

REPORT ON THE PROPOSED RESOLUTION ON A REDUCTION OF SHARE CAPITAL THROUGH THE REDEMPTION OF A MAXIMUM OF 5,441,113 TREASURY SHARES REPRESENTING 1.69% OF THE SHARE CAPITAL OF THE COMPANY ON 4 MAY 2023, INCLUDING FOR THE PURPOSES OF THIS CALCULATION THE NEW SHARES ISSUED AS A RESULT OF THE CAPITAL INCREASE FORMALISED ON 28 APRIL 2023 ("SCRIP DIVIDEND - GENERAL MEETING 2022").

1. Purpose of the report

The Board of Directors of Faes Farma, S.A. (the "**Company**") prepares this report to justify the proposed reduction of share capital through the cancellation of treasury shares to be submitted for approval at the Ordinary General Shareholders' Meeting of the Company in 2023. This report is issued in compliance with the provisions of articles 286 and 318 of the Capital Companies Act, as the approval of the proposed resolution and its implementation necessarily entail the amendment of article 5 of the Company's Bylaws, relating to share capital.

2. Rationale for the proposal

In the context of the shareholder remuneration policy, the Board of Directors considers it appropriate to reduce the share capital through the redemption of the Company's own shares. The main effect of the aforementioned capital reduction will be an increase in the Company's earnings per share.

In order to carry out the aforementioned capital reduction, a maximum of 5,441,113 treasury shares, acquired through a share buyback programme (the "**Buyback Programme**") aimed at all shareholders, which has been approved by the board at its meeting held on 4 May 2023 and the implementation of which is carried out in accordance with the provisions of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the "**Market Abuse Regulation**"), and of Commission Delegated Regulation (EU) 2016/1052, of 8 March 2016 supplementing the Market Abuse Regulation as regards regulatory technical standards concerning the conditions applicable to buy-back programmes and stabilisation measures (the "**Delegated Regulation**"), and under the authorisation for the acquisition of treasury shares granted by the ordinary general meeting of shareholders held on 16 June 2021 under agenda item 8 (the "**General Meeting Authorisation**").

In addition to being the most appropriate channel for acquiring the treasury shares to be redeemed in the capital reduction, the buy-back programme has the virtue of enhancing the share's liquidity.

3. Main terms and conditions of the share capital reduction

It is proposed to reduce the share capital by the aggregate nominal value of € 544,111.30, representing the shares, each with a nominal value of ten euro cents, which are acquired through the Buy-back Programme.

The Repurchase Programme is subject to two quantitative limits in terms of the maximum monetary amount allocated to the Repurchase Programme and the number of shares to be acquired:

- (a) The maximum monetary amount allocated to the Buyback Programme is twenty-five million euros (€25,000,000.-).

- (b) The maximum number of shares to be acquired is five million four hundred and forty-one thousand one hundred and thirteen (5,441,113) shares, representing one point sixty-nine per cent (1.69%) of the share capital of the Company as of this date, including for the purposes of this calculation the new shares issued as a result of the capital increase of the Company formalised on 28 April 2023 (the "Scrip Dividend - General Meeting 2022").

Consequently, the maximum amount of the capital reduction will be five hundred and forty-four thousand one hundred and eleven euros and thirty cents (€544,111.30) euros, which corresponds to the aggregate nominal value of the shares, each with a nominal value of ten euro cents, which are expected to be acquired through the Repurchase Programme, with the indicated maximum of 5,441,113 shares (the "**Capital Reduction**").

In the event that the General Meeting approves the proposed resolution that is the subject of this report, the final amount of the capital reduction will be set by the Board of Directors (with express power of substitution) within the limits provided for in this resolution referred to above.

The main features of the Buyback Programme are as follows:

1. The acquisition of the shares to be redeemed will be carried out under the authorisation of the General Meeting and in accordance with the applicable market abuse and securities market regulations.
2. The shares will be acquired in accordance with the price and volume conditions laid down in the applicable regulations.
3. The Capital Reduction shall be implemented within one year of the adoption of this resolution.
4. Pursuant to article 340.3 of the Capital Companies Act, if the Company does not reach the maximum number of shares to be acquired under the Buyback Programme, the capital shall be deemed to be reduced by the nominal value corresponding to the number of shares actually acquired under the Programme.
5. The Programme Reduction will not entail the return of contributions to the shareholders, given that, at the time of execution of the reduction, the Company will be the owner of the shares to be redeemed. The redemption of treasury shares to implement the Programme Reduction will be charged for accounting purposes to the reduction of share capital for an amount equivalent to the par value of the redeemed shares and any excess, until the price paid for their acquisition is reached, will be charged against the free reserves accounts. Likewise, for the purposes of the provisions of article 335 of the Capital Companies Act, it is hereby stated for the record that a reserve for amortised capital for an amount equal to the par value of the amortised shares shall be charged to the free reserves account, which may only be drawn down subject to the same requirements as those established for the reduction of share capital. Consequently, in accordance with the provisions of article 335 c) of the Capital Companies Act, the creditors' right of objection set out in article 334 of the same Act will not be applicable.

It is also proposed that the General Shareholders' Meeting itself authorise the Board of Directors to execute the capital reduction resolution (with express power of sub-delegation pursuant to the provisions of article 249.2 of the Capital Companies Act), within one year from the date of adoption of the proposed resolution that is the subject of this report. This will enable the board of directors to decide, within a reasonable period of time, the most appropriate moment to proceed with the implementation of the reduction, taking into account the market situation and the situation of the Company, as well as other internal and external factors that may be relevant. It is also proposed to empower the Board (with the express possibility of subdelegation to the Chairman of the Board of Directors) to determine those points that have not been expressly established in the proposed resolution or that are a consequence thereof, and to take such actions and execute such public or private documents as may be necessary or advisable for the most complete execution of the capital reduction. In particular, it is proposed to authorise the Board of Directors to take the necessary steps and actions so that, once the capital reduction resolution has been executed, the redeemed shares are delisted from trading on the Spanish stock exchanges and their accounting records are cancelled.

4 May 2023
