

A blurred background image of a financial chart or stock market display. It features a blue grid with white lines, and several colored bars (yellow, red, blue) representing data points. The overall tone is professional and data-oriented.

BUSINESS PERFORMANCE

JANUARY-JUNE 2020

Faes Farma Group

Investor Relations Department

e-mail: accionistas@faesfarma.com - Tel: 901 120 362

Website: www.faesfarma.com/accionistas-e-inversores

TABLE OF CONTENTS

1. Key events during the period

2. Income Statement

- 2.1 Turnover
- 2.2 Costs and margins
- 2.3 Workforce

3. Balance sheet

4. Financial position

5. Shareholder remuneration

6. Covid19

1. Key events during the period

HISTORICAL RECORD IN FIRST SIX MONTHS OF A YEAR

The first half of 2020 has set a historical record of profits (€46,213 million), having exceeded those of the entire 2017 financial year (€42,116 million).

Highlights of the first six months of 2020:

- The turnover of the Faes Farma Group **reached 201.3 million euros at 30 June, up 10.4%** year-on-year.
- The company's sales have been reinforced by the integration of the Colombian BCN Medical Group, an investment made last October.
- The heading “**Other Operating Income**” stands out with a growth of +29.4%, exceeding 21 million euros, a line item where billings and revenues related to licences are recorded, especially Bilastine.
- **EBITDA reached 67 million euros, 31.5% more than the previous six months**, with a margin of 33.3% on sales.
- **EBIT exceeds 55.8 million euros, with an increase of +28.1%**.
- The minimum negative effect of the line that includes the financial results leads to **Earnings before tax of 55 million euros, with an increase of +26.6%** compared to the first six months of 2019.
- The **Group's consolidated Net Profit attributed to the Parent Company reaches 45.6 million euros, 24.5% more than June 2019.**

2. Income Statement

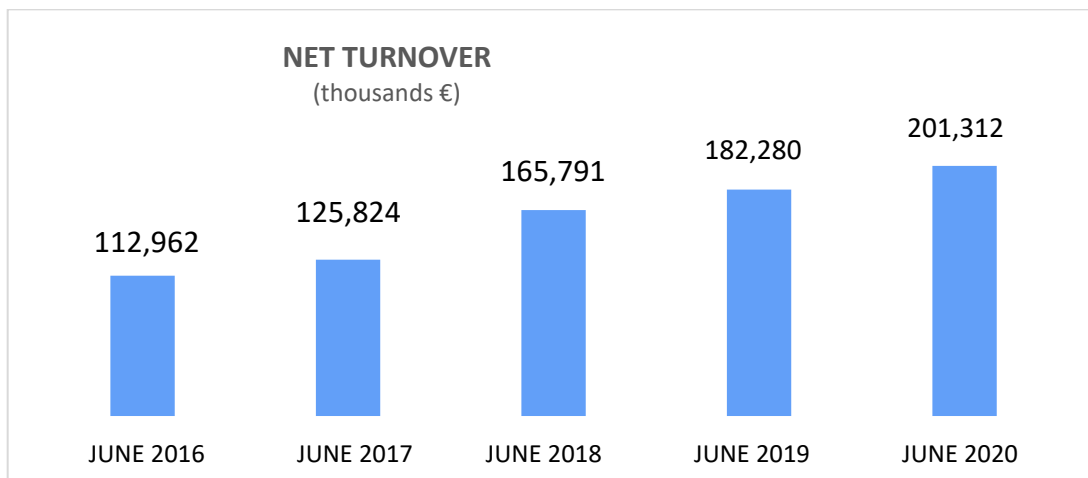
The consolidated trading figures for the first six months of 2020 show significant growth year-on-year, as shown in the table below:

€ thousands	June/2020	Sales %	June/2019	Sales %	% Change 2020/2019
Total Income	222,400		198,574		12.0%
Ordinary income / sales	201,311		182,280		10.4%
Other operating income	21,089	10.5%	16,294	8.9%	29.4%
Cost of sales	-71,239	35.4%	-65,299	35.8%	9.1%
Gross margin	151,161	75.1%	133,275	73.1%	13.4%
Personnel expenses	-42,234	21.0%	-39,613	21.7%	6.6%
Other operating expenses	-41,941	20.8%	-42,716	23.4%	-1.8%
EBITDA	66,986	33.3%	50,946	27.9%	31.5%
Depreciation and impairment of fixed assets	-11,131	5.5%	-7,354	4.0%	51.4%
EBIT	55,855	27.7%	43,592	23.9%	28.1%
Financial profit/(loss)	-761	-0.4%	-83	0.0%	816.9%
Profit before taxes	55,094	27.4%	43,509	23.9%	26.6%
Corporate tax	-8,881	4.4%	-6,907	3.8%	28.6%
Consolidated profit	46,213	23.0%	36,602	20.1%	26.3%
Minority interests	-631	0.3%	0	0.0%	
Profit of the Parent Company	45,582	22.6%	36,602	20.1%	24.5%

2.1. Turnover

The turnover of the Faes Farma Group reached 201.3 million euros in the first six months of the year, up 10.4% compared to 30 June 2019. 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 into the consolidation scope. The firm was acquired in October last year.

This growth consolidates the positive record of recent years:



The evolution of each Business Division 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 sales by +4.7% in the first six months of 2020, a figure much higher than the sector as a whole, which was +2.3%. Regarding the prescription market, the Group's evolution is similar, given that Faes Farma is up +5.6% in the same period compared to +2.4% for the market as a whole. Medicines Spain remains the Group's main business in terms of turnover this quarter.

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

- (i) Bilastine. At the end of June 2020, this molecule, which is manufactured and researched in-house and marketed under the Bilaxten brand by Faes Farma, was the Group's leading product by sales in Spain, with sales exceeding 15.6 million euros and a 7.4% increase compared to the same period of the previous year. Even so, we consider that this growth has been moderate given the lockdown conditions during the most aggressive phase of allergy and, therefore, it is a pathology with less effect during the State of Emergency

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

Adding together the two brands marketed in Spain today, the bilastine molecule reaches a value share of 34% and is the market leader in antihistamines. Specifically, the Bilaxten brand (Faes Farma's own brand) accounts for 71.2% of said share.

- (ii) Vitamin D. Our molecule (Calcifediol), which is marketed under the brand name Hidroferol, the second product by volume of Group sales, increases its revenue by 3.3%, exceeding 15 million euros during the first six months of this year. With these figures, it consolidates the significant increases in sales at the double-digit percentage rates recorded in the last five years.
- (iii) Diabetes. The MSD licenses for this therapeutic area are ranked as the third most important product in terms of sales. Thus, as a whole, Ristfor and Ristaben add up to a six-month total amount of over 12 million euros.
- (iv) Respiratory. The licence agreed with GSK for the commercialisation of three products in the Spanish market contributes more than 4.5 million euros of sales in the first six months of the year. This is a recent commercial launch that is gradually gaining market share and maintaining good prospects.

b) Portugal. In the first six months of 2020, the turnover in Portugal exceeds 19 million euros, with Bilaxten standing out, as in Spain, as the Group's leading product in the Portuguese market. Listed below are mature, self-made products with relevant margins such as Zyloric, Rosilan, Pankreoflat, Magnesosa ... And some third-party business lines that our subsidiary successfully distributes: NUK (children's products), Novalac (children's milk), Dentaïd (oral hygiene) or Healthcare (Ricola, Bekunis, Roha).

c) Healthcare Spain. Sales in the area exceed 30 million euros at the end of the first six months, with both mature products such as Positón, Alergical and Venosmil, and brands acquired in the Diafarm operation (Ricola, Siken, Roha or Vitanatur), being of particular note.

d) Over-the-counter. Diafarm Laboratories also incorporated this new segment into the Faes Farma Group, which has been particularly affected by the lockdown derived from the State of Emergency in force in the second quarter of the year. Sales in this activity segment were 5 million euros, with the majority of brands shared with the Healthcare area.

2) ANIMAL NUTRITION AND HEALTH (FARM Faes). Revenues for the period exceed 27.7 million euros, with the traditional swine line and the predominant weight of the domestic market, as well as the growing value of the international area, being of particular note. The success of the business is based on its three production centres and the synergies generated between the four subsidiaries involved. Despite being a complicated market, motivated by the reduction in meat consumption due to the closure of restaurants because of the lockdown, the area achieved growth of 6.3% in terms of turnover.

3) BILASTINE. As reflected in previous reports, for the Faes Farma Group this own research and production molecule has led to a very significant change in terms of turnover and consolidated earnings.

Bilastine's worldwide expansion in recent years through numerous licensing agreements is contributing very important period-by-period growth and the prospect of equally attractive future earnings to the income statement. It therefore represents an unprecedented achievement in our firm's lengthy history.

Without considering the businesses already mentioned in Spain and Portugal, the income from these bilastine licences in this first half of the year has exceeded 50.6 million in revenue, +14.6% higher than the figures for the previous year. A very positive trend with the additional fact that licences provide high margins given the control of manufacturing and the patent.

Moreover, in addition to direct sales and invoicing of raw materials to licensees, relevant revenues are obtained from other items, mainly due to compliance with contractual milestones by achieving sales targets. The contribution of this heading to the income statement during the first six months of the year has been very important as can be seen in the section "Other operating income", an item that contributes 17 million euros corresponding to bilastine.

The antihistamine market in Japan has shrunk in the first half of the year with double-digit falls in sales, mainly due to the effects of the coronavirus pandemic, with less exposure to pollen due to the lockdown and greater difficulty in reaching the prescriber and the prescription, which is essential in Japan for dispensing the antihistamine. This was in addition to a milder, pollen and allergy season than in 2019. Sales in Japan of Bilanoa (Bilastine) performed better than the market average, with a drop of 7%. However, there were signs of the beginning of a recovery in June, with sales 6% higher year-on-year. The shared aspiration with our partners is for Bilanoa to become a leader in the Japanese antihistamine market over the next year.

4) INTERNATIONAL. Without considering what has already been mentioned in the preceding paragraphs with regard to bilastine and animal nutrition, four main areas stand out within this business:

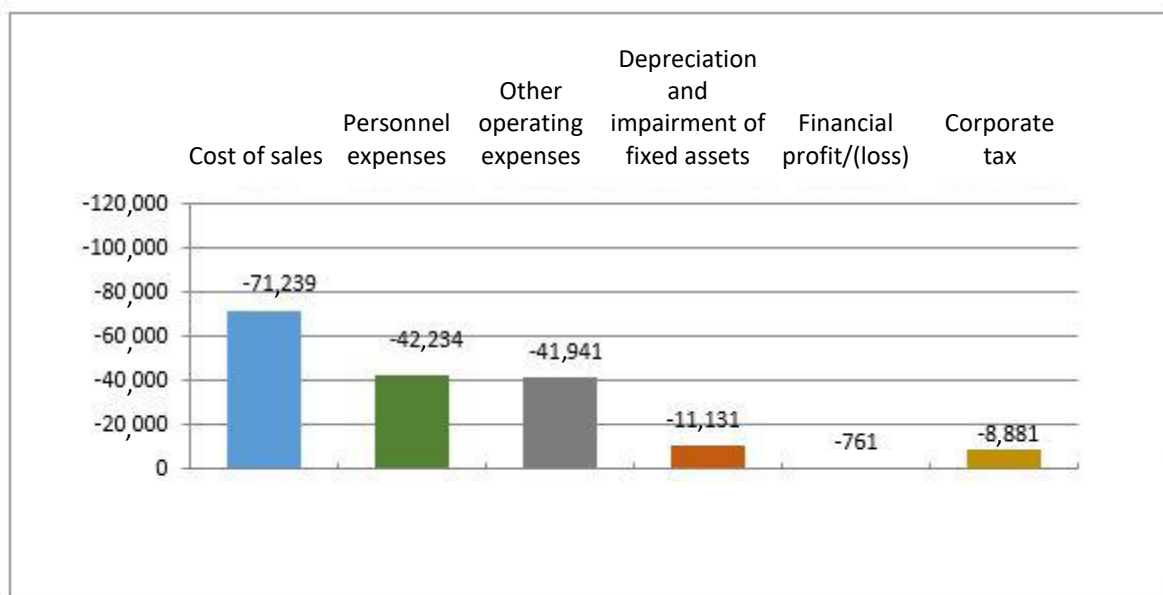
- Other licences. In addition to the activity initiated with Bilastine, which has had notable success, the company has continued to work hard to extend the agreements to other molecules in our portfolio. Given their maturity, efficiency and economic viability, they have allowed us to reach other interesting and new agreements. This section contributes almost 5 million euros in this first half of the year, 55% more than in the same period of 2019, an outstanding evolution considering its short trajectory and the difficulty in obtaining regulatory approvals from the different health administrations of each country.
- Direct exports. These are up by 11.5% and the revenue figure exceeds 14 million euros. They are billed from Spain, mainly, and they have two relevant markets, Latin America and Africa.

- 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 10.9 million euros in this first half of the year, with the distributed brands of Colpharma being of particular note, with a growth of 34%.
- Subsidiaries in Mexico, Colombia, Ecuador, Peru, Chile, Bolivia and Nigeria. With a growth in sales of 171.8%, it exceeds 17 million euros, once we integrate the income of the BCN Group which was acquired last October. Although this Colombian firm contributes more than 10 million euros, if we left it out of the equation the company would still have increased its sales by +12.5%.

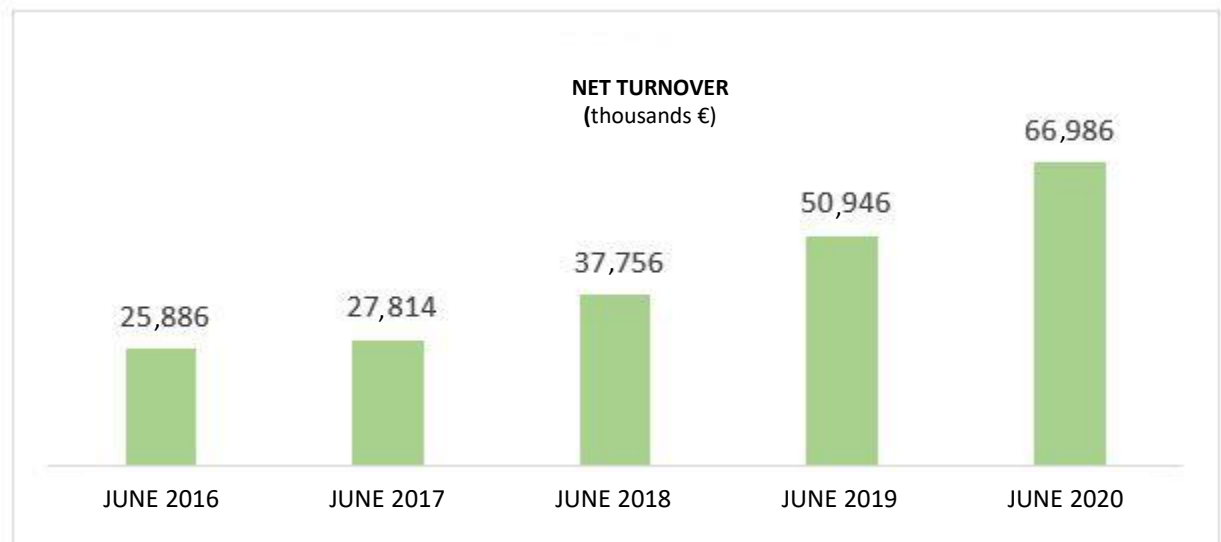
2.2. Costs and margins

The growth in sales up to 201 million euros (+10.4%) and the heading of "Other operating income", which amounts to 21 million euros (+29.4%), allow for a Gross Margin of €151 million, 13.4% higher than the first half of 2019, thus standing at 75.1% of sales as of 30 June 2020.

The following chart shows the distribution, in thousands of euros, of expenses:

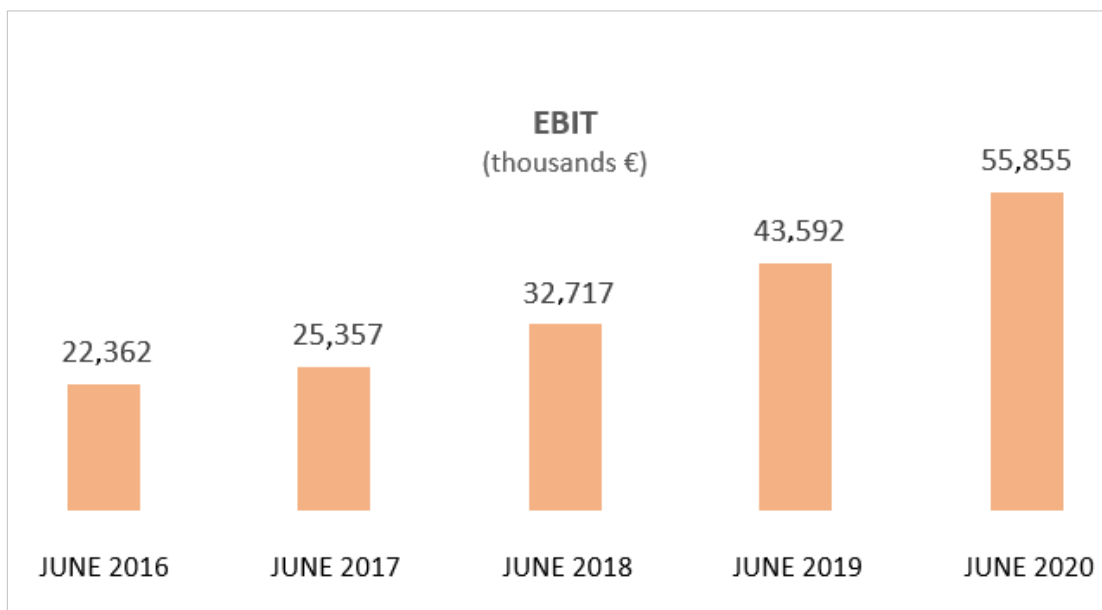


EBITDA (earnings before interest, taxes, depreciation and amortisation) stood at 67 million euros, 31.5% more than the first half of the preceding year. This figure, which represents a margin of 33% on sales, improves figures for the previous year by 16 million. A positive evolution that is proving sustainable in recent years as shown in the following graph:

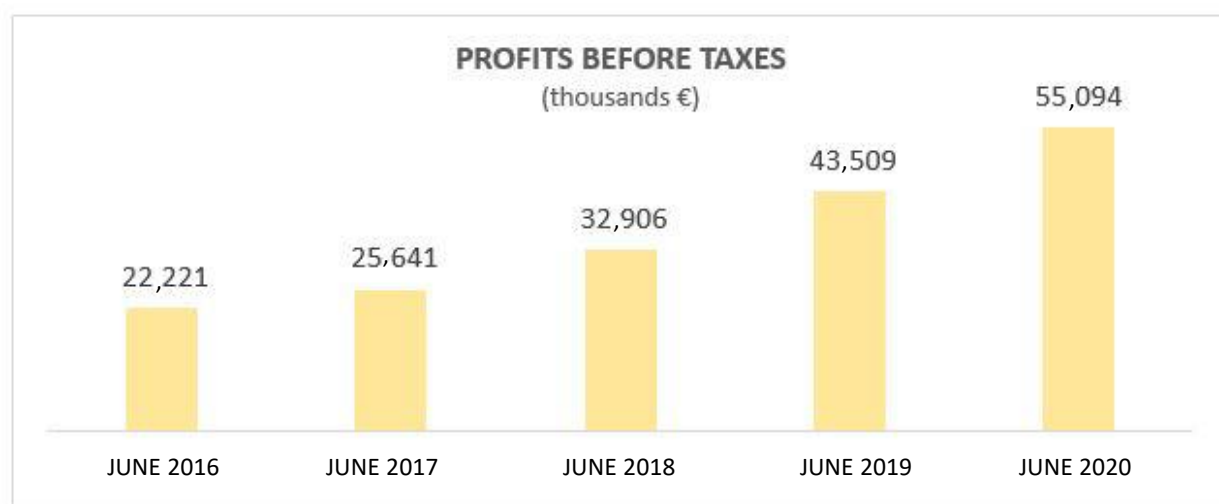


The Group's depreciation/amortisation and impairment increased by 51.4% as a result of corrections in measurements of intangible assets associated to the over-the-counter area.

Accordingly, and after including this effect, the **EBIT (earnings before interest and taxes) grew by +28.1%, exceeding 55.8 million euros**, with a margin of 27.7% on sales. As in the case of EBITDA, this item maintains a clearly bullish evolution in recent years:



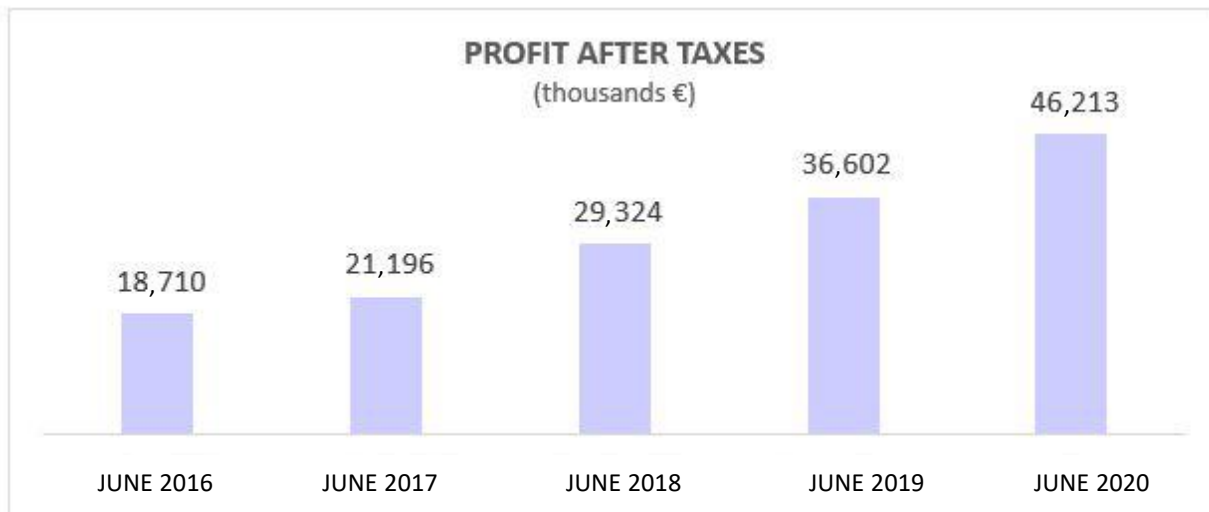
The financial result, which is negative due to the effect of the evolution of exchange rates, carries little significance and does not in any way harm the growth of the following items in the Group's income statement. Thus, **Profits before tax (PBT) stood at 55.1 million euros (+ 26.6%) as of 30 June 2020, and reached a margin of 27.4% on sales**, with a very positive trend in recent years:



Corporation tax stands at 16.1% of the PBT, thanks to deductions for investments in new fixed assets and the recurring commitment to R&D&I, which is one of the main pillars of the company's strategy.

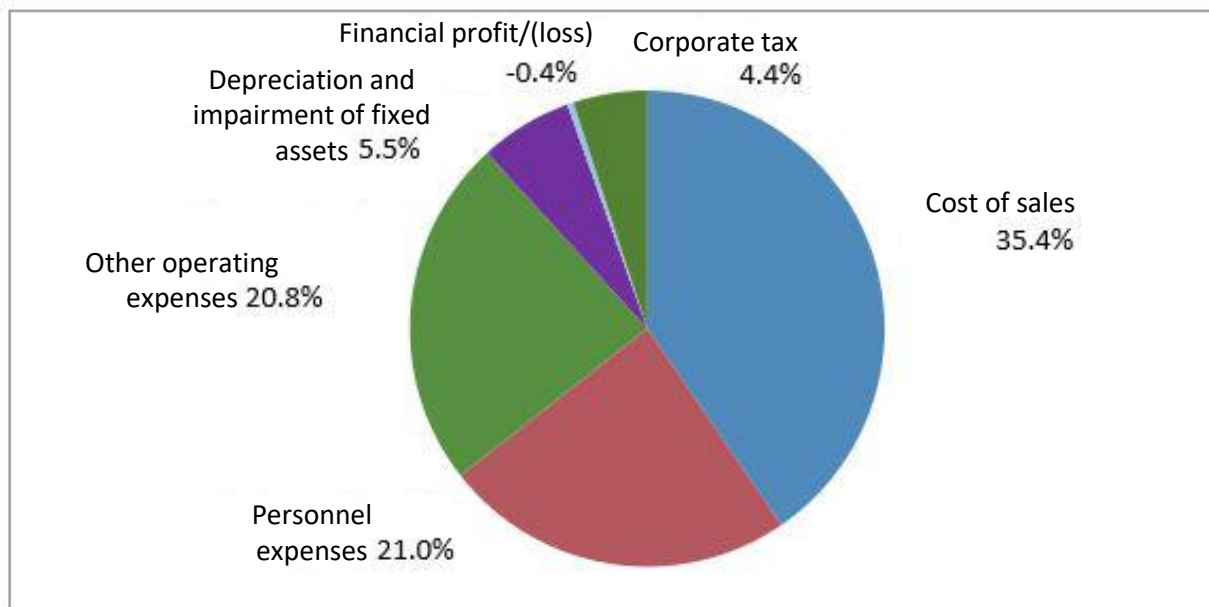
The **Consolidated Profit (prior to minority interests) reaches a record six-monthly figure with 46.2 million euros, with an increase of 26.3% compared to the first half of 2019 and a margin of 23% on sales .**

The very positive evolution of the last five-year period is:



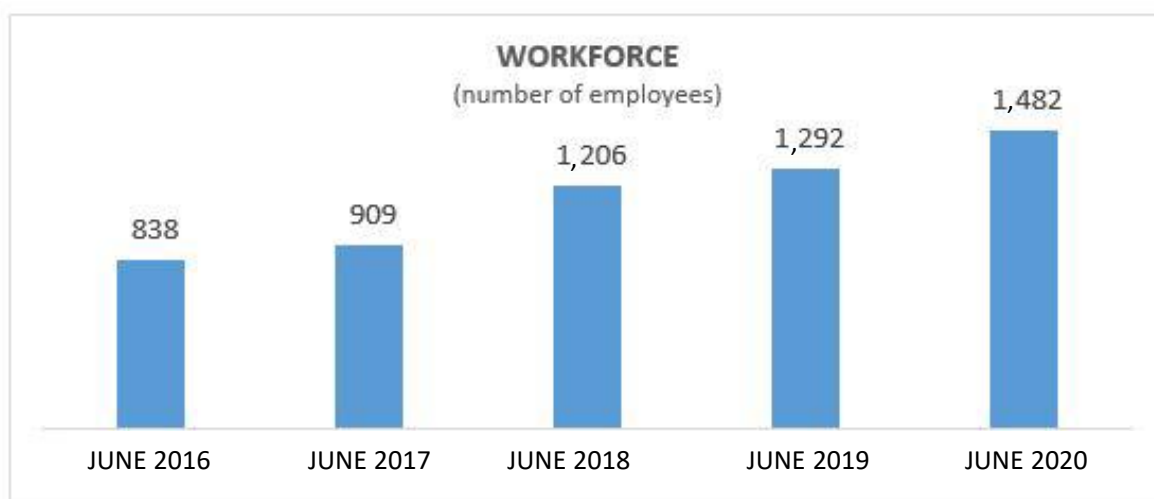
The Ebit, Ebitda, PBT and PAT figures for this first half of 2020 amply duplicate those reached in the first semester of 2017, that is, in just three years.

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



2.3. Workforce

The evolution of the workforce in recent years stands out, revealing our commitment to permanent, quality employment, in conditions of equality, involvement with society and CSR.

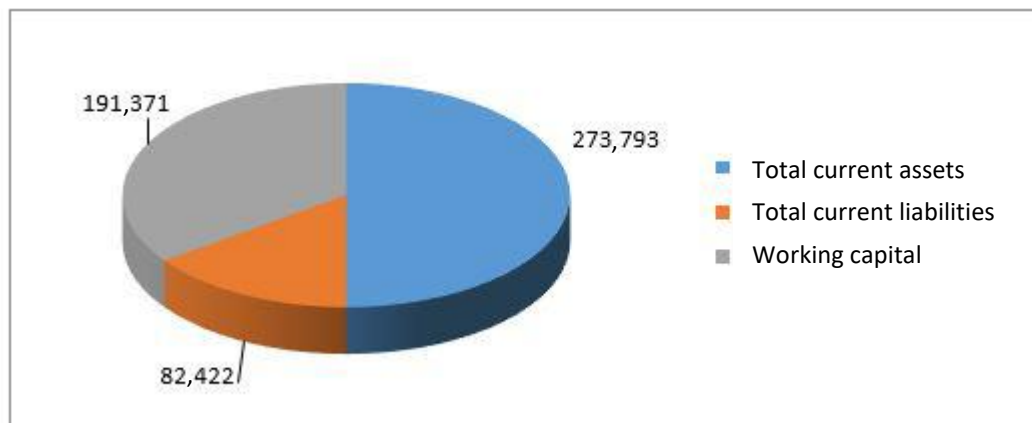


3. Balance sheet

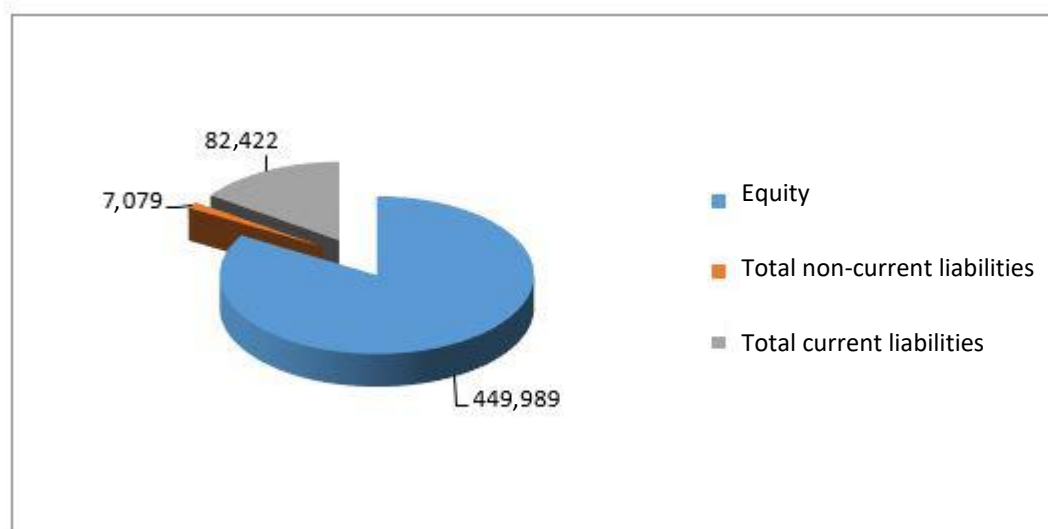
The Group's balance sheet is extremely healthy, with very solid assets and a significant volume of liquidity.

€ thousands	June 2020	% over total	December 2019	% over total
Property, plant and equipment	88,056	16.3%	85,482	17.3%
Intangible assets	163,588	30.3%	168,493	34.1%
Other Non-current Assets	14,053	2.6%	16,709	3.4%
Total Non-current Assets	265,697	49.2%	270,684	54.8%
Inventories	82,006	15.2%	71,454	14.5%
Trade receivables	103,924	19.3%	97,352	19.7%
Other current assets	3,003	0.6%	1,330	0.3%
Cash and cash equivalents	84,860	15.7%	52,853	10.7%
Total current assets	273,793	50.8%	222,989	45.2%
Total assets	539,490	100.0%	493,673	100.0%
Equity	449,989	83.4%	413,654	83.8%
Long-term bank borrowing	0	0.0%	0	0.0%
Other non-current liabilities	7,079	1.3%	7,740	1.6%
Total non-current liabilities	7,079	1.3%	7,740	1.6%
Other financial liabilities	18,602	3.4%	13,575	2.7%
Trade payables	53,744	10.0%	51,523	10.4%
Provisions and tax liabilities	10,076	1.9%	7,181	1.5%
Total current liabilities	82,422	15.3%	72,279	14.6%
Total equity and liabilities	539,490	100.0%	493,673	100.0%

The Faes Farma Group closes this first half of the year with a further reinforcement of its net worth situation thanks to the notable increase in liquidity and shareholder equity. The Working Capital exceeds 191 million euros (vs. 150 million in December 2019), motivated by the new success of the flexible dividend paid in January and the trend of the income statement in recent months.



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

Having paid off the bank debt throughout 2019, there are no relevant developments under this heading, except to remember that the Group continues to strengthen its balance sheet with the generation of liquidity, even fulfilling the strategic objective of maintaining a

relevant level of investment, both organic and inorganic, as demonstrated by the purchase of the BCN Group in Colombia at the end of 2019.

At the half-year close, liquidity is close to 85 million euros.

Moreover, Faes Farma maintains an investment in treasury stock of 1.5% of the share capital, a stake whose value amounts to 16 million euros according to the share price in the Continuous Market last June.

5. Shareholder remuneration

The most important aspects to highlight during this first half of the year have been:

- 2019 flexible dividend. Payment of 0.142 euros per share on 2 January 2020 to those shareholders who opted for cash payment. The dividend per share was 20.3% higher than the same dividend paid the preceding year.
- 2020 complementary dividend. Paid from 2 July 2020 for a gross amount per share of 0.026 euros, which is 18.1% more than the previous year.
- In total the sum of both concepts totals 0.168 euros per share, 20% more than the remuneration paid from the previous year.
- 2020 flexible dividend. Approval at the General Shareholders' Meeting held on 30 June of a new flexible dividend to be implemented at the end of the year for an amount and dates to be decided by the Board of Directors at the time.

6. Covid19

Regarding the impact of and activities related to the coronavirus, and given that there is no relevant news regarding the information collected in this business performance summary document for the first quarter, the main points are summarised below:

Financial position. Solid financial position, increased liquidity and no bank debt, with a continuation of the organic and inorganic investment plan.

Corporate Social Responsibility. Commitment to the main groups affected: workers, health workers, clients, patients ... who have been provided with donations, volunteer work, gels have been manufactured in our facilities, working from home has been allowed, hygiene and occupational health measures have been introduced and normality has been maintained in factories, as well as in logistics distribution.

Business. An especially negative impact on products closest to Over-the-counter, specifically on Diafarm origin articles, which is why there have been adjustments in the accounting valuations of these brands.

Research, development and innovation activity. With no significant impact on this activity, Faes Farma continues with its drug approval processes in the regulatory phase and with plans for the development of a new portfolio.

Sales and income statement in subsequent quarters. No major changes are expected. Medical and pharmacy visits are gradually returning to normal, but with little presence during this second quarter of the year, the same as in the sections of congresses, medical meetings, etc.

All these circumstances have caused a reduction in the heading "Other operating expenses" of -1.8%, approximately 800 thousand euros, despite having integrated the costs of BCN Medical.

And there has also been an impact on sales that is difficult to assess since it is a general impact in the sector. It is very difficult to make correct estimates given the difficulties associated with the evolution of the situation and the current economic context, so Faes Farma will continue to monitor the evolution of events and their impact on the Group.