

REPORT ON THE PROPOSED RESOLUTION TO INCREASE THE SHARE CAPITAL BY AN AMOUNT TO BE DETERMINED, BY ISSUING NEW ORDINARY SHARES OF TEN EURO CENTS (€0.10) PAR VALUE EACH, WITHOUT SHARE PREMIUM, OF THE SAME CLASS AND SERIES AS THOSE CURRENTLY IN CIRCULATION, CHARGED TO RESERVES, OFFERING SHAREHOLDERS THE POSSIBILITY OF SELLING THE FREE ALLOCATION RIGHTS TO THE COMPANY ITSELF OR ON THE MARKET.

1. Purpose of the report

This report is prepared by the Board of Directors of Faes Farma, S.A. (the "**Company**") to justify the proposed share capital increase which, within the framework of the "**Scrip Dividend**" shareholder remuneration programme, will be submitted for approval at the Ordinary General Shareholders' Meeting of the Company in 2023 ("**Scrip Dividend - 2023 General Meeting**"). This report is issued in compliance with the provisions of articles 286 and 296 of the Capital Companies Act, as the approval of the proposed resolution and its implementation necessarily entails the amendment of article 5 of the Bylaws, relating to share capital.

In order to facilitate understanding of the transactions underlying the proposed share capital increase submitted to the General Meeting, shareholders are provided, firstly, with a description of the purpose and rationale of the capital increase and, secondly, with a description of the main terms and conditions of the capital increase charged to reserves that is the subject of this report.

2. Rationale for the proposal

2.1 Purpose of the proposal

In order to improve the shareholder remuneration structure and in line with the trends followed in this area by other listed companies, the Company has been offering its shareholders an option ("**Scrip Dividend**") which, without limiting in any way their possibility of receiving all of their remuneration in cash if they so wish, has allowed them to receive shares in the Company with the consequences of bonus shares. Given its positive reception (the capital increase of the Scrip Dividend agreed by the General Shareholders' Meeting in 2022 was accepted by more than ninety per cent of the share capital), the Company has decided to offer the same possibility again this year. Thus, the purpose of the proposed capital increase submitted to the General Meeting is to once again offer all shareholders the option, at their free choice, to receive newly issued bonus shares of the Company, maintaining the Company's policy of remunerating its shareholders in cash, as they may alternatively choose to receive a cash amount by transferring to the Company (if they have not done so on the market) the free-of-charge allocation rights they receive for the shares they hold, as indicated below.

2.2 Structure of the transaction and shareholder options

The proposal submitted to the General Meeting of Shareholders for approval under item two of its agenda consists of offering the Company's shareholders the option to receive, at their choice, either bonus shares of the Company or a cash amount. This offer is structured by way of a share capital increase charged to reserves (the "**Capital Increase**").

If the Board of Directors decides to implement the Capital Increase:

a) The Company's shareholders will receive one free-of-charge allocation right for each share of the Company that they hold at that time. These rights will be negotiable and, therefore, may be transferred under the same conditions as the shares from which they derive on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges during the period established. At the end of such period, the free-of-charge allocation rights will be automatically converted into newly issued shares of the Company, which will be allotted to those who, at that time, are holders of free-of-charge allocation rights. The specific number of shares to be issued and, therefore, the number of rights necessary for the allotment of a new share will be established in accordance with the procedure described in this report.

b) The Company will assume an irrevocable commitment to purchase the aforementioned free-of-charge allocation rights at a fixed price from those who appear in the accounting records of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* ("Iberclear") on the corresponding date according to the applicable securities registration, clearing and settlement regulations and, therefore, receive the aforementioned rights free of charge. Accordingly, this purchase commitment will extend only to the allocation rights received free of charge by the Company's shareholders, not to the allocation rights purchased or otherwise acquired in the market. The fixed purchase price of the free-of-charge allocation rights will be calculated prior to the opening of the trading period for the free-of-charge allocation rights, as set out below. In this way, the Company guarantees all shareholders the possibility to monetise their free-of-charge allocation rights, thus enabling them to receive cash in case they do not wish to receive new shares.

Therefore, upon implementation of the Capital Increase, the Company's shareholders will have the option, at their free choice, to: a) Retain their free-of-charge allocation rights. In this case, at the end of the trading period, the shareholder will receive the corresponding number of new shares fully paid up. b) Transfer all or part of their free-of-charge allocation rights to the Company at the guaranteed fixed price. In this way, the shareholder would receive all or part of his remuneration in cash instead of new shares. c) Transfer all or part of his free-of-charge allocation rights on the market. In this case, the shareholder would also choose to monetise all or part of his rights, although, unlike option (b), he would not receive the guaranteed fixed price but a consideration for the rights transferred equivalent to the listed price of these rights. The Company would thus not make any payment. The gross value of the consideration received by the shareholder under options (a) and (b) will be equivalent. However, the tax treatment of the two alternatives is different. It should also be noted that the quoted price of the shares is subject to market movements. Therefore, the quoted price which will serve as a reference for the determination of the indicated gross price may not be the same as the quoted price of the Company's shares on the date on which the shareholder receives the new shares.

3. Main terms and conditions of the Capital Increase

3.1. The amount of the Capital Increase

The Board of Directors proposes to increase the share capital by the amount resulting from multiplying (a) the nominal value of ten euro cents (EUR 0.10) per share of the Company by (b) the determinable number of new shares of the Company resulting from the formula set out in section 3.2 below (the "**New Shares**").

The capital increase will be carried out through the issue and circulation of the New Shares, which will be ordinary shares with a par value of 0.10 euros each, of the same class and series as those currently in circulation, represented by book entries.

The capital increase will be fully charged to the reserves provided for in article 303.1 of the Capital Companies Act.

The New Shares are issued at par, i.e. for their nominal value of 0.1 euro, without share premium, and will be allotted free of charge to the Company's shareholders.

In accordance with the provisions of article 311 of the Capital Companies Act, provision is made for the possibility of incomplete allocation of the increase.

3.2. New shares to be issued

The number of New Shares shall be the number resulting from the application of the following formula, rounded down to the next lower whole number:

$$\text{NAN} = \text{NTAcc} / \text{No. of rights}$$

where,

NAN = Number of New Shares to be issued;

NTAcc = Number of Faes Farma shares in circulation on the date on which the Board of Directors resolves to carry out the capital increase; and

No. rights = Number of free allocation rights necessary for the allotment of one New Share, which will be the result of applying the following formula, rounded down to the next lower number:

$$\text{No. rights} = \text{NTAcc} / \text{Provisional no. shares.}$$

where,

$$\text{Provisional no. of shares} = \text{Alternative Option Amount} / \text{PreCot.}$$

To this end:

"Alternative Option Amount" is the market value of the capital increase, to be set by the Board of Directors, based on the number of shares outstanding (i.e. NTAcc).

"PreCot" is the arithmetic mean of the weighted average prices of Faes Farma shares on the Spanish Stock Exchanges in the 5 trading sessions prior to the resolution of the Board of Directors to carry out the capital increase, rounded to the nearest thousandth of a euro and, in the case of half a thousandth of a euro, to the next higher thousandth of a euro.

3.3. Free allocation rights

Each outstanding share of the Company will confer one free allocation right.

The number of free-of-charge allocation rights required to receive one New Share will be determined automatically according to the ratio between the number of New Shares and the number of shares outstanding (NTAcc). Specifically, shareholders will be entitled to receive one New Share for each number of free allocation rights determined in accordance with the provisions of section 3.2 above (No. rights) held.

If the number of free allocation rights required for the allocation of one share (No. rights) multiplied by the New Shares (NAN) is less than the number of outstanding shares (NTAcc), the Company or an entity of its group will waive a number of free allocation rights equal to the difference between the two figures, for the sole purpose of making the number of New Shares a whole number and not a fraction.

The free-of-charge allocation rights will be allocated to the shareholders of the Company that appear as such in the accounting records of *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.* (Iberclear) on the corresponding dates in accordance with the applicable securities clearing and settlement rules. During the free-of-charge allocation rights trading period, sufficient free-of-charge allocation rights may be acquired on the market in the proportion necessary to subscribe New Shares. The free-of-charge allocation rights may be traded on the market during the period determined by the Board, with a minimum of fifteen calendar days.

3.4. Irrevocable commitment to acquire the free-of-charge allocation rights.

The Company or, with its guarantee, such company of its Group as may be determined, will enter into an irrevocable commitment to purchase the rights received free of charge by the shareholders at the price indicated below. The Purchase Commitment will remain in force and may be accepted by such shareholders during the term, within the trading period of the rights, to be determined by the Board of Directors. For such purpose, it is resolved to authorise the Company, or the corresponding company of its Group, to acquire such free-of-charge allocation rights (as well as the shares corresponding thereto), up to the maximum limit of the total number of rights issued, and in any event in compliance with the legal limitations. The "Purchase Price" of each free-of-charge allocation right will be equal to the result of the following formula, rounded off to the nearest thousandth of a euro and, in the case of half a thousandth of a euro, to the next higher thousandth of a euro:

$$\text{Purchase Price} = \text{PreCot} / (\text{Num. Rights} + 1)$$

3.5. Balance sheet for the operation and reserve against which the increase is being made

The balance sheet serving as the basis for the transaction is the duly audited balance sheet as at 31 December 2022, which will be submitted for approval at the ordinary general meeting at which this proposed capital increase is included.

The capital increase will be carried out entirely with a charge to the reserves provided for in article 303.1 of the Capital Companies Act. Upon implementation of the Increase, the Board of Directors will determine the reserve to be used and the amount thereof in accordance with the balance sheet used as the basis for the transaction.

3.6. Representation of new shares

The shares issued will be represented by book entries, the accounting record of which is attributed to *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.* and its participating entities.

3.7. Rights of the new shares

The new shares will confer on their holders the same voting and dividend rights as the Company's ordinary shares currently in circulation as from the date on which the increase is declared subscribed and paid up.

3.8. Depositary Shares

At the end of the trading period for the free-of-charge allocation rights, the New Shares that could not be allotted for reasons not attributable to the Company will be held in deposit at the disposal of those who can prove their legitimate ownership of the corresponding free-of-charge allocation rights. Three years after the end of the trading period for the free allocation rights, any shares still pending allocation may be sold in accordance with the provisions of article 117 of the Capital Companies Act, at the risk and expense of the interested parties. The net proceeds of such sale shall be deposited with the Bank of Spain or with the *Caja General de Depósitos* at the disposal of the interested parties.

3.9. Application for admission to official negotiation

The Board of Directors shall propose that the New Shares be admitted to trading on the Bilbao, Madrid, Barcelona and Valencia Stock Exchanges, through the Stock Exchange Interconnection System (Continuous Market), expressly stating the Company's submission to the rules that exist or may be issued in relation to the Stock Exchange and, in particular, on trading, continued listing and delisting.

It is expressly stated for the record that, in the event that the delisting of the Company's shares is subsequently requested, the delisting shall be adopted with the same formalities as those applicable and, in such event, the interest of the shareholders who oppose the delisting resolution or do not vote for it shall be

guaranteed, in compliance with the requirements set forth in the Capital Companies Act and concordant provisions, all in accordance with the provisions of the legislation in force at any given time.

3.10. Deadline for implementation of the Capital Increase

Within a period of one year from the date of this resolution, the Board of Directors may resolve to carry out the increase and set the terms and conditions thereof in all matters not provided for in this resolution. Notwithstanding the foregoing, if the Board of Directors does not consider it advisable to implement the capital increase, it may decide not to implement it, and must report such decision to the first General Meeting held thereafter. The capital increase referred to in this resolution shall be null and void if, within the period of one year set by the General Meeting for the implementation of the resolution, the Board of Directors does not exercise the powers delegated to it.

3.11. Delegation of powers and implementation of each Capital Increase

In accordance with the provisions of article 297.1 a) of the Capital Companies Act, it is proposed to delegate to the Board of Directors, with express power of sub-delegation to the Chairman of the Board of Directors, the power to determine the conditions of the Capital Increase in all matters not provided for by the General Meeting, all within a maximum period of one year from the date on which the resolution on the Capital Increase is adopted by the General Meeting in the detailed terms included in the proposal submitted for consideration by the General Shareholders' Meeting.

4 May 2023.