Laboratorios Farmacéuticos Rovi, S.A.

Annual Accounts

31 December 2017

Directors' Report

2017

(With Independent Auditor's Report Thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)

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

Independent Auditor's Report on the Annual Accounts

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

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

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Laboratorios Farmacéuticos Rovi, S.A. (the "Company"), which comprise the balance sheet at 31 December 2017, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 a) to the accompanying annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

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

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

Key Audit Matters

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

Capitalisation and recoverability of intangible assets See notes **2c.3), 3.1, 5 and 22f) to the annual accounts**	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
The Company has significant intangible assets amounting to Euros 24,555 thousand, which includes Euros 8,676 thousand of development expenses. The capitalisation of any development expenses requires an analysis of the compliance with the requirements established in the applicable financial reporting framework. The main risk is associated with the successful outcome of the projects and obtaining the corresponding clinical and regulatory authorisations for their subsequent marketing. The Company has intangible assets amounting to Euros 8,676 thousand derived from the development of a low-molecular-weight heparin, an enoxaparin biosimilar, for which the corresponding marketing authorisation has been obtained. In 2017 the Company incurred research and development expenses amounting to Euros 28,251 thousand that have not been capitalised, associated mainly with products under development based on the ISM® platform. Due to the significance of the balance and the high degree of judgement associated with the capitalisation and recoverability of these intangible assets, we consider this to be a key audit matter in our audit of the current year.	Our audit procedures included, among others, the following: ▪ Assessment of the design and implementation of the controls associated with the process for estimating the recoverability of intangible assets and the process used to recognise research and development expenses and to identify, where applicable, any expenses that qualify for capitalisation. ▪ We received and assessed the documentation prepared by Management in relation to the analysis of research and development expenses, particularly regarding the capitalisation of any development expenses. ▪ Our procedures related to projects under development included an assessment of the reasonableness of the assumptions used by the Company to determine the probability of obtaining the pertinent authorisations, by considering the current stage of development. ▪ In order to carry out the assessment mentioned in the preceding paragraphs, we held meetings with Management and key personnel of the research and development area to confirm these assumptions. ▪ In addition, we also assessed whether the disclosures included in the annual accounts comply with the requirements of the financial reporting framework applicable to the Company.

Emphasis of Matter

We draw attention to note 2 b) to the accompanying annual accounts, which states that the comparative figures for the prior year differ from those contained in the approved annual accounts for 2016 due to the recognition of the retrospective correction made as indicated in the aforementioned note to the annual accounts. This matter does not modify our opinion. The annual accounts for 2016 were audited by other auditors, who expressed an unqualified opinion thereon.

Other Information: Directors' Report

Other information solely comprises the 2017 Directors' Report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not encompass the directors' report. Our responsibility as regards the content of the directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that the aforementioned information has been provided in the directors' report, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the directors' report, which consists of assessing and reporting on the consistency of this information with the annual accounts, based on knowledge of the entity obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting on whether the content and presentation of this part of the directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information referred to in paragraph a) above has been provided in the directors' report and the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2017, and that the content and presentation of the report are in accordance with applicable legislation.

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

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

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

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

Auditor's Responsibilities for the Audit of the Annual Accounts

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

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 19 February 2018.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 31 May 2017 for a period of three years, from the year ended 31 December 2017.

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

(Signed on the original in Spanish)

José Ignacio Rodríguez Prado
On the Spanish Official Register of Auditors ("ROAC") with number 15825

19 February 2018

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Annual Accounts and Management Report
for the annual period ended 31 December, 2017

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

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

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Financial Position at 31 December, 2017 and 2016
(Thousands of euros)

	Note	At 31 December 2017	At 31 December 2016
NON-CURRENT ASSETS		**88,352**	**79,538**
Intangible assets	5	**24,555**	**22,503**
Property, plant and equipment	6	**42,957**	**41,171**
Non-current investments in Group & associated companies	8 y 9	**10,725**	**10,670**
Equity instruments		10,725	10,670
Non-current financial investments		**1,464**	**1,587**
Equity instruments	7 y 11	62	62
Credits to third parties		-	50
Other financial assets	7 y 10	1,402	1,475
Deferred tax assets	21	**8,651**	**3,607**
CURRENT ASSETS		**170,772**	**203,370**
Inventories	12	**31,569**	**32,074**
Trade and other receivables		**103,672**	**134,280**
Trade receivables for sales of goods and services	7 y 10	29,982	29,614
Trade receivables, Group & associated companies	7 y 10	66,785	94,673
Sundry debtors	7 y 10	125	576
Employees	7 y 10	161	186
Current income tax assets	23	2,228	4,466
Other credits with Public Administrations	23	4,391	4,765
Current investments in Group & associated companies	7 y 10	**5**	**5**
Credits to companies		5	5
Current accruals and prepayments		**-**	**3**
Cash and cash equivalents	7 y 13	**35,526**	**37,008**
TOTAL ASSETS		**259,124**	**282,908**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Financial Position at 31 December, 2017 and 2016
(Thousands of euros)

	Note	At 31 December	
		2017	2016
EQUITY		**155,187**	**145,748**
Equity		**151,700**	**141,847**
Capital	14	3,000	3,000
Reserves	15	6,959	6,959
(Treasury shares)	15	(8,407)	(8,701)
Retained earnings	15	131,475	110,657
Profit for the year	16	18,673	29,932
Adjustments for change in value		**(2)**	**(3)**
Available-for-sale financial assets		(2)	(3)
Grants, donations and legacies received	17	**3,489**	**3,904**
NON-CURRENT LIABILITIES		**29,947**	**23,699**
Non-current debt		**26,461**	**20,110**
Bank borrowings	7 y 18	17,716	10,940
Other financial liabilities	7 y 18	8,745	9,170
Deferred tax liabilities	21	**2,651**	**2,691**
Non-current accruals	19	**835**	**898**
CURRENT LIABILITIES		**73,990**	**113,461**
Current provisions	20	**3,508**	**2,878**
Current debt		**16,031**	**12,789**
Bank borrowings	7 y 18	13,222	9,991
Other financial liabilities	7 y 18	2,809	2,798
Current debt with Group and associated companies	7 y 18	**129**	**88**
Trade and other payables		**54,243**	**97,537**
Trade payables	7 y 18	27,241	31,377
Trade payables, group and associated companies	7 y 18	21,732	61,505
Sundry creditors	7 y 18	38	23
Employees (outstanding remuneration)	7 y 18	3,916	3,712
Other debts with public authorities	23	1,316	920
Current accruals	19	**79**	**169**
TOTAL EQUITY AND LIABILITIES		**259,124**	**282,908**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Income Statement for the annual periods ended 31 December, 2017 and 2016
(Thousands of euros)

	Note	Annual period ended 31 December	
		2017	2016
CONTINUING OPERATIONS			
Net sales	22 a)	**240,560**	**231,382**
Sales of goods		240,560	231,382
Change in inventories of finished products & work in progress		**4,053**	**(6,435)**
Self-constructed assets	5	**2,057**	**-**
Supplies		**(144,574)**	**(129,543)**
Raw materials and consumables used	22 b)	(145,191)	(129,399)
Inventory write-down	12	617	(144)
Other operating income		**3,653**	**2,792**
Ancillary and current management income	22 c)	2,834	2,283
Operating grants recognized in profit and loss	22 d)	819	509
Employee benefit expenses	22 e)	**(29,520)**	**(29,080)**
Wages, salaries and similar remuneration		(24,697)	(24,377)
Welfare charges		(4,823)	(4,703)
Other operating income		**(66,013)**	**(49,297)**
External services	22 f)	(65,289)	(48,873)
Taxes		(758)	(391)
Losses, impairment and changes in trade provisions		34	(33)
Amortization, depreciation & impairment charges	5 y 6	**(7,891)**	**(7,608)**
Allocation of grants for non-financial assets and other	17	**935**	**1,082**
Impairment and gains/(losses) on disposal of intangible assets and property, plant and equipment	6	**(25)**	**(25)**
Gains/(losses) for sales and others		(25)	(25)
Other income	9	**-**	**1,450**
PROFIT FROM OPERATING ACTIVITIES		**3,235**	**14,718**
Finance revenue		9,981	15,374
Finance expenses		(987)	(842)
FINANCE COSTS - NET	24	**8,994**	**14,532**
PROFIT BEFORE INCOME TAX		**12,229**	**29,250**
Income tax	23	6,444	682
PROFIT FOR THE YEAR	16	**18,673**	**29,932**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Changes in Equity for the annual periods ended 31 December, 2017 and 2016
(Thousands of euros)

A) STATEMENT OF RECOGNIZED INCOME AND EXPENSES (thousands of euros)

	Note	Annual period ended 31 December	
		2017	2016
Profit for the year	16	**18,673**	**29,932**
Income and expenses credited or charged directly to the equity		**286**	**306**
Measurement of financial instruments			
- Available-for-sale financial assets	11	1	(1)
Grants, donations and legacies received	17	381	409
Tax effect	21	(96)	(102)
Transfers to profit and loss		**(700)**	**(811)**
Grants, donations and legacies received	17	(935)	(1,082)
Tax effect	21	235	271
TOTAL RECOGNIZED INCOME AND EXPENSES		**18,259**	**29,427**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Changes in Equity for the annual periods ended 31 December, 2017 and 2016
(Thousands of euros)

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

	Share capital (Note 14)	Reserves (Note 15)	Treasury shares (Note 15)	Retained earnings (Note 15)	Profit for the year (Note 16)	Adjust-ments for changes in value	Grants, donations & legacies received (Note 17)	TOTAL
BALANCE AT END OF 2015	**3,000**	**6,959**	**(8,112)**	**100,167**	**17,509**	**(2)**	**4,408**	**123,929**
Adjustments for changes in policies 2015 and prior years	-	-	-	-	-	-	-	-
Adjustments for errors 2016 and prior years	-	-	-	-	-	-	-	-
ADJUSTED BALANCE, BEGINNING OF 2016	**3,000**	**6,959**	**(8,112)**	**100,167**	**17,509**	**(2)**	**4,408**	**123,929**
Total recognized income and expenses	-	-	-	-	29,932	(1)	(504)	29,427
- Application of profit for 2015	-	-	-	10,656	(10,656)	-	-	-
- Distribution of dividends	-	-	-	-	(6,853)	-	-	(6,853)
- Transactions with treasury shares (net)	-	-	(589)	48	-	-	-	(541)
Other movements	-	-	-	(214)	-	-	-	(214)
BALANCE AT END OF 2016	**3,000**	**6,959**	**(8,701)**	**110,657**	**29,932**	**(3)**	**3,904**	**145,748**
Adjustments for changes in policies 2016 and prior years	-	-	-	-	-	-	-	-
Adjustments for errors 2016 and prior years	-	-	-	-	-	-	-	-
ADJUSTED BALANCE, BEGINNING OF 2017	**3,000**	**6,959**	**(8,701)**	**110,657**	**29,932**	**(3)**	**3,904**	**145,748**
Total recognized income and expenses	-	-	-	-	18,673	1	(415)	18,259
- Application of profit for 2016	-	-	-	20,907	(20,907)	-	-	-
- Distribution of dividends	-	-	-	-	(9,025)	-	-	(9,025)
- Transactions with treasury shares (net)	-	-	294	185	-	-	-	479
Other movements	-	-	-	(274)	-	-	-	(274)
BALANCE AT END OF 2017	**3,000**	**6,959**	**(8,407)**	**131,475**	**18,673**	**(2)**	**3,489**	**155,187**

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

Statement of Cash Flows for the annual periods ended 31 December, 2017 and 2016
(Thousands of euros)

	Note	Annual period ended 31 December	
		2017	**2016**
Profit before income tax		12,229	29,250
Adjustments to profit		6,762	5,233
Changes in working capital		(9,557)	4,026
Other cash flows from operating activities		241	(2,892)
Cash flows from operating activities	25	**9,675**	**35,617**
Payments of investments		(11,759)	(10,522)
Proceeds on disinvestments		(48)	1,725
Cash flows from investing activities	26	**(11,807)**	**(8,797)**
Proceeds from and payments of financial liability instruments		9,196	(9,560)
Dividend payments and remuneration of other equity instruments		(9,025)	(6,853)
Transactions with treasury shares		479	(541)
Cash flows from financing activities	27	**650**	**(16,954)**
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		**(1,482)**	**9,866**
Cash or cash equivalents at the beginning of the year	13	37,008	27,142
Cash or cash equivalents at the end of the year	13	35,526	37,008

LABORATORIOS FARMACÉUTICOS ROVI, S.A.
Notes to the Annual Accounts for the annual period 2017
(Thousands of euros)

1. General information

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

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

The annual accounts for 2017 include the financial statements of the permanent establishment of Laboratorios Farmacéuticos Rovi, S.A. in Portugal. This permanent establishment was created on 23 October, 1998. Its corporate purpose is the importation, representation and sale of any kind of chemical or pharmaceutical product. Its registered office is Jardins da Parede, Rua do Pinhal, Lote 16 in Parede, (Portugal).

Laboratorios Farmacéuticos Rovi, S.A. is the parent of a consolidated group the consolidated annual accounts of which for 2017 will be presented under International Financial Reporting Standards (IFRS-EU). In accordance with the provisions of Royal Decree 1159/2010 of 17 September, the Company prepares consolidated annual accounts for its Group. On 19 February, 2018, the consolidated annual accounts of Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries at 31 December, 2017 were formulated, showing a profit of 17,241 thousand euros and equity, including the net profit for the period, of 191,687 thousand euros.

At 31 December, 2017 and 2016, the company Norbel Inversiones, S.L. held 69.64% of the shares of Laboratorios Farmacéuticos Rovi, S.A. (Note 15). Norbel Inversiones, S.L., which has its registered office at Calle Julián Camarillo, 35, Madrid, files consolidated annual accounts with the Madrid Companies Registry.

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

2. Bases of presentation

a) True and fair view

The annual accounts have been prepared using the Company’s accounting records and are presented in accordance with current mercantile legislation and the policies established in the “Plan General de Contabilidad” (“General Chart of Accounts”), approved by Royal Decree 1514/2007, subsequently amended by Royal Decree 1159/2010, to present fairly the equity, the financial position and the results of the Company, as well as the accuracy of the cash flows included in the statement of cash flows.

b) Comparison of information

Note 9 b) of the Notes to the annual accounts of Laboratorios Farmacéuticos Rovi, S.A. (hereinafter, “ROVI”) for the reporting period ended 31 December, 2016 explains the inncorporation, in January 2016, of a company, Enervit Nutrition, S.L, with initial share capital of 3 thousand euros and, initially, held 100% by ROVI. The same Note states that subsequently, in March 2016, ROVI contributed the distribution contract for the EnerZona products to this subsidiary, as well as the know-how on the promotion, distribution and sale of the products (hereinafter, “the assets contributed”). For this purpose, Enervit Nutrition, S.L. increased its capital by 3,997 thousand euros, subscribed and paid up by ROVI through the non-monetary contribution of the aforementioned assets. Until that time, ROVI had been the owner of said assets, which had no carrying amounts in its statement of financial position, since no consideration was paid for them when they were acquired.

In ROVI, the non-monetary contribution was considered a commercial asset swap and, therefore, in accordance with NRV (Recognition and Measurement Rule) 2ª1.3 of the General Chart of Accounts, the shares received were measured at the fair value of the asset contributed, i.e. 3,997 thousand euros. This meant that revenue of this amount was recognized in the 2016 income statement of Laboratorios Farmacéuticos Rovi, S.A., together with an increase in the value of the financial investment, all of which gave rise to the related tax effect.

However, after reviewing this operation as a result of a request from the regulatory body, the aforementioned swap was finally considered to be non-commercial. In accordance with the aforementioned NRV 2ª1.3, the shares received in non-commercial swaps are measured at the carrying amount of the asset contributed (which had no value in the present case) plus, if applicable, any cash consideration received (1,450 thousand euros in this transaction). This meant that the individual income statement for 2016 has been modified by 2,547 thousand euros (1,910 thousand euros net of tax), which relates to the revenue of 3,997 thousand euros initially recognized when the swap was classified as commercial and the 1,450 thousand euros of revenue corresponding to a non-commercial swap. The balancing item is a reduction in the value of the investment in Enervit Nutrition, S.L.

In order to facilitate an understanding of the effects, we set out below the statement of financial position and income statement of Laboratorios Farmacéuticos Rovi, S.A. at 31 December, 2016, with the accounting whereby the swap is classified as non-commercial (we mark the figures as “modified”), together with the accounting included in the annual accounts approved for the 2016 reporting period, where the swap was classified as commercial.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.
Notes to the Annual Accounts for the annual period 2017
(Thousands of euros)

Thousands of euros	Note	31.12.2016 adjusted	31.12.2016 presented	Difference
NON-CURRENT ASSETS		**79,538**	**82,085**	**(2,547)**
Intangible assets		22,503	22,503	-
Property, plant and equipment		41,171	41,171	-
Non-current investments in Group & associated companies	8 y 9	10,670	13,217	(2,547)
Non-current financial investments		1,587	1,587	-
Deferred tax assets		3,607	3,607	-
CURRENT ASSETS		**203,370**	**203,370**	**-**
Inventories		32,074	32,074	-
Trade and other receivables		134,280	134,280	-
Current investments in Group & associated companies		5	5	-
Current accruals and prepayments		3	3	-
Cash and cash equivalents		37,008	37,008	-
TOTAL ASSETS		**282,908**	**285,455**	**(2,547)**

Thousands of euros	Note	31.12.2016 adjusted	31.12.2016 presented	Difference
EQUITY		**145,748**	**147,658**	**(1,910)**
Equity		**141,847**	**143,757**	**(1,910)**
Capital		3,000	3,000	-
Reserves		6,959	6,959	-
(Treasury shares)		(8,701)	(8,701)	-
Retained earnings		110,657	110,657	-
Profit for the year	16	29,932	31,842	(1,910)
Adjustments for change in value		(3)	(3)	-
Grants, donations and legacies received		3,904	3,904	-
NON-CURRENT LIABILITIES		**23,699**	**24,336**	**(637)**
Non-current debt		20,110	20,110	-
Deferred tax liabilities	21	2,691	3,328	(637)
Non-current accruals		898	898	-
CURRENT LIABILITIES		**113,461**	**113,461**	**-**
Current provisions		2,878	2,878	-
Current debt		12,789	12,789	-
Current debt with Group and associated companies		88	88	-
Trade and other payables		97,537	97,537	-
Current accruals		169	169	-
TOTAL EQUITY AND LIABILITIES		**282,908**	**285,455**	**(2,547)**

Thousands of euros	Note	31.12.2016 adjusted	31.12.2016 presented	Difference
CONTINUING OPERATIONS				
Net sales		231,382	231,382	-
Change in inventories of finished products & work in progress		(6,435)	(6,435)	-
Supplies		(129,543)	(129,543)	-
Other operating income		2,792	2,792	-
Employee benefit expenses		(29,080)	(29,080)	-
Other operating income		(49,297)	(49,297)	-
Amortization, depreciation & impairment charges		(7,608)	(7,608)	-
Allocation of grants for non-financial assets and other		1,082	1,082	-
Impairment and gains/(losses) on disposal of intangible assets and property, plant and equipment		(25)	(25)	-
Other income	9	1,450	3,997	(2,547)
PROFIT FROM OPERATING ACTIVITIES		**14,718**	**17,265**	**(2,547)**
FINANCE COSTS - NET		**14,532**	**14,532**	**-**
PROFIT BEFORE INCOME TAX		**29,250**	**31,797**	**(2,547)**
Income tax	21	682	45	637
PROFIT FOR THE YEAR		**29,932**	**31,842**	**(1,910)**

c) Critical accounting estimates and judgements

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

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

c.1) Revenue recognition

The Company has recognized the total sales of goods marketed in 2017 and 2016 as revenue. The buyer has the right to return the goods sold. Company Management believes that, based on previous experience with similar sales, the level of returns will not be very meaningful and, therefore, ROVI considers ordinary revenue recognition criteria to be met. The Company has therefore recognized ordinary revenue for its sales together with the related provision against ordinary revenue for estimated returns. If the estimate changes by 1%, changes in revenue will not be significant.

c.2) Capitalization of development expenses

The Company considers that its development project for a low-molecular-weight heparin, an enoxaparin biosimilar, has met all the requirements since the last quarter of 2014, when the application to obtain marketing authorization for this biosimilar in Europe was filed with the European health authorities. Therefore, from that time until the effective comercialization in Europe of this biosimilar, all the expenses incurred in this project have been capitalized. These assets have a useful life of 20 years, which is consistent with the term of pharmaceutical product patents. ROVI considers that it will obtain a positive return on the aforementioned development over said period.

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

c.3) Deferred tax assets

The Company recognizes the deferred tax assets and tax credits when it is likely that they will materialize in lower income tax payments in the future.

In order to determine the maximum amount that can be recognized by the Company in relation to the future tax effect of these items, Management recognizes only items where, after analysis, there is certainty that said tax effect will occur and of the accuracy of the amount involved.

d) Grouping of items

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

3. Accounting policies

3.1 Intangible assets

a) Research and development expenses

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

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

The Company considers that, in the case of the development of pharmceutical 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 authorization is filed.

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

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

b) Licences and trademarks

Product licences and trademarks are shown at historical cost. Those that have a finite useful life and are carried at cost less accumulated amortization and recognized impairment losses. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives, which are between 10 and 15 years. Amortizable assets are tested for impairment whenever any event or change in circumstances indicates that their carrying amount may not be recoverable.

At 31 December, 2015, some assets in this category had indefinite useful lives. After the entry into force of Royal Decree 602/2016 of 2 December, which modified the General Chart of Accounts and other accounting rules, these assets ceased to have indefinite useful lives and, on 1 January, 2016, began to be amortized over a 10-year period.

c) Computer software

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

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

3.2 Property, plant and equipment

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

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

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

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

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

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

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

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

3.3 Impairment losses on non-financial assets

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

3.4 Financial assets

(a) Classification of financial assets

The Company classifies its financial assets into the following categories:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Derecognition of financial assets

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

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

- Payment of the cash flows depends on their having been received previously:
- The 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 Company during the settlement period, running from the date on which the cash flows are received and the remiitance date agreed with the final recipients, provided that any interest accrued is attributed to the final recipients.

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

3.5 Inventories

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

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

3.6 Equity

Share capital is represented by ordinary shares.

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

When treasury shares are purchased, 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, is included in equity.

3.7 Financial liabilities

a) Debits and payables

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

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

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

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

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

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

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

3.8 Grants received

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

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

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

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

3.9 Current and deferred taxes

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

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

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

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

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

3.10 Employee benefits

a) Pension commitments

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

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

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

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

b) Termination benefits

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

3.11 Provisions and contingent liabilities

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

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

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

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

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

3.12 Business combinations

Transactions of merger, spin-off or non-monetary contribution of a business between group companies are recorded applying the rules for transactions with related parties (Note 3.16).

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

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

3.13 Revenue recognition

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

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

a) Sale of goods

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

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

The products are sold with volume discounts and customers are entitled to return damaged products. Sales are recognized at the price fixed in the sale contract, net of volume discounts and returns estimated at the date of sale. Volume discounts are measured based on estimated annual purchases. Returns are not significant and they are measured based on the Group's historical experience (Note 2). Sales are carried out with short-term collection periods.

ROVI's practice is generally to claim late-payment interest -calculated on the basis of the actual collection period- from government entities from which receivables are not collected in the short term.

b) Interest income

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

c) Dividend income

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

d) Other revenues: granting of exclusive distribution licences

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

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

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

3.14 Leases

When the Company is the lessee – Operating lease

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

3.15 Foreign currency transactions

a) Functional and presentation currency

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

b) Transactions and balances

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

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

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

3.16 Related-party transactions

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

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

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

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

3.17 Health tax

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

estimated outstanding tax on the sales made and possible adjustments to the tax in the light of the actual sales for the period.

During 2010, the Spanish government approved a reduction of the pharmaceutical expenditure of 2,800 million euros through the introduction of two packages of pricing legislation. The first one was approved in March 2010 and was focused on generic products. With regard to these products, which are those out of patent, the reduction was 25% on average applied to the selling price to laboratories. The second package, which was approved in May 2010 and applied as from June 2010, addressed pharmaceutical products under patent. A discount of 7.5% was applied to the selling price to the public for these products. The Company has recognized the amounts relating to these measures as a decrease in sales.

4. Financial risk management

4.1 Financial risk factors

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

Risk management is carried out by the Company's Treasury Department, which, following policies approved by the Board of Directors, identifies, assesses and hedges financial risks. This Department identifies, assesses and hedges the financial risks in close co-operation with the Company's operating units. The Audit Committee analyzes policies for global risk management, as well as for specific areas, such as interest rate risk, liquidity risk and the investment of excess liquidity. The Company does not use derivatives to hedge financial risks.

a) Market risk

(i) Exchange rate risk

Foreign exchange risk is very low as (i) virtually all the Company's assets and liabilities are in euros; (ii) the majority of the transactions with foreign parties are carried out in euros; and (iii) transactions for a significant amount in currencies other than the euro are sometimes hedged with exchange rate insurance contracts.

At 31 December, 2017 and 2016, there were no financial assets or liabilities in currencies other than the euro.

(ii) Price risk

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

At 31 December, 2017 and 2016, a change in the quoted price of equity securities would have had no effect on the Company's statement of financial position.

(iii) Cash flow and fair value interest rate risk

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

Had interest rates on financial debt at variable rates been 1% higher or lower at 31 December, 2017, with all other variables remaining constant, the gain/loss after taxes for the year would have decreased or increased by 33 thousand euros, respectively, owing to the difference in interest expense on loans at variable rates (49 thousand euros at 31 December, 2016).

b) Credit risk

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

The banks and financial institutions with which the Company works generally have independent ratings.

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

At 31 December, 2017, the greatest investment in financial assets, apart from trade receivables, is related to Banco Santander, 18,596 thousand euros (15,625 thousand euros at 31 December, 2016). A significant proportion of trade and other receivables relates to accounts receivable from government entities, on which, in view of their nature, with the information currently available, Management considers that there is no credit risk.

In the reporting periods for which information is presented, credit limits were not exceeded and Management does not expect losses due to default by any of the aforementioned counterparties.

c) Liquidity risk

Management monitors the liquidity estimates of the Company in accordance with the expected cash flows. ROVI maintains sufficient cash and marketable securities to meet its liquidity requirements. At 31 December, 2017, the Company held a financing contract with the European Investment Bank whereby it could draw up to a maximum of 45 million euros in the following two years. At the end of the 2017 reporting period, ROVI had not drawn any amounts against this credit line.

In 2017 and 2016, the Company signed two non-recourse factoring contracts, which led to an increase in the balance of cash equivalents, while the receivables for which these contracts were requested were derecognized.

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

	Thousands of euros			
At 31 December, 2017	**Less than one year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**More than 5 years**
Bank borrowings	13,328	17,784	-	-
Debt with government entities	2,809	3,840	3,748	2,626
Trade and other payables	53,056	-	-	-
	69,193	21,624	3,748	2,626

	Thousands of euros			
At 31 December, 2016	**Less than one year**	**Between 1 & 2 years**	**Between 2 & 5 years**	**More than 5 years**
Bank borrowings	10,140	11,004	-	-
Debt with government entities	2,798	4,700	5,158	946
Trade and other payables	96,705	-	-	-
	109,643	15,704	5,158	946

4.2 Fair value estimation

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

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

5. Intangible assets

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

	Development	Patents, licences and trademarks	Computer software	Advance payments	Total
Balance at 01.01.16					
Cost or measurement	3,094	14,570	4,980	20	22,664
Accumulated amortization	(11)	(2,591)	(2,779)	-	(5,381)
Carrying amount 01.01.16	**3,083**	**11,979**	**2,201**	**20**	**17,283**
Additions	1,157	6,451	347	-	7,955
Transfers (net of amortization)	-	20	-	(20)	-
Amortization charge	-	(1,782)	(953)	-	(2,735)
Balance at 31.12.16					
Cost or measurement	4,251	21,041	5,327	-	30,619
Accumulated amortization	(11)	(4,373)	(3,732)	-	(8,116)
Carrying amount 31.12.16	**4,240**	**16,668**	**1,595**	**-**	**22,503**
Additions	2,676	25	436	-	3,137
Transfers (net of amortization)	2,057	-	-		2,057
Amortization charge	(297)	(2.063)	(782)	-	(3.142)
Balance at 31.12.17					
Cost or measurement	8,984	21,066	5,763	-	35,813
Accumulated amortization	(308)	(6,436)	(4,514)	-	(11,258)
Carrying amount 31.12.17	**8,676**	**14,630**	**1,249**	**-**	**24,555**

a) Patents, licences and trademarks

In 2016, the additions recognized under this caption related mainly to the acquisition of the marketing rights of Neparvis® in Spain. This drug is used to treat chronic heart failure in adults.

b) Development

At 31 December, 2017 and 2016, the assets included under the "Development" caption related to expenses incurred in developing a low-molecular-weight heparin, biosimilar to enoxaparin, sales of which commenced in 2017. Amortization of this asset commenced during the first quarter of 2017, with the favourable result of the decentralized process used by the Group to apply for marketing authorization in twenty-six European Union countries. The useful life of this asset is 20 years and no indications of impairment thereof were noted in 2017 or 2016.

c) Fully amortized intangible assets

At 31 December, 2017, there were fully-amortized intangible assets that were still in use with a carrying cost of 3,971 thousand euros (1,343 thousand euros at 31 December, 2016).

d) Assets affected by guarantees and ownership restrictions

At 31 December, 2017 and 2016, there were no significant intangible assets subject to ownership restrictions or pledged to guarantee liabilities.

e) Insurance

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

6. Property, plant and equipment

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

	Land and buildings	Technical installations and other property, plant and equipment	Total
Balance at 01.01.16			
Cost or measurement	7,284	58,811	66,095
Accumulated amortization	(872)	(21,493)	(22,365)
Carrying amount 01.01.16	**6,412**	**37,318**	**43,730**
Additions	-	2,339	2,339
Retirements	-	(47)	(47)
Eliminations from amortization	-	22	22
Amortization charge	(136)	(4,737)	(4,873)
Balance at 31.12.16			
Cost or measurement	7,284	61,103	68,387
Accumulated amortization	(1,008)	(26,208)	(27,216)
Carrying amount 31.12.16	**6,276**	**34,895**	**41,171**
Additions	-	6,560	6,560
Retirements	-	(47)	(47)
Eliminations from amortization	-	22	22
Amortization charge	(136)	(4,613)	(4,749)
Balance at 31.12.17			
Cost or measurement	7,284	67,616	74,900
Accumulated amortization	(1,144)	(30,799)	(31,943)
Carrying amount 31.12.17	**6,140**	**36,817**	**42,957**

a) Impairment losses

In the years 2017 and 2016, no significant impairment losses were either recognized or reversed in relation to any individual item of property, plant and equipment.

b) Fully-depreciated assets

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

	Thousands of euros	
	2017	**2016**
Technical installations	2,310	2,281
Machinery	308	297
Tools	154	131
Furniture	253	249
Computer equipment	811	802
Transport equipment	3	3
Other property, plant and equipment	5,874	4,561
	9,713	**8,324**

c) Operating leases

The income statement includes operating lease expenses relating to rental of vehicles and buildings for an amount of 1,456 thousand euros (1,590 thousand euros at 31 December, 2016).

d) Grants received

The construction of the Granada plant was partly financed by a grant awarded by the Innovation and Development Agency of Andalusia (Innovation, Science and Enterprise Department of the Regional Government) for an amount of 5,431 thousand euros (Note 17). This grant was collected in November 2008 and the part that has not yet been allocated to the income statement is recognized under the heading "Grants, donations and legacies received". This grant began to be allocated to the income statement in the second half of 2009, when depreciation of the assets for which it was granted commenced.

e) Insurance

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

7. Analysis of financial instruments

7.1 Analysis by category

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

a) Financial assets

	Thousands of euros			
	Equity instruments		Credits and other financial assets	
	2017	2016	2017	2016
Available-for-sale financial assets (Note 11)	62	62	-	-
Loans and receivables (Note 10)	-	-	1,402	1,525
Non-current	**62**	**62**	**1,402**	**1,525**
Loans and receivables (Note 10)	-	-	97,058	125,054
Cash and cash equivalents (Note 13)	-	-	35,526	37,008
Current	**-**	**-**	**132,584**	**162,062**
TOTAL	**62**	**62**	**133,986**	**163,587**

b) Financial liabilities

	Thousands of euros			
	Bank borrowings		Other financial liabilities	
	2017	2016	2017	2016
Debits and payables (Note 18)	17,716	10,940	8,745	9,170
Non-current	**17,716**	**10,940**	**8,745**	**9,170**
Debits and payables (Note 18)	13,222	9,991	55,865	99,503
Current	**13,222**	**9,991**	**55,865**	**99,503**
TOTAL	**30,938**	**20,931**	**64,610**	**108,673**

7.2 Credit rating of financial assets

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

		Thousands of euros	
Cash and cash equivalents	**Rating**	**2017**	**2016**
	A+	460	-
	A	104	734
	A-	17,204	-
	BBB+	11,153	29,704
	BBB	6,223	63
	BBB-	372	6,428
	BB +	-	65
	BB	4	4
	B-	-	10
	Caa2	6	-
	Total cash amd cash equivalents (Note 13)	**35,526**	**37,008**

Other non-current financial assets	**Rating**	**2017**	**2016**
	BBB+	-	1,466
	A-	1,392	-
	Other	10	59
	Total Other non-current financial assets (Note	**1,402**	**1,525**

None of the assets classified as available for sale has received a financial rating. Note 10 "Loans and receivables" gives details of the credit quality of the balances receivable from public authorities.

8. Holdings in group companies

In 2016, the company Rovi GmbH, with registered office at Ruhlandstr. 5, Bad Tölz (Germany), was incorporated, held 100% by Laboratorios Farmacéuticos Rovi, S.A.

In 2017, the company ROVI S.A.S, with registered office at 24 Rue du Drac, Seyssins (France) and 100%-held by Laboratorios Farmacéuticos Rovi, S.A, was incorporated. This company had no activity during the reporting period and its assets were not significant at 31 December, 2017.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.
Notes to the Annual Accounts for the annual period 2017
(Thousands of euros)

With this latest inclusion, the companies in which Laboratorios Farmacéuticos Rovi, S.A. held a significant shareholding at 31 December, 2017 were:

			Shareholding		Voting rights	
Corporate name	Address	Activity	% Direct	% Indirect	% Direct	% Indirect
Pan Química Farmacéutica, S.A.	Madrid, C/Rufino González, 50	(1)	100%	-	100%	-
Gineladius, S.L.	Madrid, C/Rufino González, 50	(2)	100%	-	100%	-
Rovi Contract Manufacturing, S.L.	Madrid, C/Julián Camarillo, 35	(1)	100%	-	100%	-
Bemipharma Manufacturing, S.L.	Madrid, C/Julián Camarillo, 35	(1)	100%	-	100%	-
Bertex Pharma GmbH	Inselstr.17. 14129 Berlin (Germany)	(3)	100%	-	100%	-
Frosst Ibérica, S.A.	Alcalá de Henares, Avenida Complutense, 140 (Madrid)	(1)	100%	-	100%	-
Rovi Biotech, Ltda.	La Paz (Bolivia)	(1)	99%	1%	99%	1%
Rovi Biotech Limited	10-18 Union Street, London (United Kingdom)	(1)	100%	-	100%	-
Rovi Biotech, S.R.L.	Via Monte Rosa 91, Milan (Italia)	(1)	100%	-	100%	-
Rovi, GmbH	Ruhlandstr. 5, Bad Tölz (Germany)	(1)	100%	-	100%	-
Rovi, S.A.S.	24 Rue du Drac, Seyssins (France)	(1)	100%	-	100%	-

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

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

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

Unless otherwise stated, the end of the reporting period for the latest annual accounts is 31 December, 2017.

At 31 December, 2017 and 2016, none of the group companies in which the Company held at interest was listed on the stock exchange.

The amounts of the capital, reserves, profit or loss for the period and other relevant information, as shown in the annual accounts of the individual companies at 31 December, 2017, were as follows:

	% Direct holding	**Carrying amount of holding**	**Capital**	**Reserves**	**Profit or loss for period**	**Total equity**
Rovi Contract Manufacturing, S.L.	100%	1,772	36	14,011	9,307	**23,354**
Bemipharma Manufacturing, S.L.	100%	559	36	2,827	(29)	**2,834**
Pan Química Farmacéutica, S.A.	100%	1,771	601	1,274	444	**2,319**
Gineladius, S.L.	100%	293	30	550	(91)	**489**
Bertex Pharma GmbH (Nota 29.b)	100%	1,236	25	71	(3)	**93**
Frosst Ibérica, S.A.U.	100%	5,039	7,816	14,485	2,462	**24,763**
Rovi Biotech, Ltda.	99%	2	2	-	-	**2**
Rovi Biotech, Limited	100%	7	7	(1)	(246)	**(240)**
Rovi Biotech, S.R.L.	100%	10	10	(6)	(203)	**(199)**
Rovi Biotech, GmbH	100%	25	25	(3)	(1,091)	**(1,069)**
Rovi S.A.S.	100%	5	5	-	(176)	**(171)**
		10,719				

At 31 December, 2016, the figures were as follows:

	% Participación directa	Valor contable de la participación	Capital	Reservas	Resultado del periodo	Total Fondos propios
Rovi Contract Manufacturing, S.L.	100%	1,772	36	14,124	3,758	**17,918**
Bemipharma Manufacturing, S.L.	100%	559	36	2,827	1	**2,864**
Pan Química Farmacéutica, S.A.	100%	1,771	601	1,274	392	**2,267**
Gineladius, S.L.	100%	293	30	551	(1)	**580**
Bertex Pharma GmbH (Nota 29.b)	100%	1,236	25	86	(15)	**96**
Frosst Ibérica, S.A.U.	100%	5,039	7,816	14,485	5,741	**28,042**
Rovi Biotech, Ltda.	99%	2	2	-	-	**2**
Rovi Biotech, Limited	100%	7	7	-	(1)	**6**
Rovi Biotech, S.R.L.	100%	10	10	-	(6)	**4**
Rovi Biotech, GmbH	100%	25	25	-	(3)	**22**
		10,714				

There are no companies in which, with a holding of less than 20%, a significant influence is deemed to exist, or in which, with a holding of more than 20%, it is deemed that no significant influence exists.

There are no investments in group companies the value of which it has been necessary to adjust due to impairment. Group companies with negative equity at 31 December, 2017 reflect an equity situation in line with the recent start-up of their activity and the Company's holding in said companies cannot be deemed to have been impaired at 31 December, 2017.

9. Interests in joint ventures

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

	Thousands of euros	
	2017	**2016**
Balance at beginning of period	**6**	**3**
Additions (b)	-	3
Balance at end of period	**6**	**6**

The nature of the investment in joint ventures at 31 December, 2017 was as follows:

Name	Country of incorporation	% interest	Nature of relationship	Measurement method
Alentia Biotech, S.L.	Spain	50%	a)	Equity
Enervit Nutrition, S.L.	Spain	51%	b)	Equity

a) Alentia Biotech, S.L.

In 2010, the company Alentia Biotech, S.L. (Alentia) was created, 100% held by ROVI. In February 2012, the effective sale of 50% of the shares in Alentia Biotech, S.L. by Laboratorios Farmacéuticos Rovi, S.A. to Grupo Ferrer Internacional, S.A. took place and Alentia became a joint venture held by these two companies at 50% each. The carrying amount of this interest at 31 December, 2017 and 2016 was 3 thousand euros.

b) Enervit Nutrition, S.L.

In the first half of 2016, ROVI contributed assets consisting of the distribution rights of the *EnerZona* rights 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 the agreements described below, ROVI lost control of its subsidiary Enervit Nutrition, S.L, which, instead of being 100%-owned by ROVI, became a joint venture under joint control with Enervit, S.p.A. The agreements were signed on 16 March, 2016 and under them:

- ROVI contributed its subsidiary Enervit Nutrition, S.L, the EnerZona distribution agreement and the know-how related to the promotion, distribution and sale of these products (hereinafter, “the assets contributed”). For this purpose, Enervit Nutrition, S.L. increased its capital by 3,997 thousand euros, subscribed and paid up by ROVI through the non-monetary contribution of the aforementioned assets. Until that time, ROVI had been the owner of said assets, which had no carrying amounts in its statement of financial position, since no consideration was paid for them when they were acquired.
- Enervit Nutrition, S.L. carried out a further capital increase, which was subscribed and paid up by Enervit S.p.A. by a cash contribution of 1,000 thousand euros. At that time, the interest held by ROVI dropped to 80%.
- ROVI sold Enervit S.p.A. 29% of its shares in Enervit Nutrition, S.L, meaning that Enervit S.p.A. became the owner of 49% of the shares, while ROVI held 51%. The total selling price agreed was 1,450 thousand euros, 500 euros for each share sold.
- ROVI and Enervit S.p.A. signed a call option that could be exercised in June 2018, whereby ROVI guaranteed a call option on 1% of the shares in favour of Enervit Nutrition, S.L., for a value of 50 thousand euros.

After the adjustment suggested by the regulator, explained in Note 2.b), the carrying amount of this interest at 31 December, 2017 was 3 thousand euros.

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

Condensed financial information on joint ventures

The condensed financial information on Alentia Biotech, S.L. and Enervit Nutrition, S.L. as of 31 December, 2017 is as follows:

Condensed statement of financial position	Alentia Biotech, S.L.	Enervit Nutrition, S.L.
Current		
Cash and cash equivalents	104	703
Other current assets (excluding cash)	6	2,305
Total current assets	**110**	**3,008**
Financial liabilities (excluding trade payables)	-	(1,266)
Other current liabilities (including trade payables)	-	(1,427)
Total current liabilities	**-**	**(2,693)**
Non-current		
Intangible assets	-	3,685
Other financial assets	-	5
Deferred income tax assets	-	37
Total non-current assets	**-**	**3,727**
Financial liabilities	(2,200)	-
Other liabilities	-	(14)
Total non-current liabilities	**(2,200)**	**(14)**
NET ASSETS	**(2,090)**	**4,028**

Condensed statement of comprehensive income	Alentia Biotech, S.L.	Enervit Nutrition, S.L.
Revenue	-	8,347
Cost of sales	-	(5,786)
Employee benefit expenses	-	(1,131)
Other operating expenses	(1)	(2,320)
Amortization	-	(208)
Operating profit	**(1)**	**(1,098)**
Financial costs-net	**1**	**(13)**
Profit / (loss) before tax	**-**	**(1,111)**
Corporte income tax	**-**	**-**
Profit / (loss) for the period	**-**	**(1,111)**
Other comprehensive income	**-**	**-**
TOTAL COMREHENSIVE INCOME	**-**	**(1,111)**
Dividends received from joint ventures	-	-

10. Loans and receivables

	Thousands of euros	
	2017	**2016**
Non-current loans and receivables:		
- Deposits (a)	1,327	1,327
- Credits to third parties (Note 9.b)	-	50
- Bank receivables (b)	65	65
- Interest accrued	-	74
- Guarantee deposits	10	9
	1,402	1,525
Current loans and receivables:		
- Loans to associated companies (Note 31.f)	5	5
- Trade receivables (c)	29,858	29,514
- Receivables from related parties (Nota 31.f)	66,987	94,852
- Sundry debtors	47	497
- Employees	161	186
	97,058	125,054
	98,460	**126,579**

a) Deposits

At 31 December, 2017 and 2016, "Deposits" included deposits at an interest rate ranging from 2% to 3% pledged in favour of Banco Santander.

b) Non-current bank receivables

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

c) Customers

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

In December 2016, ROVI signed a non-recourse factoring agreement with BBVA, whereby ROVI received the amount of matured items due from customers other than public authorities (Social Security or other government entities) for a total sum of 6,337 thousand euros.

In December 2017, ROVI signed a non-recourse factoring agreement with Banco Santander, under which ROVI derecognized he amount of matured items due from customers other than public authorities (Social Security or other government entities) for a total sum of 6,031 thousand euros.

At 31 December, 2017, the balance receivable from public authorities was 5,598 thousand euros (5,978 thousand euros at 31 December, 2016), geographically distributed as follows:

	Rating 2017	Balance 2017	Rating 2016	Balance 2016
Portugal	BBB-	1,720	BB+	1,174
Madrid	BBB+	827	BBB	1,544
Catalonia	B+	849	BB	644
Valencia	BB	488	BB-	567
Andalusia	BBB+	408	BBB-	629
Basque Country	A	243	A	279
Canary Islands	BBB+	173	BBB	353
Aragon	BBB-	160	BBB	72
Castilla La Mancha	BBB-	126	BBB-	95
Cantabria	BBB	138	BBB	79
Others	-	466	-	542
		5,598		**5,978**

At 31 December, 2017, there were matured receivables amounting to 7,230 thousand euros (8,576 thousand euros at 31 December, 2016), although they had suffered no impairment. Of both the 2017 and 2016 amounts, almost the entire debt aged over six months related to Social Security authorities or government entities. The Company claims the late-payment interest accrued on these debts from the different government entities and Social Security services.

The ageing analysis of matured balances is as follows:

	Thousands of euros	
	2017	**2016**
Up to 3 months	5,865	7,475
3 to 6 months	935	898
6 months to one year	593	338
Over one year	(163)	(135)
	7,230	8,576

The total of the matured debt due from government entities at 31 December, 2017 was 2,468 thousand euros, in comparison with the 2,037 thousand euros that was outstanding at 31 December, 2016. This amount was geographically distributed as follows:

	Thousands of euros	
	2017	**2016**
Spain	1,183	1,244
Portugal	1,285	793
	2,468	2,037

Matured receivables that had been impaired at 31 December, 2017 were 1,061 thousand euros (1,095 thousand euros at 31 December, 2016). The ageing of impaired receivables was as follows:

	Thousands of euros	
	2017	**2016**
6 to 9 months	234	58
Over 9 months	827	1,037
	1,061	1,095

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

	Thousands of euros	
	2017	**2016**
Balance at beginning of year	1,095	1,130
Applications	(34)	(35)
Balance at end of year	1,061	1,095

Recognition and reversal of adjustments to the carrying amounts of trade receivables due to impairment are included in "Losses, impairment and change in trade provisions" in the income statement. Usually, the amounts charged to the impairment account are derecognized when further recovery of cash is not expected.

The maximum exposure to credit risk at the reporting date is the fair value of each of the previously mentioned accounts receivable categories. The Company does not hold any guarantee as insurance.

11. Available-for-sale financial assets

Available-for-sale financial assets include:

	Thousands of euros	
	2017	**2016**
Listed securities:		
- Investment funds and equity securities	3	3
Non-listed securities		
- Equity securities – Euro zone	59	59
	62	62

There were no movements on available-for-sale financial assets in 2017 and 2016.

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

12. Inventories

	Thousands of euros	
	2017	**2016**
Trade inventories	25,380	27,271
Raw materials and other consumables	2,429	5,713
Finished goods	4,893	2,149
Work in progress	1,989	680
Inventory write-down	(3,122)	(3,739)
	31,569	32,074

In 2017, inventory write-downs decreased by 617 thousand euros (increase of 144 thousand euros in 2016).

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

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

13. Cash and cash equivalents

	Thousands of euros	
	2017	**2016**
Cash at bank and on hand	35,526	37,008
	35,526	37,008

14. Share capital

At 31 December 2017 and 2016, the share capital consisted of 50,000,000 shares with a face value of 0.06 euros each. All the shares in issue are fully paid up. All the shares are listed on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges.

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

Shareholder	**% direct**	**% indirect**	**TOTAL**
Norbel Inversiones, S.L.	69.640	-	69.640
JO Hambro Capital Management Limited	-	5.469	5.469
Indumenta Pueri, S.L.	5.000	-	5.000
Alantra Asset Management SGIIC, S.A.	-	5.020	5.020
T. Rowe Price Associates, INC	-	3.005	3.005

At 31 December, 2017 and 2016, the company Norbel Inversiones, S.L. held 69.64% of the shares of Laboratorios Farmacéuticos Rovi, S.A. Norbel Inversiones, S.L. is owned by Juan López-Belmonte López (20.00%) and Messrs Juan, Iván and Javier López Belmonte Encina (26.67% each). Therefore, Mr Juan López-Belmonte López held an interest of 13.93% in the share capital of ROVI at the end of the 2017 and 2016 reporting periods, while Messrs Juan, Iván and Javier López-Belmonte Encina each held 18.57% at the end of both periods.

15. Reserves and retained earnings

a) Reserves

	Thousands of euros	
	2017	**2016**
Legal reserves and reserves required by the By-Laws:		
- Legal reserve	600	600
	600	600
Other reserves		
- Non-distributable special reserve	5,036	5,036
- Voluntary reserves	472	472
- Revaluation reserve Royal Decree-Law 7/96	851	851
	6,359	6,359
	6,959	6,959

Legal reserve

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

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

Non-distributable special reserve

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

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

The balance of the "Revaluation reserve" comes from the balance sheet restatement regulated in article 5 of Royal Decree-Law 7/1996 of 7 June. The balance of this account is available and property, plant and equipment items related to this reserve had been fully depreciated at 31 December, 2017 and 2016.

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

b) Retained earnings

During 2017, retained earnings were increased and/or reduced as follows:

- On 31 May, 2017, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for application of the profit for 2016 (29,932 thousand euros), allocating 9,150 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 125 thousand euros.

- The sale of treasury shares in 2017 led to a profit of 185 thousand euros, which was recognized in the retained earnings account (Note 15.c).

During 2016, retained earnings were increased and/or reduced as follows:

- On 31 May, 2016, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for application of the profit for 2015 (17,509 thousand euros), allocating 6,950 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 97 thousand euros.

- The sale of treasury shares in 2016 led to a profit of 48 thousand euros, which was recognized in the retained earnings account (Note 15.c).

c) Treasury shares

In the course of 2017, ROVI acquired a total of 35,421 of its own shares (74,313 in 2016), paying the sum of 532 thousand euros for them (987 thousand euros in 2016). Likewise, it resold a total of 67,784 of its own shares (32,903 in 2016) for a sum of 1,011 thousand euros (446 thousand euros in 2016). These shares had been acquired at a weighted average cost of 826 thousand euros (398 thousand euros in 2016), giving rise to a profit of 185 thousand euros on the sale (48 thousand euros in 2016), which was taken to reserves. At 31 December, 2017, the Group held 685,183 treasury shares (717,546 at 31 December, 2016).

The Company is entitled to reissue these shares at a later date.

d) Dividends

On 31 May, 2017, the General Meeting of Shareholders approved the distribution of the 2016 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 9,150 thousand euros (0.1830 euros gross per share). This dividend was paid in July 2017.

On 31 May, 2016, the General Meeting of Shareholders approved the distribution of the 2015 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 6,950 thousand euros (0.1390 euros gross per share). This dividend was paid in July 2016.

16. Profit for the period

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

	Thousands of euros	
	2017	**2016**
Basis of application	18,673	29,932
Profit for the year	18,673	29,932
Application		
Retained earnings	12,638	20,782
Dividends	6,035	9,150
	18,673	29,932

17. Grants, donations and legacies received

Movement on this heading was as follows:

	Thousands of euros	
	2017	**2016**
Beginning of year (net of tax)	**3,904**	**4,408**
Increases (net of tax)	307	358
Decreases (net of tax)	(21)	(51)
Allocation to profit and loss (net of tax)	(701)	(811)
End of year (net of tax)	**3,489**	**3,904**

Details of non-reimbursable capital grants shown on the statement of financial position under the caption "Grants, donations and legacies received", not including the tax effect, are as follows:

Awarding entity	Thousand of	Purpose	Date awarded
(1) Andalusian Regional Govt	2,924	Construction of Granada plant (Note 6.d)	2008
(2) Andalusian Regional Govt	1,225	Construction bemiparin lines in Granada	2012 y 2014
Miscellaneous govt entities	503	Miscellaneous projects	2001 onward
	4,652		

(1) Non-reimbursable grant granted by the Andalusian Innovation and Development Agency (Innovation, Science and Enterprise Department) for 5,431 thousand euros. This grant was received in November 2008 and recognition in profit and loss commenced in 2009, when the assets for which it was granted began to be depreciated. The amount recognized for this grant under the caption "Grants, donations and legacies received" at 31 December, 2017 was 2,924 thousand euros (3,219 thousand euros at 31 December, 2016).

(2) Relates to two non-reimbursable grants granted by the Andalusian Innovation and Development Agency in the years 2012 and 2014 for construction of two new bemiparin lines at the Granada plant. The first of them, for 585 thousand euros, began to be recognized in profit and loss in 2013 and the amount recognized under the "Grants, donations and legacies received" caption at 31 December, 2017 was 278 thousand euros (339 thousand euros at 31 December, 2016). The second of the grants, for a total amount of 1,171 thousand euros, began to be recognized in profit and loss in May 2015 and, at the 2017 reporting date, showed a balance of 947 thousand euros under the "Grants, donations and legacies received" caption (1,031 thousand euros at 31 December, 2016).

18. Debits and payables

	Thousands of euros	
	2017	**2016**
Non-current debits and payables		
- Bank borrowings (a)	17,716	10,940
- Debt with government entities (b)	8,745	9,170
	26,461	20,110
Current debits and payables		
- Bank borrowings (a)	13,222	9,991
- Debt with government entities (b)	2,809	2,798
- Current debt with group and associated companies (Note 31.f)	129	88
- Trade payables	27,017	31,260
- Trade payables, related parties (Note 31.f)	23,376	62,429
- Sundry creditors	38	23
- Employees	2,496	2,905
	69,087	109,494
	95,548	129,604

Delay in payments to suppliers

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

	2017	**2016**
	Days	**Days**
Average payment period to suppliers	55	53
Ratio of transactions paid	58	58
Ratio of transactions outstanding	30	28

	2017	**2016**
Total payments made (thousands of euros)	86,365	62,353
Total payments outstanding (thousands of euros)	10,349	11,545

Fair value of non-current debt

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

			Thousands of euros	
	Carrying amount		Fair value	
	2017	2016	2017	2016
Bank borrowings	17,716	10,940	17,521	10,800
Debt with government entities	8,745	9,170	9,452	10,128
	26,461	20,110	26,973	20,928

The fair values of current financial debt are equal to their corresponding nominal amounts since the effect of discounting is not significant. The fair values are based on cash flows discounted at a rate of 2%, based on the borrowing rate (2% in 2016).

To calculate the fair value of fixed rate non-current bank borrowings at the reporting date, the interest rate on the sole variable-rate loan held by the Company was taken as a reference: Euribor at 12 months plus a 0.70% spread. This interest rate was established in the second half of 2015 as a result of the novation of an existing loan agreement.

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

a) Bank borrowings

Bank borrowings at 31 December, 2017 comprised the following bank loans:

	a.1)	a.2)	a.3)	a.4)	a.5)	TOTAL
Entity	**BBVA**	**BBVA**	**Bankinter**	**Santander**	**Santander**	
Face value	**20,000**	**10,000**	**10,000**	**4,000**	**6,000**	
Interest rate	**0,65% Fixed**	**0.90% Fixed**	**1.00% Fixed**	**0.90% Fixed**	**Eur12+0,70%**	
2018	5,244	2,521	2,939	1,008	1,510	13,222
2019	12,642	1,481	-	592	887	15,602
2020	2,114	-	-	-	-	2,114
	20,000	4,002	2,939	1,600	2,397	30,938
Non-current	14,756	1,481	-	592	887	17,716
Current	5,244	2,521	2,939	1,008	1,510	13,222

Bank borrowings at 31 December, 2016 comprised the following bank loans:

	a.2)	a.3)	a.4)	a.4)	TOTAL
Entity	**BBVA**	**Bankinter**	**Santander**	**Santander**	
Face value	**10,000**	**10,000**	**4,000**	**6,000**	
Interest rate	**0.90% Fixed**	**1.00% Fixed**	**0.90% Fixed**	**Eur12+0,70%**	
2017	2,498	4,995	999	1,499	9,991
2018	2,521	2,940	1,008	1,511	7,980
2019	1,481	-	592	887	2,960
	6,500	7,935	2,599	3,897	20,931
Non-current	4,002	2,940	1,600	2,398	10,940
Current	2,498	4,995	999	1,499	9,991

a.1) Loan of 20,000 thousand euros granted by BBVA in the first half of 2017. The repayment term of this loan is 3 years, with a grace period of 17 months and a fixed interest rate of 0.65%.

a.2) Loan of 10,000 thousand euros obtained from BBVA in July 2015, with a fixed annual interest rate of 0.90% and a 4-year repayment period. Part of this amount, 6,000 thousand euros, was used to cancel the loan of the same amount signed with BBVA in July 2014, repayment of which had not commenced at the time of cancellation.

a.3) In July 2015, the Group signed the novation of the loan contract for 8,000 thousand euros signed with Bankinter in 2014. Under the new agreement, the capital provided rose to 10,000 thousand euros and the fixed annual interest rate dropped from 2.15% to 1.00%. The repayment period is 36 months, 12 of which are a grace period.

a.4) Loan signed in July 2014 with Banco Santander for 6,000 thousand euros, which came from European Investment Bank (EIB) funds. In 2015, a novation of this loan was signed and the spread applied to Euribor at 12 months, to which the loan is indexed, dropped from 1.50% to 0.70%. The repayment period is 48 months.

a.5) In 2015, a loan of 4,000 thousand euros was signed with Banco Santander with a fixed annual interest rate of 0.90% and a repayment period of 4 years.

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 may 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. At 31 December, 2017, ROVI had not yet made use of this credit line. This credit will be subject to compliance with certain financial ratios which, at the date of formulation of these annual accounts, had not yet been certified. The company Rovi Contract Manufacturing, S.L., which belongs to the group of which ROVI is the parent, is the guarantor of this credit.

b) Debt with government entities

Since 2001, the Company has been receiving reimbursable grants from different Ministries to finance a number of R&D projects. The amounts recorded as non-current financial debt for this item at 31 December, 2017 amounted to 8,746 thousand euros (9,170 thousand euros at 31 December, 2016). The transactions do not accrue interest and have been recognized at their initial fair values. The difference between the initial fair value and the face value accrues at market interest rates (Euribor and the interest rate on Spanish Treasury debt plus a spread in accordance with the Company's risk). This means that this debt accrues interest at effective interest rates ranging from 2.9% to 4.9%.

b.1) Advances received in 2017:

In 2017, the Company received various reimbursable advances from different entities, details of which are shown below:

		Thousands of euros		Years	
Entity	**Project**	**Face value**	**Initial fair value**	**Repayment period**	**Grace period**
Technological Corporation of Andalusia	(1)	229	188	10	4
Technological Corporation of Andalusia	(1)	77	64	10	4
Technological Corporation of Andalusia	(1)	28	23	10	4
Industrial Technological Development Centre	(1)	140	118	7	4
Industrial Technological Development Centre	(1)	1,575	1,314	8	4
Technological Corporation of Andalusia	(1)	84	69	10	4
Industrial Technological Development Centre	(1)	160	133	7	4
Torres Quevedo Programme	(2)	57	50	3	3
		2,350	1,959		

(1) Funds the project to develop drugs with ISM technology.
(2) Funds the recruitment of qualified personnel for R&D&I activities.

b.2) Advances received in 2016:

In 2016, the Company received various reimbursable advance from different entities, details of which are shown below:

		Thousands of euros		Years	
Entity	**Project**	**Face value**	**Initial fair value**	**Repayment period**	**Grace period**
Technological Corporation of Andalusia	(1)	105	67	10	4
Industrial Technological Development Centre	(1)	160	134	8	4
Technological Corporation of Andalusia	(1)	174	144	10	4
Technological Corporation of Andalusia	(1)	30	25	10	4
Technological Corporation of Andalusia	(2)	152	122	10	4
Technological Corporation of Andalusia	(2)	82	66	10	4
Technological Corporation of Andalusia	(2)	94	79	10	4
		797	637		

(1) Funds the project to develop drugs with ISM technology.
(2) Funds the project to obtain new anticoagulants based on heparin derivatives.

At 31 December, 2017 and 2016, debt with government entities matured as follows:

	Thousands of euros	
Year	**2017**	**2016**
2017	-	2,798
2018	2,809	2,159
2019	1,375	1,596
2020	1,614	1,548
2021	1,348	1,112
2022	1,337	1,101
2023 onward	3,071	1,654
	11,554	11,968
Non-current	8,745	9,170
Current	2,809	2,798

19. Current and non-current accruals

	Thousands of euros	
	2017	**2016**
Non-current	835	898
Current	79	169
	914	1,067

The accruals caption, both non-current and current, records the amounts received for the assignment of the rights to market low-molecular-weight heparins in a number of countries. The Company defers the revenue over the terms of the contracts, which have a duration of between 10 and 15 years. In 2017, new deferred revenues of 128 thousand euros (505 thousand euros in 2016) were recognized in relation to new distribution contracts.

20. Other provisions

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

	Returns	Farmaindustria	Other	Total
At 1 January, 2016	**526**	**1,852**	**119**	**2,497**
Additions	665	2,093	120	2,878
Applications	(526)	(1,852)	(119)	(2,497)
At 31 December, 2016	**665**	**2,093**	**120**	**2,878**
Additions	699	2,690	119	3,508
Applications	(665)	(2,093)	(120)	(2,878)
At 31 December, 2017	**699**	**2,690**	**119**	**3,508**

Returns

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

Health tax

As stated in note 3.17, the Company's policy has been to hold a provision for the amounts estimated to be paid as health tax, based on percentages fixed for each level of sales for the period.

The amounts recognized as provisions in the statement of financial position relate to the reporting-date best estimate of the payments necessary to calculate the currrent obligation, after considering the risks and uncertainties related to the provision and, when significant, the financial effect of discounting, provided that the payments that will be made in each period can be determined reliably. The discount rate is determined before tax, considering the time value of money and the specific risks that have not been taken into account in the future flows related to the provision at each reporting date.

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

21. Deferred income tax

Details of deferred income tax are as follows:

	Thousands of euros	
	2017	**2016**
Deferred income tax assets		
- Temporary differences	1,102	1,095
- Other tax carryforwards	7,549	2,512
	8,651	3,607
Deferred income tax liabilities:		
- Temporary differences	(2,651)	(2,691)
	(2,651)	(2,691)
Net deferred income tax	**6,000**	**916**

Deferred income tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets against current tax liabilities and intends to settle the net amounts or realize the asset and cancel the liability simultaneously. Deferred tax assets and liabilities were as follows:

	Thousands of euros	
	2017	**2016**
Deferred income tax assets		
- Non-current	3,477	1,024
- Current	5,174	2,583
	8,651	3,607
Deferred income tax liabilities		
- Non-current	(1,554)	(1,641)
- Current	(1,097)	(1,050)
	(2,651)	(2,691)
Net deferred income tax	**6,000**	**916**

Movement on net deferred taxes was as follows:

	Thousands of euros	
	2017	**2016**
Balance at beginning of year	**916**	**-**
(Charged)/credited to profit and loss	4,945	747
Charged directly to equity	139	169
Balance at end of year	**6,000**	**916**

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

Deferred tax liabilities	Grants, donations and legacies received	Freedom of amortization/ depreciation	Other	Total
At 1 January, 2016	**(1,467)**	**(834)**	**(261)**	**(2,562)**
Cargo / (abono) a resultados	-	(314)	16	(298)
Impuesto cargado a patrimonio neto	169	-	-	169
At 31 December, 2016	**(1,298)**	**(1,148)**	**(245)**	**(2,691)**
Cargo / (abono) a resultados	-	(114)	15	(99)
Impuesto cargado a patrimonio neto	139	-	-	139
At 31 December, 2017	**(1,159)**	**(1,262)**	**(230)**	**(2,651)**

Deferred tax liabilities charged to profit and loss in 2017 for 114 thousand euros (314 thousand euros in 2016) in the column "Freedom of amortization/depreciation" relate principally to the application of the free amortization/depreciation system to the assets attached to R&D activity and to the maintenance of jobs.

Activos por impuestos diferidos	Tax credits pending application	Available-for-sale financial assets	Provisions	Other	Total
At 1 January, 2016	**1,500**	**(1)**	**147**	**916**	**2,562**
Cargo / (abono) a resultados	1,012	-	35	(2)	1,045
At 31 December, 2016	**2,512**	**(1)**	**182**	**914**	**3,607**
Cargo / (abono) a resultados	5,037	-	8	(1)	5,044
At 31 December, 2017	**7,549**	**(1)**	**190**	**913**	**8,651**

The column "Other" shows, among other items, the deferred tax asset relating to the tax effect of 30% of the amortization and depreciation expense for the period, which was not tax deductible in the periods 2013 and 2014, in accordance with Royal Decree-Law 16/2012 of 27 December, which adopted various tax measured aimed to consolidate public finance and stimulate economic activity.

Deferred taxes charged to equity in the year were as follows:

	Thousands of euros	
	2017	**2016**
Grants, donations and legacies received	139	169
	139	**169**

22. Revenue and expenses

a) Net sales

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

	%	
Market	**2017**	**2016**
Spain	87%	87%
Turkey	3%	2%
Greece	2%	2%
Italy	1%	1%
France	1%	1%
Jordan	1%	1%
Germany	1%	-
Portugal	1%	1%
Russia	1%	-
Morocco	-	1%
Other	2%	4%
	100%	100%

The breakdown of sales by product group was as follows:

	Thousands of euros	
	2017	**2016**
Pharmaceutical products	183,166	177,262
Contrast agents and other hospital products	28,541	27,906
Non-prescription pharmaceutical products	1,800	2,003
Sale of bemiparin to other group companies (Note 31.a)	26,669	23,450
Otros	384	761
	240,560	231,382

The total amount of sales of goods was 14,679 thousand euros lower in 2017 (13,463 thousand euros in 2016) as a result of the discounts to the National Health System (Note 3.17).

b) Goods, raw materials and other consumables used

	Thousands of euros	
	2017	**2016**
Purchases	140,016	135,388
Change in inventories	5,175	(5,989)
	145,191	129,399

c) Ancillary and other current management income

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

d) Operating grants recognized in profit and loss

In 2017, the Company obtained and recognized as income official grants of 819 thousand euros (509 thousand euros in 2016) to cover principally expenses for the period in certain R&D projects.

e) Employees

	Thousands of euros	
	2017	**2016**
Wages, salaries and similar	24,697	24,377
Employee benefits		
- Pension contributions and provisions (Note 30.a)	24	24
- Other welfare charges	4,799	4,679
	29,520	29,080

The line "Wages, salaries and similar" includes termination payments of 501 thousand euros (723 thousand euros in 2016).

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

	2017	**2016**
Executive directors	3	3
Management	18	14
Research	185	164
Marketing	182	193
Administration	44	41
	432	415

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

	2017			**2016**		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors	3	-	3	3	-	3
Management	12	6	18	9	5	14
Research	66	120	186	59	110	169
Marketing	97	95	192	101	87	188
Administration	11	38	49	9	30	39
	189	259	448	181	232	413

At 31 December, 2017 and 2016, the headcount included 7 employees with a disability rating equal to or higher than 33%.

f) External services

The breakdown of the external services item was as follows:

	Thousands of euros	
	2017	**2016**
Advertising costs	17,566	15,244
Services from third parties	5,175	5,463
Supplies	2,663	2,356
Transport and wharehouse expenses	2,065	2,103
Repairs and maintenance	1,841	1,700
Operating leases	1,456	1,590
Other operating expenses	34,523	20,417
	65,289	48,873

g) Research and development expenses

Total research and development expenses incurred in 2017 were 28,251 thousand euros (17,481 thousand euros in 2016), focused mainly on the glycomics and ISM® platforms. The latter of these is a 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 2017, 7,218 thousand euros are recognized under the "Employee benefit expenses" heading (6,090 thousand euros at 31 December, 2016) and 21,033 thousand euros under "External services" (11,391 thousand euros in 2016).

23. Income tax and tax situation

As of 31 December 2017 and 2016, the balances with public authorities were as follows:

			Thousands of euros	
	2017		**2016**	
	Debit	**Credit**	**Debit**	**Credit**
Public Treasury, VAT	3,094	-	3,182	-
Public Treasury, personal income tax	-	796	-	477
Corporate income tax	2,228	-	4,466	-
Social Security	-	520	-	443
Other balances with public authorities	1,297	-	1,583	-
	6,619	1,316	9,231	920

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

	Thousands of euros	
	2017	**2016**
Late payment interest receivable	326	518
Grants awarded but not received	971	1,065
	1,297	1,583

On 1 August, 2007, the Company became the parent of tax group 362/07. Applying the consolidated tax regime provided for in the corporate income tax legislation, ROVI, the parent company of the tax group, included in its statement of financial position debt of 129 thousand euros (88 thousand euros in 2016) with Group companies resulting from a tax effect (Note 31.f), together with credits of 3,677 thousand euros (6,307 thousand euros in 2016) with group companies resulting from a tax effect.

The reconciliation between the net income and expenses for the period and the tax profit is as follows:

						Thousands of euros
		Income Statement			**Income and expenses credited/(charged) directly in equity**	
Balance of income & expenses			**18,673**			**(414)**
	Increases	Decreases	Total	Increases	Decreases	Total
Income tax			(6,444)			(139)
Permanent differences						
- Individual	1,156	(121)	1,035	-	-	-
- Due to tax consolidation	-	(9,892)	(9,892)	-	-	-
Temporary differences						
- Individual						
- Originating in the year	967	(34)	933	-	-	-
- Originating in previous years	372	(1,009)	(637)	-	-	-
- Due to tax consolidation						
- Originating in the year	-	(2,995)	(2,995)	-	-	-
- Originating in previous years	2,298	-	2,298	-	-	-
Taxable income			2,971			(553)

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

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

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

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

Corporate income tax expense comprises:

	Thousands of euros	
	2017	**2016**
Current tax	(743)	(3,420)
Tax credits	2,215	3,365
Deferred tax	4,495	747
Adjustment income tax previous years	27	(10)
	1,499	682

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

The Company generated tax credits of 5,072 thousand euros in 2017 (2,995 thousand euros in 2016) and likewise was entitled to offset tax credits of 5.502 thousand euros from previous years (2,884 thousand euros at 31 December, 2016). In 2017, tax credits of 2,215 thousand euros were applied (3,365 thousand euros in 2016) and there were further R&D tax credits of 8,359 thousand euros that had not been recognized and are pending application in future years (2,514 thousand euros at 31 December, 2016). Of the total tax credits not yet applied at 31 December, 2017, the Company recognized 7,551 thousand euros in its assets (Note 21) (2,512 thousand euros at 31 December, 2016).

The amount paid by the Company as payments on account of the corporate income tax of companies belonging to the tax group was 4,373 thousand euros in 2017 (5,594 thousand euros in 2016). The consolidated current tax for 2017, after deduction of the payments on accounts and withholdings for the period, generated a current tax receivable of 2,228 thousand euros (2,726 thousand euros at 31 December, 2016, in addition to 1,740 thousand euros relating to 2015, which remained outstanding at 31 December, 2016).

At 31 December, 2017, the following taxes were open to inspection by the tax authorities for the periods stated:

	Period
Corporate income tax	2013-16
Value-added tax	2014-17
Transfer tax	2014-17
Personal income tax	2014-17

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

24. Finance income and costs

	Thousands of euros	
	2017	**2016**
Finance income		
Gains on equity instruments		
- In group and associated companies (Note 31.d)	(9,892)	(14,962)
Gains on marketable securities and other financial instruments		
- Of third parties	(89)	(412)
	(9,981)	(15,374)
Finance costs:		
Debt with third parties	987	842
	987	842
Finance income and costs	**(8,994)**	**(14,532)**

Finance income received from group and associated companies for a total of 9,892 thousand euros relate to dividends received from companies belonging to the ROVI Group, of which ROVI is the parent.

25. Cash flows from operating activities

	Thousands of euros	
	2017	**2016**
Pre-tax profit for the year	12,229	29,250
Adjustments to the profit:		
- Amortization of intangible assets and property, plant & equip. (Notes 5 & 6)	7,891	7,608
- Finance income (Note 24.a)	(89)	(412)
- Finance costs (Note 24.a)	987	842
- Net change in provisions	630	381
- Grant for non-financial assets and distribution licence revenue	(2,006)	(1,845)
- Other gains and losses	(651)	109
- Profit from creation of joint venture	-	(1,450)
	18,991	34,483
Changes in working capital:		
- Inventories	1,122	446
- Debtors and other receivables	32,722	(37,019)
- Creditors and other payables	(43,401)	40,599
	(9,557)	4,026
Other cash flows from operating activities		
- Income tax received (paid)	113	(3,397)
- Other amounts received (paid) (Note 19)	128	505
	241	(2,892)
Cash flows from operating activities	**9,675**	**35,617**

26. Cash flows from investing activities

	Thousands of euros	
	2017	**2016**
Payments for investments:		
- Group and associated companies (Note 8)	(5)	(228)
- Intangible assets (Note 5)	(5,194)	(7,955)
- Property, plant and equipment (Note 6)	(6,560)	(2,339)
	(11,759)	(10,522)
Amounts received from disinvestments:		
- Group and associated companies (Note 8)	(450)	1,000
- Property, plant and equipment (Note 6)	25	25
- Other assets (Note 24.a)	377	700
	(48)	1,725
Cash flows from investing activities	**(11,807)**	**(8,797)**

27. Cash flows from financing activities

	Thousands of euros	
	2017	**2016**
Amounts received from and paid for financial liability instruments:		
- Other debt	9,449	(9,329)
- Interest payments	(253)	(231)
	9,196	(9,560)
Dividend payments and remuneration of other equity instruments:		
- Dividends (Note 15 b & d)	(9,025)	(6,853)
- Transactions with treasury shares (Note 15 c)	479	(541)
	(8,546)	(7,394)
Cash flows from financing activities	**650**	**(16,954)**

28. Contingencies

At 31 December, 2017, the Company held bank guarantees amounting to 3,133 thousand euros (3,329 thousand euros in 2016). These guarantees were granted principally to enable group companies to participate in public tenders and to receive grants and reimbursable advances.

29. Commitments

a) Operating lease commitments

The minimum future payments under non-cancellable operating leases at 31 December, 2017 were 1,545 thousand euros (920 thousand euros at 31 December, 2016), 1,007 thousand euros of which related to payments due at less than one year (920 thousand euros at less than one year at 31 December, 2016).

The operating lease expense recognized in profit and loss in 2017 was 3,137 thousand euros (3,186 thousand euros in, 2016).

b) Acquisition of Bertex Pharma GmbH

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

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

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

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

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

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

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

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

30. Compensation of the Board of Directors and Senior Management

At 31 December, 2017, the members of the Board of Directors were as follows

Mr. Juan López-Belmonte López	Chairman
Mr. Iván López-Belmonte Encina	First Deputy Chairman
Mr. Javier López-Belmonte Encina	Second Deputy Chairman
Mr. Juan López-Belmonte Encina	Chief Executive Officer
Mr. Enrique Castellón Leal	Director
Mr. Miguel Corsini Freese	Director
Mr. Fernando de Almansa Moreno-Barreda	Director

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

LABORATORIOS FARMACÉUTICOS ROVI, S.A.
Notes to the Annual Accounts for the annual period 2017
(Thousands of euros)

a) In compliance with the provisions of Article 28 of the Board of Directors Regulations of Laboratorios Farmacéuticos Rovi, S.A., the following information is provided with respect to the members of the Board of Directors at 31 December, 2017:

1. An individual breakdown of the compensation of each director, including, where applicable:
   a. Per diem expenses or other fixed remuneration received as director and additional compensation received as chairman or member of any Board committee. The amounts for 2017 and 2016 were as follows:

	Thousands of euros	
	2017	**2016**
Mr. Juan López-Belmonte López	150	150
Mr. Juan López-Belmonte Encina	60	60
Mr. Enrique Castellón Leal	60	60
Mr. Javier López-Belmonte Encina	60	60
Mr. Iván López-Belmonte Encina	60	60
Mr. Miguel Corsini Freese	60	60
Mr. Fernando de Almansa Moreno-Barreda	60	60
	510	510

Any compensation corresponding to shares in profits or bonuses and the reason why such amounts were awarded: not applicable.

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

	Thousands of euros	
	2017	**2016**
Mr. Juan López-Belmonte Encina	8	8
Mr. Javier López-Belmonte Encina	8	8
Mr. Iván López-Belmonte Encina	8	8
	24	24

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

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

   e. Remuneration for the performance of senior management functions received by executive directors. The remuneration of this kind for 2017 and 2016 was as follows:

	Thousands of euros			
	2017		**2016**	
	Fixed	**Variable**	**Fixed**	**Variable**
Mr. Juan López-Belmonte Encina	303	153	300	153
Mr. Javier López-Belmonte Encina	221	115	218	114
Mr. Iván López-Belmonte Encina	223	115	229	115
	747	383	747	382

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

2. Individual breakdown of any awards made to directors of shares, share options or any other instrument linked to share price, stating:

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

In 2017 and 2016, no shares, options or other instruments linked to the share value were given to directors.

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

	Thousands of euros	
	2017	**2016**
Compensation of executive directors	1,130	1,129
Profit attributable to the Company	18,673	29,932
Compensation of executive directors/Profit attributable to the Company	6,05%	3,77%

b) Compensation and loans to senior management

The total compensation paid to members of senior management in 2017, excluding the compensation received by the executive directors described in points a)1.c) and a)1.f above, was 1,465 thousand euros (1,611 thousand euros in 2016).

No loans were granted to members of senior management in the last two years.

The Company holds a liability insurance policy for directors and senior management. A premium of 12 thousand euros accrued for this policy in 2017.

c) Conflicts of interest on the part of the directors

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

31. Other related-party transactions

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

a) Sales of goods and rendering of services

	Thousands of euros	
	2017	**2016**
Sales of goods:		
- Subsidiaries (Note 22.a)	26,669	23,450
- Joint Ventures	173	-
	26,842	23,450
Rendering of services		
- Subsidiaries (Note 22.c)	2,834	2,283
	2,834	2,283
	29,676	**25,733**

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

b) Goods and services purchased

	Thousands of euros	
	2017	**2016**
Goods purchases:		
- Subsidiaries	60,895	53,673
	60,895	53,673
Purchases of services		
- Subsidiaries	10,110	8,752
- Joint Ventures	200	-
- Directors	24	24
- Entities in which Mr. Juan López-Belmonte López holds an ownership interest	711	747
	11,045	9,523
	71,940	**63,196**

Purchases of services from companies in which Mr. Juan López-Belmonte López holds an interest related to operating lease payments to the companies Inversiones Borbollón, S.L. and Norba Inversiones, S.L.

c) Dividends paid

Dividends paid to the company Norbel Inversiones, S.L. in 2017 were 6,372 thousand euros (4,840 thousand euros in 2016).

d) Dividends received

In 2017 and 2016, the Company received the following dividends from Group companies (Note 24):

	Thousands of euros	
	2017	**2016**
- Rovi Contract Manufacturing, S.L.	3,758	6,747
- Bemipharma Manufacturing, S.L.	1	35
- Pan Química Farmacéutica, S.A.	392	264
- Frosst Ibérica, S.A.	5,741	7,916
	9,892	14,962

e) Other transactions

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

f) Balances at the end of the reporting period derived from sales and purchases of goods and services

	Thousands of euros			
	2017		**2016**	
	Debit Balance	**Credit Balance**	**Debit Balance**	**Credit Balance**
Purchases/sales of goods or services				
- Subsidiaries	40,141	21,733	60,457	61,505
- Entities in which Mr. J. López-Belmonte López holds an interes	33	183	33	117
- Joint ventures	24	40	-	-
	40,198	21,956	60,490	61,622
Income tax charge				
- Subsidiaries (Note 23)	3,677	49	6,307	8
- Joint ventures	-	80	-	80
	3,677	129	6,307	88
Loans granted at fair value				
- Associates	5	-	5	-
- Joint ventures	100	-	100	-
	105	-	105	-
Dividends				
- Subsidiaries	22,967	-	27,909	-
	22,967	-	27,909	-
Other items				
- Directors	45	1,147	46	562
- Key management	-	273	-	245
	45	1,420	46	807
TOTAL	**66,992**	**23,505**	**94,857**	**62,517**

In 2017, debit and credit balances with Group companies were offset against each other, which affected balances receivable by the Company for dividends, commercial credit and debit balances and corporate income tax credit and debit balances relating to 2017 and earlier periods.

32. Environmental information

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

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

In 2017, in order to contribute to the protection and improvement of the environment, the Company incurred expenses of 295 thousand euros for waste elimination (215 thousand euros in 2016).

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

33. Events after the end of the reporting period

There have been no significant events since the end of the reporting period.

34. Fees of account auditors

The net fees accrued by KPMG Auditores, S.L. for account auditing and other accounting reviews and verification in the 2017 period were 83 thousand euros and 38 thousand euros, respectively. The accounting review and verification services include the work carried out on the review of the System for Internal Control over Financial Information (SCIIF), as well as the limited review of the six-month period ended 30 June, 2017.

The audit fees of the consolidated group of which the company is the parent were 180 thousand euros in 2017, including the fees relating to the Company mentioned in the preceding paragraph.

In 2016, the audit firm was PricewaterhouseCoopers Auditores, S.L, whose net fees for Laboratorios Farmacéticos Rovi, S.A. were 111 thousand euros for account auditing services and 51 thousand euros for other accounting review and verification services. The fees for the Group totalled 204 thousand euros in 2016.

In addition, in 2016, PricewaterhouseCoopers Auditores, S.L. provided advisory services in relation to compliance with the Code of Ethics of Farmaindustria and obligations resulting from the recent changes in criminal and corporate legislation for an amount of 127 thousand euros

Also in 2016, fees were accrued for services provided by Landwell PricewaterhouseCoopers Tax and Legal Services, S.L, which included tax and legal advice amounting to 329 thousand euros, while PricewaterhouseCoopers Asesores de Negocios, S.L. provided services related to technical advisory services on licences and other consulting services for a total amount of 50 thousand euros in 2016.

Free translation of the 2017 Management Report originally issued in Spanish. In the event of discrepancy, the Spanish version prevails.

LABORATORIOS FARMACÉUTICOS ROVI, S.A.

2017 Management Report

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

1. Corporate profile

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

The Company has a diversified portfolio of products that it markets in Spain through its specialized sales force, calling on specialist physicians, hospitals and pharmacies. ROVI's portfolio of 30 principal marketed products is currently anchored by the internally-developed, second generation low molecular weight heparin, Bemiparin. ROVI's research and development pipeline is focused primarily on the expansion of applications, indications and alternative mechanisms of action for the heparin-derived products and other glycosaminoglycans and on the development of new controlled release mechanisms based on ISM® technology, with the aim of obtaining new pharmaceutical products that enable the regular administration of formulations which are administered daily in chronic and prolonged treatments.

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

2. Business performance

Operating revenue increased by 4% to 240.6 million euros in 2017, driven by the strength of the specialty pharmaceutical business, which grew by 3%, slightly outperforming the market.

Sales of **prescription-based pharmaceutical** products rose 3% to 183.2 million euros in 2017.

ROVI's low molecular weight heparin (LMWH), **Bemiparin,** had a positive performance in 2017, with sales up 5% to 83.9 million euros. Sales of Bemiparin in Spain (**Hibor®**) increased by 7% to 58.8 million euros, while international sales increased by 1% to 25.1 million euros.

Sales of the **Enoxaparin biosimilar,** launched in Germany in September 2017, amounted to 1.5 million euros in 2017, of which 1.0 million euros were registered in December.

Sales of **Vytorin®, Orvatez®** and **Absorcol®**, the first of the five licenses of MSD, indicated as adjunctive therapy to diet in patients with hypercholesterolemia, increased by 18% to 39.4 million euros in 2017. In 2018, the active principle ezetimibe goes out of patent and a price reduction is expected in Absorcol®.

Sales of **Hirobriz® Breezhaler®** and **Ulunar® Breezhaler®**, both inhaled bronchodilators from Novartis for patients with respiratory difficulties due to a pulmonary disease known as Chronic Obstructive Pulmonary Disease (COPD), launched in Spain in the fourth quarter of 2014, increased by 17% to 14.3 million euros in 2017, compared to 2016.

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 30% to 9.0 million euros in 2017.

Sales of **Medicebran**® and **Medikinet**®, specialty products from Medice indicated for the treatment of ADHD (Attention Deficit and Hyperactivity Disorder) in children and teenagers, launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, remained flat at 7.5 million euros in 2017.

Sales of **Neparvis®**, a specialty product from Novartis, launched in December 2016, indicated for the treatment of adult patients with symptomatic chronic heart failure and reduced ejection fraction, reached 4.7 million euros in 2017.

Sales of **Corlentor®**, a specialty product for stable angina and chronic heart failure from Laboratoires Servier, decreased 82% to 2.5 million euros in 2017. This product will be no longer marketed after first half 2017.

Sales of **Exxiv®**, a selective COX-2 inhibitor from Merck Sharp & Dohme (MSD), decreased by 34% to 3.6 million euros in 2017, mainly due to a continued deceleration of the COX-2 market.

Sales of **Thymanax®**, an innovative antidepressant from Laboratoires Servier, decreased by 27% to 3.9 million euros in 2017. This co-marketing agreement has not been renewed and the product will be no longer marketed by ROVI after November 2017.

According to QuintilesIMS, Spanish innovative product market increased by 2% in 2017 compared to the previous year. Nevertheless, ROVI prescription-based pharmaceutical product sales rose 3% in the same period, beating the market by 1,0 percentage points.

For 2018, a new reduction in healthcare expenditure from 6.0% to 5.8% of GDP is expected (the lowest health spending forecast since 2007), according to the 2018 Draft Budget Plan[1], and a 1-4% growth rate in spending on medicine in Spain to 2021, is forecast by QuintilesIMS[2]. Despite the difficult situation the Spanish pharmaceutical industry continues to go through, ROVI forecasts to continue to grow above the growth estimates of the pharmaceutical expenditure.

Sales of **contrast imaging agents** and other hospital products increased by 2% to 28.5 million euros in 2017.

Sales of **over-the-counter pharmaceutical products** (“OTC”) **and other** decreased by 19% to 2.6 million euros in 2017 compared to the previous year. In 2017, OTC sales did not include Enerzone product sales, while 0.5 million euro sales were included in 2016, before the creation of the joint venture of ROVI and Enervit for the distribution of nutritional products in Spain and Portugal.

Net profit decreased to 18.7 million euros in 2017, a 34% fall compared to 29.9 million euros in 2016 due to the increase in **research and development expenses** (R&D), which rose 62% to 28.3 million euros in 2017 mainly due to the preparation and beginning of the Risperidone-ISM® Phase III trial and the Letrozole-ISM® Phase I trial.

1 http://www.minhafp.gob.es/Documentacion/Publico/CDI/EstrategiaPoliticaFiscal/2018/PLAN_PRESUPUESTARIO_2018.pdf
[2] Outlook for Global Medicines through 2021. Report by the QuintilesIMS Institute.

3. Liquidity and capital resources

3.1 Liquidity

As of 31 December 2017, ROVI had gross cash position of 37.0 million euros, compared to 38.6 million euros as of 31 December 2016, and net debt (available-for-sale financial assets plus deposits plus cash and cash equivalents minus short term and long term financial debt) of 5.5 million euros, compared to a net cash of 5.7 million euros as of 31 December 2016.

3.2 Capital resources

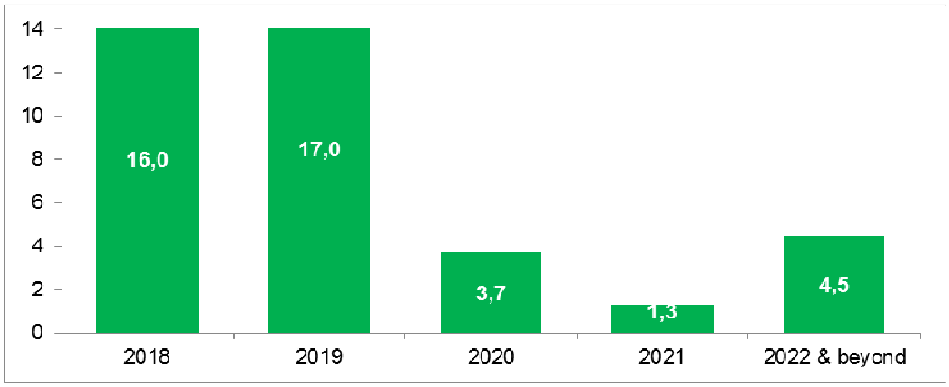
As of 31 December 2017, ROVI had total debt of 42.5 million euros, compared to 32.9 million euros as of 31 December 2016. Debt with public administration, which is 0% interest rate debt, represented 27% of total debt as of 31 December 2017.

In thousand euros	**2017**	**2016**
Bank borrowings	30,938	20,931
Debt with public administration	11,554	11,968
Total	**42,492**	**32,899**

As of 31 December 2017, bank borrowings increased by 10 million euros. In 2017, ROVI increased its banking debt through a 20-million-euro new loan, with a fixed interest rate of 0.65% and a 3-year amortization period with a grace period of 17 months.

Likewise, in December 2017, ROVI announced the European Investment Bank (EIB) granted it a loan to support its investments in Research, Development and Innovation. The loan is for 45,000,000 euros. ROVI may draw down this amount during a period of 24 months as from signature of the contract and the loan will mature in 2029. The loan provides for a three-year grace period and financial conditions (i.e. applicable interest rates, repayment periods, etc.) favourable to ROVI (see section 4.1).

Debt maturities at 31 December, 2017 are shown in the following graph (millions of euros):



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

In the ordinary course of activities, in order to manage its own transactions and financing, the Group has carried out certain transactions that are not included on the statement of financial position, such as operating leases. The Group's objective is to optimize the financing costs that are involved in determined financial transactions and, therefore, on certain occasions, has chosen operating leases rather than the acquisition of assets. The minimum future payments to be made for non-cancellable operating leases at 31 December, 2017 were 1,545 thousand euros (920 thousand euros at 31 December, 2016), of which 1,007 thousand euros are related to maturities at less than one year (920 thousand euros at less than one year at 31 December, 2016).

4. Key operating and financial events

4.1 ROVI and the EIB agree to sign a loan to boost research into drug administration and prolonged-release technologies

On 21st of December 2017, the market was informed by publication of a relevant fact (number 259847) that the European Investment Bank (EIB) granted ROVI a loan to support its investments in Research, Development and Innovation (R&D&i), which concentrate on technologies for the administration and prolonged release of drugs, including preclinical and clinical trials, that allow the development of future treatments for cancer and central nervous system diseases.

The loan is for 45,000,000 euros. ROVI may draw down this amount during a period of 24 months as from signature of the contract and the loan will mature in 2029. The loan provides for a three-year grace period and financial conditions (i.e. applicable interest rates, repayment periods, etc.) favourable to ROVI.

For the Company, the EIB loan represents an additional financing channel for its R&D&i projects, for which it likewise uses significant amounts of its own equity.

In the year 2016, ROVI's R&D&i expenditure was 17.5 million euros, 6% up on the preceding year. Likewise, the Company expects average R&D&i expenditure in the period 2017-2019 to be approximately 32 million euros per year.

This financing operation is supported by the European Union under the European Fund for Strategic Investments (EFSI), within the framework of what is known as the "Juncker Plan".

The research activities associated to this agreement reinforce ROVI's innovation capacity and help the company to maintain a competitive edge and expand its international presence.

4.2 ROVI has commenced the marketing of the Enoxaparin biosimilar in Germany

On 7th of March 2017, the market was informed by publication of a relevant fact (number 249265) that the decentralised procedure used for the Company to submit, in twenty-six countries of the European Union, the marketing authorization application of a low molecular weight heparin (Enoxaparin biosimilar) was completed with positive outcome.

In the mentioned decentralised procedure, Germany has acted as Reference Member State (RMS). The national phase of the registration process, which is expected to be completed with the granting by the competent local authorities of the marketing authorisation in each concerned country, was initiated in the first quarter 2017, and it continued during the rest of the year.

By 31st December 2017, the countries with the registration national phase approved are Germany, France, UK, Italy, Norway, Sweden, Austria, Hungary, Slovenia, Estonia, Latvia, Slovakia and Bulgaria.

In September 2017, ROVI has informed by publication of a relevant fact (number 256121), the commencement of marketing of Enoxaparin biosimilar in Germany, the first European country where ROVI launches its biosimilar and one of the top Enoxaparin countries in Europe (in terms of volume and value).

ROVI will regularly update the milestones considered relevant in this process of marketing authorisation as the schedule of the registration of the medicinal product progresses in each country.

4.3 ROVI updates the Phase III-PRISMA 3 project of Risperidone ISM®, called DORIA®

On 24th of October 2017, the company released a relevant fact (number 257683) updating the evolution of Phase III-PRISMA 3 of Risperidone ISM®, called DORIA®.

As mentioned before, in May 2017, ROVI began a Phase III study for a long-acting injectable (LAI) based in the ISM® technology patented by ROVI, to treat schizophrenia called DORIA® (previously Risperidone ISM®).

Schizophrenia diagnosed disorders affects around 3 million patients (Source IMS) in US and Europe, and although it has no cure, there are effective treatments to control symptoms. These treatments use Second-Generation of Antipsychotics (SGA) medications with a predictable efficacy and safety profile, and risperidone is the most used active principle.

ROVI has developed DORIA®, and expects a good evolution in Phase III, as the Active Principle is one of the most prescribed for schizophrenic patients (risperidone) and ISM® technology has been proved in Phase I&II studies.

Long-acting injectables (LAIs) are becoming the goal standard for schizophrenia compared to oral treatments, and with DORIA®, ROVI is aiming to play a relevant role in the US and Europe Schizophrenia LAIs market, with an estimated total value in 2021 of 3.4 billion dollars (2.5 billion dollars in US and 930 million dollars in Top-5 Europe) (IMS Source).

The strategic drivers of DORIA® are:

- Long acting injectable (LAI) based on the ISM® technology developed by ROVI.
- LAI is becoming the goal standard for Schizophrenia.
- A good pharmacological profile providing a rapid onset allowing a once monthly injection without oral supplementation and loading dose.
- One monthly represents a fully medically supervised patient: eradicates all potential issues that may arise with an oral product.
- A monthly injection provides a better control of patients avoiding relapses.
- One monthly ensures a relapse rate improvement which on a pharmacoeconomic basis that justifies a cost effective of LAIs.

ROVI will regularly update the milestones considered relevant in this Phase III-PRISMA 3 process.

5. Research and development

ISM®

As previously informed, ROVI has progressed in the development of DORIA®, the first candidate for its leading-edge drug delivery technology, ISM®, for a prolonged release of risperidone, a well-stablished second-generation antipsychotic medicine.

After successfully finishing the phase I & II program[3,4] of DORIA®, ROVI started the pivotal phase III trial "PRISMA-3"[5] with the recruitment of the first patient on May 2017. An update of the project with details of the design and cost of Phase III was released, together with a presentation to analysts on 24th October 2017.

On the other hand, ROVI has initiated the first Phase I clinical trial[6] of Letrozol ISM® in November 2017. Letrozol ISM® is a long-acting injectable aromatase inhibitor intended for the treatment of hormone-dependent breast cancer.

Enoxaparin biosimilar

ROVI informed (by publication of the relevant fact number 249265 dated 7th of March of 2017) that the decentralised procedure used for the Company to submit, in 26 countries of the European Union, the marketing authorization application of a low molecular weight heparin (Enoxaparin biosimilar) was completed with positive outcome.

In September 2017 (by publication of the relevant fact number 256121 dated 7th of September 2017), ROVI informed that the national marketing authorization phase of the registration process for a low molecular weight heparin (Enoxaparin biosimilar) was approved in Germany by local authorities and its marketing has begun.

By 31st December 2017, the countries with the national registration approved of the Enoxaparin biosimilar are Germany, France, United Kingdom, Italy, Norway, Sweden, Austria, Hungary, Slovenia, Estonia, Latvia, Slovakia and Bulgaria.

6. Dividends

ROVI will pay a dividend of 0.1207 euros per share on 2017 earnings if the Shareholders General Meeting approves the application of the 2017 profit, under proposal of ROVI's Board of Directors. This proposed dividend would imply approximately a 35% pay-out.

The ROVI General Shareholders Meeting, on 31 May 2017, approved the payment of a gross dividend of 0.1830 euros per share on 2016 earnings. This dividend was paid in July 2017.

[3] *Llaudó J, et al. Phase I, open-label, randomized, parallel study to evaluate the pharmacokinetics, safety, and tolerability of one intramuscular injection of risperidone ISM at different dose strengths in patients with schizophrenia or schizoaffective disorder (PRISMA-1). Int Clin Psychopharmacol. 2016;31(6):323-31.*

[4] *Carabias LA, et al. A phase II study to evaluate the pharmacokinetics, safety, and tolerability of Risperidone ISM multiple intramuscular injections once every 4 weeks in patients with schizophrenia. Int Clin Psychopharmacol. 2017 Nov 3. doi: 10.1097/YIC.0000000000000203. [Epub ahead of print]*

[5] *Study to Evaluate the Efficacy and Safety of Risperidone In Situ Microparticles® (ISM®) in Patients With Acute Schizophrenia (PRISMA-3). Clinicaltrials.gov#NCT03160521 [https://clinicaltrials.gov/show/NCT03160521].*

[6] *Evaluation of IM Letrozole ISM® Pharmacokinetics, Safety, and Tolerability in Healthy Post-menopausal Women (LISA-1). [https://clinicaltrials.gov/ct2/show/NCT03401320?term=letrozole&rank=4].*

7. Capital expenditure

ROVI invested 11.8 million euros in 2017, compared to 10.3 million euros in 2016. Of this amount:

- The additions in "Property, plant and equipment" are mainly due to the acquisition of assets related to investments in the Granada facility and to the preparation of the plant for the development of the ISM® project;

- In 2017 additions in intangible assets amounting to 4.7 million euros are related to the development of a low molecular weight heparin, a biosimilar of enoxaparin.

8. Treasury shares transactions

In the course of 2017, ROVI acquired a total of 35,421 of its own shares (74,313 in 2016), paying the amount of 532 thousand euros for them (987 thousand euros in 2016). Likewise, it resold a total of 67,784 of its own shares (32,903 in 2016) for an amount of 1,011 thousand euros (446 thousand euros in 2016). These shares had been acquired at a weighted average cost of 826 thousand euros (398 thousand euros in 2016), giving rise to a profit of 185 thousand euros on the sale (48 thousand euros in 2016), which was taken to reserves. At 31 December, 2017, ROVI held 685,183 treasury shares (717,546 at 31 December, 2016).

9. Headcount evolution

The average number of employees during 2017 has been 432 (415 in 2016).

10. Outlook for 2018

In 2018, ROVI expects a mid-single digit growth rate for the operating revenue with a range of 20 to 30 million euro sales of Enoxaparin biosimilar, despite (i) a new reduction in health expenditure from 6.0% to 5.8% of GDP expected for 2018 (the lowest health spending forecast since 2007), according to the 2018 Draft Budget Plan[7], and (ii) 1-4% growth rate in spending on medicine in Spain to 2021 forecast by QuintilesIMS[8].

ROVI expects its growth drivers to be Bemiparin, the latest license agreements (Neparvis®, Volutsa®, Orvatez® and Ulunar®), the Enoxaparin biosimilare, its existing portfolio of specialty pharmaceuticals, new product distribution licenses and new contracts in the toll manufacturing area.

In 2018, the active principle ezetimibe goes out of patent and a price reduction is expected in Absorcol®.
Likewise, ROVI expects to stop distributing Merus Labs products (Sintrom®, Salagen®, Cordiplast® and Estraderm®) as of the fourth quarter of 2018.

[7] *http://www.minhafp.gob.es/Documentacion/Publico/CDI/EstrategiaPoliticaFiscal/2018/PLAN_PRESUPUESTARIO_2018.pdf*
[8] *Outlook for Global Medicines through 2021. Report by the QuintilesIMS Institute.*

11. Risk management

11.1 Operational risks

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

- Changes in the legislation regulating the market aimed to contain pharmaceutical expense (price control, reference prices, support for generic products, co-payment, purchase platforms, …);
- Finalization of contractual relationships with customers representing a significant part of its sales or renewal in less favourable conditions than the current ones;
- Changes in the conditions under which raw materials and other packaging materials needed for manufacturing its products are supplied;
- Late payment on the part of the public authorities in the short term; and
- Tax risk inherent to the activity of companies of the size and complexity of the Company.

ROVI is permanently on the alert and is keeping any risks that may have an adverse effect on its business activities under constant surveillance, applying the appropriate policies and mechanisms to manage them and constantly developing contingency plans that can be used to mitigate or offset their impact. Among them, we highlight the fact that the Group (i) continues, every year, to apply an internal saving policy that is principally based on improving the efficiency of its internal and external operating processes; (ii) is working intensively to maintain a broad and diversified portfolio of products and customers; (iii) is continuing with its target of constantly opening up new markets as a result of its international expansion plan; and (iv) the Group exercises strict credit control and manages its cash effectively, which ensures that sufficient working capital is generated and maintained to allow its day-to-day operations to be carried out; and (v) The Company has an exhaustive tax risk control system, with external tax advisors who review the preparation and filing of the different taxes as well as the Group's decision-making on tax issues

11.2 Financial risks

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

- *Market risk*

Market risk is divided in:

a) Foreign exchange risk: is very low as virtually all assets and liabilities of the Company are in euros, with no subsidiary out of the Euro zone. Additionally the majority of the foreign transactions are carried out in euros.

b) Price risk: the Company is exposed to price risk by its short-term and long-term financial investments. To manage the price risk arising from the investments, ROVI diversifies its portfolio.

c) Interest rate risk: the Company is subject to an interest rate risk in respect of cash flows on long-term borrowing transactions at variable rates. The risk, however, is slight since most of the Company's debt consists of refundable advances from official organisations on which there is no interest rate risk.

d) Raw material price risk: ROVI is exposed to changes in the conditions under which raw materials and other packaging materials needed to manufacture its products are supplied.

- *Credit risk*

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

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

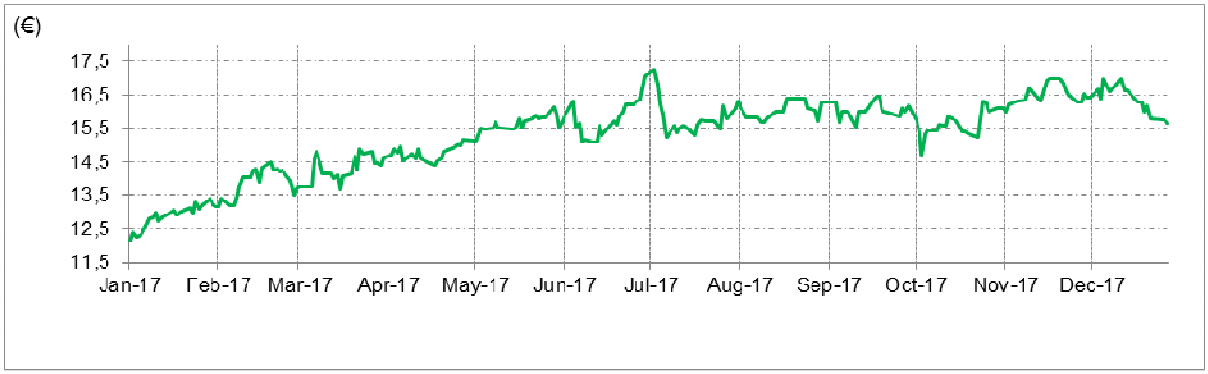
- *Liquidity risk*

Management monitors the liquidity estimates of the Company according to the expected cash flows; therefore, the Group always has sufficient cash and trade securities to confront its liquidity requirements.

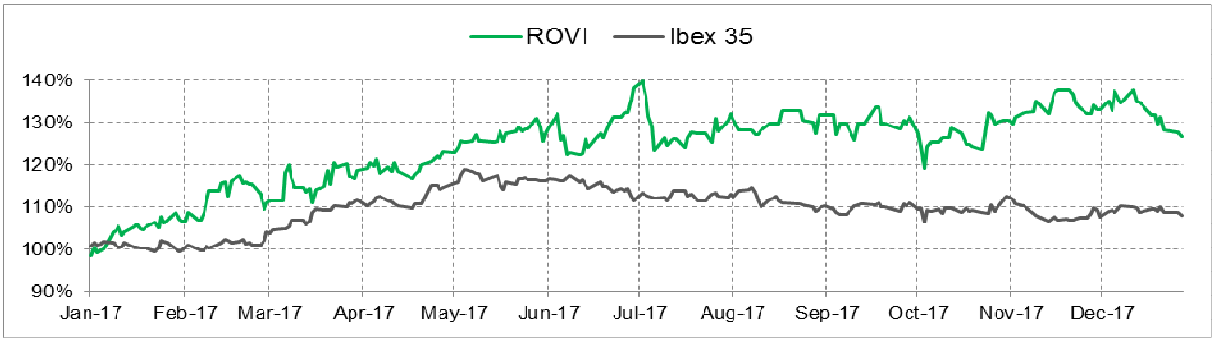
12. Stock market capitalization

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

The following graph shows the fluctuations of the share price in the stock market in 2017:



The following chart shows the performance of the share price of ROVI compared with the IBEX 35 index in 2017:



13. Corporate Government Annual Report

Appendix 1 includes the Corporate Government Annual Report prepared by the Company for 2017.

14. Events after balance sheet date

There have been no significant events since the end of the reporting period.

APPENDIX 1

CORPORATE GOVERNMENT ANNUAL REPORT 2017

(see http://www.cnmv.es/Portal/consultas/EE/InformacionGobCorp.aspx?nif=A-280412

The Individual Annual Accounts of Laboratorios Farmacéuticos Rovi, S.A. ("**Rovi**" or the "**Company**") (which comprise the balance sheet, the income statement, the statement of changes in shareholders' equity, the statement of cash flows and notes), as well as the management report (which comprise the Annual Corporate Governance Report of the Company) for the fiscal year ended on 31 December 2017 and which precede this document, have been issued by the Board of Directors at its meeting of 19 February 2018, and whose members sign below in accordance with Article 253 of the Royal Decree 1/2010, of 2 July, approving the consolidated text of the Capital Companies Law (*Ley de Sociedades de Capital*), and Article 37 of Spanish Commercial Code:

Madrid, 19 February 2018

Mr. Juan López-Belmonte López
Chairman

Mr. Juan López-Belmonte Encina
Chief Executive Officer

Mr. Iván López-Belmonte Encina
Vice Chairman 1º

Mr. Javier López-Belmonte Encina
Vice Chairman 2º

Mr. Enrique Castellón Leal
Coordinator Director

Mr. Miguel Corsini Freese
Director

Mr. José Fernando de Almansa
Moreno-Barreda
Director

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

The members of the Board of Directors of Laboratorios Farmacéuticos Rovi, S.A. ("**Rovi**" or the "**Company**"), at its meeting of 19 February 2018, and in accordance with Article 118 of Royal Legislative Decree 4/2015, of 23 October, enacting the Consolidated Text of Securities Market Law (*Ley del Mercado de Valores*), as well as Article 8.b) of the Royal Decree 1362/2007, of 19 October, implementing the Securities Market Law, 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 2017, issued by the Board of Directors at the abovementioned meeting of 19 February 2018, 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 contain a fair assessment of the corporate performance and results and the position of Rovi and of the subsidiaries included within its scope of consolidation, taken as a whole, as well as a description of the main risks and uncertainties facing them.

Madrid, 19 February 2018

Mr. Juan López-Belmonte López Chairman	Mr. Juan López-Belmonte Encina Chief Executive Officer
Mr. Iván López-Belmonte Encina Vice Chairman 1º	Mr. Javier López-Belmonte Encina Vice Chairman 2º
Mr. Enrique Castellón Leal Coordinator Director	Mr. Miguel Corsini Freese Director
Mr. José Fernando de Almansa Moreno-Barreda Director	

Laboratorios Farmacéuticos Rovi, S.A. and subsidiaries

Consolidated Annual Accounts

31 December 2017

Consolidated Directors' Report

2017

(With Independent Auditor's Report Thereon)

(Free translation from the originals in Spanish. In the event of discrepancy, the Spanish-language versions prevail.)

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 2017, 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 2017 and of its consolidated financial performance and 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 in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the 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.

Capitalisation and recoverability of intangible assets See notes 2.7, 4.1, 7 and 24 to the consolidated annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
The Group has significant intangible assets amounting to Euros 27,078 thousand, including Euros 17,055 thousand derived from the acquisition of trademarks and licences of products that are currently marketed, of which Euros 5,366 thousand reflect intangible assets with indefinite useful lives and Euros 8,429 thousand reflect development expenses. Intangible assets with indefinite useful lives The Group tests intangible assets with indefinite useful lives for impairment on an annual basis. The recoverability of these assets is based on the discounting of future cash flows using budgets which, inherently, requires a high degree of judgement. Development expenses The capitalisation of any development expenses requires an analysis of the compliance with the requirements established in the applicable financial reporting framework. The main risk is associated with the successful outcome of the projects and obtaining the corresponding clinical and regulatory authorisations for their subsequent marketing. The Group has intangible assets amounting to Euros 8,429 thousand derived from the development of a low-molecular-weight heparin, an enoxaparin biosimilar, for which the corresponding marketing authorisation has been obtained. In 2017 the Group incurred research and development expenses amounting to Euros 28,251 thousand that have not been capitalised,	Our audit procedures included, among others, the following: ▪ Assessment of the design and implementation of the controls associated with the process for estimating the recoverability of intangible assets and the process used to recognise research and development expenses and to identify, where applicable, any expenses that qualify for capitalisation. ▪ We verified the consistency of the profit and loss forecasts used as a basis for assessing the recoverability of the intangible assets, specifically the projected income and expenses and cash flows. ▪ We obtained and assessed the documentation prepared by Management in relation to the analysis of research and development expenses, particularly regarding the capitalisation of any development expenses. ▪ Our procedures related to projects under development included an assessment of the reasonableness of the assumptions used by the Group to determine the probability of obtaining the pertinent authorisations, by considering the current stage of development. ▪ In order to carry out the assessment mentioned in the preceding paragraphs, we held meetings with Management and key personnel of the research and development area to confirm these assumptions. ▪ In addition, we assessed whether the disclosures included in the consolidated annual accounts comply with the

associated mainly with products under development based on the ISM® platform. Due to the significance of the balance and the high degree of judgement associated with the capitalisation and recoverability of these intangible assets, we consider this to be a key audit matter in our audit of the current year.	requirements of the financial reporting framework applicable to the Group.

Recognition and recoverability of deferred tax assets

See Notes 2.7, 4.1, 19 and 27 to the consolidated annual accounts

Key Audit Matter	*How the Matter was Addressed in Our Audit*
The Group has deferred tax assets amounting to Euros 11,893 thousand, of which Euros 2,397 thousand and Euros 8,036 thousand comprise tax loss carryforwards and tax credits, respectively, with the remainder reflecting temporary differences that will be tax deductible in the coming years. In addition, the Group has tax assets totalling Euros 6,941 thousand that have not been recognised as it is not considered probable that future taxable profits will be available against which these assets may be offset. The recognition of deferred tax assets requires a high degree of judgement by the Directors in assessing the probability and sufficiency of the future taxable profit against which they can be offset, future reversals of existing taxable temporary differences and the tax planning opportunities considered by the Group. Due to the significance of the balance and the uncertainty associated with the recovery of the amounts recognised as deferred tax assets, mainly in respect of tax credits and unused tax loss carryforwards, this is considered to be a key audit matter in our audit of the current year.	Our audit procedures included, among others, the following: ▪ Assessment of the design and implementation of the controls associated with the process for recognising and estimating the recoverability of deferred tax assets. ▪ Assessment of the reasonableness of the criteria and the main assumptions used by the Group to estimate the future taxable profits required to offset these assets. ▪ We contrasted the consistency of the profit and loss forecasts used as a basis for recognising tax loss carryforwards and tax credits with the actual profit or loss obtained and assessed the reasonableness of the time period in which the Group expects to offset these assets. ▪ Assessment of whether the disclosures included in the consolidated annual accounts comply with the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Directors' Report

Other information solely comprises the 2017 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 as regards the content of the consolidated directors' report is defined in the legislation regulating the audit of accounts, which establishes two different levels:

a) A specific level applicable to the consolidated statement of non-financial information and to certain information included in the Annual Corporate Governance Report, as defined in article 35.2. b) of Audit Law 22/2015, which consists solely of verifying that this information has been provided in the directors' report, or where applicable, in a separate report on non-financial information, as provided for in legislation, to which reference is made in the directors' report, and if not, to report on this matter.

b) A general level applicable to the rest of the information included in the consolidated directors' report, which consists of assessing and reporting on the consistency of this information with the consolidated annual accounts, based on knowledge of the Group obtained during the audit of the aforementioned accounts and without including any information other than that obtained as evidence during the audit. Also, assessing and reporting 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 above, we have verified that the information mentioned in paragraph a) above has been provided in the consolidated directors' report and the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated annual accounts for 2017, and that the content and presentation of the report are in accordance with applicable legislation.

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 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

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 19 February 2018.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general meeting on 31 May 2017 for a period of three years, from the year ended 31 December 2017.

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

(Signed on the original in Spanish)

José Ignacio Rodríguez Prado
On the Spanish Official Register of Auditors ("ROAC") with number 15825

19 February 2018

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

Consolidated Annual Accounts and
Consolidated Management Report
at 31 December, 2017

CONSOLIDATED ANNUAL ACCOUNTS OF LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES AT 31 DECEMBER, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Thousands of euros)

	Note	31 December, 2017	2016
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	89,056	82,822
Intangible assets	**7**	27,078	24,872
Investment in a joint venture	**10**	2,054	2,571
Deferred income tax assets	**19**	11,893	10,252
Available-for-sale financial assets	**9 y 11**	69	70
Financial receivables	**9 y 13**	65	189
		130,215	**120,776**
Current assets			
Inventories	**12**	75,492	67,386
Trade and other receivables	**9 y 13**	49,747	53,842
Current income tax assets	**27**	2,228	4,466
Cash and cash equivalents	**9 y 14**	40,700	41,378
		168,167	**167,072**
Total assets		**298,382**	**287,848**

Notes 1 to 34 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, 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Thousands of euros)

	Note	31 December, 2017	2016
EQUITY			
Capital and reserves attributable to shareholders of the company			
Share capital	**15**	3,000	3,000
Legal reserve	**16**	600	600
Treasury shares	**16**	(8,407)	(8,701)
Retained earnings and voluntary reserve	**16**	179,255	162,421
Profit for the year	**16**	17,241	26,089
Reserve for available-for-sale assets	**16**	(2)	(3)
Total equity		**191,687**	**183,406**
LIABILITIES			
Non-current liabilities			
Financial debt	**18**	27,029	20,828
Deferred income tax liabilities	**19**	1,438	1,640
Deferred revenues	**20**	5,005	5,532
		33,472	**28,000**
Current liabilities			
Financial debt	**17**	16,208	12,966
Trade and other payables	**18**	52,942	59,852
Deferred revenues	**20**	565	746
Provision for other liabilities and charges	**21**	3,508	2,878
		73,223	**76,442**
Total liabilities		**106,695**	**104,442**
Total equity and liabilities		**298,382**	**287,848**

Notes 1 to 34 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, 2017

CONSOLIDATED INCOME STATEMENT
(Thousands of euros)

	Note	31 December, 2017	2016
Revenue	**5 y 22**	275,649	265,166
Cost of sales		(110,192)	(112,024)
Employee benefit expenses	**23**	(63,990)	(60,465)
Non-current self-constructed assets	**7**	2,057	-
Other operating expenses	**24**	(74,809)	(58,916)
Amortization	**6 y 7**	(11,479)	(11,023)
Recognition of government grants on non-financial non-current assets and other		1,773	1,565
Other income	**10**	-	3,997
OPERATING PROFIT		**19,009**	**28,300**
Finance income		93	426
Finance costs		(1,013)	(915)
FINANCE COSTS - NET	**26**	**(920)**	**(489)**
Share of profit of a joint venture	**10**	**(567)**	**71**
PROFIT BEFORE INCOME TAX		**17,522**	**27,882**
Income tax	**27**	(281)	(1,793)
PROFIT FOR THE YEAR		**17,241**	**26,089**
Earnings per share (basic and diluted) attributable to the shareholders of the Company (euros)			
- Basic and diluted	**28**	0.35	0.53

Notes 1 to 34 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, 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Thousands of euros)

	Note	31 December,	
		2017	2016
Profit for the year		**17,241**	**26,089**
Items that may subsequently be reclassified to profit and loss		**1**	**(1)**
+ Changes in value of available-for-sale financial assets	**11**	1	(1)
Other comprehensive income, net of taxes		**1**	**(1)**
Total comprehensive income for the year		**17,242**	**26,088**

Notes 1 to 34 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, 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Thousands of euros)

	Share capital (Note 15)	Legal reserve (Note 16)	Treasury shares (Note 16)	Retained earnings and voluntary reserves (Note 16)	Profit for the year (Note 16)	Reserve for available-for-sale assets (Note 16)	TOTAL EQUITY
Balance at 1 January, 2016	**3,000**	**600**	**(8,112)**	**149,490**	**19,809**	**(2)**	**164,785**
Total comprehensive income	-	-	-	-	26,089	(1)	**26,088**
Transfer of 2015 profit	-	-	-	12,956	(12,956)	-	**-**
Dividends 2015 (Note 16 e)	-	-	-	-	(6,853)	-	**(6,853)**
Acquisition of treasury shares (Note 16 d)	-	-	(987)	-	-	-	**(987)**
Reissue of treasury shares (Note 16 d)	-	-	398	48	-	-	**446**
Other movements	-	-	-	(73)	-	-	**(73)**
Balance at 31 December, 2016	**3,000**	**600**	**(8,701)**	**162,421**	**26,089**	**(3)**	**183,406**
Total comprehensive income	-	-	-	-	17,241	1	**17,242**
Transfer of 2016 profit	-	-	-	17,064	(17,064)	-	**-**
Dividends 2016 (Note 16 e)	-	-	-	-	(9,025)	-	**(9,025)**
Acquisition of treasury shares (Note 16 d)	-	-	(532)	-	-	-	**(532)**
Reissue of treasury shares (Note 16 d)	-	-	826	185	-	-	**1,011**
Other movements	-	-	-	(415)	-	-	**(415)**
Balance at 31 December, 2017	**3,000**	**600**	**(8,407)**	**179,255**	**17,241**	**(2)**	**191,687**

Notes 1 to 34 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, 2017

CONSOLIDATED STATEMENT OF CASH FLOWS
(Thousands of euros)

	Note	31 December, 2017	2016
Cash flows from operating activities			
Profit before income tax		17,522	27,882
Adjustments for non-monetary transactions			
Amortization	**6 y 7**	11,479	11,023
Interest income	**26**	(93)	(426)
Impairment		(1,437)	1,864
Interest expense	**26**	1,013	915
Net changes in provisions		630	381
Grant on non-financial assets and income from distribution licences		(2,012)	(1,847)
Profit from creation of joint venture		-	(3,997)
Share of the profit of joint ventures	**10**	567	(71)
Changes in working capital:			
Trade and other receivables		3,534	4,131
Inventories		(6,454)	(4,940)
Trade and other payables		(6,910)	13,505
Other collections and payments			
Proceeds from distribution licences	**20**	87	505
Income tax cash flow		113	(3,399)
Net cash generated (used) in operating activities		**18,039**	**45,526**
Cash flows from investing activities			
Purchases of intangible assets	**7**	(5,012)	(8,396)
Purchases of property, plant and equipment	**6**	(14,932)	(9,680)
Proceeds from sale of property, plant and equipment	**6**	25	43
Investment in a joint venture	**10**	-	(3)
Proceeds from sale of shares in joint venture	**10**	450	1,000
Interest received		285	738
Net cash flows generated (used) in investing activities		**(19,184)**	**(16,298)**
Cash flows from financing activities			
Repayments of financial debt		(13,084)	(10,274)
Proceeds from financial debt	**18**	22,350	797
Interest paid		(253)	(230)
Purchase of treasury shares	**16 d)**	(532)	(987)
Reissue of treasury shares	**16 d)**	1,011	446
Dividends paid	**16 c)**	(9,025)	(6,853)
Net cash generated (used) in financing activities		**467**	**(17,101)**
Net (decrease)/increase in cash and cash equivalents		**(678)**	**12,127**
Cash and cash equivalents at beginning of the year	**9 y 14**	**41,378**	**29,251**
Cash and cash equivalents an end of the year	**9 y 14**	**40,700**	**41,378**

Notes 1 to 34 and Appendix 1 attached hereto are an integral part of these Consolidated Annual Accounts.

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES
Notes to the Annual Consolidated Accounts for the annual period 2017
(Thousands of euros)

1. General information

Laboratorios Farmacéuticos Rovi, S.A. (the “parent company" or "the Company"), the parent company of the Group, 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. Its head office is located at the same address in Madrid.

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.

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. The Group’s main product is Bemiparin, a low-molecular-weight heparin, which is marketed in various countries.

At December 31, 2017 and 2016, the company Norbel Inversiones, S.L. owned 69.64% of the shares of Laboratorios Farmacéuticos Rovi, S.A. (Note 15). Norbel Inversiones, S.L, the registered office of which is at Calle Julián Camarillo, 35, Madrid, files consolidated annual accounts with the Madrid Companies Registry.

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

These Consolidated Annual Accounts were approved by the Board of Directors on February 19, 2018 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

In 2017, the company Rovi S.A.S, with registered office at 24 Rue du Drac, Seyssins (France) and 100%-held by Laboratorios Farmacéuticos Rovi, S.A, was incorporated. This company had no activity during the reporting period and its assets were not significant at 31 December, 2017.

In 2016, the following companies, which formed part of the Group, were incorporated:

- Rovi GmbH, with registered office at Ruhlandstr. 5, Bad Tölz (Germany), 100%-held by Laboratorios Farmacéuticos Rovi, S.A.

- Enervit Nutrition, S.L, initially 100%-held by Laboratorios Farmacéuticos Rovi, S.A. In March 2016, after a series of corporate transactions, Enervit Nutrition, S.L. became a joint venture held 51% by ROVI and 49% by Enervit S.r.L. (Note 10).

2. Summary of significant 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 presentataion

These Consolidated Annual Accounts for 2017 (and those for 2016 presented for comparative purposes) have been prepared under the International Financial Reporting Standards (IFRS) and IFRIC interpretations adopted 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, 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 adopted by the European Union.

The Consolidated Annual Accounts have been prepared, in general, under the historical cost convention, except for available-for-sale financial assets.

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 beginning on or after 1 January, 2017

In 2017, the following standards and amendments to existing standards were endorsed by the European Union and came into force on 1 January, 2017. They have either been applied by ROVI or may affect the Group in the future:

- IAS 7 (Amendment) "Disclosure Initiative". An entity must disclose information that allows users to understand the changes in the liabilities arising from financing activities. This includes changes arising from:
  1. Cash flows, such as amounts drawn on loans and loan repayments; and
  2. Non-cash changes, such as acquisitions, disposals and unrealised exchange differences.

  These amendments have been applied by the Group in the breakdowns of financial information presented on or after said date.

- IAS 12 (Amendment) "Recognition of Deferred Tax assets for Unrealised Losses". The amendments to IAS 12 clarify the requirements for recognizing deferred tax assets for unrealised losses. The amendments clarify, among other items, the accounting treatment of deferred tax when an asset is measured at fair value and said fair value is below the asset's tax base. It also clarifies other aspects of accounting for deferred tax assets. Application of this amendment has not had any impact of these Annual Accounts.

b) Standards, interpretations and amendments that have not yet come into force but which are available for early adoption for annual periods commencing on or after 1 January, 2017.

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 2018 onwards. ROVI considers that the following could be applicable to the Group, although they have not been adopted early:

- IFRS 9 “Financial Instruments”. It addresses the classification, measurement and recognition of financial assets and liabilities. IFRS 9 is effective for annual periods beginning on or after 1 January, 2018. The Group has not elected the early adoption permitted by the Standard. Application of this new standard is not expected to have a significant impact on the Group’s Annual Accounts.

- IFRS 15 “Revenue from Contracts with Customers”. In May 2014, the IASB and the FASB jointly issued a converged Standard on recognition of revenue from contracts with customers. IFRS 15 is effective for annual periods beginning on or after 1 January, 2018. According to this Standard, revenue is recognized when the customer obtains control of the good or service sold, i.e. when the customer is able to both direct the use of and obtain the benefits from the good or service. This IFRS includes new guidance to determine whether revenue should be recognized over time or at a specific point in time. Considering the contents of the Standard, the Group has made a qualitative and quantitative assessment of the possible impacts derived from its entry into force. From among the different categories defined in the Application Guidance (Appendix B) of the Standard, ROVI considers that the category related to the granting of usage-based licences could be applicable to the Group, since ROVI grants licences to other for the distribution of its own products. In these contracts, the obligations arising from the granting of these usage-based licences are always linked to the obligation of supply the product, which extends over the whole time the cotnract is in force. Since it is impossible to separate these obligations, the revenue originating from the granting of distribution licences is deferred over the cotnract term. This deferral, which is already being recognized in ROVI (Note 2.20.e), is in line with the content of IFRS 15 for this type of revenue and, therefore, the entry into force of this IFRS will not have any impact for ROVI. The impact would, in any case, take place upon signature of new distribution licence contracts with different features to those currently in force.

- IFRS 16 “Leases”. According to this Standard, which replaces IAS 17 “Leases”, when accounting for leases, it will be necessary, as a general rule, to recognize leases in the statement of financial position and measure lease liabilities. This Standard will be applicable to annual periods beginning on or after 1 January, 2019. Application of this standard is expected to have a significant impact on the Group’s Annual Accounts, since the different lease agreements currently held by ROVI will have to be recognized.

- Annual Improvements to IFRS 2014–2016 Cycle. The amendments affect IFRS 1, IFRS 12 and IAS 28. The main amendments that may apply to the Group refer to:
    - IFRS 12, "Disclosure of Interests in Other Entities". Clarification of the scope of the Standard.
    - IAS 28, “Investments in Associates and Joint Ventures”. Measurement of an investment in an associate or joint venture at fair value.

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

At the date of signature of these Consolidated Annual Accounts, the IASB and the IFRS Interpretations Committee 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:

- IFRS 17 “Insurance contracts”. This Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective is to ensure that an entity provides relevant information that faithfully represents those contracts. The model of IFRS 17 combines measurement of the present insurance contract liabilities with recognition of the profit over the period that services are provided. ROVI will apply this Standard when it enters into force, although the impact is not expected to be significant.

- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”. This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or revenue (or the applicable portion thereof) when derecognizing a non-monetary asset or non-monetary liability arising from payment or receipt of advance consideration in foreign currency. ROVI will apply this Interpretation when it enters into force. The impact will depend on the transaction value.

- IFRIC 23 “Uncertainty over Income Tax Treatments”. This Interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 “Income Taxes” when there is uncertainty over income tax treatments. Under these circumstances, a company will recognize and measure its deferred or current tax assets or liabilities applying the requirements of IAS 12 on the basis of the taxable profit (tax loss), tax bses, unused tax losses, unused tax credits and tax rates determined by applying this Interpretation when it enters into force. The impact is not expected to be significant.

- IAS 28 (Amendment), “Long-term Interests in Associates and Joint Ventures ”. This amendment clarifies that an entity will apply the requirements of IFRS 9 to long-term interests before the allocation of losses and impairment in IAS 28. When applying IFRS 9, the entity will not take any adjustments to the carrying amount of long-term interests as a consequence of the application of IAS 28 into account. ROVI will apply this Interpretation when it enters into force. The impact is not expected to be significant.

- Annual Improvements to IFRS 2015–2017 Cycle. The amendments affect IAS 12, IAS 23 and IAS 28. The main amendments that may apply to the Group refer to:
    - IAS 12, "Income Taxes”. Clarification of the income tax consequences of payments on financial instruments classified as equity.
    - IAS 23, “Borrowing Costs”. The basic principle of this improvement is that borrowing costs directly attributable to the acquisition, construction or production of qualifying assets form part of the cost of said assets. Other borrowing costs are recognized as an expense.
    - IAS 28, “Investments in Associates and Joint Ventures”. This states that an entity will also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied.

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 is used 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 fair value at the acquisition date. For each business combination, the Group may elect to recognize any non-controlling interest in the acquired entity at fair value or for the non-controlling entity's proportional part in the amounts recognized for the acquiree's identifiable net assets.

Acquisition-related costs are recognized 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 acquistion-date fair value. Any loss or gain arising from this remeasurement is recognized in profit and loss.

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

Appendix I 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 recognized at cost and are then adjusted to recognize the Group's share in post-acquisition profits and losses and other 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 recognize additional losses unless it has acquired obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized 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 recognized 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 income or expenses" 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 available for sale are analyzed considering the translation differences resulting from changes in the amortized cost of the security and other changes in its carrying amount. Translation differences relating to variations in the amortized cost are recognized in proift and loss and the other changes in the carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit and loss, are recognized 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 available-for-sale financial assets, are included in other comprehensive income.

2.6. Property, plant and equipment

Items included in property plant and equipment are recognized 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 recognized 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 derecognized. 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 recognized 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 recognized in profit and loss.

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 amortization. The amortization 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. Amortizable 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 recognized 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 recognized as expenses when incurred. Development expenses directly attributable to designing and testing computer programmes that are identiable and unique and that may be controlled by the Group are recognized 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 capitalized 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 recognized as expenses when incurred. Expenditure on an intangible asset initially recognized in profit and loss will not subsequently be recognized as intangible assets.

Computer software has a useful life from 4 to 10 years.

(c) Research and development expenses

Research expenditure is recognized as an expense when incurred. Costs incurred in development projects (relating to the design and testing of new or improved products) are recognized 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 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.

The Group considers that, in the case of the development of pharmceutical 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 authorization 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 capitalized 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).

2.8. Borrowing costs

General and specific interest costs that are directly attributable to the acquistion, 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 are deducted from capitalizable 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 amortized and are tested annually for impairment. Amortizable assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 assets

(a) Classification of financial assets

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables 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. Loans and receivables 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.

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method, 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.

Significant financial difficulties of the debtor, the probability that the debtor will become insolvent or require financial reorganization and default or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced when the amount of the provision is used and the amount of the loss is recognized in the income statement within “other operating expenses”. When a trade receivable is unrecoverable, it is written off against the provision for trade receivables. Subsequent recoveries of amounts previously written off are credited against “other operating expenses”.

Available-for-sale financial assets

Available-for-sale financial assets 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 unless Management intends to dispose of the investment within 12 months of the end of the reporting period.

Purchases and sales of investments are recognized on the trade date, i.e. the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Investments are derecognized 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 available-for-sale equity instruments are recognized in the income statement 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 the end of each reporting period, 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 available for sale, 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 available-for-sale financial assets, 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 recognized in profit or loss– is removed from equity and recognized in profit and loss. Impairment losses on equity instruments recognized in profit and loss are not reversed through profit and loss.

b) Derecogntion of financial assets

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

Financial assets are derecognized in the accounts when the rights to receive cash flows related to them have expired or been transferred and the Company has substantially transferred the risks and rewards of ownership. Likewise, if the Group retains the contractual rights to receive the cash flows from the financial assets, these financial assets are derecognized 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 Company during the settlement period, running from the date on which the cash flows are received and the remiitance date agreed with the final recipients, provided that any interest accrued is attributed to the final recipients.

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

2.11. Inventories

Inventories are measured at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.12. 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.

2.13. 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.

2.14. Government grants

Grants from the government are recognized 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 recognized when these advances are granted to the Group.

Government grants relating to costs are deferred and recognized 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 subsidized interest rate are recognized at fair value at the time they are received, subsequently being recognized at amortized 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 credited to the income statement on a straight-line basis over the useful life of the assets which have been funded with said loans.

2.15. 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 recognized at fair value and subsequently measured at amortized cost using the effective interest rate method.

2.16. Financial debt

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

Financial debt is 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 recognized 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 capitalized as an advance payment for liquidity services and amortized over the period for which the credit is available.

2.17. Current and deferred taxes

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

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

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 liabiities for their net amount.

2.18. Employee benefits

(a) Pension obligations

The Group holds a 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. The Group 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, contractual or voluntary basis. Once the contributions have been paid, the Group holds no further payment obligations. The contributions are recognized as employee benefits when accrued. Benefits paid in advance are recognized 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 recognizes 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 recognizes 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 plans

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

2.19. Provisions

The Group recognizes provision liabilities when:

- The Group 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 recognized 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 recognized as interest expense.

2.20 Revenue recognition

Ordinary revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Ordinary revenue is shown, net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount thereof can be measured reliably, it is probable that future economic benefits will flow to the Group and the specific requirements for each one of the Group's activities are fulfilled, as described below.

(a) Sales of goods

The Group manufactures and sells pharmaceutical products for which it holds a manufacturing and sales licence in the wholesale market and also to retailers. It likewise acquires and sells pharmaceutical products from other entities.

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

The products are sold with volume discounts and customers are entitled to return damaged products. Sales are recognized at the price fixed in the sale contract, net of volume discounts and returns estimated at the date of sale. Volume discounts are measured based on forecast annual purchases. Returns are not significant and they are estimated based on the Group's historical experience. Sales are carried out with short-term collection periods. The Group's practice is generally to claim late-payment interest, calculated based on the actual collection period, from government entities from which receivables are not collected in the short term.

(b) Sales of services

The Group has service contracts consisting of the completion of the production process of pharmaceutical products of other entities. The raw materials and products used are received without costs from the entities receiving the services. The revenues are recognized on the date on which the services are provided, which is the same date as the products are consigned to the aforementioned entities.

(c) Interest income

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

(d) Dividend income

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

(e) Other revenue: granting of exclusive distribution licences

The revenue received from the granting of exclusive distribution licences for Group products to other companies is recognized on an accrual basis in accordance with the substance of the pertinent contracts.

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

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

2.21. 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.

2.22. Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's Consolidated Annual Accounts in the period in which the dividends are approved by the Company's shareholders.

2.23. Health Tax

As the result of the 2005 General State Budget Act (Law 2/2004 of 27 December), Additional Provision 48, a health tax, levied by 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 for the estimated amount accrued but unpaid and the possible adjustment of the tax to the actual sales for the period.

During 2010, the Spanish government approved a reduction of the pharmaceutical expenditure of 2,800 million euros through the introduction of two packages of pricing legislation. The first one was approved in March 2010 and was focused on generic products. With regard to these products, which are those out of patent, the reduction was 25% on average applied to the selling price to laboratories. The second package, which was approved in May 2010 and applied from June 2010, was addressed to pharmaceutical products under patent. A discount of 7.5% is applied to the selling price to the public for these products. The Group has recognized the amounts relating to these measures as a decrease in sales.

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 program focuses on the unpredictability of the financial markets and seeks to minimize 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, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Audit Committee analyses written principles for global risk management, as well as written 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 very 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) sometimes, transactions for significant amounts in currencies other than the euro are hedged by exchange rate insurance contracts.

At 31 December, 2017, there were assets of 93 thousand euros. If the exchange rate at the reporting date had been 10% higher or lower, these assets denominated in pounds sterling would have decreased or increased by 10 thousand euros and 11 thousand euros, respectively.

At 31 December, 2017, there were financial liabilities of 307 thousand pounds sterling on the statement of financial position. If the exchange rate had been 10% higher or lower, these liabilities would have decreased or increased by 31 thousand euros or 38 thousand euros, respectively, with the resulting effect on profit and loss.

At 31 December, 2016 there were no financial assets or liabilities in any currency other than the euro.

(ii) Price risk

The Group is exposed to price risk for equity securities because of investments held by the Group and classified as available for sale on the consolidated statement of financial position. To manage its price risk arising from investments in equity securities, the 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, 2017 and 2016, a change in the listed rice 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 2017, with all other variables remaining constant, the gain/loss after taxes for the year would have decreased or increased by 33 thousand euros, respectively, owing to the difference in interest expense on loans at variable rates (49 thousand euros at 31 December, 2016).

(b) Credit risk

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

The banks and financial institutions with which the 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, 2017, the greatest investment in financial assets, including cash and cash equivalent and apart from trade receivables, was related to Banco Santander, 19,782 thousand euros (17,891 thousand euros at 31 December, 2016 with BBVA). A significant proportion of trade and other receivables relates to accounts receivable from government entities, on which, in view of their nature, with the information currently available, Management considers that there is no credit risk (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. At 31 December, 2017, the Group held a financing agreement with the European Investment Bank, which it can draw down over the next two years for a total amount of 45 million euros. At the 2017 reporting date, ROVI had not used this credit line.

In 2017 and 2016, the Company signed two non-recourse factoring contracts, which led to an increase in the balance of cash and cash equivalents, while the receivables for which these contracts were requested were derecognized.

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, 2017	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Bank borrowing (Note 18)	13,328	17,784	-	-
Debt with government entities (Note 18)	2,986	4,091	4,006	2,794
Trade suppliers (Note 17)	42,129	-	-	-
Other payables (Note 17)	10,813	-	-	-
	69,256	21,875	4,006	2,794

At 31 December, 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank borrowing (Note 18)	10,140	11,004	-	-
Debt with government entities (Note 18)	2,975	5,016	4,613	2,009
Trade suppliers (Note 17)	50,221	-	-	-
Other payables (Note 17)	9,631	-	-	-
	72,967	16,020	4,613	2,009

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 large part of the Group's financial debt takes the form of reimbursable advances from government entities. There is no interest expense on these operations since they are subsidized.

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, 2017 and 2016 was as follows:

	2017	2016
Financial Debt (Note 18)	43,237	33,794
Less: Cash and cash equivalents (Note 14)	(40,700)	(41,378)
Less: Available-for-sale financial assets (Note 11)	(69)	(70)
Less: Deposits (Notes 9 & 13)	(1,374)	(1,359)
Net debt/(Cash)	**1,094**	**(9,013)**
Equity	191,687	183,406
Leverage index/gearing ratio	**0.57%**	**-4.91%**

In addition, the Group's net debt/cash at 31 December, 2017 and 2016 was as follows:

	2017	2016
Financial Debt (Note 18)	43,237	33,794
Less: Cash and cash equivalents (Note 14)	(40,700)	(41,378)
Less: Available-for-sale financial assets (Note 11)	(69)	(70)
Less: Deposits (Notes 9 & 13)	(1,374)	(1,359)
Net debt/(Cash)	**(1,094)**	**(9,013)**

3.3. Fair value estimate

Measurement of financial instruments at market price is classified into:

- Level 1. Quoted prices in 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 instruments recorded at fair value, the totality of which are classified as available for sale (Note 11), are classified at Level 1.

The fair value of financial instruments traded in active markets (such as available-for-sale 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 subsidized 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 recognized (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. Critical 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.

Recoverability of intangible assets

Under the caption "Trademarks and licences", assets with indefinite useful lives were recognized for an amount of 5,366 thousand euros at 31 December, 2017 and 2016. 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, has been obtained by projecting the forecast cash flows for the following five years.

Capitalization 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 authorization for the marketing of this biosimilar. Therefore, from that time until the effective comercialization in Europe of this biosimilar, all the expenses incurred in this project have been capitalized. 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 capitalization of the associated development expenses have not yet been met.

Deferred tax assets

The Group recognizes deferred tax assets and tax credits when they are likely to materialize in lower corporate income tax payments in the future.

In order to determine the maximum amount that can be recognized by the Group overall in relation to the future tax effect of these items, group Management considers only the estimated future results of subsidiaries whose track record clearly indicates future profits and for which sufficiently reliable estimates may be made.

Although the estimates were made using the best information available on the events analysed at 31 December, 2017, it is possible that future events will force them to change (upwards or downwards) over forthcoming reporting periods. This would be done prospectively applying IAS 8, recognizing the effects of the change in estimates in consolidated profit and loss.

4.2. Critical judgements in applying the accounting policies

Revenue recognition

The Group has recognized the total sales of goods marketed in 2017 and 2016 as revenue 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. The Group believes that, based on previous experience with similar sales, the level of returns will not be very meaningful and, therefore, considers ordinary revenue recognition criteria to be met. The Group has therefore recognized ordinary revenue for its sales together with the related provision against ordinary revenue for estimated returns. If the estimate changes by 1%, changes in revenue will be not significant.

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 activities or marketing activities, irrespective of the geographical area where it took place. Therefore, segment identification does not relate so much to geographical distribution of the business as to different types of activity.

Thus, the segment called "manufacturing" obtains its income from service contracts that relate to the finalization 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 has the principal activity of purchasing and subsequently selling pharmaceutical products.

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

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES
Notes to the Annual Consolidated Accounts for the annual period 2017
(Thousands of euros)

The segment information used by the Management Committee for 2017 was as follows:

	Manufacturing	Marketing	Other	TOTAL	Inter-segments transactions	Consolidated figures
Total segment revenues	122,199	242,102	-	**364,301**	(88,652)	**275,649**
EBITDA (*)	23,052	10,018	(123)	**32,947**	(2,459)	**30,488**
Amortization	(4,108)	(7,371)	-	**(11,479)**	-	**(11,479)**
EBIT (**)	18,944	2,647	(123)	**21,468**	(2,459)	**19,009**
Finance costs - net	(21)	8,602	(1)	**8,580**	(9,500)	**(920)**
Share of profit of JV	-	(567)	-	**(567)**	-	**(567)**
Corporate income tax	(7,224)	6,296	30	**(898)**	617	**(281)**
Profit / (loss)	**11,699**	**16,978**	**(94)**	**28,583**	**(11,342)**	**17,241**

The 2016 figures were as follows:

	Manufacturing	Marketing	Other	TOTAL	Inter-segments transactions	Consolidated figures
Total segment revenues	110,881	232,786	-	**343,667**	(78,501)	**265,166**
EBITDA (*)	15,505	25,439	(2)	**40,942**	(1,619)	**39,323**
Amortization	(3,934)	(7,089)	-	**(11,023)**	-	**(11,023)**
EBIT (**)	11,571	18,350	(2)	**29,919**	(1,619)	**28,300**
Finance costs - net	(33)	14,242	-	**14,209**	(14,698)	**(489)**
Share of profit of JV	-	71	-	**71**	-	**71**
Corporate income tax	(2,043)	(86)	1	**(2,128)**	335	**(1,793)**
Profit / (loss)	**9,495**	**32,577**	**(1)**	**42,071**	**(15,982)**	**26,089**

(*) EBITDA includes the operating profit for the year but not amortization and depreciation.
(**) EBIT relates to the operating profit for the year.

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

Each segment's sales to customers in 2017 were as follows:

	Manufacturing	Marketing	Other	TOTAL
Total segment revenues	122,199	242,102	-	364,301
Inter-segment revenues	(61,100)	(27,552)	-	(88,652)
Revenues from external customers	61,099	214,550	-	275,649

Each segment's sales to customers in 2016 were as follows:

	Manufacturing	Marketing	Other	TOTAL
Total segment revenues	110,881	232,786	-	343,667
Inter-segment revenues	(54,249)	(24,252)	-	(78,501)
Revenues from external customers	56,632	208,534	-	265,166

In 2017, a single customer accounted for 6% of the Group's sales (7% in 2016) and this amount came principally from the manufacturing segment.

At 31 December, 2017, the breakdown of assets and liabilities by segment was as follows:

	Manufacturing	Marketing	Other	TOTAL
Total assets	**131,079**	**259,389**	**587**	**391,055**
Of which:	-	-	-	-
Investments in Group companies	-	8,904	-	8,904
Increases in non-current non-financial assets	8,406	11,538	-	19,944
Total liabilities	**(80,198)**	**(106,385)**	**(5,000)**	**(186,588)**

The assets of the aggregated sectors at 31 December, 2017 can be reconciled with the total consolidated assets as follows:

	Manufacturing	Marketing	Other	Intercompany balances	Group investments	Consolidated figures
Total assets	131,079	259,389	587	(83,769)	(8,904)	298,382

At 31 December, 2016, the breakdown of assets and liabilities by segment was as follows:

	Manufacturing	Marketing	Other	TOTAL
Total assets	**159,024**	**280,998**	**691**	**440,713**
Of which:				
Investments in Group companies	-	8,899	-	8,899
Increases in non-current non-financial assets	7,562	10,514	-	18,076
Total liabilities	**(110,226)**	**(136,144)**	**-**	**(246,370)**

The assets of the aggregated sectors at 31 December, 2016 can be reconciled with the total consolidated assets as follows:

	Manufacturing	Marketing	Other	Intercompany balances	Group investments	Consolidated figures
Total assets	159,024	280,998	691	(143,966)	(8,899)	287,848

The following tables show the Group's ordinary revenue and total assets by geographical area:

Net revenue	**2017**	**2016**
Spain	195,797	188,803
European Union	65,851	62,924
OECD countries	8,397	5,845
Others countries	5,604	7,594
	275,649	**265,166**

Total assets	**2017**	**2016**
Spain	292,809	283,537
Portugal	3,266	3,111
Germany	2,016	1,200
Italy	84	-
France	87	-
UK	120	-
	298,382	**287,848**

Virtually all the investment in property, plant and equipment and intangible assets in 2017 and 2016 was made in Spain.

6. Property, plant and equipment

The breakdown of the movement on the different categories of property, plant and equipment is shown below:

	Land and buildings	**Technical facilities, machinery and tools**	**Furniture, fittings and other**	**IT equipment and vehicles**	**Total**
Balances at 01.01.16					
Cost or valuation	34,292	145,397	2,983	12,552	195,224
Accumulated amortization	(17,442)	(83,924)	(2,240)	(9,815)	(113,421)
Net carrying amount 01.01.16	**16,850**	**61,473**	**743**	**2,737**	**81,803**
Additions	-	8,930	15	735	9,680
Retirements	-	(56)	-	(69)	(125)
Eliminations from amortization	-	28	-	54	82
Amortization charge	(229)	(6,980)	(102)	(1,307)	(8,618)
Balances at 31.12.16					
Cost or valuation	34,292	154,271	2,998	13,218	204,779
Accumulated amortization	(17,671)	(90,876)	(2,342)	(11,068)	(121,957)
Net carrying amount 31.12.16	**16,621**	**63,395**	**656**	**2,150**	**82,822**
Additions	4	14,187	238	503	14,932
Retirements	-	(48)	-	-	(48)
Eliminations from amortization	-	23	-	-	23
Amortization charge	(229)	(7,325)	(100)	(1,019)	(8,673)
Balances at 31.12.17					
Cost or valuation	34,296	168,410	3,236	13,721	219,663
Accumulated amortization	(17,900)	(98,178)	(2,442)	(12,087)	(130,607)
Net carrying amount 31.12.17	**16,396**	**70,232**	**794**	**1,634**	**89,056**

A majority of the additions recognized in 2017 and 2016 related to investments in ROVI's manufacturing plants, principally:

- 2.9 million euros was invested in the injectables plant, in comparison with the 2.6 million euros invested in 2016;
- 1.6 million euros was invested in the Granada plant, in comparison with the 0.6 million euros invested in 2016;
- 3.8 million euros was invested in the plant in Alcalá de Henares (Frosst Ibérica), in comparison with the 2.6 million euros invested in 2016;
- 4.8 was invested in the San Sebastián de los Reyes plant in 2017, in comparison with the 3.2 million euros invested in 2016.

At 31 December, 2017, the Group held property, plant and equipment with a value of 720 thousand euros subject to retention of title (800 thousand euros at 31 December, 2016).

In 2017 and 2016, there was no impairment of property, plant and equipment.

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

7. Intangible assets

Movement on intangible assets was as follows:

	Develop-ment	Trademarks and licences	Computer software	Advance payments	Total
Balances at 01.01.16					
Cost or valuation	3,094	15,095	9,588	20	27,797
Accumulated amortization	(11)	(2,029)	(6,876)	-	(8,916)
Net carrying amount 01.01.16	**3,083**	**13,066**	**2,712**	**20**	**18,881**
Additions	1,157	6,765	474	-	8,396
Transfers (net of amortization)	-	20	-	(20)	-
Amortization charge	-	(1,268)	(1,137)	-	(2,405)
Balances at 31.12.16					
Cost or valuation	4,251	21,880	10,062	-	36,193
Accumulated amortization	(11)	(3,297)	(8,013)	-	(11,321)
Net carrying amount 31.12.16	**4,240**	**18,583**	**2,049**	**-**	**24,872**
Additions	2,429	40	486	-	2,955
Additions internally generated	2,057	-	-	-	2,057
Amortization charge	(297)	(1,568)	(941)	-	(2,806)
Balances at 31.12.17					
Cost or valuation	8,737	21,920	10,548	-	41,205
Accumulated amortization	(308)	(4,865)	(8,954)	-	(14,127)
Net carrying amount 31.12.17	**8,429**	**17,055**	**1,594**	**-**	**27,078**

Under the caption “Trademarks and licences”, assets with indefinite useful lives were recognized for an amount of 5,366 thousand euros at 31 December, 2017 and 2016. 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, has been obtained by projecting the forecast cash flows for the following five years. In the cash flow projections, a discount rate of 0.4% has been applied and, for each year, the margins forecast on the basis of the characterstics of the manufacturing of the product in said year have been used.

At 31 December, 2017 and 2016, the assets included under the “Development” caption correspond to assets related to the development of a low-molecular-weight heparin, biosimilar to enoxaparin, sales of which commenced in 2017. Amortization of this asset commenced during the first quarter of 2017, with the favourable result of the decentralized process used by the Group to apply for marketing authorization in twenty-six European Union countries. The useful life of this asset is 20 years, and no indications of impairment were noted in 2017 or 2016.

In 2016, additions were recognized under the caption “Trademarks and licences” relating mainly to the acquisition of the rights to market Neparvis® in Spain. This drug is used to treat chronic heart failure in adults.

In 2017 and 2016, there was no impairment of intangible assets.

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 2017 were 28,251 thousand euros (17,481 thousand euros in 2016) and were mainly concentrated in the Glycomics and ISM® platforms, the latter of which is a drug release system, belonging to ROVI, the objective of which is to improve patient treament adherence. Of the total research and development expenses incurred in 2017, 7,218 thousand euros was recognized under the “Employee expenses” (Note 23) heading (6,090 thousand euros at 31 December, 2016) and 21,033 thousand euros under “Other operating expenses” (Note 24) (11,391 thousand euros in 2016).

8. Financial instruments by category

Financial assets

At 31 December, 2017, the Group held trade receivables amounting to 42,830 thousand euros (46,850 thousand euros at 31 December, 2016) (Note 13), other receivables amounting to 153 thousand euros (580 thousand euros at 31 December, 2016) (Note 13), and other deposits amounting to 1,374 thousand euros (1,359 thousand euros at 31 December, 2016) (Note 13), which the Group classifies as loans and receivables for recognition and measurement purposes (Note 2.10.a).

At 31 December, 2017, the Group held cash amounting to 40,700 thousand euros (41,378 thousand euros at 31 December, 2016) (Note 14), which it classifies as cash and cash equivalents for recognition and measurement purposes (Note 2.12).

At 31 December, 2017, the Group held financial assets of 69 thousand euros (70 thousand euros at 31 December, 2016) (Note 11), which it classifies as available-for-sale financial instruments for recognition and measurement purposes (Note 2.10.b).

Financial liabilities

At 31 December, 2017 and 2016, all the loans included in financial debt (Note 18), as well as trade and other payables (Note 17), were recognized as financial liabilties held at amortized cost and there were no financial liabilities held at fair value through profit and loss.

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 organizations 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**	**2017**	**2016**
	A+	460	-
	A	185	734
	A-	18,390	-
	BBB+	14,685	33,884
	BBB	6,370	63
	BBB-	566	6,515
	BB+	-	108
	BB	4	4
	B-	-	10
	Caa2	6	-
	Sin rating	34	60
	Total cash (Note 14)	**40,700**	**41,378**

Financial receivables	**Rating**	**2017**	**2016**
	BBB+	-	139
	A-	65	-
	Sin rating	-	50
	Total financial receivables (Note 13)	**65**	**189**

Available-for-sale financial assets	**Rating**	**2017**	**2016**
	BBB+	10	11
	Sin rating	59	59
	Total available-for-sale assets (Note 11)	**69**	**70**

Trade receivables	**Rating**	**2017**	**2016**
	AA	3,140	1,973
	A2	-	3,430
	Public centres and institutions (Note 13)	5,663	6,045
	Other (wholesalers, pharmacies, hospitals)	34,027	35,402
	Total trade receivables (Note 13)	**42,830**	**46,850**

Other deposits	**Rating**	**2017**	**2016**
	BBB+	-	1,327
	A-	1,327	-
	Sin rating	47	32
	Total other deposits (Note 13)	**1,374**	**1,359**

10. Interests in joint ventures

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

	2017	2016
Balance at beginning of period	**2,571**	**-**
Additions (b)	50	2,500
Share in profits	(567)	71
Balance at end of period	**2,054**	**2,571**

The nature of investment in joint ventures at 31 December, 2017 was as follows:

Name	Country of incorporation	% interest	Nature of relationship	Measurement method
Alentia Biotech, S.L.	Spain	50%	a)	Equity
Enervit Nutrition, S.L.	Spain	51%	b)	Equity

a) Alentia Biotech, S.L.

In 2010, the company Alentia Biotech, S.L. (Alentia) was created, 100% held by ROVI. In February 2012, the effective sale of 50% of the shares in Alentia Biotech, S.L. by Laboratorios Farmacéuticos Rovi, S.A. to Grupo Ferrer Internacional, S.A. took place and Alentia became a joint venture held by these two companies at 50% each.

b) Enervit Nutrition, S.L.

In the first half of 2016, ROVI contributed assets consisting of the distribution rights of the *EnerZona* rights 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 the agreements described below, ROVI lost control of its subsidiary Enervit Nutrition, S.L, which, instead of being 100%-owned by ROVI, became a joint venture under joint control with Enervit, S.p.A. The agreements were signed on 16 March, 2016 and under them:

- ROVI contributed its subsidiary Enervit Nutrition, S.L., the EnerZona distribution agreement and the know-how related to the promotion, distribution and sale of these products (hereinafter, “the assets contributed”). For this purpose, Enervit Nutrition, S.L. increased its capital by 3,997 thousand euros, subscribed and paid up by ROVI through the non-monetary contribution of the aforementioned assets. Until that time, ROVI had been the owner of said assets, which had no carrying amounts in its statement of financial position, since no consideration was paid for them when they were acquired.
- Enervit Nutrition, S.L. carried out a further capital increase, which was subscribed and paid up by Enervit S.p.A. by a cash contribution of 1,000 thousand euros. At that time, the interest held by ROVI dropped to 80%.
- ROVI sold Enervit S.p.A. 29% of its shares in Enervit Nutrition, S.L, meaning that Enervit S.p.A. became the owner of 49% of the shares, while ROVI held 51%. The total selling price agreed was 1,450 thousand euros, 500 euros for each share sold.

- ROVI and Enervit S.p.A. signed a call option that could be exercised in June 2018, whereby ROVI guaranteed a call option on 1% of the shares in favour of Enervit Nutrition, S.L, for a value of 50 thousand euros.

After these transactions, ROVI los control of its subsidiary Enervit Nutrition, S.L. (hereinafter, the "JV"), which became a joint venture under the joint control of its two shareholders, ROVI y Enervit S.p.A, with the purpose of distributing the *EnerZona* products and other nutritional products contributed by Enervit S.p.A.

When recording this operation in the consolidated accounts, IFRS 10 "Consolidated Financial Statements" was applied, since, with the sale of the shares mentioned above, control of a subsidiary to which, previously but in the same act, ROVI had contributed the aforementioned assets, had been lost. The contribution of these assets did not, initially, have any effect on the consolidated financial statements. The difference between the derecognized assets and liabilities and those that were recognized was, applying IFRS 10, 3,997 thousand euros, which was recognized as revenue in the consolidated profit and loss.

Condensed financial information on joint ventures

The condensed financial information on Alentia Biotech, S.L. and Enervit Nutrition, S.L. as of 31 December, 2017 is as follows:

Condensed statement of financial position	**Alentia Biotech, S.L.**	**Enervit Nutrition, S.L.**
Current		
Cash and cash equivalents	104	703
Other current assets (excluding cash)	6	2,305
Total current assets	**110**	**3,008**
Financial liabilities (excluding trade payables)	-	(1,266)
Other current liabilities (including trade payables)	-	(1,427)
Total current liabilities	**-**	**(2,693)**
Non-current		
Intangible assets	-	3,685
Other financial assets	-	5
Deferred income tax assets	-	37
Total non-current assets	**-**	**3,727**
Financial liabilities	(2,200)	-
Other liabilities	-	(14)
Total non-current liabilities	**(2,200)**	**(14)**
NET ASSETS	**(2,090)**	**4,028**

Condensed statement of comprehensive income	Alentia Biotech, S.L.	Enervit Nutrition, S.L.
Revenue	-	8,347
Cost of sales	-	(5,786)
Employee benefit expenses	-	(1,131)
Other operating expenses	(1)	(2,320)
Amortization	-	(208)
Operating profit	**(1)**	**(1,098)**
Financial costs-net	**1**	**(13)**
Profit / (loss) before tax	**-**	**(1,111)**
Corporte income tax	**-**	**-**
Profit / (loss) for the period	**-**	**(1,111)**
Other comprehensive income	**-**	**-**
TOTAL COMREHENSIVE INCOME	**-**	**(1,111)**
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, 2017:

Condensed financial information	Alentia Biotech, S.L.	Enervit Nutrition, S.L.
Net assets of joint ventures at the beginning of year	**(2,090)**	**5,139**
Profit / (loss) of joint ventures	-	(1,111)
Net assets of joint ventures at the end of year	**(2,090)**	**4,028**
Share of the profit of joint ventures	**-**	2,054
Carrying amount	**-**	**2,054**

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 liabilites in relation to its joint ventures.

11. Available-for-sale financial assets

	2017	2016
Beginning of period	**70**	**70**
Net gains / (losses) recorded in equity	(1)	-
End of period	**69**	**70**
Less: non-current portion	69	70
Current portion	-	-

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

	2017	2016
Non-listed securities:		
– Variable-income securities (equity securities)	59	59
	59	59

	2017	2016
Listed securities:		
– Investment funds and equity securities	10	11
	10	11

12. Inventories

	2017	2016
Raw materials & other consumables	22,117	19,759
Work in progress & semi-finished goods	25,404	15,722
Finished goods produced internally	11,645	12,454
Marketing products	21,429	26,205
Impairment	(5,103)	(6,754)
	75,492	67,386

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.

The change in inventories of raw materials, other consumables and marketing products represented an expense of 2,418 thousand euros in 2017 (income of 5,037 thousand euros in 2016), while the change relating to work in progress, semi-finished goods and finished goods represented income of 8,873 thousand euros in 2017 (an expense of 196 thousand euros in 2016).

13. Trade and other receivables

The breakdown of trade and other receivables is as follows:

	2017	2016
Trade receivables	42,830	46,850
Less: provision for impairment of receivables	(1,837)	(1,623)
Trade receivables – Net (13.a)	40,993	45,227
Other receivables	153	580
Receivables from related parties (Note 31)	202	178
Deposits (13.b)	1,374	1,359
Employee advances	271	285
Public authorities (13.c)	6,819	6,402
Total	49,812	54,031
Less: Non-current portion: Financial receivables	65	189
Current portion	49,747	53,842

13.a) Trade receivables

As is mentioned in Note 4.2, Management considers that the fair value of trade and other receivables does not differ significantly from their recognized 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.

In December 2016, the Group signed a non-recourse factoring agreement with BBVA, whereby ROVI received the amount of matured items due from customers other than the public authorities (Social Security Authorities and government entities) for a total of 6,337 thousand euros.

In December 2017, the Group signed a non-recourse factoring agreement with Banco Santander, whereby ROVI received the amount of matured items due from customers other than the public authorities (Social Security Authorities or other government entities) for a total of 6,031 thousand euros.

At 31 December, 2017, the balance receivable from the Social Security Authorities and other government entities was 5,663 thousand euros (6,045 thousand euros at 31 December, 2016), geographically distributed as follows:

	Rating 2017	**Saldo 2017**	**Rating 2016**	**Saldo 2016**
Portugal	BBB-	1,720	BB+	1,174
Madrid	BBB+	848	BBB	1,566
Catalonia	B+	854	BB	649
Valencia	BB	496	BB-	576
Andalusia	BBB+	419	BBB-	640
Basque Country	A	247	A	282
Canary Islands	BBB+	174	BBB	353
Aragon	BBB-	160	BBB	72
Castilla la Mancha	BBB-	126	BBB-	95
Cantabria	BBB	144	BBB	86
Other	-	475	-	552
		5,663		**6,045**

At 31 December 2017, there were matured receivables amounting to 12,815 thousand euros (15,763 thousand euros at 31 December, 2016), although they had suffered no impairment. For both the 2017 and 2016 amounts, almost the entire debt aged over six months related to Social Security Authorities and government entities. The Group claims the late payment interest on these debts from the different government entities and Social Security Authorities.

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

	2017	**2016**
Up to 3 months	11,454	14,964
From 3 to 6 months	1,120	934
From 6 months to one year	357	321
Over one year	(116)	(456)
	12,815	15,763

The total of the matured debt due from government entities at 31 December, 2017 was 2,468 thousand euros, in comparison with the 2,105 thousand euros that was outstanding at 31 December, 2016 as a result of signature of the factoring agreement at the end of 2016. This amount was geographically distributed as follows:

	2017	2016
Spain	1,183	1,312
Portugal	1,285	793
	2,468	2,105

Matured receivables that had been impaired at 31 December, 2017 were 1,837 thousand euros (1,623 thousand euros a 31 December, 2016). Movement on the provision for impairment of trade receivables was as follows:

	2017	2016
Beginning of year	**1,623**	**1,313**
Provision	248	346
Application	(34)	(36)
End of year	**1,837**	**1,623**

The provision for impairment of receivables increased by 214 thousand euros in 2017 in comparison with 2016 (in 2016, the provision rose by 310 thousand euros).

The ageing of these accounts was as follows:

	2017	2016
From 6 to 9 months	410	72
More than 9 months	1,427	1,551
	1,837	1,623

13.b) Deposits

At 31 December, 2017, the deposits caption included fixed-term deposits amounting to 1,374 thousand euros (1,359 thousand euros at 31 December, 2016) bearing interest at a rate ranging from 2% to 3%. At 31 December, 2017, 1,327 thousand euros of these deposits was pledged to Banco Santander (1,327 thousand euros at 31 December, 2016).

13.c) Public authorities

Balances included in this caption at 31 December 2017 and 2016 relate to the following items:

	2017	2016
Value-added tax	5,522	4,819
Late payment interest receivable	326	518
Grants awarded but not received	971	1,065
	6,819	6,402

Maximum credit exposure at the date this information is presented is the value recognized for each one of the 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 2017 and 2016 reporting periods was as follows:

	2017	2016
Cash at bank and on hand	40,700	41,378
	40,700	41,378

The Group did not carry out any investment and/or financing transactions involving the use of cash or cash equivalents in 2017 or 2016.

15. Share capital

The number of shares, the face value of the shares and the total share capital for the years 2017 and 2016 were as follows:

	No. Shares	Face Value (euros)	Total Share Capital (Thousands)
Balance at 1 January, 2016	50,000,000	0.06	3,000
Balance at 31 December, 2016	50,000,000	0.06	3,000
Balance at 31 December, 2017	50,000,000	0.06	3,000

All issued shares are fully paid up.

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

Shareholder	% direct	% indirect	TOTAL
Norbel Inversiones, S.L.	69.640	-	69.640
JO Hambro Capital Management Limited	-	5.469	5.469
Indumenta Pueri, S.L.	5.000	-	5.000
Alantra Asset Management SGIIC, S.A.	-	5.020	5.020
T. Rowe Price Associates, INC	-	3.005	3.005

At 31 December, 2017 and 2016, the company Norbel Inversiones, S.L. held 69.64% of the shares of Laboratorios Farmacéuticos Rovi, S.A. Norbel Inversiones, S.L. is owned by Juan López-Belmonte López (20.00%) and Messrs Juan, Iván and Javier López Belmonte Encina (26.67% each). Therefore, Mr Juan López-Belmonte López held an interest of 13.93% in the share capital of ROVI at the end of the 2017 and 2016 reporting period, while Messrs Juan, Iván and Javier López-Belmonte Encina each held 18.57% at the end of both periods.

16. Other information on reserves

a) Legal reserve

The legal reserve, which totalled 600 thousand euros at 31 December 2017 and 2016, 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) Reserve for available-for-sale assets

The reserve for available-for-sale assets includes cumulative variations in the value of available-for-sale financial assets (Note 11) net of transfers to profit and loss due to impairment.

c) Retained earnings and voluntary reserves

During 2017, retained earnings were increased and/or reduced as follows:

- On 31 May, 2017, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for distribution of the profit for 2016 (29,932 thousand euros), allocating 9,150 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 125 thousand euros.

- The sale of treasury shares in 2017 led to a profit of 185 thousand euros, which was recognized in the retained earnings account (Note 16.d).

During 2016, retained earnings were increased and/or reduced as follows:

- On 31 May, 2016, the General Meeting of Shareholders of Laboratorios Rovi, S.A. resolved to approve the proposal for distribution of the profit for 2015 (17,509 thousand euros), allocating 6,950 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 97 thousand euros.

- The sale of treasury shares in 2016 led to a profit of 48 thousand euros, which was recognized in the retained earnings account (Note 16.d).

Retained earnings at 31 December 2017 and 2016 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 2017 and 2016 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 research and development expense balances that have not yet been amortized may not be distributed (Note 7).

d) Treasury shares

In the course of 2017, the Group acquired a total of 35,421 of its own shares (74,313 in 2016), paying the sum of 532 thousand euros for them (987 thousand euros in 2016). Likewise, it resold a total of 67,784 of its own shares (32,903 in 2016) for a sum of 1,011 thousand euros (446 thousand euros in 2016). These shares had been acquired at a weighted average cost of 826 thousand euros (398 thousand euros in 2016), giving rise to a profit of 185 thousand euros on the sale (48 thousand euros in 2016), which was taken to reserves. At 31 December, 2017, the Group held 685,183 treasury shares (717,546) at 31 December, 2016).

The Company is entitled to reissue these shares at a later date.

e) Dividends

On 31 May, 2017, the General Meeting of Shareholders approved the distribution of the 2016 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 9,150 thousand euros (0.1830 euros gross per share). This dividend was paid out in July 2017.

On 31 May, 2016, the General Meeting of Shareholders approved the distribution of the 2015 profit, which included a dividend to be distributed to shareholders for a maximum total amount of 6,950 thousand euros (0.1390 euros gross per share). This dividend was paid out in July 2016.

f) Application of profit

The proposed application of the profit for the period 2017 and other reserves of the parent company, determined on the basis of generally-accepted accounting principles in Spain, that will be submitted to the General Meeting of Shareholders, together with the application approved for 2016 based on the profit of the parent company, is as follows:

	2017	2016
Basis of application		
Profit for the year	18,673	29,932
Application		
Dividend	6,035	9,150
Retained earnings	12,638	20,782
	18,673	**29,932**

17. Trade and other payables

	2017	2016
Trade payables	42,129	50,221
Payables to related parties (Note 31)	1,935	1,222
Outstanding remuneration	4,434	4,752
Public authorities	4,315	3,642
Other payables	129	15
	52,942	59,852

Delay in payments to suppliers

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

	2017	2016
	Days	Days
Average payment period to suppliers	57	58
Ratio of transactions paid	61	63
Ratio of transactions outstanding	33	31

	2017	2016
Total payments made (thousands of euros)	127,441	102,231
Total payments outstanding (thousands of euros)	18,915	18,807

18. Financial debt

Non-current	2017	2016
Bank borrowings	17,716	10,940
Debt with government entities	9,313	9,888
	27,029	20,828
Current		
Bank borrowings	13,222	9,991
Debt with government entities	2,986	2,975
	16,208	12,966
	43,237	**33,794**

a) Bank borrowings

Bank borrowings at 31 December, 2017 consisted of the following bank loans:

	a.1)	a.2)	a.3)	a.4)	a.5)	TOTAL
Entity	**BBVA**	**BBVA**	**Bankinter**	**Santander**	**Santander**	
Face value	**20,000**	**10,000**	**10,000**	**4,000**	**6,000**	
Interest rate	**0,65% Fixed**	**0,90% Fixed**	**1,00% Fixed**	**0,90% Fixed**	**Eur12+0,70%**	
2018	5,244	2,521	2,939	1,008	1,510	13,222
2019	12,642	1,481	-	592	887	15,602
2020	2,114	-	-	-	-	2,114
	20,000	4,002	2,939	1,600	2,397	30,938
Non-current	14,756	1,481	-	592	887	17,716
Current	5,244	2,521	2,939	1,008	1,510	13,222

At 31 December, 2016, the bank loan maturities were as follows:

	a.2)	a.3)	a.4)	a.4)	TOTAL
Entity	**BBVA**	**Bankinter**	**Santander**	**Santander**	
Face value	**10,000**	**10,000**	**4,000**	**6,000**	
Interest rate	**0,90% Fixed**	**1,00% Fixed**	**0,90% Fixed**	**Eur12+0,70%**	
2017	2,498	4,995	999	1,499	9,991
2018	2,521	2,940	1,008	1,511	7,980
2019	1,481	-	592	887	2,960
	6,500	7,935	2,599	3,897	20,931
Non-current	4,002	2,940	1,600	2,398	10,940
Current	2,498	4,995	999	1,499	9,991

a.1) Loan of 20,000 thousand euros granted by BBVA in the first half of 2017. The repayment term of this loan is 3 years, with a grace period of 17 months and a fixed interest rate of 0.65%.

a.2) Loan of 10,000 thousand euros obtained from BBVA in July 2015, with a fixed annual interest rate of 0.90% and a 4-year repayment period. Part of this amount, 6,000 thousand euros, was used to cancel the loan of the same amount signed with BBVA in July 2014, repayment of which had not commenced at the time of cancellation.

a.3) In July 2015, the Group signed the novation of the loan contract for 8,000 thousand euros signed with Bankinter in 2014. Under the new agreement, the capital provided rose to 10,000 thousand euros and the fixed annual interest rate dropped from 2.15% to 1.00%. The repayment period is 36 months, 12 of which are a grace period.

a.4) Loan signed in July 2014 with Banco Santander for 6,000 thousand euros, which came from European Investment Bank (EIB) funds. In 2015, a novation of this loan was signed and the spread applied to Euribor at 12 months, to which the loan is indexed, dropped from 1.50% to 0.70%. The repayment period is 48 months.

a.5) In 2015, a loan of 4,000 thousand euros was signed with Banco Santander with a fixed annual interest rate of 0.90% and a repayment period of 4 years.

In 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 may 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. At 31 December, 2017, ROVI had not yet made use of this credit line. This credit will be subject to compliance with certain financial ratios which, at the date of formulation of these annual accounts, had not yet been certified.

b) Debt with government entities

b.2) 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, 2017 amounted to 9,313 thousand euros (9,888 thousand euros at 31 December, 2016). The transactions do not accrue interest and have been recognized 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%.

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES
Notes to the Annual Consolidated Accounts for the annual period 2017
(Thousands of euros)

b.2.1) Advances received in 2017:

			Thousands of euros		Years	
Company	**Government entity**	**Project**	**Face value**	**Initial fair value**	**Repayment period**	**Grace period**
Lab. Farm. Rovi	Technical Corporation of Andalusia	(1)	229	188	10	4
Lab. Farm. Rovi	Technical Corporation of Andalusia	(1)	77	64	10	4
Lab. Farm. Rovi	Technical Corporation of Andalusia	(1)	28	23	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	140	118	7	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	1,575	1,314	8	4
Lab. Farm. Rovi	Technical Corporation of Andalusia	(1)	84	69	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	160	133	7	4
Lab. Farm. Rovi	Torres Quevedo Programme	(2)	57	50	3	3
			2,350	1,959		

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

(2) Funds the recruitment of qualified personnel for R&D&I activities.

b.2.2) Advances received in 2016:

In 2016, the different Group companies received various reimbursable advances from different entities, details of which are given below:

			Thousands of euros		Years	
Company	**Government entity**	**Project**	**Face value**	**Initial fair value**	**Repayment period**	**Grace period**
Lab. Farm. Rovi	Technical Corporation of Andalusia	(1)	105	67	10	4
Lab. Farm. Rovi	Industrial Technological Development Centre	(1)	160	134	8	4
Lab. Farm. Rovi	Technical Corporation of Andalusia	(1)	174	144	10	4
Lab. Farm. Rovi	Technical Corporation of Andalusia	(1)	30	25	10	4
Lab. Farm. Rovi	Technical Corporation of Andalusia	(2)	152	122	10	4
Lab. Farm. Rovi	Technical Corporation of Andalusia	(2)	82	66	10	4
Lab. Farm. Rovi	Technical Corporation of Andalusia	(2)	94	79	10	4
			797	637		

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

(2) Funds the project to obtain new anticoagulants based on heparin derivatives.

At 31 December, 2017 and 2016, debt with government entities matured as follows:

Year	2017	2016
2017	-	2,975
2018	2,986	2,294
2019	1,474	1,710
2020	1,707	1,641
2021	1,419	1,182
2022	1,410	1,234
2023 onward	3,303	1,827
	12,299	12,863
Non-current	9,313	9,888
Current	2,986	2,975

Fair value of the financial debt

The carrying amounts and fair values of non-current bank borrowings and debt with government entities liabilities at 31 December, 2017 and 2016 were as follows:

	Carrying amount		Fair value	
	2017	2016	2017	2016
Bank borrowings	17,716	10,940	17,521	10,800
Debt with government entities	9,313	9,888	10,071	10,916
	27,029	20,828	27,592	21,716

The fair values of current financial debt are equal to their corresponding nominal amounts since the effect of discounting is not significant. The fair values are based on cash flows discounted at a rate of 2%, based on the borrowing rate (2% in 2016).

To calculate the fair value of fixed rate non-current bank borrowings at the reporting date, the interest rate on the sole variable-rate loan held by the Company was taken as a reference: Euribor at 12 months plus a 0.70% spread. This interest rate was established in the second half of 2015 as a result of the novation of an existing loan agreement.

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 when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority. A breakdown of the estimated periods for offsetting is as follows:

	2017	2016
Deferred tax assets:		
– Deferred tax assets to be recovered at more than 12 months	5,816	5,636
– Deferred tax assets to be recovered within 12 months	6,077	4,616
	11,893	10,252
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered at more than 12 months	1,206	1,230
– Deferred tax liabilities to be recovered within 12 months	232	410
	1,438	1,640

Net movement on the deferred tax account was as follows:

	Deferred tax assets	Deferred tax liabilities	Net deferred taxes
At 1 January, 2016	**8,871**	**(1,344)**	**7,527**
(Charged) / credited to the income statement	1,381	(296)	1,085
At 31 December, 2016	**10,252**	**(1,640)**	**8,612**
(Charged) / credited to the income statement (Note 27)	1,641	202	1,843
At 31 December, 2017	**11,893**	**(1,438)**	**10,455**

Movement on deferred tax assets was as follows:

	Negative tax bases	Tax credits not yet applied	30% amortiza. 13 & 14	Provisions	Other	Total
At 1 January, 2016	**4,566**	**2,788**	**1,368**	**149**	**-**	**8,871**
(Charged)/credited to the income st.	150	1,246	(117)	35	67	1,381
At 31 December, 2016	**4,716**	**4,034**	**1,251**	**184**	**67**	**10,252**
(Charged)/credited to the income st.	(2,319)	4,002	(117)	8	67	1,641
At 31 December, 2017	**2,397**	**8,036**	**1,134**	**192**	**134**	**11,893**

The amounts for deferred tax assets shown in the "30% amortization/depreciation 2013 & 2014" column relate to the tax effect of the 30% of the amortization/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.

Movement on deferred tax liabilities was as follows:

	Freedom of amorization	Other	Total
At 1 January, 2016	**1,336**	**8**	**1,344**
(Charged) / credited to the income statement	(340)	636	296
At 31 December, 2016	**996**	**644**	**1,640**
(Charged) / credited to the income statement	(200)	(2)	(202)
At 31 December, 2017	**796**	**642**	**1,438**

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

20. Deferred revenues

	2017	2016
Non-current		
Deferred revenues on distribution licenses	835	899
Deferred revenues on grants	4,170	4,633
	5,005	5,532
Current		
Deferred revenues on distribution licenses	79	169
Deferred revenues on grants	486	577
	565	746
	5,570	**6,278**

a) Deferred revenues on distribution licences

The caption "Deferred revenues on distribution licences" records amounts collected from the rights to market low-molecular-weight heparins in a number of countries. The Group defers the revenue over the terms of the contracts, which have a duration of between 10 and 15 years. In 2017, new deferred revenues on distribution contracts of 128 thousand euros were recognized in relation to new distribution contracts (505 thousand euros in 2016).

b) Deferred revenues on grants

The "Deferred revenues on grants" caption shows the amounts received for grants awarded by government entities and may be classified into two broad blocks:

	2017	2016
b.1) Deferred revenues on non-refundable capital grants	4,424	4,887
b.2) Deferred revenues on refundable capital grants	232	323
	4,656	5,210

b.1) Deferred revenues from non-reimbursable grants

These are taken to profit and loss in proportion to the provision made in the period for the assets whose purchase is subsidized. 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 recognized for this grant under the caption "Current and non-current deferred revenues on grants" at 31 December, 2017 was 2,924 thousand euros (3,129 thousand euros at 31 December, 2016).

b.2) Deferred revenues from reimbursable grants

These relate to grants with an implicit interest rate derived from recognizing reimbursable grants awarded at a zero interest rate at fair value (Note 18.b). The most significant mounts recognized 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.

21. Provisions for other liabilities and charges

	Returns	Health tax	Other	Total
At 1 January, 2016	**526**	**1,852**	**119**	**2,497**
Additions	665	2,093	120	2,878
Applications	(526)	(1,852)	(119)	(2,497)
At 31 December, 2016	**665**	**2,093**	**120**	**2,878**
Additions	699	2,690	119	3,508
Applications	(665)	(2,093)	(120)	(2,878)
At 31 December, 2017	**699**	**2,690**	**119**	**3,508**

Returns

The Group estimates a provision for product returns considering the average returns rate of recent years (Note 4.2).

Health tax

As stated in Note 2.23, the Group's policy has been to hold a provision for the amounts estimated to be paid as health tax, based on percentages fixed for each level of sales for the period.

The amounts recognized as provisions in the statement of financial position relate to the reporting-date best estimate of the payments necessary to calculate the currrent obligation, after considering the risks and uncertainties related to the provision and, when significant, the financial effect of discounting, provided that the payments that will be made in each period can be determined reliably. The discount rate is determined before tax, considering the time value of money and the specific risks that have not been taken into account in the future flows related to the provision at each reporting date.

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

22. Revenues

Revenues are broken down into the following items:

	2017	2016
Sales of goods	214,309	208,365
Sale of services	61,099	56,632
Revenue from distribution licenses	241	169
	275,649	265,166

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

	2017	2016
Pharmaceutical products	183,166	177,262
Contrast agents and other hospital products	28,541	27,906
Non prescription pharmaceutical products	1,800	2,003
Other	802	1,194
	214,309	208,365

The total amount of sales of goods was reduced by 14,679 thousand euros in 2017 (13,463 thousand euros in 2016) as a result of discounts to the National Health System (Note 2.23).

23. Employee benefit expenses

The summary of employee benefit expenses is as follows:

	2017	2016
Wages and salaries	52,293	49,586
Social security costs	11,673	10,855
Pension costs - defined-contribution pension plans	24	24
	63,990	60,465

Total employee benefit expenses at 31 December, 2017 included R&D-related expenses of 7,218 thousand euros (6,090 thousand euros at 31 December, 2016 (Note 7).

The wages and salaries figure includes severance payments of 1,265 thousand euros in 2017 and 1,098 thousand euros in 2016.

The average number of employees was as follows:

	2017	2016
Management	34	28
Administration	179	180
Sales force	288	288
Production and plant	491	466
R&D	185	164
	1,177	1,126

At 31 December, 2017, the Group's total headcount was 1,191 employees (1,150 at 31 December, 2016), 664 of whom were women (636 at 31 December, 2016). There were 10 women in management positions in 2017 (7 in 2016).

At 31 December, 2017, the Group's total headcount included 15 people with a disability rating of 33% or more (15 at 31 December, 2016).

24. Operating expenses

	2017	2016
Advertising costs	17,468	16,488
Services from third parties	5,926	5,801
Supplies	9,890	8,412
Transport and wharehouse expenses	2,488	2,540
Repairs and maintenance	3,612	3,327
Operating leases	3,137	3,186
Other taxes	1,021	781
Other operating expenses	31,267	18,381
	74,809	58,916

Total operating expenses at 31 December, 2017 included R&D-related expenses of 21,033 thousand euros (11,391 thousand euros at 31 December, 2016 (Note 7).

25. Operating leases

The minimum future payments to be made for uncancellable operating leases at 31 December, 2017 amounted to 1,629 thousand euros (967 thousand euros at 31 December, 2016), 1,050 thousand euros of which related to payments due at less than one year (967 thousand euros at less than one year at 31 December, 2016).

The operating lease expense recognized in profit and loss in 2017 was 3,137 thousand euros (3,186 thousand euros in 2016).

26. Finance income/(costs)

	2017	2016
Interest income	93	426
Total finance income	93	426
Interest costs	(909)	(886)
Other interest costs	(104)	(29)
Total finance costs	(1,013)	(915)
Net finance income/(cost)	**(920)**	**(489)**

27. Income tax

	2017	2016
Current tax	(2,151)	(2,868)
Deferred tax (Note 19)	1,843	1,085
Adjustment corporate income tax prior years	27	(10)
	(281)	(1,793)

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:

	2017	2016
Profit before income tax	17,522	27,882
Tax calculated at domestic tax rate of 25%	(4,381)	(6,970)
Share of profit of joint venture	(142)	18
Tax deductible expenses not included in the consolidation	134	134
Use of negative taxable income	377	407
Variation of negative taxable income capitalized (Note 19)	(2,319)	150
Capitalization of tax credits	4,002	1,246
Adjustment corporate income tax prior years	27	(10)
Non-tax deductible expenses	(683)	(145)
Non-taxable income	6	2
R&D tax credits applied	2,424	3,121
Other tax credits applied	274	254
Income tax expense	(281)	(1,793)

The non-deductible expenses and non-taxable income captions include principally the permanent differences of the companies at individual level, as well as the effect of the adjustment of corporate income tax from previous periods.

Consolidated current corporate income tax for 2017, after deduction of the amounts paid on account and withholdings operated in the period, generated a current tax receivable of 2,228 thousand euros (2,726 thousand euros at 31 December, 2016, to which the 1,740 thousand euros for the 2015 period that remained outstanding at 31 December, 2016 must be added).

The Group generated tax credits of 5,371 thousand euros in 2017 (3,605 thousand euros in 2016) and likewise was entitled to offset tax credits of 6,170 thousand euros from previous years (3,929 thousand euros at 31 December, 2016). In 2017, tax credits of 2,698 thousand euros were applied (3,375 thousand euros in 2016) and there were further R&D tax credits of 8,843 thousand euros that were pending application in future years (4,159 thousand euros at 31 December, 2016). Of the total tax credits not yet offset, 8,036 thousand euros were recognized in the Group's assets at 31 December, 2017 (4,034 thousand euros at 31 December, 2016) (Note19) and are expected to be recovered within a maximum term of 4 years.

In 2017 and 2016, 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 Contract Manufacturing, S.L.
- Bemipharma Manufacturing, S.L.
- Pan Química Farmacéutica, S.A.
- Gineladius, S.L.
- Frosst Ibérica, S.A.

Of the total negative tax bases that had not been offset at the end of the 2016 reporting period, the Group applied 1,620 thousand euros in the corporate income tax for 2016. Therefore, at 31 December, 2017, the negative tax bases pending application were 34.127 thousand euros, a total of 1,509 thousand euros of which will be applied in the 2017 corporate income tax.

Of the total negative tax bases pending application, the Group has only recognized as assets those that it expects to recover within a ten-year period, which totalled 9,589 thousand euros at 31 December, 2017 (18,263 thousand euros at 31 December, 2016).

The following periods' taxes are open to inspection:

	Year
Corporate income tax	2013-16
Value-added tax	2014-17
Transfer tax	2014-17
Personal income tax (withholdings)	2014-17

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

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 2017 and 2016, the weighted average number of shares was calculated without taking the treasury shares that existed at any given moment into account.

	2017	2016
Profit attributable to the Company's shareholders	17,241	26,089
Weighted average number of oustanding ordinary shares (thousands)	49,308	49,301
Basic and diluted earnings per share (euros per share)	0.35	0.53

At 31 December, 2017 and 2016, there were no shares with potential diluting effects.

29. Contingencies

At 31 December, 2017, the Group held bank guarantees amounting to 4,139 thousand euros (3,329 thousand euros in 2016). 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 finishing successfully the development of clinical trials of phase 1. 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 finishing successfully the development of clinical trials of phase 2. This payment was made in 2016;
- A payment of 300 thousand euros after successfully finishing the development of clinical trials of phase 3;
- A payment of 200 thousand euros at the beginning of the marketing of any pharmaceutical product;
- A payment of 200 thousand euros at the beginning of the marketing of any pharmaceutical product in any of the main markets (USA, Japan, Germany, France, Italy or UK).

b) 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 held 69.64% of the shares of the parent company at 31 December, 2017 and 2016. Norbel Inversiones, S.L. belongs to Mr Juan López-Belmonte López and Messrs Juan, Javier and Iván López-Belmonte Encina.

a) Sales of goods and services

	2017	2016
Goods sold and services rendered		
– Joint Ventures	173	-
	173	-

b) Purchases of goods and services

	2017	2016
Purchases of services		
– Joint Ventures	200	-
– Directors who are also shareholders	24	24
– Entities in which Mr. Juan López-Belmonte López holds an interest	1,627	1,626
	1,851	1,650

Purchase of services from companies in which Mr Juan López-Belmonte López holds an interest relates to operating lease payments to the companies Inversiones Borbollón, S.L. and Norba Inversiones, S.L.

The Services recognized on the “Joint ventures” line relate to product promotion services received.

c) Director and key management compensation

c.1) Director compensation

	2017	2016
Wages and salaries and other current benefits	1,640	1,639
Contributions to defined-contribution pension plans (Notes 23 & 33.1.c)	24	24
	1,664	1,663

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

c.2) *Key management compensation*

Members of the Management Committee are deemed to be key management. The following table shows the annual compensation of those who were members of the Management Committee but not of the Board of Directors at the end of each reporting period:

	2017	2016
Wages and salaries and other current benefits	1,668	1,812
	1,668	1,812

At 31 December, 2017, the Management Committee was formed by 14 members (11 at 31 December, 2016), three of whom were also members of the Board of Directors.

d) Dividends paid

Dividends paid to the company Norbel Inversiones, S.L. in 2017 were 6,372 thousand euros (4,840 thousands of euros in 2016).

e) 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. Interest accrued on this loan is 22 thousand euros p.a.

f) Balances at the end of the reporting period

	2017	2016
Receivables from related parties (Note 13):		
– Directors	45	45
– Entities in which Mr. Juan López-Belmonte López holds an interest	33	33
– Joint ventures (*)	124	100
	202	178
Payables to related parties (Note 17):		
– Key management	313	285
– Directors	1,147	562
– Joint ventures	120	80
– Entities in which Mr. Juan López-Belmonte López holds an interest	355	295
	1,935	1,222

(*) 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 net fees accrued by KPMG Auditores, S.L. for account auditing and other accounting reviews and verification in the year 2017 were 142 thousand euros and 38 thousand euros, respectively.

The accounting review and verification services include the work carried out on the review of the System for Internal Control over Financial Information (SCIIF), as well as the limited review of the six-month period ended 30 June, 2017.

In 2016, the audit firm was PricewaterhouseCoopers Auditores, S.L, whose fees were 204 thousand euros for account auditing services and 51 thousand euros for other accounting review and verification services. Additionally, in 2016, PricewaterhouseCoopers Auditores, S.L. provided advisory services in relation to the fullfillment of the Code of Ethics of Farmaindustria and obligations arising from the recent reform of the crime and company legislation for an amount of 127 thousand euros

Likewise in 2016, fees were accrued for services provided by Landwell PricewaterhouseCoopers Tax and Legal Services, S.L, including tax and legal consulting, for an amount of 329 thousand euros. Furthermore, PricewaterhouseCoopers Asesores de Negocios, S.L. provided technical advisory services related to licences and other consulting services for a total amount of 155 thousand euros in 2016.

33. Director compensation

At 31 December, 2017, the members of the Board of Directors were as follows:

Mr. Juan López-Belmonte López	Chairman
Mr. Iván López-Belmonte Encina	First Deputy Chairman
Mr. Javier López-Belmonte Encina	Second Deputy Chairman
Mr. Juan López-Belmonte Encina	Chief Executive Officer
Mr. Enrique Castellón Leal	Director
Mr. Miguel Corsini Freese	Director
Mr. Fernando de Almansa Moreno-Barreda	Director

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

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 2017:

1. An individual breakdown of the compensation 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 2017 and 2016 were as follows:

	2017	2016
Mr. Juan López-Belmonte López	150	150
Mr. Juan López-Belmonte Encina	60	60
Mr. Enrique Castellón Leal	60	60
Mr. Javier López-Belmonte Encina	60	60
Mr. Iván López-Belmonte Encina	60	60
Mr. Miguel Corsini Freese	60	60
Mr. Fernando de Almansa Moreno-Barreda	60	60
	510	510

   b. No director received compensation 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 2.18.a) or increases in the vested rights of the director in the case of contributions to defined-benefit plans:

	2017	2016
Mr. Juan López-Belmonte Encina	8	8
Mr. Javier López-Belmonte Encina	8	8
Mr. Iván López-Belmonte Encina	8	8
	24	24

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

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

   f. Compensation for the performance of senior management functions received by executive directors. The remuneration of this nature for 2017 and 2016 was as follows:

	2017		2016	
	Fixed	Variable	Fixed	Variable
Mr. Juan López-Belmonte Encina	303	153	300	153
Mr. Javier López-Belmonte Encina	221	115	218	114
Mr. Iván López-Belmonte Encina	223	115	229	115
	747	383	747	382

   g. In 2017 and 2016, no item of remuneration existed of any nature other than the above or paid by any group company, specifically including related-party transactions and any items the omission of which would distort the true and fair view of the total compensation received by the director.

2. Individual breakdown of any awards made to directors of shares, share options or any other instrument linked to share price, stating:

   a. The number of shares or options awarded in the year and the conditions applicable for exercising them;

   b. The number of options exercised during the year, indicating the number of shares involved and the exercise price;

   c. The number of options pending exercise at the year end, indicating price, date, and other exercise requirements;

   d. Any amendment during the year of the conditions for the exercising of options already awarded.

   In the periods 2017 and 2016, no shares, options or other instruments linked to the share value were given to directors.

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

	2017	2016
Compensation of executive directors	1,130	1,129
Profit attributed to the parent company	18,673	29,932
Compensation of executive directors/profit attributed to the parent company	6.05%	3.77%

The Company holds a liability insurance policy for directors and senior management. A premium of 12 thousand euros accrued for this policy in 2017.

b) Conflicts of interests 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 end of the reporting period

No significant events have taken place since 31 December, 2017.

APPENDIX 1

Subsidiaries included in the Consolidated Group

Corporate name	Registered office	Ownership interest		Activity	Auditor
		2017	2016		
Pan Química Farmacéutica, S.A.	Madrid, C/Rufino González, 50	100%	100%	(1)	A
Gineladius, S.L.	Madrid, C/Rufino González, 50	100%	100%	(2)	N/A
Rovi Contract Manufacturing, S.L.	Madrid, C/Julián Camarillo, 35	100%	100%	(1)	A
Bemipharma Manufacturing, S.L.	Madrid, C/Julián Camarillo, 35	100%	100%	(1)	N/A
Bertex Pharma GmbH	Inselstr.17. 14129 Berlin (Germany)	100%	100%	(3)	N/A
Frosst Ibérica, S.A.	Alcalá de Henares, Avenida Complutense, 140 (Madrid)	100%	100%	(1)	A
Rovi Biotech, Ltda.	La Paz (Bolivia)	100%	100%	(1)	N/A
Rovi Biotech Limited	10-18 Union Street, London (United Kingdom)	100%	100%	(1)	N/A
Rovi Biotech, S.R.L	Via Monte Rosa 91, Milan (Italy)	100%	100%	(1)	N/A
Rovi, GmbH	Ruhlandstr. 5, Bad Tölz (Germany)	100%	100%	(1)	N/A
Rovi, S.A.S.	24 Rue du Drac, Seyssins (France)	100%	N/A	(1)	B

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.

Auditor:

A Audited by KPMG Auditores, S.L. in 2017 and by PricewaterhouseCoopers Auditores, S.L. in 2016.
B The company has not yet been audited. The auditor appointed for 2018 is KPMG, S.A.

LABORATORIOS FARMACÉUTICOS ROVI, S.A. AND SUBSIDIARIES

2017 Consolidated Management Report

Juan López-Belmonte López, as Board of Directors Chairman of Laboratorios Farmacéuticos Rovi, S.A. (ROVIi) issues the following management report in accordance with Article 262, 148 d) and 526 of the Spanish Capital Company Act ("Ley de Sociedades de Capital"), 61 bis of the Securities Market Law and 49 of the Code of Commerce.

1.- CORPORATE PROFILE AND BUSINESS MODEL

ROVI is a fully-integrated specialized Spanish pharmaceutical company engaged in the research and development, contract manufacturing and the marketing of small molecules and biological specialties. The company has three principal growth pillars:

- Pharmaceutical products, with a diversified portfolio of both its own and licensed innovative products, protected by patents.
- Contract manufacturing of prefilled syringes and oral forms.
- A sound, low-risk R&D policy.

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

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 protected by patents
- Low-risk innovation
- International expansion

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

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

- Favour attainment of the Group's strategic objectives.
- Improve the Group's competitiveness by implementing management practices based on innovation, equal opportunities, productivity, profitability and sustainability.
- Manage risks and opportunities derived from the changing environment responsibly, maximizing the positive impacts of the Group's activities in the different territories where it operates and minimizing any adverse impacts as far as possible.

- Promote a culture of ethical conduct and increase business transparency, in order to generate credibility and confidence among stakeholders, including society as a whole.
- Promote trust relationships and value creation for all stakeholders, providing all of them with a balanced response that integrates their concerns.

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

For more information, please visit: www.rovi.es

2.- BUSINESS PERFORMANCE AND SIGNIFICANT MATTERS

2.1.- Business performance

€ Million	2017	2016	Growth	% Growth
Operating revenues	275.6	265.2	10.5	4%
Other income	1.8	1.6	0.2	13%
Total revenue	**277.4**	**266.7**	**10.7**	**4%**
Cost of sales	-110.2	112.0	1.8	-2%
Gross profit	**167.2**	**154.7**	**12.5**	**8%**
% margin	*60.7%*	*58.3%*		*2.3pp*
R&D expenses	-28.3	-17.5	-10.8	62%
Other SG&A	-108.5	-101.9	-6.6	6%
Other income	-	4.0	4.0	n.a.
EBITDA[1]	**30.5**	**39.3**	**-8.8**	**-22%**
% margin	*11.1%*	*14.8%*		*-3.8pp*
EBIT[1]	**19,0**	**28.3**	**-9.3**	**-33%**
% margin	*6.9%*	*10.7%*		*-3.8pp*
Net profit	**17.2**	**26.1**	**-8.8**	**-34%**

[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 4% to 275.6 million euros in 2017, driven by the strength of the toll manufacturing business, where sales rose 8%, and by the specialty pharmaceutical business, which grew by 3%, slightly outperforming the market. Total revenue increased by 4% to 277.4 million euros in 2017.

Sales of **prescription-based pharmaceutical** products rose 3% to 183.2 million euros in 2017.

ROVI's low molecular weight heparin (LMWH), **Bemiparin,** had a positive performance in 2017, with sales up 5% to 83.9 million euros. Sales of Bemiparin in Spain (**Hibor®**) increased by 7% to 58.8 million euros, while international sales increased by 1% to 25.1 million euros.

Sales of the **Enoxaparin biosimilar,** launched in Germany in September 2017, amounted to 1.5 million euros in 2017, of which 1.0 million euros were registered in December.

Sales of **Vytorin®, Orvatez®** and **Absorcol®**, the first of the five licenses of MSD, indicated as adjunctive therapy to diet in patients with hypercholesterolemia, increased by 18% to 39.4 million euros in 2017. In 2018, the active principle ezetimibe goes out of patent and a price reduction is expected in Absorcol®.

Sales of **Hirobriz® Breezhaler®** and **Ulunar® Breezhaler®**, both inhaled bronchodilators from Novartis for patients with respiratory difficulties due to a pulmonary disease known as Chronic Obstructive Pulmonary Disease (COPD), launched in Spain in the fourth quarter of 2014, increased by 17% to 14.3 million euros in 2017, compared to 2016.

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 30% to 9.0 million euros in 2017.

Sales of **Medicebran®** and **Medikinet®**, specialty products from Medice indicated for the treatment of ADHD (Attention Deficit and Hyperactivity Disorder) in children and teenagers, launched in December 2013 and marketed on exclusivity basis by ROVI in Spain, remained flat at 7.5 million euros in 2017.

Sales of **Neparvis®**, a specialty product from Novartis, launched in December 2016, indicated for the treatment of adult patients with symptomatic chronic heart failure and reduced ejection fraction, reached 4.7 million euros in 2017.

Sales of **Corlentor®**, a specialty product for stable angina and chronic heart failure from Laboratoires Servier, decreased 82% to 2.5 million euros in 2017. This product will be no longer marketed after first half 2017.

Sales of **Exxiv®**, a selective COX-2 inhibitor from Merck Sharp & Dohme (MSD), decreased by 34% to 3.6 million euros in 2017, mainly due to a continued deceleration of the COX-2 market.

Sales of **Thymanax®**, an innovative antidepressant from Laboratoires Servier, decreased by 27% to 3.9 million euros in 2017. This co-marketing agreement has not been renewed and the product will be no longer marketed by ROVI after November 2017.

According to QuintilesIMS, Spanish innovative product market increased by 2% in 2017 compared to the previous year. Nevertheless, ROVI prescription-based pharmaceutical product sales rose 3% in the same period, beating the market by 1,0 percentage points.

For 2018, a new reduction in healthcare expenditure from 6.0% to 5.8% of GDP is expected (the lowest health spending forecast since 2007), according to the 2018 Draft Budget Plan[1], and a 1-4% growth rate in spending on medicine in Spain to 2021, is forecast by QuintilesIMS[2]. Despite the difficult situation the Spanish pharmaceutical industry continues to go through, ROVI forecasts to continue to grow above the growth estimates of the pharmaceutical expenditure.

Sales of **contrast imaging agents** and other hospital products increased by 2% to 28.5 million euros in 2017.

Sales of **over-the-counter pharmaceutical products** ("OTC") **and other** decreased by 19% to 2.6 million euros in 2017 compared to the previous year. In 2017, OTC sales did not include Enerzone product sales, while 0.5 million euro sales were included in 2016, before the creation of the joint venture of ROVI and Enervit for the distribution of nutritional products in Spain and Portugal.

1 http://www.minhafp.gob.es/Documentacion/Publico/CDI/EstrategiaPoliticaFiscal/2018/PLAN_PRESUPUESTARIO_2018.pdf

[2] Outlook for Global Medicines through 2021. Report by the QuintilesIMS Institute.

Toll manufacturing sales increased by 8% to 61.1 million euros in 2017, compared to the previous year, mainly because of the good performance of the injectable business, where revenue increased 13% as a result of higher volumes manufactured for some customers, and the Frosst Ibérica plant, where revenue increased 2%.

Sales outside Spain increased by 5% to 79.9 million euros in 2017 compared to the previous year mainly due to (i) the toll manufacturing business international sale increase; and (ii) the registration of Enoxaparin biosimilar sales. Sales outside Spain represented 29% of operating revenue in 2017 as in 2016.

Other income (subsidies) increased by 13% to 1.8 million euros in 2017 from 1.6 million euros in 2016.

Gross profit increased by 8% to 167.2 million euros in 2017, reflecting an increase of 2.3 percentage points in the gross margin to 60.7% from 58.3% in 2016, mainly due to (i) the increase of toll manufacturing sales, specially of the injectable business which added higher margins; and (ii) the rise of Bemiparin sales.

Research and development expenses (R&D) rose 62% to 28.3 million euros in 2017 mainly due to the preparation and beginning of the Risperidone-ISM® Phase III trial and the Letrozole-ISM® Phase I trial.

Selling, general and administrative expenses (SG&A) rose 6% to 108.5 million euros in 2017, compared to 2016, mainly due to (i) Neparvis® and Mysimba® launches, which added expenses of 4.5 million euros, (ii) international subsidiaries expenses, which amounted to 1.6 million euros, and (iii) the start of the activity in the San Sebastián de los Reyes plant.

In 2016, EBITDA was affected by non-recurring revenue of 4.0 million euros as a result of the joint venture created by ROVI and Enervit for the distribution of nutritional products in Spain and Portugal.

EBITDA decreased to 30.5 million euros in 2017, a drop of 22% compared to the previous year, reflecting a 3.8 percentage point fall in the EBITDA margin, which was down to 11.1% in 2017 from 14.8% in 2016. However, EBITDA of the “on-going business”, calculated excluding R&D expenses in 2017 and 2016 and the impact of the non-recurring revenue in 2016, increased by 11%, from 52.8 million euros in 2016 to 58.7 million euros in 2017, reflecting a 1.4 percentage point rise in the EBITDA margin to 21.3% in 2017. Likewise, recognising the same amount of R&D expenses in 2017 as in 2016 and excluding the impact of the non-recurring revenue in 2016, EBITDA would have increased by 17% to 41.2 million euros, reflecting a 1.6 percentage point rise in the EBITDA margin to 15.0% in 2017, up from 13.3% in 2016.

Depreciation and amortisation expenses increased by 4% to 11.5 million euros in 2017, mainly due to the new property, plant and equipment and intangible assets purchases made during the last twelve months.

EBIT decreased to 19.0 million euros in 2017, a drop of 33% compared to the previous year, reflecting a 3.8 percentage point fall in the EBIT margin, which was down to 6.9% in 2017 from 10.7% in 2016. However, EBIT of the “on-going business”, calculated excluding R&D expenses in 2017 and 2016 and the impact of the non-recurring revenue in 2016, increased by 13%, from 41.8 million euros in 2016 to 47.3 million euros in 2017, reflecting a 1.4 percentage point rise in the EBIT margin to 17.1% in 2017. Likewise, recognising the same amount of R&D expenses in 2017 as in 2016 and excluding the impact of the non-recurring revenue in 2016, EBIT would have increased by 23% to 29.8 million euros, reflecting a 1.6 percentage point rise in the EBIT margin to 10.8% in 2017, up from 9.2% in 2016.

Financial expense increased by 11% in 2017, compared to the previous year, due to the increase in banking debt through a 20-million-euro new loan in 2017.

Financial income decreased by 78% in 2017, compared to 2016, due to the reduction of delay interests from Court decisions related to pending invoices due for collection from Public Administration in 2017.

The **effective tax rate** was 1.6% in 2017 compared to 6.4% in 2016. This favourable effective tax rate is due to the deduction of existing research and development expenses and the capitalisation of negative tax bases from Frosst Ibérica, S.A. As of 31 December 2017, Frosst Ibérica negative tax bases amounted to 35.1 million euros, of which 1.5 million euros will be used in the 2017 income tax.

However, ROVI expects to maintain a mid-single-digit effective tax rate for the foreseeable future.

Net profit decreased to 17.2 million euros in 2017, a 34% fall compared to the previous year. However, net profit of the "on-going business", calculated excluding R&D expenses in 2017 and 2016 and the impact of the non-recurring revenue in 2016, increased by 16%, from 38.7 million euros in 2016 to 45.0 million euros in 2017. Likewise, recognising the same amount of R&D expenses in 2017 as in 2016 and excluding the impact of the non-recurring revenue in 2016, net profit would have increased by 25% to 27.8 million euros.

2.2.- Outlook for 2018

In 2018, ROVI expects **a mid-single digit growth rate for the operating revenue with a range of 20 to 30 million euro sales of Enoxaparin biosimilar**, despite (i) a new reduction in health expenditure from 6.0% to 5.8% of GDP expected for 2018 (the lowest health spending forecast since 2007), according to the 2018 Draft Budget Plan[1], and (ii) 1-4% growth rate in spending on medicine in Spain to 2021 forecast by QuintilesIMS[2].

ROVI expects its growth drivers to be Bemiparin, the latest license agreements (Neparvis®, Volutsa®, Orvatez® and Ulunar®), the Enoxaparin biosimilare, its existing portfolio of specialty pharmaceuticals, new product distribution licenses and new contracts in the toll manufacturing area.

In 2018, the active principle ezetimibe goes out of patent and a price reduction is expected in Absorcol®.

Likewise, ROVI expects to stop distributing Merus Labs products (Sintrom®, Salagen®, Cordiplast® and Estraderm®) as of the fourth quarter of 2018.

2.3.- Key operating and financial events

2.3.1 ROVI and the EIB agree to sign a loan to boost research into drug administration and prolonged-release technologies

On 21st of December 2017, the market was informed by publication of a relevant fact (number 259847) that the European Investment Bank (EIB) granted ROVI a loan to support its investments in Research, Development and Innovation (R&D&i), which concentrate on technologies for the administration and prolonged release of drugs, including preclinical and clinical trials, that allow the development of future treatments for cancer and central nervous system diseases.

1 http://www.minhafp.gob.es/Documentacion/Publico/CDI/EstrategiaPoliticaFiscal/2018/PLAN_PRESUPUESTARIO_2018.pdf
[2]Outlook for Global Medicines through 2021. Report by the QuintilesIMS Institute.

The loan is for 45 million euros. ROVI may draw down this amount during a period of 24 months as from signature of the contract and the loan will mature in 2029. The loan provides for a three-year grace period and financial conditions (i.e. applicable interest rates, repayment periods, etc.) favourable to ROVI.

For the Company, the EIB loan represents an additional financing channel for its R&D&i projects, for which it likewise uses significant amounts of its own equity.

In the year 2016, ROVI's R&D&i expenditure was 17.5 million euros, 6% up on the preceding year. Likewise, the Company expects average R&D&i expenditure in the period 2017-2019 to be approximately 32 million euros per year.

This financing operation is supported by the European Union under the European Fund for Strategic Investments (EFSI), within the framework of what is known as the "Juncker Plan".

The research activities associated to this agreement reinforce ROVI's innovation capacity and help the company to maintain a competitive edge and expand its international presence.

2.3.2 ROVI has commenced the marketing of the Enoxaparin biosimilar in Germany

On 7th of March 2017, the market was informed by publication of a relevant fact (number 249265) that the decentralised procedure used for the Company to submit, in twenty-six countries of the European Union, the marketing authorization application of a low molecular weight heparin (Enoxaparin biosimilar) was completed with positive outcome.

In the mentioned decentralised procedure, Germany has acted as Reference Member State (RMS). The national phase of the registration process, which is expected to be completed with the granting by the competent local authorities of the marketing authorisation in each concerned country, was initiated in the first quarter 2017, and it continued during the rest of the year.

By 31st December 2017, the countries with the registration national phase approved are Germany, France, UK, Italy, Norway, Sweden, Austria, Hungary, Slovenia, Estonia, Latvia, Slovakia and Bulgaria.

In September 2017, ROVI has informed by publication of a relevant fact (number 256121), the commencement of marketing of Enoxaparin biosimilar in Germany, the first European country where ROVI launches its biosimilar and one of the top Enoxaparin countries in Europe (in terms of volume and value).

ROVI will regularly update the milestones considered relevant in this process of marketing authorisation as the schedule of the registration of the medicinal product progresses in each country.

2.3.3 ROVI updates the Phase III-PRISMA 3 project of Risperidone ISM®, called DORIA®

On 24th of October 2017, the company released a relevant fact (number 257683) updating the evolution of Phase III-PRISMA 3 of Risperidone ISM®, called DORIA®.

As mentioned before, in May 2017, ROVI began a Phase III study for a long-acting injectable (LAI) based in the ISM® technology patented by ROVI, to treat schizophrenia called DORIA® (previously Risperidone ISM®).

Schizophrenia diagnosed disorders affects around 3 million patients (Source IMS) in US and Europe, and although it has no cure, there are effective treatments to control symptoms. These treatments use Second-Generation of Antipsychotics (SGA) medications with a predictable efficacy and safety profile, and risperidone is the most used active principle.

ROVI has developed DORIA®, and expects a good evolution in Phase III, as the Active Principle is one of the most prescribed for schizophrenic patients (risperidone) and ISM® technology has been proved in Phase I&II studies.

Long-acting injectables (LAIs) are becoming the goal standard for schizophrenia compared to oral treatments, and with DORIA®, ROVI is aiming to play a relevant role in the US and Europe Schizophrenia LAIs market, with an estimated total value in 2021 of 3.4 billion dollars (2.5 billion dollars in US and 930 million dollars in Top-5 Europe) (IMS Source).

The strategic drivers of DORIA® are:

- Long acting injectable (LAI) based on the ISM® technology developed by ROVI.
- LAI is becoming the goal standard for Schizophrenia.
- A good pharmacological profile providing a rapid onset allowing a once monthly injection without oral supplementation and loading dose.
- One monthly represents a fully medically supervised patient: eradicates all potential issues that may arise with an oral product.
- A monthly injection provides a better control of patients avoiding relapses.
- One monthly ensures a relapse rate improvement which on a pharmacoeconomic basis that justifies a cost effective of LAIs.

ROVI will regularly update the milestones considered relevant in this Phase III-PRISMA 3 process.

2.4.- Research and development

ISM®

As previously informed, ROVI has progressed in the development of DORIA®, the first candidate for its leading-edge drug delivery technology, ISM®, for a prolonged release of risperidone, a well-stablished second-generation antipsychotic medicine.

After successfully finishing the phase I & II program[1,2] of DORIA®, ROVI started the pivotal phase III trial "PRISMA-3"[3] with the recruitment of the first patient on May 2017. An update of the project with details of the design and cost of Phase III was released, together with a presentation to analysts on 24th October 2017.

On the other hand, ROVI has initiated the first Phase I clinical trial[4] of Letrozol ISM® in November 2017. Letrozol ISM® is a long-acting injectable aromatase inhibitor intended for the treatment of hormone-dependent breast cancer.

[1] *Llaudó J, et al. Phase I, open-label, randomized, parallel study to evaluate the pharmacokinetics, safety, and tolerability of one intramuscular injection of risperidone ISM at different dose strengths in patients with schizophrenia or schizoaffective disorder (PRISMA-1). Int Clin Psychopharmacol. 2016;31(6):323-31.*

[2] *Carabias LA, et al. A phase II study to evaluate the pharmacokinetics, safety, and tolerability of Risperidone ISM multiple intramuscular injections once every 4 weeks in patients with schizophrenia. Int Clin Psychopharmacol. 2017 Nov 3. doi: 10.1097/YIC.0000000000000203. [Epub ahead of print]*

[3] *Study to Evaluate the Efficacy and Safety of Risperidone In Situ Microparticles® (ISM®) in Patients With Acute Schizophrenia (PRISMA-3). Clinicaltrials.gov#NCT03160521 [https://clinicaltrials.gov/show/NCT03160521].*

[4] *Evaluation of IM Letrozole ISM® Pharmacokinetics, Safety, and Tolerability in Healthy Post-menopausal Women (LISA-1). [https://clinicaltrials.gov/ct2/show/NCT03401320?term=letrozole&rank=4].*

Enoxaparin biosimilar

ROVI informed (by publication of the relevant fact number 249265 dated 7th of March of 2017) that the decentralised procedure used for the Company to submit, in 26 countries of the European Union, the marketing authorization application of a low molecular weight heparin (Enoxaparin biosimilar) was completed with positive outcome.

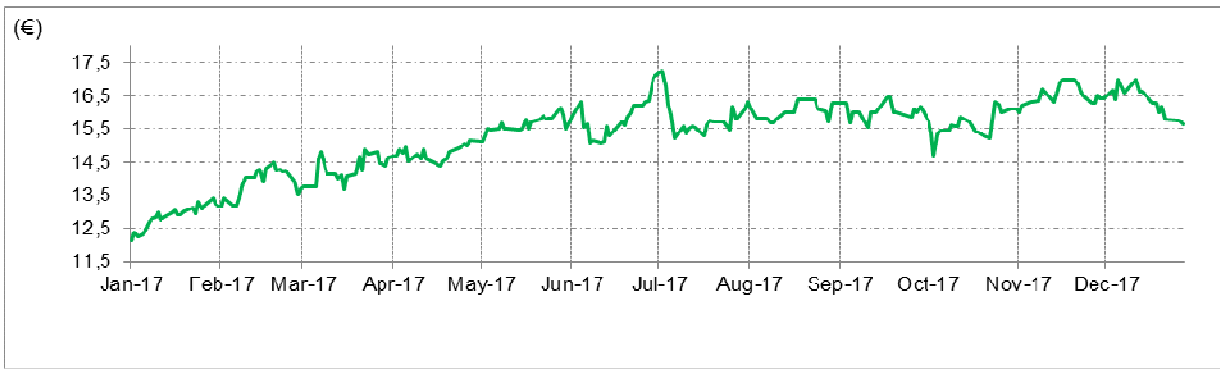
In September 2017 (by publication of the relevant fact number 256121 dated 7th of September 2017), ROVI informed that the national marketing authorization phase of the registration process for a low molecular weight heparin (Enoxaparin biosimilar) was approved in Germany by local authorities and its marketing has begun.

By 31st December 2017, the countries with the national registration approved of the Enoxaparin biosimilar are Germany, France, United Kingdom, Italy, Norway, Sweden, Austria, Hungary, Slovenia, Estonia, Latvia, Slovakia and Bulgaria.

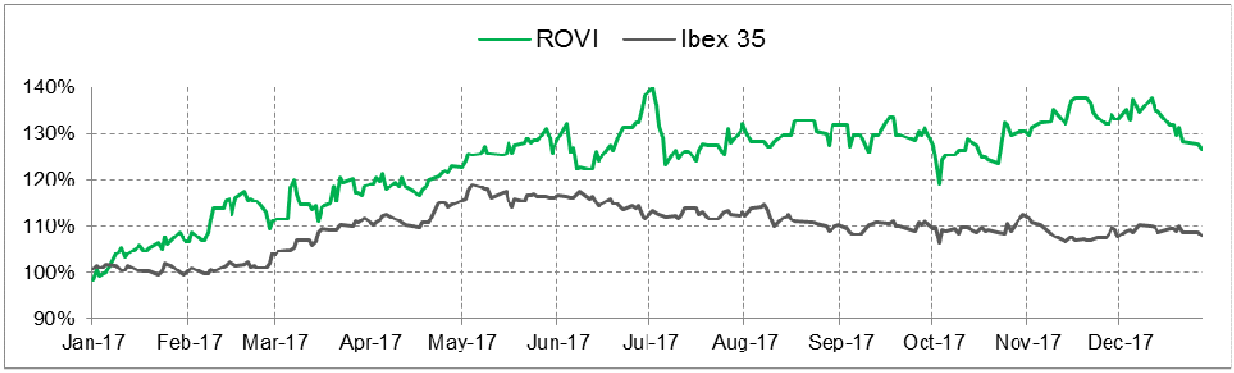
2.5.- Stock market capitalization

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.

The following graph shows the fluctuations of the share price in the stock market in 2017:



The following chart shows the performance of the share price of ROVI compared with the IBEX 35 index in 2017:



3.- FINANCIAL INFORMATION

3.1.- Liquidity and capital resources

3.1.1.- Liquidity

As of 31 December 2017, ROVI had gross cash position of 42.1 million euros, compared to 42.8 million euros as of 31 December 2016, and net debt[1] (available-for-sale financial assets plus deposits plus cash and cash equivalents minus short term and long term financial debt) of 1.1 million euros, compared to a net cash of 9.0 million euros as of 31 December 2016.

3.1.2.- Capital resoruces

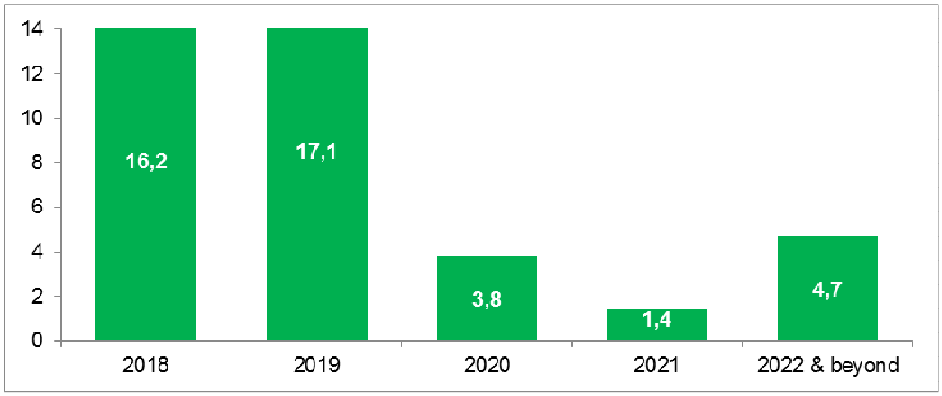
As of 31 December 2017, ROVI had total debt of 43.2 million euros. Debt with public administration, which is 0% interest rate debt, represented 28% of total debt as of 31 December 2017.

In thousand euros	2017	2016
Bank borrowings	30,938	20,931
Debt with public administration	12,299	12,863
Total	**43,237**	**33,794**

As of 31 December 2017, bank borrowings increased by 10 million euros. In 2017, ROVI increased its banking debt through a 20-million-euro new loan, with a fixed interest rate of 0.65% and a 3-year amortization period with a grace period of 17 months.

Likewise, in December 2017, ROVI announced the European Investment Bank (EIB) granted it a loan to support its investments in Research, Development and Innovation. The loan is for 45,000,000 euros. ROVI may draw down this amount during a period of 24 months as from signature of the contract and the loan will mature in 2029. The loan provides for a three-year grace period and financial conditions (i.e. applicable interest rates, repayment periods, etc.) favourable to ROVI (see section 2.3.1).

Debt maturities at 31 December, 2017 are shown in the following graph (millions of euros):



[1] See description in Appendix 1 about Alternative Performance Measures

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

In the ordinary course of activities, in order to manage its own transactions and financing, the Group has carried out certain transactions that are not included on the statement of financial position, such as operating leases. The Group's objective is to optimize the financing costs that are involved in determined financial transactions and, therefore, on certain occasions, has chosen operating leases rather than the acquisition of assets. The minimum future payments to be made for non-cancellable operating leases at 31 December, 2017 were 1,629 thousand euros (967 thousand euros at 31 December, 2016), of which 1,050 thousand euros are related to maturities at less than one year (967 thousand euros at less than one year at 31 December, 2016).

3.2.- Capital expenditure

ROVI invested 19.9 million euros in 2017, compared to 18.1 million euros in 2016. Of this amount:

- 2.9 million euros corresponds to investment capex related to the injectable facility, versus 2.6 million euros in 2016;
- 4.8 million euros relates to investment capex regarding the San Sebastián de los Reyes plant, versus 3.2 million euros in 2016;
- 1.6 million euros were invested in the Granada facility, versus 0.6 million euros in 2016;
- 3.8 million euros were invested in the Alcalá de Henares (Frosst Ibérica) facility, versus 2.6 million euros in 2016; and
- 6.8 million euros relates to expenditure on maintenance and other capex (including additions related to the Enoxaparin biosimilar which amounted to 4.5 million euros), versus 9.1 million euros in 2016 (including capex invested for the distribution agreements regarding Neparvis and Mysimba).

3.3.- Treasury shares transactions

In the course of 2017, ROVI acquired a total of 35,421 of its own shares (74,313 in 2016), paying the amount of 532 thousand euros for them (987 thousand euros in 2016). Likewise, it resold a total of 67,784 of its own shares (32,903 in 2016) for an amount of 1,011 thousand euros (446 thousand euros in 2016). These shares had been acquired at a weighted average cost of 826 thousand euros (398 thousand euros in 2016), giving rise to a profit of 185 thousand euros on the sale (48 thousand euros in 2016), which was taken to reserves. At 31 December, 2017, ROVI held 685,183 treasury shares (717,546 at 31 December, 2016).

3.4.- Dividends

ROVI will pay a dividend of 0.1207 euros per share on 2017 earnings if the Shareholders General Meeting approves the application of the 2017 profit, under proposal of ROVI's Board of Directors. This proposed dividend would imply approximately a 35% pay-out.

The ROVI General Shareholders Meeting, on 31 May 2017, approved the payment of a gross dividend of 0.1830 euros per share on 2016 earnings. This dividend was paid in July 2017.

4.- OTHER NON-FINANCIAL INFORMATION

4.1.- Issues concerning employees

Employee Selection and Development Policy

ROVI strives for and promotes good relations, good treatment and tolerance among both its employees and the people who work with it through training activities and programs, providing opportunities for dialogue and mediation.

The design and implementation of Human Talent Development Policies form the process whereby the ROVI Group, depending on its objectives, establishes its personnel needs and defines its human talent management plans and programs, in order to integrate personnel management and practises with the organization's priorities.

ROVI knows that, for the Group to be a success, it is indispensable to select and retain talent on a transparent and effective basis. Therefore, its Selection Policy is based on principles such as:

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

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

Equality and diversity policies

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

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

As a result of these policies, the ROVI payroll has a higher percentage of women than of men, specifically, the figures for the last two reporting periods are:

2017	Women	Men	**Total**	%
Permanent	528	436	**964**	81%
Temporary	136	91	**227**	19%
Total	**664**	**527**	**1.191**	
% of total	56%	44%		

2016	Women	Men	**Total**	%
Permanent	501	432	**933**	81%
Temporary	135	82	**217**	19%
Total	**636**	**514**	**1.150**	
% of total	55%	45%		

As of 31 December, 2017, there were 1,191 employees on the payroll (1,150 at 31 December, 2016), 664 of whom were women (636 at 31 December, 2016). The percentage of total employees who were women was 56% in 2017, in comparison with 55% in 2016.

Training policies

For ROVI, training and preparing its employees is of crucial importance. The abilities and attitudes of a company's workers are determining factors to achieve the greatest possible efficiency and, therefore, the company allocates significant resources to be invested in human capital. As a result, ROVI promotes professional evolution and growth, as well as the preparation and training to achieve them. In career and professional development plans, the involvement of both the person and his/her direct superior is indispensable.

Young professionals have the support of more experienced colleagues who guide them and help to develop their technical skills. Furthermore, ROVI wishes to ensure that knowledge is transferred from senior professionals to the new generations.

The company's investment in training has grown annually. In 2017, the total number of hours of training, including both internal and external training, grew by 8% in comparison with 2016 and the amount allocated to training during 2017 grew by 1.5% in comparison with 2016.

Occupational hazard management

Managing risks related to the employees falls within the scope of the department that handles exclusively aspects related to environmental management, as well as those concerning workplace health and safety in the whole Group. This department is responsible for managing occupational hazards.

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

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

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

The application of all these policies allowed the accidentability target to be attained in all the Group companies in 2017.

4.2.- Environment

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

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

The ROVI Group has a department that is responsible exclusively for aspects related to environmental management, as well as those concerning workplace health and safety throughout the Group.

The ROVI Group has an Integrated Environmental Management and Occupational Hazard Prevention Department which governs ROVI's activities in respect of environmental issues. Within the project of environmental management and workplace health and safety, ROVI assumes not only compliance with current legal requirements and the different third-party requirements that it meets voluntarily, but also the concept of sustainable development. ROVI's vocation is to be a business project that is sustainable in environmental terms and committed to the prevention of any damage to or deterioration in people's health.

Through defining environmental and workplace health and safety objectives and targets for its activities, ROVI undertakes to improve day by day, maintaining a clear vision of a more sustainable future in which to continue its development. The main targets that ROV has defined in environmental issues are:

- Attaining efficient energy management, rationalizing the use of natural resources.
- Promoting the best guidelines for risk and waste management, including the principles of risk prevention, waste minimization and recycling in its activities whenever possible.
- Obtaining certifications of the environmental management systems. At present, the environmental management systems of the group companies Frosst Ibérica S.A, Rovi Contract Manufacturing S.L. and Laboratorios Farmacéuticos Rovi S.A. are certified under the Standard ISO14001:2007. In 2018 ROVI will certificate its systems in the new version of this ISO: ISO14001.2015.

ROVI is committed to making a joint effort with its suppliers and contractors to minimize the impact of its activities on the environment and the risks derived for safety and health both in the environment and for the Group's workers.

ROVI has a corporate risk and opportunity management procedure, the objective of which is to define a work method that allows environmental risks and opportunities to be identified, together with an action plan to address them and the planning and review of the resulting actions, taking the context of the organization and the interested parties into account. Environmental risk control is defined by the environmental management system itself and all the tools that form part of it. Risks are controlled through procedures concerning the identification and assessment of environmental aspects or the identification and assessment of legal requirements.

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

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

In relation to environmental queries, ROVI has a corporate Communication, Participation and Query procedure, though which communications (queries, complaints, etc.) related to the environment and workplace health and safety are managed. On the corporate website (www.rovi.es), the environmental certificates held by group companies are available to the public.

The following are the main environmental indicators:

WASTE (*)	**2017**	**2016**	**Variation**
Tn of hazardous waste generated	1,079	642	68%
Tn of non-hazardous waste generated	1,948	2,169	-10%
TOTAL	**3,027**	**2,811**	**8%**
Tn of hazardous waste/ million units	0.0053	0.0045	18%
Tn of non-hazardous waste/ million units	0.0095	0.0151	-37%
Ton. Waste/million units	**0.0148**	**0.0196**	**-24%**

NATURAL RESOURCE CONSUMPTION (*)	**2017**	**2016**	**Variation**
m3 water consumedm3 de agua consumidos	156,021	125,022	25%
m3 water / million units produced	**0.76**	**0.87**	**-12%**

ENERGY CONSUMPTION (*)	**2017**	**2016**
kWh electricity consumed	19,313,337	17,846,340
Variation in electricity consumption per unit manufactured	**-24%**	**7%**
kWh natural gas consumed	24,103,226	23,187,891
Variation in natural gas consumption per unit manufactured	**-27%**	**27%**
Litres vehicle fuel	469,620	454,405
Variation in fuel consumption	**3%**	**-5%**

ATMOSPHERIC EMISSIONS (*)	**2017**	**2016**
Tonnes of CO2 emitted	8,957	9,926
Variation in tonnes of CO2 emitted	**-10%**	**18%**
Tn. CO2 / million units	0.04	0.07
Variation Tn CO2 / million units	**-37%**	**-31%**

(*) The figures for the last month of 2017 are an estimate based on the data for previous periods.

4.3.- Other social issues

Commitment to research

ROVI assigns part of its resources to promoting medical research. Over the last few years, it has carried on intensive activity to support research and foster the prevention and knowledge of certain diseases. Nowadays, ROVI has a cooperation agreement with the University of Granada, in order to combine efforts to increase scientific, technological and training activities and the sharing of knowledge.

Commitment to training

In order to provide qualified students with access to a work environment and enhance their skills, knowledge and experience, a training program is run in the company. In this respect, it has a cooperation agreement with more than twenty universities, educational centres an business schools. This program helps the students to commence their working life in a professional work environment.

Corporate Volunteering Program

In 2017, in addition to helping to reinforce healthy practices in the company by cooperating with foundations and organizations, Management approved the sponsorship of training activities and social and health-related support for the professionals (trainers, physiotherapists, etc.) who cooperate with the foundations TAMBIÉN and DEPORTE Y DESAFÍO.

These are two private non-profit organizations that have the main objective of socially integrating people with disabilities through sport. ROVI's contribution is aimed to cooperate in activities related to skiing, trekking, canoeing and other sports. In 2017, ROVI's cooperation consisted of starting up a corporate volunteering program, through which employees become involved in activities aimed to mainstream adaptive sports for people with disabilities, such as skiing, trekking, canoeing, etc.

Furthermore, in order to reinforce the involvement of ROVI personnel in these activities, groups of employees who cooperate in them as volunteers are organized.

Commitment to social projects

As an example of the high degree of ROVI's commitment to society, it assiduously cooperates with organizations like the Red Cross, supporting child assistance and protection initiatives; Proyecto Hombre Granada, helping it to continue with its reinsertion activities; and Fundación Recover, cooperating with its programs to improve healthcare in Africa.

Respect for human rights

ROVI is committed to actively supporting the Universal Declaration of Human Rights and requires its employees to comply with the principles thereof in the course of the Group's day-to-day activity. The Company combats practices contrary to human dignity and strives to prevent workplace discrimination.

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

Anti-bribery and anti-corruption

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

No ROVI employee may offer a third party any type of benefit that aims to influence or is offered with the intention of illicitly influencing the third party's capacity to adopt objective and legitimate business decisions.

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

All interaction with health professionals, health organization, health systems, pharmacies, stores, purchasers, distributors, suppliers, commercial partners, public employees or any other third parties must be governed by legality and ethics and in line with ROVI's values, company policies, the laws applicable to us and industry standards.
ROVI has an anti-corruption policy that regulates both giving and accepting gifts. This policy must be known and observed by all the professionals.

Accepting or giving gifts may never be used as a stratagem in order to bribe or conceal an illicit action.

5.- RISK MANAGEMENT

5.1 Operational risks

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

- Changes in the legislation regulating the market aimed to contain pharmaceutical expense (price control, reference prices, support for generic products, co-payment, purchase platforms, …);
- Finalization of contractual relationships with customers representing a significant part of its sales or renewal in less favourable conditions than the current ones;
- Changes in the conditions under which raw materials and other packaging materials needed for manufacturing its products are supplied;
- Late payment on the part of the public authorities in the short term; and
- Tax risk inherent to the activity of companies of the size and complexity of the Group.

ROVI is permanently on the alert and is keeping any risks that may have an adverse effect on its business activities under constant surveillance, applying the appropriate policies and mechanisms to manage them and constantly developing contingency plans that can be used to mitigate or offset their impact. Among them, we highlight the fact that the Group (i) continues, every year, to apply an internal saving policy that is principally based on improving the efficiency of its internal and external operating processes; (ii) is working intensively to maintain a broad and diversified portfolio of products and customers; (iii) is continuing with its target of constantly opening up new markets as a result of its international expansion plan; and (iv) the Group exercises strict credit control and manages its cash effectively, which ensures that sufficient working capital is generated and maintained to allow its day-to-day operations to be carried out; and (v) The Company has an exhaustive tax risk control system, with external tax advisors who review the preparation and filing of the different taxes as well as the Group's decision-making on tax issues.

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:

- *Market risk*

Market risk is divided in:

a) Foreign exchange risk: is very low as virtually all assets and liabilities of the Group are in euros, with no subsidiary out of the Euro zone. Additionally the majority of the foreign transactions are carried out in euros.

b) Price risk: the Group is exposed to price risk by its short-term and long-term financial investments. To manage the price risk arising from the investments, the Group diversifies its portfolio.

c) Interest rate risk: The Group is subject to an interest rate risk in respect of cash flows on long-term borrowing transactions at variable rates. The risk, however, is slight since most of the Group's debt consists of refundable advances from official organisations on which there is no interest rate risk.

d) Raw material price risk: the Group is exposed to changes in the conditions under which raw materials and other packaging materials needed to manufacture its products are supplied.

- *Credit risk*

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

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

- *Liquidity risk*

Management monitors the liquidity estimates of the Group according to the expected cash flows; therefore, the Group always has sufficient cash and trade securities to confront its liquidity requirements.

6.- CORPORATE GOVERNMENT ANNUAL REPORT

Appendix 2 includes the Corporate Government Annual Report prepared by the Company for 2017.

7.- EVENTS AFTER BALANCE SHEET DATE

There have been no significant events since the end of the reporting period.

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 2017 management information that it considers significant:

EBITDA

EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) is an indicator that measures the company's operating margin 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.

EBITDA is calculated as the operating profit (which includes the gross profit less selling costs, overheads and administrative costs, research and development expenses and any other operating income or expense), plus amortization and depreciation.

EBIT

EBIT ("Earnings Before Interest and Taxes) is an indictor that measures the company's operating mrgin 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.

EBIT is calculated by deducting amortization, depreciation and impairment, if any, from the EBITDA.

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 available-for-sale financial assets, plus deposits, plus cash and cash equivalents, less current and non-current financial debt.

APPENDIX 2

CORPORATE GOVERNMENT ANNUAL REPORT 2017

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

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 (which comprises the Annual Corporate Governance Report) for the fiscal year ended on 31 December 2017 and which precede this document, have been issued by the Board of Directors at its meeting of 19 February 2018, and whose members sign below in accordance with Article 253 of the Royal Decree 1/2010, of 2 July, approving the consolidated text of the Capital Companies Law (*Ley de Sociedades de Capital*), and Article 37 of Spanish Commercial Code:

Madrid, 19 February 2018

Mr. Juan López-Belmonte López
Chairman

Mr. Juan López-Belmonte Encina
Chief Executive Officer

Mr. Iván López-Belmonte Encina
Vice Chairman 1º

Mr. Javier López-Belmonte Encina
Vice Chairman 2º

Mr. Enrique Castellón Leal
Coordinator Director

Mr. Miguel Corsini Freese
Director

Mr. José Fernando de Almansa Moreno-Barreda
Director