Audit Report on Consolidated Financial Statements
issued by an Independent Auditor

PUIG BRANDS, S.A. and SUBSIDIARIES
Consolidated Financial Statements and
Consolidated Management Report
for the year ended
December 31, 2023

Building a better working world

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AUDIT REPORT ON CONSOLIDATED FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

Translation of a report and consolidated financial statements originally issued in Spanish.
In the event of discrepancy, the Spanish-language version prevails

To the shareholders of PUIG BRANDS, S.A.:

Opinion

We have audited the consolidated financial statements of PUIG BRANDS, S.A. (the Parent company) and Subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes thereto for the year then ended.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of consolidated equity and consolidated financial position of the Group at December 31, 2023, and of its financial performance and its consolidated cash flows, for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS-EU), and other provisions in the regulatory framework for financial information applicable in Spain.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the consolidated financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Most relevant audit issues

Most relevant audit issues are those matters that, in our professional judgment, were the most significant assessed risks of material misstatements in our audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these risks.

Domicilio Social: Calle de Raimundo Fernández Villaverde, 65. 28003 Madrid - Inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº 87.690-1, inscripción 1ª. C.I.F. B-78970506.
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Revenue recognition

Description

As described in Note 3.13 to the accompanying consolidated financial statements, the Group recognizes revenue from sales carried out net of tax, refunds, discounts and allowances accrued. Additionally, revenue is recognized when the risks and rewards inherent to the ownership of the goods sold are transferred to the customers. Within the Group's commercial activity, it is usual to establish commercial collaboration agreements with customers.

In this regard, the contractual conditions derived from the commercial collaboration agreements with customers give rise to adjustments to the sales associated with said agreements, which generates complexity in the estimation.

As a result, we have considered this area a relevant audit issue.

Our response

In this regard, our audit procedures for this area consisted, among others, in:

- Understanding the revenue recognition policies and procedures, and their application, including an analysis of the effectiveness of the controls relevant to the Group's revenue recognition process.
- Performing analytical substantive procedures consisting in a review of the evolution of gross sales and discounts, refunds and allowances, as well as actual margins, comparing them with budgeted data.
- Analyzing and discussing with Management the relevant commercial agreements that include conditions regarding discounts, refunds and allowances, as well as the assumptions used in the measurement estimates made.
- Reviewing the most relevant estimates made regarding said commercial agreements at year end through customer confirmation or alternative procedures.
- Performing cut-off procedures for a sample of revenues at year end in order to conclude whether they were recognized in accordance with the corresponding actual flow of goods.
- Analyzing other adjustments or refunds issued after the reporting date.
- Performing specific procedures for analyzing accounting entries on the journal related to the Company's revenue. These procedures have been carried out paying special attention to the entries recorded at year end on a non-recurring basis, whether due to type, amount, date of realization, user responsible for them, concept, or accounting balancing entry, among other aspects.

Measurement of intangible assets and liabilities arisen as a result of business combinations

Description

The Group has a significant amount of intangible assets and liabilities arisen as a result of business combinations. Specifically, at December 31, 2023 the Group has brands and goodwill amounting to 3,918,727 thousand euros (Note 15) and liabilities arisen as a result of business combinations amounting to 2,177,665 thousand euros recorded as non-current (Note 25) and 207,006 thousand euros recorded as current (Note 27).

At least annually, Group Management analyzes the recoverable amount of each significant Cash Generating Unit (CGU). The purpose of this analysis is to conclude on whether it is necessary to record an impairment loss on the carrying amount of said intangible assets.

For the purposes of this analysis, Group Management drafts calculation models to establish the potential impairment of said assets. The methodology used is based on the discount of cash flows at a risk-free rate. The breakdown of the balance, movements and recoverability analysis of the brands and goodwill are disclosed in Note 15 to the accompanying consolidated financial statements.

In turn, Group Management discounts the fair value of liabilities arisen as a result of business combinations based on financial projections for the acquired businesses.

We have considered these areas a relevant audit matter since the analyses performed by Group Management are subject to complex estimates and projections derived from future results of the acquired businesses.

Our response

Our audit procedures for this area consisted, among others, in:

- Reviewing, in collaboration with our valuation experts, the reasonableness of the methodology used by Management in the preparation of the discounted cash flows of each brand or cash-generating unit, covering, specifically, the discount rate used and the long-term growth rate.

- Reviewing projected the financial information in each brand's business by analyzing:

  - historical projected financial information,
  - current market circumstances and our expectations about their potential evolution and public information provided by other companies in the industry.

- Reviewing the integrity and measurement of the liabilities arisen as a result of the business combination in accordance with projected financial information.

- Reviewing the disclosures included in the notes to the consolidated financial statements for the year regarding the measurement of the liabilities recorded and the recoverability analysis of the brands or cash-generating units in accordance with the requirements established in IFRSs 9 and 10 and IAS 36.

Other matters

In compliance with Spanish mercantile law, for comparative purposes the Parent Company's directors have included alongside the financial information for 2023, that corresponding to the prior year. In this regard, Note 2 to the consolidated financial statements states that, as a result of the group's reorganization process, the comparative balances for the year 2022 are in essence those presented in the 2022 consolidated financial statements of Puig, S.L. and Subsidiaries. On March 23, 2023 we issued our audit report on the 2022 consolidated financial statements of Puig, S.L. and Subsidiaries.

Other information: Consolidated management report

Other information refers exclusively to the 2023 consolidated management report, the preparation of which is the responsibility of the Parent Company's directors and is not an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated management report. Our responsibility for the consolidated management report, in conformity with prevailing audit regulations in Spain, entails:

a) Checking only that the consolidated non-financial information statement was provided as stipulated by applicable regulations and, if not, disclose this fact.

b) Assessing and reporting on the consistency of the remaining information included in the consolidated management report with the consolidated financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in conformity with applicable regulations. If, based on the work carried out, we conclude that there are material misstatements, we are required to disclose them.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the consolidated management report is consistent with that provided in the 2023 consolidated financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the Parent Company's directors for the consolidated financial statements

The directors of the Parent Company are responsible for the preparation of the accompanying consolidated financial statements so that they give a true and fair view of the consolidated equity, financial position and results of the Group, in accordance with IFRS-EU, and other provisions in the regulatory framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Parent Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing audit regulations in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing audit regulations in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Parent Company.

- Conclude on the appropriateness of the Parent Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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We communicate with the Parent Company's directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated with the Parent Company's directors, we determine those that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the most significant assessed risks.

We describe those risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

ERNST & YOUNG, S.L.
(Signature on the original in Spanish)

Francesc Maynou Fernández

April 5, 2024

PUIG BRANDS, S.A.
AND SUBSIDIARIES

CONSOLIDATED ANNUAL ACCOUNTS AND CONSOLIDATED
MANAGEMENT REPORT FOR THE YEAR ENDED

DECEMBER 31, 2023

CONTENTS

01.

ANNUAL ACCOUNTS CONSOLIDATED

Consolidated balance sheet 5

Consolidated income statement 6

Consolidated comprehensive income statement 7

Consolidated statement of changes in equity 8

Consolidated cash flow statement 9

Notes to the consolidated annual accounts 10

02.

CONSOLIDATED MANAGEMENT REPORT 97

01.

CONSOLIDATED ANNUAL ACCOUNTS

Consolidated balance sheet **5**

Consolidated income statement **6**

Consolidated comprehensive income statement **7**

Consolidated statement of changes in equity **8**

Consolidated cash flow statement **9**

Notes to the Consolidated annual accounts **10**

CONSOLIDATED BALANCE SHEET

As of December 31, 2023 and December 31, 2022

(Thousands of euros)	Notes	2023	2022
ASSETS			
Property, plant and equipment	14	326,341	271,094
Intangible assets	15	4,114,267	4,062,277
Right-of-use assets	16	287,922	239,873
Investments in associates and joint ventures	17	375,212	344,824
Financial investments	18	16,359	14,154
Other non-current assets	18	131,444	102,615
Deferred tax assets	13	146,562	123,897
Total non-current assets		**5,398,107**	**5,158,734**
Inventories	19	788,866	626,333
Trade accounts receivables	18	484,705	387,936
Other current assets	20	186,709	232,059
Cash and cash equivalents	21	852,901	710,050
Total current assets		**2,313,181**	**1,956,378**
TOTAL ASSETS		**7,711,288**	**7,115,112**
LIABILITIES			
Share Capital	22	144,000	114,700
Reserves and retained earnings		1,087,933	877,796
Unrealized gains (losses) reserve		10,935	30,255
Treasury shares		(105,907)	-
Interim dividend		(80,000)	-
Cumulative translation adjustment		(107,055)	(77,902)
Equity attributable to the Parent Company		**949,906**	**944,849**
Non-controlling interests	22	9,303	6,748
Total equity		**959,209**	**951,597**
Bank borrowings	23	1,788,846	1,662,311
Deferred tax liabilities	13	553,741	552,629
Provisions and other liabilities	25	2,759,606	2,753,941
Total non-current liabilities		**5,102,193**	**4,968,881**
Bank borrowings	23	358,371	177,001
Trade accounts payable		212,072	238,887
Other current liabilities	27	1,024,124	749,650
Income Tax	13	55,319	29,096
Total current liabilities		**1,649,886**	**1,194,634**
TOTAL LIABILITIES AND EQUITY		**7,711,288**	**7,115,112**

Notes 1 to 32 of the attached Consolidated Report form an integral part of the Consolidated Balance Sheet as of December 31, 2023 and 2022.

CONSOLIDATED INCOME STATEMENT

For the years ended December 31, 2023 and December 31, 2022

(Thousands of euros)	Notes	2023	2022
Net Revenues	5 - 6 - 7	**4,304,067**	**3,619,603**
Cost of sales	8	(1,088,904)	(926,969)
Gross profit		**3,215,163**	**2,692,634**
Distribution expenses		(217,685)	(221,663)
Advertising and promotion expenses		(1,338,144)	(1,099,676)
Selling, general and administrative expenses		(966,364)	(834,800)
Operating profit		**692,970**	**536,495**
Other operating income and expenses	9	(13,764)	(43,528)
Operational profit		**679,206**	**492,967**
Financial result	12	(87,403)	(34,864)
Result from associates and joint ventures and impairment of financial assets	17	51,347	55,621
Profit before tax		**643,150**	**513,724**
Income tax	13	(143,262)	(101,201)
Net Profit for the year		**499,888**	**412,523**
Non-controlling interests		(34,679)	(13,033)
Net profit attributable to the Parent Company		**465,209**	**399,490**

Notes 1 to 32 of the attached Consolidated Report form an integral part of the Consolidated Income Statement as of December 31, 2023 and 2022.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31, 2023 and December 31, 2022

(Thousands of euros)	Notes	2023	2022
Profit / (loss) for the year		**499,888**	**412,523**
Net gains (losses) from cash flow hedges		(23,541)	50,644
Income tax on items that may be reclassified to the income statement		6,618	(11,931)
Translation diffference gain / (losses)		(28,491)	(4,355)
Items that may be reclassified to the income statement		**(45,414)**	**43,068**
Financial instruments at fair value through equity		(2,397)	-
Items that may not be reclassified to the income statement		**(2,397)**	-
Total consolidated comprehensive income for the year		**452,077**	**455,591**
Attributed to:			
The Parent Company		417,610	442,558
Non-controlling interests		34,467	13,033

Notes 1 to 32 of the attached Consolidated Report form an integral part of the Consolidated Statement of Comprehensive Income as of December 31, 2023 and 2022.

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

For the years ended December 31, 2023 and December 31, 2022

(Thousands of euros)	Attributable to the Parent Company (Note 22)							
	Capital	Reserves	Interim dividend	Treasury Shares	Unrealized gains (losses) reserve	Cumulative translation adjustment	Non-controlling interests	Total
Balance at December 31, 2021	**4,203**	**1,127,890**	**-**	**-**	**(8,458)**	**(83,220)**	**8,068**	**1,048,483**
Total consolidated comprehensive profit for the year	-	399,490	-	-	38,713	4,355	13,033	455,591
Transactions with shareholders								
Capital increase	110,497	(110,497)	-	-	-	-	-	-
Dividends paid	-	(110,000)	-	-	-	-	(22,005)	(132,005)
Acquisition of non-controlling interests	-	(7,989)	-	-	-	-	(2,292)	(10,281)
Business combinations	-	-	-	-	-	-	428,915	428,915
Other changes in equity								
Put and call options	-	(410,085)	-	-	-	-	-	(410,085)
Reclassification of non-controlling interests	-	(9,944)	-	-	-	-	9,944	-
Other changes in equity	-	(1,069)	-	-	-	963	(428,915)	(429,021)
Balance at December 31, 2022	**114,700**	**877,796**	**-**	**-**	**30,255**	**(77,902)**	**6,748**	**951,597**
Total consolidated comprehensive profit for the year	-	465,209	-	-	(19,320)	(28,279)	34,467	452,077
Transactions with shareholders								
Capital increase	29,300	(29,300)	-	-	-	-	-	-
Shareholders contributions		80,601	-	-	-	-	-	80,601
Dividend paid	-	(80,000)	(80,000)	-	-	-	(21,323)	(181,323)
Equity shares	-	(238,868)	-	(105,907)	-	-		(344,775)
Acquisition of non-controlling interests	-	(4,840)	-	-	-	-	(198)	(5,038)
Other changes in equity								
Put and call options	-	1,542	-	-	-	-	-	1.542
Reclassification of non-controlling interests	-	11,265	-	-	-	(874)	(10,391)	-
Other changes in equity	-	4,528	-	-	-	-	-	4.528
Balance at December 31, 2023	**144,000**	**1,087,933**	**(80,000)**	**(105,907)**	**10,935**	**(107,055)**	**9,303**	**959,209**

Notes 1 to 32 of the attached Consolidated Report form an integral part of the Statement of changes in consolidated equity as of December 31, 2023 and 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31, 2023 and December 31, 2022

(Thousands of euros)	Notes	2023	2022
Cash flows from operating activities			
Profit/(loss) attributable to the Parent Company		465,209	399,490
Profit/(loss) attributable to non-controlling interests		34,679	13,033
Adjustments to the result:			
Depreciation and amortization	11	169,704	144,953
Deferred tax expense / income	13	(19,370)	(32,774)
Other financial income and expenses		5,098	3,024
Financial expenses	12	54,364	17,340
Other adjustments		26,223	29,968
Capital gains and losses on disposal of assets		(457)	69
Other non-current assets and liabilities		66,787	58,676
Profit / (Loss) from associates and joint ventures	17	(51,347)	(55,621)
Gross cash flow		750,890	578,158
Changes in working capital (net of changes in perimeter and items not subject to cash flow)		(194,416)	(158,424)
Net cash flow from operating activities (I)		**556,474**	**419,734**
Cash flow from investing activities			
Purchases of property, plant and equipment and intangible	14 - 15	(177,919)	(151,587)
Disposals of property, plant and equipment and intangible		1,391	538
Dividends received	17	25,464	19,934
Changes in other financial assets	18	(4,602)	(9,454)
Business combinations (net of cash)	4	-	(840,189)
Acquisition of non-controlling interests		(51,900)	(42,208)
Loans issued to related parties (net)		(79,082)	(24,597)
Net cash flow from investing activities (II)		**(286,648)**	**(1,047,563)**
Cash flows from financing activities			
Treasury shares	22	(108,392)	-
Dividends paid	22	(181,323)	(132,005)
Issuance of bank borrowings	23	429,780	993,102
Repayment of bank borrowings and interests	23	(175,307)	(164,421)
Repayment of lease debt	16	(62,767)	(52,140)
Net cash from financing activities (III)		**(98,009)**	**644,536**
Net effect of changes in exchange rates (IV)		**(28,966)**	**684**
Change in cash and cash equivalents (I + II + III + IV)		**142,851**	**17,391**
Total cash and cash equivalents at the beginning of the year		**710,050**	**692,659**
Total cash and cash equivalents at the end of the year		**852,901**	**710,050**

Notes 1 to 32 of the attached Consolidated Report form an integral part of the Consolidated Statement of Cash Flows as of December 31, 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

1. **Corporate information** 11
2. **Basis of Presentation** 13
3. **Accounting policies** 18
4. **Business combinations** 31
5. **Segment reporting** 36
6. **Geographical reporting** 38
7. **Net revenues** 39
8. **Cost of sales** 39
9. **Other operational income and expenses** 40
10. **Operating expenses** 40
11. **Depreciation and impairment** 42
12. **Financial result** 43
13. **Taxes** 44
14. **Property, plant and equipment** 47
15. **Intangible assets** 49
16. **Leases** 53
17. **Investments in associates and joint ventures** 55
18. **Financial assets** 58
19. **Inventory** 60
20. **Other current assets** 60
21. **Cash and cash equivalents** 62
22. **Equity** 62
23. **Bank borrowings** 67
24. **Derivative financial instruments** 69
25. **Provisions, contingencies and other liabilities** 72
26. **Off-balance sheet commitments** 78
27. **Other current liabilities** 79
28. **Financial Risk management objectives and policies** 80
29. **Other disclosures** 86
30. **Environmental information** 88
31. **Related parties** 89
32. **Subsequent events** 90

Annex I 91
Annex II 96

1. CORPORATE INFORMATION

1.1 Preparation of the consolidated annual accounts of Puig Brands

Puig Brands, S.A. ("Parent Company", the "Company", "Puig Brands" or "the Company"), formerly Jorba B.V., was established on February 25, 1983. On November 20, 2015 it changed its corporate name to Jorba Perfumes, S.L. Sociedad Unipersonal. The Company changed its registered office on December 18, 2015, and is currently located at Plaza Europa 46-48 in L'Hospitalet de Llobregat, Barcelona, Spain. On November 8, 2022, Puig, S.L., the sole shareholder of Puig Brands ("Sole Shareholder" or Puig, S.L.), approved the transformation of the Company into a public limited company, and, on March 20, 2023, decided to change the corporate name to Puig Brands S.A. Sociedad Unipersonal.

The consolidated annual accounts and the consolidated management report of Puig Brands and subsidiaries (hereinafter "Puig" or "the Group") corresponding to the financial year ended December 31, 2023 have been prepared by the directors of Puig Brands on March 19, 2024 in Barcelona.

Until December 31, 2022, the ultimate parent company of the Group for accounting purposes was Puig S.L., whose consolidated annual accounts for the year ended December 31, 2022 were audited at that level by Ernst & Young, S.L. On June 30, 2022, Puig, S.L. contributed its businesses to Puig Brands, S.A. (see further explanation about the contribution in notes 1.2 and 2.1). Since 2023, being the first full year after the contribution was consummated, the Company has been the parent company of the Group, and has prepared for the first time its own consolidated annual accounts as of and for the year ended December 31, 2023.

1.2 Internal reorganization

Contribution of Puig, S.L. to Puig Brands, S.A.

On June 30, 2022, Puig, S.L. transferred to Puig Brands substantially all its business activities, pursuant to a capital increase of the Company made through a non-monetary contribution (the "Contribution"), amounting to 2,321,369 thousand euros (110,497 thousand euros in share capital and 2,210,872 thousand euros in share premium). Such capital increase was executed through a deed issued by a notary and then registered with the Commercial Registry of Barcelona on July 6, 2022.

The business activities transferred in the Contribution included:

- Investments in group and associated companies (including assets and liabilities, as well as the personnel required to perform such functions).
- Centralized financing activities (including assets and liabilities, as well as the personnel required to perform such functions).

As indicated in Note 2, the Company has prepared the consolidated annual accounts under the International Financial Reporting Standards adopted by the European Union (IFRS-EU), and for presentation purposes, as indicated in Note 2, it has been considered that the Group is the result of a reorganization of the pre-existing group Puig, S.L. ("Pre-existing Group") in which the Contribution has not resulted in a change of shareholder, and therefore, these consolidated annual accounts are, in essence, a continuation of the operations of the aforementioned pre-existing Group.

Therefore, for the purposes of the consolidated annual accounts of Puig Brands, the transactions within the scope of the Contribution have been accounted for as of December 31, 2021 and for the year ended December 31, 2022, based on the values of said transactions in the consolidated annual accounts of Puig, S.L. (since the Contribution took place on June 30, 2022).

1.3 History

Puig is a global player in the premium beauty industry, home of iconic brands in the fragrance and fashion, makeup and skincare business categories.
Since 1914, the Puig Family has run the family business. The Puig Family is the backbone of the Company's values, which have been passed on for the last three generations. Their entrepreneurial spirit, creativity and passion for innovation have made Puig a reference in the field of beauty and fashion. Present in the fragrance and fashion, make-up, and skincare business categories, its brands are re-inforced by a powerful ecosystem of founders and generate engagement through storytelling that connects with people's emotions.

At Puig we honour the values and principles put in place by three generations of family leadership. Today we continue to build on that legacy, through conscious commitments in our ESG (Environmental, Social and Governance) agenda, aligned with the Union Nations Sustainable Development Goals.

Puig operates across three segments: Fragrance & Fashion, Make-up and Skincare through owned and licensed brands. Puig is based on a unique system of brands, led by unique personalities, with whom it establishes lasting and productive relationships, through shared values and the same brand building vision. Most of the business generated by Puig is built on its owned brands, highlighting Carolina Herrera, Jean Paul Gaultier, Rabanne, Charlotte Tilbury, Nina Ricci, Dries Van Noten, Penhaligon's, L'Artisan Parfumeur, Kama Ayurveda, Loto del Sur, Byredo, Apivita and Uriage. Additionally, Puig markets licensed brands products, mainly Christian Louboutin, Adolfo Dominguez, Antonio Banderas.

In addition, Puig owns minority interests in other entities, with the most relevant ones being ISDIN, S.A., Ponteland Distribuçao, S.A. (Granado) and Sociedad Textil Lonia, S.A.

As a home of highly desirable premium brands, and to ensure that the identity of each brand is reflected at all stages, Puig is present in every stage of the value chain, relying on the knowledge and infrastruc-ture of leading suppliers and partner.

The Company's ambition and determination have underpinned its international expansion since 1962, when it founded its first subsidiary outside Spain, and have helped it extend its activity across all continents. This extensive global presence is managed from the Barcelona headquarters. Puig has production plants in Europe (6) and India (1), with brand headquarters and subsidiaries in 32 countries.

2. BASIS OF PRESENTATION

2.1 Basis of presentation

The consolidated annual accounts have been prepared in accordance with the International Financial Reporting Standards (hereinafter, IFRS), adopted by the European Union (EU-IFRS).

The consolidated annual accounts are presented, unless expressly mentioned, in thousands of euros.

Puig Brands had never before prepared consolidated annual accounts. Until the year ended December 31, 2022, the consolidated annual accounts were approved and audited at the level of Puig, S.L., Sole Shareholder of the Company. Consequently, Puig Brands, S.A. was exempted from preparing consolidated annual accounts, since consolidated annual accounts for the larger group were prepared in accordance with the International Financial Reporting Standards (hereinafter, IFRS), adopted by the European Union (EU IFRS).

These consolidated annual accounts have been prepared under the going concern principle, in the absence of doubts about the Company's ability to continue its operations.
As indicated in Note 1, Puig Brands became the parent of the Group, after the Contribution was executed as of June 30, 2022, with no change in economic substance or real alteration of the composition of the Group's property.

In this sense, the Sole Shareholder considered that Puig Brands' Group is the result of a reorganization of the pre-existing Group, in which the Contribution did not produced a change in control, so these consolidated annual accounts are, in essence, a continuation of the operations of the pre-existing Group. As a consequence, and pursuant to paragraph 10 of IAS 8 on the definition of an accounting policy for transactions not regulated by the IFRS-EU, the Sole Shareholder considered for the purposes of the consolidated annual accounts of the Puig Brands Group, that although the Contribution took place on June 30 2022, the transactions carried out by the businesses contributed to Puig Brands have been accounted for since December 31 2021, and for the year ended December 31, 2022, based on the values of the transactions that these companies had in the consolidated annual accounts of Puig, S.L.

For the purposes of the comparative figures of these consolidated annual accounts, the Contribution of Puig, S.L. to Puig Brands, S.A. has been accounted for retrospectively, as if it had occurred since December 31, 2021, since in essence said Contribution is a continuation of the pre-existing Group, without a change in economic substance or a real alteration in its composition.

The following sections describe the accounting implications of the Contribution described in Note 1, for the purposes of these consolidated annual accounts:

2.1.1 Consolidated balance sheet and statement of changes in equity

The only equity difference between the consolidated balance sheets of Puig Brands, S.A. and Puig, S.L. were certain financial assets linked to equity instruments and related liabilities not contributed to Puig Brands, S.A. whose net impact as of December 31, 2021 amounted to 4.8 million euros ((9.3) million euros as of December 31, 2022) and the result of Puig, S.L. between July 1, 2022 and December 31, 2022 (0.1 million euros) not contributed to Puig Brands, S.A.

Regarding the consolidated statement of changes in equity for the year ended December 31, 2022, based on the aforementioned description of the Contribution, as described in Note 1, it is presented as of June 30, 2022, as an increase in share capital and share premium against a deduction of accumulated reserves.

The distribution of dividends amounting to 110 million euros carried out in 2022, paid to Puig, S.L. shareholders before the Contribution, is treated, for accounting purposes, as a dividend paid by Puig Brands, S.A.

The consolidated balance sheet and the statement of changes in consolidated equity as of December 31, 2023 of Puig Brands, S.A. and subsidiaries have been prepared based on the legal consolidated perimeter, as the internal reorganization described in Note 1 occurred in prior years.

2.1.2 Consolidated income statement, Consolidated Statement of Comprehensive income and consolidated cash flow statement

The consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year ended December 31, 2022 of Puig Brands, S.A. and subsidiaries correspond to the consolidated income statements, the consolidated statement of comprehensive income and the consolidated statement of cash flows of Puig, S.L. for fiscal year 2022(1), as if the Contribution described in Note 1 had occurred at the beginning of said period (based on the accounting treatment explained in Note 2.1 above). In this regard, the equity of Puig Brands, S.A. after the Contribution was executed as of June 30, 2022, incorporates (in other reserves through non-monetary contributions) the accumulated reserves and full results of Puig, S.L., as substantially all its business activities of the pre-existing Group were contributed to Puig Brands as per the Contribution (see Note 1).

The consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year ended December 31, 2023 of Puig Brands, S.A. and subsidiaries have been prepared based on the legal consolidated perimeter, as the internal reorganization described in Note 1 occurred in prior years.

(1) Except for the results generated after the Contribution in the amount of 0.1 million euros (period July-December 2022) and certain reclassifications made in the consolidated cash flow statements to align the presentation in accordance with IFRS 7.

2.2 Basis of consolidation

The consolidated annual accounts corresponding to the financial year ended December 31, 2023 have been prepared in accordance with EU-IFRS.

As described in Note 2.1. above, the Contribution has been treated as a "Business Combination under common control" (see Note 3.2), and consequently, the transactions carried out by the subsidiaries of Puig Brands have been accounted for as of December 31, 2021 and for the annual fiscal year ended on December 31, 2022, based on the values of the transactions that said companies had in the pre-existing Group.

Subsidiaries are entities over which the Company has control and, therefore, the power to govern their financial and operating policies. The results of subsidiaries acquired during the year are included in the consolidated annual accounts from the effective acquisition date.

Control is defined over three elements that must be complied with: having power on the relevant activity of the subsidiary, exposure, or the right to variable returns from its investment, and the ability to use such power to influence on those returns.

The share of non-controlling interests of the equity and income of the subsidiaries is under "Non-controlling interests" in the Consolidated Balance Sheet and "Profit attributable to non-controlling interests" in the Consolidated Income Statement.

All the intercompany balances and transactions have been eliminated, including unrealized profits arising from intragroup transactions.

Each of the companies included in the scope of consolidation prepares its annual accounts and other accounting records in accordance with the corresponding reporting standards, based on the legislation in force in the country of origin. Where these recognition and measurement criteria differ from those adopted by the Company in preparing its consolidated financial statements, they are adjusted to present the consolidated financial statements using uniform accounting policies.

The financial statements of companies with a functional currency other than the euro have been translated as follows:

- Assets and liabilities are translated into euros at the exchange rates prevailing at year-end.
- Items composing the equity of these companies are translated to euros at the historical exchange rates used by Puig, S.L., as the pre-existing Group, in the preparation of their historical consolidated annual accounts.
- Income and expenses are translated into euros using the average exchange rate for the year.

The differences arising from the application of these exchange rates are included in consolidated equity under "Translation differences".

Associates, in which Puig does not have control but has significant influence, have been accounted for using the equity method. For consolidation accounting purposes, it has been estimated that Puig has significant influence when holding more than 20% of companies' share capital and/or it can be verified that such significant influence exists.

Subsidiaries are consolidated from the date on which control is transferred and cease to be consolidated when such control disappears (before the date of the Contribution, assessment of control was performed at the Puig, S.L. level, as the pre-existing Group). In the event of a loss of control over a subsidiary, the consolidated financial statements incorporate the results of said subsidiary for the portion of the reporting year in which Puig still held the control.

Almost all the entities included in the scope of consolidation have December 31st financial year ends. The financial statements of the entities whose yearly closing does not coincide with that of the Company have been duly adapted. The accounting principles used by subsidiaries and associates have been adapted in the consolidation process to make them coincide with those applied by the Company.

All the companies included in the scope of consolidation have been consolidated using the full consolidation method, except for the groups Ponteland Distribuçao, S.A. (Granado), Sociedad Textil Lonia, S.A., Isdin, S.A. and Beijing Yitian Shidai Trading, Co, LLC, which have been consolidated using the equity method.

Since June and July 2022, Cosmetika S.A.S. and Kama Ayurveda Private Ltd have been consolidated using the full consolidation method once the Company took control of both companies (Note 4). Until June and July 2022, both companies were consolidated using the equity method, as the Group had a significant influence over those entities, in which it held a minority interest.

2.3 Changes in accounting policies and information breakdowns

The consolidated annual accounts for the year ended December 31, 2023 have been prepared in accordance with EU-IFRS.
The accounting policies used in the preparation of the consolidated annual accounts are the same as those applied in the consolidated annual accounts of Puig, S.L., and its subsidiaries, except for the following standards, interpretations and amendments that have been applied for the first time this exercise.

a) Standards and interpretations approved by the European Union applied for the first time in 2023

Puig has not experienced significant impacts on these consolidated annual accounts.

b) Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction

This amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions giving rise to deductible and taxable temporary differences. Therefore, deferred tax assets and deferred tax liabilities associated with i) right-of-use assets and lease liabilities, and ii) decommissioning, restoration and similar liabilities should be recognized, and the amounts recognized as part of the cost of related assets.

The recognition of these deferred taxes is applied retrospectively in the comparative figures presented. The impact on these consolidated annual accounts, as a whole, is not material (4 million euros of increase in reserves).

c) Amendments to IAS 1 and IFRIC Practice Statement 2 - Disclosure of Accounting Policies

In these amendments, the IASB has included guidance and examples for exercising judgment in identifying which accounting policies are material. The amendments replace the criterion of disclosing significant accounting policies with material accounting policies. They also provide guidance on how to apply the concept of materiality to determine which accounting policies qualify as such.

d) Standards and interpretations issued by the IASB but not applicable in 2023

Puig intends to adopt the standards, interpretations, and amendments to standards issued by the IASB that are not mandatorily applicable in the European Union when they become effective if they are applicable. Although Puig is currently analysing their impact, based on the analyses conducted to date, it estimates that their initial application will not have a significant impact on its consolidated financial statements.

2.4 Scope of consolidation

For the purposes of the consolidated annual accounts, the perimeter changes have been considered as follows:

- For the year ended December 31, 2022, changes in perimeter are considered to be changes that occurred in Puig, S.L., as head of the pre-existing Group.
- For the year ended December 31, 2023, changes in the perimeter are considered changes that occurred at the Puig Brands level.

For fiscal year 2023, there have been no significant changes compared to fiscal year 2022.
The main changes that occurred during the year ended December 31, 2022 are summarized below, as indicated in Note 4:

a. Byredo:

Acquisition of a 77% stake in Byredo AB, thereby obtaining control of the group of which this company is the parent.

b. Loto del Sur and Kama:

- Acquisition of an additional 31.7% stake in Cosmetika S.A.S. (Loto del Sur), on top of the 35% acquired by the Group in 2019.
- Acquisition of an additional 36% stake in Kama Ayurveda Private Ltd, on top of the 49% stake acquired by the Group in 2019.

Based on the above, the Group obtained control of both companies, Loto del Sur and Kama, in 2022, and since then integrated those businesses, using the full consolidation method (formerly they were accounted as equity method investments).

ACCOUNTING POLICIES

The consolidated annual accounts have been prepared by the Directors of the Parent Company, in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU) as of December 31, 2023.
In accordance with the amendments to IAS 1, effective January 1, 2023, the material accounting policies and estimates used in the consolidated financial statements are identified below.

3.1 Business combinations - Put and call options concerning minority shareholder interests

When a business is purchased, its assets, liabilities and contingent liabilities are measured at fair value at their acquisition date, as provided on IFRS 3, Business Combinations. When performing the purchase price allocation for the business combination, Puig records the identified intangible assets like brands or customer relationships. Any excess in the cost of acquisition over the fair values of the identified net assets is recognised as goodwill. If the cost of acquisition is lower than the fair value of the identifiable net assets, the difference is credited to profit or loss on the acquisition date.

At the business combination date, variable contingent consideration is estimated. Subsequently, differences are recorded in profit and loss.

The interest of non-controlling shareholders is stated at their proportion of the fair value of the assets and liabilities recognised. After initial recognition, non-controlling interests are adjusted by the profit / loss obtained.

On business combinations executed in stages, previous investments are valued at fair value with differences recorded in profit and loss.

In recent years, Puig has carried out business combinations in which it obtained the majority of voting (and economic) rights in entities like Charlotte Tilbury or Byredo AB, among others, thereby gaining control over these businesses (Note 4). In these transactions, specific purchase put-call options were agreed for the acquisition of the remaining stake.

When Puig acquires a business without obtaining all its voting shares, but agrees a put and call option to acquire the minority stake in the future, and if the terms and conditions of the contract permit it, Puig follows IFRS 10 as outlined below:

a. It calculates the value at which the non-controlling interests (minorities) should have been recorded according to IFRS 10.

a. Subsequently, at the year-end closing, minority interests are accounted for as if they were acquired on that date.

a. A financial liability is recognized for the current value of the amount payable as consideration for the exercise of the minority's put option, as an acquisition of minorities. The revaluation of the financial liability is reflected in consolidated equity.

In subsequent years to the acquisition, Puig recognizes the amount of profit attributable to minority interests in the consolidated income statement and subsequently reclassifies the minority interest as reserves.

3.2 Business combinations under common control (CCC)

Paragraph 2 of IFRS 3 excludes business combinations under common control from the scope of business combinations.

Paragraph 10 of IAS 8 states that in the absence of an IFRS that is specifically applicable to a transaction or other events or conditions, the Directors of the Parent Company must use their judgment in the development and application of an accounting policy, in order to provide information that is relevant and reliable.

Following practices generally used in the market, and which result in compliance with the requirements described above, the Company accounts for the CCCs using the pooling of interest method, based on the following criteria:

Assets and liabilities are recorded at the amounts that reflect their book values in accordance with the IFRS-EU on the date of the business combinations under common control, at the level of the consolidated accounts of the previous group owner. This implies that no fair value adjustments are made, and that no assets or liabilities are recognized, other than those that would have been recognized in the financial statements of the previous group owner, on the date of the business combination at the previous group owner. The only adjustments made are those necessary to standardize the accounting policies used at the level of the consolidated accounts of the previous group owner.

3.3 Interests in associates and joint ventures

Puig's investments in associates and joint ventures are accounted for using the equity method.

Associates, in which Puig does not have control but has significant influence, have been accounted for using the equity method. For consolidation accounting purposes, it has been estimated that Puig has significant influence when holding more than 20% of companies' share capital and/or it can be verified that such significant influence exists. Associates are defined in Note 2 and Annex I.

Joint ventures are those entities over whose activities Puig has joint control, established by contractual arrangement. According to IFRS 11, Joint Arrangements, these entities are accounted for using the equity method in the consolidated financial statements.

The value of these investments on the consolidated balance sheet implicitly includes, where applicable, the goodwill arising on their acquisition.

Puig evaluates annually the impairment of the investments in associates and joint ventures.

3.4 Foreign currency translation

The financial statements of the standalone subsidiaries and associates are expressed in their functional currency. Note 2.2 provides a detailed explanation of how Puig has translated local currency into euros.

The main functional currencies other than the euro are the US dollar (USD) and the pound sterling (GBP). A detail of all the companies in the scope of consolidation and their corresponding functional currencies is included in Annex I.

The financial statements of Puig companies whose functional currency is the currency of a hyperinflationary economy (Argentina) are adjusted for inflation in accordance with the procedure described in the following paragraph prior to their translation to euros. Once restated, all the items of the financial statements are

converted to euros using the closing exchange rate. Amounts shown for prior years for comparative purposes are not modified. All impacts are accounted for within currency translation differences in equity.

To determine the existence of hyperinflation, Puig assesses the qualitative characteristics of the economic environment of the country, such as the trends in inflation rates over the previous three years. The financial statements of companies whose functional currency is the currency of a hyperinflationary economy are adjusted to reflect the changes in purchasing power of the local currency, so that all items in the balance sheet not expressed in current terms (non-monetary items) are restated by applying a general price index at the financial statement closing date, and all income and expense, profit and loss are restated monthly by applying appropriate adjustment factors.

The exchange rate applied at the end of the year was the following:

Argentine peso	2023	2022
Closing exchange rate	894.7	189.8

3.5 Property, plant, and equipment

Property, plant and equipment are recorded at the lower of acquisition cost, net of its accumulated depreciation, and recoverable value.

Tangible fixed assets category	Depreciation method	Useful life
Buildings	Straight-line	33 years
Machinery and tools	Straight-line	4 to 10 years
Office furniture and other equipment	Straight-line	3 to 10 years

Expenditure relating to repairs or maintenance is included in the consolidated income statement. The costs of improvements or enhancements which extend the useful lives of the assets are capitalized.

The net carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the net carrying value may not be recoverable. If any such indication exists, and where the net carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

The recoverable amount of plant and equipment is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks inherent to the asset. Impairment losses are recognized as an expense in the income statement.

3.6 Intangible asset other than goodwill

Brands acquired as a result of business combination are stated at their fair value at the acquisition date. Intangible assets are valued regularly to make sure that their net book value is not higher than their recoverable value, in which case a loss would be recorded.

The recoverable amount of intangible assets is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects

current market assessments of the time value of money and the risks inherent to the asset. Impairment losses are recognized as an expense in the income statement.

Depreciation of intangible assets is calculated on a straight-line basis over the estimated useful lives of the assets, which are as follows:

Intangible assets	Depreciation method	Useful life
Brands	-	Indefinite
Software, ERP and other intangibles	Straight-line	3 to 5 years

Puig considers that its brands have an indefinite useful life since there is no foreseeable limit for the period over which the brands are expected to generate net cash inflows based on legal and competitive factors, since Puig's brands have a consolidated position in the market.

Where the recoverable amount of an asset is below its carrying amount, the carrying amount is written down to its recoverable amount. An impairment loss is immediately recognized in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. However, the increased carrying amount will not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or the cash-generating unit) in prior years. The reversal of an impairment loss is recognized immediately in profit or loss.

3.7 Goodwill

Goodwill is initially accounted for as the difference between the value of the contribution made for the acquisition of business and the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is no longer amortized on application of IFRS 3. Instead, goodwill is internally tested annually unless impairment indicators are detected. Impairment indicators are for example significant differences between the business performance versus business plans and macroeconomic factors.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of cash flows have not been adjusted.

The composition of the Group's Cash Generating Units (CGUs) and the methodology for the impairment tests are explained in Note 15.

3.8 Inventory

Inventory is valued at the lower of cost and net realizable value.

The cost of inventory comprises all costs related to purchase and conversion and design, logistic and transportation costs and the necessary costs directly attributable to bring the inventory to its present location and condition.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Raw material: Purchase cost on a first-in, first-out basis

Finished goods and work in progress: Direct costs and a portion of indirect costs based on a normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs necessary to complete or perform the sale.

Obsolete and slow-moving products have been reduced to their estimated realizable value. This provision is based on product type, inventory turnover and expiry date.

3.9 Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are stated at their amortized value applying the effective interest rate method and bearing in mind emission expenses.

Derecognition of interest yield loans and credits
Puig derecognizes a previously recognized loan from the balance sheet when the obligation under the liability is extinguished because payment to the creditor for cancelling the debt has been made (through payments in cash or other goods or services) or because the debtor is legally released from any responsibility for the liability.

A loan is derecognized as follows: the difference between the carrying amount of the financial liability (or the part of it that has been derecognized) and the consideration paid, including any attributable transaction costs, which also has to include any new asset transferred other than cash or liability assumed, is recognized in the income statement in the year to which it relates.

Debt restructuring
In certain cases, Puig restructures its debt commitments to its creditors. For example: extending the maturity date of the principal in exchange for a higher interest rate, not paying and grouping interest in a single bullet payment of the principal and interest at the end of the life of the debt, etc.
There are several ways in which the terms on a debt may be changed:

- Immediate payment of the nominal amount (before maturity) followed by the refinancing of all or a portion of the nominal amount through a new debt (“exchange of debt”).

- Modifying the terms of the debt agreement before maturity (“modification of debt”).

In an exchange or modification of debt with the same creditor, Puig analyzes whether a substantial change in the terms on the original debt has occurred. If so, the accounting treatment is as follows

- the book value of the original financial liability (or of its corresponding portion) is derecognized from the balance sheet;

- the new financial liability is initially recognized at fair value;

- transaction costs are recognized in the income statement;

- the difference between the book value of the original financial liability (or the portion thereof that has been derecognized) and the fair value of the new liability is also recognized in the income statement.

On the contrary, if after the analysis, Puig concludes that both debts are not substantially different (they are essentially the same debt), the accounting treatment is as follows:

- the original financial liability is not derecognized (that is, it is kept on the balance sheet);
- the fees paid in the restructuring transaction are recorded as an adjustment to the debt's carrying amount;
- the difference between the present value of cash flows excluding refinancing fees discounted at the effective interest rate prior to the refinancing and the previous amortized cost shall be presented as finance profit/(cost);
- a new effective interest rate is calculated as from the restructuring date. The amortized cost of a financial liability is determined by applying the effective interest rate, which equates the carrying amount of the financial liability on the modification date to the cash flows to be paid as per the new terms.

The contractual terms are considered to be substantially different, among others, when the present value of the cash flows from the new contract, including any commission paid, net of any commission received, differs by at least 10% of the present value of the cash flows yet to be paid on the original contract, when the effective interest rate of the original contract has been applied to both amounts.

Certain modifications to the determination of cash flows may not pass this quantitative analysis, but may also give rise to a substantial modification of the liability, such as: change from a fixed to a floating interest rate on the payment on the liability, restatement of the liability in a different currency, conversion of a loan at a fixed interest rate into a participation loan, among others.

3.10 Provisions

Provisions are recognized when:

- Puig has a present obligation (legal or implicit) as a result of a past event;
- It is probable that an economic outflow will be required to settle the obligation; and,
- A reliable estimate can be made of the amount of the obligation.

Provisions for restructuring costs are recognized when Puig has a formal plan for restructuring that has been notified to the affected parties.

If the effect of the cash temporary value is significant, the amount of the provision is discounted. Any increase in the provision value derived from the passing of time is recorded as "Financial expenses" in the consolidated income statement.

There are no risks giving rise to future significant contingencies that affect Puig and have not been considered in these financial statements.

Additionally, contingent liabilities are possible obligations arising as a consequence of past events, which may or may not occur depending on one or more future events beyond the Group's control. Unlike provisions, contingent liabilities are not recognized in the consolidated balance sheet but disclosed in the notes thereto unless they are not considered remote.

3.11 Post-employment benefits and shared-based payments

Post-employment pension plans

Puig has entered into post-employment pension plans with some of its employees.

Under defined contribution retirement plans, Puig pays fixed contributions on a current basis into a separate (third party) recognized pension fund and will have no obligation to pay further contributions. Such fixed contributions are recognized in the income statement on the due date.

Under defined benefit retirement plans, Puig is obliged to pay certain benefits upon retirement. The liabilities of Puig concerning defined benefit retirement plans, and the related service cost, are determined using the projected unit credit method. The following concepts are recognized in the income statement for the year: the service costs for the current year, costs due to interest, expected yield of any plan asset, cost of previous services, and the effect of any type of curtailments and settlements of the plan. Any actuarial gains and losses are recognized outside the income statement and presented in the statement of changes in equity according to IAS 19. The amount recognized in the balance sheet represents the present value of the defined benefit obligation, net of related assets.

Share appreciation plan

Puig has several "share appreciation rights" (SARs) for executives and employees. The related employee benefits expense is determined based on the fair value of the liability at the vesting date and it is recognized based on the best estimate made by Management. This expense is recognized over the stipulated period during which the services are rendered and adjusted based on actual employee rotation.

Most of the SARs plans grant the beneficiaries the right to choose whether the share-based payment transaction is settled in cash or by delivering equity instruments, and consequently, it meets the definition of a compound financial instrument, which includes a debt component and an equity component. In order to measure each component, the Company has concluded that there is always a cash event enforceable for the Company in relation to all shares granted, and consequently, the accounting for these plans has been treated as a cash settlement, being the equity component measured at nil.

In the case that the shares are finally acquired by the employees, crossed put and call options are put in place. For some plans, in the case of a public offering, the put and call options would no longer have any effect, except when lock up periods apply, in which case Puig retains a call option.

Some specific plans have been defined as cash-settled plans, as they are always settled in cash.

3.12 Leases

Puig leases are in line with market terms and conditions. The main types of lease agreements, as well as their main characteristics are described below:

- Offices and warehouses: contract terms include an average lease length between 10 and 15 years and fixed rent updated based on inflation rates. In some of these contracts Puig has unilateral option to extend from 5 to 10 years.

- Stores: contract terms include an average lease length between 3 and 12 years. Rent payments always include a fixed component and some of them also include a variable component linked to the sales of the respective store which is added to the fixed component.

- Cars: contract terms include an average lease length between 3 and 4 years and fixed rent updated based on inflation rates.

Variable lease payments, which do not depend on an index or rate, are not included in the measurement of the lease liability and the right-of-use asset, and are recorded as an operating expense as they are incurred.

At the commencement date of the lease, a right-of-use asset and a lease liability shall be recorded.

Initial valuation of the asset by right of use

At the commencement date of the lease, the right-of-use asset is measured at cost, which shall comprise:

a. The amount of the initial measurement of the lease liability.
b. Any lease payments made at or before the commencement date, less any lease incentives received.
c. Any initial direct costs incurred by the lessee.
d. An estimate of costs to be incurred by the company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.
e. In the cases in which there are variable amounts, the minimum lease payment shall be considered in the price.

Initial measurement of the lease liability

At the commencement date, the lease liability shall be measured at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, Puig's incremental borrowing rate shall be used. The lease payments included in the initial measurement of the lease liability comprise the following payments:

a. Fixed payments less any lease incentives receivable.
b. Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date of the lease.
c. Amounts expected to be payable by the lessee under residual value guarantees.
d. The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
e. Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Puig has included in the measurement of the lease liability the future cash flows for the periods it estimates that it will keep the contracts. For some of the lease contracts, the Group has extension options for additional periods, which can be freely exercised by the Group only. These extension options have been considered in the value of the lease liability when Puig has reasonable certainty to exercise these options, due to significant investments performed, and the complexity to find similar leases in the market.

Subsequent measurement of the right-of-use asset

The right-of-use asset shall be measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

Subsequent measurement of the lease liability

The lease liability shall be measured by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications.

The lease payments associated with short-term leases or leases for which the underlying asset is of low value are recognized in the consolidated income statement as an expense on a straight-line basis over the lease term. A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less.

Modifications to lease payments linked to an index, such as the consumer price index, are treated as modifications to lease liabilities at the date the index is revised and based on remaining cash flows.

The balancing entry of a modification to the lease liability is an adjustment to the right-of-use asset.

3.13 Revenue

Revenue is recognized at the carrying amount of the consideration received. Sales agreements contain one single performance obligation that is satisfied at a point in time.

There are no contracts with customers with significant financing components.

Gross goods

Income from the sale of finished goods is recognized when control over the goods is transferred to the customer, which occurs when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured, which is, in general terms, when the goods are delivered.

The Group's revenue comes from the following business segments: fragrances and fashion, makeup, skincare.

Sales rebates and refunds

Sales rebates include all the discounts given to end customers, volume-based incentives, etc.

Sales rebates and refunds are part of the sale transaction and deducted from the consideration in revenue recognition.

Puig receives promotional support services from certain customers, such as placing products in display stands and publishing offers, among others. These services are not under Puig’s control neither fulfill any obligation and thus considered as a rebate. These amounts are deducted from the consideration for revenue recognition purposes if net revenue recognition criteria is met under IFRS 15.

Royalty income

Royalty income is related to licenses that Puig’s brands (Nina Ricci, Rabanne, Jean Paul Gaultier and Carolina Herrera) give to third parties to commercialize certain products such as eyewear and fashion and accessories. Royalty income is accounted for on an accrual basis, based on the percentage established for each of the licenses over the sales carried out by the third parties.

3.14 Income Tax

The Parent Company and most of the Spanish companies of Puig pay corporate income tax under a consolidated tax regime, with the top entity responsible before tax authorities is Puig, S.L. The income tax expense is recognized in the income statement except when it refers to items recorded directly under equity.

Deferred income tax is recorded applying the liability method, on all temporary differences existing at the balance sheet date between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax liabilities are recognized for all taxable temporary differences except when the deferred income tax liability arises from an acquired goodwill, whose amortization is not tax deductible, or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss. Likewise, deferred tax liabilities are also recognized for all taxable temporary differences arising from the carrying amount of investments in subsidiaries or associates, except when the following two conditions are jointly met: the timing of the reversal of the temporary differences can be controlled by the Parent Company and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized except, when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

3.15 Financial instruments

Puig determines the most appropriate classification for each financial instrument based on its business model and the characteristics of contractual cash flows and reviews it only in the event of a change in the business model for managing said assets. Current and non-current financial instruments are classified into the following categories:

Financial assets at amortized cost

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired. Puig's financial assets at amortized cost includes trade receivables, deposits, loans and other current assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. This category includes derivative instruments to cover loans taken out in foreign currencies and some non-listed equity investments (note 18).

Financial assets at fair value through other comprehensive income

Upon initial recognition, Puig can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably its listed and some other non-listed equity investments under this category (financial investments – note 18).

Financial liabilities at amortized cost

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.
This category generally applies to interest-bearing loans, trade payables, other current liabilities and lease liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes earn-outs and share based payments designated upon initial recognition as at fair value through profit or loss.

Puig determines the fair value of financial instruments in accordance with the following hierarchy:

a. Level 1: Observable prices for identical finance assets/liabilities in active markets.

a. Level 2: Other measurement techniques in which the parameters with a significant impact on the determination of fair value are obtained directly or indirectly from the market.

a. Level 3: Other measurement techniques in which the parameters with a significant impact on the determination of fair value are not obtained from the market. Fair value is mainly determined based on future economic projections for the underlying asset (or business).

3.16 Derivative financial instruments

Derivative instruments are initially recorded in the consolidated balance sheet at their cost of acquisition and are subsequently adjusted in order to always be recorded at their fair value. These adjustments are recorded as assets in case they are positive or as liabilities if they are negative.
For accounting purposes, and once the financial instrument has been designated as being a hedging instrument, the following classifications have been used:

a. Fair value hedges: when hedging against the exposure to changes in the fair value of a recognized asset or liability. Any gain or loss from re-measuring the hedging instrument at fair value is recognized immediately in the income statement, netting its effect in the same caption of the income statement.

a. Cash flow hedges: changes in fair value of hedging instruments are recorded for their effective proportion in the "Unrealized gains (losses) reserve" (Shareholders' equity). The portion of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in net profit or loss.

The fair value of the different derivative financial instruments is calculated applying the following methods:

a. At year-end exchange rate.

a. Applying the discount of expected cash flows with regard to the market conditions, both for cash and futures at year end closing.

3.17 Use of estimates and judgments

The preparation of the financial statements in accordance with IFRS-EU requires Puig to make estimates and fair value judgments that affect the application of accounting policies and the balances of assets, liabilities, revenues, and expenses.

These estimates and fair value judgments are based on historical experience and various other factors that are considered reasonable under the circumstances, and their results form the basis for determining opinions on the carrying amounts of assets and liabilities that are not readily available from other sources.

The macroeconomic assumptions used in the estimates are based on figures provided by reputable entities and are tailored to Puig's specifications, including inflation, interest rates, exchange rates, etc. Puig incorporates these macroeconomic assumptions into its business planning and strategy.

The business plans prepared by management are used in the estimates made by Puig for the preparation of the annual accounts (e.g., impairment testing, recognition of deferred taxes or valuation of liabilities, etc.). However, actual results may differ from the estimates made in the business plans, both in the forecasts of business developments and in the assumptions applied for the calculations.

Puig's main estimates are as follows:

- The useful life and fair value of property, plant and equipment, and intangibles assets (note 14 and 15).
- The assumptions used in the Purchase Price Allocation (PPA) (note 4) carried out in each business combination. In all cases, the PPA is prepared by external advisors.
- The assumptions used in determining the fair value/value in use of various Cash Generating Units (CGUs) or groups of them to assess the potential impairment of goodwill or other assets (Note 15 and 17).
- Estimation of expected credit losses on accounts receivable and inventory obsolescence (notes 3.8, 18, and 19).
- Estimation of deductions from net sales (returns and rebates) (notes 7 and 27).
- The fair value of financial instruments and certain unquoted financial assets (notes 18 and 24).
- Assumptions used in determining the fair values of liabilities related to business combinations (notes 3.1 and 25). Contingent consideration liabilities fall under level 3 of the fair value hierarchy in accordance with IFRS 13.
- Provisions: An estimate is made of amounts to be settled in the future, including those related to contractual obligations, pending litigation, and other future costs. These estimates are subject to interpretations of current facts and circumstances, projections of future events, and estimates of the financial effects of these events.
- Evaluation of the recoverability of tax credits, including carryforward tax losses and deduction rights. Deferred tax assets are recognized to the extent that future tax benefits are available against which temporary differences can be offset, based on management's assumptions regarding the amount and timing of future tax benefits.

4. BUSINESS COMBINATIONS

During 2022, Puig carried out several acquisitions. Puig acquired a majority stake in the Swedish niche fragrance and beauty brand Byredo A.B. ("Byredo") and increased its ownership to a majority stake in the Indian company Kama Ayurveda Private Ltd and the Colombian company Cosmetika, S.A.S. ("Loto del Sur"), acquiring control over these businesses (Note 3.1).

All of these companies have a strong character and history and share a strong commitment to sustainability and a direct-to-consumer sales model. With these acquisitions, Puig has increased its own selling points, adding more than 1,000 new employees and expanding the founder ecosystem.

Transaction costs of the three transactions carried out in 2022 amounted to 10 million euros (mainly arising from the Byredo acquisition), were recorded in the income statement corresponding to the year ended December 31, 2022 (Note 9).

When a put-call option has been agreed with a minority interest, a minimum price, equivalent to the consideration paid when control was taken, is guarateed.

4.1 Byredo

In June 2022, Puig acquired 77% of Byredo (economic and voting rights). Byredo is a niche fragrance and beauty brand founded in Stockholm, Sweden, in 2006, offering a complete range of beauty products and accessories.

The acquisition of Byredo, a company that has redefined luxury and has a direct-to-consumer approach, aims to strengthen Puig's high-end positioning.

The respective carrying amounts and fair values of Byredo's identified assets and liabilities at the acquisition date were as follows:

(Thousands of euros)	Net Carrying amount	Fair Value
Long term assets	38,514	711,514
Cash and cash equivalents	19,218	19,218
Current assets	45,135	50,676
Non-current liabilities	(53,607)	(193,386)
Current liabilities	(36,205)	(36,205)
Total net assets	**13,055**	**551,817**
Cash paid		826,242
Put-call option		393,793
Variable contingent consideration (Earn-out)		43,306
Goodwill (Note 15)		**711,524**

Byredo's assets and liabilities are denominated in euros.

The most important differences between the net carrying amount and their corresponding fair values correspond to the brand and customer relationships, with net fair values of 492 million euros and 43 million euros respectively.

The respective fair values of Byredo's brand and customer relationships were determined through valuations conducted by an independent expert using the royalty savings method and the MEEM (Multi-period Excess

Earning Method) methodology. The key assumptions for the estimation of fair values at the acquisition date refer to net revenue growth and royalty rate aligned with the expected market evolution and considering the specifications of the brand. Additionally, a post-tax discount rate of 8% and a long-term growth rate of 3% are considered. The assumptions used in terms of business evolution were based on strategic plans approved by Puig.

Puig has recognized a goodwill in connection with Byredo's ability to generate profits, the growth and reinforcement of the niche and wellness brands portfolio and the synergies that Puig obtains from Byredo improving other Puig cash-generating units (Note 15).

As part of the acquisition, an earn-out payable in the long term has been agreed. The amount of the earn-out is based on an adjusted multiple linked to the business performance (Note 25).

In addition, as part of the acquisition Puig has agreed put and call options for the acquisition of the 23% of Byredo's shares not currently owned (Note 25).

The valuation of the earn-out and put call options are based on a net revenues multiple (adjusted by the profitability of the business) which is adjusted according to expected performance at each year end, compared to the initial plan, until expiration of the put and call options. These liabilities were discounted at an 8% post-tax rate at the time of the business combination.

At the acquisition date, the amount of these put call options amounted to 394 million euros, which were initially recognized as non-controlling interest, and subsequently reclassified as a liability at the reporting date (Note 3.1).

The results of Byredo's operations have been included in the special purpose consolidated financial statements starting from the acquisition date. The amount of net revenue and pre-tax profit attributable from the acquisition date until December 31, 2022, amounted to 101.0 million euros and 9.3 million euros, respectively.

If the business combination had been completed on January 1, 2022, the net revenues and pre-tax profit attributable to Byredo into Puig's results would have amounted to 163.2 million euros and 15.8 million euros, respectively.

4.2 Loto del Sur

In June 2022, Puig increased its investment in Cosmetika S.A.S. (Loto del Sur), a leading natural cosmetics brand in Colombia, founded in 1999, and became its majority shareholder. After acquiring an additional 31.7% stake, Puig obtained control over Loto del Sur, reaching a total holding of 66.7% (economic and voting rights) and has therefore accounted for such company using the full consolidation method since the date it obtained majority control.

Until June 2022, this company was accounted for using the equity method (Note 17).

The respective carrying amounts and fair values of Loto del Sur's identified assets and liabilities at the acquisition date were as follows:

(Thousands of euros)	Net Carrying amount	Fair Value
Long term assets	344	20,755
Cash and cash equivalents	741	741
Other current assets	1,760	2,321
Non-current liabilities	-	(7,340)
Current liabilities	(808)	(808)
Total Net Assets	**2,037**	**15,669**
Cash paid		11,238
Put-call option		17,755
Fair value of the prior equity method investment (35%)		12,407
Goodwill (Note 15)		**25,731**

Cosmetika's assets and liabilities were denominated in Colombian pesos.

The most important differences between the net carrying amount of assets and their fair values correspond to the brand and customer relationships, with net fair values of 12 million euros and 1 million euros respectively.

The respective fair values of Loto del Sur's brand and customer relationships were determined through valuations conducted by an independent expert using the royalty savings method and the MEEM (Multi-period Excess Earning Method) methodology. The key assumptions for the estimation of fair values at the acquisition date refer to net revenue growth and royalty rate aligned with the expected market evolution and considering the specifications of the brand. Additionally, a post-tax discount rate of 14.9% and a long-term growth rate of 3.2% are considered. The assumptions used in terms of business evolution were based on strategic plans approved by Puig.

Puig has recognized a goodwill linked to Loto del Sur's ability to generate profits, the competitive advantages gained in the Latin-American market and the growth and reinforcement of the niche and wellness brands portfolio.

The fair value of the prior minority investment at the acquisition date (12,407 thousand euros) produced a financial gain due to the business combination achieved in stages amounting to 7,984 thousand euros (note 17).

As part of the acquisition, put and call options for the acquisition of the 33.3% of Loto del Sur's shares not currently owned by Puig executable in the long term have been agreed. The valuation of the put call options are based on a net revenue multiple (adjusted by the profitability of the business) which is adjusted according to expected performance at each year end, compared to the initial plan, until expiration of the put and call options. These liabilities were discounted at an 14.9% post-tax rate at the date of the business combination.

At the acquisition date, the amount of these put and call options amounted to 18 million euros, which were initially recognized as a non-controlling interest, and subsequently reclassified as a liability at the reporting date (Note 3.1).

The results of the Loto del Sur's operations have been included in these special purpose consolidated financial statements starting from the acquisition date. The amount of net revenue and pre-tax profit attributable from the acquisition date until December 31, 2022, amounted to 5.2 million euros and 0.9 million euros, respectively.

If the business combination had been completed on January 1, 2022, the net revenues and pre-tax profit attributable to Loto del Sur integrated into Puig's results would have amounted to 8.3 million euros and 1.4 million euros, respectively.

4.3 Kama Ayurveda

In July 2022, Puig increased its investment in Kama Ayurveda Private. Ltd., a leading authentic Ayurvedic beauty and wellness brand and became its majority shareholder. After acquiring an additional 36% stake, Puig obtained control over Kama Ayurveda Private Ltd, reaching a total holding of 85% (economic and voting rights) and has therefore accounted for the company using the full consolidation method since the date it obtained the majority control.

Until July 2022, this company was accounted for using the equity method (note 17).

The respective net carrying amounts and fair values of Kama Ayurveda's identified assets and liabilities at the acquisition date were as follows:

(Thousands of euros)	Net Carrying Amount	Fair Value
Long term assets	5,558	60,075
Cash and cash equivalents	3,526	3,526
Other current assets	5,566	6,205
Non-current liabilities	(490)	(14,279)
Current liabilities	(2,174)	(2,174)
Total net assets	**11,986**	**53,353**
Cash paid		26,194
Put-call option		17,367
Fair value of the prior equity method investment (49%)		35,653
Goodwill (Note 15)		**25,861**

Kama Ayurveda's assets and liabilities are denominated in Indian rupees.

The most important differences between the net carrying amount and their fair values correspond to the brand and customer relationships, with net fair values of 37 million euros and 4 million euros respectively.

The respective fair values of Kama Ayurveda's brand and customer relationships were determined through valuations conducted by an independent expert using the royalty savings method and the MEEM (Multi-period Excess Earning Method) methodology. The key assumptions for the estimation of fair values at the acquisition date refer to net revenue growth and royalty rate aligned with the expected market evolution and considering the specifications of the brand. Additionally, a post-tax discount rate of 14.3% and a long-term growth rate of 5.1% are considered. The assumptions used in terms of business evolution were based on strategic plans approved by Puig.

As a result of the business combinations described above, Puig has recognized a goodwill related to the acquisition of Kama Ayurveda due to its business ability to generate profits, the competitive advantages gained in the Indian market and the growth and reinforcement of the niche and wellness brands portfolio.

As part of the acquisition, put and call options for the acquisition of the 15% of Kama Ayurveda's shares not currently owned by Puig executable in long term have been agreed.

The valuation of the put call options are based on net a revenues multiple (adjusted by the profitability of the business) which is adjusted according to expected performance at each year end, compared to the initial plan, until expiration of the put and call options. These liabilities were discounted at an 14.3% post-tax rate at the date of the business combination.

At the acquisition date, the amount of these put and call options amounted to 17 million euros, which were initially recognized as a non-controlling interest, and subsequently reclassified as a liability at the reporting date (Note 3.1).

The fair value of the prior minority investment at the acquisition date (35,653 thousand euros) produced a financial gain due to the business combination achieved in stages amounting to 9,347 thousand euros (note 17).

The results of Kama Ayurveda's operations have been included in these special purpose financial statements starting from the acquisition date. The amount of net revenue and pre-tax loss attributable from the acquisition date until December 31, 2022, amounted to 7.2 million euros and 1 million euros, respectively.

If the business combination had been completed on January 1, 2022, net revenues and pre-tax loss attributable to Kama Ayurveda's into Puig's results would have amounted to 17.1 million euros and 1.2 million euros, respectively.

5. SEGMENT REPORTING

The information presented below regarding segments has been prepared in accordance with IFRS 8, identifying the corresponding operating segments based on the type of products offered in each of them.

Puig's business activities are organized into three segments: Fragrance and Fashion, Make-up, and Skincare**.**

The segment reporting is presented with this breakdown as it is used by the senior management and board of directors of Puig to monitor the business. For the purposes of IFRS 8, the board of directors should be understood as the highest authority for operational decision-making at Puig.

Fragrance and Fashion: The Fragrance and Fashion business segment focuses on the creation, marketing and sale of fragrances, and to a much lesser extent, clothing, accessories, and other fashion-related items. Although fashion is a small portion of our revenues, it has been a key enabler of the fragrance industry, especially in the premium segment, where a major part of the top premium fragrance brands are inspired by a fashion brand. Puig recognizes the value of the deep connection that consumers build with fashion brands and how that translates to fragrances.

Under this business category, Puig designs, develops and markets fragrances in various forms, including eau de parfum sprays and colognes, as well as lotions, powders, creams, candles, and soaps, that are based on a particular fragrance. In addition, Puig designs, produces, and markets clothing, footwear, and accessories.

The Puig portfolio of brands operating in the Fragrance and Fashion business category includes Carolina Herrera, Jean Paul Gaultier, Nina Ricci, Rabanne, Byredo, Christian Louboutin, Comme des Garçons, Dries Van Noten, L'Artisan Parfumeur, Penhaligon's, Adolfo Domínguez and Banderas among others.

Make-up: The Make-up business segment focuses on the creation, marketing, and sale of a comprehensive range of high-quality cosmetic products including, among others, foundations, concealers, lipsticks, lip glosses, eyeliners, blushes, mascaras and eyeshadows.

The Puig portfolio of brands operating in the Make-up business category includes Carolina Herrera, Charlotte Tilbury, Rabanne, Byredo, Christian Louboutin and Dries Van Noten.

Charlotte Tilbury and Christian Louboutin are the brands with the largest revenue contribution to our Make-up business segment. Charlotte Tilbury is the leader in this segment in terms of know-how and acts as the driver for the expansion of make-up products to brands that are already established in other segments.

Skincare: The Skincare business segment focuses on the creation, marketing, and sale of a variety of products to meet the needs of different skin types and concerns, such as cleansers, toners, moisturizers, serums, body care, exfoliators, acne, and oil correctors, facial masks, and sun care products.

The Puig portfolio of brands under this segment skews heavily towards dermo-cosmetics but also includes prestige skincare. Puig's brands operating in the Skincare business segment include Uriage, Apivita, Kama Ayurveda, Loto del Sur and Charlotte Tilbury.

The distribution of net revenues, operating profit, depreciations and amortizations and operating assets among segments is as follows:

2023

(Thousand euros)	Net Revenues	Operating profit	Depreciation ** and Impairment	Operational assets
Fragrance & Fashion	3,115,001	587,190	124,084	3,169,954
Make-up	773,086	62,219	29,047	2,031,933
Skincare	430,854	43,561	16,573	800,214
Intersegment eliminations	(14,874)	(*)	-	-
	4,304,067	**692,970**	**169,704**	**6,002,101**

2022

(Thousand euros)	Net Revenues	Operating profit	Depreciation ** and Impairment	Operational assets
Fragrance & Fashion	2,671,524	473,913	107,516	2,830,768
Make-up	626,027	35,110	24,439	1,975,059
Skincare	329,132	27,472	12,998	781,686
Intersegment eliminations	(7,080)	(*)	-	-
	3,619,603	**536,495**	**144,953**	**5,587,513**

* Operating profit linked to intersegment eliminations, considering the figures involved, was not relevant.

** Depreciation and impairment are presented jointly in 2023 and 2022, as the impairment was not significant (note 14) and was fully allocated to Fragrance & Fashion.

The other operational income and expenses, financial results, taxes and liabilities are not disclosed as they do not form part of the key business indicators defined above or of the segment information reported periodically to the senior management and board of directors of Puig.

For the purpose of the reconciliation with the total assets of Puig consolidated financial statements, assets are split as follows:

(Thousand euros)	Note	2023	2022
Fixed assets	14	326,341	271,094
Intangible assets	15	4,114,267	4,062,277
Right-of-use assets	16	287,922	239,873
Inventories	19	788,866	626,333
Trade accounts receivable	18	484,705	387,936
Total operational assets		**6,002,101**	**5,587,513**
Corporate assets		1,709,187	1,527,599
Total assets		**7,711,288**	**7,115,112**

Operational assets are those assets managed in the business segments. Corporate assets are those assets centrally managed by the Parent Company.

6. GEOGRAPHICAL REPORTING

In the presentation of information by geographical areas, net revenues are based on the geographical location of clients, while operational assets are based on the geographical location of assets.

Puig reports using three geographical areas: EMEA (Europe, Middle East and Africa), Americas and Asia-Pacific.

The distribution of net revenues and operational assets by geographical areas is as follows:

2023

(thousands of euros)	Net Revenues	Operational assets
EMEA	2,322,116	3,303,691
Americas	1,542,978	1,600,909
Asia-Pacific	438,973	1,097,501
	4,304,067	**6,002,101**

2022

(thousands of euros)	Net Revenues	Operational assets
EMEA	1,959,897	3,015,465
Americas	1,311,885	1,577,252
Asia-Pacific	347,821	994,796
	3,619,603	**5,587,513**

The net carrying amount of property, plant and equipment, intangible assets, and right of use assets located in Spain amounted to 316,716 thousand euros as of December 31, 2023 (2022: 263,435 thousand euros).

7. NET REVENUES

In notes 5 and 6 above, net revenues by operating segment and by geographical area are presented.

A reconciliation between gross sales and net revenues is detailed as follows:

(thousands of euros)	2023	2022
Gross sales	4,793,239	4,048,775
Royalty income	26,440	23,121
Sales rebates	(448,213)	(383,095)
Sales returns	(67,399)	(69,198)
	4,304,067	**3,619,603**

Puig has deducted from its gross sales an amount of 515,612 thousand euros corresponding to discounts, returns and promotional support services from certain customers when these support services are not under Puig control neither fulfil any obligation (2022: 452,293 thousand euros) .
Puig does not have any client with a sales volume greater than 10% of Puig's net income.

8. COSTS OF SALES

The breakdown of sales costs is as follows:

(thousands of euros)	2023	2022
Procurement and production costs	1,226,551	1,143,584
Inventory losses (note 19)	50,170	25,079
Gross inventory variation (note 19)	(187,817)	(241,694)
	1,088,904	**926,969**

Procurement and production costs are mainly related to the industrial production cost of products sold. This caption also includes finished goods produced by third parties.

Inventory impairment reflects the obsolete stocks and slow-moving products, that, in line with Puig policies have been reduced to their estimated realizable value.

Gross inventory variation shows the difference between prior year and current year gross inventory (excluding provisions for obsolete stocks and slow-moving products).

9. OTHER OPERATIONAL INCOME AND EXPENSES

The breakdown of this item is as follows:

(Thousands of euros)	2023	2022
Restructuring costs	(1,342)	(8,720)
Transaction costs	(7,965)	(23,224)
Others	(4,457)	(11,584)
	(13,764)	**(43,528)**

Restructuring costs are recognized in full if they have been communicated to the relevant third parties prior to the end of the reporting period. These costs primarily include expenses such as severance payments, early retirement payments, and other expenses associated with restructuring of acquisitions or change in activity such as site closures.

Transaction costs refer to the expenses incurred for business combinations (note 4) and other corporate transactions. These costs encompass various fees and expenses necessary for completing the transactions.

In 2023, "Other" are costs of the sponsorship of the Puig Women's America's Cup amounting to 4,4 million euros, exceptional legal costs amounting to 2,5 million euros and income of 2,4 million euros resulting from the termination of a license agreement.

In 2022, "Other" was exceptional legal cost incurred amounting to 11.6 million euros.

10. OPERATING EXPENSES

The following items are classified as expenses in the income statement based on their function:

(Thousands of euros)	2023	2022
Employee benefits expense	761,103	638,558
Lease expenses (Note 16)	16,014	14,050
Research and development expenses	33,208	28,592
	810,325	**681,200**

In 2023 Puig's average headcount was 9,612 employees, of which 7,017 were female, 2,522 were male and 73 were non-binary/undisclosed (2022: 8,844, of which 6,542 were female, 2,265 were male and 37 were non-binary).

The headcount by professional category is as follows:

	Headcount at year-end				
	Male	Female	Non-binary / Undisclosed	Total	Average headcount
2023					
Senior executives	111	107	2	220	218
Sales and Marketing	652	2,316	61	3,029	2,832
Point of sale personnel	813	3,617	19	4,449	3,357
Technicians	893	1,667	43	2,603	2,423
Administrative	22	113	2	137	129
Production staff	298	388	-	686	653
	2,789	**8,208**	**127**	**11,124**	**9,612**
2022					
Senior executives	107	81	1	189	191
Sales and Marketing	539	1,981	16	2,536	2,473
Point of sale personnel	647	3,092	33	3,772	3,361
Technicians	744	1,406	12	2,162	1,969
Administrative	7	103	-	110	105
Production staff	340	429	-	769	745
	2,384	**7,092**	**62**	**9,538**	**8,844**

The average number of people employed during the year with a disability equal to or greater than 33%, by category, in Puig companies domiciled in Spain to which Royal Decree 1/2021 of January 12, 2021 is applicable, is as follows:

	2023	**2022**
Senior executives	-	-
Sales and Marketing	1	-
Point of sale personnel	1	1
Technicians and administrative	14	13
Production staff	10	15
	26	**29**

As of December 31, 2023, the Board of Directors consisted of 14 members, 12 men and 2 women (2022: 12 members, 11 men and 1 woman).

Employee expenses

(Thousands of euros)	**2023**	**2022**
Wages and salaries	554,812	441,328
Social security costs	110,562	87,924
Pension costs	11,713	12,928
Additional employee expenses	84,016	96,378
	761,103	**638,558**

The increase in wages and salaries for 2023 and 2022 mainly corresponds to the increase in the average headcount of the year as well as inflation.

The "Additional employee expenses" caption includes multiannual employee remuneration amounting to 46,143 thousand euros in 2023 (59,415 thousand euros in 2022), restructuring costs in 2023 in the amount of 1,342 thousand euros (2022: 8,720 thousand euros), compensation in the amount of 8,584 thousand euros (2022: 8,386 thousand euros) and other additional fringe benefits such as employee insurances, meal & food allowances, employee cars and other employee benefits.

11. DEPRECIATION AND IMPAIRMENT

The breakdown of depreciation and amortization expenses and impairment is as follows:

(Thousands of euros)	**2023**	**2022**
Depreciation charge, intangible assets (Note 15)	32,903	26,966
Depreciation and impairment charge, PP&E (Note 14)	70,975	64,248
Depreciation charge, right-of-use assets (Note 16)	65,826	53,739
	169,704	**144,953**

Overall expenses shown above relate to property, plant, and equipment, intangible assets, and right-of-use assets.

12. FINANCIAL RESULT

The detail of the financial income and expenses is as follows:

(Thousands of euros)	2023	2022
Finance income from investments in financial institutions and others	21,978	13,667
Finance income with related parties (Note 31)	2,009	2,600
Other finance income (Note 25)	19,609	22,976
Total Finance income	**43,596**	**39,243**
Finance costs from bank borrowings, commissions and other	(54,364)	(29,968)
Finance lease expenses (Note 16)	(5,098)	(3,024)
Other finance costs (Note 25)	(25,810)	(31,227)
Total Finance costs	**(85,272)**	**(64,219)**
Exchange gains (losses) (net)	(45,727)	(9,888)
Total Exchange result	**(45,727)**	**(9,888)**
Financial results	**(87,403)**	**(34,864)**

Financial income

Financial income primarily corresponds to interest generated by investments held in financial institutions.

In 2023, finance income with related parties corresponds to interest amounting to 2,009 thousand euros of loans issued to related parties (2022: 2,018 thousand euros).

Other financial income in 2023 corresponds to the change in the valuation of the earn outs (Note 25).

In 2022, other financial income corresponds to the proceeds from the sale of shares to a third party in an entity in which Puig did not maintain significant influence (Note 18).

Finance costs

Financial expenses from financial debts with credit institutions, including loans, interest rate swaps, fees, and others, primarily refer to the interest on loans granted and credit lines used during the current year.

The financial expense for the year 2023 has increased compared to 2022 due to the higher level of bank borrowings and because most of the bank borrowings granted in the year 2022 were taken in May (see Note 23). Therefore, the average bank borrowings level for the year 2023 is higher than that of the year 2022.

Finance lease expenses exclusively concern to the financial impact of applying IFRS 16.

Other finance costs correspond to the variation of earn-outs in relation to the business combinations (Note 25).

Exchange results

In 2023 the negative impact of exchange gains mainly corresponds with the depreciation of the Argentinian, the US Dollar and the GB pound.

As detailed in note 3.4, Puig applies adjustments in hyperinflationary economies.

13. TAXES

Puig Brands is subject to corporate income tax under the consolidated taxation regime in Spain, with Puig, S.L. being responsible for such tax consolidation. Annex II provides details of the companies that are part of the tax consolidation group led by Puig, S.L.

The remaining companies generally pay corporate income tax on an individual basis, except in some jurisdictions where taxation occurs under a tax consolidation regime (Annex II).

On June 2, 2020, inspection proceedings commenced in the Spanish tax consolidation group, for the corporate income tax for the periods 2015-2018 and the value added tax for the periods 2016 -2018. As a result of these inspection proceedings, in May and June 2022 Puig received assessments amounting to an aggregate of 9,131 thousand euros. These were paid in 2022. An economic and administrative claim was lodged against the assessments with which Puig disagreed and in November 2022 the defence allegations were submitted.

On December 31, 2023, Puig has ongoing tax inspections (started in 2022 and 2023) for companies within the group located in the United States, France, and Canada. As of the date of preparation of these Special Purpose Financial statements, no significant tax contingencies are expected from the outcomes of these inspections.

Under tax regulations prevailing in countries where Puig companies are domiciled, tax returns may not be considered final until they have either been inspected by tax authorities or until the corresponding inspection period has expired. The years open to inspection in relation to the main taxes vary according to the tax legislation of each country in which the Group operates. Puig considers that, in the event of a tax inspection, no significant tax contingencies would arise in the consolidated financial statements.

The legislation of Pillar 2 has been approved in certain jurisdictions where Puig operates. The legislation will be effective for Puig's annual exercises beginning on January 1, 2024. Puig has conducted an assessment to determine if it is potentially exposed to Pillar 2 taxes. The assessment of potential exposure to Pillar 2 taxes is based on the most recent tax returns, country-by-country reports, and financial statements of the entities forming the Group. According to this assessment, the effective tax rates of Pillar 2 in most jurisdictions where the Group operates are above 15%. The Group does not expect material exposure to Pillar 2 taxes in those jurisdictions.

The breakdown of the Group's tax balances is as follows:

(Thousands of euros)	**2023**	**2022**
Assets		
Non-current deferred tax assets	146,562	123,897
Short-term assets for tax refunds (Note 20)	85,623	51,500
Liabilities		
Non-current deferred tax liabilities	(553,741)	(552,629)
Short-term liabilities for tax payment (Note 27)	(71,177)	(59,156)
Short-term income tax liabilities	(55,319)	(29,096)
	(448,052)	**(465,484)**

Short-term income tax liabilities in the consolidated balance sheet correspond to the provision for income tax for the year, net of withholdings and prepayments made during the year.

The deferred tax reflects the income tax amounts to be paid or recovered in future years and arises from the recognition of deferred tax assets or liabilities.

The reconciliation between the expense for tax on profits before tax and the tax rate applicable to Puig is as follows:

(Thousands of euros)	2023	2022
Profit/(loss) before tax	**643,150**	**513,724**
Tax rate applicable in Spain (25%)	(160,787)	(128,431)
Net permanent differences and tax incentives and credits	6,312	18,337
Non-capitalized tax losses used for the year impact	(208)	614
Effect of application of different tax rates	10,761	4,081
Deferred taxes impact due to tax rate variations	342	4,429
Deferred tax loss capitalization from prior years	1,577	-
Other adjustments	(1,259)	(231)
Income tax / (expense)	**(143,262)**	**(101,201)**
Effective tax rate	**22.3%**	**19.7%**

Income tax includes expense from both current and deferred tax.

Current tax is the income tax amount payable related to tax on profit for the period and other tax charges derived from compliance with income tax regulations.

Additionally, most of the companies of the group have accumulated positive results in their net equity. If these reserves were distributed, they could be subject to taxation. These consolidated special purpose financial statements do not include the impact of the distribution when it is not probable to happen under the exemption of IAS 12.

On the other hand, the subsidiaries of the group do not include deferred tax liabilities in relation with future shareholders distributions because there is not expected any dividend distribution at the date of preparation of the consolidated financial statements, therefore there is no impact on the parent company.

The breakdown of income tax income / (expense) by current and deferred income tax is as follows:

(Thousands of euros)	2023	2022
Current income tax	(162,632)	(133,975)
Deferred income tax	19,370	32,774
	(143,262)	**(101,201)**

Deferred taxes

The detail of deferred taxes as of December 31 is as follows:

(Thousands of euros)	2023	2022
Deferred tax liabilities		
Intangible assets from business combinations	521,216	518,358
Derivatives	4,013	10,519
Other	28,512	23,752
	553,741	**552,629**
Deferred tax assets		
Intra-group transactions	30,133	24,205
Capitalized tax loss carryforwards	23,242	21,217
Provisions	14,007	23,114
Others	79,180	55,361
	146,562	**123,897**

The increase in deferred tax liabilities in 2022 corresponded to the business combination indicated in Note 4.

Deferred tax assets and liabilities movements are as follows:

(Thousands of euros)	2023	2022
Deferred tax assets at begining of the year	*123,897*	*85,066*
Deferred tax liabilities at begining of the year	*(552,629)*	*(398,852)*
Charged/(credited) to the income statement	19,370	32,774
Charged/(credited) to equity	6,618	(11,931)
Business combinations	-	(152,880)
Translation and others	(4,435)	17,092
Deferred tax assets at the end of the year	*146,562*	*123,897*
Deferred tax liabilities at the end of the year	*(553,741)*	*(552,629)*

At December 31, 2023 Puig had non-capitalized unused tax loss carry forwards amounting to 32 million euros (2022: 32.5 million euros). Additionally, at the same date Puig had no unused tax credits.

The non-capitalized tax loss carryforward maturities are as follows:

(Thousands of euros)	2023	2022
Less than 5 years	24,923	18,981
More than 5 years and indefinitely	6,983	13,548
	31,906	**32,529**

14. PROPERTY, PLANT AND EQUIPMENT

The breakdown of property, plant and equipment is as follows:

(Thousand euros)	Land and buildings	Machinery and tools	Office furniture and other equipment	Fixed assets under construction and Others	Total
Cost					
At January 1, 2022	254,589	258,658	176,011	2,788	692,046
Additions	34,427	23,936	54,061	820	113,244
Disposals	(2,208)	(4,967)	(1,976)	(221)	(9,372)
Transfers and others	481	(398)	(459)	-	(376)
Business combinations (note 4)	2,558	1,638	24,803	-	28,999
Translation differences	(134)	(316)	(2,860)	(5)	(3,315)
At December 31, 2022	289,713	278,551	249,580	3,382	821,226
Accumulated depreciation					
At January 1, 2022	(153,987)	(191,144)	(131,013)	(2,742)	(478,886)
Depreciation (note 11)	(13,063)	(15,913)	(30,996)	(208)	(60,180)
Disposals	2,102	4,058	1,498	221	7,879
Transfers and others	(52)	(6)	(1,202)	40	(1,220)
Business combinations (note 4)	(1,415)	(797)	(9,217)	-	11,429)
Translation differences	13	99	(162)	12	(38)
At December 31, 2022	(166,402)	(203,703)	(171,092)	(2,677)	(543,874)
Accumulated impairment					
At January 1, 2022	(383)	(1,390)	(416)	-	(2,189)
Impairment (note 11)	(14)	(4,370)	315	-	(4,069)
At December 31, 2022	(397)	(5,760)	(101)	-	(6,258)
Net at January 1, 2022	**100,219**	**66,124**	**44,582**	**46**	**210,971**
Net at December 31, 2022	**122,914**	**69,088**	**78,387**	**705**	**271,094**
Cost					
At January 1, 2023	289,713	278,551	249,580	3,382	821,226
Additions	50,000	39,932	42,528	277	132,737
Disposals	(10,899)	(9,075)	(7,787)	(106)	(27,867)
Transfers and others	16,940	371	(15,579)	532	2,264
Business combinations (note 4)	-	-	-	-	-
Translation differences	(10,619)	(2,292)	806	4,555	(7,550)
At December 31, 2023	335,135	307,487	269,548	8,640	920,810
Accumulated depreciation					
At January 1, 2022	(166,402)	(203,703)	(171,092)	(2,677)	(543,874)
Depreciation (note 11)	(21,772)	(32,751)	(20,710)	(117)	(75,350)
Disposals	10,682	8,133	6,241	128	25,184
Transfers and others	(5,437)	294	6,699	(1,815)	(259)
Business combinations (note 4)	-	-	-	-	-
Translation differences	822	1,604	(942)	229	1,713
At December 31, 2023	(182,107)	(226,423)	(179,804)	(4,252)	(592,586)
Accumulated impairment					
At January 1, 2023	(397)	(5,760)	(101)	-	(6.258)
Impairment (note 11)	14	4,361	-	-	4.375
At December 31, 2023	(383)	(1,399)	(101)	-	(1.883)
Net at January 1, 2023	**122,914**	**69,088**	**78,387**	**705**	**271,094**
Net at December 31, 2023	**152,645**	**79,665**	**89,643**	**4,388**	**326,341**

The “Land and buildings” caption mainly includes production premises and points of sale and offices owned by Puig.

The “Machinery and tools” caption mainly includes the items of the main product equipment.

The additions in 2023 and 2022 mainly correspond to investments in the production centers of Puig related to its activity, as well as leasehold improvements.

As of December 31, 2023, fully depreciated property, plant and equipment in use amount to 341,001 thousand euros (2022: 338,350 thousand euros).

As of December 31, 2023 and 2022 the main property, plant and equipment items were covered by insurance policies taken out by Puig.

Additionally, none of the property, plant and equipment items has been pledged as collateral to third parties.

15. INTANGIBLE ASSETS

The breakdown of intangible assets is as follows:

(Thousands of euros)	Goodwill	Brands	Software	Others	Total
Cost					
At January 1, 2022	1,037,345	1,573,987	122,250	114,116	2,847,698
Additions	-	-	32,061	6,282	38,343
Disposals and write-off	-	-	(2,353)	(1,158)	(3,511)
Business combination (note 4)	763,116	686,537	560	67,004	1,517,217
Reclassification and others	-	(12)	33	370	391
Translation differences	(48,402)	(71,421)	(1,237)	(1,621)	(122,681)
At December 31, 2022	1,752,059	2,189,091	151,314	184,993	4,277,457
Accumulated depreciation					
At January 1, 2022	-	(40,351)	(85,638)	(35,856)	(161,845)
Depreciation (note 11)	-	-	(17,903)	(9,063)	(26,966)
Disposals and write-off	-	-	2,005	517	2,522
Business combination (note 4)	-	-	(381)	(4,986)	(5,367)
Reclassification and others	-	9	(8)	1,462	1,463
Translation differences	-	(311)	411	8	108
At December 31, 2022	-	(40,653)	(101,514)	(47,918)	(190,085)
Accumulated impairment					
At January 1, 2022	(25,095)	-	-	-	(25,095)
Impairment (note 11)	-	-	-	-	-
At December 31, 2022	(25,095)	-	-	-	(25,095)
Net at January 1, 2022	**1,012,250**	**1,533,636**	**36,612**	**78,260**	**2,660,758**
Net at December 31, 2022	**1,726,964**	**2,148,438**	**49,800**	**137,075**	**4,062,277**
Cost					
At January 1, 2023	1,752,059	2,189,091	151,314	184,993	4,277,457
Additions	-	-	35,434	9,748	45,182
Disposals and write-off	(4,584)	(2,475)	(469)	(1,372)	(8,900)
Business combination (note 4)	-	-	-	-	-
Reclassification and others	-	-	374	(4,039)	(3,665)
Translation differences	18,728	24,511	677	358	44,274
At December 31, 2023	1,766,203	2,211,127	187,330	189,688	4,354,348
Accumulated depreciation					
At January 1, 2023	-	(40,653)	(101,514)	(47,918)	(190,085)
Depreciation (note 11)	-	-	(21,633)	(11,270)	(32,903)
Disposals and write-off	-	2,475	209	65	2,749
Business combination (note 4)	-	-	-	-	-
Reclassification and others	-	-	(2,722)	3,449	727
Translation differences	-	86	(186)	42	(58)
At December 31, 2023	-	(38,092)	(125,846)	(55,632)	(219,570)
Accumulated impairment					
At January 1, 2023	(25,095)	-	-	-	(25,095)
Impairment (note 11)	-	-	-	-	-
Disposals and write-off	4,584	-	-	-	4,584
At December 31, 2023	(20,511)	-	-	-	(20,511)
Net at January 1, 2023	**1,726,964**	**2,148,438**	**49,800**	**137,075**	**4,062,277**
Net at December 31, 2023	**1,745,692**	**2,173,035**	**61,484**	**134,056**	**4,114,267**

In 2023 and 2022 the increase of software was due to the implementation of new IT systems and new ecommerce platforms for the different businesses.

The net value of brands and trademarks at year-end, were as follows:

(Thousands of euros)	2023	2022
Charlotte Tilbury	1,119,669	1,097,095
Byredo	619,000	619,000
Jean Paul Gaultier	111,770	111,770
Dries Van Noten	76,302	76,302
Uriage	76,137	76,137
Kama Ayurveda	42,372	44,160
Nina Ricci	37,031	37,031
Penhaligon's	34,654	33,955
Apivita	35,559	35,559
Loto del Sur	17,551	14,439
L'Artisan Parfumeur	2,990	2,990
Total	**2,173,035**	**2,148,438**

These brands are considered to have indefinite useful lives. There have not been any impairments with respect to these brands.

As a result of the business combinations described in Note 4, in 2022 Puig consolidated the brands Byredo, Kama Ayurveda and Loto del Sur.

During 2023, there is a positive impact of 25 million euros in the carrying amounts of brands as a result of changes in the exchange rates between several functional currencies of the brands and the presentation currency (euro) (2022: (71) million euros).

Brand and goodwill impairment test

Puig, internally, tests annually for impairment the brands with indefinite useful lives and goodwill acquired in business combinations.

Cash Generating Units (CGUs) are the smallest identifiable group of assets that generate cash flows independently of cash flows produced by other assets or group of assets. Puig defines these CGUs by associating them with different brands or businesses. Brands may belong to different operating segments (note 5).

In 2022, CGUs have been reviewed, identifying Niche and Wellness as a new CGU, in accordance with the provisions of IAS 36 p72, based on the following:

– One of Puig's strategic decisions in the last years was to position itself in the Niche and Wellness products due to its high growth potential, beginning with the acquisition of L'Artisan Parfumeur and Penhaligon's in 2015, and subsequently the acquisition of Dries Van Noten in 2018.

– However, it is not until 2022, with the acquisition of Byredo and the takeover of Loto del Sur and Kama Ayurveda (note 17), when Puig obtains a portfolio of brands that allows synergies within Niche and Wellness.

As a consequence, Niche & Wellness CGU is composed by L'Artisan Parfumeur, Penhaligon's, Dries Van Noten, Byredo, Kama and Loto del Sur (which were separate CGUs before the acquisitions of Byredo, Kama and Loto del Sur in 2022).

The breakdown of the main intangible assets with indefinite useful lives (brands and goodwill) by cash-generating unit, operating segment, discount rate (Weighted average cost of capital, hereinafter WACC) before tax and long-term growth rate for 2023 and 2022 are as follows:

2023

Cash Generating Unit	Operating Segment	Gross value (*)	Net Value	WACC Pre-tax	WACC Post-tax	Long term growth rate
Charlotte Tilbury	Skincare & make-up	1,858,087	1,858,087	13.0%	10.5%	3.0%
Niche & Wellness	Fragrance & fashion, skincare	976,202	961,202	12.1%	10.0%	3.0%
Uriage	Skincare	152,095	152,095	13.6%	11.0%	3.0%
Jean Paul Gaultier	Fragrance & fashion	117,359	117,359	11.7%	9.5%	3.0%
Apivita	Skincare	67,667	67,667	13.4%	11.0%	3.0%
Nina Ricci	Fragrance & fashion	37,031	37,031	12.1%	9.5%	2.5%

(*) Gross value of depreciation and impairment

2022

Cash Generating Unit	Operating Segment	Gross value (*)	Net Value	WACC Pre-tax	WACC Post-tax	Long term growth rate
Charlotte Tilbury	Skincare & make-up	1,820,827	1,820,827	12.0%	9.5%	2.5%
Niche & Wellness	Fragrance & fashion, skincare	970,238	955,238	11.7%	9.5%	2.5%
Uriage	Skincare	152,092	152,092	12.2%	9.5%	2.5%
Jean Paul Gaultier	Fragrance & fashion	117,359	117,359	11.9%	9.5%	2.5%
Apivita	Skincare	67,667	67,667	13.1%	10.5%	2.5%
Nina Ricci	Fragrance & fashion	37,031	37,031	12.0%	9.5%	2.5%

(*) Gross value of depreciation and impairment

In addition to the abovementioned CGUs, Puig also operates other CGUs, with the most relevant ones being Rabanne and Carolina Herrera, that do not have significant intangible assets.

Accumulated impairment of 15,000 thousand euros in Dries Van Noten (since 2022 in the Niche & wellness CGU) refers to the goodwill impairment recorded in 2020.

Regarding the goodwill arising from the acquisition of Byredo business, Puig's strategy encompassed not only the generation of cash flows within the acquired business, but also generating synergies across other CGUs distinct from Niche and Wellness. Consequently, since the allocation of the generated goodwill, for the purpose of measuring its potential impairment, could not be assigned to a specific CGU (Niche and Wellness) unless in an arbitrary manner. The assessment of the recoverability of such goodwill is conducted at the level of the group of CGUs for which it will generate cash flows (Niche, Carolina Herrera, Rabanne and Jean Paul Gaultier).

As of December 31, 2023, the gross and net values of the intangible assets with indefinite useful lives (brands and goodwill) of the mentioned CGUs were 1,809 million euros and 1,794 million euros (2022: 1,788 million euros), the discounted pre-tax rate was 12,1% (2022: 11,7%), the post-tax rate was 10% (2022: 9.5%) and the long-term growth rate was 3% (2022: 2.50%).

Methodology of impairment test

The procedures for carrying out the impairment test, performed by the Company at least once a year, are as follows:

– The recoverable amount associated with different CGUs has been determined based on a value-in-use calculation using cash flow projections based on the business plans prepared by Puig for the next five years. The cash flows used for the impairment test include income tax payments.

– Puig uses the budgets and business plans of each CGU, which are prepared for a period of four or five years (approved by the Board of Directors), plus an additional year based on the strategy of the Group and previous experience.

– The key assumptions used to prepare budgets and business plans are estimated growth in sales, evolution of operating expenses and gross margin of each cash-generating unit, based on experience and knowledge of each brand's performance, as well as macroeconomic indicators that reflect the current and foreseeable economic situation of each market.

– Sales growth assumptions are based on past performance, the growth potential of the industry itself, and Puig's ability to gain market share. Neither the Ukraine-Russia war, the Palestine-Israel conflict, nor climate change have a significant impact in the current and future strategic plans, due to sales in the impacted countries being not significant for Puig.

– A valuation analysis is carried out internally by Puig, which consists of applying the discounted free cash flow method, carrying out all the procedures necessary to determine the recoverable value of the assets in each CGU.

– The discount rates applied to future cash flow projections have been calculated specifically for each cash-generating unit, considering in some cases a specific risk premium in accordance with the specific characteristics of each CGU and the inherent risk profile in the projected cash flows of each cash-generating unit.

– Cash flows used for terminal value are extrapolated using a prudential growth rate compared to the expected long-term growth for the businesses involved.

– Carrying amounts of the CGUs include Brands and goodwill, other intangible assets, property plan and equipment allocated, right of use and other net assets assigned to the CGUs (including inventory and working capital amounts). Deferred tax liabilities are not included in the carrying amount of the CGUs.

Sensitivity analysis on key assumptions

Puig conducts a sensitivity analysis of the impairment calculation by applying reasonable variations to the key assumptions considered in the calculation. The following variations have been applied for CGUs and groups of CGUs:

- A variation of +1.5% in the discount rate would entail an adjustment to the net carrying amounts of the intangible assets recorded in 2023 amounting to 7,882 thousand euros (13,328 thousand euros in 2022).
- A variation of -1% in the long-term growth rate would entail an adjustment to the net carrying amounts of the intangible assets recorded in 2023 amounting to 3,522 thousand euros (it would not imply any adjustment in 2022).
- A variation of -2% in the revenue growth compound annual growth rates (CAGR) would entail an adjustment to the net carrying amounts of the intangible assets recorded in 2023 amounting to 2,186 thousand euros (103,311 thousand euros in 2022).

16. LEASES

16.1 Right- of- use assets

The breakdown of Puig's leases by nature of the underlying asset as of December 31, were as follows:

(Thousands of euros)	2023	2022
Land and buildings	278,632	234,874
Machinery and tools	3,657	1,544
Office furniture and other equipment	5,633	3,455
Total Right-of-use assets	**287,922**	**239,873**

The movements in right-of-use assets were as follows:

(Thousands of euros)	Cost	Depreciation	Net carrying amount
At January 1, 2022	292,970	(104,317)	188,653
Additions	82,699	(53,739)	28,960
Early terminations	(2,053)	872	(1,181)
Business combinations (note 4)	42,590	(16,913)	25,677
Translation differences	(3,202)	966	(2,236)
At December 31, 2022	**413,004**	**(173,131)**	**239,873**
At January 1, 2023	413,004	(173,131)	239,873
Additions	124,096	(65,826)	58,270
Early terminations	(26,857)	17,523	(9,334)
Business combinations	-	-	-
Translation differences	(2,651)	1,764	(887)
At December 31, 2023	**507,592**	**(219,670)**	**287,922**

The additions in fiscal 2023 and 2022 mainly correspond to new shops and office buildings in all regions. There are no impairments over Right-of-use assets.

Business combinations in 2022 (Note 4) were related to Byredo, Loto del Sur and Kama Ayurveda, where retail have a significant component in the acquired business.

16.2 Lease liabilities

The amounts recognized in the consolidated balance sheet as of December 31, were as follows:

(Thousands of euros)	2023	2022
Non-current liabilities (Note 25)	255,561	208,698
Current liabilities (Note 27)	58,074	43,916
	313,635	**252,614**

The movements in lease liabilities as of December 31, were as follows:

(Thousands of euros)	2023	2022
Balance at January 1	252,614	204,446
Additions	124,096	82,699
Early terminations	(4,775)	(1,714)
Translation differences	(631)	(1,992)
Business combinations (note 4)	-	25,413
Lease payments	(62,767)	(52,140)
Interests (note 12)	5,098	3,024
Reclassifications and other	-	(7,122)
	313,635	**252,614**

16.3 Other lease-related matters

The amounts recognized in the consolidated income statements for the three years ended as of December 31, were as follows:

(Thousands of euros)	2023	2022
Depreciation of right-of-use assets (Note 16.1)	(65,826)	(53,739)
Finance costs (Note 12)	(5,098)	(3,024)
Expenses relating to leases of low-value assets, short-term and variable	(16,014)	(14,050)
	(86,938)	**(70,813)**

The breakdown of the debt by maturity as of December 31, is as follows:

(Thousands of euros)	2023	2022
Debt maturing in more than 4 years	122,322	85,701
Debt maturing between 2 and 4 years	81,264	79,483
Debt maturing between 1 and 2 years	51,975	43,514
Debt maturing in less than 1 year	58,074	43,916
Total lease liability	**313,635**	**252,614**

Puig doesn’t have any additional lease commitments (neither in 2022).

17. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Puig investments in associates and joint ventures have been accounted for using the equity method. The breakdown in this caption was as follows:

(Thousands of euros)	% stake	Total Assets (*)	Total Liabilities (*)	Net revenues (*)	Operational profit (*)	Net profit (*)	Book value
Sociedad Textil Lonia, S.A. (Spain)	25 %	492,816	149,744	430,406	76,699	53,516	147,112
Ponteland Distribuição, S.A. (Granado) (Brazil) (***)	35 %	211,881	76.288	244,337	51,159	38,709	114,187
Isdin, S.A. (**) (***) (Spain)	50 %	399,500	179,990	568,945	83,702	50,032	104,508
Beijing Yitian Shidai Trading Co, LLC (China) (***)	15 %	16,745	4,972	20,070	(3,971)	(3,967)	9,405
Total as of December 31, 2023							**375,212**

(Thousands of euros)	% stake	Total Assets (*)	Total Liabilities (*)	Net revenues (*)	Operational profit (*)	Net profit (*)	Book value
Sociedad Textil Lonia, S.A. (Spain)	25 %	524,196	194,491	423,077	90,567	69,834	145,733
Ponteland Distribuição, S.A. (Granado) (Brazil) (***)	35 %	174,753	75,891	175,627	23,208	15,991	98,748
Isdin, S.A. (**) (***) (Spain)	50 %	320,315	140,725	435,334	73,329	53,496	89,691
Beijing Yitian Shidai Trading Co, LLC (China) (***)	15 %	21,821	5,165	15,548	(5,802)	(5,873)	10,652
Total as of December 31, 2022							**344,824**

(*) Refers to 100% of the entity

(**) Joint Business

(***) Amounts in local accounting plan

The book values of ownership interests accounted for using the equity method includes implicit goodwill and other assets.

As explained in note 2.4 and note 4, Puig increased its ownership in Cosmetika, S.A.S. and Kama Ayurveda Private Ltd in 2022. As a result of these business combinations, Puig recorded income of 7,984 thousand euros and 9,347 thousand euros respectively, corresponding to the remeasurement of its original ownership stake in these companies.

The movements in “Investments in associates” during the three years ended December 31, 2023 and 2022 were as follows:

(Thousands of euros)	Sociedad Textil Lonia, S.A.	Ponteland Distribuçao, S.A. (Granado)	Isdin, S.A.	Beijing Yitian Shidai Trading Co, LLC	Total 2023
Opening balance 2023	**145,733**	**98,748**	**89,691**	**10,652**	**344,824**
Profit/(loss)	13,379	13,547	25,016	(595)	51,347
Net impairment	-	-	-	-	-
Dividends received	(12,000)	(3,265)	(10,199)	-	(25,464)
Translation differences	-	5,157	-	(652)	4,505
Closing Balance 2023	**147,112**	**114,187**	**104,508**	**9,405**	**375,212**

(Thousands of euros)	Sociedad Textil Lonia, S.A.	Ponteland Distribuçao, S.A. (Granado)	Isdin, S.A.	Beijing Yitian Shidai Trading Co, LLC	Kama Ayurveda Private Ltd	Cosmetika S.A.S.	Total 2022
Opening balance 2023	**125,275**	**85,598**	**74,443**	**31,831**	**24,501**	**4,808**	**346,456**
Profit/(loss)	17,458	5,449	26,748	(881)	1	106	48,881
Net impairment	9,000	-	-	(19,591)	-	-	(10,591)
Dividends received	(6,000)	(2,268)	(11,500)	-	-	(166)	(19,934)
Translation differences	-	9,969	-	(707)	1,805	(325)	10,742
Income from step acquisition	-	-	-	-	9,347	7,984	17,331
Reclassifications and disposals	-	-	-	-	(35,654)	(12,407)	(48,061)
Closing Balance 2022	**145,733**	**98,748**	**89,691**	**10,652**	**-**	**-**	**344,824**

As of December 2023, and 2022, Beijing Yitian Shidai Trading Co, LLC (Scent Library) had an impairment provision booked in its book value amounting to 19,591 thousand euros.

In 2022, an impairment loss of 19,591 thousand euros was recognized on the interest held in Beijing Yitian Shidai Trading Co, LLC (China) due to the impact that Covid had in China. Additionally, a 9,000 thousand euros reversal of impairment loss in Sociedad Textil Lonia, S.A. was recorded due to the recovery of retail after the pandemic.

Impairment test on investments in associates and joint ventures

The methodology for testing impairment of interests in associated companies and joint ventures does not differ significantly from that applied to intangible assets (Note 15).

At year end Puig analyzes the recoverable amounts of investments in associates and joint ventures. The recoverable amount associated with them has been determined based on a value-in-use calculation using cash flow projections based on the business plans prepared by Puig for the next five years.

The discount rate (WACC) before and after taxes and the long-term growth rate for the years 2023 and 2022 are as follows:

	2023			2022		
Investment in associate	**WACC Pre-tax**	**WACC Post-tax**	**Long-term growth rate**	**WACC Pre-tax**	**WACC Post-tax**	**Long-term growth rate**
Sociedad Textil Lonia, S.A.	12.7%	10.0%	2.0%	12.1%	9,5%	2.0%
Ponteland Distribuçao, S.A. (Granado)	19.9%	14,8%	5.2%	19.9%	14,8%	5.2%
Isdin, S.A.	12.0%	9,5%	3.0%	11.4%	8,5%	2.5%
Beijing Yitian Shidai Trading Co, LLC	17.3%	15,0%	5.0%	17.3%	15,0%	5.0%

Sensitivity analysis on key estimates

Puig conducts a sensitivity analysis of the impairment calculation by applying reasonable variations to the key assumptions considered in the calculation. The following variations have been assumed:

- A variation of +/-1.50% in the discount rate in the main investments would entail a negative change in the net carrying amount recorded of 1,493 thousand euros (2022: 1,991 thousand euros) and a positive impact of 2,095 thousand euros (2022: 2,174 thousand euros), respectively.
- A variation of +/- 1.00% in the long-term growth rate in the main investments would entail a positive change in the net carrying amount recorded of 1,003 thousand euros (2022: 1,284 thousand euros) and a negative impact of 778 thousands of euros (2022: 1,050 thousand euros), respectively.
- A variation of +/- 2.00% in the revenue growth compound annual growth rates (CAGR) would entail a positive change in the net carrying amount recorded of 4,872 thousand euros (2022: 3,737 thousand euros) and a negative impact of 3,227 thousand euros (2022: 22,261 thousand euros), respectively.

18. FINANCIAL ASSETS

The financial assets as of December 31, were classified as follows:

(Thousands of euros)	2023	2022
Non-current financial assets		
- Financial investments	16,359	14,154
- Other non-current assets	131,444	102,615
Current financial assets		
- Trade accounts receivable	484,705	387,936
- Other current assets (Note 20)	186,709	232,059
Total	**819,217**	**736,764**

Financial investments include investments in which Puig does not have significant influence, therefore cannot be consolidated using the equity method. Financial investments are as follows:

	% Stake		Changs in Fair Value
	2023	2022	
Wemedia Shopping Network Holdings CO, Limited	6%	6%	OCI
Adolfo Dominguez, S.A.	14%	14%	OCI
Lanzatech Global, Inc	0.25%	-	OCI
La Bouche Rouge, S.A.S.	9%	9%	P&L
Seedtag Advertising, S.L.	-	-	P&L

At December 2023, the main investments relate to shares in Adolfo Dominguez, S.A. (listed in Spain), LanzaTech Global, Inc (listed in the USA) and Wemedia Shopping Network Holdings CO, Limited.

The total cost of these investments amounts to 35,635 thousand euros (2022: 31,033 thousand euros). The total amount of impairments as of December 2023 amounts to 19,276 thousand euros (2022: 16,879 thousand euros).

Additions in 2023 relates to LanzaTech Global, Inc amounting to 4,602 thousand euros.

In 2022, shares of Seedtag Advertising, S.L. were sold to a third party, total gain amounted to 22,976 thousand euros, the book value of the investment was 1,330 thousand euros (Note 12).

The breakdown of "Other non-current assets" as of December 31, was as follows:

(Thousands of euros)	2023	2022
Loans (Note 31)	98,048	18,966
Other assets at fair value	14,891	42,078
Deposits and other	18,505	41,571
Total	**131,444**	**102,615**

There was no impairment recorded related to other non-current assets.

Loans correspond to loans granted to employees. There are no significant differences between the market value of the loans and their respective nominal amount as they accrue interest at a market rate. The increase in 2023 is attributed to the issuance of new loans granted to employees for the purchase of Puig shares (Notes 22 and 25).

Deposits include amounts given to the owners of leased commercial premises to guarantee the fulfillment of the conditions set forth in the rental agreements (Note 16).

The "Other assets at fair value" caption mainly corresponds to interest rate hedging derivatives (Note 24).

Total other-non current assets are accounted for at amortized cost except hedging derivatives, which are accounted for at their fair value through other comprehensive income.

The breakdown of "Trade accounts receivable" in the consolidated balance sheet as of December 31, were as follows:

(Thousands of euros)	2023	2022
Accounts receivable	491,584	402,814
Accounts receivable related parties (Note 31)	10,278	3,132
Provision for impairment	(17,157)	(18,010)
Total	**484,705**	**387,936**

Accounts receivable include the balances that were expected to be collected within one year.

As of December 31, 2023, Puig reduced its accounts receivable by 128 million euros (2022: 121 million euros), through non-recourse factoring agreements. Consequently, the risks related to trade receivables were transferred to the corresponding financial entities.

As of December 31, the breakdown by maturity of the "Trade accounts receivable" caption included in the table above were as follows:

(Thousands of euros)	Total	Not due balances	Past due balances			
			30-90 days	90-180 days	180-365 days	>365 days
2023	501,862	409,222	65,494	6,840	6,683	13,623
2022	405,946	289,395	85,243	14,189	5,658	11,461

The balance of the "Trade accounts receivable" caption is shown net of the provision for impairment.
Movements recorded in relation to this provision for the years ended December 31, were as follows:

(Thousands of euros)	2023	2022
Provision at January 1	18,010	17,027
Charge for the year	5,414	5,898
Utilized and cancelled during the year	(6,382)	(6,217)
Translation differences	115	(26)
Business combinations	-	1,328
Provision at December 31	**17,157**	**18,010**

At December 31, 2023 the balance accounts receivable includes items in foreign currency amounting to 377 million euros (2022: 291 million euros).

19. INVENTORY

The breakdown of Inventories by category, net of the provision for obsolete goods, as of December 31, were as follows:

(Thousands of euros)	2023	2022
Raw materials	191,066	163,925
Work in progress	153,010	168,218
Finished goods	561,148	385,264
Inventory Gross	**905,224**	**717,407**
Provisions	(116,358)	(91,074)
Total	**788,866**	**626,333**

(Thousands of euros)	**2023**	**2022**
Provisions at January 1	91,074	72,011
Charge in the income statement	50,170	25,079
Inventory write off	(25,227)	(24,049)
Translation differences	341	3,528
Business combinations	-	14,505
Provisions at December 31	**116,358**	**91,074**

Provisions mainly refer to obsolete stocks and slow-moving products.

Puig has insurance policies to cover potential risks of damage.

20. OTHER CURRENT ASSETS

The breakdown of "Other current assets" as of December 31, were as follows:

(Thousands of euros)	**2023**	**2022**
Prepaid expenses	48,010	52,670
Tax receivable from tax authorities (Note 13)	85,623	51,500
Loans to related entities (Note 31)	203	90,281
Financial assets at fair value (Note 24)	3,095	-
Receivable related parties (Note 31)	13,884	16,545
Other accounts receivable	35,894	21,063
Total	**186,709**	**232,059**

The "Prepaid expenses" caption corresponds to balances generated by Puig's ordinary activity, mainly advertisement costs.
The "Loans to related parties" caption includes the loans granted to related parties that accrue interest at a market rate. During 2023, related party loans have been settled (Note 22).

Other accounts receivable includes cost related rebates, royalties receivables and others.

The “Other assets at fair value” caption mainly includes foreign currency fair value hedging derivatives (Note 24). The breakdown as of December 31 thereof is as follows:

(Thousands of euros)	**2023**	**2022**
Foreign currency hedging (transactions)	2,305	-
Foreign currency hedging (loans)	790	-
Total	**3,095**	**-**

21. CASH AND CASH EQUIVALENTS

"Cash and cash equivalents" include the cash and short-term deposits of less than 3 months. Breakdown of this heading as of December 31, were as follows:

(Thousands of euros)	2023	2022
Cash at banks	563,770	368,637
Cash equivalents	289,131	341,413
Total	**852,901**	**710,050**

Cash at banks include the amounts related to unrestricted current accounts at banks and are not pledged as collateral.

Cash equivalents include the amount of deposits placed at several financial institutions that mature in less than 3 months since its inception.

22. EQUITY

Share capital

At December 31, 2023, Puig Brands' share capital amounted to 144,000 thousand euros and consisted of 475,000,000 Class A Shares of 0.30 euros nominal value each and 25,000,000 Class B Shares of 0.06 euros nominal value each.

Each of the Class A Shares confers five (5) votes and each of the Class B Shares confers one (1) vote.

Other than the difference in the number of votes, the lower nominal value of Class B Shares and the right of Class A Shares to be converted into Class B Shares, each Class B Share confers the same rights (including the right to receive, in the same amounts, dividends and other distributions declared, made or paid on the Puig's share capital) as the Class A Shares.

On March 20, 2023, Puig Brands carried out a share capital increase of 29,300 thousand euros by share premium. Share capital was raised to 144,000,000 euros, divided into 320,000 ordinary shares each with a nominal of 450 euros. On the same date, following the share capital increase, Puig Brands reduced the nominal value of ordinary shares (split) and created 475,000,000 Class A Shares with a nominal value of 0.30 euros each and 25,000,000 Class B Shares with a nominal value of 0.06 euros each.

At December 31, 2022, Puig Brands' share capital amounted to 114,700 thousand euros and consisted of 254,889 shares with a par value of 450 euros each.

As described in note 1, in 2022, Puig Brands increased its capital, through a non-monetary contribution subscribed by the Sole Shareholder (Puig, S.L.) amounting to 2,321,369 thousand euros (110,497 thousand euros in share capital and 2,210,872 thousand euros in share premium). The capital increases consisted of 245,549 new shares with a par value of 450 euros each.

At December 31, Puig Brands' Shareholders were as follows:

(Thousands of euros)	2023	2022
Puig, S.L.	95.8%	100%
Treasury shares	1.3%	-
Other	2.9%	-
Total	100%	100%

Treasury Shares

In May 2023, Puig Brands acquired 21,000,000 of its shares from its sole shareholder, Puig, S.L., for a total amount of 344,775 thousand euros.

During 2023, Puig Brands delivered 4,131,338 treasury shares to employees in exchange of 44,112 shares of Puig Gest, S.A. and 950,406 shares of Puig, S.L. (see Note 22 "Reserves") held by employees as part of the share appreciation rights plan (SAR's) as described in Note 25 (hereinafter, the "Share Exchange").
Additionally, in 2023, Puig delivered 10,418,035 shares to employees (SARs plan 2015-2018 and 2021-2023, Note 25) and Board members.

The aforementioned acquisition of 21,000,000 treasury shares (344,775 thousand euros) has been paid in the following manner: cash for an amount of 108,392 thousand euros, cancellation of loans with related parties for 92,863 thousand euros and compensation of receivables linked to the sale of Puig, S.L. and Puig, Gest, S.A. shares (see Note 22 "other reserves", 25 and 32) for an amount of 143,520 thousand euros.

Treasury shares of Puig Brands, S.A. delivered in 2023 have crossed call and put options for its repurchase, being Puig the obligor of these contracts. Commitments for this repurchase have been accounted for at fair value under the heading "Provisions and other liabilities" in the long-term liabilities amounting to 238,868 thousand euros (Note 25).

As of December 2023, Puig Brands holds 6,450,627 of treasury shares amounting to 105,907 thousand euros.

Restricted reserves

As of December 31, 2023, restricted reserves amounted to 29,839 thousand euros (25,945 thousand euros as of December 31, 2022).

Unrealized gains (losses) reserve

This reserve mainly includes the fair value at year end of hedging derivatives to cover future transactions in foreign currency.

Application of the results of Puig Brands, S.A.

The proposal for the distribution of the results for fiscal year 2023, formulated by the Directors and expected to be approved by the General Meeting of Shareholders, is as follows:

(Thousands of euros)	2023
Profit and loss account balance (profit)	**279.924**
Application	
Interim dividend	80.000
Other reserves	199.924
Total	**279.924**

Dividends paid

In 2023, Puig Brands paid dividends to its shareholders totaling 160 million euros. These dividends comprised 80,000 thousand euros from prior year's results and 80,000 thousand euros from an interim dividend based on the fiscal year 2023 results. In 2022, dividends amounted to 110 million euros (no dividends were paid out in 2021). Dividends in 2022 were paid to Puig, S.L. shareholders.

The interim dividend was approved by the Board of Directors, considering the forecasted results for the fiscal year 2023. The dividend amount was below the maximum limit established by current legislation, referring to distributable results of Puig Brands, S.A. (standalone) since the close of the last fiscal year.

(Thousands of euros)	2023
Profit and loss for the period ended in April 25th 2023	89,100
Legal Reserve application	(8,910)
	80,190

The provisional liquidity statement prepared by the Directors, which demonstrates the existence of sufficient liquidity for the distribution of said dividend, is as follows:

(Thousands of euros)	2023
Cash and equivalents available at 31st March 2023	45,754
Expected cash payments from 1st April to 31st May 2023	(2,966)
Expected cash collections from 1st April to 31st May 2023	85,000
Forecasted cash and equivalents before interim dividend	127,788
Interim dividend payment	(80,000)
Forecasted cash and equivalents after interim dividend	**47,788**

Cumulative translation adjustment

The most significant currencies of the cumulative translation adjustment come from:

(Thousands of euros)	**2023**	**2022**
Brazilian real	(60,284)	(67,636)
Great British Pound	24,709	26,442
Argentian peso	(40,822)	(24,055)
United States Dollar	(5,389)	3,141
Indian rupee	(10,712)	(8,536)
Others	(14,557)	(7,258)
	(107,055)	**(77,902)**

Reserves

As detailed in the "Treasury shares" section, in 2023, the Shares Exchange implied the acquisition of Puig, S.L. and Puig Gest, S.A. shares (held by Puig employees with put and call options) by Puig Brands, S.A. in exchange for treasury shares. Additionally, in 2023, Puig Brands, S.A. sold the acquired shares (Puig, S.L. and Puig Gest, S.A.) to Puig, S.L.

The put and call options agreements for Puig S.L. and Puig Gest, S.A. shares were signed, at the time of the acquisition of the shares, by the shareholders of Puig Brands, S.A. and the beneficiaries agreeing a formula linked to the performance of Puig to determine the price of the shares. The agreed price of the shares (as per the put and call option agreements) at the time of the Shares Exchange performed by Puig Brands, S.A. was 68,134 thousand euros.

After the acquisition of Puig, S.L. and Puig Gest. S.A. shares, Puig Brands, S.A. has sold to Puig, S.L. the acquired shares at their fair value, amounting to 148,734 thousand euros.

As previously mentioned, the put and call options were agreements signed by the beneficiaries with the shareholders, but in 2023, in the context of the internal reorganization (Note 1), the shareholders have agreed to transfer the rights of these agreements to Puig Brands, S.A.. Consequently, the valuation difference between the acquisition (linked to a formula as per the put and call agreements) and its fair value, has been accounted for as a shareholder contribution amounting to 80,601 thousand euros.

The impact of commitments for the repurchase of Treasury shares amounting to 238,868 thousand euros has been accounted for in reserves ("Treasury shares" section).

In 2023 and 2022, reserves impact due to the put and call options in accordance with IFRS 10 has amounted to 1,542 thousand euros and (410,085) thousand euros respectively (note 26). Additionally, the results of the above companies with minority interests was reclassified from non-controlling interests to reserves with an additional positive impact in the amounting to 11,265 in 2023 (2022: (9,944) thousand euros).

Also in 2023, Puig acquired a minority interest in Dries Van Noten minority, having a negative impact in the reserves of 4,840 thousand euros.

In 2022, Puig acquired a minority interest in Puig Arabia Limited (previously formed Al Farida International Beauty Ltd CO.) having a negative impact in the reserves of 7,989 thousand euros.

Non-controlling interests

The breakdown of non-controlling interests at December 31 was as follows:

(Thousands of euros)	2023	2022
Balance at January 1	6,748	8,068
Comprehensive income for the year to non-controlling interests	34,467	13,033
Dividends paid	(21,323)	(22,005)
Additions to and exclusions from the scope	(198)	(2,292)
Business combinations	-	428,915
Reclassification of put-call to long term liabilities (Note 25)	-	(428,915)
Reclassifications of minority interest with put and call options	(10,391)	9,944
Balance at December 31	**9,303**	**6,748**

Business combinations in 2022, refer to the minority interests recorded as of the business combination date (note 4).

For the percentage of shares in respect of which Puig has a put and call option, no minority interests are recorded at the end of the period. Instead, a liability at fair value is recognized at each December 31 (Note 25). Minority interest is reclassified from “Minority Shareholders” to “Reserves”.

Additions to and exclusions from the scope in 2023 relate to the reclassification of the profit and loss attributable to Dries Van Noten. Puig had crossed put-call option that has been executed in 2023 (note 25).

In 2022 additions to and exclusions from the scope related to the acquisition of the shares of the minority interest on Puig Arabia Limited (previously formed Al Farida International Beauty Ltd CO.).

The companies in which Puig holds non-controlling interests are included in Annex I.

23. BANK BORROWINGS

The breakdown of current and non-current borrowings at December 31, 2023 and 2022 were as follows:

(Thousands of euros)	2023	2022
Current		
Current portion of non-current borrowings	283,861	128,046
Bank loans and overdraft	74,510	48,955
Total	**358,371**	**177,001**
Non-current		
Non-current borrowings	1,788,846	1,662,311
Total	**1,788,846**	**1,662,311**

The movements in borrowings were as follows:

(Thousands of euros)	2023	2022
Balance at January 1	1,839,312	972,593
Additions to the scope of consolidation	-	7,310
Net Finance Cost	54,364	29,968
Proceeds from bank borrowings	429,780	993,102
Repayment of bank borrowings including finance cost	(175,307)	(164,421)
Translation differences	(932)	760
Total	**2,147,217**	**1,839,312**

As of December 31, 2023, the debt subject to variable interest rates without interest rate hedging amounted to 294 million euros (2022: €274 million). Puig entered into interest rate swaps covering the entirety of the remaining loans subject to variable interest rates, which amounted to 981 million euros at December 31, 2023 (2022: €723 million). The debt subject to fixed interest rates amounted to 872 million euros (2022: 842 million euros).

In June 2023, Puig Brands took new financing loans amounting to 400 million euros with different financial entities with maturities between 2026 and 2027. Out of the new loans, 100 million euros are subject to a fixed market interest rate, and 300 million euros are subject to a variable interest rate, which are fully hedged through interest rate swaps.

In May 2022, Puig Brands took out additional financing loans amounting to 950 million euros. All these loans mature in 2027 and accrue interest at a market rate.

The breakdown of maturities was as follows at December 31:

(Thousands of euros)	2023	2022
2023	-	177,001
2024	358,371	283,291
2025	510,068	492,719
2026	596,772	503,525
2027 and subsequent years	682,006	382,776
Total	**2,147,217**	**1,839,312**

The breakdown of gross amounts and forecasted interests' maturities was as follows at December 31:

(Thousands of euros)	2023	2022
2023	-	215,706
2024	412,653	316,395
2025	552,677	519,542
2026	627,627	520,780
2027 and subsequent years	698,461	390,274
Total	**2,291,418**	**1,962,697**

As of December 31, 2023 and 2022, the Company had no bank loans secured by collaterals or guarantees.

As of December 31, 2023, the total unused amount of the credit lines amounts to €230 million (2022: €158 million).

Borrowings were denominated in the following currencies at December 31:

(Thousands of euros)	Effective interest rate %	2023	2022
Euros	0.4%-6.8%	2,048,673	1,770,744
Other currencies	3.6%-17.1%(*)	98,544	68,568
Total		**2,147,217**	**1,839,312**

*Excluding effective interest rates of hyperinflationary economies (Argentina)

The effective interest rate incorporates both, the interest rates on bank borrowings and credit lines.

It is important to note that the majority of these funds in euros are granted to Puig Brands, S.A. (the holding company), totaling 2,024,461 thousand euros (2022: 1,738,000 thousand euros).). The effective interest rates, considering interest rate swaps, on the amounts granted were 2,3% (2022: 1.5%).

Most financial debt is annually subject to compliance with a financial ratio based on EBITDA and net financial debt (pre IFRS 16). As of December 2023 and 2022, Puig complied with the financial ratio requirement.

24. DERIVATIVE FINANCIAL INSTRUMENTS

During 2023 Puig continued using derivatives to limit both interest and foreign currency risks on otherwise unhedged positions and to adapt its debt structure to market conditions. These financial instruments have been classified into the Level 2 measurement category.

At December 31, 2023 the following foreign currency hedges entered into by group companies were in place:

Description	Notional (0.00)	Maturity	Recognized in Equity	Recognized in the income statement	Total
AUD/EUR	(42,100)	January 2024 - February 2025	(531)	80	(451)
BRL/EUR	(179,200)	March 2024 - February 2025	91	-	91
CAD/EUR	(17,900)	January 2024 - February 2025	(169)	13	(156)
CLP/EUR	(22,280,100)	March 2024 - February 2025	254	-	254
GBP/EUR	(92,600)	January 2024 - January 2025	(664)	(165)	(829)
MXN/EUR	(873,000)	January 2024 - February 2025	(449)	(1,473)	(1,922)
PEN/EUR	(33,777)	January 2024 - February 2025	26	(23)	3
RUB/EUR	(485,000)	January 2024 - April 2024	(154)	252	98
USD/EUR	(335,100)	January 2024 - February 2025	3,875	1,342	5,217
Total as of December 31, 2023			**2,279**	**26**	**2,305**

At December 31, 2022 the following foreign currency hedges entered into by group companies were in place:

Description	Notional (0.00)	Maturity	Recognized in Equity	Recognized in the income statement	Total
AUD/EUR	(17,850)	January 2023 - February 2024	52	-	52
BRL/EUR	(198,600)	March 2023 - September 2023	341	-	341
CAD/EUR	(10,800)	March 2023 - February 2024	196	-	196
CLP/EUR	(21,433,700)	March 2023 - November 2023	(1,109)	-	(1,109)
GBP/EUR	(76,179)	January 2023 - January 2024	1,374	25	1,399
MXN/EUR	(629,400)	March 2023 - February 2024	375	-	375
PEN/EUR	(27,200)	March 2023 - February 2024	80	-	80
RUB/EUR	(929,700)	March 2023 - February 2024	1,267	-	1,267
SGD/EUR	750	January 2023	1	-	1
USD/EUR	(372,021)	January 2023 - July 2024	(3,944)	(924)	(4,867)
Total as of December 31, 2022			**(1,367)**	**(899)**	**(2,265)**

Interest rate hedging transactions have been entered into through swaps to exchange floating interest rates for fixed interest rates.

As of December 31, 2023 and 2022, Puig had entered into the following interest rate hedging arrangements:

Currency	Notional (0.00)	Maturity	Recognized in Equity	Recognized in the income statement	Total
EUR	123,000	May 2025	4,191	-	4,191
EUR	58,000	May 2025	2,209	-	2,209
EUR	30,000	December 2025	1,169	-	1,169
EUR	70,000	June 2026	2,656	-	2,656
EUR	50,000	June 2026	2,279	-	2,279
EUR	50,000	June 2026	(1,105)	-	(1,105)
EUR	50,000	June 2026	(1,067)	-	(1,067)
EUR	150,000	May 2027	4,480	-	4,480
EUR	200,000	May 2027	5,973	-	5,973
EUR	150,000	June 2027	(4,435)	-	(4,435)
EUR	50,000	June 2027	(1,459)	-	(1,459)
EUR	**981,000**		**14,891**	**-**	**14,891**

Currency	Notional (0.00)	Maturity	Recognized in Equity	Recognized in the income statement	Total
EUR	138,000	May 2025	7,229	-	7,229
EUR	65,000	May 2025	3,985	-	3,985
EUR	30,000	December 2025	2,080	-	2,080
EUR	90,000	June 2026	4,876	-	4,876
EUR	50,000	June 2026	3,921	-	3,921
EUR	150,000	May 2027	8,566	-	8,566
EUR	200,000	May 2027	11,421	-	11,421
EUR	**723,000**		**42,078**	**-**	**42,078**

From the effectiveness tests run by Management, Puig has concluded that foreign currency and interest rate hedging transactions are fully effective.

Additionally, as of December 31, 2023 and 2022, Puig entered into the following foreign currency hedging arrangements to cover loans taken out in foreign currencies:

Description	Notional (0.00)	Maturity	Recognized in Equity	Recognized in the income statement	Total
USD	(62,646)	January 2024	-	271	271
CAD	(5,800)	January 2024	-	32	32
GBP	32,745	January 2024 - December 2024	-	236	236
TWD	62,457	January 2024	-	(13)	(13)
SGD	8,000	January 2024	-	19	19
JPY	72,000	January 2024	-	1	1
CHF	(5,000)	January 2024	-	145	145
MXN	(200,000)	January 2024	-	99	99
Total as of December 31, 2023			**-**	**790**	**790**

Description	Notional (0.00)	Maturity	Recognized in Equity	Recognized in the income statement	Total
USD	24,193	January 2023	-	(657)	(657)
CAD	(6,816)	January 2023	-	9	9
GBP	29,262	January - September 2023	-	(970)	(970)
TWD	50,765	January 2023	-	31	31
CHF	(4,600)	January 2023	-	(12)	(12)
Total as of December 31, 2022			**-**	**(1,599)**	**(1,599)**

25. PROVISIONS, CONTINGENCIES AND OTHER LIABILITIES

The breakdown and annual movement of “Provisions and other liabilities”, except for long-term lease liabilities amounting to 255,561 thousand euros (208,698 thousand in fiscal year 2022) (Note 16), is as follows:

(Thousand euros)	Liabilities from business combinations	Other Employee Benefits	Treasury shares commitments	Employee pension plans	Other	Total
January 1, 2022	1,570,935	45,145	-	9,304	51,642	1,677,026
Arising during the year recognized in profit and losses	31,227	62,915	-	708	1,071	95,921
Arising during the year recognized in retained earnings	410,085	-	-	-	-	410,085
Utilized	-	(1,390)	-	(1,664)	(20,706)	(23,760)
Translation differences	(101,460)	1,484	-	17	4,904	(95,055)
Business combinations	472,221	21	-	118	615	472,975
Reclassifications and others	-	-	-	-	8,051	8,051
Balance as of December 31, 2022	**2,383,008**	**108,175**	**-**	**8,483**	**45,577**	**2,545,243**
January 1, 2023	2,383,008	108,175	-	8,483	45,577	2,545,243
Arising during the year recognized in profit and losses	6,201	46,143	-	713	16,388	69,445
Arising during the year recognized in retained earnings	1,542	-	238,868	-	-	240,410
Utilized	(47,060)	(92,268)	-	(446)	(10,891)	(150,665)
Translation differences	40,980	(764)	-	(1)	442	40,657
Business combinations	-	-	-	-	-	-
Reclassifications and others	(207,006)	(7,263)	-	(421)	(26,355)	(241,045)
Balance as of December 31, 2023	**2,177,665**	**54,023**	**238,868**	**8,328**	**25,161**	**2,504,045**

Liabilities from business combinations

When Puig Brands acquires a company, it often prefers that the previous shareholders remain in the company with a minority stake. In this way, the seller / founder remains engaged and committed to the continued success of the brand.

At the time of the acquisition, the Company may enter into call and put option agreements granting the right or obligation to purchase the minority stake from the seller / founder at certain specified dates and at prices calculated based on an initially agreed adjusted multiple linked to the business performance of the related business. This is the case with recent acquisitions of Byredo, Loto del Sur and Kama Ayurveda, as well as prior years’ acquisitions such as Charlotte Tilbury and Dries Van Noten.

These options have been recorded as liabilities in accordance with IFRS 10, and valued at fair value at each reporting period, with the changes in fair value recorded against equity.

At the time that the options are exercised, the Company will be required to make payments to the sellers / brand founders in the amounts due.

Put and call options that are included in the balance sheet are related to the following agreements:

In 2018, 70% of Dries Van Noten was acquired. The purchase agreement included call and put options corresponding to the percentage of shares held by minority shareholders. Such options were valued according to a multiple on expected profitability parameter. This call and put option has been executed and paid in December 2023.

In 2020, the Company acquired 73.11% of Charlotte Tilbury through Prado Investments, Ltd., in which Puig Brands holds a 76.40% stake. The purchase agreement includes call and put options corresponding to the percentage of shares held by minority shareholders. Such options are valued based on a multiple of net revenues (adjusted by the profitability of the business) which is adjusted according to the expected performance at each year end, compared to the initial plan, until expiration of the put and call options, guaranteeing a minimum price. These options have different windows between the years 2024 and 2030. As of December 31, 2023, the reclassification in this caption, amounting to 207 million euros, relates to the put-call option of Charlotte Tilbury exercisable in 2024 (Note 27).

In 2022, as part of the business combinations, Puig agreed put and call options related to Byredo, Kama Ayurveda and Loto del Sur acquisitions (Note 4).
In 2023 and 2022, the increase in liabilities linked to call and put option agreements (put in place at that time)resulted from the change of the management projections in the expected business performance to which these liabilities are linked to. The discount factor and the exchange rate also affected the variations. The increase during 2022 was also affected by the initial recognition of the business combinations completed in the period (Note 4).

In addition to the call and put options mentioned above, in this caption Puig includes liabilities for earn-outs arising from certain business combinations. At December 31, 2023, the balance regarding these liabilities amounted to 186 million euros (2022: 177 million euros).

The increase in these earn-outs in 2023 and 2022 were mainly driven by the change in management's projections with respect to the expected business performance to which these liabilities are linked, and the effect of the discount factor and the exchange rate. In addition, the increase during 2022 was also affected by the initial recognition of the business combinations completed in the period that amounted to 43 million euros (Note 4).

The amounts recognized as liabilities in the consolidated balance sheet have been discounted using the weighted average cost of capital ("WACC") of each business (Note 15).

These liabilities have been classified in the Level 3 measurement category. Puig conducts a sensitivity analysis of these liabilities by applying reasonable variations to the key assumptions considered in the calculation.

- A variation of +/- 2% in the CAGR of the main business indicator to which the liability valuation is linked would impact the liability recognized in the balance sheet as of December 31, 2023, resulting in an increase of 164 million euros or a decrease of 152 million euros (2022: increase of 204 million euros or decrease of 188 million euros).
- A variation of +/- 1.5% in the discount rate would impact the liability recognized in the balance sheet as of December 31, 2023, leading either a 86 million euros or an increase of 53 million euros (2022: increase of 84 million euros or decrease of 79 million euros).

The above mentioned put call options are exercisable during a certain period of time. At December 31, the maturity of these liabilities was as follows:

(Thousands of euros)	2023	2022
Liability maturing more than 1 and less 3 years	1,125,074	259,000
Liability maturing between 3 and 5 years	325,296	1,169,978
Liability maturing in more than 5 years	727,295	954,030
	2,177,665	**2,383,008**

Employee benefits and others

Some employees are granted with plans called "share appreciation rights" (SARs). The SARs are vested based on services and specific performance conditions.

The main characteristics of the share-based payments plans are:

- Plan 2021 – 2023

The 2021-2023 plan is composed of three different yearly grants with a vesting period of 3-5 years between 2021 and 2025. The shares are vested by the employee based on time-based vesting conditions and business performance conditions. Initially the underlying shares of the SARs were based on shares of Puig, S.L. and Puig Gest, S.A. As part of the Shares Exchange described below, the beneficiaries have agreed in 2023 to exchange the underlying shares of the plan for Puig Brands, S.A. shares.

The valuation of the incentive plan is calculated based on the value of the share appreciation rights, which is calculated based on an independent valuation (level 3 fair value measurement). The valuation of the plan is the difference between the value of the shares at the grant date and the expected valuation of the shares at the end of the vesting period.

Once the shares are vested, the beneficiary has the option to receive a cash settlement, acquire the shares, or receive free shares net of tax.

If the beneficiaries elect to acquire the shares or receive free shares (acquisition price fixed based on the value of the share appreciation rights on the granted date), a call option is granted to Puig to re-acquire the shares at any time from 2030 at the fair value of the shares at the date the call option will be executed. Simultaneously to the call option grant, a put option is granted to the beneficiary once the shares are acquired enabling the beneficiaries to exercise them at any time from the acquisition until 2030 except in the lock up period. Such obligation is held by the company which granted the shares.

- 2021 Plan

Puig granted some employees with a management incentive plan which vests over five years (2021-2025). Vesting conditions are based on time-based and business performance conditions.

The value of the plan is based on the appreciation of the shares of a Puig subsidiary, being the difference between the value of the shares granted at the beginning of the plan and the value of the shares expected at the end of the vesting period above a certain threshold. The valuation of the vested shares is calculated based on a formula linked to the business performance (level 3 fair value measurement).

At grant date, the beneficiaries choose between two types of settlement:

- cash settlement
- Acquisition of shares based on their nominal value. Once acquired, a call option is granted to Puig to re-acquire the shares between 2026 and 2029 at a price calculated based on the value creation above a

certain threshold. In addition, a put option is granted once the shares are acquired enabling the beneficiaries to execute them between 2026 and 2029.

- 2015-2018 Plan

Between 2015 and 2018, Puig granted some employees of Puig with shares appreciation rights over Puig, S.L. and Puig Gest, S.A. shares (both companies are directly/indirectly shareholders of Puig, Brands, S.A.).

Most of the shares were already vested at January 1, 2021, except for one grant which started vesting at that date. Once the shares were vested, the beneficiaries had the option to acquire the shares or to request the settlement in cash. Initially the underlying shares of the SAR was based on shares of Puig Gest, S.A. As part of the Shares Exchange described below, the beneficiaries have agreed in 2023 to exchange the underlying shares of the plan for Puig Brands, S.A. shares.

For the beneficiaries who elected to acquire the shares (at a fixed price), a call option was granted to re-acquire the shares between 2025 and 2040 at a value based on a formula linked to performance indicators at the date the call option will be executed. In addition, a put option was granted to be executed between 2024-2028 with the same valuation method. These agreements were signed with the companies that delivered the shares to the beneficiaries (Note 22 “Reserves”).

The detail of the remuneration plans based on share appreciation rights as of December 31 is as follows:

Number of SAR Rights	Outstanding at January 1, 2023	Granted number	Forfeited number	Vested number	Outstanding at December 31, 2023	Exercisable at December 31, 2023	Delivered at December 31, 2023
Plan 2015 – 2018 (*)	40,494	-	-	-	40,494	-	-
2021 Plan (**)	20,255,400	3,484,800	(2,376,000)	(1,350,360)	20,013,200	348,480	1,001,880
Plan 2021-2023 (*)	1,901,548	-	-	-	1,901,548		-

Number of SAR Rights	Outstanding at January 1, 2023	Granted number	Forfeited number	Vested number	Outstanding at December 31, 2023	Exercisable at December 31, 2023	Delivered at December 31, 2023	Exchanged in 2023 (*)	Delivered December 31, 2023 Exchanged (*)
Plan 2015 – 2018 (*)	40,494	-	-	40,494	-	-	40,494	(1,026,351)	4,853,644
2021 Plan (**)	20,013,200	1,564,200	(338,800)	(734,324)	20,504,365	601,224	1,483,460	-	-
Plan 2021-2023 (*)	1,901,548	-	-	1,901,548	-	-	1,901,548	(1,901,548)	8,661,171

(*) For 2015-2018 plan, in 2023, Puig Brands, S.A. shares have been exchanged for Puig, S.L. and Puig, Gest, S.A. shares held by the beneficiaries of Puig refer to Note 22 “reserves”. For 2021-2023 plan, the underlying shares of the SAR was based on shares of Puig Gest, S.A.. As part of the Shares Exchange described, the beneficiaries have agreed in 2023 to exchange the underlying shares of the plan for Puig Brands, S.A. shares.
(**) The SARs related to the plan are for a subsidiary of Puig.
Exercisable SARs include shares already vested by employees but not exercised.
Delivered SARs includes shares acquired by the employees where put and call options between the employee and Puig exist.

In 2023, both the 2015-2018 and the 2021-2023 plans have been fully vested, prior to the expected vesting dates of the plans which were end of 2023, 2024 and 2025 depending on the grant, because the objectives set were achieved in advance. These plans were subject to the appreciation of the shares of Puig, S.L. and Puig Gest, S.A. In 2023, it has been agreed to exchange the underlying shares (108,144 shares of Puig Gest, S.A. and 1,833,898 shares of Puig, S.L.) for 9,696,505 shares of Puig Brands, S.A. (valued at 16.42 euros per share) maintaining the same value of the plan for each of the beneficiaries.

The shares of Puig, S.L. and Puig Gest, S.A. (950,406 and 38,046 respectively) related to 2015-2018 plan were acquired by the employees from direct or indirect shareholders of Puig. Put and call options over these shares were agreed. In 2023 the shareholders have transferred the right to acquire the shares to Puig (Note 22 "Reserves"). In 2023, Puig has exchanged these shares ("Shares Exchange") for 4,004,074 shares of Puig Brands, S.A. (valued as at 16,42 euros per share) maintaining the same value of the plan for each of the beneficiaries.

As a consequence, as at December 31, 2023, the beneficiaries of the 2015-2018 and 2021-2023 plan own 13,514,815 shares of Puig Brands, S.A. Put and call options have been agreed between Puig and its beneficiaries to be exercised between 2024 and 2030. In the case of a public offering, the put and call options would no longer have any effect, except when lock up periods apply, in which case Puig retains a call option.
For the 40,494 shares of Puig Gest,S.A. for the 2015-2018 plan that were still in the vesting period in 2022, the value was based on a formula linked to the business performance. The strike price of the shares was 202.82 and the exercisable price was 376.08.

For the 2021 Plan, the strike price of the shares of the subsidiary which granted the plan was 1.28 in 2023 (1.20 euros in 2022) and the exercisable price was 3.57 in 2023 (3.85 euros in 2022).
For the 2021-2023 Plan, the strike prices of the shares of Puig, S.L. and shares of Puig Gest, S.A. in 2022 were 91.43 euros and 568.61 euros respectively, being their exercisable prices 148.49 euros and 934.63 euros in 2022 respectively.

The carrying amount of the liability relating to the SARs as of December 31, 2023, was 33,986 thousand euros (2022: 84,880 thousand euros).

In addition, other employee benefits, includes long term cash bonuses when certain business performance conditions are met. As at December 31, 2023, the liability amounted to 10,989 thousand euros (2022 10,725 thousand euros).

This caption also includes other employee benefits amounting to 9,048 thousand euros in 2023 (12,570 thousand euros in 2022).

Treasury shares Commitments

In 2023, a liability has been accounted for the put and call options of Puig Brands, S.A. shares already delivered to employees and sold to Board Members amounting to 238,868 thousand euros. In the case of a public offering, the put and call options would no longer have any effect, except when lock up periods apply, in which case Puig retains a call option.

Employee Pension plan

A portion of Puig's employees are covered by defined contribution or benefit retirement plans paid for by Puig companies. The type of plan varies according to the legal requirements of the country in which beneficiaries are employed.

a. Defined contribution plans

For defined contribution plans, Puig undertakes to pay a defined contribution (e.g., a fixed amount or percentage of salaries).

Defined contribution plans cover employees in Spain and United Kingdom, among other countries.

The defined contribution plan of Spanish companies is funded by means of an independent pension fund named Diagonal Fondo de Pensiones. In this case, Puig does not assume any obligations or commitments other than the annual contribution.

b. Defined benefit plans

For defined benefit plans, Puig undertakes to pay the employee a defined benefit (e.g. a retirement pension at a fixed amount or percentage of the employee's final salary). For the defined benefit plan, the present value of future benefits (which the company is liable to pay under the plan) is computed using actuarial principles and the projected unit credit method. The computation of present value is based on assumptions of interest rates, increases in salaries and pensions, investment yield, mortality and disability. The present value is computed exclusively for the benefits to which the employees have earned entitlement through their employment with the company. The Group's defined benefit plans cover employees in France.

The defined benefit plan of French companies is not outsourced. The liability under the plan calculated on an actuarial basis is stated in the consolidated balance sheet at December 31, 2023 at an amount of 8.3 million euros (in 2022: 9.3 million euros).

The amounts recognized in equity are the following:

(Thousands of euros)	2023	2022
Current service cost	713	708
Total (benefit)/expenses recognized in the income statement	**713**	**708**
Net actuarial (loss) / gains recognized	-	-
Actual return on plan assets	**-**	**-**

The present value of the obligations and the fair value of the plan assets are as follows:

(Thousands of euros)	2023	2022
Present value of related obligations	8,328	8,483
Net liabilities	**8,328**	**8,483**

Movements of net liabilities for the years ended December 31 are as follows:

(Thousands of euros)	2023	2022
At January 1	8,483	9,304
Net cost of the plan	712	725
Contributions / Benefits	(446)	(1,664)
Business combinations	-	118
Reclassifications	(421)	-
Net liabilities	**8,328**	**8,483**

The main actuarial assumptions used at December 31 are as follows::

	2023	2022
Discount rates	3.6% - 4.2%	1%-2%
Expected wage increase	2.5%	2.5%-5%
Expected rate of return on plan assets	-	-
Average retirement age	62-65	62-65

Defined benefit plans have been classified into the Level 3 measurement category.

26. OFF-BALANCE SHEET COMMITMENTS

At December 31, 2023, the Parent Company has granted bank guarantees amounting to 181 million euros(2022: 124 million euros) in favor of Puig subsidiaries, mainly related to their normal business activity.

Specifically, bank guarantees represent the parent company's commitment to third parties to assume the losses of its subsidiaries and other operating matters. Bank guarantees have no predetermined maturity.

Additionally, it should be noted that Puig has no significant legal or tax contingencies.

The Group is not aware of any significant off-balance sheet commitments other than those described above.

27. OTHER CURRENT LIABILITIES

The breakdown of this caption as of December 31 was as follows:

(Thousand euros)	**2023**	**2022**
Tax and social security debt (Note 13)	71,177	59,156
Accrued payroll	104,102	101,902
Operating provisions	201,949	197,195
Payables for other services	352,889	296,146
Financial liabilities at fair value (Note 24)	-	3,864
Other liabilities	24,634	37,410
Liabilities due to business combinations (Note 25)	207,006	-
Other liabilities related parties (Note 31)	4,293	10,061
Lease liabilities (Note 16)	58,074	43,916
Total	**1,024,124**	**749,650**

Operating provisions include accruals of commissions, returns and provisions for other services.

The "Other liabilities at fair value" caption mainly includes foreign currency fair value hedging derivatives and interest rate hedging derivatives (Note 24). In 2022, the fair value of the derivatives amounted to 3,864 thousand euros. The breakdown as of December 31 is as follows:

(Thousands of euros)	**2023**	**2022**
Foreign currency hedging (transactions)	-	2,265
Foreign currency hedging (loans)	-	1,599
Interest rate hedging	-	-
Total	-	**3,864**

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

In its normal course of business Puig is exposed to various financial risks: market risk (including foreign exchange risks and interest rate risks) and other risks such as credit risk, liquidity risk and capital risk management. Puig's management focuses on minimizing these risks implementing risk management policies to identify and analyze the risks faced by the Group and define appropriate risk limits and controls. Group's management procedures are designed to have a control environment.

This note provides information on the Group's exposure to risks, the Group's objectives, policies and processes for managing risks, the methods used to measure these risks and the financial instruments used to mitigate the corresponding risks.

The Group's Audit Committee supervises how management controls comply with the Group's risk management procedures and policies and review whether the risk management policy is suitable considering the risks that the Group is exposed to.

Market risk

Foreign Exchange risk

The Group operates in an international environment and therefore is exposed to exchange rate risk on transactions in currencies, especially with regards to the USD and the GBP (being the euro the functional currency of the Group and the currency of the parent company). Currency risk is associated with future commercial transactions, recognized assets and liabilities, and net investment in foreign currencies.

Puig has a significant portion of sales to customers and to their own subsidiaries as well as certain purchases in currencies other than their functional currency (euro). Hedging instruments are used to reduce the foreign exchange risks arising from the fluctuations of currencies different from the companies' functional currencies.

Before the end of the year, as part of the budget preparation, Puig companies are responsible for identifying the exposure to foreign currency cash flows. The Group centrally analyzes the exposure and arranges the appropriate hedges. The identified foreign exchange risks are hedged using forward contracts or options.

Puig has implemented a strict policy to manage, measure and monitor these risks. The activities are organized based on a clear segregation of duties between the front office, middle office and back office which are responsible for the measurement, hedging and administration and financial control. The hedging strategy must always be presented to the top management for approval.

Derivative instruments entered into hedge for foreign exchange are accounted for in accordance with hedge accounting principles.

The financing obtained by Puig is mainly in Euros representing 95% of the total debt (2022: 96%).

The following table shows a sensitivity analysis to possible reasonable changes in the exchange rate of the main foreign currencies with which Puig operates, keeping all other variables constant:

(thousands of euros)	Increase/Decrease in USD	Effect on profit/(loss)	Effect equity
2023	**10%**	8,015	12,131
	(10%)	(8,015)	(12,131)
2022	**10%**	**5,791**	**4,405**
	(10%)	(5,791)	(4,405)

(thousands of euros)	Increase/Decrease in GBP	Effect on profit/(loss)	Effect equity
2023	**10%**	**(5,730)**	**(98,105)**
	(10%)	5,730	98,105
2022	**10%**	**(224)**	**(102,374)**
	(10%)	224	102,374

Puig has arranged exchange rate hedges to cover potential fluctuations in foreign currency.

Interest rate risk

Puig's interest rate risk arises from current and non-current borrowings with banks. The objective of Puig is to have a high proportion of borrowings at fixed rate or floating interest rates hedged by interest rates swaps (IRS). The main objective of the management is to protect net profit from the impact of significant changes in interest rates.

Puig uses derivative financial instruments (interest rate swaps) to cover the risk of changes in the interest rates on some loans. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair value at December 31, 2023 amounts to 14,891 thousand euros (2022: 42,078 thousand euros).

As of December 31, 2023, the amount of debt subject to variable interest rates, without interest rate hedging, totaled 294 million euros (2022: 273 million euros), representing 14% of the total bank debt (2022: 15%).

An increase of 2% in the market interest rate could result in a financial interest expense increase of 5.9 million euros (2022: €5.7 million).

Credit risk

Credit risk is the risk to which Puig is exposed in the event that a customer or counterparty fails to pay its obligation.

To mitigate this risk Puig has a credit policy and manages its exposure to collection risk in the normal course of its operations. Puig evaluates the credit given to all its customers above a certain amount. Likewise, Puig has a credit insurance for most of its accounts receivable.

The Group recognizes impairment based on its best estimate of the expected losses on trade and other receivables. The main impairment losses recognized are due to specific losses relating to individually identified risks. At year end, these impairment losses are immaterial.

The maximum exposure to credit risk in relation to trade receivables is the amount shown in Note 18 above amounting to 501,861 (2022: 405,946 thousand euros). Puig customers are reasonably fragmented, so individually none of them represents more than 10% in the overall amount of trade receivables.

Puig has undrawn amounts from credit facilities that can be used to cover operating cash deficits.

Also, to mitigate this credit risk, the Group has transferred this risk to third parties via non-recourse factoring of trade receivables in which case the Group would not retain any credit risk.

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. To mitigate this credit risk, the Group only works with banks with strong credit ratings as qualified by international rating agencies. The solvency of these institutions, as indicated in each institution's credit ratings, is reviewed periodically in order to perform active counterparty risk management.

The assets subject to the credit risk exposure recognized in the balance sheet were as follow:

(Thousands of euros)	2023	2022
Financial investments	16,359	14,154
Other non-current assets	370,315	111,591
Trade and other receivables	484,705	387,936
Other current assets	186,709	232,059
Cash and cash equivalents	852,901	710,050
	1,910,989	**1,455,790**

Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure where possible, that it always has sufficient liquidity to settle its obligations at the maturity date.

Puig uses financial planning techniques to manage liquidity risk, taking into consideration the maturity of financial assets and liabilities and cash flow projections. Puig objective is to balance structural requirements and exceptional needs of cash with the loans and overdrafts taken out, to ensure that it will be able to use them depending on its liquidity situation.

As a consequence of the aforementioned the Group considers that it has liquidity and access to medium and long-term financing that allows the Group to ensure the necessary resources to meet the potential commitments for future investments.

Puig has undrawn amounts from credit facilities that can be used to cover operating cash deficits.
The maturities of the main financial liabilities, which include Leases (Note 16), Bank Borrowings (Note 23) and Liabilities for business combinations (Note 25) as of December 31 are as follows:

(Thousands euros)	2024	2025	2026	2027	2028 and subsequent years	Total
Bank Borrowings	358,371	510,068	596,772	682,006	-	2,147,217
Liabilities from business combinations	207,006	10,022	1,115,052	-	1,052,591	2,384,671
Lease Liabilities	58,074	51,975	45,674	35,590	122,322	313,635
	623,451	**572,065**	**1,757,498**	**717,596**	**1,174,913**	**4,845,523**

(Thousands euros)	2023	2024	2025	2026	2027 and subsequent years	Total
Bank Borrowings	177,001	283,291	492,719	503,525	382,776	1,839,312
Liabilities from business combinations	-	259,000		1,166,186	957,823	2,383,008
Lease Liabilities	43,916	43,514	32,528	46,955	85,701	252,614
	220,917	**573,068**	**537,983**	**1,716,666**	**1,426,300**	**4,474,934**

Capital risk management

Puig's objective is to safeguard its capacity to continue managing its recurring activities and the capacity to continue to grow, by optimizing the debt-to-equity ratio and to create value for the shareholder.

The main purpose of Puig capital management is to ensure a financial structure that can optimize capital cost and maintain a solid financial position, in order to access to the financial markets at a competitive cost to cover financing needs.

Puig manages its capital to ensure that certain financial ratios are appropriate to develop its business, maintaining a high level of solvency so that it can provide appropriate returns to its shareholders. Net debt ratio is measured as follows:

(Thousands euros)	2023	2022
Net debt	**1,509,700**	**1,272,629**
Adjusted Ebitda	**862,674**	**681,448**
Net Debt ratio (Net debt / Adjusted Ebitda)	**1.75x**	**1.87x**

The volume of capital is determined according to existing risks, making the corresponding adjustments to capital in accordance with changes in the economic environment and managed risks.

"Net Debt" is an alternative performance measure used by Management to measure the level of the Group's debt. It includes current and non-current bank borrowings (Note 23), lease liabilities (Note 16.2), and is reduced by cash and cash equivalents (Note 21) and by Loans issued to related parties (Notes 18 and 20):

(Thousands euros)	2023	2022
Debts with credit institutions (Note 23)	2,147,217	1,839,312
Lease liabilities (Note 16.2)	313,635	252,614
Treasury and equivalents (Note 21)	(852,901)	(710,050)
Loans granted to related parties (Note 18 and 20)	(98,251)	(109,247)
Net Debt	**1,509,700**	**1,272,629**

"Ebitda" is an alternative performance measure used by Management that measures the group's operational profit before financial results, profit/(loss)) from associates and joint ventures, taxes, impairments and depreciation and amortization (Note 11).

(Thousands euros)	2023	2022
Operational result	679,206	492,967
Amortization and impairment (Note 11)	169,704	144,953
Ebitda	**848,910**	**637,920**

This measure, although not specifically defined under IFRS, is often referred to and published by companies and is intended to facilitate analysis and comparability.

"Adjusted Ebitda" is an alternative performance measure used by Management to measure "Ebitda" excluding "other operating income and expenses" (Note 9).

(Thousands euros)	2023	2022
Ebitda	848,910	637,920
Other operating income and expenses (Note 9)	13,764	43,528
Adjusted Ebitda	**862,674**	**681,448**

Changes in working capital

Breakdown of changes in working capital (net of changes in scope and non-cash items) is presented as follows:

(Thousand euros)	2023	2022
Inventory	(162,533)	(237,136)
Trade accounts receivable	(96,769)	(51,433)
Other Current Assets	42,255	(47,494)
Trade accounts payable	(26,815)	45,472
Other current Liabilities	49,446	132,167
Changes in working capital	**(194,416)**	**(158,424)**

29. OTHER DISCLOSURES

29.1 Audit fees

Net fees accrued to Ernst & Young, S.L. as the auditor of the Group's consolidated annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management are as follows:

(Thousand euros)	2023	2022
Audit services	2,021	1,514
Other assurance services	852	376
Total audit and similar services	2,873	1,890
Tax services	60	54
Other services	87	46
Total professional services	3,020	1,990

Additionally, net audit fees for services provided by auditors other than the main auditor amounts to 358 thousand euros in 2023 (2022: 316 thousand euros).

29.2 Information on the Parent Company's Directors and key Management

During the year ended December 31, 2023 the Company's directors have not been party to any direct or indirect conflict of interest with Puig, except for the approval of the following agreements in which one or several directors, as appropriate, refrained from deliberating and voting thereon as they could result in a conflict of interest situation:

a. the subscription of a new contract with the CEO as well as the novation thereof.
b. the subscription of a new contract with the Executive Vice President as well as the novation thereof.
c. the designation of the beneficiaries of the renewal of a program for the acquisition of Class B shares of Puig.
d. the subscription of credit lines with different financial entities.
e. the approval of two lease contracts in France and the United States, respectively.
f. the proposal General Shareholders' Meeting for the approval of an extraordinary cash bonus.

The remunerations for the year 2023 of the Key Management amounted to 51,047 thousand euros, respectively (2022 12,945 thousand euros), for fixed and variable salaries, long terms incentive plans, fringe benefits, pension commitments, and life insurance premium payments.

The President and the VicePresident of the Board of Directors are also members of the key management of the Group and consequently, their remuneration has been accrued based on their executive services and their remuneration has been included in the Board of Directors remuneration section.

The remuneration accrued by the Board of Directors for the services provided as a members of the Board of Puig Brands and the executive services of the President and VicePresident of Puig Brands, S.A. amounted to 45,660 thousand euros in 2023 (9,055 thousand euros in 2022).

Puig has paid Directors and Key Management liability insurance premiums in the amount of 175 thousand euros (2022: 130 thousand euros).

As of December 31, 2023, there were loans granted to the Key Management amounting to 58.146 thousand euros (2022: 14,113 thousand euros).The interest accrued related to the loans granted to the Key Management amounted to 1,577 thousand euros (2022: 219 thousand euros). The loans accrue interest at a rate between 1.5% and 3.25%.

Puig also has given long term incentive plans to its Key Management (which includes one member of the Board of Directors with executive service) amounting to 53,049 thousand euros. This remuneration has been included in the total remunerations (Key Management and Board of Directors) indicated above and are disclosed in the period when the plans are fully vested (which is different from period of the accrual of the related expense).

As detailed in note 25, during 2023, as part of the accelerated vesting of the long term incentive plan, Puig has delivered 6.101.430 treasury shares to the Key Management and to one member of the Board of Directors with executive services. Additionally, during 2023, the shares held by the beneficiaries of Puig, S.L. and Puig Gest, S.A. (950.406 and 8.030) have been exchanged for 3.374.335 shares of Puig Brands, S.A.

Put and call options have been agreed between the parties and therefore, as at December 2023 a total amount of 155,573 thousand euros is included as a liability in the consolidated balance sheet.

In addition of the abovementioned, members of the Board of Directors own a total amount of 800,132 shares of Puig Brands, S.A. For some of the abovementioned shares held by the members of the Board of Directors, put and call options have been agreed between the parties and Puig Brands, S.A. therefore, as at December 2023 a total amount of 11,664 thousand euros is included as a liability in the consolidated balance sheet.

29.3 Information on the average payment period to suppliers

The average payment period to suppliers of Spanish companies is as follows:

	2023	2022
(Days)		
Average payment period to suppliers	52	65
Ratio of paid operations	52	71
Ratio of operations pending payment	45	35
(Thousands of euros)		
Total payments	1,235,981	949,472
Total outstanding payments	103,168	173,777
Monetary volume of invoices paid in a period less than the maximum established in the late payment regulations	1,001,711	667,512
Percentage that payments less than said maximum represent over the total payments made	81.0%	70.3%
(Number of invoices)		
Invoices paid in a period less than the maximum established in the late payment regulations	74,377	53,710
Percentage of total invoices	85%	75.5%

(1) Average payment period to suppliers: It will be understood as the weighted average between the ratio of paid operations and the ratio of unpaid operations.

(2) Ratio of paid operations: It will be understood as the weighted difference between the calendar days that have elapsed since the date of receipt of the goods or services (however, in the absence of reliable information about the moment in which this circumstance occurs, the date of receipt of the invoice) until the material payment of the operation.

(3) Ratio of transactions pending payment: It will be understood as the weighted difference between the calendar days that have elapsed since the date of receipt of the goods or services (however, in the absence of reliable information about the moment in which this circumstance occurs, it will be will take the date of receipt of the invoice) until the last day of the period to which the consolidated annual accounts refer.

30. ENVIRONMENTAL INFORMATION

Puig works towards contributing to two global commitments; helping limit global warming to 1.5°C by 2030 and becoming a net zero organization by 2050.

To achieve these goals, Puig integrates environmental, social and governance (ESG) criteria into its culture, business model, strategy, and day-to-day activities.

The main highlights on sustainable commitments are as follows:

- Approval of the Puig biodiversity strategy.
- Development of a new carbon footprint calculation tool.
- First overall group evaluation in the three CDP questionnaires (Climate, Water and Forest).
- Approval of the Climate Policy, updating of the Sustainable Sourcing Policy, and development of new policies related to nature.

Expenses incurred during these years to eliminate, limit or control the possible impact that the normal course of business of Puig Spanish production subsidiaries could have on the environment have amounted to 750 thousand euros (2022: 277 thousand euros). Likewise, at 2023 year end the net book value of property, plant and equipment relating to the environment was 2,381 thousand euros (2022: 2,651 thousand euros).

At the end of fiscal years 2023 and 2022, Puig has no environmental provisions or contingencies recorded in its financial statements that could have a significant effect on its equity, financial situation, or results.

Climate change-related impacts have been assessed by the directors, who have concluded that no significant effects are expected.

The Non-Financial Statement includes information on Puig’s commitment to the environment through its Sustainability Policy.

31. RELATED PARTIES

The main balances and transactions with Puig related parties are summarized as follows:

(Thousands of euros)	Year	Sales to/ Income from related parties	Purchases from / Expenses with related parties	Finance income	Dividends	Accounts receivable from related parties / Current financial investments	Accounts payable
Companies with significant influence over Puig	2022	-	829	793	-	50,326	(9,679)
	2023	4	280	687	-	8,512	(4,049)
Associates	2022	33,973	324	-	19,934	7,483	(140)
	2023	44,022	2,226	-	25,464	15,761	(1,361)
Other related parties	2022	-	9,957	1,225	582	56,994	(286)
	2023	2	11,186	1,322	-	39,991	(177)

Transactions with entities with significant influence over Puig for the years ended December 31, 2023 and 2022, primarily correspond to payments for services rendered to Puig Brands by Puig SL and the shareholders of Puig SL (including Exea Empresarial, S.L.). Puig Brands also granted loans in favor of some of these entities (which have been repaid in full by December 31, 2023). In 2023 and from 2024 onwards, no transactions are expected except for the ones related to Puig, S.L. as the head of the Spanish tax group.

Transactions with associated companies for the years ended December 31, 2023 and 2022, primarily correspond to payments received for the manufacturing services that Puig Brands provides for Isdin, S.A. royalties that Puig receives from Sociedad Textil Lonia, S.A. in connection with the license of CH Carolina Herrera, and the dividend distributions from our associate and joint venture investments.

Transactions with other related parties for the years ended December 31, 2023 and 2022, primarily correspond to payments to Inmo, S.L. and its subsidiaries in connection with the lease of our headquarters in Barcelona, the lease of our manufacturing facility in Barcelona (which was closed in 2023), and the lease of our Carolina Herrera and Rabanne stores in New York and Paris, respectively. Puig Brands also granted loans to our Senior Officers and employees in connection with the acquisition and/or delivery of Class B Shares.

Additionally, in 2023, Puig Brands, S.A. has sold to its shareholder Puig, S.L. the shares of Puig Gest and Puig, S.L. for a total amount of 148,734 thousand euros (Note 22). 143,520 thousand euros have been settle in the acquisition of treasury shares (Note 22) and 5,214 thousand euros have been paid in cash.

Balances and transactions with minority shareholders are not considered in the previous table (Note 25).

32. SUBSEQUENT EVENTS

On January 2024, Puig acquired a majority stake in Dr. Barbara Sturm (65%), for a total cash consideration of 291,1 million euros subject to certain adjustment set out in the purchase agreement. In connection with the acquisition Puig agreed an earn-out payable to the brand founder in the long term, the amount of the earn-out is linked to the brand's business performance. Additionally, a cross put and call option has been agreed for the remaining minority stake. As of the date of preparation of these special purpose financial statements, the valuation of fair values acquired, including put and call options and earn-outs is ongoing.

The premium skincare brand founded in 2014 by Dr. Barbara Sturm, a world-renowned doctor and pioneer in the field of anti-inflammatory treatments, offers an exclusive portfolio of products spanning skincare, body & haircare and supplements.

The acquisition of Dr. Barbara Sturm reinforces Puig's competitive position by welcoming a globally recognized luxury cult brand developed through its digital channels and worldwide spa and boutiques network, offering high-performance treatments with deep expertise in skincare.

On March 1 2024 Puig negotiated and entered into certain agreements to purchase the stakes of certain minority interests. As a result of the transactions with the minority shareholders of Prado Investments ltd and Byredo AB, Puig now fully owns Byredo AB and also now owns 91% of Prado Investments ltd. In aggregate, these transactions involved a payment of 597 million euros in cash and an additional 16 million euros to be paid with Puig Brands shares at the time of the offering. Furthermore, one of the parties that received cash in the transaction described previously has an irrevocable commitment to invest 161 million euros in the subscription of Puig Brands shares at the time of the offering. These transactions decrease our liabilities for the amount of 757 million euros, having a positive impact of 144 million euros in equity. Additionally, at the beginning of May 2024 Puig will acquire the remaining 9% participation in Prado Investments.

Puig signed three revolving credit facilities, in February 2024, for a total of 450 million euros to finance these transactions.

Between January and March 2024 an extraordinary long-term incentive free shares plan was executed for the Chief Executive Officer, our Senior Officers and other key employees. As a result, a total of 1.498.213 shares were delivered to the employees.

On February 2024, Puig, S.L. (the Parent Company for tax consolidation purposes) has received a notification for inspection for the corporate income tax. At the same time, Antonio Puig, S.A.U. has received a notification for inspection for the value added tax and other indirect taxes. As of the date of preparation of these Special Purpose Financial statements, no significant tax contingencies are expected from the outcomes of these inspections.

ANNEX I - PUIG BRANDS AND SUBSIDIARIES

The companies included in the consolidation scope as of December 31, 2023 and 2022 are the following:

Full consolidation method

Name of the consolidated subsidiary	Address (Country)	Functional currency	Activity	% Ownership	
				2023	2022
Airparfum Timeless, S.L.U.	Plaza Europa 46-48, Hospitalet de Llobregat, Barcelona, Spain	EUR	Commercial	100	100
Antonio Puig, S.A.U.	Plaza Europa 46-48, Hospitalet de Llobregat, Barcelona, Spain	EUR	Holding, Manufacturing, Commercial	100	100
Apivita Cosmetics, Diet Pharmaceuticals – Commercial and Industrial Société Anonyme (Apivita, S.A)	Industrial Park of Markopoulo Mesogaias, Attica, 19003, Greece	EUR	Manufacturing, Commercial	100	100
Apivita Ventures, S.L.U.	Plaza Europa 46-48, Hospitalet de Llobregat, Barcelona, Spain	EUR	Holding	100	100
Aubelia S.A.S.	40-52, boulevard du Pars 92200 Neuilly-sur-Seine, France	EUR	Holding	100	100
Byredo (Hong Kong) Limited	20/F, West Exchange Tower, 322 Des Vœux Road Central, Sheung Wan, Hong Kong	CNY	Commercial	77	77
Byredo (Hong Kong) Limited – Macau Branch	Avenida de Praia Grande No. 409, China Law Building, 16/Fl. – B47 em, Macau	MOP	Commercial	77	77
Byredo (Shanghai) Limited	Unit 1201-1202, Taikoo Hui Tower 1, No. 288 Shimen No.1 Road, Jing'an District, Shanghai, China	CNY	Commercial	77	77
Byredo AB (Sweden)	Box 3065, 103 61, Stockholm, Sweden	SEK	Holding, Commercial	77	77
Byredo Adventure LLC	251 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo Bal Harbor LLC	251 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo Brentwood LLC	251 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo Fillmore LLC	251 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo France SAS	35 Rue des Renaudes, 75017, Paris, France	EUR	Commercial	77	77
Byredo GmbH	Sophienstraße 16, 10178 Berlin, Germany	EUR	Commercial	77	77
Byredo Grove LLC	251 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo Japan KK	WeWork Iceberg, 6-12-18 Jingumae, Shibuya-Ku, Tokyo, Japan	JPY	Commercial	77	77
Byredo Melrose LLC	251 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo Newbury Street LLC	252 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo Northpark LLC	253 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo Oakbrook LLC	254 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo Palisades LLC	255 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo Phipps Plaza LLC	256 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo Retail USA, LLC	630 5th Ave, 32nd Floor, New York, NY 10111, United Estates	USD	Commercial	77	-
Byredo Silver Lake LLC	257 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	77	77
Byredo UK Ltd.	40-42 Lexington Street, London, W1F 0LN, United Kingdom	GBP	Commercial	77	77
Byredo USA Inc.	630 5th Ave, 32nd Floor, New York, NY 10111, USA	USD	Commercial	77	77

Byredo Valley Fair LLC	257 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo Williamsburg LLC	257 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Byredo Wooster LLC	257 Little Falls Drive, Wilmington, Delaware 19808, United States	USD	Commercial	Liquidated	77
Carolina Herrera Ltd.	501 7th Ave, New York, United States	USD	Commercial	100	100
Carolina Herrera UK Ltd.	5th Floor, Russell Square House, 10-12 Russell Square, London WC1B 5EH, United Kingdom	GBP	Commercial	Liquidated	Liquidated
Charlotte Tilbury Beauty (Macau) Limited	Avenida da Praia Grande, no. 409 China Law Building, 21st/F., Macau	MOP	Commercial	56	56
Charlotte Tilbury Beauty (Shanghai) Limited	15/F, No. 68, Yuyuan Road, Jing'an District, Shanghai, China	CNY	Commercial	56	56
Charlotte Tilbury Beauty Asia Pacific Limited	10th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong	H.K.D.	Commercial	56	56
Charlotte Tilbury Beauty Canada Inc	C/O Gowling WLG, 160 Elgin Street Suite 2600 Ottawa, Ontario, K1P 1C3, Canada	CAD	Commercial	56	56
Charlotte Tilbury Beauty France SAS	9 Rue du Quatre Septembre, 75002 Paris, France	EUR	Commercial	56	56
Charlotte Tilbury Beauty Germany GmbH	Am Sandtorkai 68, c/o Fieldfisher, LLP, 20457 Hamburg, Germany	EUR	Commercial	56	56
Charlotte Tilbury Beauty Hong Kong Limited	10th Floor, Lee Garden Five, 18 Hysan Avenue, Causeway Bay, Hong Kong	KHD	Commercial	56	56
Charlotte Tilbury Beauty Inc	National Registered Agents Inc., 160 Greentree Drive, Suite 101, Dover, DE 19904. Business Address: 148 Lafayette Street, 2nd Floor, New York, New York, 10013, United States	USD	Commercial	56	56
Charlotte Tilbury Beauty Ireland Limited	6th Floor 2 Grand Canal Square, Dublin 2 D02 A342 Ireland	EUR	Commercial	56	-
Charlotte Tilbury Beauty Limited	8 Surrey Street, London, WC2R 2ND, United Kingdom	GBP	Commercial	56	56
Charlotte Tilbury Beauty Limited Spain	Calle Claudio Coello 124 6-D, 28006 Madrid, Spain	EUR	Commercial	56	56
Charlotte Tilbury Beauty Limtied – Italian subsidiary	Piazza San Fedele 2, Milan, CAP 20121	EUR	Commercial	56	56
Charlotte Tilbury Beauty Netherlands BV	Regus, Amsterdam Sloterdijk, Kingsfordweg 151, Amsterdam, 1043 GR, Netherlands	GBP	Commercial	56	56
Charlotte Tilbury Beauty Poland spzoo	61-730 Poznan, Mlynska, 16 Piertro 8, Poland	PLN	Commercial	56	-
Charlotte Tilbury Beauty Propco US LLC	C/O Corporation Service Company, 251 Little Falls Drive, Wilmington DE 19808, United States	USD	Commercial	56	56
Charlotte Tilbury Beauty Switzerland AG	c/o Format A AG, Wiesenstrasse 9 8008 Zurich	CHF	Commercial	56	-
Charlotte Tilbury Limited	280 Bishopsgate, London EC2M 4RB, London, England, UK	GBP	Holding	56	56
Charlotte Tilbury TM Limited	8 Surrey Street, London, WC2R 2ND, United Kingdom	GBP	Commercial	56	56
Cosmetika S.A.S.	Cra 7 # 180 - 75 Module 4 -14, Bogota, Colombia	COP	Commercial	67	67
Creano NV	Godefriduskaai, 36, 2000 Antwerp, Belgium	EUR	Commercial	100	70
Puig Chile Limited Distributor	Avenida del Valle, 869, Floor 6, Commune of Huechuraba, Chile	CLP	Commercial	100	100
Puig Spain Division, S.L.U.	Plaza Europa 46-48, Hospitalet de Llobregat, Barcelona, Spain	EUR	Commercial	Merged	100
DNV S.A.R.L.	3 Rue du Plâtre, 75004 Paris, France	EUR	Commercial	100	70
Dreamlike Ltd.	1 Cathedral Piazza, 123 Victoria Street, London SW1E 5BP, United Kingdom	-	Commercial	Liquidated	Liquidated
Dries Van Noten (Shanghai) Commercial Trading Co., Ltd.	Room 302, No. 9 building, No 696 Wei Hai Road, Jing An, district, Shanghai, China	CNY	Commercial	100	70
Dries Van Noten Group NV	Godefriduskaai, 36, 2000 Antwerp, Belgium	EUR	Holding	100	70

DVN USA CORP	90, State Street, Suite 700, Office 40, 12207, Albany, New York, United States	USD	Commercial	100	70
Eric Buterbaugh Florals LLC	Corporation Trust Center, 1209 Orange Street, Willmington, Delaware 19801, United States	-	Commercial	Liquidated	71
Etablissement Thermales d'Uriage S.A.S.	40-52, boulevard du Pars 92200 Neuilly-sur-Seine / Establishment: 60 Place Déesse Hygie 38410 Saint-Martin-d'Uriage, France	EUR	Commercial	100	100
Het Modepaleis NV	Godefriduskaai, 36, 2000 Antwerp, Belgium	EUR	Commercial	100	70
Hôtel Restaurant les terrasses d'Uriage S.A.S.	Registered: 40-52, boulevard du Pars 92200 Neuilly-sur-Seine / Establishment: 60 Place Déesse Hygie 38410 Saint-Martin-d'Uriage, France	EUR	Commercial	100	100
Islestarr Holdings Limited	8 Surrey Street, London, WC2R 2ND, United Kingdom	GBP	Holding, Commercial	56	56
Jean Paul Gaultier, S.A.S.	325 Rue Saint Martin, 75003 Paris, France	EUR	Commercial	100	100
Kama Ayurveda Private Ltd	K3, Jungpura Extension, New Delhi – 110014, India	INR	Manufacturing, Commercial	85	85
L’Artisan Parfumeur S.A.R.L.	1 Rue Charles Tellier zone industrielle de Beaulieu 28000 Chartres, France	EUR	Commercial	100	100
Laboratoires Dermatologiques D'Uriage Belux S.P.R.L.	Boulevard International 55 room D – 1070 Anderlecht, Belgium	EUR	Commercial	100	100
Laboratoires Dermatologiques D'Uriage Deutschland GmbH	Änderung zur Geschäftsanschrift Zirkusweg 2, 20359 Hamburg (Germany)	EUR	Commercial	100	100
Laboratoires Dermatologiques D'Uriage Espagne S.L.U.	Calle Cardenal Marcelo Spinola 4, 1º, 28016, Madrid, Spain	EUR	Commercial	100	100
Laboratoires Dermatologiques D'Uriage France S.A.S.	40-52, boulevard du Pars 92200 Neuilly-sur-Seine, France	EUR	Commercial	100	100
Laboratoires Dermatologiques D'Uriage Italie S.R.L	Via Maurizio Gonzaga n° 7 CAP 20123 Milano (Italy)	EUR	Commercial	100	100
Laboratoires Dermatologiques D'Uriage Portugal S.A.	Alameda dos Oceanos, Edifício Espace, Lot 1.06.1.4, Floor 3, Block A 1990-207 Lisbon, Portugal	EUR	Commercial	100	100
Laboratoires Dermatologiques D'Uriage Russie LLC	4, Yakimanskaya Naberezhnava, Building 1, 119180 Moscow, Russia	RUB	Commercial	100	100
Lendemain Distribution Inc.	630 5th Ave, 32nd Floor, New York, NY 10111, United Estates	USD	Commercial	100	100
Nina Ricci S.A.R.L.	39 Ave. Montaigne, 75008, Paris, France	EUR	Commercial	100	100
Nina Ricci USA, Inc	183 Madison Avenue, 19th Floor, New York 10016, United States	-	Commercial	Merged	Merged
Paco Rabanne, S.A.S.	17 Rue François 1er, 75008 Paris, France	EUR	Commercial	100	100
Penhaligon's Inc.	630 5th Ave, 32nd Floor, New York, NY 10111, United Estates	USD	Commercial	100	100
Penhaligon's Ltd.	1 Cathedral Piazza, 123 Victoria Street, London SW1E 5BP, United Kingdom	GBP	Commercial	100	100
Penhaligon's Taiwan Ltd.	11F., No. 1, Songzhi Rd., Xinyi Dist., Taipei City 110, 3162027, Taiwan	TWD	Commercial	100	100
Penhaligon's (Singapore) Pte. Ltd.	80 Raffles Place, #25-01 UOB Plaza 1, 048624, Singapore	SGD	Commercial	100	100
Perfumes and Cosmetics Puig Portugal Distribuidora S.A.	Rua Castilho 71, 4º direito, 1250-068, Lisbon, Portugal	EUR	Commercial	100	100
Prado Investments Limited	280 Bishopsgate, London EC2M 4RB, London, England, UK	GBP	Holding	76	76
Puig (Hong Kong) Ltd (Penhaligon’s Pacific Ltd.)	10/F, West Exchange Tower, 322 Des Voeux Road Central, Sheung Wan, Hong Kong	H.K.D.	Commercial	100	100
Puig (Macau) Limited (Penhaligon’s (Macau) Limited)	Praia Grande Av. 371, Keng Ou Building, 22 andar A, Macau	MOP	Commercial	100	100
Puig (Shanghai) Business Trading Co., Ltd.	Room 4, 5 of 28/F (with physical floor at 24/F on property certificate), No. 1717, West Nanjing Road, Jing'an Dist, Shanghai, China	CNY	Commercial	100	100
Puig Arabia Limited (Al Farida International Beauty Ltd Co.) (*)	Real Building Sari Street, Al Zahra’a District P.O Box 2489, Jeddah 21451, Saudi Arabia	USD	Commercial	65	65

Puig Argentina S.A.	Calle Suipacha 1.111, 18º, C1008AAW, Buenos Aires, Argentina	ARS	Commercial	100	100
Puig Asia Pacific Pte Ltd.	80 Raffles Place, 17-20 UOB Plaza 2, 048624, Singapore	SGD	Commercial	100	100
Puig Belux, S.A.	Boulevard International 55D, 1070 Brussels, Belgium	EUR	Commercial	100	100
Puig Brands, S.A.	Plaza Europa 46-48, Hospitalet de Llobregat, Barcelona, Spain	EUR	Parent Company	100	100
Puig Brasil Comercializadora de Perfumes, S.A.	Avenida das Americas nº 3301, Block 03, Rooms 202 E301 Barra da Tijuca, Rio de Janeiro, Brazil	BRL	Commercial	100	100
Puig Canada Inc.	2360 Bristol Circle, Suite 300, Oakville, Ontario L6H 6M5, Canada	CAD	Commercial	100	100
Puig Colombia S.A.S.	CR 7 NO. 97ª -13, Bogota D.C., Colombia	COP	Commercial	100	100
Puig Derma Trading (Shanghai) Co. Ltd.	2525 Wheelock Square, 25F Unit, 1717 West Nanjing Road, Jingan 200040, Shanghai, China	CNY	Commercial	100	100
Puig Deutschland, GmbH (**)	Astraturm Zirkusweg 2 D-20359, Hamburg, Germany	EUR	Commercial	100	100
Puig Emirates LLC (*)	Dubai Design District FZ LLC, D3, Building 07, 2nd Floor, Dubai, UAE	USD	Commercial	65	65
Puig France S.A.S.	65-67 Av. des Champs Elysées 75008 Paris, France	EUR	Manufacturing, Commercial	100	100
Puig India Private Limited	3 Jangpura Extension, Commercial Complex, New Delhi, 110014, India	INR	Commercial	100	-
Puig International, S.A. (formerly Lesim)	Business Park Terre-Bonne, Bâtiment A4, Route de Crassier 17, 1262 Eysins, Switzerland	EUR	Holding, Commercial	100	100
Puig Italia, S.r.l.	Via San Prospero 1, 20123 Milan, Italy	EUR	Commercial	100	100
Puig Japan, K.K	6-12-18 Jingumae, Shibuya-Ku, Tokyo, 150-0001, Japan	JPY	Commercial	100	-
Puig Korea LLC	Unit 803, 191, Itaewon-ro, Yongsan-gu, Seoul, Korea	KRW	Commercial	100	-
Puig Malaysia Sdn. Bhd. (*)	Unit 30-01, level 30-01, tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia	MYR	Commercial	51	51
Puig Mexico, S.A. of C.V.	Jaime Balmes 11, Tower C, Floor 3, Plaza Polanco, Los Morales, Mexico General District, Mexico	MXN	Commercial	100	100
Puig Middle East FZCO (*)	Registered office: Jebel Ali Free Zone and is P.O.Box 17640, Jebel Ali Free Zone, Dubai, UAE Branch office for correspondence purposes: Dubai Design District FZ LLC, D3-Building 07, 2nd Floor (Offices A202, A203, A204), UAE	USD	Commercial	65	65
Puig Nederland B.V. (**)	Polarisavenue 1-101. 2132 JH Hoofddorp, The Netherlands	EUR	Commercial	100	100
Puig North America, Inc.	630 5th Ave, 32nd Floor, New York, NY 10111, United Estates	USD	Commercial	100	100
Puig Oceania Pty. Ltd.	Suite 502, Level 5, 388 George Street, Sydney NSW 2000, Australia	AUD	Commercial	100	100
Puig Östrerreich, GmbH	Leopold Ungar Platz 2, Stiege 2/ 1. Stock, 1190, Vienna, Austria	EUR	Commercial	100	100
Puig Panama, S.A.	Scotia Plaza Building nº 18, Av. Federico Boyd and C/ 51, floors 9, 10 and 11, Panama City, Panama	USD	Commercial	100	100
Puig Perú, S.A.	Avenida José Larco 1232 9th floor, Offices 9-101, 9-102, 9-103 and 9-105, 15074, Miraflores, Lima, Peru	PEN	Commercial	100	100
Puig Retail US, LLC	630 5th Ave, 32nd Floor, New York, NY 10111, USA	USD	Commercial	100	-
Puig Rus, LLC.	Russian Federation, 119180, Moscow Yakimanskaya naberezhnaya, 4, bld.1, Russia	RUB	Commercial	100	100
Puig South East Asia Pte. Ltd. (*)	12 Tai Seng Street, #05-01 Luxasia Building Singapore 534118, Singapore	SDG	Commercial	51	51

Puig Suisse, S.A.	Business Park Terre-Bonne, Bâtiment A4, Route de Crassier 17, 1262 Eysins, Switzerland	CHF	Commercial	100	100
Puig UK Ltd.	5th Floor, Russell Square House, 10-12 Russell Square London WC1B 5EH, United Kingdom	GBP	Commercial	100	100
Puig USA Inc.	630 5th Ave, 32nd Floor, New York, NY 10111, United Estates	USD	Commercial	100	100
Sodifer S.A.R.L.	3 Rue du Plâtre, 75004 Paris, France	EUR	Commercial	100	70
Van Noten Andries NV	Godefriduskaai, 36, 2000 Antwerp, Belgium	EUR	Holding, Commercial	100	70

(*) Subsidiaries with non-controlling interests recognized in the Consolidated balance sheet.

(**) The company does not present audited annual accounts in its country of origin since it benefits from the exemption applied in this country. Puig Nederland B.V. takes advantage of the exemption for the 403 Statement. Puig Deutschland GmbH benefits from the exemption applied in that country according to Sec. 264 para 3 no. 1 German Commercial Code.

Equity method

Name of the consolidated subsidiary	Address (Country)	Functional currency	Activity	% ownership	
				2.023	2.022
Beijing Yitian Shidai Trading Co, LLC	B111 Unit, 10-2 buildings first floor, N.94 Dongsi shitiao, Beijing, China	CNY	Commercial	15	15
Isdin, S.A.	Provençals 33, 08019 Barcelona, Spain	EUR	Commercial	50	50
Ponteland Distribuçao, S.A.	Rua Barao de Tefé, 34, 14º andar, Saúde, Rio de Janeiro, Brazil	BRL	Manufacturing, Commercial	35	35
Sociedad Textil Lonia, S.A.	Pereiro de Aguiar Business Park, Ourense, Spain	EUR	Manufacturing, Commercial	25	25

Neither in fiscal year 2023 nor in 2022 there are no non-consolidated companies.

ANNEX II - ENTITIES UNDER TAX CONSOLIDATION REGIME

The companies included under tax consolidation regime at December 31, 2023 are as follows:

Tax Parent Company	Name of the consolidated tax subsidiary	Country
Puig, S.L.	Puig Brands, S.A.	Spain
	Antonio Puig, S.A.U.	Spain
	Airparfum Timeless, S.L.U.	Spain
	Apivita Ventures, S.L.U.	Spain
	Laboratoires Dermatologiques D'Uriage Espagne S.L.U.	Spain
Puig France S.A.S.	Puig France S.A.S.	France
	Paco Rabanne, S.A.S.	France
	Nina Ricci S.A.R.L.	France
	Jean Paul Gaultier, S.A.S.	France
	L'Artisan Parfumeur S.A.R.L.	France
Aubelia S.A.S.	Aubelia S.A.S.	France
	Laboratoires Dermatologiques D'Uriage France S.A.S.	France
	Hôtel Restaurant les terrasses d'Uriage S.A.S.	France
	Etablissement Thermales d'Uriage S.A.S.	France
Puig UK Ltd.	Puig UK Ltd.	United Kingdom
	Prado Investments Limited	United Kingdom
	Penhaligon's Ltd.	United Kingdom
	Byredo UK Ltd.	United Kingdom
Charlotte Tilbury Limited	Charlotte Tilbury Limited	United Kingdom
	Islestarr Holdings Limited	United Kingdom
	Charlotte Tilbury TM Limited	United Kingdom
	Charlotte Tilbury Beauty Limited	United Kingdom
Puig North America, Inc.	Puig North America, Inc.	USA
	Puig USA Inc.	USA
	Carolina Herrera Ltd.	USA
	Penhaligon's Inc.	USA
	Lendemain Distribution Inc.	USA

02.

CONSOLIDATED MANAGEMENT REPORT

A HOME OF LOVE BRANDS,
WITHIN A FAMILY COMPANY,
THAT FURTHERS WELLNESS,
CONFIDENCE AND SELF-EXPRESSION,
WHILE LEAVING A BETTER WORLD.

1. Corporate information

We are a home of love brands. Our love brands resonate with and are loved by consumers, creating strong emotional bonds with them.

We are a family business with 110 years of history. The Puig Family is the backbone of the Company's values, which have been passed on for the last three generations, as well as its vision, which has defined the pillars of our strategy. This vision allows us to focus on the long-term perspective for our brands, our Company, and our stakeholders.

We want our brands to foster wellness, make our consumers and followers feel more confident, and empower them to express their true selves better. And all this, with a deep-rooted commitment to leaving behind a better world for future generations.

Who we are: our Premium Love Brands

We are a global player in the premium beauty industry, present in the Fragrances and Fashion, Makeup and Skincare business segments. We have a portfolio of premium love brands, consisting of 17 global brands from ten different countries with a strong and authentic identity as well as strategic complementarity.

We have carefully built our brand portfolio over decades by nurturing our own brands and partnering with visionary founders with whom we have established successful and long-lasting relationships through shared values and an aligned brand-building vision to integrate these brands into our portfolio, while maintaining the authenticity of each of these brands. We have curated our portfolio to provide strategic complementarity and diversification, as well as to achieve long-term growth.

Puig portfolio includes our brands Rabanne, Carolina Herrera, Charlotte Tilbury, Jean Paul Gaultier, Nina Ricci, Dries Van Noten, Byredo, Penhaligon's, L'Artisan Parfumeur, Uriage, Apivita, Kama Ayurveda and Loto del Sur as well as the beauty licenses of Christian Louboutin, Banderas and Adolfo Dominguez, among others. Additionally, after December 31, 2023, we have added another brand to our portfolio (Dr. Barbara Sturm).

We are a scaled, global business

We manage our worldwide presence from our Barcelona headquarters, supported by three regional hubs located in Paris, London, and New York. We have six manufacturing facilities in Europe and one in India, with brand headquarters and subsidiaries in 32 countries and employ over 11,000 people. We also have robust commercial reach through distributors and retailers, and more than 270 own stores around the world, resulting in our products being sold in more than 150 countries.

We conduct our business in three geographic segments: EMEA, the Americas and Asia-Pacific, which represented 54%, 35.8% and 10.2%, respectively, of our net revenues in 2023.

We sell our products through (i) physical channels (brick and mortar), such as department stores, selective retailers, pharmacies, drugstores, travel retail, spas and our own stores (276 and 241 own stores as of December

31, 2023 and 2022, respectively); and (ii) digital channels, such as e-commerce connected with our physical channels, online only retailers (pure players) and our brands' own e-commerce platforms.

We are committed to sustainability

Leaving a better world behind for the next generations is core to our purpose, and we are committed to maintaining and improving our sustainability performance. We have a clear ESG strategy across material topics, including a Net Zero emissions commitment by 2050. We transparently report on our progress, and have received external validation of our performance (by way of example, Ecovadis: 70/1001 Gold Medal1; Sustainalytics: 20.7 score).

2. Business evolution

Business context 2023

2023 was a positive year for the global beauty market despite an environment marked by uncertainty and certain adverse factors, such as:

- An uncertain environment due to geopolitical stress, rising interest rates, rising energy prices, high inflation, all of which impacted slowing economic growth.
- The deceleration of international trade.
- The continued disruption in the supply chain which has had a global impact since 2020, and the consequent shortage of materials causing difficulties in the production and distribution of products.
- A slower-than-expected recovery in China due to continued weakness in the housing market, contraction in domestic consumer spending and slow recovery in the travel retail market.

Results for the annual years ended December 31, 2023 and 2022

(millions of euros, except %)	2023	Y23/Y22 % Variation	2022
Net income	**4,304.1**	**18.9**	**3,619.6**
Cost of sales	(1,088.9)	(17.5)	(927)
Gross profit	3,215.2	19.4	2,692.6
Distribution expenses	(217.7)	1.8	(221.7)
Advertising and promotion expenses	(1,338.1)	(21.7)	(1099.7)
Selling, general and administrative expenses	(966.4)	(15.8)	(834.8)
Operating profit	**693.0**	**29.2**	**536.5**
Other operating income and expenses	(13.8)	68.4	(43.5)
Operational result	**679.2**	**37.8**	**493.0**
Financial result	(87.4)	(150.4)	(34.9)
Result from associates and joint ventures and impairments of financial assets	51.3	(7.7)	55.6
Profit before tax	**643.2**	**25.2**	**513.7**
Income tax	(143.3)	(41.6)	(101.2)
Net profit for the year	**499.9**	**21.2**	**412.5**
Non-controlling interers	(34.7)	(166.9)	(13.0)
Net profit attributable to the Company	**465.2**	**16.5**	**399.5**

Net revenues

In 2023, net revenues increased 18.9% to €4,304.1 from €3,619.6 million in 2022, continuing the positive growth trajectory from previous years, reflecting (i) strong organic growth in our core markets across all business segments due to the desirability of our brands and the strong demand of our products; (ii) continued growth within the global beauty industry, which was partially offset by the impact of inflation and higher interest rates on demand; (iii) our success in effecting global price increases to pass through the impact of inflation (with the impact of foreign currency exchange having an opposing influence; and (iv) the contribution to our net revenue of Byredo, Kama Ayurveda and Loto del Sur for a full year in 2023 following our acquisition of control during 2022.

Organic growth (Like for Like) reflects our organic growth by adjusting net revenues for the impact of (i) changes in scope/perimeter, by deducting from net revenues for the relevant year the amount of net revenues generated over the months during which the acquired entities/brands were not consolidated in the prior year and (ii) exchange rates fluctuations, calculated as the difference between net revenues for the relevant year at that year's exchange rates against the euro and net revenues in the that same year at the prior year's exchange rates against the euro, using the annual average exchange rate.

(millions of euros, except %)	**2023**	**2022**	**Growth**
Net revenues	4,304.1	3,619.6	18.9%
Net revenues related to Increases in scope/perimeter	(88.6)		(2.4%)
Net revenues related exchange rate effect	82.1		2.3%
Organic growth ("like for like") in net income	**4,297.5**	**3619,6**	**18.7%**

The strength of our organic growth during the periods under review is 18.7% in 2023 (Like for Like). The impact of exchange rate fluctuations accounted for a 2.3% net revenue reduction in 2023, while changes in scope of consolidation accounted for 2.4% of net revenue growth in 2023. Together they account for the difference between net revenue growth of 18.9% in 2023.

The net income from changes in the consolidation perimeter for fiscal year 2023 corresponds to the deduction of the net income of Byredo, Kama Ayurveda and Loto del Sur during the months in which these companies were not consolidated in 2022.

Net revenues by business segment

The following table presents our net revenues by business segment for the years indicated together with the percentage change between years:

(millions of euros, except %)	2023	Y23/Y22 % Variation	2022
Fragrances and fashion	3,115.0	16.6	2,671.5
Make-up	773.1	23.5	626.0
Skin care	430.9	30.9	329.1
Eliminations	(14.9)		(7.1)
Total	**4,304.1**	**18.9**	**3,619.6**

Net revenues grew at double digits across all our business segments in 2023, with Fragrance and Fashion being the main contributor in absolute terms (an increase of €443.5 million, or 16.6%, compared to 2022), followed by Make-up (an increase of €147.1 million, or 23.5%, compared to 2022) and Skincare (an increase of €101.7 million, or 30.9%, compared to 2022) as further described below.

The growth in our Fragrance and Fashion business segment during the period under review was primarily due to the growth of our Prestige brands, whereas growth in our Make-up and Skincare business segments was primarily due to the growth of Charlotte Tilbury. Additionally, revenue growth over this period benefited from the impact of the incorporation to our brand portfolio of Byredo on Fragrance and Fashion and the incorporation of Loto del Sur and Kama Ayurveda on Skincare. The overall increase in net revenues reflects the diversification of the portfolio by business segment and the connections between the segments. Many of the brands, while maintaining their core business in one segment, have expanded into other segments over the years.

Fragrances and fashion

In 2023, net revenues in the Fragrance and Fashion business segment increased by 16.6% to €3,115.0 from €2,671.5 million in 2022. In Fragrance (with Fashion representing less than 5% of our net revenues in 2023), this increase was primarily driven by:

i. an increase in net revenues from the Prestige portfolio category, particularly in North America and EMEA, driven by the success of existing products in brands such as:
   - Rabanne, which surpassed €1 billion in net revenue for the first time in 2023, driven by the blockbuster "1 Million" and continued positive growth thanks to the releases of "Phantom" and "Fame" in 2021 and 2022, respectively;
   - Carolina Herrera with "Good Girl", which continued presenting the line from previous years; and
   - Jean Paul Gaultier, which continues to build momentum with the successful launches of new products in 2023 and the success of existing products (including fragrances such as "Les Males" and "Classiques");

ii. significant growth in net revenues coming from the Niche portfolio category, primarily from:
   - Byredo, which has grown at a double-digit rate and whose main impact in 2023 came from its consolidation in our annual results for a full year; and
   - Dries Van Noten and Penhaligon's, both of which showed strong growth. Dries Van Noten is the fastest growing Niche brand in our portfolio. Following the launch of its first perfume and beauty collection in 2022, Dries Van Noten opened a dedicated perfume, beauty and accessories store in Paris this year. Meanwhile, Penhaligon's finished 2023 by paying tribute to its founder with the launch of its "Potions & Remedies" collection;

Make-up

In 2023, net revenues in the Make-up business segment increased 23.5% to €773.1 from €626.0 million in 2022. This reflected an increase in net revenues primarily as a result of:
i. the success of Charlotte Tilbury, with new launches, such as "Matt Beauty Blush Wands" and "Airbrush Flawless Lip Blur", and the continuous success of its existing product lines "Pillow Talk" and "Hollywood Flawless Filter"; and

ii. new product launches across Puig's existing brands, including Rabanne's launch of its first make-up collection with "Famous Black Mascara" and "Mini and Handbag Palette", promoting a strong feminization of the brand in line with the brand's identity as defined by the fashion segment; Carolina Herrera's launches of "Good Girl Blusher" and "Good Girl Maxi Glaze"; and Byredo's launch of its new collection with Lucia Pica.

Skin care

In 2023, net revenues in Skincare, our fastest growing business segment, increased 30.9% to €430.9 from €329.1 million in 2022. This increase was primarily driven by:

i. the continued growth of Charlotte Tilbury, mainly in North America and in EMEA, with "Magic Cream", its star franchise in the Skincare business segment. The Magic Skin range was strengthened in 2023 with the launches of "Magic Water Cream" and "Magic Body Cream";

ii. Our Dermo-Cosmetics brands Uriage and Apivita growing at double-digit rates, primarily in EMEA;

iii. the performance of our two Skincare Wellness brands, Kama Ayurveda, which opened a flagship store in Notting Hill in London (its first store outside of India), and Loto del Sur, which we first consolidated for a full year in 2023; and

iv. new product launches (other than those of Charlotte Tilbury mentioned above) including Apivita's launch of "Beevine Elixir line" an anti-aging range that restores the skin's collagen balance driven by the Propolift complex, a new patented technology developed after seven years of research; Uriage's launch of "Serum booster H.A"; and Kama Ayurveda's launches of "Eye contour renewal" and "Kumkumadi" day cream.

Net Revenue by Geographical Segment

The following table presents our net revenues by geographical segment for the years indicated together with the percentage change between years:

(millions of euros, except %)	2023	Y23/Y22 % Variation	2022
EMEA	2,322.1	18.5	1,959.9
Americas	1,543.0	17.6	1,311.9
Asia-Pacific	439.0	26.2	347.8
Total	**4,304.1**	**18.9**	**3,619.6**

In 2023, net revenues grew across all of our geographic segments. EMEA was the main contributor in absolute terms (an increase of €362.2 million or 18.5% growth compared to 2022), followed by the Americas (an increase of €231.1 million or 17.6% growth compared to 2022) and Asia-Pacific (an increase of €91.2 million or 26.2% growth compared to 2022), which was our fastest-growing geographic segment.

EMEA

In 2023, net revenues in EMEA increased 18.5% to €2,322.1 from €1,959.9 million in 2022, reflecting above-market growth in 2023. In particular, growth was led by the selective fragrance segment.

A key highlight in this region was Charlotte Tilbury's continued leadership position in the UK, and its expansion to Poland and Sweden. Additionally, Kama Ayurveda opened a flagship store in Notting Hill in London, and Dermo-Cosmetics brands Uriage and Apivita grew at double-digit rates in this region in 2023. Europe is the home market for the majority of our brands, which reinforces our positioning on this continent. Our net revenues grew in the main markets of the region, which by decreasing size are the UK, Spain and France, with these three markets being within our top five worldwide.

In the Middle East, there was a notable evolution in fragrances of the Niche category, and we strengthened our structure in the region with the establishment of a subsidiary in the UAE (Puig Emirates) to capitalize on growth opportunities. In our Make-up business segment, Charlotte Tilbury continued showing strong performance in the region, now also including a presence in Saudi Arabia.

Americas

In 2023, net revenues in the Americas increased 17.6% to €1,543.0 from €1,311.9 million in 2022, driven by our three main markets: the U.S., Brazil, and Mexico. All three are among our top ten markets worldwide.

The Americas geographical segment is divided into two areas with distinct characteristics:

i. in North America (the U.S. and Canada), our top market in terms of net revenues is the U.S. (the largest beauty market in the world), where we are considered the fastest-growing company in the sector. In this region, Fragrance and Fashion remains our main business segment, although in 2023 we expanded our Make-up business segment thanks to the launch of Rabanne's make-up offering as part of our strategy to expand and elevate Prestige brands. The increase in the Make-up business segment was primarily driven by the success of Charlotte Tilbury; and

ii. in Latin America, the Fragrance and Fashion business segment was the most significant, and the main markets by net revenue ranking were Brazil, Mexico and Chile.

Carolina Herrera remained the leading brand of our Prestige portfolio in this region, thanks to "Good Girl,", followed by Rabanne and Jean Paul Gaultier. The consolidation of Loto del Sur strengthened our significant positions within the Skincare Wellness category in the region, primarily in Colombia, where the brand has more than 20 own stores.

Asia-Pacific

In 2023, net revenues in Asia-Pacific increased 26.2% to €439.0 from €347.8 million in 2022. The presence of our brands in this geographical segment is highly differentiated depending on the characteristics of each market. Charlotte Tilbury continued to remain the largest brand in the Asia-Pacific in our portfolio and Byredo was the fastest-growing brand. Furthermore, we continued to increase our presence by opening new stores for Carolina Herrera, Penhaligon's, L'Artisan Parfumeur, Byredo, and Christian LouboutinLIC.

The consolidation in our annual results of the Indian brand Kama Ayurveda, acquired in 2022, reinforced our presence in the Skincare Wellness category and the brand's position in India and the Asia-Pacific geographic segment, in addition to expanding our DTC presence with more than 60 own stores.

Operating profit

Operating profit increased 29.2% to €693.0 million from €536.5 million in 2022.

(millions of euros, except %)	2023	Y23/Y22 % Variation	2022
Fragrances and fashion	587,2	23,9	473,9
Make-up	62,2	77,2	35,1
Skin care	43,6	58,6	27,5
Total	**693,0**	**29,2**	**536,5**

Fragrance and fashion

In 2023, operating profit for Fragrance and Fashion increased 23.9% to €587.2 from €473.9 million in 2022. This increase primarily reflects the continued positive performance of our Prestige brands, particularly in our core markets in EMEA and the Americas, where we have a strong presence and leadership positions thereby contributing to greater profitability.

Make-up

In 2023, operating profit for Make-up increased 77.2% to €62.2 million from €35.1 million in 2022. This increase primarily reflects the continued positive performance of Charlotte Tilbury, partially offset by the fact that several of our other brands within the Make-up business segment are in early stages of development and therefore have not reached the scale necessary to obtain greater profitability. For example, the recent launch of Rabanne's make-up offering requires higher levels of investment as we start to build its presence in this business segment, which limits profitability in the short-term.

Skin care

In 2023, operating profit for Skincare increased 58.6% to €43.6 million from €27.5 million in 2022. This increase primarily reflects the continued positive performance of Charlotte Tilbury and the achievement of economies of scale benefiting our expense levels for both advertising and promotion and selling, general and administrative.

3. Treasury shares

In May 2023, Puig Brands acquired 21,000,000 of its shares from its sole shareholder, Puig, S.L., for a total amount of 344,775 thousand euros.

All transactions carried out with treasury shares are detailed in note 22 of the consolidated report.

As of December 2023, Puig Brands holds 6,450,627 of treasury shares amounting to 105,907 thousand euros.

4. Financial risk management

Foreign currency exchange rate risk management

The Group operates in an international environment and therefore is exposed to exchange rate risk on transactions in currencies, especially with regards to the USD and the GBP (being the euro the functional currency of the Group and the currency of the parent company). Currency risk is associated with future commercial transactions, recognized assets and liabilities, and net investment in foreign currencies.
Puig has a significant portion of sales to customers and to their own subsidiaries as well as certain purchases in currencies other than their functional currency (euro). Hedging instruments are used to reduce the foreign exchange risks arising from the fluctuations of currencies different from the companies' functional currencies.

Before the end of the year, as part of the budget preparation, Puig companies are responsible for identifying the exposure to foreign currency cash flows. The Group centrally analyzes the exposure and arranges the appropriate hedges. The identified foreign exchange risks are hedged using forward contracts or options.

Puig has implemented a strict policy to manage, measure and monitor these risks. The activities are organized based on a clear segregation of duties between the front office, middle office and back office which are responsible for the measurement, hedging and administration and financial control. The hedging strategy must always be presented to the top management for approval.

The financing obtained by Puig is mainly in Euros representing 95% of the total debt (2022: 96%).

Derivative instruments entered into hedge for foreign exchange are accounted for in accordance with hedge accounting principles.

Puig has arranged exchange rate hedges to cover potential fluctuations in foreign currency. Note 28 of the consolidated report presents the effect on our income statement and equity resulting from an appreciation or depreciation of the US dollar and the pound sterling, respectively. Our sensitivity to sterling is mainly due to Charlotte Tilbury's strength in the UK, our largest European market.

Interest rate risk

Puig’s interest rate risk arises from current and non-current borrowings with banks. The objective of Puig is to have a high proportion of borrowings at fixed rate or floating interest rates hedged by interest rates swaps (IRS). The main objective of the management is to protect net profit from the impact of significant changes in interest rates.

Puig uses derivative financial instruments (interest rate swaps) to cover the risk of changes in the interest rates on some loans. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair value at December 31, 2023 amounts to 14,891 thousand euros (2022: 42,078 thousand euros).
An increase of 2% in the market interest rate could result in a financial interest expense increase of 5.9 million euros (2022: 5.7 million euros).

Credit risk

Credit risk is the risk to which Puig is exposed in the event that a customer or counterparty fails to pay its obligation.

To mitigate this risk Puig has a credit policy and manages its exposure to collection risk in the normal course of its operations. Puig evaluates the credit given to all its customers above a certain amount. Likewise, Puig has a credit insurance for most of its accounts receivable.

The Group recognizes impairment based on its best estimate of the expected losses on trade and other receivables. The main impairment losses recognized are due to specific losses relating to individually identified risks. At year end, these impairment losses are immaterial.

The maximum exposure to credit risk in relation to trade receivables is the amount shown in Note 18 above amounting to 501,861 (2022: 405,946 thousand euros). Puig customers are reasonably fragmented, so individually none of them represents more than 10% in the overall amount of trade receivables.

Puig has undrawn amounts from credit facilities that can be used to cover operating cash deficits.

Also, to mitigate this credit risk, the Group has transferred this risk to third parties via non-recourse factoring of trade receivables in which case the Group would not retain any credit risk.

Credit risk also arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions. To mitigate this credit risk, the Group only works with banks with strong credit ratings as qualified by international rating agencies. The solvency of these institutions, as indicated in each institution's credit ratings, is reviewed periodically in order to perform active counterparty risk management.
The assets subject to exposure to credit risk recognized in the balance sheet are detailed in note 28 of the consolidated report.

Liquidity risk

Liquidity risk is the risk that the Group cannot meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure where possible, that it always has sufficient liquidity to settle its obligations at the maturity date.

Puig uses financial planning techniques to manage liquidity risk, taking into consideration the maturity of financial assets and liabilities and cash flow projections. Puig objective is to balance structural requirements and exceptional needs of cash with the loans and overdrafts taken out, to ensure that it will be able to use them depending on its liquidity situation.

As a consequence of the aforementioned the Group considers that it has liquidity and access to medium and long-term financing that allows the Group to ensure the necessary resources to meet the potential commitments for future investments.

Puig has undrawn amounts from credit facilities that can be used to cover operating cash deficits.

The maturities of the main financial liabilities are detailed in note 28 of the consolidated report.

Capital risk management

Puig's objective is to safeguard its capacity to continue managing its recurring activities and the capacity to continue to grow, by optimizing the debt-to-equity ratio and to create value for the shareholder.

The main purpose of Puig capital management is to ensure a financial structure that can optimize capital cost and maintain a solid financial position, in order to access to the financial markets at a competitive cost to cover financing needs.
Puig manages its capital to ensure that certain financial ratios are appropriate to develop its business, maintaining a high level of solvency so that it can provide appropriate returns to its shareholders. The net debt ratio, as well as its calculation, are detailed in note 28 of the consolidated report.

The volume of capital is determined according to existing risks, making the corresponding adjustments to capital in accordance with changes in the economic environment and managed risks.

5. Information on the average payment period to suppliers

The average payment period to suppliers of Spanish companies in accordance with current legislation is detailed in note 29.3 of the attached consolidated report.

Average payment period to suppliers: It will be understood as the weighted average between the ratio of paid operations and the ratio of unpaid operations.

Ratio of paid operations: It will be understood as the weighted difference between the calendar days that have elapsed since the date of receipt of the goods or services (however, in the absence of reliable information about the moment in which this circumstance occurs, the date of receipt of the invoice) until the material payment of the operation.

Ratio of transactions pending payment: It will be understood as the weighted difference between the calendar days that have elapsed since the date of receipt of the goods or services (however, in the absence of reliable information about the moment in which this circumstance occurs, it will be will take the date of receipt of the invoice) until the last day of the period to which the annual accounts refer.

6. Non-financial information statement

In accordance with the provisions of article 49 of the Commercial Code, Puig includes the consolidated Non-financial Information Statement in the consolidated Management Report, opting to prepare a separate Statement.

7. Production, research and development activities and social aspects

Production costs

We require high quality raw materials in order to manufacture our products, such as essential oils and alcohols, and also glass containers and packaging components for packaging, which we purchase from various third parties. The market price for raw materials that we require for our business depends on a wide array of factors that are out of our control and that are very difficult to predict, such as scarcity, competition between suppliers, fluctuations in raw materials indices, and inflation. As a result of the COVID-19 pandemic and the war in Ukraine, the market experienced global supply chain challenges resulting from industry-wide component shortages and transportation delays. In this context, for example, we experienced considerable price inflation for

glass during 2022 due to higher energy costs but were still able to obtain an adequate supply for our needs with a robust supply chain featuring long-term relationships with suppliers.

We have usually managed to pass-through such additional costs to our consumers by adjusting our prices in accordance with changes in the price we pay for our raw materials. We have limited exposure to energy and commodity costs, which do not make up a large part of our operating expenses, and strong pricing power among consumers due to the high margins that characterize the premium segment of the beauty industry.

Research and development activities

As part of our strategy to lead innovation within the industry, Puig consistently promotes the entrepreneurial spirit of the brands and of the people who are part of the company.

Developing and launching new products helps maintain the appeal of Puig brands, increases customer loyalty, and encourages purchasing. The company's focus on this area is a critical component of its growth plan and its performance will depend, in part, on its ability to continue to be innovative and launch new products.

Product design is conducted internally, together with key partners, to ensure consistency and strengthen the character and identity of each brand. The process starts with an innovative idea at the core of the brand, which is worked on hand-in-hand with innovation and development teams to bring it to reality.

In 2023, Puig continued to activate its brand partnerships with start-ups and leading agencies to test new technologies that deliver new consumer experiences such as:

a. Charlotte Tilbury launched its first app in June, designed to reach everyone everywhere regardless of their level of beauty expertise.
b. To celebrate the new Good Girl Blush fragrance, Carolina Herrera expanded its digital horizons with a new collection of non-fungible tokens (NFTs).
c. Rabanne introduced Rabanne Virtual Try-On, a market-first innovation that uses hyper-realistic 3D animations to deliver a truly immersive beauty shopping experience.
d. Penhaligon's continued the launch of the Re-use & Make New Refill program by leveraging recharging technology developed in collaboration with the Puig Technologies team.

People

The most valuable asset that Puig has is its people. 2023 was marked by the review and launch of a new version of the Ethical Code, which establishes the framework for the behavior expected of everyone who works at Puig, as well as third parties who work with Puig.

The success of Puig as a company lies in the talent of the people who work for it. As the company faces new challenges, it becomes necessary to capture what is happening in the world and bring new and diverse perspectives.

For this reason the updated version of the Ethical Code, launched in 2023, reaffirms the Puig determination to become a benchmark for sustainable change, prioritizing environmental sustainability, diversity awareness, and respect.

Puig is aware of the critical importance of attracting, developing and retaining talented employees, and that the Puig working environment is characterized by a human rights-friendly, inclusive and non-discriminatory culture, as well as the need to adapt to a changing world.

In line with these commitments, a number of milestones have occurred in 2023:

- Adoption of measures that reinforce the Puig commitment to human rights and to inclusion and non-discrimination, such as the approval of the Human Rights Policy.
- Update of the Harassment Prevention Protocol in the Spanish business units and follow-up on the measures within the framework of the Equality Plan in Spain.
- Launch of the Leaders In Transition leadership training program (LIT) to empower organizational leaders with the skills needed to drive the transformative change that derives from the Puig strategic plan.
- Opening of a regional hub in Miami (US), consolidating the Puig presence in the Latin American market and leveraging the growth of the Travel Retail business. The Miami headquarters allows local talent to elevate the region's leading Prestige brands and drive a careful expansion of the Niche portfolio. This location increases the ability of Puig to attract the talent needed.
- Growth in the number of subsidiaries and increased organizational structure with greater international presence outside Europe, especially in the Americas and in Asia where subsidiaries have opened in Japan and South Korea.
- Expansion of the Barcelona corporate headquarters with the opening of a second building which represents the Puig commitment to continue growing and reflects its purpose and values, as well as the commitment to continue offering the best possible experience in Puig.

7. Subsequent events

Note 32 of the consolidated financial statements details the significant events that occurred after the closing date of the 2023 financial year.

The Board of Directors of Puig Brands, S.A., as of March 19, 2024, prepares the consolidated annual accounts in accordance with the International Financial Reporting Standards adopted by the European Union (composed of the consolidated balance sheet, the consolidated income statement , the consolidated statement of comprehensive income, the statement of changes in consolidated net worth, the consolidated statement of cash flows, the consolidated annual accounts report and the consolidated management report) corresponding to the annual year ended on December 31, 2023.

Mr. Marc Puig Guasch President	**Mr. Manuel Puig Rocha** Vicepresident	**Mr. Rafael Cerezo Laporta** Member of the Board
Mr. Patrick Raji Chalhoub Member of the Board	**Mr. Jordi Constans Fernandez** (identified in your passport as Jorge Valentín Constans Fernández) Member of the Board	**Ms. Ángeles Garcia-Poveda Morera** Member of the Board
Mr. Daniel Lalonde Member of the Board	**Ms. Christine Ann Mei** Member of the Board	**Mr. Nicolas Mirzayantz** Member of the Board
Mr. Josep Oliu Creus Member of the Board	**Mr. Yiannis Petrides** (identified in his passport as Loannis Petrides) Member of the Board	**Mr. Jordi Puig Alsina** Member of the Board
Ms. Marian Puig Guasch Member of the Board	**Mr. Xavier Puig Alsina** Member of the Board	

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