies found by the FDA in a process not related to Risperidone ISM®. As a result of this inspection, the FDA has issued new observations and the manufacturer is currently estimating a time frame to provide the responses.

In addition, the company is continuing with the clinical development of Letrozole ISM®, which represents the second candidate using ROVI's ISM® technology platform. This new investigational medicine is, to the best of ROVI's knowledge, the first long-acting injectable aromatase inhibitor intended for the treatment of hormone-dependent breast cancer. ROVI has obtained positive results in phase I that confirm that this ISM® formulation provides a prolonged release of letrozole which produces a sustained suppression of oestrogenic hormones. These outstanding results allow ROVI to predict a superior oestrogen suppression compared to daily doses of oral Femara® (daily 2.5 mg doses) when Letrozole ISM® treatment starts with 100 mg doses at day 1 and week 8, followed by maintenance doses of 100 mg of Letrozole ISM® every 52 weeks. After several official interactions with the FDA, the company has been requested to perform a phase II clinical study in adult patients with HR+/HER- locally advanced or metastatic breast cancer, comparing Letrozole ISM® versus Femara®.

Lastly, ROVI's R&D team is progressing in the development of a new formulation of Risperidone for a 3-monthly injection, which would complement the current 4-weekly formulation of Risperidone ISM® for the maintenance treatment of patients with clinically stable schizophrenia. The regulatory toxicity studies needed to start the clinical development in humans have already been completed. The company is currently initiating all arrangements to conduct a phase I clinical trial to evaluate the safety, tolerability, and pharmacokinetics of various candidate formulations at different dose strengths and injection sites; this study is planned to begin in the first half of 2023.

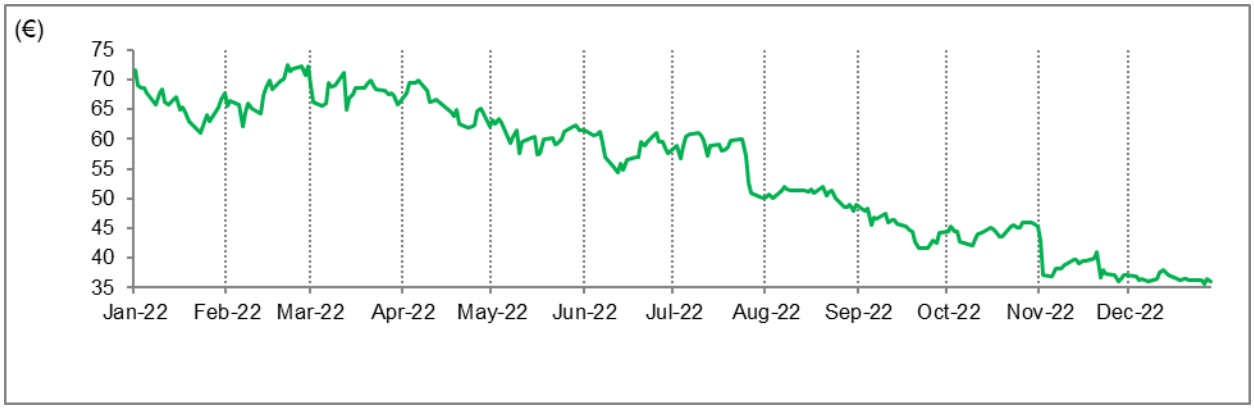
2.5.- Stock market capitalization

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

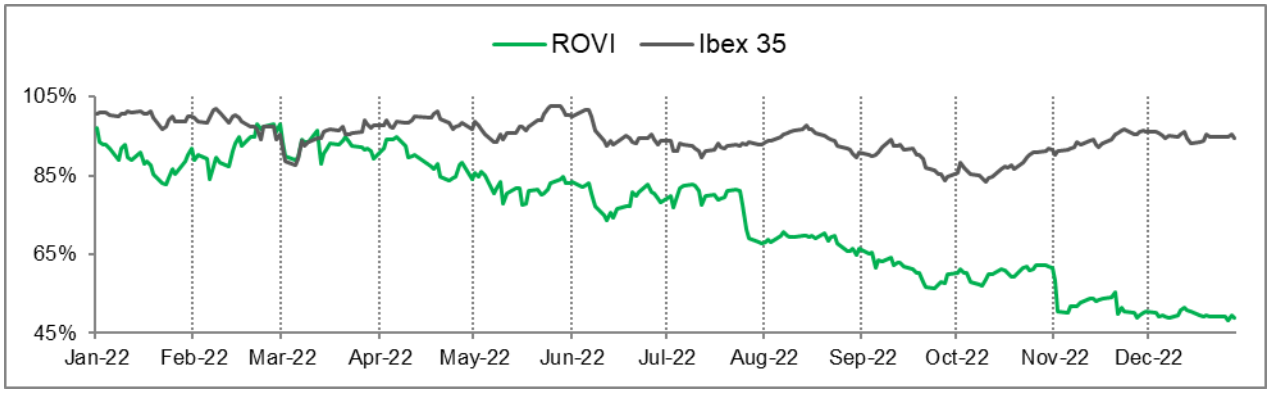
Additionally, in 2018, a capital increase was carried out through the issue of 6,068,965 newly-issued ordinary shares in the Company with a par value of 0.06 euros each, belonging to the same class and series as the existing shares that were already in issue.

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

The following graph shows the fluctuations of the share price in the stock market in 2022:



The following chart shows the performance of the share price of ROVI compared with the IBEX 35 index in 2022:



3.- FINANCIAL INFORMATION

3.1- Liquidity and capital resources

3.1.1- Liquidity

As of 31 December 2022, ROVI had a gross cash position of 126.4 million euros, compared to 100.5 million euros as of 31 December 2021, and net cash of 54.2 million euros (equity securities plus deposits plus financial derivatives plus cash and cash equivalents minus current and non-current financial debt), compared to 27.4 million euros as of 31 December 2021.

3.1.2.- Capital resources

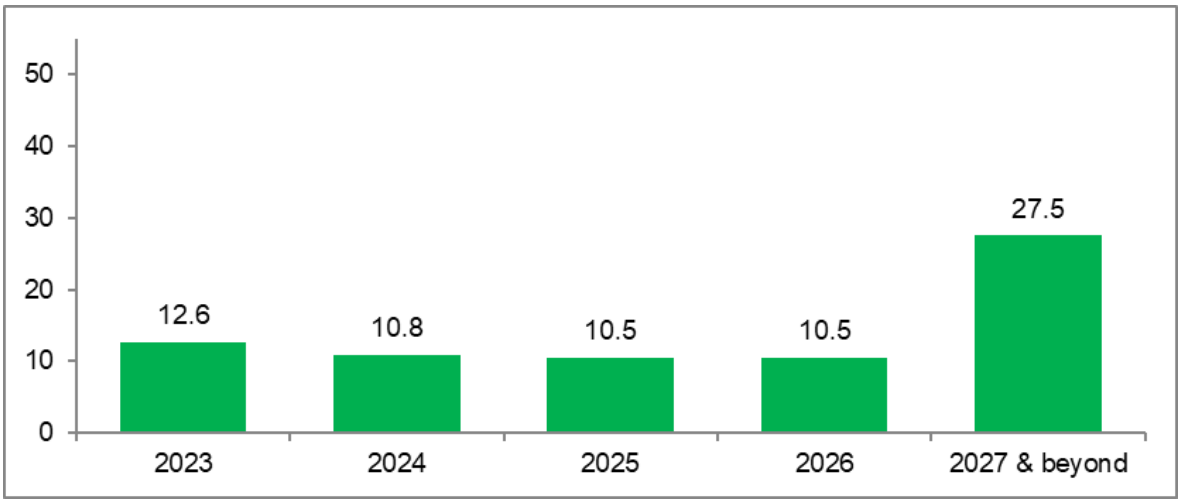
Debt with public administration, which is 0% interest rate debt, represented 15% of total debt as of 31 December 2021.

In thousand euros	2022	2021
Bank borrowings	44,107	44,821
Debt with public administration	10,175	10,661
Financial liabilities for leases	17,856	17,663
Derivatives	28	17
Total	**72.166**	**73.162**

As of 31 December 2022, bank borrowings remained almost stable. In December 2017, ROVI announced the European Investment Bank (EIB) had granted it a loan to support its investments in Research, Development and Innovation. The loan was for 45 million euros. As of 31 December 2021, ROVI had drawn 45 million euros against this credit line; 5 million euros at a variable interest rate of Euribor at 3 months + 0.844% (the latest interest rate paid was 0.297% in January 2022) and 40 million euros at a fixed interest of 0.681%. Repayment of the variable interest loan started in October 2021 (quarterly repayments) and its current outstanding balance is 4.8 million euros. The credit matures in 2029 and includes a grace period of 3 years.

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

Debt maturities at 31 December, 2022 are shown in the following graph (millions of euros):



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

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

Regarding the contracts that are still recognized as operating leases because they do not meet the requirements for IFRS 16 to apply, at 31 December, 2022 and 2021, there were no minimum future payments due on these non-cancellable operating leases.

3.2.- Capital expenditure

ROVI invested 51.4 million euros in 2022, compared to 40.9 million euros in 2021. A majority of the additions recognised in 2022 and 2021 related to investments in ROVI's manufacturing plants, principally:

- 2.1 million euros was invested in the Madrid injectables plant, compared to the 2.9 million euros invested in 2021.
- 3.0 million euros was invested in the San Sebastián de los Reyes injectables plant, compared to the 2.0 million euros invested in 2021.
- 0.7 million euros was invested in the Granada plant, compared to the 1.4 million euros invested in 2021.
- 3.4 million euros was invested in the Alcalá de Henares plant, compared to the 4.2 million euros invested in 2021.
- 6.7 million euros was invested in the ISM® industrialisation, compared to the 5.5 million euros invested in 2021.
- 13.8 was invested in the construction, currently in progress, of the new heparin plant in Escúzar (Granada), compared to the 18.8 million euros invested in 2021.
- 1.9 million euros was invested in the Glicopeptón Biotech, S.L. plant (company incorporated in 2022).
- 17.2 million euros was invested in the new vial filling line and the expansion of operations, compared to the 2.9 million euros invested in 2021.

3.3.- Treasury shares transactions

At 31 December, 2022, the number of treasury shares was 644,114 (1,218,776 at 31 December, 2021). The following movements took place in 2022:

	2022	2021
Balance at beginning of year	**1,218,776**	**673,654**
Shares acquired under liquidity contract (d.1)	1,609,715	826,381
Shares sold under liquidity contract (d.1)	(1,598,794)	(831,586)
Share acquired under buy-back programmes (d.2)	1,467,225	585,583
Shares for capital reduction under buy-back programmes (d.2)	(2,052,808)	—
Extraordinary bonus through award of shares (d.3)	—	(35,256)
Balance at end of year	**644,114**	**1,218,776**

1) Liquidity contract

Under the liquidity contract that ROVI had signed, 1,609,715 shares were acquired (826,381 in 2021), for which a total sum of 78,561 thousand euros was disbursed (42,224 thousand euros in 2021). Likewise, a total of 1,598,794 shares were resold (831,586 in 2021) for a sum of 77,766 thousand euros (42,328 thousand euros in 2021). Said shares had been acquired at a weighted average cost of 80,560 thousand euros (31,446 thousand euros in 2021), giving rise to a loss of 2,794 thousand euros on the sale (profit of 10,882 thousand euros in 2021), which was recognised in reserves.

2) Share buy-back programme

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

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

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

Effective 23 February, 2022, ROVI commenced another share buy-back programme with the following main features:

- Purpose and scope: the cancellation of ROVI shares (capital reduction) and, at the same time, an increase in the remuneration of ROVI shareholders through an increase in the earnings per share.
- Term: 6 months as of 23 February, 2022, the date on which the buy-back programme was published, or as of the date that either of the following two conditions was met. Additionally, ROVI reserved the right to conclude the programme before its term ended.
- Maximum monetary amount: up to 46,000,000 euros.
- Maximum number of shares to be acquired: 560,700 shares in the Company, representing approximately 1% of ROVI’s share capital at the buy-back programme publication date.

Under this resolution, in 2022, 560,700 share were acquired, for which ROVI paid a total amount of 38,574 thousand euros. The programme ended on 29 March, 2022.

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

3) Extraordinary bonus through award of treasury shares

On 17 June, 2021, the Ordinary General Shareholders' Meeting of Laboratorios Farmacéuticos Rovi, S.A. approved an extraordinary bonus for the Company's executive directors through the award of treasury shares. The maximum number of shares to be awarded was determined by dividing 985 thousand euros by the average quoted price of the company shares in the 30 trading days immediately prior to approval of the bonus (54.48 euros). A total of 54,240 treasury shares were awarded to the executive directors (Note 31). The amount recognised for this bonus under "Employee benefit expenses" was 2,520 thousand euros.

3.4.- Dividends

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

On 17 June, 2021, the General Meeting of Shareholders approved the distribution of the 2020 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 21,373 thousand euros (0.3812 euros gross per share). This dividend was paid out in July 2022.

4.- OTHER NON-FINANCIALINFORMATION (INTEGRATED REPORT)

ROVI's Integrated Report for the year 2022, which includes all the information requirements of the Non-Financial Information Statement, in compliance with the information duties provided for in Law 11/2018, of December 28, which modifies the Commercial Code, the consolidated text of the Capital Companies Law approved by Royal Legislative Decree 1/2010, of July 2, and Law 22/2015, of July 20, on Auditing of Accounts, regarding information non-financial and diversity, forms an integral part of this Management Report It will be available as a document released on 21 February, 2023 at https://cnmv.es/portal/Otra-Informacion-Relevante/Resultado-OIR.aspx?nif=A-28041283.

5.- RISK MANAGEMENT

5.1.- Operating risks

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

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

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

5.2.- Financial risks

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

5.2.1.- Market risk

Market risk is divided in:

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

5.2.2.- Credit risk

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

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

5.2.3.- Liquidity risk

Management periodically monitors the liquidity estimates of the Group in accordance with the expected cash flows. The Group maintains sufficient cash and marketable securities to meet its liquidity requirements.

6.- AVERAGE PAYMENT PERIOD

Details of payments for trading transactions performed during the reporting period and outstanding at the reporting date in relation to the maximum legal periods provided for in Law 15/2010, amended by Law 11/2013 and Law 18/2022, are as follows:

	2022	2021
	Days	Days
Average payment period to suppliers	54	57
Ratio of transactions paid	57	61
Ratio of transactions outstanding	39	40

	2022	2021
Total payments made (thousand euros)	570,562	424,190
Total payments outstanding (thousand euros)	99,415	74,341

	2022
Invoices paid in less than 60 days (thousand euros)	336,738
No. of invoices paid in less than 60 days	18,991
% No. invoices paid in less than 60 days/Total No. invoices paid	46 %
% Amount of invoices paid in less than 60 days/Total amount of invoices paid	59 %

7.- RESEARCH AND DEVELOPMENT EXPENSES

Total research and development expenses incurred in 2022 were 23,869 thousand euros (27,445 thousand euros in 2021) and were mainly concentrated on the Glycomics and ISM® platforms, the latter of which is a proprietary drug release system, belonging to ROVI, the objective of which is to improve patient treatment adherence. Of the total research and development expenses incurred in 2022, 9,242 thousand euros was recognised under the “Employee benefit expenses” heading (8,384 thousand euros at 31 December, 2021) and 14,627 thousand euros under “Other operating expenses” (19.061 thousand euros in 2021).

8.- CORPORATE GOVERNMENT ANNUAL REPORT

The Annual Corporate Governance Report prepared by Laboratorios Farmacéuticos Rovi, S.A. for the year 2022 is an integral part of this Management Report, although it is presented as a separate document.

The document will be available on 21 February, 2023 at http://www.cnmv.es/Portal/consultas/EE/InformacionGobCorp.aspx?nif=A-28041283.

9.- ANNUAL REPORT ON DIRECTORS’ REMUNERATIONS

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

The document will be available on 21 February, 2023 at https://www.cnmv.es/portal/Consultas/EE/InformacionGobCorp.aspx?TipoInforme=6&nif=A-28041283.

10.- EVENTS AFTER BALANCE SHEET DATE

ROVI informed (by publication of the relevant information number 20446 dated 16th of February 2023) on the evaluation process to obtain marketing authorisation for Risvan® (Risperidone ISM®) in the United States and reported that it has now filed the final responses to the Complete Response Letter received from the United States Food and Drug Administration (FDA) in the third quarter of 2022. These responses likewise included the answers of one of ROVI's suppliers to outstanding questions.

The FDA has notified ROVI that the user fee goal date is 27 July 2023.

Likewise, ROVI has now filed the final report on correction of the deficiencies noted when the FDA inspected its facilities in June 2022.

Furthermore, in January 2023, the FDA carried out a pending inspection of a ROVI supplier. As a result of the inspection, the FDA issued a series of observations to said supplier, which the latter is working to answer. The time frame for the supplier's response will depend on how the FDA evaluates the observations issued.

APPENDIX 1

ALTERNATIVE PERFORMANCE MEASURES

ROVI's financial information contains figures and measures prepared in accordance with the applicable accounting legislation, as well as another series of measures prepared in accordance with established reporting standards, which are known as Alternative Performance Measures (APMs)

These APMs are considered adjusted figures in comparison with those that are reported under International Financial Reporting Standards endorsed by the European Union (IFRS-EU), which is the reporting framework applicable to the consolidated financial statements of the ROVI Group and, therefore, the reader should consider them to supplement the latter, but not replace them.

The APMs are important for the users of the financial information because they are the measures used by ROVI Management to evaluate the financial performance, the cash flows or the financial situation for making the Group's operating or strategic decisions. These APMs are consistent with the principal indicators used by the investor and analyst communities in the financial markets. In this respect, in accordance with the Guide issued by the European Securities and Markets Authority (ESMA), which has been in force since 3 July, 2016 and concerns the transparency of Alternative Performance Measures, ROVI sets out below information on the APMs included in the consolidated management information for the year ended 31 December 2022 that it considers significant:

Total revenue

This APM shows all the Group's revenues.

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

Gross profit

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

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

Gross margin

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

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

EBITDA

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) is an indicator that measures the group's operating profit before interest, taxes, impairment, depreciation and amortization have been deducted. Management uses it to assess the results over time, allowing a comparison with other companies in the sector.

We calculate EBITDA as profit before taxes, interest, depreciation and amortization.

EBITDA "Pre-R&D"

This APM is used by ROVI to show EBITDA from the on-going business.

We calculate EBITDA "Pre-R&D" as EBITDA excluding Research and Development expenses ("R&D") (see Note 7 to the consolidated annual accounts at 31 December 2022).

EBIT

EBIT (Earnings Before Interest and Taxes) is an indictor that measures the group's operating profit before interest and tax are deducted. Like the preceding indicator, Management uses it to assess the results over time, allowing a comparison with other companies in the sector.

We calculate EBIT as profit before taxes and interest.

EBIT "Pre-R&D"

This APM is used by ROVI to show EBIT from the on-going business.

We calculate EBIT "Pre-R&D" as operating profit for the period excluding Research and Development expenses ("R&D") (see Note 7 to the consolidated annual accounts at 31 December 2022).

Net profit "Pre-R&D"

This APM is used by ROVI to show the profit for the period related to the on-going business.

We calculate Net proft "Pre-R&D" as EBIT "Pre-R&D" plus:

- Finance costs-net; and
- Income tax. Net profit "Pre-R&D" income tax is calculated by applying the same effective tax rate as reported in the income statement of the period.

Net debt/cash

Net Financial Debt or Net Debt is the main indicator used by Management to measure the Group's indebtedness. It is composed of equity securities, plus deposits, plus financial derivatives, plus cash and cash equivalents, less current and non-current financial debt.

Cost of sales

The Cost of Sales reflects the cost involved in producing or acquiring the products or services that ROVI sells.

The cost of Sales is calculated as the amount of Procurements plus that corresponding to the Change in inventories of finished goods and work in progress and Raw materials and consumables use

The Consolidated Annual Accounts of Laboratorios Farmacéuticos Rovi, S.A. ("**Rovi**" or the "**Company**") and its subsidiaries (which comprise the balance sheet or the consolidated statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in shareholders' equity, the statement of cash flows and consolidated notes), as well as the consolidated management report of the group of which the Company is the parent company (which comprises the Annual Corporate Governance Report, the Annual Directors' Remuneration Statement and the non-financial information statement (also called "*Informe Integrado ROVI 2022*")) for the fiscal year ended on 31 December 2022 and which precede this document, have been issued by the Board of Directors at its meeting of 20 February 2023 following the formatting (and tagging) requirements set out in Commission Delegated Regulations (EU) 2019/815 of 17 December 2018 (European Single Electronic Format - ESEF) and Commission Delegated Regulations (EU) 2022/352 of 29 November 2021, whose members sign below in accordance with Article 253 of the Royal Legislative Decree 1/2010, of 2 July, approving the restated text of the Spanish Companies Law (*Ley de Sociedades de Capital*), and Article 37 of the Spanish Commercial Code:

Madrid, 20 February 2023

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

Mr. Javier López-Belmonte Encina
Vice Chairman 1º

Mr. Iván López-Belmonte Encina
Vice Chairman 2º

Mr. Marcos Peña Pinto
Lead Independent Director

Ms. Fátima Báñez García
Director

Ms. Marina del Corral Téllez
Director

Ms. María Teresa Corzo Santamaría
Director

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

The members of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A. ("**Rovi**" or the "**Company**"), at its meeting held on 20 February 2023, and in accordance with, Article 8.1.b) of Royal Decree 1362/2007 of 19 October, state that, to the best of their knowledge, the Individual Annual Accounts, as well as the Consolidated Annual Accounts of the Company and its subsidiaries, for the fiscal year ended on 31 December 2022, issued by the Board of Directors at the abovementioned meeting of 20 February 2023, and prepared in accordance with applicable accounting standards, present a fair view of the equity, financial condition and results of operations of the Company and its subsidiaries included within the scope of consolidation, taken as a whole, and that the management reports supplementing the individual and consolidated annual accounts (the latter including the corresponding non-financial information statement (also called "Informe Integrado ROVI 2022") contain a fair assessment of the corporate performance and results and of the position of Rovi and of the subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the main risks and uncertainties they face.

Madrid, 20 February 2023

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

Mr. Javier López-Belmonte Encina
Vice Chairman 1º

Mr. Iván López-Belmonte Encina
Vice Chairman 2º

Mr. Marcos Peña Pinto
Lead Independent Director

Ms. Fátima Báñez García
Director

Ms. Marina del Corral Téllez
Director

Ms. María Teresa Corzo Santamaría
Director