FAES FARMA
Caring for tomorrow, today

2023 REPORT

Consolidated Financial Statements

ORGANISATION CHART

Board of Directors

Chairman	Mariano Ucar Angulo
Members	Iñigo Zavala Ortiz de la Torre Gonzalo Fernández de Valderrama Carmen Basagoiti Pastor Carlos de Alcocer Torra Belén Amatriain Corbi Mª Eugenia Zugaza Salazar Nuria Pascual Lapeña Enrique Linares Plaza
Secretary non-Director	Francisco Pérez-Crespo Payá

Top Management

Chairman	Mariano Ucar Angulo
General Managers	Francisco Quintanilla Guerra Gonzalo López Casanueva
Deputy General Managers	Valentín Ruiz Unamunzaga Germán Fernández-Cano Díaz José Luis Díaz-Capote Helder Cassis
Managers	Isidro Hermo Blanco Isabel Eguidazu Urruticoechea Francisco Perelló Font Xavier Arnaud Alberto F. Fernández Fernández Carlos Gutiérrez Agüero Irene Díez Merchan Mercedes Feo Onzain Ignacio Sancho Martínez José Luis Velada Calzada Inmaculada Gilaberte Asin

FAES FARMA

The Faes Farma Group is an international pharmaceutical group that invests, produces and markets pharmaceutical products, healthcare products and raw materials. Since 2007 it is also present in the area of animal nutrition and health, through the subsidiaries of Farm Faes.

faesfarma.com

March 2024

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1.

Letter from the President

Dear Shareholders.

Once again this year, we are pleased to present the Annual Report corresponding to the 2023 financial year of the Faes Farma Group, the ninth with record revenues and profits. The content details the financial information at a consolidated level, which is complemented by the reports on remuneration, corporate governance and non-financial matters that you can consult on our website.

First of all, I would like to thank the commitment of the people who make up the Group, without whom this company's achievements year after year would not be possible. Today there are more than 1,750 professionals working every day at Faes Farma and I am proud to be able to say that every year I see a team of great professional and character developing. I would like to thank all of them, because without their efforts our project would be unfeasible.

Before going into the details of the figures, I would like to provide some context in the sectoral and macroeconomic situation in which our activity has developed. We are still dealing with ongoing conflicts that have led to higher energy and raw material prices. In short, we have operated in an environment of high prices, confirming the increases of previous years. In this regard, the regulations governing the pharmaceutical sector often do not allow us to pass on these price rises to our products, so these factors have a direct impact on our business results.

Regardless, we can characterize 2023 as a good year - the ninth year with record revenues and profits - moderate results this time, but positive if we consider the external factors that have influenced us and that, with everyone's efforts, we have also met the forecasts we set ourselves in the company.

Turnover amounted to 451.2 million euros, 2.8% more than the previous year, an increase in gross terms of 12 million euros. Total revenues amounted to 473 million euros, 2.5% higher than in 2022. International sales exceeded domestic sales and accounted for 56% of the total.

In terms of revenue, the Spanish Pharma Division remains the main source for the business with more than 162 million euros, 34% of the total. Our brand Hydroferol (our Vitamin D brand, Calcifediol), stands out, as our main product with sustained growth prospects.

GSK's respiratory licence is the second largest revenue generator for all four presentations, surpassing the total revenue generated by Bilaxten in Spain.

Bilaxten therefore becomes the next product in terms of revenues in the Spanish market, being the main product at Group level when considering the total revenues generated by the bilastine molecule as a whole. Its significance is greatly amplified in our Group's accounts when sales in subsidiaries and licensing revenues are factored in.

Internationally, the revenues of our subsidiaries in Latin America are the third largest business area in terms of volume, exceeding 86 million euros, +8% over 2022. Adding the 32 million euros in direct exports, this brings the total to 118 million euros.

Faes Farma Portugal, a historical business with more than 80 years in the Group, contributed more than 32 million euros in revenues in the year.

The "Licensing" division contributes 99.6 million euros in revenues, +4% over 2022, and is also the Group's most profitable division, with a clearly international vocation, initially focused on bilastine but extending its activity to other relevant molecules of the Group (calcifediol, mesalazine, deflazacort, etc.).

The Animal Nutrition and Health division has been affected in 2023 by adverse sectoral factors, cutting revenues by 11% to EUR 52.7 million. However, the recovery in costs allows this area to maintain its margins.

With regard to this business, it is worth highlighting the forecast that during 2024 we will be able to inaugurate the new production plant in Huesca dedicated to special feeds for early pig ages, which is currently still in the construction phase. This new infrastructure will strengthen the Animal Nutrition and Health business area, with significant growth in sales, and will be key to consolidating the company's leading position in this market thanks to the commitment to vertical diversification, the incorporation of the most advanced manufacturing technologies and commercial and operational synergies with the rest of the Group's businesses.

Regarding the overall Faes Farma Group, the aforementioned positive evolution in revenues supports the growth in the main profit captions. As a result, the Group's EBIT grew by 1.3% to over 102.8 million euros as of December 31st ,2023.

Profit before tax (PBT) grew by 1.4% to 102.9 million euros and consolidated net profit increased by 2.5% to more than 91.6 million euros.

As I mentioned earlier, these figures are the highest in our long history. Faes Farma has been dedicated since 1933, for more than 90 years, to human care, with a special focus on the development of new medicines that improve the quality of life of patients, in compliance with our mission to care for health today to build healthier societies tomorrow.

Equally noteworthy is the soundness of our balance sheet, with an adequate level of liquidity considering the disbursements of major investments, shareholder remuneration and no indebtedness.

This has enabled us to address inorganic growth investments, in research, the heart of our business, and in organic Capex, especially in industrial facilities in the Group's five manufacturing plants in the Iberian Peninsula, and a sixth in Guatemala.

In 2023, shareholders received a total dividend of EUR 0.155 per share, EUR 0.037 in cash and EUR 0.118 in the form of a flexible dividend, plus the repurchase and redemption of 50% of the shares issued in connection with the flexible dividend.

The main balance sheet indicators are very positive. More than 85% is financed with equity (EUR 663 million); working capital stands at more than EUR 203 million, i.e. 26% of the balance sheet; and liquidity exceeds EUR 34 million.

In terms of M&A transactions, we recall those carried out in the last three years. In May 2023, we acquired a company in the Persian Gulf, Novosci Healthcare, a modest investment that will serve as a growth driver and leverage for our business in the Middle East and Africa region. In 2021, we acquired Global Farma, a subsidiary located in Guatemala with a direct presence in the country and also in El Salvador, Nicaragua, Honduras, Costa Rica, Panama and the Dominican Republic. This milestone reinforced our presence in Latin America and reaffirms our objective of being a benchmark company in the region. This operation gave continuity to our previous acquisition in Latin America, the BCN Group, with subsidiaries in Colombia, Ecuador, Peru and Chile. An integration which, in turn, meant a notable growth of the business started years ago with various subsidiaries in this geographic area, which is already reflected in our income statement, and which we expect to grow in the coming years.

On the other hand, the new pharmaceutical plant currently in the final stages of construction in Derio, Bizkaia, will enable us to meet the expected increase in sales, both in our traditional markets and in the new markets and segments where the Faes Farma Group is supporting growth. Likewise, 2024 will be key to complete the necessary approvals and inspections by the drug agencies and, therefore, to begin production. This investment reinforces the third-party manufacturing (CMO) business and third-party development and manufacturing (CDMO) business, with strong growth forecasts in the sector, and more than doubles the current capacity of the Lamiako plant.

In another area, and one of which we should be particularly proud in this organization, is the maintenance of our workforce in a complex period from an economic and social point of view. Moreover, with gender diversity, as 54% of our workforce are women, with the majority of our contracts being permanent and a highly trained workforce.

I would also like to make special mention of our unwavering commitment to the highest ethical standards through the continuous improvement of our compliance systems. The Group is fully committed to sustainability as a way of understanding and managing the business. We are constantly working to promote sustainable development by establishing commitments in environmental, social, corporate governance and ethical matters that respond to the expectations of our stakeholders, guarantee responsible business management, promote sustainable development and contribute to the creation of value for our stakeholders as a whole. This is evidenced by the progress made since 2022, following the approval of the ESG Policy and Strategy, the reinforcement of resources with the hiring of a corporate manager who accompanies the areas in the execution of the established objectives, and the development throughout 2023 of the sustainability strategy approved by the Board of Directors.

The business outlook for 2024 is also one of growth, at mid-single digit rates in revenues (6-8%) and with an increase of between 3% and 5% in EBITDA, lower than the pace forecast for revenues given the growth in costs, mainly in R&D&I, commercial and those of the two new production plants.

I would also like to give special and sincere thanks to all the people who work in the Faes Farma Group for their daily effort, support, and dedication. Without their participation and collaboration, none of the above would be possible.

I would also like to send a message of thanks to all of you, ladies and gentlemen shareholders, for your confidence in and commitment to a project that has an exciting, ambitious and promising future.

Kind regards from,

Mariano Ucar Angulo

President

2.

Audit Report

Informe de auditoría de cuentas anuales consolidadas emitido por un auditor independiente

A los accionistas de Faes Farma, S.A.:

Informe sobre las cuentas anuales consolidadas

Opinión

Hemos auditado las cuentas anuales consolidadas de Faes Farma, S.A. (la Sociedad dominante) y sus sociedades dependientes (el Grupo), que comprenden el balance a 31 de diciembre de 2023, la cuenta de pérdidas y ganancias, el estado del resultado global, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria, todos ellos consolidados, correspondientes al ejercicio terminado en dicha fecha.

En nuestra opinión, las cuentas anuales consolidadas adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera del Grupo a 31 de diciembre de 2023, así como de sus resultados y flujos de efectivo, todos ellos consolidados, correspondientes al ejercicio terminado en dicha fecha, de conformidad con las Normas Internacionales de Información Financiera, adoptadas por la Unión Europea (NIIF-UE), y demás disposiciones del marco normativo de información financiera que resultan de aplicación en España.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas* de nuestro informe.

Somos independientes del Grupo de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales consolidadas en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

Cuestiones clave de la auditoría

Las cuestiones clave de la auditoría son aquellas cuestiones que, según nuestro juicio profesional, han sido de la mayor significatividad en nuestra auditoría de las cuentas anuales consolidadas del periodo actual. Estas cuestiones han sido tratadas en el contexto de nuestra auditoría de las cuentas anuales consolidadas en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esas cuestiones.

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R. M. Madrid, hoja M-63.988, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - NIF: B-79 031290

Cuestiones clave de la auditoría	Modo en el que se han tratado en la auditoría
Activación y recuperabilidad de determinados activos intangibles El balance a 31 de diciembre de 2023 incluye un importe de 184,2 millones de euros correspondiente a activos intangibles, entre los que se incluyen, principalmente, patentes, licencias y marcas, gastos de desarrollo y fondos de comercio. Una parte significativa de estos activos tiene asignada una vida útil indefinida, de forma que no se amortizan con carácter anual. En todo caso, la dirección del Grupo realiza, con carácter anual, un análisis de recuperabilidad de los mismos, comparando su valor en uso con el valor contable. Este análisis se basa, principalmente, en la estimación de flujos de caja futuros que se espera que generen los diferentes activos y, por tanto, requiere juicios y estimaciones relevantes por parte de la dirección del Grupo. Las asunciones más importantes utilizadas por la dirección del Grupo en su análisis se resumen en la nota 5 de la memoria consolidada adjunta. Asimismo, la activación de los gastos de desarrollo implica el análisis del cumplimiento de determinados requisitos, incluyendo, entre otros, el éxito técnico y rentabilidad económica futura de los proyectos asociados, así como las correspondientes autorizaciones necesarias para su posterior comercialización. Dada la relevancia de estos activos, así como las estimaciones y juicios significativos requeridos para evaluar su reconocimiento y recuperabilidad, este aspecto supone una cuestión clave de nuestra auditoría.	Hemos procedido a entender el proceso interno de realización del análisis de recuperabilidad de los mencionados activos intangibles por parte de la dirección del Grupo, comprobando la consistencia de los criterios de cálculo aplicados con la metodología de valor en uso establecida en el marco normativo aplicable. Con relación a los flujos de efectivo, hemos comprobado los cálculos realizados y hemos comparado los flujos anuales proyectados, que se basan en los planes y presupuestos aprobados por la dirección del Grupo, con los realmente conseguidos en el ejercicio 2023. Adicionalmente, hemos analizado las hipótesis clave utilizadas para determinar las tasas de crecimiento y márgenes futuros previstos, contrastándolas con comparables disponibles (resultados históricos y márgenes de activos similares del propio negocio). Asimismo, hemos contrastado la tasa de descuento utilizada con datos disponibles de mercado de cara a evaluar su razonabilidad. Para los análisis de sensibilidad desglosados en la memoria de las cuentas anuales adjuntas, hemos revisado los cálculos efectuados, así como comprobado la coherencia de las variaciones e hipótesis consideradas sobre los cambios posibles, en base a la situación y expectativas de mercado. Respecto de los gastos de desarrollo reconocidos, hemos evaluado los criterios considerados por la dirección del Grupo tanto para el reconocimiento inicial, como de cara a la recuperabilidad futura, cotejando que se cumple con los criterios establecidos para su activación. Como resultado de nuestro análisis y pruebas realizadas no tenemos observaciones al respecto.

Otra información: Informe de gestión consolidado

La otra información comprende exclusivamente el informe de gestión consolidado del ejercicio 2023, cuya formulación es responsabilidad de los administradores de la Sociedad dominante y no forma parte integrante de las cuentas anuales consolidadas.

Nuestra opinión de auditoría sobre las cuentas anuales consolidadas no cubre el informe de gestión consolidado. Nuestra responsabilidad sobre el informe de gestión consolidado, de conformidad con lo exigido por la normativa reguladora de la actividad de auditoría de cuentas, consiste en:

a) Comprobar únicamente que el estado de información no financiera consolidado, determinada información incluida en el Informe Anual de Gobierno Corporativo y el Informe Anual de Remuneraciones de los Consejeros, a los que se refiere la Ley de Auditoría de Cuentas, se han facilitado en la forma prevista en la normativa aplicable y, en caso contrario, informar sobre ello.

b) Evaluar e informar sobre la concordancia del resto de la información incluida en el informe de gestión consolidado con las cuentas anuales consolidadas, a partir del conocimiento del Grupo obtenido en la realización de la auditoría de las citadas cuentas, así como evaluar e informar de si el contenido y presentación de esta parte del informe de gestión consolidado son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito anteriormente, hemos comprobado que la información mencionada en el apartado a) anterior se facilita en la forma prevista en la normativa aplicable y que el resto de la información que contiene el informe de gestión consolidado concuerda con la de las cuentas anuales consolidadas del ejercicio 2023 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores y de la comisión de auditoría y cumplimiento en relación con las cuentas anuales consolidadas

Los administradores de la Sociedad dominante son responsables de formular las cuentas anuales consolidadas adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados consolidados del Grupo, de conformidad con las NIIF-UE y demás disposiciones del marco normativo de información financiera aplicable al Grupo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales consolidadas libres de incorrección material, debida a fraude o error.

En la preparación de las cuentas anuales consolidadas, los administradores de la Sociedad dominante son responsables de la valoración de la capacidad del Grupo para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los citados administradores tienen intención de liquidar el Grupo o de cesar sus operaciones, o bien no exista otra alternativa realista.

La comisión de auditoría y cumplimiento de la Sociedad dominante es responsable de la supervisión del proceso de elaboración y presentación de las cuentas anuales consolidadas.

Responsabilidades del auditor en relación con la auditoría de las cuentas anuales consolidadas

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales consolidadas en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión.

Seguridad razonable es un alto grado de seguridad, pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales consolidadas.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales consolidadas, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.

- Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno del Grupo.

- Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores de la Sociedad dominante.

- Concluimos sobre si es adecuada la utilización, por los administradores de la Sociedad dominante, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad del Grupo para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales consolidadas o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que el Grupo deje de ser una empresa en funcionamiento.

- Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales consolidadas, incluida la información revelada, y si las cuentas anuales consolidadas representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.

- Obtenemos evidencia suficiente y adecuada en relación con la información financiera de las entidades o actividades empresariales dentro del Grupo para expresar una opinión sobre las cuentas anuales consolidadas. Somos responsables de la dirección, supervisión y realización de la auditoría del Grupo. Somos los únicos responsables de nuestra opinión de auditoría.

Nos comunicamos con la comisión de auditoría y cumplimiento de la Sociedad dominante en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

También proporcionamos a la comisión de auditoría y cumplimiento de la Sociedad dominante una declaración de que hemos cumplido los requerimientos de ética aplicables, incluidos los de independencia, y nos hemos comunicado con la misma para informar de aquellas cuestiones que razonablemente puedan suponer una amenaza para nuestra independencia y, en su caso, de las correspondientes salvaguardas.

Entre las cuestiones que han sido objeto de comunicación a la comisión de auditoría y cumplimiento de la Sociedad dominante, determinamos las que han sido de la mayor significatividad en la auditoría de las cuentas anuales consolidadas del periodo actual y que son, en consecuencia, las cuestiones clave de la auditoría.

Describimos esas cuestiones en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

Informe sobre otros requerimientos legales y reglamentarios

Formato electrónico único europeo

Hemos examinado los archivos digitales del formato electrónico único europeo (FEUE) de Faes Farma, S.A. y sociedades dependientes del ejercicio 2023 que comprenden el archivo XHTML en el que se incluyen las cuentas anuales consolidadas del ejercicio y los ficheros XBRL con el etiquetado realizado por la entidad, que formarán parte del informe financiero anual.

Los administradores de Faes Farma, S.A. son responsables de presentar el informe financiero anual del ejercicio 2023 de conformidad con los requerimientos de formato y marcado establecidos en el Reglamento Delegado UE 2019/815, de 17 de diciembre de 2018, de la Comisión Europea (en adelante Reglamento FEUE).

Nuestra responsabilidad consiste en examinar los archivos digitales preparados por los administradores de la Sociedad dominante, de conformidad con la normativa reguladora de la actividad de auditoría de cuentas en vigor en España. Dicha normativa exige que planifiquemos y ejecutemos nuestros procedimientos de auditoría con el fin de comprobar si el contenido de las cuentas anuales consolidadas incluidas en los citados archivos digitales se corresponde íntegramente con el de las cuentas anuales consolidadas que hemos auditado, y si el formato y marcado de las mismas y de los archivos antes referidos se ha realizado en todos los aspectos significativos, de conformidad con los requerimientos establecidos en el Reglamento FEUE.

En nuestra opinión, los archivos digitales examinados se corresponden íntegramente con las cuentas anuales consolidadas auditadas, y éstas se presentan y han sido marcadas, en todos sus aspectos significativos, de conformidad con los requerimientos establecidos en el Reglamento FEUE.

Informe adicional para la comisión de auditoría y cumplimiento de la Sociedad dominante

La opinión expresada en este informe es coherente con lo manifestado en nuestro informe adicional para la comisión de auditoría y cumplimiento de la Sociedad dominante de fecha 26 de febrero de 2024.

Faes Farma, S.A. y sociedades dependientes

Periodo de contratación

La Junta General Ordinaria de Accionistas celebrada el 15 de junio de 2023 nos nombró como auditores del Grupo por un periodo de tres años, contados a partir del ejercicio finalizado el 31 de diciembre de 2023.

Con anterioridad, fuimos designados por acuerdo de la Junta General Ordinaria de Accionistas para el periodo de tres años y hemos venido realizando el trabajo de auditoría de cuentas de forma ininterrumpida desde el ejercicio finalizado el 31 de diciembre de 2017.

Servicios prestados

Los servicios, distintos de la auditoría de cuentas, que han sido prestados al Grupo auditado se desglosan en la nota 22 de la memoria de las cuentas anuales consolidadas.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Gabriel Torre Escudero (21647)

26 de febrero de 2024

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

PRICEWATERHOUSECOOPERS AUDITORES, S.L.

2024 Núm. 03/24/00907
SELLO CORPORATIVO: 96,00 EUR
Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

3.

Consolidated Financial Statements

Consolidated balance sheet at 31 December 2023

(Amount in thousands of euros)

Assets	Note	2023	2022
Property, plant and equipment	4	274,148	200,141
Right-of-use assets	4	6,467	5,663
Intangible assets	5	184,206	178,687
Investment Properties		1,550	1,550
Other financial assets	6	336	5,132
Deferred tax assets	10	19,036	22,766
Total non-current assets		**485,743**	**413,939**
Inventories	7	129,029	115,000
Other financial assets	6	13,104	17,689
Trade and other receivables	8	113,506	114,111
Cash and cash equivalents	9	34,647	66,411
Total current assets		**290,286**	**313,211**
Total assets		**776,029**	**727,150**

The consolidated annual report attached forms an integral part of the consolidated financial statements.

Consolidated balance sheet at 31 December 2023

(Amount in thousands of euros)

	Note	2023	2022
Equity			
Equity	11		
Capital		31,622	31,078
Issue premium		1,460	1,460
Other reserves		489,711	443,056
Cumulative earnings		165,806	147,478
Interim dividend		(12,139)	(11,322)
Translation differences		(3,144)	(5,285)
Treasury Shares		(10,961)	(5,264)
Equity attributed to owners of equity instruments of the Parent Company		662,355	601,201
Non-controlling interest		994	1,203
Total equity		**663,349**	**602,404**
Liabilities			
Other financial liabilities	13	3,465	3,767
Lease liabilities	13	4,373	4,397
Provisions	14	864	1,022
Capital grants		241	35
Deferred tax liabilities	10	16,919	21,097
Total non-current liabilities		**25,862**	**30,318**
Other financial liabilities	13	17,956	27,108
Lease liabilities	13	2,233	1,768
Trade and other payables	15	55,989	55,080
Current income tax liabilities	10	3,390	2,307
Provisions	14	7,250	8,165
Total current liabilities		**86,818**	**94,428**
Total Liabilities		**112,680**	**124,746**
Total equity and liabilities		**776,029**	**727,150**

The consolidated annual report attached forms an integral part of the consolidated financial statements.

Consolidated profit and loss statement for the year ended 31 December 2023

(Amount in thousands of euros)

	Note	2023	2022
Ordinary income	16	451,168	438,754
Other income	16	21,926	22,965
Change in finished goods and works in progress		3,826	(7,427)
Consumption of raw materials and other consumable materials		(157,876)	(149,312)
Expenses from employee remuneration	17	(96,556)	(91,201)
Depreciation expenses	4 and 5	(19,398)	(19,271)
Losses from impairment and disposal of non-current assets	4 and 5	(26)	(439)
Other expenses	18	(100,250)	(92,586)
Financial income	19	1,080	253
Finance costs	19	(1,042)	(315)
Profit before taxes		102,852	101,421
Income tax expenses	10	(11,159)	(11,973)
Profit for the year		91,693	89,448
Profit for the year attributable to holders of equity instruments of the Parent Company		**91,902**	**89,496**
Profit for the year attributable to non-controlling interest		(209)	(48)
Profit for the year		**91,693**	**89,448**
Earnings per share from the profit from ongoing activities attributable to holders of ordinary equity instruments of the Parent Company			
Basic earnings per share (in Euros)	12	0.296	0.293
Diluted earnings per share (in Euros)	12	0.296	0.293

Consolidated statement of comprehensive income for the year ended 31 December 2023

(Amount in thousands of euros)

	2023	2022
Profit for the year	**91,693**	**89,448**
Other comprehensive income:		
Items to be reclassified to profit or loss		
Translation differences from financial statements of foreign businesses	2,141	(2,223)
Other comprehensive income for the year, net of tax	2,141	(2,223)
Total profit(loss) for the year, net of tax	93,834	87,225
Total profit(loss) for the year attributable to:		
Holders of equity instruments of the Parent Company	94,043	87,273

The consolidated annual report attached forms an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2023

(Amount in thousands of euros)

Equity attributed to owners of equity instruments of the Parent Company	Capital (Note 11)	Premium for Issue	Other Reserves (Note 11)	Other comprehensive income – Differences in Conversion	Cumulative Earnings	Interim dividend	Treasury Shares	Total	Non-controlling interest	Total equity
Balance at 31 December 2022	**31,078**	**1,460**	**443,056**	**(5,285)**	**147,478**	**(11,322)**	**(5,264)**	**601,201**	**1,203**	**602,404**
Total profit (loss) for the year	**-**	**-**	**-**	**2,141**	**91,902**	**-**	**-**	**94,043**	**(209)**	**93,834**
Capital increases (note 11)	1,089	-	(1,089)	-	-	-	-	-	-	-
Capital reductions (note 11)	(545)	-	(11,444)	-	-	-	11,989	-	-	-
Application of accrued earnings	-	-	61,699	-	(73,021)	11,322	-	-	-	-
Dividends (note 11)	-	-	(3,285)	-	-	(12,139)	-	(15,424)	-	(15,424)
Treasury share transactions (note 11)	-	-	-	-	-	-	(17,686)	(17,686)	-	(17,686)
Other transactions	-	-	774	-	(553)	-	-	221	-	221
Balance at 31 December 2023	**31,622**	**1,460**	**489,711**	**(3,144)**	**165,806**	**(12,139)**	**(10,961)**	**662,355**	**994**	**663,349**

The consolidated annual report attached forms an integral part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2023

(Amount in thousands of euros)

Equity attributed to owners of equity instruments of the Parent Company	Capital (Note 11)	Premium for Issue	Other Reserves (Note 11)	Other comprehensive income – Differences in Conversion	Cumulative Earnings	Interim dividend	Treasury Shares	Total	Non-controlling interest	Total equity
Balance at 31 December 2021	**29,742**	**1,460**	**385,922**	**(3,062)**	**127,012**	**-**	**(5,264)**	**535,810**	**1,538**	**537,348**
Regulatory changes (note 2.3)	-	-	179	-	-	-	-	179	-	179
Balance at 01 January 2022	**29,742**	**1,460**	**386,101**	**(3,062)**	**127,012**	**-**	**(5,264)**	**535,989**	**1,538**	**537,527**
Total profit (loss) for the year	**-**	**-**	**-**	**(2,223)**	**89,496**	**-**	**-**	**87,273**	**(48)**	**87,225**
Capital increases	1,336	-	(1,336)	-	-	-	-	-	-	-
Application of accrued earnings	-	-	58,145	-	(58,145)	-	-	-	-	-
Dividends (note 11)	-	-	-	-	(10,710)	(11,322)	-	(22,032)	-	(22,032)
Other transactions	-	-	146	-	(175)	-	-	(29)	(287)	(316)
Balance at 31 December 2022	**31,078**	**1,460**	**443,056**	**(5,285)**	**147,478**	**(11,322)**	**(5,264)**	**601,201**	**1,203**	**602,404**

The consolidated annual report attached forms an integral part of the consolidated financial statements.

Consolidated statement of cash flows for the year ended 31 December 2023

(Indirect method - Amount in thousands of euros)

	Note	2023	2022
Cash flows from operating activities			
Profit for the year		91,693	89,448
Adjustments for:			
Depreciation	4 and 5	19,398	19,271
(Profit)/Loss from impairment of intangible assets	5	74	-
(Profit)/Loss from impairment of trade receivables	8	607	(108)
(Profit)/Loss from impairment of inventories	7	(301)	1,420
(Income)/Expenses from exchange differences	19	659	52
Changes in provisions	14	2,145	2,655
Valuation of share-based remuneration scheme	11	774	146
Allocation of subsidies		206	(122)
(Profit)/Loss on fixed assets		273	439
Financial income	19	(1,080)	(253)
Finance costs	19	383	263
Income tax expenses	10	11,159	11,973
		125,990	**125,184**
Changes in working capital, excluding the effect of acquisitions and translation differences			
Inventories		(13,264)	(8,800)
Trade and other receivables		936	(1,103)
Trade and other payables		(1,430)	1,181
Provisions paid	14	(3,218)	(2,280)
Cash resulting from operations		**109,014**	**114,182**
Interest received		1,080	253
Interest paid		(383)	(263)
Income tax paid		(8,742)	(7,131)
Net cash from exploitation activities		**100,969**	**107,041**

(continued)

Consolidated statement of cash flows for the year ended 31 December 20233

(Indirect method - Amount in thousands of euros)

	Note	2023	2022
Cash flows from investment activities			
Expense for acquisition of subsidiary, net of acquired cash	24	(4,547)	-
Receivables/payables from the sale of financial assets		18,216	2,823
Payables for acquisition of property, plant and equipment	4 and 13	(95,763)	(75,216)
Receivables for sale of property, plant and equipment	4	-	7,200
Payables for acquisition of intangible assets	5	(6,427)	(5,732)
Payments for investments in other current and non-current financial assets	6	(8,835)	(21,500)
Net cash from investing activities		**(97,356)**	**(92,425)**
Cash flows from financing activities			
Proceeds and payments for equity instruments	11	(17,686)	-
Payments from other financial liabilities	13	(3,344)	(2,626)
Income from other financial liabilities	13	260	2,314
Dividends paid	11	(14,607)	(18,147)
Net cash from financing activities		**(35,377)**	**(18,459)**
Net increase/(decrease) in cash and cash equivalents		(31,764)	(3,843)
Cash and cash equivalents at 1 January		**66,411**	**70,254**
Cash and cash equivalents at December 31		**34,647**	**66,411**

The consolidated annual report attached forms an integral part of the consolidated financial statements.

4.

Notes to the Consolidated Financial Statements

1. Nature, Activities, and Composition of the Group

Faes Farma, S.A. (hereinafter, the "Company" or the "Parent Company") has the corporate purpose of manufacturing and selling all kinds of chemical and pharmaceutical products, foodstuffs, cosmetics, dietetics and medicinal plants, as well as acquiring, purchasing, disposing of, investing in, holding, using, managing, administering, marketing and leasing corporations, securities and real estate, patents, brands and registered brands and equity interests.

The Company was incorporated pursuant to a public deed executed in Bilbao on 29 July 1933, under the name Fábrica Española de Productos Químicos y Farmacéuticos, S.A. On 6 July 2001, it adopted its current corporate name, with its headquarters, offices and factory located at Avenida Autonomía, 10, Leioa (Bizkaia).

Faes Farma, S.A. is the parent company of a Group made up of the subsidiaries listed in the attached Annex. Faes Farma, S.A. and its subsidiaries (hereinafter, the "Faes Farma Group" or the "Group") are mainly engaged in the manufacture and sale of pharmaceutical products, as well as in the manufacture and sale of animal nutrition and health products. All its subsidiaries are fully consolidated, since they all have a controlling interest or control in the Company.

The Company's shares are listed in the continuous Spanish market.

In relation to ESMA's requirements for the Single European Electronic Format, we list the key annexes as follows:

- Name of the entity: Faes Farma, S.A.
- Address of the entity: Bizkaia - Spain
- Legal form of the entity: S.A.
- Country of incorporation: Spain
- Address of the entity's registered office: Avenida Autonomía, 10, Leioa (Bizkaia, Spain) 48940
- Main centre of activity: Avenida Autonomía, 10, Leioa (Bizkaia, Spain) 48940
- Description of the nature of the entity's operations and its main activities: manufacture and sale of pharmaceuticals and manufacture and sale of animal nutrition and health products.
- Name of the parent: Faes Farma, S.A.
- Name of the controlling parent of the group: Faes Farma, S.A.

Changes in the scope of consolidation

On 3 May 2023, the Group acquired 100% of the shares of the marketing company NovoSci Healthcare FZCO (Dubai) for a total consideration of EUR 4.6 million. In relation to the goodwill generated at 31 December 2023, the Group has not yet completed an assessment to identify and measure the net assets acquired; therefore, provisional accounting has been applied.

In 2022, the companies Farmalavi, Productos Farmacéuticos, Sociedad Unipersonal Limitada, Tecnovit RUS, Biosyntec S.A. and Byosyntec, S.R.L. were liquidated and thus removed from the scope of consolidation. These companies were in liquidation and had hardly any activity, so this made no significant impacts on the Group's income statement.

2. Basis for presentation

These consolidated financial statements were prepared using the accounting records of Faes Farma, S.A. and its consolidated entities. The consolidated financial statements for 2023 were prepared pursuant to the International Financial Reporting Standards adopted by the European Union (IFRS-EU) and other provisions of the applicable regulatory framework for financial reporting, in order to present a true and fair view of the consolidated equity and the consolidated financial position of Faes Farma, S.A. and its subsidiaries at 31 December 2023, and of the consolidated financial performance, consolidated cash flows and consolidated changes in equity for the year ended on said date.

The Group adopted the IFRS-EU on 1 January 2004 and, on that date, it applied IFRS 1, "First-time Adoption of International Financial Reporting Standards."

The Directors of the Parent Company estimate that the consolidated financial statements for 2023, which were prepared on 22 February 2024, will be approved by the General Shareholders' Meeting without any modifications.

2.1 Basis for preparation of the consolidated financial statement

These consolidated financial statements have been prepared using the historical cost principle, with the following exceptions:

- Investment Properties recorded at fair value;
- Financial Instruments at fair value through profits/loss, which are carried at fair value.

2.2 Relevant accounting estimates and assumptions and relevant judgments for the application of the accounting policies

The preparation of the consolidated financial statements pursuant to the IFRS-EU requires the application of relevant accounting estimates and judgments, estimates and assumptions during the application of the Group's accounting policies. Along these lines, the features that have implied a higher level of judgment or complexity during the formulation of these consolidated financial statements are summarised below:

(i) Relevant accounting estimates and assumptions

- Intangible assets (see note 3.4): criteria for capitalisation and assessment of useful lives.
- Impairment of goodwill and of indefinite useful life brands: see Note 3.6
- Deductions and capitalised tax credits: see Note 3.17
- Useful lives of property, plant and equipment, see note 3.3.

(ii) Changes in estimates

Moreover, despite the fact that the estimates performed by the directors of the Parent Company were based on the best information available at 31 December 2023, it is possible that said estimates may require adjustment in upcoming years based on future events. The effect on the consolidated financial statements of any changes which, if applicable, may result from adjustments to be made in upcoming years would be recorded prospectively.

It is very difficult to make accurate estimates given the difficulties associated with the evolving situation and the current economic context, which is why the Group will continue to monitor developments and their impact on the financial statements.

2.3 Issued standards and interpretations

The same accounting principles and valuation standards set forth in the Group's consolidated financial statements at 31 December 2023, prepared pursuant to IFRS-EU, were followed in the preparation of these consolidated financial statements. The Group has not adopted in advance any published standards, amendments or interpretations which have not yet been enforced.

Mandatory standards, amendments and interpretations for all years started 01 January 2023

IAS 1 (Amendment) "Disclosure of Accounting Policies": IAS 1 has been amended to improve disclosures about accounting policies so they provide more useful information to investors and other primary users of financial statements. The effective date of these amendments is 1 January 2023.

IAS 8 (Amendment) "Definition of Accounting Estimates": IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policy. The effective date of these amendments is 1 January 2023.

These changes had no impact on the Group.

IAS 12 (Amendment) 'Deferred tax relating to assets and liabilities arising from a single transaction': In certain circumstances, under IAS 12, companies are exempt from recognising deferred taxes on initial recognition of assets or liabilities ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions such as leases and decommissioning obligations, these being transactions for which both an asset and a liability are recognised upon initial recognition. The amendment clarifies that the exemption does not apply and that there is therefore an obligation to recognise deferred taxes on such transactions.

The amendment is effective for years beginning on or after 1 January 2023, although its earlier application is permitted. An entity shall apply the amendment on 'deferred tax relating to assets and liabilities arising from a single transaction' to transactions occurring on or after the beginning of the earliest comparative period presented.

The impact of this amendment on the Group's consolidated financial statements as at 1 January 2022 was as follows

a) Recognise a deferred tax asset of EUR 1,019 thousand and a deferred tax liability of EUR 840 thousand associated with right-of-use assets and lease liabilities, respectively.

b) Recognise the cumulative effect of the initial implementation of the amendments as an adjustment to the opening balance of the reserves for the amount of EUR 179 thousand.

The impact of this amendment on the Group's consolidated financial statements as at 31 December 2022 was as follows:

a) Recognise a deferred tax asset of EUR 1,480 thousand and a deferred tax liability of EUR 1,355 thousand associated with right-of-use assets and lease liabilities, respectively.

b) Recognise the cumulative effect of the initial application of the amendments as an adjustment to the opening balance of reserves for the amount of EUR 179 thousand and the effect on the profit and loss statement for 2022 as a tax expense for the amount of EUR 54 thousand.

Considering that these impacts are not material, no further breakdown is given in these annual accounts.

No standard, amendment or interpretation has been adopted in advance that has not yet entered into force. No potential impact of the standards, amendments and interpretations pending adoption by the European Union is estimated.

3. Applied accounting principles and measurement standards

3.1 Subsidiaries

An investor controls a subsidiary when, due to its interest in said subsidiary, it is exposed or entitled to variable returns and can influence said returns through the control exerted on the controlled entity.

The Annex attached to the Annual Report contains information on the subsidiaries included in the consolidation of the Group.

The income, expenses and cash flow of the subsidiaries are included in the consolidated financial statement since the date of acquisition, which is the one on which the Group effectively gained control thereof. Subsidiaries are excluded from consolidation from the date on which they have lost control.

The Group has applied the exception set forth in IFRS 1, "First-time Adoption of International Financial Reporting Standards," which means that only business combinations performed after 1 January 2004, date of transition to the IFRS-EU, have been recorded by means of the acquisition method. The acquisition of companies made before the above date were recorded pursuant to the accounting principles effective in Spain before that date, after considering the necessary corrections and adjustments on the date of transition.

Non-controlling interest

Non-controlling interest in subsidiaries acquired after 1 January 2004 is recognised at the date of acquisition based on the share in the fair value of the identifiable net assets. Non-controlling interest in subsidiaries acquired before the date of transition was recognised at the share percentage in the net equity thereof at the date of first consolidation.

Non-controlling interest is presented separately in the consolidated net equity statement from the equity attributed to holders of net equity instruments in the Parent Company. Likewise, non-controlling interest in the consolidated profit/loss of the year and in the total profit(loss) for the year is presented separately in the consolidated profit and loss account and in the consolidated statement of comprehensive income.

Other consolidation features

The financial statements of subsidiaries are consolidated with those of the Parent Company by applying the full consolidation method. Thus, all the balances and transactions made between consolidated companies and the unrealised profits or losses have been eliminated from the consolidation process.

The accounting policies of subsidiaries have been adapted to the Group's accounting policies for transactions and other events which are similar and have occurred in similar circumstances.

The financial statements of subsidiaries used in the consolidation process are accounted for on the same date of presentation and for the same period as for the Parent Company.

3.2 Foreign currency transactions and balances

Functional and reporting currency

The consolidated financial statements are presented in thousands of euros, rounded to the closest thousand, since this is the functional and reporting currency of the Parent Company.

Foreign currency transactions, balances and flows

Transactions in foreign currencies are converted to the functional currency using the spot exchange rates between the functional currency and the foreign currency valid on the transaction dates.

Monetary assets and liabilities stated in foreign currency are converted to the functional currency at the exchange rate effective at year-end, while non-monetary assets and liabilities are valued at their historical cost, and are converted to the functional currency at the exchange rate valid on the transaction date.

For the presentation of the consolidated statement of cash flows, flows from foreign currency transactions are converted to euros by applying the exchange rates effective on the date in which they occurred. The effect of the exchange rate differences on cash and other cash and cash equivalents expressed in foreign currency is presented separately in the consolidated cash flow statement as "(Income) Expenses from exchange rate differences."

Any differences arising from the settlement of foreign currency transactions and from the conversion to euros of monetary assets and liabilities expressed in foreign currency are recognised to profits/losses. However, exchange rate differences arising in monetary items which are part of net investments in foreign businesses are recorded as translation differences in another comprehensive income.

Losses or profits from exchange rate differences related to monetary financial assets or liabilities expressed in foreign currency are equally recognised in profits/losses.

Conversion to Euros for foreign businesses has been made by applying the following criterion:

- The assets and liabilities are converted at the closing exchange rate on the date of each balance sheet;
- Income and expenses are converted at the exchange rates valid on the date of each transaction; and
- Exchange rate differences resulting from the application of the aforementioned criteria are recognised as translation differences in other comprehensive income.

3.3 Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised at cost or attributed, less accumulated depreciation and, if applicable, any impairment losses.

Assets located in Spain acquired before 1996 were revalued or updated pursuant to the relevant laws. On 1 January 2004, the Group adopted the exemption related to the fair value or the revaluation as expense attributed to IFRS 1 "First-time Adoption of International Financial Reporting Standards.

Depreciation

Items of property, plant and equipment are depreciated by allocating the depreciable amount thereof on a systematic basis over their useful life. For these purposes, the depreciable amount is understood to be the acquisition cost less residual value.

Amortisation of property, plant and equipment is calculated using the straight-line method, based on the subsequent estimated useful life years of the assets:

Estimated useful life years	
Constructions	30–50
Technical installations and machinery	10–20
Other installations, tools and furniture	5–15
Computer equipment	4–7
Others	8–10

At the close of each year, the Group reviews the residual value, the useful life and the amortisation method for property, plant and equipment. Changes in the criteria initially established are accounted for as a change in estimate.

Subsequent costs

After the initial recognition of the asset, capitalisation only applies to those costs incurred that will result in future economic benefits and which can be classified as likely and for which the amount of the above mentioned costs can reliably be measured. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

When property, plant and equipment items that can be capitalised are replaced, the carrying amount of the replaced items is reduced. When depreciation of the cost of the replaced items was not shown separately, and it was not feasible to determine their carrying amount, the replacement cost is used to indicate the cost of the items at the time of acquisition or construction.

Impairment of Assets

The Group assesses and determines losses and reversals of losses due to impairment of the real value of property, plant and equipment pursuant to the criteria set forth in Note 3.6.

3.4 Intangible assets

3.4.1 Goodwill

The goodwill derived from business combinations made after the date of transition (1 January 2004) is valued initially for an amount equivalent to the difference between the cost of the business combination and the share of the Group in the net fair value of the assets, liabilities and contingent liabilities assumed by the controlled entity or joint business acquired.

The goodwill is not depreciated, but rather the impairment of its value is verified by means of the criteria described in section 3.6. Following initial recognition, the goodwill is measured at its cost less the accumulated impairment losses.

Internally generated goodwill is not recognised as an asset.

3.4.2 Internally generated intangible assets

Costs related to research activities are recorded as expenses as incurred.

Costs incurred in the performance of activities in which costs attributable to the research phase cannot be distinguished from those corresponding to the development phase of intangible assets are recognised in the consolidated income statement. Developments costs previously recognised as an expense are not recognised as an asset in a subsequent year.

Costs related to development activities are capitalised as:

- The Group has technical studies available justifying the feasibility of the production process;
- The Group has agreed to complete production of the asset so as to render in sale conditions (or internal use) conditions;
- The asset will generate sufficient financial benefits;
- The Group has the necessary technical and financial resources to complete the development of the asset;

The completion of the development phase and, thus, its transfer to patents, licences and brands, and the beginning of the amortisation period takes place upon obtaining the approval of the regulatory agencies.

In any case, in order to consider these costs as an asset, even though the approval of the regulatory agencies may not have been received, there is a prior qualitative analysis by Management to assess, based on historical experience, the stage of the approval process and the type of development involved, and that there is no reasonable doubt of obtaining regulatory approval.

3.4.3 Patents and brands

Registered brands and licences are presented at the acquisition or development cost. Certain brands and licences have a finite useful life and are measured later at their cost minus the accumulated amortisation and any adjustment for impairment. The Group also identifies certain brands acquired in business combinations whose useful life is considered indefinite, as they are consolidated in the market and it is not necessary to incur significant costs in order to maintain their commercial life.

3.4.4 Computer applications

Software licences purchased are activated based on the costs incurred in the purchase and preparation for use. These costs are amortised throughout their estimated useful life.

Software and maintenance costs are recognised as an expense when they are incurred.

3.4.5 Other intangible assets

The remaining intangible assets purchased by the Group are presented in the consolidated statement of financial position at their cost, less the amount of any amortisations and accumulated impairment losses.

3.4.6 Useful life and amortisation

For each intangible asset acquired, the Group assesses whether it has a finite or indefinite useful life. To these effects, an intangible asset is deemed to have an indefinite useful life when there is no foreseeable limit to the period during which it will generate net cash flows.

The amortisation of finite useful life intangible assets is performed by systematically distributing the amortisable amount throughout the useful life by applying the following criteria:

	Amortisation method	Estimated useful life years
Patents and brands	Linear	5 - 25
Computer applications	Linear	3 - 10
Other intangible assets	Linear	10

For these purposes, the depreciable amount is understood to be the acquisition cost less residual value. The Group reviews the residual value, the useful life, and the amortisation method of intangible assets at the end of each year. Changes due to changes in estimates are recognised prospectively.

Intangible assets with indefinite useful lives are not subject to amortisation but rather to measurement of impairment, which is conducted annually or earlier, if there are signs of a potential impairment.

The grounds that justify the indefinite useful life of certain brands are, among others:

- Brands bought by the Group from third parties that were already out of patent at the time of purchase. Some brands correspond to products that have a generic counterpart in the market, and some do not. Since the Group acquired these brands, there has been a significant increase in sales, mainly resulting from the Group's financial and commercial efforts to protect and develop the brand. These brands are aimed at niches of the market that are considered stable, and so demand is expected to remain stable in the future.
- The current forecast is that new patents or substituting generic products
are unlikely to appear in the market in the short or medium-term.
- Another key factor in determining the future profitability of brands is the evolution of prices. Along these lines, considering the currently established benchmark prices, they guarantee extended profitability and cash flow generation levels over time, enough to recover the investments made.
- The Group has the will and capabilities required to maintain these brands in its portfolio, which means that it will continue to make the necessary investments and take any commercial actions required to sustain them.

3.4.7 Impairment of assets

The Group assesses and determines losses and reversals of losses due to impairment of intangible assets pursuant to the criteria set forth in Note 3.6.

3.5 Investment Properties

Investment properties are real estate properties which are kept exclusively or partially to obtain income, capital gains or both, instead of being meant for use in production or supply of goods and provision of services, or else for administrative purposes of the Group, or for sale in the regular operating of the business.

Investment properties refer to real estate owned by the Group, located in Portugal, maintained to gain profitability through long-term income.

Investment properties are initially measured at cost, including transaction-associated costs.

The Group measures investment properties following their initial fair value recognition. A qualified independent external appraiser experienced in the measurement of the appraised property conducted an appraisal under observable market variables (level 2 fair value hierarchy) during fiscal year 2023, which shall be revised approximately every two years, except if market conditions change significantly, in which case the revision will be performed at that time.

Losses or profits derived from changes in the fair value of an investment property is recorded in the consolidated income statement. Investment properties are not depreciated.

Investment properties continue to be measured at fair value until sale or until the property is used by the Group or starts development thereof for sale in the ordinary course of business, regardless of whether comparable market transactions have become less common or market prices are less readily available.

3.6 Impairment of non-financial assets subject to amortisation or depreciation

The group follows the criteria of assessing the existence of signs which might reflect any potential impairment of non-financial assets subject to depreciation or amortisation, so as to verify whether its recoverable amount is lower than their carrying amount.

Moreover, and notwithstanding the existence of any impairment signs, the Group verifies at least annually any potential impairment which might affect goodwill, indefinite life intangible assets, as well as any intangible assets which are still unavailable for use.

For these purposes, the goodwill resulting from business combinations is allocated to each one of the Group's cash generating units that are expected to benefit from the synergies of the combination.

The recoverable value of assets is the higher of its fair value minus any sale or disposal by other means and its value in use. The measurement of the value in use of the assets is realised according to the expected cash flows that will result from use of said asset, the expectations on the possible variations in the temporary amount or distribution of the future flows, the temporary value of money, the price to pay in order to offset the uncertainty related to the asset and other factors that market players would consider in the valuation of future cash flows related to the asset.

Negative differences resulting from comparison of the carrying amounts of assets with the recoverable value thereof are recognised to profits(losses).

The recoverable value should be calculated for an individual asset, unless the asset does not generate cash inflows that are to a major extent independent from those corresponding to other assets or group of assets. Should this be the case, the recoverable value is determined for the cash generating unit to which the asset belongs.

Losses related to the impairment of cash generating units will be allocated initially to reduce, as applicable, the value of the goodwill allocated to it and the continuation of the other assets of the cash generating unit, prorating it based on the carrying amount of each of the assets, with the limit for each of them being the higher between the fair value minus any sale or disposal costs by other means, its value in use and zero.

At each closing date, the Group assesses whether there are any signs that may indicate that the impairment losses recognised in previous years has been eliminated or may have diminished. The impairment losses corresponding to goodwill are non-reversible. Impairment losses for the remaining assets can only be reversed should there have been a change in the estimations made to determine the recoverable value of the asset.

Reversal of impairment losses are recorded to profits; however, the reversal of the loss cannot increase the carrying amount of the asset above the carrying amount it would have had, net of depreciation, had the impairment not been recorded.

The amount of the impairment loss of a cash generating unit is distributed among its assets, except for goodwill, prorating it based on the carrying amount of the assets, with the limit per asset being the lower between its recoverable value and the carrying amount it would have had, net of depreciations, had the loss not been recognised.

3.7 Financial instruments

Financial instruments are classified at the time of initial recognition as a financial asset, a financial liability or an equity instrument, based on the goodwill of the contractual agreement and the definitions of the financial asset, the financial liability or the equity instrument developed in IAS 32, "Financial instruments: presentation."

Financial instruments are recognised when the Group becomes a bound party in the agreement or legal business, pursuant to the provisions thereof.

Moreover, and for valuation purposes, financial instruments are classified in categories of financial assets and liabilities at fair value, with changes to profits, loans and accounts receivables and financial assets at depreciated cost. The classification in the aforementioned categories is conducted based on the characteristics of the instrument and the intention of the Management at the time of initial recognition.

A financial asset and a financial liability are subject to compensation only when the Group has the enforceable right to legally compensate the recognised amounts and intends to settle the net amount or to realise the asset and settle the liability at the same time.

Conventional purchases and sales of financial assets are recognised at the date of negotiation; that is, the date on which the Group agrees to purchase or sell the asset.

3.7.1 Financial assets at fair value through changes in profit/loss

Financial assets held for trading are included in this section. A financial asset is classified as held for trading if:

- It is acquired or incurred mainly for the purpose of selling it or re-purchasing in the immediate future.
- In the initial recognition, it is part of an identified financial instrument portfolio, jointly managed and for which there is evidence of a recent pattern of short-term benefits, or
- It is a derivative, except for derivatives classified as a hedging instrument, and meets the requirements to be deemed effective, and a derivative which is a financial guarantee contract.

They are recognised initially and at a later date based on the fair value. Transaction costs directly attributable to the acquisition of said assets are recognised as an expense in the consolidated income statement. Realised and unrealised losses and profits derived from changes in the fair value are included in the consolidated profit and loss statement for the year in which they occur.

3.7.2 Loans and receivables

Loans and accounts receivables are financial assets that are not derivatives, with a fixed or determinable cost, which are not listed in an active market, and different from those classified in other financial asset categories.

They are initially recognised at their fair value, including incurred transaction costs, and are later valued at the depreciated cost, through the effective interest method.

3.7.3 Impairment and uncollectible financial assets

Trade and other receivables are subject to the expected credit loss model. However, the impairment identified is intangible.

The "cash and cash equivalents" line item is also subject to the impairment requirements set by IFRS 9, even though the identified impairment is intangible.

To determine the expected credit losses, the Group applies the simplified approach of IFRS 9.

To measure expected credit losses, trade receivables have been grouped based on the shared credit risk characteristics, and on due dates.

Expected loss rates are based on the sales payment profiles throughout a 12-month period before 01 January 2021, and the corresponding historical credit losses experienced during said period. Historical loss rates are adjusted to reflect the current and prospective information on the macroeconomic factors affecting customers' capacity to settle the accounts receivable.

In addition, the Group impairs any accounts receivable for which the existence of specific bad debt risks is assessed, in the same way as for the previous year, in order to determine if there is objective evidence of impairment. The Group considers that impairment has occurred when the debtor has significant financial difficulties or when payment default or delay exceeds 12 months.

Accounts receivable for which an impairment provision has been recognised are cancelled against the provision when there is no expectation of recovering the additional cash.

3.7.4 Financial liabilities

Financial liabilities, including trade and other payables, which are not classified at fair value with changes to profits(losses) are initially recognised at their fair value, minus, if applicable, any transactions costs directly attributable to the issuance thereof. Subsequent to initial recognition, the financial liabilities classified in this group are valued at amortised cost using the effective interest rate method.

3.7.5 Derecognition of financial assets

Financial assets are derecognised from the accounting statements when the rights to receive the cash flows related thereto have expired or been transferred and the Group has materially transferred the risks and advantages resulting from owning said assets.

The derecognition of an asset implies its recognition to profits/losses for the difference between its carrying amount and the amount of the consideration received, net of transaction expenses, including assets acquired or liabilities assumed, and any losses and profits in a different comprehensive income.

The Group applies the weighted average price method to measure and derecognise the cost of equity or debt instruments which integrate homogeneous portfolios and which have the same rights, except if the sold instruments and the individual price thereof can be clearly identified.

3.7.6 Derecognition and changes in financial liabilities

The Group derecognises a financial liability or part thereof when it has met the obligation contained in the asset or else is legally exempt from the fundamental liability contained in the liability, whether by virtue of a legal process or by the creditor.

The exchange of debt instruments between the Group and the other counterparty or substantial changes in the initially recognised liabilities is recorded as the settlement of the original financial liability and the recognition of a new financial liability, provided that the instruments have materially different conditions.

3.8 Treasury shares of the Parent Company

The purchase of equity instruments of the Parent Company by the Group is presented separately at the acquisition cost, as an equity decrease in the consolidated statement of financial position, regardless of the reason for its purchase. No results are recognised for transactions conducted with equity instruments.

Transaction costs related to equity instruments are recognised as a net equity decrease after considering any tax effects.

3.9 Payment to shareholders

Dividends, whether in cash or in kind, are recognised as a net equity decrease at the time of approval thereof by the General Shareholders' Meeting.

3.10 Inventories

Inventories are valued at the lower between the purchase cost -which includes all other costs derived from the purchase and transformation, as well as direct and indirect costs incurred in giving them their current condition and location-, and their net realisable value, the latter being understood as the estimated disposal price in the ordinary course of business, minus the costs estimated to terminate production and those required for the sale thereof.

The method applied by the Group in determining the cost used for each inventory is the following:

a) Commercial inventories and raw materials and other supplies: weighted average cost.
b) Finished products and works in progress: Cost of consumption of raw materials and other supplies, incorporating the costs directly related to the units produced and a systematically calculated portion of the indirect, variable or fixed costs incurred during the transformation process. The incorporation of fixed indirect costs is made based on normal production capacity or on actual production, whichever is higher.

The value of the cost of inventories is subject to adjustment against profits/losses whenever their cost exceeds the net realisable value.

The value reduction recognised above is reversed against profit/losses if the circumstances which originated the recognition thereof have ceased to exist, or when there is clear evidence justifying an increase in the net realisation value as a result of a change in economic circumstances. The reversal of the value reduction is limited by whichever amount is lower between the cost and the new realisable value of the inventories. Reductions and reversals in the value of inventories are recognised under the "Change in finished goods and works in progress" and "Consumption of raw materials and other consumable materials" line items of the consolidated income statement.

3.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits in credit institutions and other highly liquid short-term investments with a near original due date, usually within three months or less, provided that they are easily convertible in specific cash amounts and are subject to negligible value change risk.

The Group classifies cash flows corresponding to interest received as investment activities and those paid as exploitation activities. The dividends received are classified as investment activities and those paid by the Company are classified as financing activities.

3.12 Employee benefits

3.12.1 Termination benefits

Termination benefits are recognised at the earlier date between the date on which the Group can no longer withdraw the offer and the one when the costs of a restructuring entailing compensation payments are recognised.

For termination benefits as a result of the employees' decision to accept an offer, it is considered that the Group can no longer withdraw the offer at the earlier date of the one in which the employees accept the offer and when a restriction on the capacity of the Group to withdraw the offer becomes effective.

In the case of termination benefits due to dismissal, it is considered that the Group can no longer withdraw the offer when it has notified the employees involved or the union representatives of the plan, and the actions required to complete said plan indicate that significant changes to the plan are unlikely, the number of employees to be terminated has been identified, as well as their category of employment or duties and the place of employment and expected termination date, and when the termination benefits to be received by the employees have been described in sufficient detail, so that the employees are aware of the type and amount of compensation to be received upon termination.

3.12.2 Short-term employee remuneration

Short-term employee remuneration refers to employee compensation other than termination benefits, whose payment is expected to be made in whole within the 12 months following the close of the year in which the employees have rendered the services compensated.

The Group recognises the expected cost of short-term remuneration in the form of paid leave, the rights to which accrue as employees render the services which entitle them to receive said remunerations. If the leaves are not cumulative, the expense is recognised as the changes occur.

The Group recognises the expected profit sharing cost or the workers' incentives plan when there is a current, legal, or implicit obligation as a result of past events and the value of the obligation can be fairly estimated.

3.12.3 Share-based remunerations

The Parent Company operates an equity-settled share-based payment plan. On the one hand, the Parent Company recognises the services received from employees in exchange for granting the option as an expense on an accrual basis and, on the other hand, the corresponding increase in equity. The total amount expensed during the vesting period is determined by reference to the fair value of the options granted.

3.13 Provisions

Provisions are recognised in the consolidated statement of financial position when the Group has a present obligation, legal or implicit, as a result of past events and it is probable that there is an outflow of resources entailing future financial benefits to settle said obligation, provided that it is possible to reliably estimate the amount in question.

The amounts recognised in the consolidated statement of financial position correspond to the best estimation at the date of closure of the disbursements required to settle the current obligation, after having considered the risks and uncertainties related to the provision and, when significant, the financial effect derived from the discount, provided that the disbursements to be made in each period can be reliably determined.

Separate obligations are measured according to their most likely individual outcome. If an obligation implies a large group of homogeneous items, the obligation is measured by weighting its possible outcomes according to their likelihood. If there is a continuous range of possible outcomes and each point along the range has the same likelihood of occurrence than the rest, then the obligation is measured at the average amount.

The financial effect of provisions is recognised as financial expenses in profits/losses.

Provisions revert to profit/losses when an outflow of resources that might settle the obligation is unlikely. Reversal is recognised in the consolidated profit and loss account line in which the corresponding expense and surplus, if any, was recognised under the "Other income" entry of the consolidated profit and loss account.

3.14 Revenue recognition

Revenues from the sale of goods or rendering of services are recognised at the fair value of the consideration arising from such, which has been or will be received. Revenues are presented net of the value added tax and of any other amount or tax which substantially corresponds to accounts receivables on account of third parties. In addition, discounts for prompt payment, volume or other types of discounts, as well as interest added to the nominal amount of credits, are recorded as a write-down thereof.

3.14.1 Sales of goods and rendering of services

Revenue from the sale of goods and the provision of services are recognised only when there is evidence of an agreement with other parties, the products have been delivered or the services rendered, the fees have been set and collection is reasonably guaranteed.

The Group mainly manufactures and sells pharmaceutical and animal health and nutrition products. Sales are recognised upon transfer of control of the products, that is, when they are delivered to the client, the latter has total control over the product and there is no unmet obligation which might affect acceptance of the products by the client. The delivery takes place based on agreements with clients (Incoterm) and it is at that time when obsolescence and loss risks have been transferred to the client and the Group has evidence that all acceptance criteria have been met.

The Group sells certain goods that can be returned by buyers. In such cases, sales of items are recognised when the above conditions are met and it is possible to reliably estimate the sum of returns, based on the Company's experience and other relevant factors. Estimated returns are recognised against ordinary income, paid to the provision for sales returns.

No financing element is considered, given that sales are made with a 60-day credit term, consistently with market practices.

The management considers that there is no significant judgment required with respect to these sales.

Breakdown of ordinary income from contracts with Customers

Ordinary income from external customers mainly originates in the sale of pharmaceutical and animal nutrition and health specialty products.

As regards pharmaceutical specialty products, the Group considers that there is a single classification of contracts with customers: sales correspond to a single performance obligation (the sale of the chemical or pharmaceutical product) and are realised at a point in time.

As regards sales for animal nutrition and health products, the Group considers that there is a single classification of contracts with customers: sales correspond to a single performance obligation and are realised at a point in time.

Since there are no other classifications of contracts with customers, the Group has broken down sales geographically (see Note 23).

3.14.2 Other income

Income and licence commissions are essentially recognised based on whether they correspond to a sale of an asset or rights, or a licence of use agreement. It will be a sale and, thus, the income is recognised upon transfer of the rights to the licence holder, under the following circumstances:

- Rights are allocated in consideration of fixed or non-reimbursable commissions as a guarantee to the agreement.
- The agreement may not be terminated.
- The Group does not have any control over the management.
- The Group does not have any performance obligations.

For all other cases, it will be considered that the amounts are related to the right of use of the licence and, thus, that the income is recognised throughout that period. If the Group receives a share of the income but with a minimum guaranteed amount, said minimum amount will be recognised as income initially, provided that the Group does not maintain any significant risks and advantages inherent to holding the licence. The Group recognises this income under "Other income" as it is considered that no control is retained over the subsequent management of royalty income.

3.14.3 Earnings from dividends

Income from dividends on investments in equity instruments is recognised when the Group becomes entitled to receive them.

3.15 Official grants

Official grants are recognised when there is reasonable certainty regarding compliance with the conditions pertaining the grant and collection thereof.

Grants from public administrations received as compensation for expenses or losses already incurred, or else to provide immediate financial support unrelated to future expenses are recognised to other income accounts in the consolidated income statement.

Financial liabilities with implicit aids in the form of interest rates below market rate are recognised initially at fair value. The difference in value, adjusted as applicable per the costs of issuance of the financial liability and the amount received, is recognised as an official grant, based on the nature of the awarded grant.

3.16 Leases

The Group executes operating lease operations both as lessor and lessee.

Leases are recognised as a right-of-use asset with the corresponding liabilities recognised on the date on which the leased asset becomes available for use by the Group.

The assets and liabilities arising from a lease are initially measured based on current value. The lease liabilities include the net current value of the following lease payments:

- Fixed payments.
- Variable lease payments tied to an index or rate.

Lease payments to be made under reasonably certain extension options are also included when measuring the liabilities.

Lease payments are discounted at the implicit interest rate in the lease. If this rate cannot easily be determined, which is generally the case for the Group's leases, the lessee's incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds needed to obtain an asset of a value similar to that of the right-of-use asset in a similar economic setting and with similar terms, guarantees and conditions.

The Group is exposed to potential future increases in the variable lease payments tied to an index or rate, which are not included in the lease liabilities until they enter into force. When adjustments to lease payments tied to an index or rate enter into force, the lease liabilities are reassessed and the right-of-use asset amount is adjusted.

Both the principal and the finance costs are included in lease payments. Finance costs are expensed to profit/loss over the lease period, giving rise to a constant interest rate applied at regular intervals to the outstanding balance payable for each period.

Right-of-use assets are measured at cost, which consists of the following:

- The initial measurement of the lease liabilities.
- Any lease payment made on or before the starting date, less any lease incentives received.
- Any initial direct costs.
- Restoration costs.

Right-of-use assets generally depreciate on a straight-line basis over the useful life of the asset or the lease term, whichever is shorter. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset depreciates over the useful life of the underlying asset.

Payments made in relation to short-term leases and all leases of assets of low value are recognised as expenses in profit/loss on a straight-line basis. Short-term leases are any leases with a term of 12 months or less. Low value assets include IT equipment and small pieces of office furniture.

Extension and termination options are included in some of the property and equipment leases held throughout the Group. These terms are included to provide maximal operating flexibility when it comes to managing the assets used in the Group's operations. Most of the extension and termination options in place can only be exercised by the Group, not by the respective lessor.

Income from operating leases, net of any incentives granted, are recognised as income by the linear method throughout the term of the lease.

3.17 Income tax expenses

The income tax expense or revenue entails both current and deferred taxes.

Current tax is the amount to be paid or recovered during the fiscal year for the income tax with respect to the consolidated tax profit or loss for the year. Current income tax assets or liabilities are measured at the amounts expected to be paid or recovered from the tax authorities, using the standards or tax rates approved or to be approved at the closing date.

Deferred tax liabilities are the amounts to be paid in the future as corporate income tax expenses related to the taxable temporary differences, while deferred tax assets are the amounts to be recovered as corporate income tax expenses due to the existence of deductible temporary differences, tax losses carried forward or deductions pending application. For these purposes, a temporary difference is understood as the difference between the carrying amount of assets and liabilities, and their tax vase.

As of year 2014, Faes Farma, S.A. tax , made up of the companies Faes Farma, S.A. and Ingaso Farm, S.L.U. pays tax through the consolidated statement method.

3.17.1 Recognition of taxable temporary differences

Deferred tax liabilities derived from temporary differences are recognised in all cases, except if:

- They are derived from the initial recognition of the goodwill or an asset or liability in a transaction which is not a business combination and which, at the date of the transaction, does not affect the accounting profit or loss or the taxable profit;
- They correspond to differences associated with investments in subsidiaries and business combinations for which the Group can control the time of reversal and for which a reversal is unlikely in the foreseeable future.

3.17.2 Recognition of deductible temporary differences

Deferred tax assets derived from deductible temporary differences are recognised provided that:

- There are likely to be sufficient future positive taxable base for compensation thereof, except in those cases in which the differences result from the initial recognition of assets or liabilities in a transaction which is not a business combination and which, at the date of the transaction, does not affect the accounting profit or loss or the taxable base;
- They correspond to temporary differences associated with investments in subsidiaries and joint ventures to the extent that the temporary differences can reverse in a foreseeable future and positive future taxable profits are expected to offset the differences.

Tax planning opportunities are only considered in the assessment of recovery of deferred tax assets if the Group intends or is likely to adopt them.

The Group has estimated that there are sufficient taxable profits to ensure recoverability of deductions and credits activated, based on profit/loss forecasts made pursuant to the budgets approved for the year 2024 and the forecasts for the next years.

3.17.3 Measurement

Deferred tax assets and liabilities are measured at the tax rates to be applied in the fiscal years in which assets are expected to be realised or liabilities are expected to be settled, pursuant to the regulations and rates approved or almost approved, and having considered the tax effects derived from the way in which the Group expects to recover the assets or settle the liabilities.

At the date of closure of each year, the Group reviews the carrying amount of deferred tax assets, so as to reduce said value to an extent that makes it unlikely for there to be sufficient taxable profits to offset them.

Deferred tax assets which fail to meet the aforementioned conditions are not recognised in the consolidated statement of financial position. At year-end, the Group reconsiders whether the conditions are met to recognise deferred tax assets which had previously not been recognised.

3.17.4 Offsetting and classification

The Group only offsets current income tax assets and liabilities if it is legally entitled by the tax authorities and if it intends to settle any resulting debts at their net amount or else realise the assets and settle debts simultaneously.

The Group only offsets deferred income tax assets and liabilities if there is a legal offsetting rights pursuant to the tax authorities and said assets and liabilities correspond to the same tax authority for deferred income tax and for the same taxpayer or else to different taxpayers who intend to liquidate or realise the current tax assets and liabilities at their net amount or realise assets and settle liabilities simultaneously at each future fiscal year in which they expect to recover significant deferred tax assets or liabilities amounts.

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position as non-current assets or liabilities, regardless of the expected realisation or settlement date.

3.18 Segment reporting

An exploitation segment is a component of the Group which develops business activities from which it can obtain ordinary income and incur in expenses, whose exploitation results are regularly reviewed by the senior exploitation decision-making authority in the Group, which is the Board of Directors, to decide on resources to be allocated to the segment, assess its performance and in relation to which differentiated financial information is available.

At 31 December 2023 and 2022, the Group was made up of the following exploitation segments:

- Pharmaceutical and healthcare specialties
- Animal nutrition and health
- Pharmaceutical raw materials

The Pharmaceutical raw materials segment does not meet the quantitative criteria to be presented separately. There are no assets that are common to several segments.

3.19 Environment

The Group conducts operations whose main purpose us to prevent, mitigate or repair any damage caused to the environment as a result of its activities.

Expenses incurred in environmental activities are recognised as other operating expenses in the year in which they incur.

Property, plant and equipment items purchased to be used for extended periods of time during its business and whose main purpose is to minimise environmental impact and protect and improve the environment, including the mitigation or elimination of future contamination from the operations of the Group, are recognised as assets by means of the application of measurement, presentation and breakdown criteria consistent with those set forth in Note 3.3.

4. Property, plant and equipment

The breakdown of this item of the consolidated statement of financial position, and its movements during 2023 and 2022, is described below:

	31/12/2021	Additions	Reductions	Transfers	Translation differences	31/12/2022	Additions	Reductions	Transfers	Translation differences	31/12/2023
Cost											
Land and buildings	55,161	1,437	(7,263)	-	(29)	49,306	94	(34)	-	50	49,416
Technical installations and machinery	74,590	2,359	(3,493)	877	(476)	73,857	1,447	(4,659)	662	(319)	70,988
Other installations, tools and furniture	57,519	1,738	(1,893)	2	267	57,633	3,013	(966)	-	(56)	59,624
Computer equipment	2,098	212	(2)	-	5	2,313	379	(226)	-	22	2,488
Advances and property, plant and equipment in progress	21,846	76,729	(40)	(879)	8	97,664	80,453	(219)	(662)	(9)	177,227
Others	1,827	208	(683)	-	421	1,773	145	(87)	-	(98)	1,733
	213,041	82,683	(13,374)	-	196	282,546	85,531	(6,191)	-	(410)	361,476
Accumulated depreciation											
Constructions	(17,247)	(974)	333	-	7	(17,881)	(837)	34	-	(20)	(18,704)
Technical installations and machinery	(34,309)	(4,126)	3,089	-	378	(34,968)	(4,096)	4,659	-	134	(34,271)
Other installations, tools and furniture	(23,332)	(5,147)	1,629	-	(160)	(27,010)	(5,445)	966	-	66	(31,423)
Computer equipment	(1,752)	(345)	132	-	61	(1,904)	(584)	217	-	(16)	(2,287)
Others	(301)	(397)	492	-	(436)	(642)	(137)	87	-	49	(643)
	(76,941)	(10,989)	5,675	-	(150)	(82,405)	(11,099)	5,963	-	213	(87,328)
Carrying amount	**136,100**	**71,694**	**(7,699)**	**-**	**46**	**200,141**	**74,432**	**(228)**	**-**	**(197)**	**274,148**

The additions recorded in 2023 and 2022 mainly correspond to the investments derived from the start-up of the new pharmaceutical production plant built in the Bizkaia Technology Park and the new animal nutrition factory located in Huesca. The amount of EUR 177,227 thousand classified as property, plant and equipment under construction at 31 December 2023 (EUR 97,664 thousand at 31 December 2022) relates mainly to the buildings, other installations and machinery of the new plant, which is currently still under construction and is expected to be completed and commissioned in 2024.

In 2023, items that were mostly fully depreciated were written off. Disposals recorded in 2022 relate mainly to the disposal of the land and buildings of Laboratorios Diafarm, S.A.U. merged with Faes Farma, S.A. in 2021. These assets were disposed of for EUR 7.2 million, giving rise to a loss of EUR 439 thousand, which was recognised under the "Impairment and gains/losses on disposal of fixed assets" line item in the accompanying consolidated profit and loss statement.

During the financial year, the Parent Company's management has assessed potential indications of impairment of property, plant and equipment that may arise as a result of the construction of the new plant, and has not identified any relevant assets for which impairment should be recognised.

The Group has commitments to purchase property, plant and equipment amounting to EUR 13,178 thousand (EUR 25,175 thousand in 2022), mainly related to the investment in the new pharmaceutical production plant.

The Group has no property, plant and equipment subject to guarantees.

4.1 Fully depreciated assets

The cost of the property, plant and equipment items which are fully depreciated at 31 December is detailed below:

Thousands of euros

	2023	2022
Constructions	6,788	6,712
Technical installations and machinery	19,334	23,257
Other installations, tools and furniture	9,947	10,329
Computer equipment	2,052	1,550
Other transport means	84	560
	38,205	**42,408**

4.2 Insurance

The Group takes out various insurance policies to cover the risks to which the property, plant and equipment items may be exposed. The coverage of these policies is considered to be sufficient.

4.3 Operating leases – Lessee

The Group leases offices in Madrid and Leioa (Biscay) to third parties. Moreover, the Group has leased vehicles from third parties, mostly for commercial purposes, as well as commercial premises and several electronic equipment items.

The right-of-use assets recognised are related to the following types of assets:

Thousands of euros

	31/12/2023	31/12/2022
Properties	2,774	2,898
Equipment	175	238
Vehicles	3,518	2,527
Total right-of-use assets	**6,467**	**5,663**

During the financial year 2023 there have been additions of EUR 3,486 thousand of right-of-use assets (EUR 3,793 in the 2022 financial year). In addition, the depreciation and amortisation charges for these assets amounted to EUR 2,730 thousand (EUR 2,407 thousand in 2022).

5. Intangible assets

The breakdown of this heading of the consolidated statement of financial position and of the movement of the main classes of intangible assets for 2023 and 2022 is shown below:

Thousands of euros

	Goodwill	Development expenses in progress	Patents, licences and brands	Computer applications	Others	Total
31 December 2021						
Cost	56,342	20,726	226,280	8,304	6,542	318,194
Accumulated depreciation	-	(424)	(109,168)	(2,917)	(5,638)	(118,147)
Cumulative impairment	(3,012)	-	(14,274)	-	-	(17,286)
Net carrying amount	**53,330**	**20,302**	**102,838**	**5,387**	**904**	**182,761**
Additions	-	3,472	1,124	1,199	25	5,820
Depreciation	-	(167)	(5,060)	(648)	-	(5,875)
Reductions	-	(48)	(2,159)	(314)	(8)	(2,529)
Depreciation derecognitions	-	-	2,159	282	-	2,441
Transfers	-	(395)	1,749	(490)	(864)	-
Translation differences	(1,554)	-	(2,374)	(3)	-	(3,931)
31 December 2022						
Cost	54,788	23,755	224,654	8,698	5,695	317,590
Accumulated depreciation	-	(591)	(112,103)	(3,285)	(5,638)	(121,617)
Cumulative impairment	(3,012)	-	(14,274)	-	-	(17,286)
Net carrying amount	**51,776**	**23,164**	**98,277**	**5,413**	**57**	**178,687**

(continued)

Thousands of euros

	Goodwill	Development expenses in progress	Patents, licences and brands	Computer applications	Others	Total
Business consolidations (*)	4.157	-	-	-	-	4.157
Additions	-	3.061	1.752	1.606	8	6.427
Depreciation	-	(167)	(4.587)	(807)	(8)	(5.569)
Reductions	-	-	(5.570)	(215)	-	(5.785)
Depreciation derecognitions	-	-	5.525	215	-	5.740
Transfers	-	(13.502)	13.502	-	-	-
Impairment allowance	-	-	(74)	-	-	(74)
Translation differences	150	-	467	6	-	623
31 December 2023						
Cost	59.095	13.314	234.623	10.093	5.703	322.828
Accumulated depreciation	-	(758)	(110.983)	(3.875)	(5.646)	(121.262)
Cumulative impairment	(3.012)	-	(14.348)	-	-	(17.360)
Net carrying amount	**56.083**	**12.556**	**109.292**	**6.218**	**57**	**184.206**

At 31 December 2023 and 2022, there are no commitments to purchases of intangible assets.

The cost of fully amortised intangible assets at 31 December 2023 amounts to EUR 56,133 thousand (EUR 44,811 thousand in 2022) and mainly corresponds to patents, licences and brands.

(*) Business consolidations correspond to the acquisition of NovoSci Healthcare, FZCO (notes 1 and 24).

Goodwill

The Group has recognised goodwill for a total amount of EUR 56,083 thousand, net of impairment, the most significant of which being that generated by the acquisitions of Laboratorios Diafarm, S.A.U. (For an amount of EUR 25,277 thousand), Ingaso Farm, S.L.U. (for an amount of EUR 10,677 thousand), Tecnología & Vitaminas, S.L. (for an amount of EUR 5,650 thousand) and Initial Technical Foods, S.L.U. (for an amount of EUR 3,855 thousand). The goodwill also included an amount equivalent to EUR 6,671 thousand for the acquisition of a pharmaceutical business in 2005.

In 2023, the Group recognised goodwill of EUR 4,157 thousand for the acquisition of 100% of the shares in the marketer NovoSci Healthcare FZCO (Dubai) (notes 1 and 24). At 31 December 2023, the Group has not completed the evaluation to identify and measure the net assets acquired; therefore, provisional accounting has been applied.

The recoverability of the goodwill of Laboratorios Diafarm, S.A.U. is determined on the basis of value in use calculations, using cash flow projections based on financial budgets approved by Management covering a five-year period. The healthcare CGU is considered for the compilation of these flows.

The key assumptions used by Management to create the flow forecasts in the case of the goodwill of Laboratorios Diafarm, S.A.U. have been the following:

- The discount rate before taxes used has been 10% (9.5% in 2022).
- Cash flows beyond the five-year period are extrapolated using a growth of 1%.
- Average 1% growth in sales volume.

Based on these forecasts, the Group has not recognised any impairment in 2023 and 2022.

For goodwill, if the recoverable amount calculated on the basis of value in use were subject to a sensitivity analysis of sales dropping by an estimated 3% or the discount rate rising by one point, no impairment of the carrying value of these assets would result.

The assumptions used in the case of estimated flow forecasts for the other goodwill have been the virtually stable maintenance of the operating income/expense over the net amount of the turnover for the next years. The growth rate used to extrapolate cash flows as of the third year was 0%, while the discount rate before taxes used has increased to 10% (9.5% in 2022). The sensitivity analyses undertaken have been conducted by stressing the discount rate by one percentage point, without the need to reflect any losses in the intangible assets.

Development expenses in progress

At 31 December 2023, "Development in progress" includes an amount of EUR 7,596 thousand relating to an alternative application of Hydroferol (EUR 6,714 thousand at 31 December 2022), which is completed and awaiting marketing authorisation. The Group expects to start marketing the development by the end of 2024.

In addition, at the close of 2023, the Group has capitalised expenses for other product developments for the amount of EUR 4,960 thousand. The Directors capitalise these developments on the understanding that these projects meet all the criteria for capitalisation and there are no doubts as to the recoverability of these amounts. At 31 December 2023, there are still expenses to be capitalised for these projects, mainly related to a more concentrated application of Claversal.

At 31 December 2022, the "Development in progress" item included EUR 12,596 thousand relating to an alternative application of Bilastine, the marketing authorisation for which was obtained in December 2022 and marketing commenced in April 2023. The Group has therefore transferred this development to patents, licences and brands.

Moreover, the Group has recognised an amount of EUR 5,203 thousand (EUR 3,716 thousand in 2022) related to research and development expenses on other projects in the attached consolidated profit and loss statement (note 18).

Patents, licences and brands

The detail of the net carrying amount and the residual depreciation period for the most significant patents, licences and brands at the individual level at 31 December 2023 and 2022 is described below:

	Years of residual useful life		Thousands of euros	
Description of the asset	2023	2022	2023	2022
Ingaso brand name	9	10	697	778
Claversal brand	Indefinite	Indefinite	15,411	15,411
Analgilasa brand	Indefinite	Indefinite	2,761	2,761
Hemorrane brand	Indefinite	Indefinite	1,441	1,441
Zyloric brand	Indefinite	Indefinite	3,362	3,362
Rosilan brand	3	4	1,475	1,966
Pankreoflat brand	Indefinite	Indefinite	1,876	1,876
Bilastine patent	13	14	19,448	21,066
Bilastine Ophthalmic patent	24.5	-	12,302	-
Siken brand	Indefinite	Indefinite	2,720	2,720
Arnidol brand	Indefinite	Indefinite	6,141	6,141
Vitanatur brand	Indefinite	Indefinite	3,826	3,826
Faringesic brand	Indefinite	Indefinite	1,652	1,652

Impairment of the value of brands and patents

In the case of brands and patents, impairment tests have been performed individually, considering each brand and patent as a cash generating unit. The recoverable amount from a cash generating unit is determined based on value in use calculations. These calculations use cash flow forecasts based on financial assumptions approved by management, covering a four-year period.

The key assumptions used by Management to create the flow forecasts in the case of the Parent Company's brands and patents have been the following:

- The discount rate before taxes used has been 10% (9.5% in 2022).
- Cash flows beyond the four-year period are extrapolated without considering growth.
- Stability in terms of brands and patent sales volume, given that these are brands and patents for which there are sometimes generic options in the market, and are aimed at stable markets with a continued future demand, based on the historical information available to the Group.

The prices considered for future years have been estimated based on actual prices for 2023, considering the effect of the laws approved in Spain in 2010 and 2011 with respect to the 7.5% or 15% discounts on the selling prices authorised for pharmaceutical companies by the Ministry of Health. Both discounts exclusively apply to units sold pursuant to the National Health System.

However, for some specific brands, more conservative projections and/or a higher discount rate has been considered in order to reflect the particular conditions of those specific brands.

Based on these projections, the Group has recognised an impairment charge in 2023, the net effect of which on the profit and loss statement is not material (no impairment was recognised in 2022).

The recoverable amount calculated on the basis of value in use has been subjected to a sensitivity analysis of reducing the estimated sales by 5% and increasing the discount rate by one point. On the basis of the sensitivity analyses carried out, the conclusions remain unchanged.

6. Other financial assets

The details of other financial assets at 31 December 2023 and 2022 are as follows:

Thousands of euros

	2023	2022
Non-current		
Guarantees	336	756
Financial assets at amortised cost	-	4,376
	336	5,132
Current		
Financial assets at amortised cost	13,104	17,689
	13,104	**17,689**

The amounts included under the current heading "Financial assets measured at amortised cost" relate mainly to contracted deposits that generate financial income with a fixed nominal interest rate of between 1.55% and 2.5%. Within this heading are balances in foreign currencies, the most relevant being Chilean pesos (EUR 4.77 million), Colombian pesos (EUR 2.57 million) and dollars (EUR 0.82 million). In 2022, the most relevant foreign currency balances were Colombian pesos (EUR 0.1 million).

The Group does not have any pledged financial assets as a guarantee for contingent liabilities or liabilities.

7. Inventories

Details of this item of the consolidated statement of financial position are as follows:

Thousands of euros

	2023	2022
Goods	27,322	23,443
Raw materials and other supplies	43,778	32,735
Works in progress	8,637	13,463
Finished products	48,919	44,349
Advances to suppliers	373	1,010
	129,029	**115,000**

In 2023, a total of EUR 522 thousand in impairment of inventories (EUR 1,420 thousand in 2022) was recognised, in addition to a reversal of EUR 823 thousand (no reversal was recognised in 2022), which were recorded under the "Change in finished goods and works in progress" heading of the attached consolidated profit and loss statement.

At 31 December 2023 and 2022, there are no inventories with a recovery period beyond 12 months as of the date of the consolidated statement of financial position.

The Group companies have taken out insurance policies to cover any risks which might affect inventories. The coverage of these policies is considered to be sufficient.

At 31 December 2023 and 2022, there are no pledged inventories as guarantee against the payment of debts.

8. Trade and other receivables

Details of this item of the consolidated statement of financial position are as follows:

Thousands of euros

	2023	2022
Customer receivables – sales and service provision	104,092	101,628
Employee advances	573	518
Other non-commercial loans		
Tax receivables	9,903	12,360
Other	5	65
Adjustment for impairment losses	(1,067)	(460)
Total	**113,506**	**114,111**

Movements of valuation adjustments for impairment are as follows:

Thousands of euros

	2023	2022
Balance at 1 January	460	568
Allocations for impairment (Note 18)	607	343
Impairment reversals (Note 18)	-	(451)
Balance at 31 December	**1,067**	**460**

There are balances of customers whose denomination currency is different to the euro, the most relevant of which are shown in the following table:

	Millions of euros						
	Colombian pesos	Quetzales	Chilean pesos	Mexican pesos	US dollars	Peruvian soles	UAE dirhams
2023	6.68	3.74	6.38	5.96	1.56	0.76	0.81
2022	7.10	6.20	6.00	5.80	1.90	1.50	-

Past due trade receivables for sales and services that are less than one year overdue are not considered to be impaired. The ageing analysis of the balances is as follows:

Thousands of euros

	2023	2022
Unmatured balances	90,626	90,483
Up to 6 months	11,021	6,982
More than 6 months	1,378	3,703
	103,025	**101,168**

The details for Government payables are as follows:

Thousands of euros

	2023	2022
Value Added Tax and similar	9,505	9,966
Other concepts	398	2,394
	9,903	**12,360**

The carrying amount and the fair value of trade and other receivables balances are not significantly different.

9. Cash and cash equivalents

The total amount recorded under this heading corresponds to cash. There are no restrictions on the availability of this cash. There are cash balances in foreign currencies, the most relevant of which are shown in the table below:

	Millions of euros				
	Colombian pesos	Quetzales	Chilean pesos	Mexican pesos	US dollars
2023	1.56	1.72	0.17	0.39	7.5
2022	0.90	2.30	-	1.00	4.2

10. Income tax expenses

The details of deferred tax assets and liabilities by type of asset and liability are as follows:

Thousands of euros

	Assets		Liabilities		Net	
	2023	2022	2023	2022	2023	2022
Intangible assets	-	-	(14,945)	(19,090)	(14,945)	(19,090)
Investment Properties	-	-	(315)	(315)	(315)	(315)
Credits for losses to be offset	88	-	-	-	88	-
Lease assets and liabilities	1,585	1,480	(1,552)	(1,359)	33	121
Other concepts	1,944	1,702	(107)	(333)	1,837	1,369
Rights from deductions and credits	15,419	19,584	-	-	15,419	19,584
Total	**19,036**	**22,766**	**(16,919)**	**(21,097)**	**2,117**	**1,669**

Detail of the change in deferred taxes by type of asset and liability:

Thousands of euros

	31/12/2021	Recognised in profit and loss	31/12/2022	Recognised in profit and loss	31/12/2023
Property, plant and equipment	125	(125)	-	-	-
Intangible assets	(19,415)	325	(19,090)	4,145	(14,945)
Investment Properties	(315)	-	(315)	-	(315)
Credits for losses to be offset	-	-	-	88	88
Lease assets and liabilities (note 2.3)	172	(51)	121	(88)	33
Other concepts	(114)	1,483	1,369	468	1,837
Rights from deductions and credits	24,508	(4,924)	19,584	(4,165)	15,419
Total	**4,961**	**(3,292)**	**1,669**	**448**	**2,117**

The Group has no unrecognised tax credits and tax loss carryforwards on its balance sheet at 31 December 2023 and 2022.

The Group's Directors consider that the rights to deductions and credits related mainly to capitalised research and development expenses are adequately supported based on expectations of future profits and that there is a reasonable assurance that they can be used within a time horizon of less than 10 years. Deferred tax liabilities mainly relate to the difference between the carrying value and tax value of certain intangible assets.

The legislation applicable to the liquidation of the Parent Company's corporate income tax for 2023 and 2022 is that corresponding to Provincial Regulation 11/2013 of 5 December of the Bizkaia Regional Laws.

The various Group companies, except for Faes Farma, S.A. and Ingaso Farm, S.L., which are consolidated for tax purposes, file individual income tax returns. Profits determined under the tax laws of each country are subject to different taxes, as shown below for the most relevant territories.

	Tax Rates
Autonomous Community of the Basque Country	24%
Rest of Spain	25%
Italy	24%
Portugal	24%
Colombia	35%
Chile	27%
Guatemala	25%
Mexico	30%

Detail of income tax expense (income):

Thousands of euros

	2023	2022
Current tax		
For the year	11,607	8,706
	11,607	8,706
Deferred taxes		
Origin and reversal of temporary differences	(4,722)	(1,547)
Tax deductions and recognised taxable profit during the year	(7,434)	(6,316)
Tax deductions and tax losses applied this year	11,599	12,806
Adjustments from previous years	109	(1,676)
	(448)	**3,267**
Total	**11,159**	**11,973**

The relationship between the tax expense and the benefit before tax is as follows:

Thousands of euros

	2023	2022
Profit for the year before taxes	**102,852**	**101,421**
Expected expense at the Parent Company's tax rate (24%)	24,684	24,341
Tax rate difference from subsidiaries	801	169
Temporary differences	(4,034)	(1,422)
Tax credits	(7,434)	(6,316)
Permanent Differences	(2,858)	(4,799)
Tax expense/(income)	**11,159**	**11,973**

The permanent differences mainly relate to the percentage of net royalty income which, in accordance with the applicable tax regulations, is not included in the tax base.

Tax credits amounting to EUR 7,434 thousand at 31 December 2023 (EUR 6,316 thousand at 31 December 2022) mainly correspond to deductions on research and development expenses.

Pursuant to current legislation, taxes cannot be considered as permanently settled until the statements filed have been inspected by the tax authorities or until the four-year statute of limitations period has elapsed from the presentation of the corresponding settlements. At 31 December 2023, the Company and its subsidiaries have all the taxes from 01 January 2020 open for inspection, except for the Corporate Income Tax, which has been open since 01 January 2019. The Directors do not expect any significant additional liabilities to arise the event of an inspection.

11. Equity

The composition and movement of the net equity is presented in the consolidated statement of changes in equity.

11.1 Capital

The detail of outstanding shares for years 2023 and 2022 is as follows:

	Number of shares	
	2023	2022
At 1 January, net of treasury shares	305,996,167	292,874,884
Capital increases	10,882,226	13,364,619
Acquisition of treasury shares	(5,441,113)	-
Treasury share subscription	(188,589)	(243,336)
At 31 December, net of treasury shares	**311,248,691**	**305,996,167**

At 31 December 2023 the registered capital of Faes Farma, S.A. is made up of 316,223,938 ordinary shares represented by book entries with a nominal value of EUR 0.10 each, fully subscribed and paid out (310,782,825 ordinary shares represented by book entries with a nominal value of EUR 0.10 each, fully subscribed and paid out at 31 December 2022). These share units all hold equal political and economic rights. All the shares of the Parent Company are officially listed in the stock market.

There is no shareholder with a registered capital interest equal to or higher than 10%.

The Parent Company also holds 4,975,247 treasury shares at 31 December 2023 (4,786,658 treasury shares at 31 December 2022).

At the General Shareholders' Meeting held on 15 June 2023, a new capital increase was approved to cover the shareholders' payment schedule. The Board of Directors has one year as of the date of the agreement to implement said capital increase. As at 31 December 2023, this implementation has not started.

At the General Shareholders' Meeting held on 22 June 2022, a capital increase charged to reserves was approved to meet the shareholders' payment schedule. The Board of Directors had one year as of the date of the agreement to implement said capital increase. On 27 March 2023, the Board of Directors agreed to implement the capital increase charged to voluntary reserves, which introduced the flexible dividend approved at the General Shareholders' Meeting held on 22 June 2022. As agreed in the aforementioned General Shareholders' Meeting, the maximum capital increase was set at EUR 1,195,318.50, with the market value of the increase being EUR 37,904,242.

The Board of Directors established a schedule which included the deadlines for the execution of the increase, and 19 April 2023 was established as a deadline to request the cash compensation by virtue of the purchase commitment for the rights assumed by Faes Farma, S.A. Each shareholder of Faes Farma, S.A. received a right of free allocation per each share of Faes Farma, S.A. The aforementioned free allocation rights were traded in the stock markets of Madrid, Barcelona, Bilbao and Valencia. Depending on the selected option, upon the execution of the capital increase, each shareholder of the Company could choose to receive either new paid-up shares of Faes Farma, S.A. or an amount in cash as a result of the sale of the free allocation rights to Faes Farma, S.A. (by virtue of the commitment undertaken by the company, at a guaranteed fixed price), or in the market (in which case the consideration varied based on the listing price of the free allocation rights). The capital increase was conducted free of expenses and commissions for subscribers in terms of the allocation of the new issued shares, with Faes Farma, S.A. assuming the expenses related to the issuance, subscription, circulation, listing and other charges related to capital increases. Shareholders holding 91.04% of the free allotment rights opted for the subscription of newly issued shares. Therefore, the parent company issued 10,882,226 shares with a par value of 0.10 euro each, increasing the amount of capital by EUR 1,088,222.60.

As a result of the option chosen by the shareholders, the Parent Company recognised an amount equivalent to EUR 3,285 thousand corresponding to the acquisition of the free allotment rights of the shares that opted to waive the preferential allotment right. This amount was paid in April 2023.

From May to October 2023, the Parent Company acquired 5,441,113 treasury shares for an amount of EUR 17,686 thousand through the share buyback programme. At the company's General Shareholders' Meeting held on 15 June 2023, a capital reduction was approved to redeem 5,441,113 shares. The capital reduction was carried out on 20 November 2023 by redeeming this number of shares, with an impact on the capital for the nominal value of these shares (EUR 545 thousand). The difference between the nominal value and the average acquisition value of the treasury shares involved in the capital reduction has been recognised against the "Reserves" line item (EUR 11,444 thousand).

The General Shareholders' Meeting of 19 June 2019 authorised the Board of Directors to increase the registered capital once or more times, until half of the Company's registered capital at the time of this authorisation; and empowered the Board of Directors so that it may, for a maximum period of five years to be counted as of the date of the Meeting, to issue obligations, Treasury bonds or other similar instruments, simple or guaranteed, up to a maximum amount of EUR 100 million.

The General Shareholders' Meeting of 16 June 2021 authorised the Board of Directors to purchase and charge to profits for the year and/or to available reserves the shares of the Company, as many times as deemed timely, whether directly or through the Group's companies, as well as to later dispose of or depreciate said shares, in the conditions and under the limits set forth in articles 146, 509 and related provisions of the Spanish Corporate Enterprises Act. This authorisation was granted for the maximum period allowed by law (5 years) as of the date of the aforementioned Meeting.

The Group's objectives with regard to capital management is to safeguard its capacity to continue operating, so that it may continue to offer dividends to its shareholders and benefit other stakeholders, while maintaining an optimal capital structure to reduce capital costs.

With the purpose of maintaining and adjusting the capital structure, the Parent Company may adjust the amount of the dividends payable to its shareholders, it may return capital, issue shares or sell assets to reduce debt.

Consistently with other groups from the sector, Faes Farma, S.A. controls the capital structure based on the leverage ratio. This ratio is calculated as net debt divided by the total capital. Net debt is determined through the sum of financial debt plus other accounts payable, plus other non-current payables, minus cash and cash equivalents and current and non-current financial assets. Total capital is calculated by adding the net equity and the net debt.

The 2023 and 2022 ratios have been determined as follows:

Thousands of euros

	2023	2022
Total current and non-current debt (note 13)	28,027	37,040
Minus:		
Cash and cash equivalents (note 9)	34,647	66,411
Current and non-current financial assets (note 6)	13,104	22,065
Net debt (note 13)	(19,724)	(51,436)
Equity	663,349	602,404

The Group's net debt is negative, i.e. the Group has funds available even if all existing financial debt is repaid. Although it has decreased over the course of 2023, this is mainly due to the investment being made in the new Derio plant (note 4), which is being paid for with own funds and without resorting to external financing.

11.2 Other reserves

The details of other reserves at 31 December 2023 and 2022 are as follows:

Thousands of euros

	2023	2022
Legal Reserve	6,216	5,948
Goodwill Reserves	1,069	1,602
Capitalisation reserves	444	444
Other equity instruments	920	146
Voluntary reserves	481,062	434,916
	489,711	**443,056**

Legal Reserve

Companies must allocate an amount equivalent to 10% of the profits for each year to set up a legal reserve until it represents at least 20% of the corporate capital. This reserve is not distributed to the shareholders and may only be used to cover the debt balance of the profit and loss account, if there are no other available reserves. In certain circumstances, it may also be used to increase the corporate capital in the share of this reserve exceeding 10% of the already increased capital amount.

Goodwill Reserves

Goodwill reserves are set pursuant to article 273.4 of the consolidated text of the Spanish Corporate Enterprises Act, now revoked, which established that, in any case, a non-available reserve should be established equivalent to the goodwill recognised in the balance sheet and that a figure of the profits representing at least 5% of the amount of the aforementioned goodwill should be allocated to that effect. Should there be no profit, or should it be insufficient, available reserves were to be used. This reserve has been freely available since 1 January 2016.

Voluntary reserves

These are voluntary reserves, which are unrestricted, except for an amount of EUR 12,446 thousand corresponding to balances pending depreciation for the development expenses recorded by the Parent Company at 31 December 2023 (EUR 22,920 thousand at 31 December 2022).

Other equity instruments

The General Meeting of Shareholders held on 22 June 2022 approved the establishment of a Long-Term Incentives Plan through the delivery of shares in the Parent Company, the beneficiaries of which are certain executives and key personnel of the Group, including the CEO. The delivery of shares under this plan will depend on the degree to which the targets set by the Board of Directors are met.

The economic impact in 2023 was a personnel expense of EUR 774 thousand recognised in equity (EUR 146 thousand in 2022) (note 20).

11.3 Dividends and restrictions on the distribution of dividends

The total amount of dividends that Faes Farma, S.A. paid out to its shareholders in 2023, corresponding to the distribution of profits for 2022, amounted to EUR 11,322 thousand (EUR 10,719 thousand in 2022 corresponding to the 2021 profits), which is equivalent to EUR 0.037 per share (EUR 0.0584 per share in 2022). In addition, an amount of EUR 3,285 thousand was paid as a consequence of the alternative chosen by the shareholders in the flexible shareholder remuneration scheme (EUR 7,437 thousand in 2022) (note 11.1).

The proposal for the distribution of profits of Faes Farma, S.A. for the year 2023, presented by the Directors and pending approval by the General Shareholders' Meeting, as well as the distribution approved for the year 2022, is set forth below:

Thousands of euros

	2023	2022
Basis of distribution		
Profit for the year	67,698	73,075
Distribution		
Legal Reserve	109	267
Other reserves	19,345	61,486
Supplementary dividend	36,105	-
Interim dividend (Note 13)	12,139	11,322
	67,698	**73,075**

In accordance with the resolution of the Board of Directors dated 29 November 2023, it was resolved to distribute to shareholders an interim dividend of EUR 0.039 per share for a total amount of EUR 12,139 thousand, which has been recorded under "Other current financial liabilities" (note 13). Said amount was paid in January 2024.

These amounts to be distributed did not exceed the earnings obtained since the end of the last financial year, less the estimated corporate income tax payable on those results, in line with the provisions of article 277 of the Spanish Corporate Enterprises Act (Consolidated Text of RDL 1/2010 of 2 July 2010).

The interim accounting statement prepared in accordance with legal requirements and showing sufficient liquidity for the distribution of the above-mentioned dividend is set out below:

Thousands of euros

Treasury as at 29 November 2023	**15,608**
Expected cash inflows	291,950
Expected cash outflows (including interim dividend)	(297,558)
Treasury as at 29 November 2024	**10,000**

The distributable profit as at 31 October 2023 amounts to EUR 59,273 thousand. Consequently, both the earnings to date and the cash position and its forecast growth within one year make it possible for the interim dividend for 2023 of EUR 0.039 gross per share to be paid out.

12. Earnings per share

12.1 Basic

Basic earnings per share are calculated by dividing the profits from the year attributable to the holders of equity instruments of the Company by the weighted average number of ordinary shares in circulation during the year, excluding treasury shares.

	2023	2022
Profit attributable to owners of parent company equity instruments (in thousands of euros)	91,902	89,496
Weighted average number of ordinary shares in circulation	309,976,691	305,636,680
Basic earnings per share (in euros)	**0.296**	**0.293**

The average number of ordinary shares in circulation, excluding treasury shares, is calculated as follows:

	2023	2022
Ordinary shares in circulation at 1 January	305,996,167	292,874,884
Weighted free issuance of shares in 2022	-	12,761,796
Weighted free issuance of shares in 2023	6,551,322	-
Weighted acquisition of own shares 2023	(2,570,798)	-
Weighted average number of ordinary shares in circulation at 31 December	**309,976,691**	**305,636,680**

12.2 Diluted

Diluted earnings per share are calculated by dividing the profits from the year attributable to the holders of equity instruments of the Company by the weighted average number of ordinary shares in circulation and potential ordinary shares during the year, excluding treasury shares.

	2023	2022
Profit attributable to owners of parent company equity instruments (in thousands of euros)	91,902	89,496
Weighted average number of ordinary shares in circulation and potentials	310,729,397	305,919,840
Basic earnings per share (in euros)	**0.296**	**0.293**

The potential shares for 2023 and 2022 correspond to the long-term incentive plan (note 20).

13. Other financial liabilities and lease liabilities

Details of these items of the consolidated statement of financial position at 31 December are as follows:

Thousands of euros

	2023		2022	
	Non-current	Current	Non-current	Current
Borrowings from banks	-	1,629	-	1,444
Ministry of Science and Innovation and CDTI	3,465	666	3,764	591
Debts with shareholders (Note 11.3)	-	12,139	-	11,322
Finance lease payables	4,373	2,233	4,397	1,768
Other debts (suppliers of fixed assets)	-	3,522	3	13,751
	7,838	**20,189**	**8,164**	**28,876**

The classification of other non-current financial liabilities, including unearned interest, by due date, is as follows:

Thousands of euros

	2023					
	2025	2026	2027	2028	Subsequent years	Total non-current
Ministry of Science and Innovation and CDTI	670	826	569	339	1,061	3,465
Finance lease payables	2,629	495	524	555	587	4,790
Total financial liabilities	**3,299**	**1,321**	**1,093**	**894**	**1,648**	**8,255**

Thousands of euros

	2022					
	2024	**2025**	**2026**	**2027**	**Subsequent years**	**Total non-current**
Ministry of Science and Innovation and CDTI	625	670	745	545	1,179	3,764
Finance lease payables	2,266	632	669	708	749	5,024
Other long-term borrowings	3	-	-	-	-	3
Total financial liabilities	**2,894**	**1,302**	**1,414**	**1,253**	**1,928**	**8,791**

Debts with the Ministry of Science and Innovation correspond to the depreciated cost of long-term returnable advance payments without interest accrual, and granted as financial aid for certain Research and Development projects. This amount does not differ significantly from its fair value.

Reconciliation of cash flows from financing activities:

Thousands of euros

	Assets/liabilities included in financing activities				
	Cash and cash equivalents	Other short- and long-term financial assets (without bonds)	Remaining debt	Long-term and short-term financial debt	Total net debt
Initial balance at 01 January 2021	**70,254**	**3,388**	**(11,698)**	**(9,664)**	**52,280**
Income from other financial liabilities	-	-	-	(2,314)	(2,314)
Payments for other financial liabilities	-	-	-	3,807	3,807
Change in treasury	(3,843)	-	-	-	(3,843)
Investment in other financial assets	-	21,500	-	-	21,500
Income from other financial assets	-	(2,823)	-	-	(2,823)
Dividend payments	-	-	18,147	-	18,147
Dividends declared during the year (note 11)	-	-	(22,032)	-	(22,032)
Additions to fixed assets/assets for rights of use	-	-	(9,493)	(3,793)	(13,286)
Final balance at 31 December 2022	**66,411**	**22,065**	**(25,076)**	**(11,964)**	**51,436**
Income from other financial liabilities	-	-	-	(260)	(260)
Payments for other financial liabilities	-	-	-	3,344	3,344
Change in treasury	(31,764)	-	-	-	(31,764)
Income from other financial assets	-	(17,796)	-	-	(17,796)
Investment in other financial assets	-	8,835	-	-	8,835
Dividend payments	-	-	14,607	-	14,607
Dividends declared during the year (note 11)	-	-	(15,424)	-	(15,424)
Payment of fixed asset suppliers	-	-	10,232	-	10,232
Additions to fixed assets/assets for rights of use	-	-	-	(3,486)	(3,486)
Final balance at 31 December 2023	**34,647**	**13,104**	**(15,661)**	**(12,366)**	**19,724**

14. Provisions

The detail of provisions for years 2023 and 2022 is as follows:

Thousands of euros

	Health contribution	Sales returns	Other provisions	Total
At 31 December 2021	**6,565**	**1,582**	**665**	**8,812**
Provisions allocated	2,637	111	1,452	4,200
Provisions used	(2,077)	-	(203)	(2,280)
Reversals	(1,500)	(45)	-	(1,545)
At 31 December 2022	**5,625**	**1,648**	**1,914**	**9,187**
Provisions allocated	1,569	-	761	2,330
Provisions used	(2,009)	(267)	(942)	(3,218)
Reversals	-	(185)	-	(185)
At 31 December 2023	**5,185**	**1,196**	**1,733**	**8,114**

The breakdown of current and non-current provisions is the following:

Thousands of euros

	2023	2022
Non-current	864	1,022
Current	7,250	8,165
	8,114	**9,187**

14.1 Health contribution

Pursuant to the forty-eighth Additional Provision of Act 2/2004 of 27 December of the General State Budget for 2005, corporate groups in Spain engaged in the manufacture and import of drugs, medicinal products and any other health products prescribed within the national territory through an official prescription of the National Health System, had to pay certain amounts calculated based on a scale established by the same provision.

In 2006, the aforementioned provision was replaced by the sixth Additional Provision of Law 29/2007, of 26 July, on guarantees and rational use of medicines. According to these regulations, the amounts are calculated on the basis of certain scales on the sales of medicines, medicinal substances and any other health products dispensed in the national territory through official prescriptions of the National Health System.

In 2023, Faes Farma, S.A. paid the Ministry of Health EUR 1,569 thousand (EUR 2,077 thousand in 2022), and allocated a provision for the outstanding amount at 31 December 2023, for a total of EUR 1,620 thousand (EUR 1,620 thousand in 2022).

14.2 Sales returns

Provisions for sales returns correspond to the best estimate made by the Group, based on its historical experience and on the assessment of the current market circumstances, of the sold goods expected to be returned by customers.

14.3 Contingencies

The Group has contingent liabilities from bank guarantees and other guarantees related to the normal course of business for EUR 1,726 thousand (EUR 2,318 thousand in 2022). The most significant guarantees correspond to the payments to be made to Farmaindustria as a result of the discounts to be applied to sales pursuant to Royal Decree-Law 8/2010 and 9/2011. The Management of the Group does not expect any significant liabilities to arise from the aforementioned guarantees.

15. Trade and other payables

Detail of trade and other payables:

Thousands of euros

	2023	2022
Trade payables	35,439	36,594
Other borrowings		
Remuneration payable	11,407	10,317
Payable to Social Security Authorities	1,758	1,685
Tax payables	7,385	6,484
	55,989	**55,080**

Government payables mainly correspond to withholdings on individuals pursuant to the Income Tax.

Information on the average payment terms to suppliers. Additional provision three. "Duty of disclosure of Law 15/2010, of 5 July"

The information on the average period of payment to suppliers for years 2023 and 2022 is as follows:

	Days	
	2023	2022
Average period of payment to suppliers	39.99	38.16
Ratio of paid transactions	40.13	39.97
Ratio of outstanding transactions	38.09	26.23

	Thousands of euros	
	2023	2022
Total payments made	227,953	204,857
Total payments payable	14,994	31,114

On 29 September 2022, Law 18/2022 on the creation and growth of companies came into force, amending the 3rd Additional Provision "Duty of information" of Law 15/2010. It establishes the need to report on the monetary volume and number of invoices paid in a period shorter than the maximum established in the regulations on late payment; and the percentage they represent of the total number of invoices and monetary payments made to suppliers. The Group's Spanish companies have paid a total of 22,993 invoices in a period shorter than the established maximum, representing 76% of the total invoices paid in 2023 (21,849 invoices and 79% in 2022). They have also made payments totalling EUR 202,014 thousand in this period, which represents 89% of the total payments made in 2023 (EUR 176,300 thousand and 86% in 2022).

16. Ordinary income and other income

The details of ordinary income and other income are as follows:

Thousands of euros

	2023	2022
Revenue	449,387	437,457
Service provision	1,781	1,297
	451,168	**438,754**
Licences	16,818	17,946
Official grants	751	1,321
Other income	4,357	3,698
	21,926	**22,965**

The revenues figure is reduced by an amount of EUR 6,408 thousand (EUR 6,550 thousand at 31 December 2022) as a result of the laws approved in Spain during years 2010 and 2011, which established, among other requirements, a 7.5% or a 15% discount, based on the product, off the selling price authorised by the Ministry of Health.

The licences figure accounts for income derived from non-reimbursable amounts resulting from executed agreements, mainly for the sale of Bilastine by other pharmaceutical companies worldwide. These revenues accrue over time, based on the sales made by the licensee.

17. Personnel expenses

The breakdown for personnel expenses for 2023 and 2022 is as follows:

Thousands of euros

	2023	2022
Payroll and similar	76,863	73,149
Social Security expenses	16,502	15,038
Other expenses	3,191	3,014
	96,556	**91,201**

The average number of Group employees during 2023 and 2022, broken down by category, is as follows:

	Average number of employees	
	2023	2022
Executives	18	17
Other line personnel	153	166
Marketing/Commercial	932	849
Research	157	158
Administration	199	186
Production	302	293
	1,761	**1,669**

Distribution by gender regarding the Company's staff and its directors at year-end is as follows:

	2023		2022	
	Male	Female	Male	Female
Directors	**5**	**4**	**6**	**4**
Executives	14	4	14	4
Other line personnel	53	100	57	114
Marketing and Commercial	388	534	412	537
Research	49	109	45	111
Administration	88	110	84	101
Production	204	95	203	84
	796	**952**	**815**	**951**

Furthermore, the average number of people with a disability of 33% or more employed during the financial year 2023 is twelve people, five belonging to the marketing and sales category, three to the technicians category, one to the research category, two to the administrative category and one to the management category (eleven people, seven belonging to the marketing and sales category, one to the production category and three to the administrative category in the financial year 2022).

18. Other expenses

The breakdown for other expenses is as follows:

Thousands of euros

	2023	2022
Operating lease expenses	972	1,103
Research and Development expenses (Note 5)	5,203	3,716
Transport	7,132	7,023
Repairs and preservation	6,733	5,825
Independent professional services	31,602	27,736
Insurance premiums	1,636	1,154
Advertising and promotion	24,130	23,581
Supplies	3,646	4,117
Taxes	1,199	1,020
Banking services	301	397
Changes in provisions (Note 14)	2,178	1,154
Losses from impairment of trade receivables and other receivables (Note 8)	607	(108)
Other expenses	14,911	15,868
	100,250	**92,586**

19. Finance income and costs

Details of the finance income and costs are as follows:

Thousands of euros

Financial income	2023	2022
Other finance income	1,080	253
Total finance income	**1,080**	**253**

Thousands of euros

Finance costs	2023	2022
Other finance costs	383	263
Exchange losses	659	52
Total finance costs	**1,042**	**315**

20. Information relating to the Directors of the Parent Company and the people related thereto and remuneration of key personnel in Group management

The total amount of remuneration accrued by the Company's directors in 2023 was EUR 2,536 thousand (EUR 2,444 thousand in 2022) for per diems, corporate remuneration and professional services.

Remunerations paid to senior management, as defined in the Annual Corporate Governance Report (those executives who report directly to the Board of Directors or the CEO of the company and, in any case, the internal auditor) amounts to EUR 1,818 thousand (EUR 1,765 thousand in the 2022 financial year).

Remuneration paid to other key management personnel amounts to EUR 3,377 thousand (EUR 3,142 thousand in 2022).

During the financial years 2023 and 2022, no advances or loans have been granted to the Directors of the Company and the Group's senior management and no obligations have been assumed on their behalf by way of guarantee. Furthermore, the Company has not assumed any obligations relating to pension or life insurance policies for current or former directors of the Company. As regards the payment of insurance premiums for the civil liability insurance of senior management, the Company has taken out insurance policies for this purpose, having paid EUR 42 thousand in 2023 for this item (EUR 36 thousand in 2022).

The General Meeting of Shareholders held on 22 June 2022 approved the establishment of a Long-Term Incentive Plan through the delivery of shares in the Parent Company, the beneficiaries of which are certain executives and key personnel of the Parent Company and its Group, including the CEO. The delivery of shares under this plan will depend on the degree to which the targets set by the Board of Directors are met.

The plan consists of an extraordinary incentive payable in Parent Company shares, the delivery of which shall depend on the degree of achievement of targets, based on an initial number of shares allocated at the measurement date. The plan is spread over three overlapping three-year cycles in the 2022-2026 period. Both the first cycle (period 2022-2024) and the second cycle (period 2023-2025) are in force in the financial year 2023. The maximum number of shares to be delivered in the second cycle is 58,431 shares to the CEO and 420,964 to the other beneficiaries of the plan, and in the first cycle 97,385 shares will be delivered to the CEO and 175,926 to the other beneficiaries.

The economic impact in 2023 is EUR 774 thousand (EUR 146 thousand in 2023) (note 11.2).

21. Information on the environment

The Group complies with the applicable environmental regulations. All the waste resulting from its activities is selectively treated by specialised companies. The cost of this management is directly allocated to expenses for the year.

a) Equipment

Considering as environmental investment what is valued as eligible in accordance with the Sustainable Finance Taxonomy, the investment made in the financial year 2023 was EUR 40,716 thousand, mainly destined for the installation of water supply and sanitation networks, expansion of the commercial leasing fleet, renewable energy and energy monitoring, as well as equipment for the manufacture of medicines (EUR 2,070 thousand in the financial year 2022), taking into account the green taxonomy criteria of this financial year, which are broader than those of the previous financial year.

b) Expenses

Expenses related to the environment incurred during the financial year 2023 are mainly focused on the treatment of waste and on advisory services for environmental improvement, amounting to EUR 819 thousand in 2023 (804 thousand euros in 2022).

During 2023, various actions were carried out related to energy savings in electricity consumption.

c) Provisions, contingencies and responsibilities

No provisions have been allocated for environmental actions. Similarly, there are no litigations, contingencies, foreseen risks or responsibilities of this kind.

d) Grants

No subsidies have been received this year or in previous years for expenses or investments made for environmental purposes. No greenhouse gas emission allowances have been received or acquired, as the Group is not subject to the greenhouse gas emission allowance trading scheme.

22. Audit fees

The fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. with the Group's Parent Company are detailed below:

Thousands of euros

	2023	2022
Audit services	129	129
Other non-compliance services	3	-
Other regulatory requirements	3	-
Other services	108	70
Total	**240**	**199**

In addition, fees invoiced to the Parent Company during the year by other companies using the PwC brand in Spain, for other services rendered, amounted to EUR 165 thousand (EUR 80 thousand in financial year 2022).

Fees accrued during the year by other companies using the PwC brand abroad, for other services rendered to the Parent Company, amounted to EUR 86 thousand (no amount in 2022).

No tax services have been provided to the Company during the financial years 2023 and 2022.

The fees accrued during the year by PricewaterhouseCoopers Auditores, S.L. to other Group companies are detailed below:

Thousands of euros

	2023	2022
Audit services	43	43
Other non-compliance services	8	4
Other regulatory requirements	8	4
Total	**51**	**47**

No fees accrued in 2023 or 2022 for other companies using the PwC brand in Spain for other services rendered to other Group companies.

On the other hand, other entities belonging to the PwC network of auditors abroad have invoiced the Group during the years ended 31 December 2023 and 2022 for the fees detailed below:

Thousands of euros

	2023	2022
Audit services	121	121
Other non-compliance services	-	3
Other regulatory requirements	-	3
Fiscal services	-	4
Total	**121**	**128**

Finally, in 2023 and 2022, no fees were accrued by other companies of the PwC network abroad for other services rendered to other Group companies.

Other auditors have accrued fees to Group companies for an amount of EUR 15 thousand (EUR 15 thousand in 2022).

23. Financial information by segment

At 31 December 2023 and 2022, the Group is organised into the following operating segments, with the Group adopting the criteria set forth below for the identification of segments, products, with the following types of main products and services:

- Pharmaceutical and healthcare specialties
- Animal nutrition and health
- Pharmaceutical raw materials

The "Pharmaceutical raw materials" segment, whose products are pharmaceutical raw materials, does not meet the quantitative criteria to be presented separately.

The Group operates mainly in two geographical areas, identified as domestic and international markets. As regards the domestic market, the main activities are carried out in Spain, while in the international market, they are carried out mainly in Latin America, Africa and Europe.

In the presentation of geographic information, ordinary income and the assets for the segment are based on the customers' location.

Ordinary income from customers external to the "Pharmaceuticals and healthcare specialties" corresponds in all cases to human use medicines delivered to customers for final use and amount to EUR 395,118 thousand (EUR 377,892 thousand in 2022).

The "Animal nutrition and health" segment generates revenue of EUR 52,501thousand (EUR 59,221 thousand in 2022).

The "Pharmaceutical raw materials" segment generates revenue of EUR 3,549 thousand (EUR 1,641 thousand in 2022).

In addition, the Group holds non-current assets outside of Spain for a net amount of EUR 49,868 thousand (EUR 41,400 thousand in 2022), which mainly correspond to subsidiaries in Portugal and Guatemala.

No external customers account for 10% or more of the Group's ordinary income.

There are no transactions among segments and the information used and reviewed in the decision-making process is detailed below:

Thousands of euros

	2023			
	Pharmaceutical and healthcare specialties	Animal nutrition and health	Other segments	Consolidated
Ordinary income to external customers	395,118	52,501	3,549	451,168
Other income	21,765	161	-	21,926
Depreciation	(17,371)	(1,425)	(602)	(19,398)
Financial income	1,029	51	-	1,080
Finance costs	(996)	(46)	-	(1,042)
Profits before tax of the segments	95,328	8,206	(682)	102,852
Income tax expenses	(9,228)	(1,931)	-	(11,159)
Profit for the year	86,100	6,275	(682)	91,693
Assets of the segment	697,940	72,363	5,726	776,029
Additions to property, plant and equipment by segment	75,362	10,169	-	85,531
Additions to intangible assets by segment	6,409	18	-	6,427
Deferred tax assets	17,345	1,691	-	19,036
Liabilities of the segment	89,151	23,233	296	112,680

Thousands of euros

	2023		
	Domestic	International	Consolidated
Ordinary income to external customers	202,892	248,276	451,168
Non-current assets of the segment	435,875	49,868	485,743

Thousands of euros

	2022			
	Pharmaceutical and healthcare specialties	Animal nutrition and health	Other segments	Consolidated
Ordinary income to external customers	377,892	59,221	1,641	438,754
Other income	22,884	81	-	22,965
Depreciation	(17,210)	(1,468)	(593)	(19,271)
Financial income	253	-	-	253
Finance costs	(255)	(60)	-	(315)
Profits before tax of the segments	91,222	10,220	(21)	101,421
Income tax expenses	(11,035)	(938)	-	(11,973)
Profit for the year	80,187	9,282	(21)	89,448
Assets of the segment	663,872	57,041	6,237	727,150
Additions to property, plant and equipment by segment	77,942	4,741	-	82,683
Additions to intangible assets by segment	5,820	-	-	5,820
Deferred tax assets	21,060	1,706	-	22,766
Liabilities of the segment	107,678	16,743	325	124,746

Thousands of euros

	2022		
	Domestic	International	Consolidated
Ordinary income to external customers	203,479	235,275	438,754
Non-current assets of the segment	372,539	41,400	413,939

24. Business combinations

On 3 May 2023, the Group acquired 100% of the shares of the marketing company NovoSci Healthcare FZCO (Dubai) for a total consideration of EUR 4.6 million.

The assets and liabilities recognised as a result of said acquisition were the following:

	Thousands of euros
Cash and cash equivalents	71
Inventories	309
Accounts receivable	729
Accruals	9
Accounts payable	(657)
Net assets acquired	**461**
Goodwill	4,157
Gross cash disbursed	**4,618**
Net cash disbursed	**4,547**

In relation to the goodwill generated at 31 December 2023, the Group has not yet completed an assessment to identify and measure the net assets acquired; therefore, provisional accounting has been applied.

The acquired business generated an ordinary income of EUR 2,109 thousand and net loss of EUR 151 thousand for the Group in the period between 5 May 2023 and 31 December 2023. If the acquisition had occurred on 1 January 2023, the consolidated ordinary income for the year ended 31 December 2023 would have been EUR 238 thousand.

25. Risk Policy and Management

Financial risk factors

The activities of the Group are exposed to several financial risks: credit risks, liquidity risks and market risks (including the exchange rate risk, the interest rate risk and the price risk). The global risk management program is focused on the uncertainty of financial markets and attempts to minimise potential adverse effects on financial returns. The Group assesses the option of taking out derivatives to cover certain risks.

Risk management is controlled by Internal Auditing and by the Corporate Financial Department, in compliance with the Risk Management Policy approved by the Board of Directors. The above departments identify, assess and cover the financial risks identified. The Board of Directors, through the Audit and Compliance Committee, issues policies aimed at managing global risk, as well as specific areas, such as the exchange rate risk, the interest rate risk, the liquidity risk, the use of derivatives and the investment of the liquidity surplus.

a) Credit risk

Credit risk arises, on the one hand, from the balances pending collection that the Group includes in the balance sheet with customer and other receivables. Although the amounts are relatively significant, their due dates are very close in time and they correspond to long-standing, controlled customers. On the other hand, there are older outstanding receivables for lower amounts which correspond to Government agencies, which means that collection is fully guaranteed.

The Group has no significant credit risk concentrations with clients because its sales and, hence, payments, are widely distributed among the main domestic and international distributors.

There are internal policies in place to ensure that sales to distributors are made to customers with good credit history, with individual risk analysis conducted and a thorough and frequent follow-up of outstanding balances and credits. Sales to retail clients have very short payment terms, which means that the Group has the capacity to promptly adopt credit restriction measures.

Adjustments for customer insolvency, reviews of individual balances based on customers' credit standing and market trends are subject to thorough regular review.

In the case of exports credit, in addition to the factors described above, the specific component of the country is also considered.

On the other hand, cash operations are only executed with very high credit ratings.

The total amount of the financial assets subject to the credit risk is shown in the Trade receivables and other payables in the assets section of the balance sheet. The amount impaired in this section is very low. Except for the Government payables amount, which is not significant, it is estimated that due balances pending collection will be paid, for the most part, in the first quarter of 2024.

The Group's exposure to overdue or outstanding receivables which have not suffered impairment at 31 December 2023 and 2022 is not significant, in line with figures from previous years.

b) Liquidity risk

The Group currently has a cash position of EUR 35 million (EUR 66 million at year-end 2022). On the other hand, there are no debts with financial institutions, although there is a creditor position for debts with public bodies (refundable advances) for the financing of certain research and development projects, as well as financial lease debts.

Although the Group is making significant investments, these are currently being financed by the business's positive cash generation. According to the company's cash flow projections, it will be able to meet its investment commitments related to the new plants, as well as shareholder remuneration payments, without the need for external financing.

The exposure of the Group to the liquidity risk at 31 December 2023 is as follows. The attached tables reflect the analysis of financial liabilities by remaining due contractual dates:

Thousands of euros

	2023				
	0 to 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Total
Other financial liabilities	17,036	3,154	4,620	4,015	28,825
Trade and other payables	55,989	-	-	-	55,989
	73,025	**3,154**	**4,620**	**4,015**	**84,814**

Given the expectations of positive cash generation in the future, as well as the opportunities open to the Group to seek market financing for its investments, there are no cash pressures that cannot be covered with the current cash position and/or with financing available on the market.

At the end of 2023 and 2022 there is no bank financing.

c) Market risk

The Group has exposure to the market risk associated with financial investments, although it holds mostly high liquidity and very low risk assets. The purpose of the Group's investment policy is to maximise return on investments, while maintaining an adequate liquidity level and controlled risk.

c.1) Currency risk

The Group operates internationally and is therefore exposed to the currency risk from operations in foreign currency, mainly the Yen, the US dollar, the Colombian peso, the Mexican peso, the Peruvian Sol and the Chilean Peso. The currency risk arises when future commercial transactions, and the recognised assets and liabilities are expressed in a currency other than the Parent Company's functional currency.

The exchange rate risk is low as most of the transactions of the European companies are conducted in euros and most of the transactions of the subsidiaries that have a functional currency other than the euro are conducted in the local currency. As a result, no Group company generates significant exchange rate differences.

In 2023 and 2022 no exchange rate hedging transactions have been contracted.

During 2023 and 2022 exports have mainly been in US dollars and they have been produced for a very small percentage of turnover, therefore, exchange rate variations between the euro and any other currency would have a very limited effect on the income statement. On the other hand, Bilastine's business in Japan is invoiced in euros, but with local reference in yen.

As regards imports, no coverage is obtained due to the low volume of purchases made in currencies other than the euro. Similarly, reasonable changes in the exchange rate would result in moderate results in the financial statements.

The Group does not have significant investments in foreign assets in currencies which might be considered a noteworthy potential risk, other than bank balances in US dollars of insignificant sums.

c.2) Interest rate risk

The Group's interest rate risk arises from external resources hired with financial institutions in the short and long term. As mentioned above, no bank financing is available, so there is currently no risk of upward variations of interest rates.

For this reason, the sensitivity of the income statement to interest rate variations is negligible. No significant changes are expected in the coming months, so the interest rate risk is of minimal importance.

c.3) Price risk

The Group is exposed to market fluctuations in the prices of raw materials and supplies, mainly gas and electricity. In this respect, the Group has reached a long-term price agreement with the energy supplier, which mitigates the risk of cost increases. This agreement has been reached exclusively for companies in Spain and establishes a fixed price for 50% of the volume consumed in high power installations (the rest at a variable price) and a fixed price for 100% of the volume consumed in low power installations until 31 December 2027. The consumption of high power installations accounts for 97.5% of total consumption in Spain, with the rest of the consumption corresponding to low power installations.

d) Fair value estimates

An analysis of the financial instruments measured at fair value is presented below, by valuation method. The different levels have been defined as follows:

- (Unadjusted) quoted prices in active markets for identical assets and liabilities (Level 1).
- Inputs other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. Benchmark prices) or indirectly (i.e. price derivatives) (Level 2).
- Inputs of the asset or liability not based on observable market data (i.e., unobservable input) (Level 3).

As at 31 December 2023 and 2022, the Group has no assets or liabilities measured at fair value.

e) Climate change risk

The Group is assessing how climate risk factors may impact its financial statements, including potential impacts in the following areas:

Non-financial assets: the potential shortened useful economic lives of existing assets have been assessed, e.g. as a result of regulatory changes requiring new production technologies. Climate-related issues may give rise to indications that an asset (or a group of assets) is impaired. For example, a regulatory change that phases out the use of certain facilities. This risk is adequately mitigated by two factors:

- None of the Group's facilities are located within protected areas in which biodiversity is conserved. For the plant under construction in Derio, an environmental impact analysis was required, which has confirmed that there are no significant environmental or biodiversity risks. In addition, for the plant under construction in Huesca, all the requirements for obtaining the corresponding environmental licence have been met.
- The new manufacturing plant currently under construction in Derio was planned with the challenge that the facilities meet the highest standards required by the pharmaceutical industry and an environmentally-responsible and sustainable building. This plant, which will be the Group's largest production centre, will be less exposed to the risk of regulatory changes, as it is newly designed and built.

Costs: a potential impact on production and distribution costs has been assessed as a result of higher input costs (e.g. water, energy, supply chain costs, transport) or increases in insurance premiums in high-risk industries or locations. In 2023, all subsidiaries in Spain and Portugal have the certified renewable energy Guarantee of Origin for all or part of the electricity consumed, partially mitigating this risk.

From these assessments, and based on current information, no material impacts on the Group's financial statements have been identified that have not been considered.

26. Events after reporting date

From 31 December 2023 to the date of preparation of these consolidated financial statements, there have been no subsequent material events requiring disclosure.

5.

Annex. Breakdown of Subsidiaries

Breakdown of Subsidiaries at 31 December 2023

Company name	Registered address	Activity	Auditor	Company owning the stake	% stake
Lazlo Internacional, S.A. Sociedad Unipersonal	Vía de los Poblados, 3 – Madrid	Marketing of OTC products	-	Faes Farma, S.A.	100%
Laboratorios Veris, S.A. Sociedad Unipersonal	Vía de los Poblados, 3 – Madrid	Pharmaceutical company	-	Faes Farma, S.A.	100%
Faes Farma Portugal, S.A.	R. Elías García, 28 – Amadora (Portugal)	Pharmaceutical company	PwC	Faes Farma, S.A.	100%
Olve Farmacéutica, Limitada	R. Elías García, 28 - Amadora (Portugal)	Pharmaceutical company	-	Laboratorios Vitoria, S.A.	100%
Veris Farmacéutica, Limitada	R. Elías García, 28 - Amadora (Portugal)	Pharmaceutical company	-	Laboratorios Vitoria, S.A.	100%
Ingaso Farm, S.L.U.	P. El Carrascal, 2 Lanciego (Álava)	Animal nutrition and health	PwC	Faes Farma, S.A.	100%
Faes Chile, Salud y Nutrición Limitada	Avenida Las Condes 7700, Oficina 303-A, Santiago - Chile	Distributor	-	Faes Farma, S.A. Ingaso Farm, S.L.U.	99.65% 0.35%
Faes Farma del Ecuador S.A.	Av. Shyris 860 Quito (Ecuador)	Import of drugs	ARMS	Faes Farma, S.A. Ingaso Farm, S.L.U.	99.97% 0.03%
Faes Farma Peru, S.A.C	Calle Los Tulipanes 147, Lima (Peru)	Distributor	-	Faes Farma, S.A. Ingaso Farm, S.L.U.	99.99% 0.01%
Faes Farma Nigeria Limited	Nº 25 D Ladoke Akintola Street, G.R.A. Ikeja, Lagos (Nigeria)	Distributor	Grant Thornton	Faes Farma, S.A. Ingaso Farm, S.L.U.	99.89% 0.11%
Faes Farma México, S.A. de C.V.	Av. Prolongación Paseo de la Reforma, 51 Piso 11, Ciudad de México (México)	Pharmaceutical company	-	Faes Farma, S.A. Ingaso Farm S.L.U.	99.99% 0.01%
Colpharma, S.R.L.	Via Mantova, 92 – Parma (Italy)	Distributor	PwC	Faes Farma, S.A.	51%

This appendix forms an integral part of Notes 1 and 3.1 to the consolidated financial statements.

Breakdown of Subsidiaries at 31 December 2023

Company name	Registered address	Activity	Auditor	Company owning the stake	% stake
Tecnovit, S.L.	Carrer de les Sorts – Alforja (Tarragona)	Animal nutrition and health	PwC	Faes Farma, S.A. Ingaso Farm S.L.U	99% 1%
Cidosa, S.A.U.	Carrer de les Sorts – Alforja (Tarragona)	Distributor	-	Tecnovit, S.L.	100%
AT Capselos S.L.	Polígono Industrial "Valle del Cinca", Calle C, parcela 41.03, Barbastro (Huesca)	Animal nutrition and health	-	Tecnovit, S.L. Ingaso Farm, S.L.U	82% 18%
Faes Farma Colombia, S.A.S.	Av. Carretera 7, 155C, Bogotá (Colombia)	Medicine distributor	PwC	Faes Farma, S.A.	100%
Global Farma, S.A.	5TA Av. 16-62 Edificio Platina	Pharmaceutical company	PwC	Faes Farma, S.A. Ingaso Farm S.L.U.	99.99% 0.01%
ISF by Farm Faes, S.L.	Polígono Industrial "Valle del Cinca", Calle C, parcela 41.03, Barbastro (Huesca)	Animal nutrition and health	-	Ingaso Farm, S.L.U. Tecnovit, S.L.	70% 30%
NovoSci Healthcare FZCO	South Zone, Jebel Ali Free Zone, Dubái, EAU	Distributor	-	Faes Farma, S.A. Ingaso Farm S.L.U.	90% 10%

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Breakdown of Subsidiaries at 31 December 2022

Company name	Registered address	Activity	Auditor	Company owning the stake	% stake
Lazlo Internacional, S.A. Sociedad Unipersonal	Vía de los Poblados, 3 – Madrid	Marketing of OTC products	-	Faes Farma, S.A.	100%
Laboratorios Veris, S.A. Sociedad Unipersonal	Vía de los Poblados, 3 – Madrid	Pharmaceutical company	-	Faes Farma, S.A.	100%
Faes Farma Portugal, S.A.	R. Elías García, 28 – Amadora (Portugal)	Pharmaceutical company	PwC	Faes Farma, S.A.	100%
Olve Farmacéutica, Limitada	R. Elías García, 28 - Amadora (Portugal)	Pharmaceutical company	-	Laboratorios Vitoria, S.A.	100%
Veris Farmacéutica, Limitada	R. Elías García, 28 - Amadora (Portugal)	Pharmaceutical company	-	Laboratorios Vitoria, S.A.	100%
Ingaso Farm, S.L.U.	P. El Carrascal, 2 Lanciego (Álava)	Animal nutrition and health	PwC	Faes Farma, S.A.	100%
Faes Chile, Salud y Nutrición Limitada	Avenida Las Condes 7700, Oficina 303-A, Santiago – Chile	Distributor	-	Faes Farma, S.A. Ingaso Farm, S.L.U.	99.65% 0.35%
Faes Farma del Ecuador S.A.	Av. Shyris 860, Quito (Ecuador)	Import of drugs	ARMS	Faes Farma, S.A. Ingaso Farm, S.L.U.	99.97% 0.03%
Faes Farma Perú, S.A.C	Calle Los Tulipanes 147, Lima (Perú)	Distributor	-	Faes Farma, S.A. Ingaso Farm, S.L.U.	99.99% 0.01%
Faes Farma Nigeria Limited	Nº 25 D Ladoke Akintola Street, G.R.A. Ikeja, Lagos (Nigeria)	Distributor	Grant Thornton	Faes Farma, S.A. Ingaso Farm, S.L.U.	99.89% 0.11%
Faes Farma México, S.A.de C.V.	Av. Prolongación Paseo de la Reforma, 51 Piso 11, Ciudad de México (México)	Pharmaceutical company	-	Faes Farma, S.A. Ingaso Farm S.L.U.	99.99% 0.01%
Colpharma, S.R.L.	Via Mantova, 92 – Parma (Italia)	Distributor	-	Faes Farma, S.A.	51%

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Breakdown of Subsidiaries at 31 December 2022

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Cidosa, S.A.U.	Carrer de les Sorts – Alforja (Tarragona)	Distributor	-	Tecnovit, S.L.U.	100%
AT Capselos S.L.	Polígono Industrial "Valle del Cinca", Calle C, parcela 41.03, Barbastro (Huesca)	Animal nutrition and health	-	Tecnovit, S.L.U. Ingaso Farm, S.L.U.	82% 18%
Faes Farma Colombia, S.A.S.	Av. Carretera 7, 155C, Bogotá (Colombia)	Medicine distributor	PwC	Faes Farma, S.A.	100%
Global Farma, S.A.	5TA Av. 16-62 Edificio Platina	Pharmaceutical company	PwC	Faes Farma, S.A. Ingaso Farm, S.L.U.	99.99% 0.01%
ISF by Farm Faes, S.L.	Polígono Industrial "Valle del Cinca", Calle C, parcela 41.03, Barbastro (Huesca)	Animal nutrition and health	-	Ingaso Farm, S.L.U. Tecnovit, S.L.U.	70% 30%

This appendix forms an integral part of Notes 1 and 3.1 to the consolidated financial statements.

6.

Consolidated Director's Report

Executive summary 2023

- **Consolidated net sales** amounted to EUR 451.2 million, an increase of 2.8%. **Total revenues** amounted to EUR 473.1 million.
- In line with the strategy of geographic diversification, **revenues from international markets** continue to account for more than half of the business, reaching 56% of total revenues.
- **Consolidated EBITDA** amounted to EUR 122.2 million, 1.2% higher than the previous year.
- **Net profit** attributable to the group grew by 2.5% to EUR 91.7 million, a new record for another year, despite the challenges.
- **Gross investments** in the period exceed EUR 97 million, mainly for the construction of the new pharmaceutical production plant in Derio, which will be completed in 2023, and is currently in the validation phase. This plant will increase the Group's production capacity, consolidating Faes Farma as an integrated pharmaceutical group.
- **The shareholder remuneration** charged to the 2023 financial year has materialised with the payment of an interim cash dividend in January 2024 amounting to EUR 12.1 million. The Company's intention for the future is to keep paying the dividend entirely in cash!. Therefore, a complementary dividend of EUR 36.1 million will be paid out of the 2023 result in cash, and is estimated to be paid in the middle of the year and, together with the previous one, will represent a pay-out of more than 50%.
- **Treasury shares** at the end of 2023 amounted to 4,975,247 shares, representing 1.6% of the share capital.
- In terms of **corporate governance,** three directors were re-elected in the 2023 financial year. Thus, the composition of the Board of Directors continues to strengthen the presence of independent directors (55%) and improve the gender-balance (44% female presence). During 2023, further steps have been taken towards the future separation of the positions of Chairman of the Board of Directors and Chief Executive Officer, which will culminate in 2024 with the appointment of a new Chief Executive Officer and the change of the Chairman from executive to non-executive Chairman of the Board.

Key figures

Thousands of euros

	2023	2022	%
Net Sales	451,168	438,754	2.8
Total revenue*	473,094	461,719	2.5
EBITDA**	122,212	120,754	1.2
Net profit (loss)	91,693	89,448	2.5
Flows from operating activities	100,969	107,041	-5.7
Net Investment***	97,356	92,425	5.3
Net Treasury position****	34,647	66,411	-47.8

* Total revenues correspond to the sum of net turnover plus other operating revenues.
** EBITDA corresponds to operating profit before depreciation and amortisation, impairment, interest and other results.
*** Net investment corresponds to net cash used in investment activities.
**** The net treasury position corresponds to cash and cash equivalents.

Evolution by business area

N.B.: The data in the tables are rounded to the nearest million euros. Percentages are calculated using the data in euros.

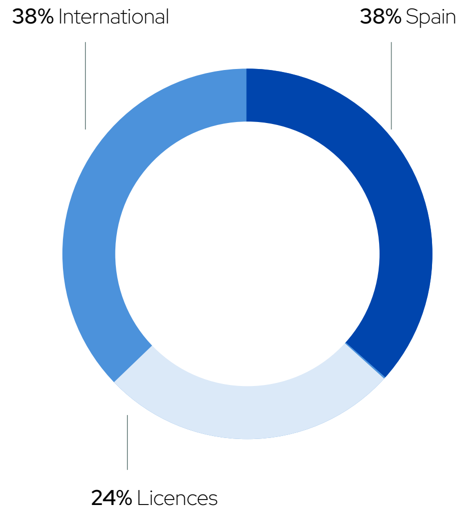
1. Pharmaceutical and healthcare specialties

The PHARMA segment achieved total revenues of more than EUR 420 million, up 4.5% compared to the same period in 2022. It accounts for almost 90% of total business.

Total Pharma Revenues	2023	2022	%
Pharma	420.4	402.5	4.5%

We further divide this segment into three subdivisions: Spain, International (without licences) and Licences, which present the following distribution and evolution in the current period:

Pharma - Revenue from activities



	Spain	Interna-tional	Licences	Total
Total Income	**161.8**	**159.1**	**99.6**	**420.4**
Growth	1.0%	8.3%	4.3%	4.5%

1.1 Spain

Spain Pharma	2023	2022	%
Net Sales	158.6	157.0	1.0%
Other Income	3.2	3.1	1.3%
Total Spain	**161.8**	**160.2**	**1.0%**

Revenues by divisions	2023	2022	%
Medical visit	103.4	105.3	-1.8%
Healthcare	48.2	46.2	4.3%
Consumer	10.2	8.6	17.6%
Total Spain	**161.8**	**160.2**	**1.0%**

Medical visit

This division is responsible for marketing the Group's portfolio of **prescription products** through the development of tailor-made strategies and promotional plans that enhance the effective promotion of the sales network and maintain the ambition to remain a benchmark laboratory for the therapeutic areas in which the Group specialises, both with proprietary and licensed molecules.

2023 has been a year with many macroeconomic uncertainties that have influenced the overall situation of the pharmaceutical market, although the markets in which the Group operates with its products have remained relatively stable. Although the recovery of normal consumption after the pandemic brought a favourable trend for the sector, inflation, the loss of purchasing power of the general population and the government's interventions to drive down prices have created a complex scenario. The competitive environment is becoming increasingly difficult, with more aggressive generics, and brand positioning is key to counteracting these effects.

Once again, 2023 presented significant challenges, such as compensating for the successive price reductions of Bilaxten, in a stifling environment of pharmaceutical cost containment. The loss of the Ristaben & Ristfor licence had a negative impact of more than EUR 10.3 million in net sales compared to 2022. Despite these circumstances, the 2023 results for this division were slightly better than the results of 2022 (+1% in net sales) and therefore can be considered a success.

Regarding the main products:

Calcifediol: Sales of calcifediol, which remains the division's highest revenue product, increased by 3%. The rate of growth is slower than in previous years, as expected, given that the drive for vitamin D intake in response to Covid has slowed down due to the lower incidence of the latter, and because in many Autonomous Communities the limitation of its consumption is promoted by means of different campaigns. In any case, it remains a product of high clinical value with which we expect to attain sustainable growth in the coming years. We still have 44% market share both in terms of units and value.

Bilastine: After losing the patent in 2021, and the successive price cuts, Bilaxten's performance in 2023 was particularly remarkable, closing the year with +10.1% in sales. This year's results were particularly driven by the launch of Bilaxten Colirio 6 mg/ml, which was the brand's biggest achievement this year. The year has been very complicated, with successive price reductions in several references and the launch of new products on the market. However, for yet another year, it has proven to enjoy strong brand strength, growing by 4% in units in its flagship product (20 mg tablets) and by 16% in the paediatric presentation (10 mg orodispersible tablets). With these results, our product Bilaxten 20 mg tablets remains the best-selling reference in its therapeutic group. In addition, the launch of the new 20 mg orodispersible reference makes this the most complete line on the market.

GSK Respiratory Line: Sales under this licence grew by 35% in 2023 and it is an important lever for adding value that is becoming more and more consolidated. It still has a long way to go, driven by the consolidation of the Elebrato launch and the overall good growth of all franchise products.

Healthcare

The Healthcare division is responsible for the marketing of **medicines and OTC products** in pharmacies.

The overall Healthcare market at Moving Annual Totals (MAT) 12/23 (EUR 7,081 million) dropped -3% in value and -20% in units (IQVIA Sell-out data). This decrease is due to the considerable decrease in sales of "Covid" products, such as masks and tests. The drop in sales of this type of products in 2023 exceeded EUR 633 million and although other categories have evolved favourably, such as products for coughs, colds, and sore throat, as well as products for dermatology or the digestive area (especially probiotics), they have not compensated for the drop in the aforementioned products.

Faes Farma in the Healthcare market grew +5% in value and dropped -4% in units (IQVIA Sell-out data). It is worth highlighting the good progress of the brands that have recently been launched on the market, such as Arcid and Cannaben, as well as others that are growing in line with the positive market trends and/or by expanding their ranges, such as Profaes 4, NasoFaes, OtiFaes, Vitanatur and Pankreoflat. Unfortunately, there are brands in the catalogue that continue with historical negative trends such as Siken (-20%) and Venosmil (-12%).

The division's sell-in sales closed at +4% in value compared to the previous year. Ethical prescription medicines (representing 32% of gross turnover) have been maintained and OTC medicines and products (68% of gross turnover) have grown +7%.

In general, Faes Farma has managed to maintain its market share in the categories in which its medicines and OTC products are represented, highlighting the launches of new products, promotional and support actions for pharmacists to encourage training and the recommendation of Faes Farma products, as well as rotation actions aimed at consumers (e.g. promotions or on-line and off-line mass media).

Consumer

The Consumer division is responsible for the marketing of **OTC products** in channels other than traditional pharmacies: parapharmacy, dietetics, food and e-commerce platforms. Although the division's most important sub-channels in terms of turnover are parapharmacy and dietetics, the ones that stand out for their growth are food and e-commerce (specifically Amazon, which represents 85% of sales in this channel).

During 2023, the growth in Consumer sales has been +17%. The main product (32% of gross turnover) and the fastest growing (+40%) is Ricola. It has made significant progress in the food and parapharmacy channels.

In general, Faes Farma promotes its brands in this channel through promotional and visibility campaigns aimed at consumers at the point of sale, as well as in mass media, both on-line and off-line.

1.2 International (without Licenses)

International (without licenses)	2023	2022	%
Net Sales	158.0	145.6	8.5%
Other Income	1.0	1.2	-14.8%
Total	**159.1**	**146.8**	**8.3%**

Overall, the area's performance was positive, ratifying the growth strategy of previous years. By geographical division, the developments were as follows:

Revenues by divisions	2023	2022	%
Latam subsidiaries	85.6	79.2	8.1%
Europe subsidiaries	40.3	40.3	0.1%
Exports and Africa	33.2	27.4	21.1%
Total	**159.1**	**146.8**	**8.3%**

LATAM subsidiaries

2023 has been challenging for Latin America as a whole due to the economic and political context.

Overall, it has continued to grow, but with a clear slowdown compared to the past decade.

In the countries where we have our own presence, there have been two distinct situations:

- In Mexico and Central American countries, GDP has grown by more than 3 per cent, driven mainly by strong inflows of remittances from abroad. In the case of Mexico, it is the most important component of its GDP.
- Chile (+0.1%), Peru (+0.4%) and Colombia (+0.9%) have presented very modest GDP growth figures. The first two are negatively affected by the slowdown in the Chinese economy, this being their largest trading partner, and Colombia is burdened by domestic instability.

On the political front, the situation in Colombia stands out, with the government's facing a huge drop in popularity and struggling to achieve a consensus to push through the reforms included in its electoral programme. In the case of Guatemala, a country that has enjoyed a stable situation in recent years compared to other neighbours in the region, the latter half of 2023 has been subject to tensions and protests following the presidential elections. It is hoped that the inauguration of President Arevalo in January may serve to defuse the situation.

In terms of Faes Farma's business in the region, there have been different situations in terms of revenues:

Chile, Ecuador and Mexico have shown a strong increase in sales. In the first two, +19% and +26% respectively, continuing the trend already seen in previous years and strengthening traditional business lines and key products. In the case of Mexico, with 47% growth in 2023, the ambitious expansion of the commercial team at the end of 2022 (+115 people) has borne fruit. In addition to the launch of Hydroferol and two other licensed products and the reorganisation of the medical visit that focuses teams on specific specialties and broadens the medical universe, the bilastine family has grown by 36% compared to 2022.

Guatemala, on the other hand, experienced slower growth (+4.1%), largely due to the impact of interrupting the business of sales to France and Venezuela, the withdrawal of institutional tenders of low return and the purging of the portfolio. Excluding the impact of these decisions, the business lines of the main products from the Global Pharma and the Faes España portfolio, posted a solid growth of 21%.

Finally, Colombia and Peru have shown decreases compared to the previous year. In the case of Colombia, this is due, on the one hand, to the worsening economic situation and, on the other hand, to the impact of some of the government's initiatives on the pharmaceutical market (reform of the health system). In Peru, the drop in sales has been a consequence of the renegotiation of commercial conditions and prices with the main chains, which resulted in a few months of the blocking of purchases by them. The situation has now been corrected and we expect to resume growth in 2024.

In terms of profitability, although revenues have been affected in some countries, the implementation of savings and containment plans in these subsidiaries, together with the good performance of other markets, has made it possible to achieve the EBITDA targets budgeted for this business unit in 2023.

Europe subsidiaries

In Europe, Faes Farma has 2 subsidiaries with a direct presence: Faes Farma Portugal (EUR 32.2 million in revenues) and Colpharma in Italy (EUR 8.1 million).

The sales of the Portuguese subsidiary are split 50/50 between prescription and OTC. 2023 was a positive year with a higher growth (+6.1%) than that of the Portuguese pharmaceutical market (+4.9%). The huge challenge of facing the first full year of bilastine generics presented itself and, although this effect was -19.9%, it ended the year as the leading antihistamine in terms of value, supported by the new presentations: the ophthalmic and the ODT format marketed in June and September, respectively. The previous effect on bilastine has been offset by strong growth in deflazacort (+20%), calcifediol (+28%) and mesalazine (+39%). The OTC area continued with the positive trend of the previous year, growing faster than the market thanks to the performance of products such as Magnesona, Novalac and Pankreoflat.

Colpharma (51% owned) ended the year with revenues 11% lower than in the previous year. This is mainly due to the fact that Colpharma temporarily discontinued its Telemedicine business at the beginning of 2023, which was only resumed at the end of the year.

Subsidiaries Middle East and Africa and Exports Rest of the World

The Faes Africa & Exports business area is separated into 2 units: Exports to the Africa-Middle East region (EUR 26 million), including direct sales in Nigeria through our subsidiary, sales of the subsidiary Novosci (in the United Arab Emirates with EUR 2 million in revenues) acquired in 2023 and ROW exports (EUR 7 million in "Rest Of the World") to other Asian and European regions where we do not have a direct presence.

In the Africa-Middle East region, the objective, as in LATAM, remains to rank among the top 25 pharmaceutical companies in the coming years, an objective already achieved in French-speaking sub-Saharan Africa. Several launches are contributing to the progressive climb in the ranking and new distribution and licensing agreements, as well as investments in commercial areas and acquisitions, will reinforce a pre-eminent position in the area's main markets.

In 2023, revenues in this area grew by +22%, mainly due to the reinforcement of commercial activity and product launches in Morocco (+50%), the Persian Gulf (+190%) and Sub-Saharan Africa (+12%).

In the case of the ROW Exports business in 2023, the area experienced an increase of +17.9% compared to 2022, as a result of the consolidation of customers in Iraq (+180%), Vietnam (+105%) or Georgia (+95%), the launch of new products and the sustained increase in sales of already marketed products, such as calcifediol (+146%) or mesalazine (+96%).

1.3 Licences

Pharma Licenses

Licences	2023	2022	%
Net Sales	82.0	76.9	6.7%
Other Income	17.5	18.6	-5.5%
Total Licences	**99.6**	**95.5**	**4.3%**

The licensing area once again broke its revenue record with EUR 99.6 million, and remains the Group's most profitable business unit. The aim of this business unit is to internationalise the Group's product portfolio in markets where it does not have a direct presence.

Bilastine licences

Bilastine remains the main contributor to the licensing business, setting a new revenue ceiling at EUR 84 million. This growth in revenues (+4.3% compared to 2022) allows for a slight increase in margins, offsetting a certain deterioration in prices that is to be expected in this phase of product maturity. This price drop is mainly related to the policy of the authorities in Japan and the effect of the emergence of full-year generics in important markets such as Europe and Brazil. However, the molecule has been able to continue growing strongly in a number of markets, with notable examples such as Turkey (+172%), Canada (+30%) and Japan, where the market share now exceeds 20% and sales have increased by +5% in euros, despite the aforementioned price cut imposed by the authorities and a sharp depreciation of the yen.

Other Licences

The contribution of the other molecules to the Licensing area continues to increase, with a new revenue record (EUR 15.6 million) and above all strong growth in terms of EBITDA (+24.8%).

The agreements on these molecules will not only sustain the business unit's growth but also foster a greater diversification, with calcifediol (EUR 5 million), deflazacort (EUR 5 million), citicoline (EUR 3 million) and mesalazine (EUR 1 million) as examples.

Calcifediol revenues doubled (+107%) to over EUR 5 million due to new agreements in Europe. Recent launches in the UK, France, Poland and the Baltic countries point to growth in the medium to long term.

Sales of mesalazine have also increased, albeit unevenly, in all local markets. While the market share in Poland is well above our initial forecasts, sales in the UK and Germany have not yet reached the desired levels. In any case, this combined growth in local sales has not translated into a growth in Group revenue in 2023 due to a one-off effect, as there was a strong filling of the channel in 2022.

The contribution of molecules that, a priori, have a less strategic profile for the Group, such as citicoline, which has generated EUR 3 million in revenues from the Italian project alone, is beginning to be relevant. This success is pushing us to actively evaluate the possibility of launching in other markets, especially in Latin America.

In addition, the licensing agreement for deflazacort in the US represents a high level of annual recurring revenues with relevant margins. Although generics are expected to emerge in 2024, the impact on the Group's income statement is not expected to be significant in the short term.

1.4 Main molecules

Summary evolution of the three main molecules

As indicated above, the three main molecules marketed by the Group are bilastine, calcifediol and mesalazine. In summary, including all the business areas in which they are present, they account for almost 40% of revenues.

Total Income	2023	2022	%
Bilastine	120.4	109.5	10.0%
Calcifediol	49.9	44.8	11.4%
Mesalazine	12.5	15.1	-17.0%
Total	**182.8**	**169.4**	**8.0%**

While bilastine and calcifediol continued to grow at double digits, mesalazine experienced a decline, mainly due to the stock adjustment of licences in Poland and also influenced by the performance in Spain.

Bilastine had record revenues (over EUR 120 million, up more than 10% on 2022), growing in all areas, but especially in International unlicensed (+EUR 6 million, +32%). Calcifediol is very close to EUR 50 million in revenues for the first time (+EUR 5 million, +11%).

In the case of mesalazine in Spain, although the market for this molecule remains fairly stable (+3% in units and +1% in value), it is dominated by oral presentations with higher doses, mainly those of 4 g and 3 g, which are higher than those marketed by the Group. However, these formats, which are adapted to the lowest effective dose, allow us to develop a strategy of adaptability, simplicity of treatment and safety, and thus aim to recover the positive growth of other years.

2. Animal nutrition and health (FARM FAES)

Animal nutrition and health	2023	2022	%
Net Sales	52.5	59.2	-11.3%
Other Income	0.2	0.1	170.5%
Total	**52.7**	**59.3**	**-11.2%**

This area, which is separate from the Pharma business, is responsible for the production and marketing of concentrates, correctors, supplements, additives and special feeds for various animal species, specialising in the early stages of pig breeding.

2023 has been a year that saw our income reduce compared to 2022, mainly due to the increase in animal losses, mainly caused by PRRS (Porcine Reproductive and Respiratory Syndrome) and the lack of Zinc Oxide. However, we have been able to regain the margin, due to improvements in raw material and energy costs and lower operating expenses.

During 2023, the Spanish livestock sector has been affected by the demanding 2030 agenda in terms of Animal Welfare, by a decrease in meat exports to non-European markets, by a lower livestock production aggravated by emerging diseases such as PRRS, which has been compensated by a higher import of live animals (piglets) and by higher production costs derived from the new European regulations. Despite all this, the livestock sector continues to be a pillar of Spanish agricultural production.

With respect to research for Farm Faes, the focus in 2023 has been on product development, with two new mandates: Demedicalisation and Sustainability. All new developments are focused on significantly reducing the use of medicines, particularly antibiotics, and optimising protein digestibility, with a consequent reduction in nitrogen excretion.

Strategies in 2023 have incorporated a series of complementary services for our clients in order to improve their competitiveness. Particularly novel is the "carbon calculator" offered to calculate the carbon footprint of feedstuffs.

R&D&i

Throughout 2023, the Pharmaceutical Innovation department worked on 21 projects, 15 related to the development of new products and 6 related to the continuous improvement of existing ones, which led to a number of milestones being attained in the different stages of pharmaceutical development, including the European presentation of the weekly calcifediol dossier (currently under evaluation) and 3 mesalazine projects entering into the clinical phase.

Meanwhile, the SCRUM methodology for the proposal and evaluation of new project ideas was implemented in the pharmaceutical innovation department this year. This initiative has assumed a multidisciplinary nature with the participation of the innovation team as a whole, as well as other departments involved, such as Regulatory, Clinical and Strategic Marketing.

The main objective of the Clinical R&D&i department is to confirm the efficacy and safety of new drugs and new therapeutic solutions for patients who need them, by conducting clinical trials.

Many of the clinical trials are conducted with new pharmaceutical formulations of medicines from our portfolio. Clinical research on new pharmaceutical formulations has a significant impact on drug efficacy and safety, patients' quality of life and adherence.

In 2023, clinical trials were successfully conducted to investigate new pharmaceutical formulations with four different drugs (bilastine, methocarbamol, Hydroferol and mesalazine). One of these clinical trials evaluated the efficacy and safety of three different weekly doses of calcifediol soft capsules (75 mcg, 100 mcg and 125 mcg) and involved 674 subjects from 7 countries in Europe. The demonstration of the efficacy of different doses covers different needs (elderly people, people suffering from osteoporosis, or with other associated diseases) and is a relevant advance in this area, as low sun exposure and low dietary intake of vitamin D make the administration of this vitamin essential for the health of a significant percentage of people.

In 2023, the Clinical Research Department developed standard operating procedures, implemented the electronic archiving of clinical trials, and began an automated management of resources.

The increase in the budgets associated with research into new molecules has made it possible to progress to regulatory pre-clinical phases and aspire to start clinical trials in 2025-2026. This would be the first new molecule developed at Faes Farma after bilastine. At the same time, the number of active projects is being increased to make sustainable growth possible in the medium and long term.

Consolidated profit and loss statement

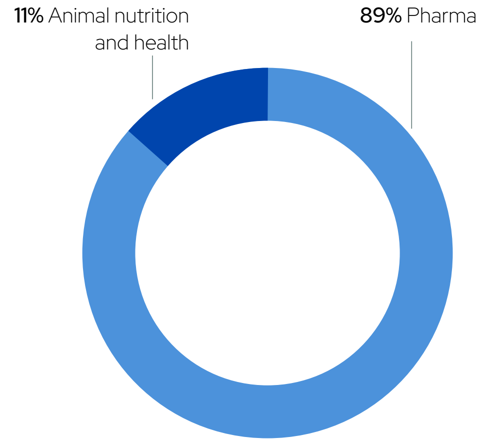
€ thousands	2023	2022	%
Ordinary income / net sales	**451,168**	**438,754**	**2.8%**
Other operating income	21,926	22,965	
Total Income	**473,094**	**461,719**	**2.5%**
Cost of sales	-154,050	-156,739	
Gross margin on sales	**319,044**	**304,980**	**4.6%**
Gross margin on sales	70,7%	69,5%	
Personnel expenses	-96,556	-91,201	
Other operating expenses	-100,250	-92,586	
Loss on fixed assets	-26	-439	
EBITDA	**122,212**	**120,754**	**1.2%**
EBITDA margin / sales	27,1%	27,5%	
Depreciation and impairment of fixed assets	-19,398	-19,271	
EBIT	**102,814**	**101,483**	**1.3%**
Financial profit/(loss)	38	-62	
Profit before taxes	**102,852**	**101,421**	**1.4%**
Corporate tax	-11,159	-11,973	
Consolidated profit	**91,693**	**89,448**	**2.5%**
Minority shareholders	209	48	
Profit attributed to the Parent company	**91,902**	**89,496**	**2.7%**

As mentioned above, turnover amounted to EUR 451.2 million with a growth of 2.8 %, slightly below our estimates.

In terms of total revenues, growth was 2.5%.

In terms of sales diversification by business area, the Pharma area accounted for 89% of revenues, compared to 11% for the Farm Faes area (animal nutrition and health).

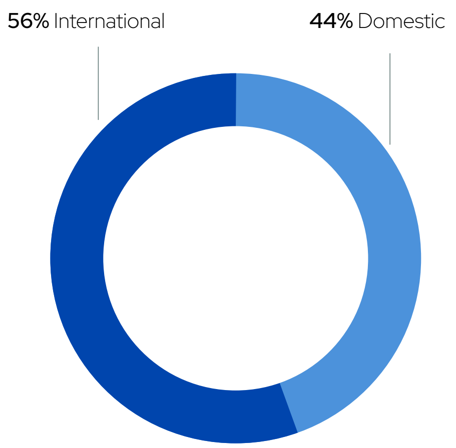
Total revenues by segments



The Group's geographic diversification continues to evolve towards internationalisation, which now accounts for 56% of total revenues.

This growth continues to be supported, mainly, by sales in Latin America and the overall good performance of bilastine and calcifediol. What is more, the new subsidiary in the United Arab Emirates has contributed EUR 2.1 million towards the Middle East and Africa region and has great potential for future financial years.

Geographical diversification



Margins, Expenses and Profit

The macroeconomic situation of global inflation has impacted the prices of Pharma product materials, especially in the first half of the year. After the summer there has been a more favourable trend in purchase prices, which has helped to end the year with lower inflation than budgeted.

In the Farm Faes area (animal nutrition), an improvement in raw material prices has been noted after the inflation peak in 2022.

The positive evolution of the gross margin, despite the aforementioned impact of higher costs due to generalised inflationary pressure, is due to the positive sales mix, both in terms of business areas (growth in Licensing and LATAM) and products (growth in bilastine and calcifediol versus decline in animal nutrition products).

With regard to overheads, an increase has been noted due to more activity and the general inflation of materials and external services. The additional spending has been directed to three of the group's strategic priorities: commercial expansion in the Latam and Middle East and Africa (MEA) subsidiaries, the industrial plan and the research area.

Spending on research has increased by +14%. Total expenditure (excluding capitalisations) represents about 4.1% of the Group's Pharma net sales.

The Group ended the first half of the year with 1,748 employees. Personnel expenses have increased by 5.9%, despite the fact that the number of people at the end of the year has hardly changed. This increase is the result of the salary increase (lower than inflation) plus the impact of the increase in commercial staff at the end of 2022 in Mexico (affecting the average number of staff in 2023) plus the increase in social charges.

With all of these effects, consolidated EBITDA amounted to EUR 122.2 million, an increase of 1.2%. The EBITDA margin on net sales is 27.1%, slightly lower than in 2022.

As a result, and despite macroeconomic volatility, a record result was again achieved in absolute terms with earnings before tax (EBT) of EUR 102.8 million.

The tax rate is minimally lower than in December 2022, resulting in a profit attributable to the parent company of close to EUR 92 million, representing an all-time high and 2.7% higher than in 2022.

Consolidated Balance Sheet

Once again, the balance sheet shows a very positive composition of items, as shown below:

€ thousands	2023	2022
Property, plant and equipment	274,148	200,141
Right-of-use assets	6,467	5,663
Intangible assets	184,206	178,687
Investment Properties	1,550	1,550
Other financial assets	336	5,132
Deferred tax assets	19,036	22,766
Total non-current assets	**485,743**	**413,939**
Inventories	129,029	115,000
Other financial assets	13,104	17,689
Trade and other receivables	113,506	114,111
Cash and cash equivalents	34,647	66,411
Total current assets	**290,286**	**313,211**
Total Assets	**776,029**	**727,150**
Total Equity	**663,349**	**602,404**
Total non-current liabilities	**25,862**	**30,318**
Total current liabilities	**86,818**	**94,428**
Total Liabilities	**776,029**	**727,150**

The Balance Sheet reflects the growth derived from the higher volume of business and, mainly, from the boost to investments, the main exponents of which are the new pharmaceutical plant under construction in Bizkaia and the new animal nutrition and health factory in Huesca.

This fact boosts the increase in tangible fixed assets (+37%), as at the end of 2023 the amount invested in the Bizkaia factory exceeds EUR 180 million.

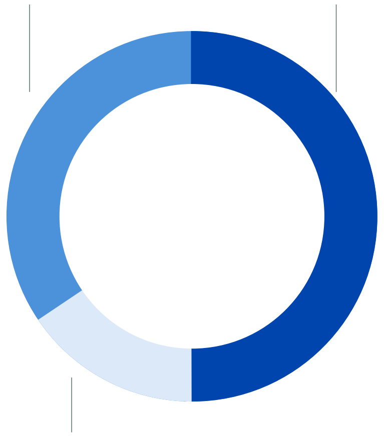
In current assets, inventories have grown in anticipation of the needs that will arise with the transfer of production from the current factory to the new plant under construction, an accumulation of buffer stocks that will be normalised as the transfer is completed. The reduction in cash and cash equivalents and other financial assets is mainly due to the financing of new production plants.

The working capital dropped slightly (-7%) to EUR 203 million in 2023, despite the high investment mentioned in the previous paragraphs.

Equity now stands at 85% of total assets, a sign of the strength of the balance sheet and the business.

Liabilities, which have hardly any long-term debt, have dropped to EUR 26 million (-15%), mainly due to deferred tax liabilities and debts for institutional loans to finance R&D&I activities.

Balance sheet structure



Statement of source and application of funds

The cash flow generated by such a positive income statement has made it possible to deal with a very high level of investments and maintain a balance at the end of the year of over EUR 34 million.

The most important investments in 2023 continue to be the new pharmaceutical plant in Derio - Bizkaia and the new special feed factory for animal nutrition in Huesca. The civil construction of the Derio plant has been completed and thus the bulk of the investment also. For its part, the Huesca plant continues to be built at the planned pace.

The needs for both investments will be covered by own financing as has been the case so far, and it is expected that the liquidity position will remain positive in the coming year.

The main headings of the cash flow statement are as follows:

€ thousands	2023	2022	%
Cash generated from operational activities (a)	100,969	107,041	-6%
Cash used for investment (b)	-97,356	-92,425	5%
Activity flow (a+b)	**3,613**	**14,616**	**-75%**
Cash used for financing	-35,377	-18,459	92%
Cash increase (decrease)	-31,764	-3,843	727%
Cash and cash equivalents at 31/12	**34,647**	**66,411**	**-48%**

Faes Farma on the Stock Exchange

At the end of the period, the Company's capitalisation stood at EUR 999 million, a decrease of 8.4% compared to the capitalisation at the end of 2022. The closing price for the year was EUR 3.16 per share.

	2023	2022	%
Capitalisation (€M)	999	1,091	-8.4
Close	3.16	3.51	
Maximum	3.24	4.29	
Minimum	3.11	3.07	
Shares traded	67,466,179	90,268,467	
Number of shares at 31 December	316,223,938	310,782,825	

The share capital at the end of 2023 is represented by 316,223,938 shares with a nominal value of EUR 0.10 (310,782,825 at 31 December 2022).

Average payment period to suppliers

The details of this section are explained in the corresponding note accompanying the financial statements.

Shareholder remuneration

The most important aspects to highlight during 2023 have been:

2022 interim cash dividend. Paid in January 2023 for a gross amount per share of EUR 0.037.

Flexible dividend 2022. Payment of EUR 0.118 per share in April 2023 to those shareholders who opted for cash payment.

In total, the sum of both items totals EUR 0.155 per share.

Regarding the remuneration for 2023, a first interim cash dividend of EUR 0.039 per share was paid on 15 January 2024.

The Company has stated its intention to pay a future full cash dividend of EUR 0.116 per share, which is expected to be paid in the middle of the year and which, together with the previous dividend, will represent a pay out of more than 50%.

Treasury Shares

In 2023, the redemption of 50% of the shares issued in the flexible dividend developed in April 2023 was approved at the Shareholders' Meeting. This involved the purchase of 5,441,113 shares, which were subsequently redeemed, leaving a total of 4,975,247 treasury shares (1.6% of the share capital) at the end of 2023.

Risk management

The Group's objectives include identifying risks that could affect its business, implementing adequate controls and adopting corrective measures to eliminate or at least mitigate their effects. Whenever deemed necessary, insurance policies are taken out and, in all cases, risks that are not covered but pose or could pose a threat are analysed. Risk management is supervised by the Audit and Compliance Committee, whose analyses are based on the Risk Map. One of the responsibilities of the Internal Auditing department is to coordinate and manage the risk policy. The main risks analysed are detailed below.

1. Business Environment

The risks linked to external factors unrelated to management of Faes Farma that could have a significant direct or indirect influence on the achievement of our objectives and application of strategies are:

a) Risk of competition

The pharmaceutical market is highly competitive and the Group competes with major multinationals, domestic companies and firms specialising in generics. New products, technical advances, innovative active substances, the launch of generics and competitors' pricing policies could affect the Group's results. Concentration in the sector could negatively affect Faes Farma's competitive position, and customer concentration could affect prices and margins.

When it comes to patents, once the current patents in use expire, they will have to compete with the aggressive generic market. This could lead to a loss of some revenues and margins for the affected products. In addition, the legal protection of patents is not properly covered in certain countries. Governments facilitate the entry of generic competitors, sometimes in breach of the valid dates. Diversification is our main strategy for mitigating these risks.

b) Governmental price control

The prices of pharmaceutical products are highly regulated in most countries, and this is certainly true in Spain and Portugal, the Group's main markets. In recent years, significant and wide-ranging price reduction schemes have been applied. In addition, the measures adopted by the Administration to reduce health spending repeatedly apply to the same issues: charging fees on the volume sold to the National Health System, discounts, underfunding of medications, reference prices and approval of generics. The Group mitigates these effects by fostering diversification towards products and businesses that are not funded through the public budget and through internationalisation towards more open markets.

c) Regulatory controls

Pharmaceuticals are highly regulated in all fields: research, clinical trials, regulatory approval, production, marketing, promotion, logistics, pharmacovigilance, and quality control, among others. This affects not only the cost of the product and its administration, but also, and in particular, the time required for a new drug to complete its launch to market and, consequently, significantly affects its likelihood of success. These controls and execution thereof could prompt certain products to be taken off the market. In turn, environmental laws demand compliance with regulations, and breaches thereof could lead to fines being imposed or production plants being shut down. The Group works in diverse ways to avoid these risks, but the main way is by understanding and strictly complying with the rules and appointing highly qualified employees to carry out controls and make any appropriate improvements.

d) Shareholders

As a listed company, there is a risk that stock prices could be jeopardised for some reason, leading to a loss of trust in its shares. For this reason, special emphasis is placed on the relationships with and information provided to investors and analysts.

e) Customers

Concentrating sales on an increasingly limited number of distributors could lead to a risk of pressure to lower prices. In the pharmaceutical sector, prices are set by the Ministry of Health, except for non-prescription products, so this risk is deemed relatively unlikely. This concentration could also affect the credit risk of each individual customer. If we also consider the patients to whom our medications are prescribed as customers, there is an important risk in the pharmaceutical sector of harmful effects of consuming medications. As required by law, we have a pharmacovigilance department that ensures that we comply with regulations in this area and that we have third-party liability insurance. In addition, the Group Companies are in charge of transporting the products sold to our customers, and they accept the risk of accidents, with the subsequent potential loss of the cargo, to which end they have insurance policies that cover transportation.

f) Suppliers

In many relevant areas of our business, such as the supply of raw materials, packaging material, equipment, manufacturing or storage, we depend on the work done by our suppliers. Sometimes a concentration of suppliers increases our exposure to this risk. We mitigate this risk by diversifying our most important supplies among several suppliers.

g) Communication

The Faes Farma Group communicates in numerous ways with its customers, shareholders and investors, and other stakeholders. We strive to ensure that our communication policy is appropriate so that it is not erroneous or misinterpreted, that it complies with regulations and that, as a result, our image is not damaged.

h) Employees

Employees are obviously an essential part of the Group and pose a risk that is not easy to deal with. Loss of highly qualified employees would be detrimental to productivity and lead to a loss of knowledge. To mitigate this risk, a motivational remuneration policy is applied. In addition, strict accident prevention policies are in place at the Group's industrial plants and all legislation in this regard is complied with.

i) Property, plant and equipment

Our production plants and warehouses could be subject to accidents of diverse natures (fires, flooding, etc.), which would halt production. Likewise, less relevant events might occur, such as machinery breakdowns, which could have similar effects, but for a more limited period of time. Stringent maintenance plans reduce this risk to a minimum, while insurance policies cover unexpected damage and the resulting loss of profits.

2. Operational

a) Production and distribution

Manufacturing pharmaceutical products and the related raw materials is a technically complex process that calls for very strict compliance with regulations passed by domestic and European health authorities. A breach of these regulations could give rise to issues in the authorisation of the production plant. By hiring qualified staff and strictly complying with regulations we prevent this risk from becoming relevant.

b) Marketing and sales

When patents on products expire, their sales potential is reduced because they must compete with generic products that are considerably lower in price. Therefore, our sales strategy focuses on diversification and internationalisation towards markets with less strict price regulations.

c) Product research and development

The degree of confidence in research projects underway varies depending on the project phase, with a high rate of success expected in advanced clinical phases, but at no time is the project feasibility completely assured. The clinical phase involving human testing poses a risk related to the test being conducted.

d) Laws and regulations

Significant changes in legislation that could take place in the future might pose a risk related not only to issues such as the manufacturing of our products or sales (prices, distribution channels, etc.) but also to a range of other corporate areas.

e) Licences granted by other pharmaceutical companies

Faes Farma holds several licences granted by other pharmaceutical companies, which represent a significant percentage of its sales. These licences are outlined in contracts that are valid for a limited period of time and contain renewal clauses. Therefore, there is a risk that, upon expiry, the firm granting the licence could decide not to extend the contract period.

f) Licences granted to other pharmaceutical companies

Licence agreements have been concluded with leading firms on various products in diverse countries. In some cases, advance payments are received that must not be refunded if the commercialisation is not successful in the end, but in cases in which it is necessary to refund the advance payment if commercialisation fails, the company does not count these funds as income until the relevant milestone that generates definite income has been reached. In addition, before the pharmaceutical registration of these licences is completed and commercialisation is authorised in the relevant countries, it is possible that these contracts might be terminated, rendering the estimated budget forecasts invalid.

3. Information

a) Systems

The information and systems used by the Group are of extraordinary importance. Therefore, Faes Farma and its subsidiaries take every measure required to ensure that the activity of its systems is not interrupted for any longer than acceptable.

b) Information management

Management and the Board of Faes Farma use privileged information about the Group's circumstances, which is necessary for decision-making. To ensure that the data provided to them do not contain errors, internal auditing procedures are applied for verification.

4. Financial risks

A note is contained in the report, detailing this risk in depth.

Significant operational events

Progress of the construction of the new pharmaceutical plant in Derio (Bizkaia) and start of the construction of ISF (Huesca)

The civil construction of the new pharmaceutical plant in Derio, the largest investment in the Group's history, was completed in 2023. The qualification phase of processes and production areas for validation by the different Medicines Agencies has thus begun. Therefore, the commissioning of the plant is ongoing. GMPs (Good Manufacturing Practices) are expected in the second half of 2024, and thus the first product approvals for marketing.

The new ISF by FARM FAES plant for the manufacture of special early-life feed for piglets is progressing according to schedule. Completion is expected in the summer of 2024, with production expected to start in the 4th quarter of 2024. This factory reinforces our leading position in the market for early-life nutrition for piglets, bringing us closer to the production sites.

Events after the reporting date

No significant events have occurred since the end of the half year.

Annual Corporate Governance Report, Annual Remuneration Report and Statement of Non-financial Information

The Board of Directors of Faes Farma, S.A. approved the Annual Corporate Governance Report for 2023 on 22 February 2024, which is attached hereinbelow as Annex I to this Consolidated Directors' Report. It is also available on the Company's website (www.faesfarma.com) and the website of the CNMV (www.cnmv.es).

Likewise, at the same meeting, the Board of Directors formulated the "Statement of Non-Financial Information", as part of the Consolidated Financial Statements, which is included as Annex III to the Consolidated Directors' Report and is available on the Company's website (www.faesfarma.com) and on the website of the CNMV (www.cnmv.es).

FAES FARMA