



BUSINESS PERFORMANCE

JANUARY-DECEMBER 2019

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1. Key events during the period

THE GROUP EXCEEDS ITS ESTIMATES IN RESULTS

- Faes Farma Group's turnover reached **357.4 million euros in 2019, an increase of 10.2%** year on year. The Group thus exceeded growth estimates for the year overall in percentage terms, which had pointed to a final increase of between 9 and 10%.
- The Group's sales have been strengthened by the integration of the BCN Medical Group at the end of October 2019, an acquisition that will be reflected as a complete year in 2020.
- Once again, it is worth highlighting the positive trend in the **“Other Operating Income”** line, where turnover and revenue related to licences are recorded, after recording a spectacular rise of almost 65.2% and exceeding 25.7 million euros in turnover.
- **EBITDA reached 91.5 million euros, up 26.6% year on year**, a figure well above our most optimistic scenario anticipated to the market in March of last year, which pointed to +23%. Without considering the effect by IFRS 16, this growth would have been +24%.
- **EBIT exceeds the company's best forecasts, growing up to 74.8 million euros, an increase of +20.8% (vs. 14.5% - 20% estimated at the outset)**.
- The reduced effect of the financial profit (loss) means the EBIT figure is slightly higher than the **profit before tax (74.2 million euros), which has increased by +20.2% with respect to the close of 2018**.
- The **Group's consolidated profit reached 64 million euros, 24% more than the preceding year**, and once again above the expected range (17% - 22%).
- The Group's balance sheet is in a very healthy state, following repayment of the bank debt signed in 2017 to finance organic and inorganic investments, and also thanks to the company's proven capacity to generate liquidity.
- In 2019, the Faes Farma Group once again obtained the highest net result in its history, and **for the fifth year running, it also exceeded all the targets it had set in terms of sales, EBITDA, EBIT and consolidated net profit (both in absolute terms and in percentage terms)**.

2. Income Statement

The consolidated trading figures at year-end 2019 show significant growth compared to 2018, as shown in the table below:

€ thousands	Dec 2019	% over sales	Dec 2018	% over sales	% Change 2019/2018
Total Income	383,185		339,922		12.7%
Ordinary income / sales	357,398		324,312		10.2%
Other operating income	25,787	7.2%	15,610	4.8%	65.2%
Cost of sales	-129,988	36.4%	-120,178	37.1%	8.2%
Gross margin	253,197	70.8%	219,744	67.8%	15.2%
Personnel expenses	-76,313	21.4%	-71,466	22.0%	6.8%
Other operating expenses	-85,374	23.9%	-76,016	23.4%	12.3%
EBITDA	91,510	25.6%	72,262	22.3%	26.6%
Depreciation and impairment of fixed assets	-16,651	4.7%	-10,289	3.2%	61.8%
EBIT	74,859	20.9%	61,973	19.1%	20.8%
Financial profit/(loss)	-684	-0.2%	-242	-0.1%	182.6%
Profit before taxes	74,175	20.8%	61,731	19.0%	20.2%
Corporate tax	-10,149	2.8%	-9,931	3.1%	2.2%
Profit for the year	64,026	17.9%	51,800	16.0%	23.6%
Minority interests	-64	0.0%	-208	0.1%	
Consolidated profit	63,962	17.9%	51,592	15.9%	24.0%

2.1. Turnover

Turnover of the Faes Farma Group reached 357.4 million euros at 31 December 2019, up 10.2% compared to the end of 2018. This increase is mainly due to the outstanding performance of some areas of our activity, as well as the incorporation of sales from the BCN Medical Group, a firm that was acquired and incorporated into the company's scope of consolidation two months prior to year-end.

The evolution of each activity within the company is detailed below:

1) **PHARMA**, this area comprises four headings or business lines:

a) Medicines Spain: This integrates the so-called medical visit products. According to figures from the renowned healthcare management consultancy Iqvia, Faes Farma increased its business by +5.1% in the last 12 months, a figure much higher than the sector as a whole, which was +2.2%. Regarding the prescription market, the Group's evolution is similar, given that Faes Farma is up +6% in 2019 compared to +2.3% for the market as a whole.

By products, the following are notable (according to the same source, Iqvia):

- (i) Vitamin D. In 2019 our molecule (Calcifediol), which operates and is marketed under the brand name Hidroferol, maintains its positive trajectory of recent years. With 6.6% growth, it consolidates the significant increases in sales at the double-digit percentage rates recorded in the last five years. This means that Hidroferol has tripled previous figures. Hidroferol is the Group's main product in terms of turnover in Spain. Its success is a reflection of the widespread therapeutic use of these alternatives to offset the vitamin D deficiency existing in the population. Moreover, because it is a proprietary product and is manufactured at our facilities, it offers us significant margins.
- (ii) Diabetes. The MSD licences for this therapeutic area maintained the sales volumes in 2019, despite a significant price decrease of between 7% and 8%, propitiated by the Ministry of Health. This measure has been adopted by the authorities to contain pharmaceutical public expenditure in a segment that has a major repercussion on the health budget. Ristfor and Ristaben, as a whole and despite this adverse situation, rank second in terms of turnover in Spain.
- (iii) Respiratory. The licence agreed with GSK for the marketing of three products in the Spanish market contributed almost 5 million euros in sales in 2019. This amount is still moderate in quantitative terms, but we estimate it will grow and therefore gradually gain market share.
- (iv) Bilastine. A molecule of proprietary manufacturing and research and sold under the Bilaxten brand by Faes Farma, it ends the year as the Group's third-ranked product by sales volume in Spain. Bilaxten's turnover in Spain increased by +27.2% at the close of 2019, after a very aggressive allergy campaign in spring of last year.

Bilastine also contributes other significant revenue to the company's income statement through agreements with licensees in other geographical markets, as described and explained in the following sections.

The molecule accounts for a market share of 33.2% if we combine the three brands currently sold in Spain, with Bilaxten (Faes Farma's own brand) holding 71.5% of that share, the one best represented. Accordingly, at the end of another year Bilastine remains the outstanding leader within the anti-histamine segment in this country.

Together with these remarkable figures, as we will see below, we should add the notable success of the molecule in other markets such as Portugal, our subsidiaries in LatAm and other countries where Bilastine is licensed for sale.

b) Portugal. The pharmaceutical business in Portugal is usually very active, and this year it has maintained the same positive trend. The distributions of NUK (children's products), Novalac (baby milks) and Dentaïd (oral hygiene) often bring many new products that require a commercial and logistical effort. For the past year, this circumstance has been compounded by the integration of products distributed up to now by the Diafarm subsidiary and the Portuguese version of our Vitamin D (Vitodé). This strategy and the new launches have boosted sales of our Portuguese subsidiary by +4.1% in the medical visit segment and by +11.3% in the Healthcare area. The turnover of our activity in Portugal is already very close to 33 million euros.

By products, in addition to those already mentioned in the previous paragraph, the following are notable:

- o Bilastine. It operates under the Bilaxten brand (like in Spain) and is the Group's main product in this country, with growth of +26.1% in turnover year on year. Bilaxten has a share that makes it the leader in the antihistamine market in Portugal.
- o Zyloric. A key player in the treatment of hyperuricaemia, it grew in sales by +4.1% and became the second largest product of the Group in terms of revenue for our Portuguese subsidiary.

c) Healthcare Spain. After unification of the products from Laboratorios Diafarm, together with those already marketed by Faes Farma, sales exceeded 54 million euros. This is a special business segment, given its differential nature, and it requires its own highly

specialised sales and marketing strategy due to the type of product on offer. It is therefore supported by its own management teams.

By products, we could highlight the performance of brands such as Ricola, Positón, Siken, Venosmil, Roha, Robaxisal, Tanakene, Vitanatur, etc.

d) Over-the-counter: Laboratorios Diafarm also incorporated this new segment into the Faes Farma Group. Once the integration was complete, this area of activity closed out 2019 with a contribution to sales of almost 11 million euros.

The brands marketed by the Over-the-counter area are, for the most part, shared with the Healthcare area. The difference is that they are aimed at a very specific group of customers, mainly large supermarkets, which are characterised by their special complexity due to their commercial requirements.

2) ANIMAL NUTRITION AND HEALTH (FARM Faes). This business area is making progress in the implementation of synergies by improving management in manufacturing, the technical department and structural costs after the integration of Ingaso Farm in 2007 and the subsequent investments in 2017 with the acquisition of two new companies: Initial Technical Foods (ITF, currently merged with Ingaso) and Tecnovit Group (Technologies&Vitamins, AT Capselos and Cidosa).

FARM Faes' annual sales exceeded 53 million euros in 2019, maintaining its traditional leadership in the early age segment of the porcine industry, coupled with an attractive diversification brought about by the new firms incorporated into the Group's scope, which have enabled us to reach clients specialising in ruminants and poultry.

Ingaso Farm currently remains the most relevant business of FARM Faes, accounting for 66% of the Division's turnover. However, it is important to reflect the notable contribution and growing weight of the rest of the Group's companies in animal nutrition and health and the international expansion through our subsidiaries in Latin America.

The Animal Nutrition and Health business is based on the Group's own production at the three factories: Lanciego (Alava) of Ingaso Farm, Alforja (Tarragona) of Tecnovit and Barbastro (Huesca) of AT Capselos. Thanks to this important fact, the area earns significant margins and generates major synergies in production and the technical

departments, and it boosts our competitiveness in a business line in which Faes Farma is a benchmark in quality and market share.

3) BILASTINE. For the Faes Farma Group, this proprietary research and production molecule has led to a significant change in terms of turnover and consolidated profits.

Bilastine's worldwide expansion through numerous licensing agreements is contributing important growth and very attractive future earnings to the income statement. It therefore represents unprecedented success in the firm's lengthy history.

In 2019 these licences accounted for a sales volume of raw materials in excess of 59 million euros, added to the fact that they provide outstanding margins, given the Group's control of manufacturing and patenting. The performance in the Japanese market is particularly significant, where the growth in turnover has been +77%.

Likewise, bilastine generates other, additional income in excess of 16 million euros received from licensees. This income is included in the income statement under "Other operating income", which year on year has recorded growth of 65.2%.

Bilastine also has direct and outstanding presence in countries such as Spain, Portugal and some Latin American markets, which add new revenue streams for the Group.

In quantitative terms, bilastine is a molecule that, quarter after quarter, is gaining market share in all countries where it is present, in many cases even at double-digit percentages, and it is occasionally the leader among allergy treatment drugs. Specifically, and considering only the antihistamine segment, some of the brands through which bilastine is sold are the leading revenue products in Spain, France, Poland, Portugal, Belgium, Czech Republic and Hungary, and the molecule in global terms leads sales in Spain and Portugal.

By country, in France the Group has two partners, Menarini and Pierre Fabre, with a combined market share of 21%; in Brazil it is Takeda, which has a share of 14%; while in other countries (such as Greece, Switzerland, Czech Republic, Hungary, Italy, Poland, Belgium, etc.) all Menarini licensees also achieve double-digit shares. All these data reflect the success of this molecule and indicate the excellent business prospects it offers for the future.

In Portugal, with direct sales, bilastine's market share was 36% at the end of 2019, a figure far above the figures of our competitors.

In Spain, as previously mentioned, bilastine's share exceeds 33%, but it is mainly in Japan where the business and evolution of this molecule is most outstanding and has extraordinary prospects, both in terms of market penetration and sales volume. With a share of 13%, a milestone reached in a short period of time, and being the world's leading allergy market, Faes Farma is assured of a recurring source of relevant income for the coming years.

Excluding those already mentioned (Spain and Portugal), and those reflected below in the breakdown of the International Division, accumulated bilastine revenue in 2019 amounted to over 76 million euros for the Group. This figure is 50% higher than the figure recorded in 2018.

A significant new development is the licensing agreement for bilastine in South Korea (Asia's fourth largest market by volume) with the local firm Kolon Group, one of the largest Korean companies, which will enable us to obtain milestone revenues and other substantial sales revenues.

4) INTERNATIONAL. The business generated abroad maintained very relevant growth rates in 2019. In addition to Bilastine's contribution, already mentioned above, we can highlight the following headings:

- Other licences. In addition to the activity initiated with bilastine, which has had notable success, the company has continued to work hard to extend the agreements to other molecules in our portfolio. Given their maturity, efficiency and economic viability, they have allowed us to reach other, interesting and new licensing agreements. In 2019, the volume of revenue exceeded 7 million euros, up 73% over 2018. This is a remarkable fact considering its short history and the difficulty in obtaining approvals from health administrations. Of particular note in this context are the licences of Deflazacort in the United States and Calcifediol in Italy.
- Direct exports. These are billed from Spain and Portugal to all continents, particularly to Latin America, the historical area where Faes Farma started its

operations abroad, and to Africa, a region in which the Group has been working for many years and where it has become a benchmark. These two continents share 92% of total exports, which jointly already exceed 27 million euros in terms of sales and are up 9.3% over 2018.

- International Healthcare. An extensive range of products is managed through the two subsidiaries of Laboratorios Diafarm (Phyto-Actif in France and Colpharma in Italy). The turnover of this line exceeds 18 million euros, with excellent performance by the Microlife and Remescar brands, Colpharma's own range in Italy and the identification of Phyto-Actif as its own brand in a whole range of food supplements and cosmetics.
- Subsidiaries in Mexico, Colombia, Ecuador, Peru, Chile and Nigeria. With a direct presence, these six subsidiaries achieved sales of 17 million euros. Furthermore, they are all committed to supporting an incipient business in animal nutrition and health, especially in the case of Chile.

The positive evolution of the figures in 2019 is particularly relevant because of the complexity of this activity as a result of the disparity of the markets in which Faes Farma operates, the complex requirements of local authorities, the presence of large multinationals and the strength and competition of domestic laboratories.

Our subsidiaries in Mexico, Colombia, Peru, Chile, Ecuador and Nigeria have a clear organic growth bias. They were established with this goal in mind, and there is a resolute commitment to them as long-term businesses with a clear potential for medium- and long-term development and positioning. This strategy is not without its difficulties, but we are convinced that it will produce results, as evidenced by the evolution of the figures to date.

Likewise, the acquisition at the end of October last year of the BCN Medical Group, with its headquarters in Colombia and subsidiaries in Peru, Ecuador, Chile and Bolivia, has contributed a moderate sales volume (almost 4 million euros), given that only two months were recorded. However, the projected sales for the full year are expected to be relevant

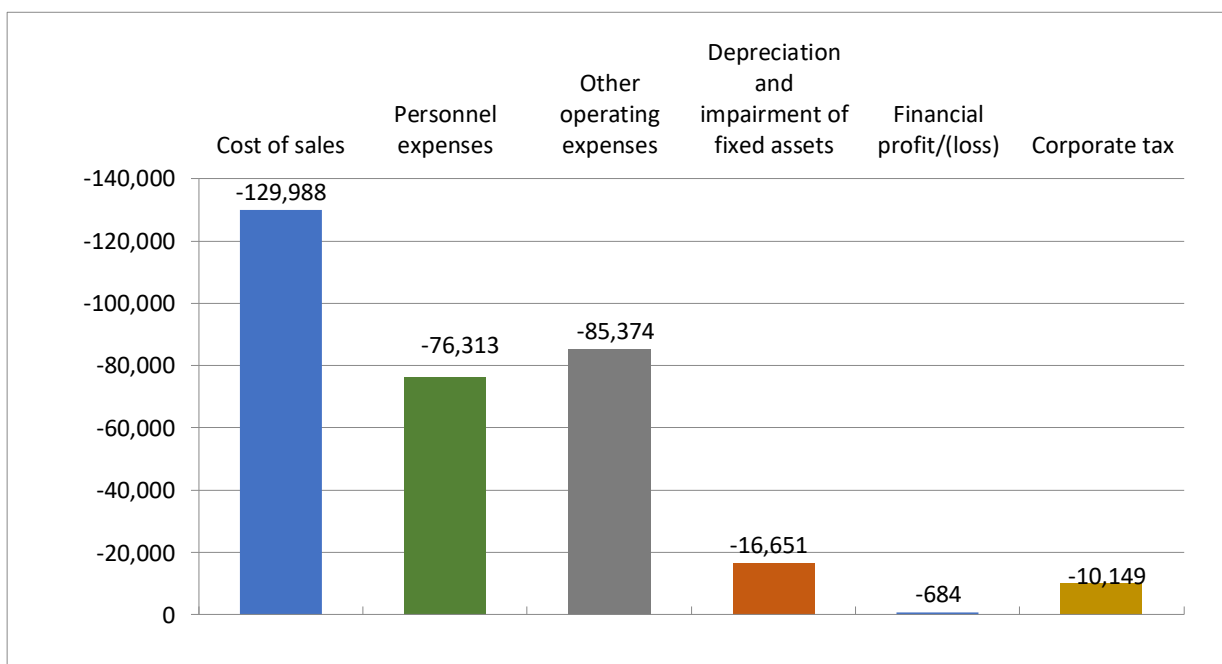
As a part of the growth of this activity, a licensing agreement was signed in January of this year with Zeria Pharmaceutical Co. (Zeria) for the development and marketing of Acotiamide in Latin America (the Acofide® brand in Japan was approved in 2013). This agreement gives the Faes Farma Group a boost in our presence in Latin America, which will allow us to strengthen our commercial networks, given the initial term of the licence (10 years, extendable). Acotiamide is a treatment for patients with functional dyspepsia and is indicated for patients with postprandial fullness, with upper abdominal bloating and with early fullness. It acts locally as an acetylcholinesterase inhibitor, increasing acetylcholine levels in the parasympathetic nerve endings of the gastrointestinal tract, thereby promoting gastric motility and emptying and maintaining a good safety profile in both the short and long term. Functional dyspepsia is a functional gastrointestinal disorder in which symptoms such as bloating, fullness or epigastric pain persist, mainly in the upper abdomen, despite the fact that there is no evidence of structural disease. Although it is not a fatal disease, it is recognized as having a significant impact on the quality of life of patients. Zeria was founded in 1955 in Tokyo, and it has subsidiaries such as Tillotts Pharma AG and employs more than 1,800 people. Zeria is engaged in the research and development, manufacturing and sale of ethical pharmaceuticals and consumer health products. Zeria holds a leading position in the field of gastroenterology in Japan, it is listed on the JP stock market (4559: JP) and it operates internationally through a large network of subsidiaries.

2.2. Costs and margins

The Faes Farma Group achieved sales exceeding 357 million euros in 2019, up 10.2% compared to the preceding year.

The gross margin increased by 15.2% up to 253.1 million euros, a figure that represents 70.8% of ordinary revenue. The positive trend is based on the containment of consumption (which grew by 8.2%, a lower percentage than sales) and on the “Other operating income” heading, which rose by a spectacular 65.2%, driven mainly by the increase in income from bilastine and other licences.

The graph below shows the distribution of expenses, in thousands of euros:



EBITDA (earnings before interest, taxes, depreciation and amortisation) stood at 91.5 million euros, 26.6% more than the preceding year. This figure, which represents a margin of 25.6% on sales, is more than two million euros above the upper band of the forecast announced for the whole year (89 million, with growth of 23%). This heading includes the effect of the application of IFRS 16 on operating leases, with an increase of 1.9 million euros, without which growth would have been 24%.

The Group's depreciation/amortisation and impairment increased by 61.8% as a result of adjustments in the valuations of brands and goodwill, as well as the effect of IFRS 16 on operating leases.

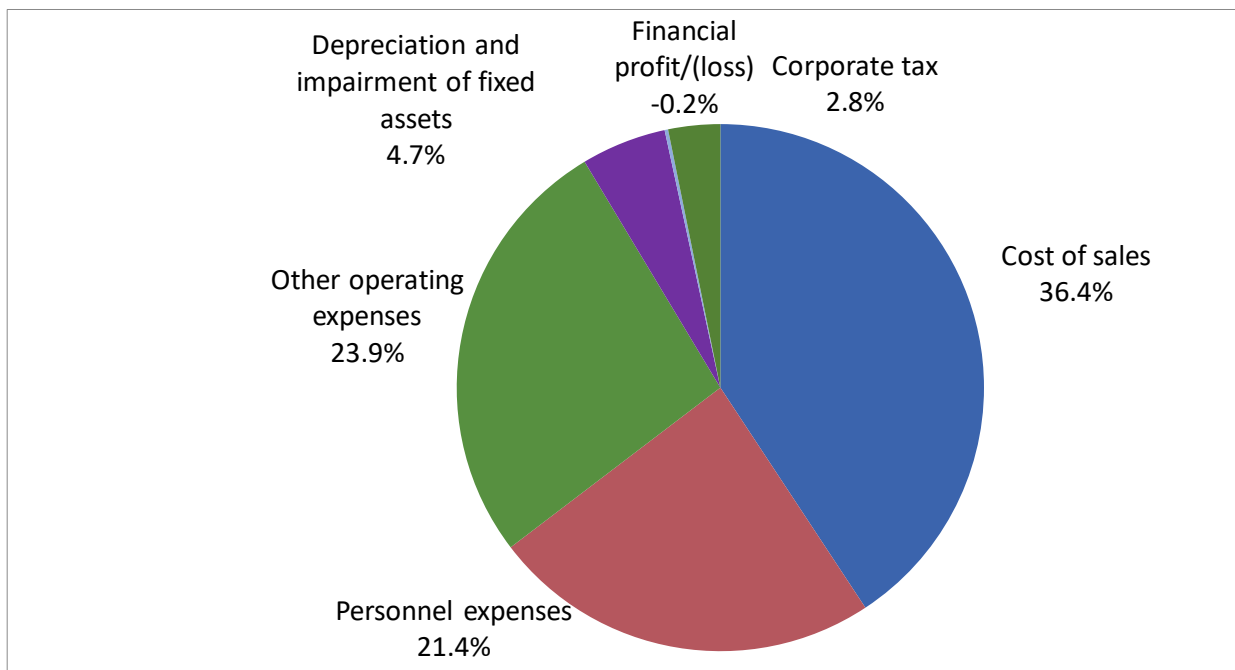
Accordingly, and after including this effect, the **EBIT (earnings before interest and taxes) grew by +20.8%, exceeding 74.8 million euros**, with a margin of 20.9% on sales, slightly above the most optimistic forecast (+20% at 74 million euros)

The financial profit (loss) does not have significant weight in the income statement, given the excellent health of the company's balance sheet, and therefore the **Profit Before Tax (PBT) stands at 74.2 million euros (+20.2%), slightly exceeding the growth forecast for the whole year (+20%) and reaching a margin of 20.8% on sales.**

Corporate tax stands at 13.7% on PBT, thanks to the deductions for investments in new fixed assets and the recurrent and strategic commitment to research, as well as the reduction in tax rates from 26% to 24% in the provincial territories where the main pharmaceutical manufacturing plant (Leioa-Vizcaya) and the main animal nutrition manufacturing plant (Lanciego-Alava) are located.

For the fifth year running, consolidated net profit once again reached a record figure at 64 million euros, 24% higher than in 2018, with a margin of 17.9% on sales. With these figures, the Faes Farma Group exceeded its most optimistic forecasts for 2019, which pointed to a 22% increase in consolidated profit and a final figure of 63 million euros.

As a final summary of this section, it is relevant to show the distribution of costs in terms of percentages over sales:



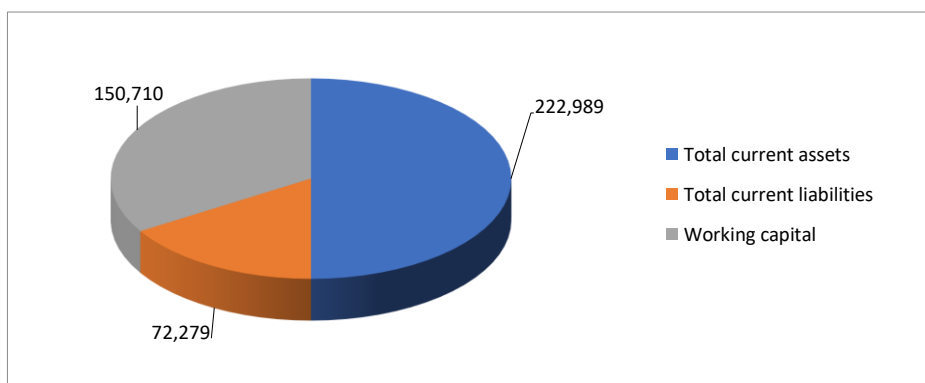
3. Balance sheet

The Group's balance sheet is extremely healthy, with very solid assets and a significant volume of liquidity.

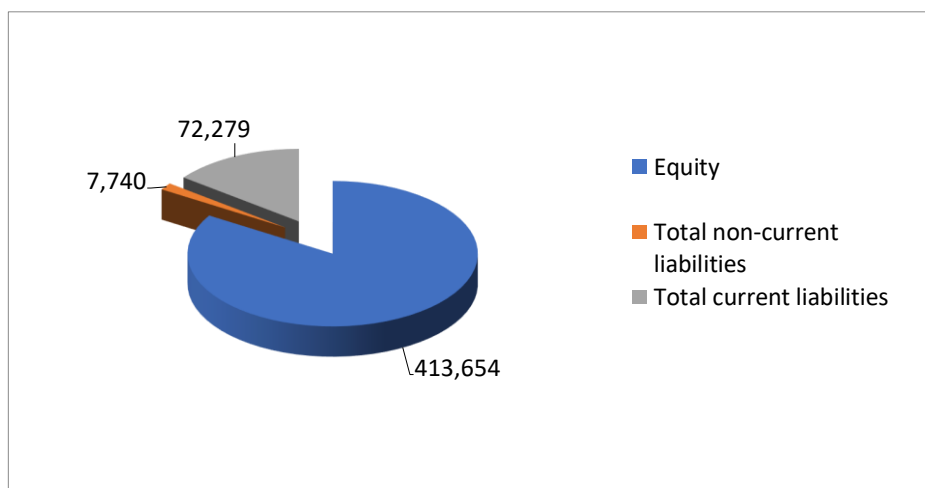
€ thousands	December 2019	% over total	December 2018	% over total
Property, plant and equipment	85,482	17.3%	68,607	14.3%
Intangible assets	168,493	34.1%	165,678	34.5%
Other non-current assets	16,709	3.4%	28,938	6.0%
Total non-current assets	270,684	54.8%	263,223	54.7%
Inventories	71,454	14.5%	59,305	12.3%
Trade receivables	97,352	19.7%	81,867	17.0%
Other current assets	1,330	0.3%	371	0.1%
Cash and cash equivalents	52,853	10.7%	76,038	15.8%
Total current assets	222,989	45.2%	217,581	45.3%
Total assets	493,673	100.0%	480,804	100.0%
Equity	413,654	83.8%	360,154	74.9%
Long term bank borrowing	0	0.0%	339	0.1%
Other non-current liabilities	7,740	1.6%	16,560	3.4%
Total non-current liabilities	7,740	1.6%	16,899	3.5%
Other financial liabilities	12,065	2.4%	52,411	10.9%
Trade payables	51,523	10.4%	49,277	10.2%
Provisions and tax liabilities	8,691	1.8%	2,063	0.4%
Total current liabilities	72,279	14.6%	103,751	21.6%
Total equity and liabilities	493,673	100.0%	480,804	100.0%

In 2019, two operations led to a reduction in liquidity: first, and within the first six months, repayment of the 40-million-euro loan applied for in 2017 to handle the acquisition of ITF, Diafarm and Tecnovit (this event also involves a relevant effect in the section on current liabilities); and second, the acquisition of the BCN Medical Group last October.

The Group's Working Capital, which exceeds 150 million euros, remains stable even after the investment mentioned in the previous paragraph. This positive news is mainly due to the successful acceptance of the flexible dividend and the solidity of the income statement. In brief, and during 2019, Faes Farma has displayed the significant capacity to generate liquidity, with a figure far above that of our investments and dividends.



Finally, we must highlight the strength of the balance sheet, as shown in this graph, where the weight of equity over total liabilities can be seen.



4. Financial position

In the first half of 2019, the 40-million-euro loan taken out to finance the purchases of ITF, Laboratorios Diafarm and Tecnovit Group in 2017 was repaid at maturity. As of the current date, there is a residual bank debt necessary to settle the company's daily business operations.

At present, liquidity exceeds the amount of 52 million euros. This high level will allow continuing with the three main investment channels established in the Group's Strategic Plan: (i) organic investments in production and technical plants, (ii) recurrent R&D&I in portfolio development and (iii) inorganic investments, such as the one executed last October with the purchase in Colombia of the BCN Medical Group, for which part of the available funds were used (20 million euros).

Moreover, Faes Farma maintains an investment in treasury stock of 1.5% of the share capital, a stake whose value amounts to 21 million euros according to the share price in the Continuous Market.

The following graph shows the evolution of net debt over EBITDA, which is growing moderately after the mentioned purchase of the BCN Group.

millions of euros	2014	2015	2016	2017	2018	2019
Total borrowing	32	27	32	98	107	100
Cash and financial assets	13	33	66	44	77	53
Net debt	19	-6	-34	54	30	47
Equity	228	254	285	320	360	414
Total capital (- treasury stock)	247	248	251	374	390	461
Debt ratio (%)	7.7%	-2.4%	-13.5%	14.4%	7.7%	10.2%

5. Shareholder remuneration

The most important aspects to be highlighted during 2019 are:

- January 2019. Payment of the flexible dividend for 2018 totalling 0.118 euros per share, up 18% from the preceding year. 86.5% of the share capital subscribed the share capital increase, a sign of the overwhelming acceptance among our shareholders of this type of remuneration scheme.
- July 2019. Payment of the final dividend in cash for the amount of 0.022 euros per share.
- Total remuneration and yield. The total gross dividend per share charged to 2018 profits was 0.14 euros, 16.7% more than the preceding year.
- 2019 flexible dividend. The General Meeting of Shareholders, held in June 2019, approved a new share capital increase to cover the flexible dividend charged to 2019 profits. The operation was approved by the Board of Directors in November and was carried out at the end of last year, consequently paying 0.142 euros per share on 2 January 2020 to those shareholders who opted for a cash payment. The dividend per share was 20.3% higher than the same dividend paid the preceding year.
- 2020 complementary dividend. As is tradition at the company, a cash dividend is expected to be paid in July 2020, with the date and amount to be decided by the shareholders' meeting to be held in June.

26 February 2020