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Pharma Mar, S.A.

Auditor´s report
Annual accounts at December 31, 2023
Management report

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

Independent auditor's report on the annual accounts

To the shareholders of Pharma Mar, S.A.

Report on the annual accounts

Opinion

We have audited the annual accounts of Pharma Mar, S.A. (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2023, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters	How our audit addressed the key audit matters
Recognition and recoverability of deferred tax assets	
At 31 December 2023 the Company recognizes on its balance sheet a deferred tax asset and liability amounting to 29,450 thousand euro and 707 thousand euro, respectively, as detailed in note 22 to the accompanying annual accounts and which are recorded based on a fiscal budgeting exercise conducted for the companies making up the Spanish tax group, in accordance with the criterion described in notes 2.2 and 4.11 to the annual accounts. The main sources of information used to assess the recoverability of deferred tax assets are the Company's projections of expected future profits as outlined in note 2.2. to the annual accounts. Note 2.2 to the accompanying annual accounts indicates that future tax profits take into account the expected probability of success of each research and development project in the pipeline based on the current development phases of the different molecules. Evaluating the initial recognition and subsequent ability to recover the deferred tax assets recognized is a complex exercise that requires a high level of judgement and estimation by management and is subject to the risk of significant material misstatement. We therefore consider this a key audit matter.	We gained an understanding and assessed the estimation process carried out by management as well as the reasonableness of the budgets drawn up in the past compared with actual events. We focused our procedures on assessing the reasonableness of the budgets used and analyzing the Company's calculation model and methodology to estimate future tax bases. Regarding the budgets, we specifically analyzed, among other things, each product's estimated selling price and for products under development, we analyzed through external sources whether the product prices projected by management are based on comparable compounds which have been approved in the same territory and the incidence of the disease in the market. Additionally, we verified whether the probability of success assigned to each project based on its current development phase is aligned with general practice in the industry. With respect to the information set out in the notes, we assessed that it includes that required by section 12 of the General Chart of Accounts on the disclosures to be included in the notes to the annual accounts. Based on the procedures described, we consider that the estimates made by Company management with respect to initial recognition and subsequent ability to recover deferred tax assets are reasonable along with their disclosure in the accompanying annual accounts.
Recovery of the investment in Sylentis, S.A.	
As outlined in note 2.2 to the accompanying annual accounts, management assesses annually whether there are indications of impairment and determines the recoverable amount of the investments in group companies and associates. Specifically, in the case of the investment in Sylentis, S.A., since it does not generate income, given that it engages in the research and development of products with therapeutic activity based on gene repression or silencing, the Company has been supported by an expert in determining the recoverable amount based on fair value less costs to sell.	Our procedures started off with our gaining an understanding of the relevant processes and controls linked to the assessment of impairment of investments in group companies by management. In relation to the valuation exercise concerning the recovery of the investment in Sylentis, S.A., we analysed the discount rates and the calculation methodology used and contrasted the key assumptions employed. We were supported by valuation experts in the course of our work. Similarly, we assessed the competence, capacity, objectivity, and conclusions of the expert engaged by Company management.

Key audit matters	How our audit addressed the key audit matters
As outlined in note 11.3 to the accompanying annual accounts, the Company recognised impairment amounting to 37,301 thousand euro at 31 December 2023, based on the result of the expert valuation, which considered the results of the Phase 3 clinical trial, the primary outcome with respect to the evaluation of efficacy not being achieved. The most important assumptions applied, and sensitivity analyses performed are summarised in note 11.3 to the accompanying annual accounts. Deviations in the key assumptions used in the estimates may lead to significant variations in the conclusions reached and therefore in the analysis of the recovery of the investment in Sylentis, S.A. This fact, together with the impact on the income statement, means that this is a key audit matter.	As a result of the analyses performed, we consider that Company management's conclusions regarding the estimates made and the impact on the income statement, as well as the information disclosed in the accompanying annual accounts, are adequately supported and are consistent with the information currently available.

Revenue recognition

The Company's activity as outlined in note 1 to the accompanying annual accounts primarily consists of research, development and marketing of bioactive substances, particularly of marine origin, for use in patients, mainly in antitumour, antiviral, immunomodulator and tropical disease treatments.

As outlined in note 4.14 to the accompanying annual accounts, the Company recognizes revenues when control over its goods or services is transferred to customers. At that time revenue is recognized at the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Specifically:

- Revenue from product sales is recognized when control over the asset is transferred to the customer which generally takes place when the goods are delivered to the end customer.

- Revenues from licensing and development agreements are recognized as the performance obligations identified, to which a price has previously been allocated during the process of analyzing the contract, accrue, and milestones are attained.

We assessed the design and implementation and operational efficiency of the relevant controls that underpin the appropriate application of the revenue recognition policy.
Additionally, and taking into account the specifics of the revenues obtained by the Company:

- For revenues from product sales, we obtained confirmation for a sample of invoices for the year for a selection of customers and verified, also for a sample, the correct recognition of revenue in the year and the operations cut-off. Similarly, we analyzed a sample of accounting entries, selected according to certain characteristics, in order to assess the appropriate recognition of such revenues.

- For revenues from licensing and development agreements, we verified, based on the analysis of the contract, that revenue is recognized in accordance with the performance obligations identified and the price allocated to each of them, analyzing whether the revenue recognized in 2023 relates to the obligations satisfied in the period. We also verified compliance with the possible milestones included in the licensing contract.

Key audit matters	How our audit addressed the key audit matters
• Royalty revenue is recognized based on the agreed percentage of sales consumed by the counterparty to the agreement at a certain point in time. We focused in the audit on revenue (note 23.1) due to its relevance to the Company's annual accounts.	• Lastly, for revenues from royalties, we verified that they conform to the percentage agreed between the parties of the sales which the counterparty to the agreement has made in the licensed territory. In addition, we have verified the collection for all the invoices issued during the year. • We assessed the disclosures included in the notes to the annual accounts concerning revenue. As a result of our procedures, we obtained appropriate and sufficient audit evidence concerning the Company's accounting records and the information included in the annual accounts regarding this area.

Other information: Management report

Other information comprises only the management report for the 2023 financial year, the formulation of which is the responsibility of the Company's directors and does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, have been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the management report is consistent with that contained in the annual accounts for the 2023 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit commission for the annual accounts

The directors are responsible for the preparation of the accompanying annual accounts, such that they fairly present the equity, financial position and financial performance of the Company, in accordance with the financial reporting framework applicable to the entity in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The audit commission is responsible for overseeing the process of preparation and presentation of the annual accounts.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts 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 legislation governing the audit practice 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 annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, 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 entity's internal control.

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

- Conclude on the appropriateness of the 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 Company'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 annual accounts 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 Company to cease to continue as a going concern.

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

We communicate with the entity's audit commission 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.

We also provide the entity's audit commission with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the aforementioned those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the entity's audit commission, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Pharma Mar, S.A. for the 2023 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

The directors of Pharma Mar, S.A. are responsible for presenting the annual financial report for 2023 financial year in accordance with the formatting requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the management report.

Our responsibility is to examine the digital file prepared by the Company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the annual accounts included in the aforementioned file completely agrees with that of the annual accounts that we have audited, and whether the format of these accounts has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital file examined completely agrees with the audited annual accounts, and these are presented, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit commission

The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Company dated 27 February 2024.

Appointment period

The General Ordinary Shareholders' Meeting held on 31 May 2023 appointed us as auditors for a period of one year, for the year ended 31 December 2023.

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for an initial period and we have audited the accounts continuously since the year ended 31 December 1997.

Services provided

Services provided to the audited entity and its subsidiaries for services other than the audit of the accounts are disclosed in note 33 to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

The original Spanish version was signed by Álvaro Moral Atienza

28 February 2024

Pharma Mar, S.A.

Financial statements and directors' report as of 31 December 2023

Pharma Mar, S.A.
Balance sheet as of 2023 year-end
(thousand euro)

ASSETS	Note	31/12/23	31/12/22
A) Non-current assets		**142,811**	**189,931**
I. Intangible assets		**1,715**	**2,328**
1. Development	6	702	1,404
2. Computer software	6	1,013	924
II. Property, plant and equipment		**26,150**	**29,316**
1. Land and buildings	7	12,859	17,793
2. Technical installations and other tangible fixed assets	7	11,542	10,032
3. Advances & construction in progress	7	1,749	1,491
III. Investment property		**845**	**845**
1. Land	8	845	845
IV. Non-current investment in group and associated undertakings		**78,683**	**85,638**
1. Equity instruments	11	47,553	80,404
2. Loans to Group undertakings	10, 14 & 30	31,130	5,234
V. Non-current financial assets		**5,968**	**49,302**
1. Equity instruments	10 & 12	330	335
2. Loans to third parties		6	6
3. Other financial assets	10, 14 & 15	5,632	48,961
VI. Deferred tax assets	22	**29,450**	**22,502**
B) Current assets		**240,603**	**264,739**
I. Inventories		**39,068**	**26,934**
1. Raw materials and other supplies	13	1,782	1,744
2. Products in process	13	36,658	24,966
3. Finished products	13	628	224
II. Trade and other accounts receivable		**45,141**	**55,761**
1. Customer receivables for sales and services	10 & 14	25,038	25,420
2. Receivable from group and associated undertakings	10, 14 & 30	1,833	2,489
3. Sundry debtors	10 & 14	198	197
4. Personnel	14	104	113
5. Current tax assets	24	13,997	23,023
6. Other receivables from public authorities	24	3,971	4,519
III. Current investment in group and associated undertakings		**639**	**56**
1. Other financial assets	10, 14 & 30	639	56
IV. Current financial assets		**102,169**	**32,341**
1. Other financial assets	10 & 15	102,169	32,341
V. Accruals	14	**2,807**	**5,870**
VI. Cash and cash equivalents		**50,779**	**143,777**
1. Cash	16	18,450	115,650
2. Cash equivalents	16	32,329	28,127
Total assets (A+B)		**383,414**	**454,670**

Pharma Mar, S.A.
Balance sheet as of 2023 year-end
(thousand euro)

TOTAL EQUITY AND LIABILITIES	Note	31/12/23	31/12/22
A) Equity		**249,383**	**293,051**
A-1) Capital and reserves		**247,799**	**292,065**
I. Capital		**11,013**	**11,013**
1. Share capital	17	11,013	11,013
II. Share premium account	17	**71,278**	**71,278**
III. Reserves		**279,208**	**283,002**
1. Legal and bylaw reserves	18	2,203	2,203
2. Other reserves	18	277,005	280,799
IV. (Own shares and equity instruments)	17	**(31,091)**	**(15,865)**
V. Prior years' income/(loss)		**(69,052)**	**(116,317)**
1. (Prior years' loss)	18	(69,052)	(116,317)
VI. Profit or loss for the year		**(13,557)**	**58,954**
A-2) Value adjustments		**14**	**18**
I. Hedge transactions		**14**	**18**
A-3) Subsidies, donations and legacies received	6 & 19	**1,570**	**968**
B) Non-current liabilities		**47,139**	**69,358**
I. Long-term provisions		**150**	**150**
1. Other provisions		150	150
II. Non-current debt		**26,416**	**25,033**
1. Bonds and other marketable securities	10 & 20	16,769	16,710
2. Bank debt	10 & 20	-	231
3. Other financial liabilities	10 & 20	9,647	8,092
III. Deferred tax liabilities	22	**707**	**845**
IV. Long-term accruals	20	**19,866**	**43,330**
C) Current liabilities		**86,892**	**92,261**
I. Short-term provisions	21	**11,973**	**15,155**
II. Current debt		**10,465**	**8,788**
1. Bonds and other marketable securities	10 & 20	405	405
2. Bank debt and debt to official authorities	10 & 20	8,928	7,375
3. Other financial liabilities	10 & 20	1,132	1,008
III. Current accounts payable to group and associated undertakings	10, 20 & 30	**3,529**	**6,165**
IV. Trade and other accounts payable		**35,999**	**37,494**
1. Suppliers	10 & 20	891	707
2. Suppliers - group and associated undertakings	10, 20 & 30	4,733	3,256
3. Sundry creditors	10 & 20	20,858	24,492
4. Personnel (compensation payable)	10 & 20	7,108	6,499
5. Current tax assets	24	182	-
6. Other debt to public authorities	24	1,224	1,094
7. Customer advances	10 & 20	1,003	1,446
V. Short-term accruals	20	**24,926**	**24,659**
Total net equity and liabilities (A+B+C)		**383,414**	**454,670**

Pharma Mar, S.A.
2023 Profit or Loss
(thousand euro)

STATEMENT OF PROFIT OR LOSS	Note	31/12/23	31/12/22
A) Continuing operations			
1. Net revenues	23.1 & 23.2	**153,704**	**179,734**
a) Product sales		67,060	88,738
b) Licensing and co-development agreements		33,590	40,169
c) Royalties		52,178	50,254
d) Other revenues		876	573
2. Variation in finished goods and work-in-process inventories	13	**11,566**	**15,159**
3. Purchases		**(25,824)**	**(27,370)**
b) Raw materials and other consumables consumed	23,4	(4,891)	(3,293)
c) Outside work		(20,933)	(24,077)
4. Other operating revenues		**69**	**64**
a) Ancillary and other current revenues		69	64
5. Staff expenses	23,5	**(41,885)**	**(38,064)**
a) Wages, salaries and similar		(34,447)	(31,722)
b) Employee welfare expenses		(7,438)	(6,342)
6. Other operating expenses	23,6	**(82,226)**	**(65,758)**
a) Outside services		(81,419)	(65,189)
b) Taxes other than income tax		(807)	(569)
7. Depreciation and amortization	6 & 7	**(3,305)**	**(3,001)**
8. Recognition of subsidies for non-financial assets and other	19	**692**	**1,062**
9. Impairment losses and income from disposal of assets	6.1 & 23.7	**127**	**58**
a) Impairments and losses	6.1 & 23.7	127	58
A.1) OPERATING PROFIT / (LOSS) (1+2+3+4+5+6+7+8+9)		**12,918**	**61,884**
10. Financial revenues	25	**4,684**	**1,585**
a) Marketable securities and other financial instruments		**4,684**	**1,585**
a 1) Group and associated undertakings		583	706
a 2) Third parties		4,101	879
11. Financial expenses	25	**(1,994)**	**(3,629)**
a) Debts to third parties		(1,994)	(3,629)
12. Exchange differences	25	**(1,684)**	**3,259**
13. Impairment losses and income from disposal of financial instruments	25	**(38,584)**	**(4,940)**
a) Impairments and losses		(38,584)	(4,940)
A.2) NET FINANCIAL PROFIT/(LOSS) (10+11+12+13)		**(37,578)**	**(3,725)**
A.3) RESULT OF THE PERIOD BEFORE INCOME TAXES (A.1 + A.2)		**(24,660)**	**58,159**
14. Income tax	24	**11,103**	**795**
A.4) RESULT FOR THE YEAR FROM CONTINUING OPERATIONS (A.3+14)		**(13,557)**	**58,954**
A.5) IPROFIT OR LOSS FOR THE YEAR (A.4)		**(13,557)**	**58,954**

Pharma Mar, S.A.
Statement of Comprehensive Income for the year ended 31 December 2023

A) STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023 (thousand euro)

STATEMENT OF CHANGES OF COMPREHENSIVE INCOME	Note	31/12/23	31/12/22
A) RESULT FOR THE PERIOD		**(13,557)**	**58,954**
Revenues and expenses recognized directly in equity			
I. Valuation of financial instruments		(5)	2
II. Subsidies, donations and legacies received	19	1,494	796
III. Tax effect	19	(372)	(200)
B) TOTAL REVENUES AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY (I+II+III)		**1,117**	**598**
Transfers to profit or loss			
I. Subsidies, donations and legacies received	19	(692)	(1,062)
II. Tax effect	19	173	266
C) TOTAL TRANSFERS TO PROFIT OR LOSS (I+II)		**(519)**	**(796)**
TOTAL RECOGNIZED REVENUES AND EXPENSES (A + B + C)		**(12,959)**	**58,756**

Pharma Mar, S.A.
Statement of Comprehensive Income for the year ended 31 December 2023

B) TOTAL STATEMENT OF CHANGES IN EQUITY 2023
(thousand euro)

	Share capital (Note 17)	Share premium account (Note 17)	Reserves (Note 18)	(Own shares and equity instruments) (Note 17.3)	Prior years' income /(loss)	Result for the year (Note 3)	Subsidies, donations and legacies received (Note 19)	Value adjustments	Total
Closing balance 2021	**11,013**	**71,278**	**285,377**	**(25,679)**	**(207,919)**	**103,363**	**1,168**	**18**	**238,619**
Total recognized revenues and expenses	-	-	-	-	-	58,954	(200)	-	58,754
Share ownership plans (Note 17.3 & 26)	-	-	83	571	-	-	-	-	654
Transactions with shares (purchases) (Note 17.3)	-	-	-	(47,707)	-	-	-	-	(47,707)
Transactions with shares (sales) (Note 17.3)	-	-	(2,458)	56,950	-	-	-	-	54,492
Distribution of dividend (Note 3)	-	-	-	-	-	(11,761)	-	-	(11,761)
Distribution of result (Note 3)	-	-	-	-	91,602	(91,602)	-	-	-
Closing balance 2022	**11,013**	**71,278**	**283,002**	**(15,865)**	**(116,317)**	**58,954**	**968**	**18**	**293,051**
Total recognized revenues and expenses	-	-	-	-	-	(13,557)	602	(4)	(12,959)
Other changes in net equity	-	-	-	-	-	-	-	-	-
Share ownership plans (Note 17.3 & 26)	-	-	3	889	-	-	-	-	892
Transactions with shares (purchases) (Note 17.3)	-	-	-	(34,081)	-	-	-	-	(34,081)
Transactions with shares (sales) (Note 17.3)	-	-	(3,797)	17,966	-	-	-	-	14,169
Distribution of dividend (Note 3)	-	-	-	-	-	(11,689)	-	-	(11,689)
Distribution of result (Note 3)	-	-	-	-	47,265	(47,265)	-	-	-
Closing balance 2023	**11,013**	**71,278**	**279,208**	**(31,091)**	**(69,052)**	**(13,557)**	**1,570**	**14**	**249,383**

Pharma Mar, S.A.
Cash Flow Statement for the year ended
2023
(thousand euro)

	Notes	31/12/23	31/12/22
A) NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES			
1. Result before taxes		**(24,660)**	**58,159**
2. Adjustments for:		**37,793**	**21,412**
a) Depreciation and amortization (+)	6, 7, 8	3,305	3,001
b) Impairment losses		(218)	194
c) Change in provisions		(3,182)	15,155
d) Subsidies recognized (-)	19	(692)	(1,062)
e) Income from derecognitions and disposals of property, plant and equipment (+/-)	6 & 25	(127)	(60)
f) Income from derecognitions and disposals of financial instruments (+/-)		38,801	4,745
g) Share-based payments		912	654
h) Financial revenues (-)	25	(4,684)	(1,585)
i) Financial expenses (+)	25	1,994	3,629
j) Exchange differences (+/-)	25	1,684	(3,259)
3. Changes in working capital		**(35,992)**	**(27,126)**
a) Inventories (+/-)	13	(12,135)	(17,315)
b) Debtors and other accounts receivable (+/-).	14	10,633	13,943
d) Creditors and other accounts payable (+/-).	20	(3,739)	950
f) Other non-current assets and liabilities (+/-)		(30,751)	(24,704)
4. Other operating cash flow		**16,262**	**605**
a) Interest paid (-)		(1,994)	(3,629)
c) Interest received (+)		4,686	1,585
d) Corporate income tax receipts/payments	24	13,570	2,649
5. Operating cash flow (+/-1+/-2+/-3+/-4)		**(6,597)**	**53,050**
B) NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES			
6. Investment acquisitions (-)		**(345,259)**	**(243,141)**
a) Group and associated undertakings.		(27,396)	(15,800)
b) Intangible assets	6	(351)	(488)
c) Property, plant and equipment	7	(3,498)	(7,654)
e) Other financial assets		(314,014)	(219,199)
7. Proceeds from (+)		**287,242**	**239,357**
a) Other financial assets		-	239,357
e) Other financial assets		287,242	
8. Investing cash flow (7-6)		**(58,017)**	**(3,784)**
C) NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES			
9. Receipts and payments in connection with equity instruments		**(18,437)**	**7,580**
a) Acquisition of own equity instruments (-)		(37,897)	(50,165)
b) Disposal of own equity instruments (+)		17,966	56,949
c) Subsidies, donations and legacies received (+)	19	1,494	796
10. Receipts and payments in connection with instruments representing financial liabilities		**2,936**	**(4,630)**
a) Issuance		**7,940**	**2,994**
1. Bank debt and debt to official authorities (+)	20	7,940	2,233
2. Suppliers - group and associated undertakings (+)	20	-	761
b) Refund and amortization of:		**(5,004)**	**(7,624)**
1. Bank debt and debt to official authorities (-)	20	(5,004)	(7,624)
11. Payment of dividends and remuneration on other equity instruments.		**(11,689)**	**(11,761)**
12. Financing cash flow (+/-9+/-10-11)		**(27,190)**	**(8,811)**
D) EFFECT OF EXCHANGE RATE VARIATIONS		(1,194)	(212)
E) NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		**(92,998)**	**40,243**
Cash and cash equivalents at beginning of the year		143,777	103,534
Cash and cash equivalents at end of year		50,779	143,777

Pharma Mar, S.A.

NOTES TO 2023 FINANCIAL STATEMENTS (thousand euro)

1. COMPANY BUSINESS

Pharma Mar, S.A. (hereafter "PharmaMar" or the "Company") was incorporated on 30 April 1986 as a limited company (sociedad anónima) for an indefinite period. Its registered offices are at Avenida de los Reyes nº 1 (Pol. Industrial La Mina – Norte), Colmenar Viejo (Madrid).

PharmaMar's main activity is research, development and marketing of bio-active principles, particularly those of marine origin, for application in human medicine, especially in the antitumor, antiviral and immunomodulation fields and the area of tropical diseases, as well as management, support and development of its investee, Sylentis, S.A.U., in the RNA interference field, and the subsidiaries whose object is to market oncology products (Yondelis) in Europe.

The products developed by PharmaMar that, as of 31 December 2023, were being marketed or had received authorization to be marketed from the regulatory authorities were as follows:

Yondelis (trabectedin)

On 20 September 2007, PharmaMar received authorization from the European Commission to commercialize its first compound, Yondelis, to treat soft tissue sarcoma; commercial sales began in the fourth quarter of 2007.

On 2 November 2009, the European Commission granted authorization for PharmaMar to commercialize Yondelis (trabectedin) in combination with pegylated liposomal doxorubicin to treat relapsed platinum-sensitive ovarian cancer in the 27 EU countries plus Norway, Iceland and Liechtenstein. The first sales for this therapeutic use were made at the end of 2009.

In 2015, Yondelis was authorized for sale for treating certain types of soft tissue sarcoma by the Japanese regulatory authorities, via PharmaMar partner Taiho Pharmaceutical Co, and by the US Food and Drug Administration (FDA), via PharmaMar partner Janssen Biotech Inc.

After fifteen years on the market, the first generics of trabectedin began to be marketed in Europe in the fourth quarter of 2022.

Aplidin (plitidepsin)

In December 2018, Australia's Therapeutic Goods Administration (TGA) informed Specialised Therapeutics Asia Pte. Ltd. (STA) that it had approved Aplidin for use in treating multiple myeloma in combination with dexamethasone. The approval covers treating patients who have relapsed after three lines of treatment. PharmaMar licensed Aplidin to its partner STA for Australia, New Zealand and several Southeast Asian countries from December 2015.

In December 2017, the Company received a negative opinion from the European Medicines Agency's CHMP (Committee for Medical Products for Human Use) with regard to the approval to market Aplidin in Europe for treating multiple myeloma. The Company brought an action against the European Commission before the General Court of the European Union requesting annulment of the decision. In October 2020, the Court upheld Pharma Mar's claim and annulled the Commission's decision. The European Commission urged the European Medicines Agency to re-examine the procedure. The aforementioned decision was not appealed by the European Commission but two Member States, Germany and Estonia, filed appeals before the Court of Justice of the European Union (CJEU), which halted the process of approval by the EMA.

The CJEU issued a judgment on 22 June 2023 annulling the decision of the General Court, and referred the case back to the General Court to rule again on the first grounds for annulment at the instances of the Company in its initial application, in light of the new criterion established in the appeal judgment and to decide, if it considered it necessary, on the other grounds of the claim. The case is ongoing.

Zepzelca (lurbinectedin)

On 15 June 2020, the US Food and Drug Administration (FDA) approved Zepzelca (lurbinectedin) for treating patients with small cell lung cancer who had experienced progression after platinum-based chemotherapy. Zepzelca received accelerated approval based on the Overall Response Rate (ORR) and Duration of Response (DoR).

As a result of that approval, Jazz Pharmaceuticals Ireland Limited (hereinafter "Jazz Pharmaceuticals"), with which PharmaMar had signed an exclusive licensing agreement in December 2019 for marketing anti-tumor compound Zepzelca in the US to treat relapsed small cell lung cancer, began marketing in that territory.

By virtue of that agreement, PharmaMar collected USD 300 million (€269.5 million). PharmaMar also currently collects royalties for net sales of Zepzelca and may collect additional payments if the FDA grants full approval for Zepzelca by specific deadlines or for fulfilling commercial milestones.

At the date of this report, Zepzelca is approved for marketing in sixteen other countries outside the European Union, including the United States.

The Company currently has three Phase III clinical trials under way with which it expects to apply for marketing approval in the European market.

PharmaMar created a new Virology business unit in 2020. In 2023, the Company continued to advance with the development of plitidepsin via the NEREIDA Phase II multicenter open randomized controlled basket and pragmatic clinical trial to determine the efficacy and safety of plitidepsin in immunocompromised adult patients with symptomatic COVID-19 requiring hospitalization. Approximately €11 million were spent in 2023 (€17 million in 2022).

The other compounds are in the research and development phase.

Pharma Mar, S.A.'s shares are listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and the Spanish electronic market (SIBE).

The Company's financial statements are presented in euro, which is the Company's functional and presentation currency.

The Company's directors consider that the 2023 financial statements, which were authorized on 27 February 2024, will be approved without changes by the Shareholders' Meeting.

In accordance with the provisions of Royal Decree 1.159/2010, of 17 September, on 27 February 2024, the Company authorized the Consolidated Financial Statements as of 31 December 2023 for the group of companies of which it is the controlling company, which disclose a consolidated net profit of €1,137 thousand, equity (including profit for the year) of €193,438 thousand, assets amounting to €340,520 thousand and revenues amounting to €158,153 thousand.

Those Consolidated Financial Statements were drawn up in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS-EU).

The Consolidated Financial Statements contain all the Group undertakings, using the applicable consolidation method in each case, in conformity with article 42 of the Commercial Code.

Geopolitical situation

The Company's operations might be affected both by international conflicts of a geopolitical nature and by the economic cycles of the main geographic areas where the Company operates, both directly and indirectly: countries where it conducts clinical trials, countries in its supply chain, etc.

While the war between Russia and Ukraine was still active in 2023, a new war began in the Gaza Strip. Those events had no direct impact on the Company's operations during 2023 and, although these conflicts might indirectly affect marketing through licensees in those geographic areas, they have had no impact in 2023.

As of 2023 year-end, inflation in the main territories in which the Company operates (the United States and the European Union) had stabilized as a result of the restrictive monetary policies applied by the central banks. Those policies led to an increase in interest rates without having a significant impact on the Company's funding costs, since most of the Company's debt is at fixed rates.

It should be noted that the pharmaceutical/biotechnology sector, to which the Company belongs, is generally considered to be a countercyclical sector, since demand for oncology treatment is not affected by adverse or recessionary economic conditions.

Climate change: analysis of financial risk and impact

All companies face climate-related risks and opportunities and are having to make strategic decisions in this area.

The impacts of climate risks on financial statements are wide-ranging and potentially complex, and will depend on industry-specific risks. Scenario analysis is used to assess not only the physical consequences of climate change but also the changes in environmental regulations to deal with it. These are the so-called physical risks and transitional risks of climate change; and both have economic and financial consequences.

Physical risks are those relating to direct damage and business interruption caused by phenomena resulting from climate change. The transitional risks of climate change are very varied, ranging from the threat of closure or prohibition of some businesses to the need to comply with increasingly stringent rules and regulations that require additional investments that had not been contemplated initially.

In 2023, Pharma Mar identified and categorized the various acute and chronic physical weather events to which it is exposed and which may affect its business performance over the foreseeable future.

For each of the selected climate events, it assessed: i) the danger it poses (based on different climate scenarios), and ii) the vulnerability of the business that is exposed. In this way, it calculated and prioritized the global risk of each physical climate event according to a range of scenarios. Finally, it estimated the financial impact of any of the significant physical climate risks materializing and began assessing adaptation solutions that can reduce significant physical climate risks.

PharmaMar assessed transition risks using the methodology of the Climate-related Financial Disclosures Framework (TCFD).

Through two committees, the Audit Committee and the Remuneration, Appointments and Sustainability Committee, PharmaMar's Board of Directors oversees and monitors non-financial and sustainability risks and the non-financial information provided by the company, respectively.

At PharmaMar, our goal is to provide solutions and improve the lives of patients with serious diseases through innovative treatments, always with a sense of responsibility, respect and commitment to the environment, society and our stakeholders.

Pharma Mar belongs to the biopharmaceutical industry, which does not have a material impact on the environment: it does not use raw materials or intermediate products that involve complex transformation, its facilities are not intensive users of energy or water, and they do not produce significant emissions or discharges.

Therefore, the investments and expenses arising from PharmaMar's environmental sustainability objectives described above are perfectly feasible for the Company, from a financial standpoint, in the periods in which they are proposed.

Climate risk has been incorporated into the estimates and judgments regarding the future that are used for accounting purposes, although they do not differ materially from those used in previous years.

PharmaMar's environmental objectives are to reduce greenhouse gas emissions, improve the energy efficiency of its facilities and production processes, promote the use of clean energy, use resources

rationally, encourage recycling, and promote actions to protect marine biodiversity, since the marine environment is the basis of our business. In 2023, 367 solar panels were installed which, added to the 48 panels installed in 2022, will enable Pharma Mar to generate 8% of its energy needs. In addition, since the second half of 2023, PharmaMar has acquired electricity only from 100% renewable sources.

2. BASIS OF PRESENTATION

2.1 True and fair view

The financial statements were prepared from the Company's accounting records and are presented in accordance with the current mercantile legislation and the rules established in Spain's General Accounting Plan approved by Royal Decree 1514/2007 (GAP 2007), as amended by Royal Decree 1159/2010, Royal Decree 602/2016 and Royal Decree 1/2021, in order to present a true and fair view of the equity, financial position and result of the Company and the veracity of the cash flows set out in the cash flow statement.

The figures in the documents comprising these financial statements (balance sheet, profit and loss statement, statement of changes in equity, cash flow statement and these notes to financial statements) are expressed in thousand euro.

2.2 Critical aspects of measuring and estimating uncertainty

The preparation of the financial statements requires the Company to use certain estimates and judgments in connection with the future that are evaluated continuously and are based on past experience and other factors, including expectations about future events that are considered to be reasonable in the circumstances.

By definition, these estimates seldom coincide with the actual results. The estimates and judgments with a significant risk of having a material impact on the carrying amounts of assets and liabilities in the next financial year are detailed below.

Deferred tax assets

The main source of information for assessing the recoverability of deferred tax assets is the projection of expected future taxable profits. Future taxable income takes into account the estimated likelihood of success for each ongoing research and development project, based on the current stage of development of the molecule in question.

Deferred tax assets due to tax losses carried forward and unused tax credits are recognized to the extent that the Company is likely to obtain future taxable income enabling them to be offset. Accordingly, for the purpose of the 2023 financial statements, the projections of revenues and expenses were re-estimated using management's best estimates about the Company's business and the current and foreseeable economic situation.

In calculating expected future income and assessing the recoverability of the tax credits, only the companies belonging to the consolidated tax group of which PharmaMar is the head are considered.

The Company assesses the recoverability of deferred tax assets on the basis of estimates of future taxable income. The recoverability of deferred tax assets depends ultimately on the Company's ability to generate sufficient taxable income in the periods in which those deferred taxes are deductible. Changes in future tax rates or in the prospects of generating taxable income against which to recover the carrying amount of deferred tax assets may result in changes in that carrying amount.

The main assumptions made in calculating expected future income and, therefore, the recoverability of the tax credits generated by the undertakings that belong to the tax group in Spain are as follows:

- The tax budget is based on the budget presented to the Board of Directors.
- The main variables used in projections for the Oncology segment are as follows: a) the probability assigned to ongoing developments (revenue expected for each product under development is assigned a probability of occurrence based on the degree of progress with ongoing development);

b) the estimated selling price; and c) a penetration rate as a function of the number of patients that could potentially be treated with the product under development.

- The tax budget also uses the following significant assumptions:

    - Average 32.50% growth in sales in the Oncology segment. That growth is due mainly to the good sales prospects for Zepzelca, a product currently under development, by our partner in the US market.

    - Sustained growth in expenses in the oncology segment is assumed to average 8.35%.

Variations with respect to management's assumptions in estimating future taxable income, especially the assumptions used in the Oncology segment, may materially affect the amounts recognized as deferred tax assets. The main factors that may affect this estimate are: the probability of occurrence assigned to the revenues expected from compounds currently in development depending on their current phase of development, the estimated price of the medicine, the prevalence of the various potential indications in the population, the time of approval, and the market share:

- A 5% reduction in the estimated price for the main compound under development (Zepzelca) would result in the derecognition of assets in the amount of €2,149 thousand.
- A one-year delay in sales of the main compound under development, lurbinectedin, would result in derecognition of assets in the amount of €13,770 thousand.
- A 10% reduction in market share for the main compound under development (Zepzelca) would result in derecognition of assets in the amount of €3,568 thousand.
- A 10% reduction in market share for Zepzelca in the US market would result in derecognition of assets in the amount of €2,633 thousand.

Evaluation of the recoverability of investments in Group and associated companies. Sylentis, S.A.U.

Management tests investments in group and associated companies for impairment on an annual basis when there is objective evidence that the carrying amount of an investment will not be recoverable. The determination of the recoverable amount of the investment involves the use of estimates by management when the recoverable amount cannot be determined in any other way. The Company generally uses discounted cash flow methods to determine the recoverable amount. The discounted cash flow calculations are based on forward-looking projections of budgets presented by management. The flows are based on past experience and represent management's best estimate of future market performance. Key assumptions in determining the recoverable value include sales growth and the discount rate. The estimates, including the methodology used, can have a significant impact on the outcome of the analysis.

In the specific case of the investment in Sylentis, S.A., since the latter does not generate revenue as it focuses on the research and development of products with therapeutic activity based on the reduction or silencing of gene expression, the Company has been using the valuation of an independent appraiser as the best measurement of recoverable value. The valuation is the result of using several valuation methods, such as rNPV, discounted cash flow, market comparables, recent transactions, etc. Degrees of probability are applied to each of the methods to obtain different valuation ranges depending on the sensitivity applied to the calculation (see sensitivity analysis in note 11.3).

Recognition of revenues under licensing and/or development agreements

PharmaMar enters into licensing and/or development agreements that generally include many factors, and the associated revenues must be matched with the costs and considerations to be paid.

When deciding how to recognize the revenues from those transactions (Note 4.14.2), the directors consider the following factors:

- The economic basis of the transaction.
- The nature of the components of the transaction (payments, asset swaps, etc.).
- The valuation and distribution, on a fair value basis, of each item of consideration.

- The transfer of material risks and benefits deriving from ownership of the goods and the assumption of future obligations.
- The degree of progress with the project (milestones).

2.3 Comparative information

The amounts for 2023 are presented alongside those for 2022 for comparison purposes.

2.4 Grouping of items

To facilitate comprehension of the balance sheet, profit and loss statement, statement of changes in equity and cash flow statement, those financial statements are presented in grouped form, and the necessary breakdown is given in the notes to financial statements.

3. APPLICATION OF RESULTS

The proposed distribution of 2023 result which will be presented to the Shareholders' Meeting, and the actual distribution approved for 2022 by the shareholders on 31 May 2023, are as follows:

(thousand euro)	2023	2022
BASIS OF DISTRIBUTION		
Result for the year	(13,557)	58,954
	(13,557)	**58,954**
DISTRIBUTION		
Dividend	-	11,689
Prior years' income/(loss)	(13,557)	47,265
	(13,557)	**58,954**

The distribution of result for the year ended 31 December 2023 that will be proposed to the Shareholders' Meeting, in accordance with article 274 of the Consolidated Text of the Capital Companies Act, approved by the Legislative Royal Decree of 2 July 2010, will consist of allocating profit for the year to prior years' losses (€13,557 thousand).

4. ACCOUNTING AND VALUATION STANDARDS

The valuation standards applied for the various items are as follows:

4.1 Intangible assets

Intangible assets are recognized initially if:

i) they fulfill the definition of asset contained in the Accounting Conceptual Framework: "Rights, goods and other resources controlled economically by the company as a result of past events and from which the company expects to obtain profits or economic yields in the future,"

ii) they fulfill the condition of being recognized in the accounts, in line with the Accounting Conceptual Framework: "Assets must be recognized on the balance sheet where they are likely to provide profits or economic yields for the company in the future, and provided that they can be measured reliably,"

iii) they fulfill the identifiability requirement "that the intangible asset fulfills either of the following two conditions:

a. it must be possible to separate it from the company and sell, assign, deliver for exploitation, lease or exchange it, or

b. it must arise from rights in rem or contractual rights, regardless of whether those rights are transferable or can be separated from the company or from its other rights or obligations.

4.1.1 Research & Development expenses

Research is planned original investigation in pursuit of new knowledge and greater understanding in scientific and technology.

Development is the specific application of research findings in a specific design or plan for the production of materials, products, processes, systems or services that are new or substantially improved, up to commencement of commercial production.

Research expenditure is expensed in the year it is incurred.

Development expenses in the year are capitalized when they meet the following conditions:

i) there is a specific itemized project that enables the expenses attributable to the project to be measured reliably,

ii) there are clear criteria for assignment, allocation and recognition of the costs of each project,

iii) there are sound reasons, at all times, for expecting technical success,

iv) the financial and commercial success of the project is reasonably assured,

v) funding is reasonably assured to enable the project to be concluded, and the necessary technical resources are available, and

vi) the company intends to complete the intangible asset in question for use or sale.

Fulfillment of those conditions is assessed each year.

Development expenses recognized under assets must be amortized in accordance with a systematic plan over their useful life, beginning in the year in which the project concluded. That useful life normally coincides with the term of the patent.

If a company is unable to distinguish between the research and development phases of an internal project to create an intangible asset, it must treat the expenses arising in that project as if they had been incurred solely in the research phase.

For the purposes of subsequent remeasurement:

- Impairment is assessed in the year-end close or whenever progress with projects gives any indication of impairment or there are doubts about fulfillment of the conditions for capitalization.
- Annual assessments of the recoverability of the amounts capitalized in ongoing development projects, which include, among others, (i) assessment of the recoverability of the compound based on the fair value of the agreements, or (ii) assessment of the recoverability of the asset based on the Company's specific business plans for the molecule.

As of 31 December 2023 and 2022, the only capitalized development expenses were related to the registration dossier for Zepzelca in small cell lung cancer, which received approval for marketing from the US FDA in June 2020 (Note 6.1). As of 31 December 2023, there are no indications of impairment as the asset is generating economic returns that provide ample assurance of its recoverability.

Measurement of research and development projects

Where projects are carried out with the company's own resources, they are measured at production cost and include the directly attributable costs that are necessary to create, produce and prepare the asset. In particular, they include the following items:

i) cost of personnel related directly to the project activities,

ii) cost of raw materials, consumables and services used directly in the project,

iii) depreciation and amortization of fixed assets assigned directly to the project, and

iv) the part of indirect costs that can reasonably be assigned to the project activities, provided that such assignment is rational.

Costs of sub-activities and those of the company's general structure may not be assigned to research and development projects. Financial expenses related to research expenses may not be capitalized.

Where research and development projects are outsourced to other companies or institutions, they are measured at acquisition cost.

4.1.2 Computer software

Computer software licenses acquired from third parties are capitalized based on the costs incurred to acquire and prepare them for using the specific program. Those costs are amortized over their estimated useful lives, i.e. 4 or 5 years.

Computer program maintenance costs are recognized in profit or loss as incurred.

4.2 Property, plant and equipment

Property, plant and equipment are recognized at acquisition or production cost. Property, plant and equipment are presented on the balance sheet at cost less the accumulated amount of depreciation and impairments.

The amount of capitalized in-house work on property, plant and equipment is calculated as the sum of the acquisition costs of consumables and the direct and indirect costs allocable to those assets.

The costs of expanding, modernizing or improving property, plant and equipment are capitalized solely when they increase the assets' capacity or productivity or extend their useful life, provided that it is possible to ascertain or estimate the carrying amount of the items that are retired from inventory due to being replaced.

The cost of major repairs is capitalized and depreciated over their estimated useful lives, whereas recurring maintenance costs are recognized in profit or loss in the year in which they are incurred.

Apart from land, which is not depreciated, depreciation of property, plant and equipment is taken systematically on a straight-line basis over the asset's useful life, having regard to actual loss of functionality and usability. The estimated useful lives are as follows:

	Years
Buildings	25-30
Technical installations and machinery	10
Vehicles	4-7
Furniture and fixtures	10
Computer hardware	4-7

The residual value and the useful life of an asset are measured, and adjusted if necessary, at each balance sheet date.

When the carrying amount of an asset exceeds its estimated recoverable amount, its value is written down immediately to the recoverable amount.

Losses and gains on the disposal of property, plant and equipment are calculated by comparing the revenue from the sale with the carrying amount, and are recognized in profit or loss.

4.3 Investment property

Investment property comprises land held for rental over the long term that is not occupied by the Company. The items in this heading are presented at acquisition cost less accumulated depreciation and impairment losses.

4.4 Leases

Where the Company is the lessee - Operating lease

Leases where the lessor retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

Where the Company is the lessor

Assets leased under operating leases are recognized in the balance sheet on the basis of their nature. The revenues from the lease are recognized on a straight-line basis over the lease term.

4.5 Impairment of non-financial assets

Amortizable assets are measured for impairment whenever an event or change in circumstances indicates that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the carrying amount exceeds the recoverable amount, the latter being understood to mean the lower of the fair value less the selling cost or the value in use.

To perform the impairment tests, assets are grouped at the lowest level of cash flow that cannot be identified separately (cash-generative units - CGU). Non-financial assets other than goodwill that have suffered impairment are measured at each balance sheet date to ascertain whether the loss has been reversed.

4.6 Financial assets

4.6.1 Financial assets at amortized cost

This category includes financial assets, including those listed on an organized market, where the Company holds the investment for the purpose of collecting the cash flows derived from the performance of the contract, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Contractual cash flows that are solely receipts of principal and interest on the principal amount outstanding are inherent to an agreement that is an ordinary or common loan, notwithstanding that the transaction is arranged at a zero or below-market interest rate.

This category includes trade accounts receivable and non-trade accounts receivable:

a) Trade accounts receivable: financial assets arising from the sale of goods and the delivery of services as part of the company's business operations where payment is deferred, and

b) Non-trade accounts receivable: financial assets, other than equity instruments and derivatives, that are not commercial in origin and represent the receipt of a determined or determinable amount arising from loans or credit granted by the company.

Initial measurement

Financial assets in this category are measured initially at fair value, which, unless there is evidence to the contrary, is the transaction price, i.e. the fair value of the consideration given, plus directly attributable transaction costs.

Nevertheless, trade accounts receivable maturing at not more than one year which do not have an explicit contractual interest rate, and loans to personnel, dividends receivable and capital calls, which are expected to be collected in the short term, are measured at nominal value to the extent that the effect of not discounting the cash flows can be considered to be non-material.

Subsequent re-measurement

Financial assets in this category are measured at amortized cost. Accrued interest is recognized in profit or loss using the effective interest rate method.

However, receivables maturing in less than one year which, in accordance with the provisions of the preceding paragraph, are initially measured at nominal value, continue to be measured on that basis except in the event of impairment.

When the contractual cash flows of a financial asset change due to financial difficulties on the part of the issuer, the company analyzes whether an impairment loss should be recognized.

Impairment

The necessary valuation adjustments are made, at least at accounting close and whenever there is objective evidence that the value of a financial asset, or of a group of financial assets with similar risk characteristics measured together, has been impaired as a result of one or more events occurring after initial recognition that cause a reduction or delay in the estimated future cash flows, which may be due to the debtor's insolvency.

The amount of impairment loss in these financial assets is generally the difference between their carrying amount and the present value of estimated future cash flows, including those from executing any collateral or other guarantees, discounted at the effective interest rate applying at the time of initial recognition. In the case of financial assets at floating rates, the effective interest rate used is that in force under the contractual terms on the closing date of the financial statements.

Impairment losses, and their reversal when the amount of such loss is reduced by a subsequent event, are recognized as an expense or revenue, respectively, in profit or loss. Reversal of impairment is capped at the carrying amount of the asset that would have been recognized at the date of reversal if no impairment had been recognized.

4.6.2 Financial assets at fair value through equity

This category includes financial assets whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and that are not held for trading and do not qualify as "Financial assets at amortized cost". This category also includes investments in equity instruments for which the irrevocable option to classify them as "Financial assets at fair value through profit or loss" has been exercised.

Initial measurement

Financial assets in this category are measured initially at fair value, which is generally the transaction price, i.e. the fair value of the consideration given, plus directly attributable transaction costs, including the amount of any pre-emptive subscription or similar rights that were acquired.

Subsequent re-measurement

Financial assets in this category are measured at fair value without deducting the transaction costs that might be incurred in their disposal. Fair value changes are recognized directly in equity until the financial asset is derecognized or impaired, at which point the amount so recognized is transferred to profit or loss.

Nevertheless, impairment losses and foreign exchange gains and losses on monetary financial assets in foreign currencies are recognized in profit or loss.

Accrued interest, calculated using the effective interest rate method, and accrued dividends are recognized in profit or loss.

When such assets must be measured due to derecognition or other reasons, the weighted average value by homogeneous groups approach is used.

In the exceptional case that the fair value of an equity instrument is no longer reliable, prior adjustments recognized directly in equity are treated in the same way as for impairment of financial assets at cost.

In the case of the sale of pre-emptive subscription and similar rights or the segregation of such rights for exercise, the amount of the rights is netted off the carrying amount of the respective assets. This amount corresponds to the fair value or cost of the rights, calculated in a way that is consistent with the measurement of the associated financial assets.

Impairment

At least at year-end, the necessary valuation adjustments are made whenever there is objective evidence that the value of a financial asset, or of a group of financial assets included in this category with similar risk characteristics that are measured together, has been impaired as a result of one or more events that occurred after initial recognition and result in:

a) In the case of acquired debt instruments, a reduction or delay in the estimated future cash flows due to the debtor's insolvency; or

b) In the case of investments in equity instruments, a lack of recoverability of the assets' carrying amount as a result of a material or prolonged decline in fair value. An instrument is generally considered to have been impaired after a fall in value lasting one and a half years or amounting to forty percent of its market price, where the value has not recovered, without prejudice to the possibility that it may be necessary to recognize an impairment loss before this period has elapsed or the market price has fallen by the aforementioned percentage.

The valuation adjustment for impairment of these financial assets is the difference between their cost or amortized cost less any impairment losses recognized previously in profit or loss and the fair value at the time of measurement.

If there is objective evidence of impairment, the accumulated losses previously recognized in equity as a reduction in fair value are recognized in profit or loss.

Fair value gains in subsequent years are credited to profit or loss against the valuation adjustment recognized in prior years. This does not apply to fair value gains on equity instruments with changes through equity.

4.6.3 Financial assets at fair value through profit or loss

This category includes equity instruments that are not held for trading and that may not be measured at cost over which an irrevocable choice was made at the time of initial recognition to present subsequent fair value changes directly in equity.

This category also includes financial assets designated irrevocably at the time of initial recognition as being measured at fair value through profit or loss that would otherwise have been included in another category, in order to eliminate or significantly reduce measurement inconsistency or accounting asymmetry that would otherwise arise from measuring of assets or liabilities on another basis.

Initial measurement

Financial assets in this category are measured initially at fair value, which, unless there is evidence to the contrary, is the transaction price, i.e. the fair value of the consideration given. Directly attributable transaction costs are recognized in profit or loss.

Subsequent re-measurement

After initial recognition, the financial assets in this category are measured at fair value through profit or loss.

4.6.4 Financial assets at cost

This measurement category includes:

a) Investments in the equity of group, multi-group and associated undertakings.

b) Other investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical instrument or cannot be reliably estimated, and derivatives whose underlyings are such investments.

c) Any other financial asset that initially qualifies for measurement at fair value through profit or loss, when it is not possible to estimate fair value reliably.

Initial measurement

Investments in this category are measured initially at cost, which is equivalent to the fair value of the consideration provided plus directly attributable transaction costs; the latter are not included in the cost of investments in group undertakings.

Nevertheless, where the investment preceded its classification as a group, multi-group or associated undertaking, the cost of the investment is taken to be the carrying amount that should have applied before it was so classified.

Initial measurement includes the amount of any acquired pre-emptive subscription and similar rights.

Subsequent re-measurement

Equity instruments in this category are measured at cost less any accumulated impairment losses.

When such assets must be measured due to derecognition or other reasons, the weighted average cost by homogeneous groups approach is used, such groups comprising securities that have the same rights.

In the case of the sale of pre-emptive subscription and similar rights or the segregation of such rights for exercise, the cost of the rights is netted off the carrying amount of the respective assets.

Impairment

At least at year-end, the necessary value adjustments are made if there is objective evidence that the carrying amount of an investment will not be recoverable. The amount of the valuation adjustment is the difference between the carrying amount and the recoverable amount, the latter being understood as the higher of fair value less selling costs and the present value of the future cash flows arising from the investment, which, in the case of equity instruments, is calculated either by estimating those expected to be received as a result of the distribution of dividends by the investee and the disposal or derecognition of the investment in the investee, or by estimating the share in the future cash flows expected to be generated by the investee both from its ordinary activities and from its disposal or derecognition.

Except where there is better evidence of the recoverable value of investments in equity instruments, impairment of this class of investments is estimated as a function of the investee's equity and any unrealized capital gains existing at the measurement date, net of the tax effect. Where the investee has, in turn, invested in another company, this value will measured taking account of the equity reported in the consolidated financial statements produced in accordance with the standards of the Commercial Code and its secondary legislation (see Note 2.2).

Impairments and any reversals of impairment are recognized as an expense or revenue, respectively, in profit or loss. Reversal of impairment is capped at the carrying amount of the investment that would have been recognized at the date of reversal if no impairment had been recognized.

However, if the investment in the company was made before it was classified as a group, multi-group or associated undertaking, and value adjustments were recognized for that investment directly in equity before the investment was so classified, such impairment is maintained after such classification until the investment is disposed of or derecognized, at which point it is recognized in profit or loss, or until the following circumstances arise:

a) In the case of previous valuation adjustments representing an increase in value, the value adjustments are recognized in the equity item where the previous valuation adjustments are recognized, and up to the amount thereof, and any excess is taken to profit or loss. Impairment losses recognized directly in equity may not be reversed.

b) In the case of pre-existing valuation adjustments representing a loss in value, where the amount subsequently recoverable exceeds the investment's carrying amount, the latter is incremented up to the limit of the aforementioned impairment against the account where the pre-existing value adjustments were recognized; any new amount arising thereafter is recognized as a cost of investment. However, if there is objective evidence of impairment, the losses accumulated in equity are recognized in profit or loss.

Assets that are designated as hedged items are subject to the measurement requirements of hedge accounting.

4.7 Inventories

Inventories are measured at the lower of cost or net realizable value. Where the net realizable value of inventories is lower than cost, the appropriate valuation adjustments are recognized as an expense in profit or loss. If the circumstances leading to the valuation adjustment cease to exist, the adjustment is reversed and recognized as revenue in profit or loss.

The cost price is obtained as follows:

- Raw materials and other supplies: weighted average cost price.

- Finished and semi-finished products and products in process: weighted average cost of the raw and ancillary materials used, plus the applicable amount of direct labor and general manufacturing expenses valued at standard costs (based on normal production capacity). No adjustment to inventory is recognized if the difference between standard cost and actual cost is not material.

The net realizable value is the estimated sale price in the normal course of business less the estimated costs required for the sale and, in the case of raw materials and products in process, the estimated costs required to complete production.

4.8 Equity

Share capital is represented by ordinary shares.

The cost of issuing new shares or options is presented directly under equity as a reduction of reserves.

In the case of acquisition of own shares by the Company, the consideration paid, including any directly attributable incremental cost, is deducted from equity until the shares are canceled, re-issued or disposed of. If the shares are sold or re-issued, any amount received, net of any directly attributable incremental cost of the transaction, is recognized in equity.

4.9 Financial liabilities

4.9.1 Financial liabilities at amortized cost

This category generally includes trade accounts payable and non-trade accounts payable:

a) Trade accounts receivable: financial liabilities arising from the purchase of goods and services as part of the company's business operations where payment is deferred, and
b) Non-trade accounts payable: financial liabilities other than derivatives that are not commercial in origin but arise from loans or credit received by the company.

Participation loans that have the characteristics of an ordinary or common loan are also included in this category, without prejudice to the agreed interest rate (zero or below market).

Initial measurement

Financial liabilities in this category are measured initially at fair value, which is the transaction price, i.e. the fair value of the consideration received, adjusted for directly attributable transaction costs.

Nevertheless, trade accounts payable maturing at over one year which do not have a contractual interest rate, and capital calls by third parties whose amount is expected to be paid in the short term, are measured at their nominal value provided that the effect of not discounting the cash flows is not material.

Subsequent re-measurement

Financial liabilities in this category are measured at amortized cost. Accrued interest is recognized in profit or loss using the effective interest rate method.

Nevertheless, debts maturing in less than one year that are measured initially at nominal value continue to be valued at that amount. This category includes both trade and non-trade accounts payable. This debt is classified under current liabilities unless the Company has an unconditional right to defer the liability settlement for at least twelve months from the balance sheet date, in which case it is classified under non-current liabilities.

These debts are recognized initially at fair value adjusted for directly-allocable transaction costs, and are subsequently recognized at amortized cost in accordance with the effective interest rate method. The effective interest rate is the discount rate that matches the carrying amount of the instrument with the projected flow of future payments up to the liability's maturity.

Nevertheless, trade accounts payable maturing at over one year which do not have a contractual interest rate are measured, both initially and subsequently, at their nominal value provided that the effect of not discounting the cash flows is not material.

If existing debts are renegotiated, no material changes are considered to exist if the new lender is the same as the initial lender and the present value of the cash flows, including net fees, does not differ by more than 10% from the present value of the outstanding cash flows payable on the original liability calculated using the same method.

4.10 Subsidies received

Repayable subsidies are recognized as liabilities until the conditions rendering them non-repayable are met; non-repayable subsidies are recognized as revenues directly in equity and are recognized as revenues on a systematic, rational basis in line with the expenses arising from the subsidy. Non-repayable subsidies from shareholders are recognized directly in equity.

For these purposes, a subsidy is considered to be non-repayable when there is an individual agreement to grant the subsidy, all the conditions established for granting it have been fulfilled, and there are no reasonable doubts that it will be collected.

Monetary subsidies are recognized at the fair value of the amount granted and non-monetary subsidies at the fair value of the received asset, at the time of recognition in both cases.

Non-repayable subsidies related to the acquisition of intangible assets, property, plant and equipment and investment property are recognized in profit or loss in proportion to the depreciation/amortization of the related assets or when the asset is disposed of, impaired or derecognized.

Non-repayable subsidies related to specific expenses are recognized in profit or loss in the year in which the corresponding expenses accrue, and those granted to offset an operating deficit are recognized in the year in which they are granted, except where they are allocated to offset operating deficits in future years, in which case they are recognized in those years.

Additionally, implicit interest on zero-rate loans from the Ministry of Industry is recognized as a non-refundable subsidy in equity. These subsidies are recognized as revenue for the year in proportion to the associated expenses.

4.11 Current and deferred taxes

The income tax expense (revenue) is the amount accruing under this heading in the year and comprises the expense (revenue) for current and deferred taxes.

The expense (revenue) for current and deferred taxes is recognized in profit or loss. Nevertheless, the tax effect of items that are recognized directly in equity is recognized in equity.

Current tax assets and liabilities are recognized for the amount expected to be paid to, or recovered from, the tax authorities, in accordance with the legislation enacted or substantively enacted at year-end.

Deferred taxes are measured, in accordance with the liability method, based on the temporary differences arising between the tax base of the assets and liabilities and their carrying amounts. However, deferred taxes arising from the initial recognition of an asset or liability in a transaction other than a business combination that does not affect the accounting result or the tax base at the time of recognition are not recognized. The deferred tax is determined by applying the tax regulations and rates enacted or substantively enacted on the balance sheet date and which are expected to apply when the corresponding deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax liabilities are recognized insofar as it is probable that there will be future taxable income to offset temporary differences (Note 2.2).

At each accounting close, deferred tax assets are remeasured and impairment is recognized to the extent that there are doubts as to their recovery in the future. Also, at each accounting close, the deferred tax assets not recognized on the balance sheet are remeasured and are recognized to the extent that they are likely to be recovered against future taxable income.

As a result of the application of Spanish Act 27/2014, of 17 December, on Corporate Income Tax, certain deductions for research and development may be monetized with a 20% discount on the tax payable, subject to certain conditions. The Company recognizes this tax incentive for investment at the time that it is deemed to have been materialized, which normally coincides with the collection date.

Consolidated income tax

Pharma Mar, S.A. is the leading company of the group of companies for corporate income tax purposes with number 29/93.

The companies comprising the tax group in 2023 are: Genómica, S.A.U. en liquidación and Sylentis, S.A.U., with Pharma Mar, S.A. as leading company.

It is consolidated Group policy to recognize the tax expense at individual undertakings in accordance with the resolution of the ICAC (Spanish Accounting and Audit Institute) dated 9 February 2016.

4.12 Employee benefits

4.12.1 Share-based compensation

The company operates share-based incentive plans for employees. Those plans are subject to a lock-up period during which employees must continue to work for the Company.

The fair value of the services provided by the employees in exchange for the shares is recognized under personnel expenses as the services are provided, during the lock-up period, and a reserve for the incentive plans is recognized simultaneously in equity for the same amount.

The fair value of the services to be provided by those employees is determined with respect to the fair value of the shares granted. That amount is recognized in profit or loss during the lock-up period. The Company regularly reviews its assumptions and adjusts any deviation resulting from employee rotation.

4.12.2 Termination indemnities

Termination indemnities are paid to employees as a result of the Company's decision to terminate the employment contract before the normal retirement age or when the employee agrees to resign in exchange for those benefits.

The Company recognizes these benefits when it has demonstrably decided to terminate the employees in accordance with an irrevocable formal detailed plan or to provide termination indemnities as a result of an offer to encourage voluntary retirement. Benefits that are not to be paid in the twelve months following the balance sheet date are discounted to their present value.

4.13 Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and litigation are recognized when the Company has a present obligation, either legal or implicit, as a result of past events, an outflow of funds is likely to be necessary in the future to settle the obligation, and the amount can be estimated reliably. Restructuring provisions include lease cancellation penalties and employee termination indemnities. No provisions are recognized for future operating losses.

Provisions are calculated at the present value of the disbursement expected to be needed to settle the obligation, using a pre-tax rate that reflects current market measurements of the time value of money and the specific risks attached to the obligation. Adjustments due to updating the provision are recognized as a financial expense as they accrue.

Provisions maturing at one year or less that do not have a material financial effect are not discounted.

When part of the disbursement required to settle the provision is expected to be paid by a third party, the reimbursement is recognized as a separate asset provided that its collection is practically assured.

Obligations arising as a result of past events whose materialization is conditional upon the occurrence or non-occurrence of one or more future events outside the Company's control are treated as contingent liabilities. Those contingent liabilities are not recognized in the accounts but are disclosed in detail in the notes to financial statements.

4.14 Recognition of revenues

Revenues are recognized when control of the goods or services is transferred to the customer. At that time, revenue is recognized for the amount of the consideration expected to be received in exchange for the transfer of committed goods and services under the contracts with customers, as well as other revenue not arising from contracts with customers that constitute the Company's ordinary business. The amount to recognize is determined by deducting, from the amount of the consideration for the committed transfer of goods or services to customers or other revenues from the Company's ordinary activities, the amount of discounts, refunds, price reductions, incentives or rights granted to customers, as well as value added tax and other directly related taxes that must be charged to customers.

Where the price set in contracts with customers includes variable consideration, the best estimate of the variable consideration is included in the price to be recognized to the extent that it is very likely that there will not be a significant reversal of the amount of revenue recognized when the uncertainty associated with the variable consideration is subsequently resolved. The Company bases its estimates on historical information, taking into account the type of customer, the type of transaction and the specific terms of each agreement.

4.14.1 Revenues from the sale of products

The Company sells in the European Union by virtue either of the marketing approval received from the European Medicines Agency (EMA) for soft tissue sarcoma (since 2007) and relapsed platinum-sensitive ovarian cancer (since 2009), or of the Temporary Authorizations for Use (TAU) granted by some European Union countries such as France (Autorisation d'accès compassionnel — AAC).

Sales are recognized when control of the products has been transferred, i.e., when the products are delivered to the end customer, who has full discretion over the channel and price for selling the products, and there are no unfulfilled obligations that might affect customer acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, the customer has accepted the products in accordance with the sale contract, and the acceptance period has ended or the Company has objective evidence that all acceptance criteria have been met.

Where the Company sells to subsidiaries, it recognizes the amount of sales at the time of product delivery to the subsidiary.

Where sales are made through distributors, two different situations may arise:

- sales to the distributor in Portugal: sales are recognized once the product is delivered to that distributor, since that is the point at which control over the goods is transferred.

- sales to distributors in the Nordic countries, Eastern Europe, Greece, Cyprus, Ireland and the United Kingdom, with which the Company has agreements for promotion and commercial distribution. In this model, the sale occurs once the product is shipped from the Company's warehouse in Spain to the distributors, since that is the point at which control over the goods is transferred. The commission collected by the aforementioned partners is recognized as a reduction in the amount of the sale when it occurs.

Distribution costs are recognized as period expenses.

4.14.2 Licensing, development and other similar agreements

Revenues under licensing and development agreements are recognized in accordance with the accrual of the identified performance obligations, which have been previously assigned a price in a process of analyzing the agreement, and of milestones attained.

In the normal course of its business, the Company has developed intellectual property on certain compounds and has signed licensing and development agreements with certain pharmaceutical companies. Under these agreements, third parties are granted licenses to use the products developed by the Company and/or are given access to products under development. The agreements under which these transfers, assignments or accesses are granted are generally complex and include multiple components in two distinct phases: development and marketing. The associated revenues must be matched with the costs and considerations to be paid by the Company.

The Company takes account of the following factors when analyzing licensing, development and marketing contracts:

- Identification of the performance obligations.
- Determination of the transaction price, taken as the value of the contract signed with the counterparty.
- Allocation of the transaction price to the various performance obligations.
- The estimate of when those obligations are considered to have been discharged and, therefore, when the consideration received is accrued and subsequently recognized.

This revenue is recognized at the point at which control of the asset is transferred to the client, which may be at a certain point in time (as in the sale of licenses for use), or over a period of time (as in the case of the transfer of services, or where what is being transferred is a right of access).

Revenues from licensing, development and similar agreements may arise during the compound's development phase:

- Upfront payments collected by PharmaMar, which are generally non-refundable.
- Milestone payments, which accrue when the compound to which the agreement refers (Yondelis, Aplidin or Zepzelca) attains development milestones, generally of a regulatory or commercial nature.

Or they may arise during the commercialization phase:

- Royalties on sales.
- Revenues from the supply of products (raw materials),
- Milestone payments, which may refer to technical, regulatory or accumulated sales milestones.

As a general rule, upfront payments are not recognized as revenue in the year that the agreement is signed. They are recognized as revenue in the year that they are collected provided that:

- they are not refundable,
- the Group does not assume material future obligations (except those for which separate consideration is provided for under arm's-length conditions), and
- substantially all of the risks and benefits inherent to the asset are transferred.

In the event that the conditions are not met, they are recognized as deferred revenues.

Deferred revenues are recognized in profit or loss over the term of the related commitments as a function of the degree of progress of the project, measured using an input model, as and when the obligations set out in the contract are met.

Additionally, any consideration linked to fulfillment of certain technical, regulatory or accumulated sales requirements (milestones) in the framework of cooperation agreements with third parties is recognized on the basis of the same rules as for upfront payments set out above.

The Company does not recognize revenues in excess of the amount to which it is entitled.

Receipts attributed to the marketing phase, i.e. royalties and revenues for the supply of raw materials, are recognized on an accrual basis once marketing commences.

Royalties are set on an arm's-length basis and supply contract prices are based on market manufacturing margins.

4.14.3 Royalties

Royalty revenue is recognized on the basis of the agreed percentage of sales at a given point in time by the counterparty to the agreement.

4.14.4 Interest revenues

Interest revenues on financial assets at amortized cost are recognized using the effective interest rate method. Where an account receivable is impaired, the Company writes the carrying amount down to the recoverable value, by discounting estimated future cash flows at the instrument's original effective interest rate, and carries the discount as a reduction in interest revenues. Interest revenues on loans that have suffered impairment are recognized using the effective interest rate method.

4.14.5 Dividends

Dividend revenues are recognized in profit or loss when the Company becomes entitled to collect them. Nevertheless, if the dividends paid are from profits obtained prior to the acquisition date, they are not recognized as revenues but, rather, are deducted from the carrying amount of the investment.

4.14.6 Provision of services

The Company provides advisory and support services to Group undertakings.

4.15 Foreign currency transactions

4.15.1 Functional and presentation currency

The financial statements are presented in euro, which is the Company's functional and presentation currency.

4.15.2 Transactions and balances

Foreign currency transactions are translated to the functional currency at the exchange rates ruling on the transaction date. Exchange gains or losses arising on the settlement of those transactions and on translating monetary assets and liabilities denominated in foreign currency at the year-end exchange rate are recognized in profit or loss, except when deferred in equity as a qualifying cash flow hedge or qualifying net investment hedge.

Fair value changes in available-for-sale financial assets denominated in foreign currency are analyzed as the exchange differences resulting from changes in the amortized cost of the instrument and other changes in the security's carrying amount. Exchange differences are recognized in profit or loss and other changes to the carrying amount are recognized in equity.

Exchange differences on non-monetary items, such as equity instruments at fair value through profit or loss, are presented as part of that gain or loss in fair value. Exchange differences on non-monetary items, such as available-for-sale equity instruments, are recognized in equity.

4.16 Related-party transactions

Related-party transactions are generally recognized initially at fair value. If the agreed price differs from fair value, the difference is recognized on the basis of the economic reality of the transaction. Subsequent measurements are performed in accordance with the applicable standards.

Nevertheless, in mergers, demergers and contributions of business lines, the items comprising the acquired business line are recognized for the amount that would correspond to them, upon completion of the transaction, in the consolidated financial statements of the group or subgroup.

When the controlling company of the group or subgroup, and its subsidiary, are not involved, the financial statements to be considered for this purpose will be those of the largest group or subgroup into which the equity items are integrated whose controlling company is Spanish.

In these cases, any difference disclosed between the net value of the acquiree's assets and liabilities, adjusted for the balance of grants, donations and bequests received, impairments, and any amount of capital and issue premium issued by the acquiring company, is recognized in reserves.

4.17 Business combinations

Mergers, demergers and non-monetary contributions of a business between group undertakings are recognized in accordance with the rules for related-party transactions (Note 4.16).

Mergers and demergers other than the above and business combinations arising from the acquisition of all the equity of a company or of a part comprising one or more businesses are recognized in accordance with the acquisition method.

4.18 Non-recourse factoring

The Company derecognizes financial assets when it assigns/sells the rights to the cash flows of the financial asset and has transferred the risks and rewards inherent to ownership, such as factoring of trade accounts receivable in which the Company does not retain any credit or default risk.

5. RISK POLICY AND MANAGEMENT

5.1 Financial risk factors

The Company's activities are subject to a number of financial risks: market risk (including exchange rate risk, interest rate risk and price risk), credit risk, and liquidity risk. The Company's overall risk management program focuses on the uncertainty of the financial markets and tries to minimize the potential adverse effects on the Company's returns. The finance department is responsible for risk management in accordance with the guidelines provided by the Board of Directors. That department identifies, assesses and hedges financial risks. The Board establishes guidelines for overall risk management and for specific areas such as interest rate risk, liquidity risk, the use of derivatives and non-derivatives, and investment of surplus liquidity.

5.1.1 Market risk

5.1.1.1 Price risk

The Company's long-term financial assets are securities of biopharmaceutical companies. The volume of investment in this type of asset is not material in the context of the Company's operations; accordingly, the related price risk is very low.

The Company's policy with regard to financial assets is to place cash in low-risk highly-liquid financial assets in order to ensure the availability of funds. For this reason, those financial assets are almost entirely government bonds and deposits at banks with good credit quality, with the result that their value does not fluctuate significantly.

5.1.1.2 Exchange rate risk

The Company operates internationally and, therefore, is exposed to exchange rate risk on transactions in foreign currencies, particularly the US dollar. Exchange rate risks arise from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

Transactions denominated in currencies other than the euro, basically in US dollars, Japanese yen, Swiss francs and pounds sterling, amounted to €93,101 thousand in the year ended 31 December 2023 (€99,770 thousand in 2022) (Note 23.3). The main transactions in foreign currency in 2023 related to revenue (both royalties and commercial milestone payments) under the licensing agreements with Jazz Pharmaceuticals and with Janssen Products LP.

If, as of 31 December 2023, the euro had appreciated by 5% with respect to the US dollar while all other variables remained constant, income after taxes for the year would have been lower by €2,879 thousand (€2,987 thousand in 2022), mainly as a result of translation into euro of customer and other accounts receivable and debt denominated in US dollars.

If, as of 31 December 2023, the euro had depreciated by 5% with respect to the US dollar while all other variables remained constant, income after taxes for the year would have been higher by €3,023 thousand (€3,136 thousand in 2022).

Management does not consider it necessary to establish any policy for hedging the foreign currency risk vs. the functional currency.

5.1.1.3 Interest rate risk on cash flows and fair values

The Company's interest rate risk arises from remunerated financial assets that can be converted into cash. Remunerated financial assets consist basically of government bonds and deposits remunerated at floating interest rates referenced to Euribor and Libor.

The Company's interest rate risk arises from interest-bearing debt. Floating-rate debt exposes the Company to interest rate risk. Fixed-rate debt exposes the Company to interest rate risk on the fair value. A sizable part of the debt is in the form of repayable advances from official bodies that are not subject to interest rate risk.

The Company analyses its exposure to interest rate risk dynamically. It simulates a number of scenarios considering refinancing, roll-overs, alternative financing and hedging. Based on those scenarios, the Company calculates the effect on income of a given variation in interest rates. In a given simulation, it assumes the same change in interest rates in all currencies. The scenarios are applied only to the largest interest-bearing liability positions.

5.1.2 Credit risk

Credit risk is managed in groups. Credit risk arises from cash and cash equivalents placed with banks and financial institutions, and from customer balances.

The banks and financial institutions with which the Company works generally have independent ratings. Where customers have an independent rating, that rating is used; otherwise, the Company assesses the risk based on the customer's financial position, past experience and other factors. Where there is no doubt about a customer's solvency, no credit limits are set.

Where the Company acquires financial assets other than government bonds, it must apply the following policies:

• Acquisition of fixed-income funds that invest in public- or private-sector debt (government bonds, treasury bills and commercial paper), generally secure, which pay periodic coupons.
• Acquisition of money market funds comprising fixed-income securities where security is prioritized in exchange for a slightly lower yield than other investments.

The credit quality of the financial assets and of customers with which the Company had balances as of 31 December 2023 and 2022 is set out in Note 10.3.

5.1.3 Liquidity risk

Prudent liquidity risk management entails having sufficient cash and marketable securities, financing via sufficient committed credit facilities, and the capacity to settle market positions.

The Company's goal is to maintain flexible financing by having sufficient funds in financial assets to settle its obligations.

The net cash position, defined as cash and cash equivalents and current financial assets (€152,948 thousand in 2023, €176,118 thousand in 2022) less short-term borrowings (€10,465 thousand in 2023, €8,788 thousand in 2022), was positive in the amount of €142,483 thousand at the end of 2023 (€167,330 thousand in 2022).

Additionally, as of 31 December 2023, the Company had long-term financial assets in the amount of €5,632 thousand (€48,961 thousand in 2022).

Long-term interest-bearing debt as of 31 December 2023 amounted to €26,416 thousand (€25,032 thousand in 2022), of which €9,638 thousand (€8,083 thousand in 2022) was in the form of research and

development loans from official bodies at zero or below-market interest rates which are repayable over 10 years, with a three-year grace period.

Operating cash flow amounted to €-6,597 thousand in 2023 and €53,050 thousand in 2022.

The following should be noted in connection with PharmaMar's liquidity position as of 2023 year-end:

- PharmaMar ended 2023 with cash and cash equivalents plus current financial assets amounting to €152,948 thousand.
- PharmaMar had unused credit lines in the amount €7,742 thousand.
- Working capital is positive in the amount of €153,713 thousand.

PharmaMar regularly monitors liquidity projections on the basis of expected cash flows, and Management considers that it has sufficient cash, tradeable securities and credit lines available to meet its liquidity needs and payment commitments within the time horizon that is considered to be necessary.

At least once per year, the Company's finance department presents the directors with a business plan for the next five years, together with cash flow estimates for the following year, including a range of scenarios for the source and application of funds, based on progress with ongoing research.

The directors estimate that R&D expenditure in 2024 will be higher than in 2023 but that the other operating expenses will not increase significantly.

Consequently, at the time of authorizing these financial statements, the directors of PharmaMar consider that PharmaMar has ample liquidity to cover its research and development projects and honor its future payment obligations.

The table below shows an analysis of the Company's financial liabilities grouped by maturity based on the period remaining between the balance sheet date and the contractual maturity date, excluding the corresponding interest. The amounts in the table are the contractual cash flows, which have not been discounted. Since these amounts are not discounted, they are not comparable to the amounts recognized as interest-bearing debt on the balance sheet.

31/12/23							Total	
(thousand euro)	2024	2025	2026	2027	2028	2029 and thereafter	Non-current	TOTAL
Bonds and other marketable securities	**405**	**-**	**-**	**17,000**	**-**	**-**	**17,000**	**17,405**
Bank loans	6,789	-	-	-	-	-	-	6,789
Debt to official authorities	2,606	1,874	1,847	1,970	1,422	4,161	11,274	13,880
Bank debt and debt to official authorities	**9,395**	**1,874**	**1,847**	**1,970**	**1,422**	**4,161**	**11,274**	**20,669**
Other financial liabilities	**1,132**	**-**	**-**	**-**	**-**	**-**	**-**	**1,132**
Current accounts payable to group and associated undertakings	**3,529**	**-**	**-**	**-**	**-**	**-**	**-**	**3,529**
Suppliers	**891**	**-**	**-**	**-**	**-**	**-**	**-**	**891**
Suppliers - group and associated undertakings	**4,733**	**-**	**-**	**-**	**-**	**-**	**-**	**4,733**
Sundry creditors	**20,858**	**-**	**-**	**-**	**-**	**-**	**-**	**20,858**
Personnel (compensation payable)	**7,108**	**-**	**-**	**-**	**-**	**-**	**-**	**7,108**
Balances with public authorities	**1,224**	**-**	**-**	**-**	**-**	**-**	**-**	**1,224**
Customer advances	**1,003**	**-**	**-**	**-**	**-**	**-**	**-**	**1,003**
TOTAL	**50,278**	**1,874**	**1,847**	**18,970**	**1,422**	**4,161**	**28,274**	**78,552**

31/12/22 (thousand euro)	2023	2024	2025	2026	2027	2028 and thereafter	Total Non-current	TOTAL
Bonds and other marketable securities	**405**	**-**	**-**	**-**	**17,000**	**-**	**17,000**	**17,405**
Bank loans	4,325	231	-	-	-	-	231	4,556
Debt to official authorities	3,435	2,590	1,825	1,559	1,290	1,757	9,021	12,456
Bank debt and debt to official authorities	**7,760**	**2,821**	**1,825**	**1,559**	**1,290**	**1,757**	**9,252**	**17,012**
Other financial liabilities	**1,008**	**-**	**-**	**-**	**-**	**-**	**-**	**1,008**
Current accounts payable to group and associated undertakings	**6,165**	**-**	**-**	**-**	**-**	**-**	**-**	**6,165**
Suppliers	**707**	**-**	**-**	**-**	**-**	**-**	**-**	**707**
Suppliers - group and associated undertakings	**3,256**	**-**	**-**	**-**	**-**	**-**	**-**	**3,256**
Sundry creditors	**24,492**	**-**	**-**	**-**	**-**	**-**	**-**	**24,492**
Personnel (compensation payable)	**6,499**	**-**	**-**	**-**	**-**	**-**	**-**	**6,499**
Balances with public authorities	**1,094**	**-**	**-**	**-**	**-**	**-**	**-**	**1,094**
Customer advances	**1,446**	**-**	**-**	**-**	**-**	**-**	**-**	**1,446**
TOTAL	**52,832**	**2,821**	**1,825**	**1,559**	**18,290**	**1,757**	**26,252**	**79,084**

5.2 Fair value estimates

The fair value of financial instruments that are traded in an active market (e.g. securities held for trading and available for sale) is based on the market price on the balance sheet date. The market price used for financial assets is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using measurement techniques. The Company uses a variety of methods and makes assumptions based on the market conditions at each balance sheet date. Listed market prices or agent quotations are used for long-term debt. Other techniques, such as discounting estimated cash flows, are used to determine the fair value of the other financial instruments. The fair value of forward exchange rate contracts is determined by using the exchange rates quoted in the market on the balance sheet date.

The carrying amount of trade accounts payable and receivable is assumed to approximate to their fair value. The fair value for the purposes of presenting the financial information is estimated by discounting the contractual future cash flow at the current market interest rate available to the Company for similar financial instruments.

The fair value of repayable advances that are interest-free or at a subsidized interest rate is determined by applying, to the repayments to be made, the yield curve in force on the date of receipt of the advance plus the spread normally paid by the Company on loans.

The fair value of floating-rate loans is estimated to coincide with the carrying amount.

6. INTANGIBLE ASSETS

The breakdown and changes in the "Intangible Assets" account as of 31 December 2023 and 2022 are as follows:

2023

(thousand euro)	Development	Computer software	TOTAL
Cost			
Balance as of 31/12/22	264,332	4,275	268,607
Additions	-	351	351
Disposals (Note 6.1)	-	(57)	(57)
Transfers	-	53	53
Balance as of 31/12/23	**264,332**	**4,622**	**268,954**
Impairment			
Balance as of 31/12/22 (Note 6.1)	(356)	-	(356)
Balance as of 31/12/23	**(356)**	**-**	**(356)**
Accumulated amortization			
Balance as of 31/12/22	(262,572)	(3,351)	(265,923)
Provisions	(702)	(315)	(1,017)
Additions	-	57	57
Balance as of 31/12/23	**(263,274)**	**(3,609)**	**(266,883)**
Net carrying amount 31/12/23	**702**	**1,013**	**1,715**

2022

(thousand euro)	Development	Computer software	TOTAL
Cost			
Balance as of 31/12/21	264,332	4,621	268,953
Additions	-	488	488
Disposals (Note 6.1)	-	(834)	(834)
Balance as of 31/12/22	**264,332**	**4,275**	**268,607**
Impairment			
Balance as of 31/12/21 (Note 6.1)	(356)	-	(356)
Balance as of 31/12/22	**(356)**	**-**	**(356)**
Accumulated amortization			
Balance as of 31/12/21	(261,870)	(3,921)	(265,791)
Provisions	(702)	(264)	(966)
Additions	-	834	834
Balance as of 31/12/22	**(262,572)**	**(3,351)**	**(265,923)**
Net carrying amount 31/12/22	**1,404**	**924**	**2,328**

6.1 Development

The Company continued to develop the molecules in its pipeline during 2023.

Recoverability analysis

"Development" expenses are measured at cost, corrected at year-end if there is objective evidence that the investment will not be recovered. The carrying amount must be corrected to the recoverable amount, i.e. the fair value less selling costs or the present value of the future cash flows arising from the investment,

whichever is higher.

The basis for the impairment test applied to capitalized "Development" expenses on the balance sheet varies depending on the available information, and the best evidence for each project is selected on the basis of its current phase of development.

Yondelis

As of 31 December 2023, there are no capitalized expenses relating to Yondelis as they have been fully amortized.

Zepzelca (lurbinectedin)

As of 31 December 2023, capitalized development expenses, which amount to €702 thousand, correspond to the amounts PharmaMar allocated to preparing the registration dossier for the Phase II basket clinical trial with lurbinectedin in small cell lung cancer, which was submitted to the US FDA in December 2019 to request approval to market that compound. In June 2020, a positive response was received from the FDA under the accelerated approval procedure, with the result that Zepzelca began to be marketed in the United States by our licensing partner for that territory, Jazz Pharmaceuticals. As a result of that agreement, up to 31 December 2023, PharmaMar had received USD 325,000 thousand (€292,837 thousand) in the form of upfront and milestone payments under the licensing agreement and royalties on sales collected in 2023 in the amount of €48,368 thousand (€46,881 thousand in 2022).

Based on the foregoing information and the fact that the product will continue to generate revenues in the future, the directors do not consider there is any sign of impairment.

6.2 Capitalized financial expenses

There were no capitalized financial expenses as of 2023 and 2022 year-end.

6.3 Intangible assets located in other countries

There are no intangible assets located in other countries

6.4 Intangible assets acquired from group and associated undertakings

During 2023, software was acquired from a group company, Genómica S.A.U. en liquidación, for €65 thousand. No assets were acquired from group or associated undertakings in 2022.

6.5 Fully amortized assets

The assets that were fully amortized as of 31 December 2023 and 2022 are as follows:

FULLY AMORTIZED INTANGIBLE ASSETS (thousand euro)	31/12/23	31/12/22
Development (Yondelis®)	239,596	239,596
Computer software	2,800	2,748
TOTAL	**242,396**	**242,344**

6.6 Disposals

The amount of disposals in 2023 (€57 thousand) relates to Microsoft licenses that expired and were replaced with new licenses (€834 thousand in 2022).

6.7 Assets designated as collateral and subject to ownership restrictions

As of 31 December 2023 and 2022, there were no intangible assets subject to ownership restrictions or pledged as collateral for liabilities.

6.8 Subsidies received to finance research and development

As of 31 December 2023, the Company had €1,570 thousand (€968 thousand in 2022) under "Official capital subsidies" to finance research and development activities, €1,331 thousand of that balance (€221 thousand in 2022) relate to the subsidy component that is calculated to exist in repayable loans obtained at zero or below-market interest rates from official authorities to finance research and development activities, as compared with finance obtained at market rates. (Note 19).

7. PROPERTY, PLANT AND EQUIPMENT

The detail and changes in the Property, Plant and Equipment account as of 31 December 2023 and 2022 are as follows:

2023

(thousand euro)	Land and buildings	Installations	Construction in progress and advances	TOTAL
Cost				
Balance as of 31/12/22	29,042	38,638	1,491	69,171
Additions	-	1,717	1,837	3,554
Transfers	-	1,504	(1,557)	(53)
Disposals	(4,450)	(436)	(22)	(4,908)
Balance as of 31/12/23	**24,592**	**41,423**	**1,749**	**67,764**
Impairment				
Balance as of 31/12/22	(1,248)	-	-	(1,248)
Impairment (Note 23.7)	121	-	-	121
Balance as of 31/12/23	**(1,127)**	**-**	**-**	**(1,127)**
Accumulated amortization				
Balance as of 31/12/22	(10,001)	(28,606)	-	(38,607)
Provisions	(605)	(1,684)	-	(2,289)
Additions	-	409	-	409
Balance as of 31/12/23	**(10,606)**	**(29,881)**	**-**	**(40,487)**
Net carrying amount 31/12/23	**12,859**	**11,542**	**1,749**	**26,150**

2022

(thousand euro)	Land and buildings	Installations	Construction in progress and advances	TOTAL
Cost				
Balance as of 31/12/21	22,588	35,512	3,586	61,686
Additions	4,450	1,282	1,929	7,661
Transfers	2,004	2,020	(4,024)	-
Disposals	-	(176)	-	(176)
Balance as of 31/12/22	**29,042**	**38,638**	**1,491**	**69,171**
Impairment				
Balance as of 31/12/21	(1,308)	-	-	(1,308)
Impairment (Note 23.7)	60	-	-	60
Balance as of 31/12/22	**(1,248)**	**-**	**-**	**(1,248)**
Accumulated amortization				
Balance as of 31/12/21	(9,413)	(27,330)	-	(36,743)
Provisions	(588)	(1,446)	-	(2,034)
Other transfers	-	-	-	-
Additions	-	170	-	170
Balance as of 31/12/22	**(10,001)**	**(28,606)**	**-**	**(38,607)**
Net carrying amount 31/12/22	**17,793**	**10,032**	**1,491**	**29,316**

Additions in 2023 under the heading of Land and buildings relate to the contribution by PharmaMar to subsidiary Sylentis of a 7,000 square meter industrial building on a 10,580 square meter plot at Calle Progreso 3, Getafe (Madrid); PharmaMar had acquired that asset in 2022 for €4,450 thousand. That contribution to the subsidiary was recognized for the same amount as only a few months had elapsed since the acquisition and there had not been a material change in the fair value. Of that amount, €1,662 thousand relate to "Land" and €2,788 thousand to "Buildings".

As of 31 December 2023, the net carrying amount of land and buildings was €5,573 thousand and €7,286 thousand, respectively (€7,113 thousand and €10,679 thousand, respectively, in 2022).

Technical installations and machinery recognized in 2023 relate mainly to the acquisition of various items of equipment for the production and R&D areas.

Fixed assets recognized in 2022 relate mainly to the 1,093 square meter expansion and outfitting of offices at PharmaMar's facilities, the warehouse expansion, and replacement of laboratory equipment.

7.1 Partial reversal of impairment

In 2023, the Company reversed €121 thousand of impairment on a plot of land in Colmenar Viejo based on an external appraisal (€60 thousand in 2022).

7.2 Assets acquired from Group and associated undertakings

During 2023, the Company acquired property, plant and equipment from a group company, Genómica S.A.U. en liquidación, for €15 thousand (there were no asset transactions between group companies in 2022).

7.3 Fully depreciated assets

As of 31 December 2023, the Company was using assets with a carrying amount of €23,029 thousand which had been fully depreciated (€23,051 thousand as of 31 December 2022).

7.4 Property, plant and equipment pledged as collateral

As of 31 December 2023 and 2022, none of the Company's property, plant and equipment was encumbered.

7.5 Assets acquired under finance leases

There were no finance leases outstanding as of the end of 2023 and 2022.

7.6 Subsidies received

No fixed assets financed by subsidies from public authorities were acquired in 2023 and 2022.

7.7 Insurance

The Company has arranged insurance policies to cover the risks to which its property, plant and equipment are subject. The cover of these policies is deemed to be sufficient.

7.8 Assets located in other countries

There is no property, plant and equipment located outside Spanish territory.

8. INVESTMENT PROPERTY

As of 31 December 2023, the Company had land which was held for appreciation and rental income as "Investment property" for a total net amount of €845 thousand (€845 thousand in 2022).

It is a plot of land located at Avda. de la Industria no. 52, in Polígono Industrial de Tres Cantos (Madrid), which is under a 25-year lease that may not be terminated in the first 10 years.

Revenues under this heading amounted to €69 thousand in 2023 (€64 thousand in 2022).

9. OPERATING LEASES

The Company has equipment leases (vehicles, computers and software) and operating leases (laboratories, offices, cold stores, document archives and material stores). The equipment leases can be canceled upon payment of the established penalty and the operating leases can be canceled subject to advance notice.

The minimum total future payments for non-cancelable operating leases are as follows:

OPERATING LEASE COMMITMENTS (thousand euro)	31/12/23	31/12/22
Less than 1 year	2,543	1,945
1 to 5 years	1,522	1,622
TOTAL	**4,065**	**3,567**

The expense recognized in profit or loss amounted to €2,316 thousand in 2023 (€1,990 thousand in 2022).

10. ANALYSIS OF FINANCIAL INSTRUMENTS

10.1 Analysis by category

The carrying amount of each category of financial instrument established in the accounting and measurement rules for "Financial Instruments", except for investments in the equity of group, multi-group and associated undertakings (Note 11) and assets and liabilities with public authorities (Note 24), is as follows:

10.1.1 Current and non-current financial assets and liabilities

2023 (thousand euro)	Financial assets at amortized cost	Financial assets at fair value through equity	Financial assets at fair value through profit or loss	Financial assets at cost	TOTAL
Non-current financial assets					
Financial assets – Group undertakings (Note 14.2)	31,130	-	-	-	**31,130**
Non-current financial assets (Notes 12 & 14)	-	330	-	6	**336**
Other financial assets (Notes 14.1 & 15)	5,632	-	-	-	**5,632**
					-
Current financial assets					**-**
Customer and other accounts receivable (Note 14.3)	25,038	-	-	-	**25,038**
Customer and other accounts receivable - Group and associated undertakings (Notes 14 & 30)	1,833	-	-	-	**1,833**
Financial assets – Group undertakings (Notes 14 and 30)	639	-	-	-	**639**
Current financial assets (Note 15)	96,200	-	5,969	-	**102,169**
Other financial assets (Note 14)	3,109	-	-	-	**3,109**
	163,581	**330**	**5,969**	**6**	**169,886**

	Financial liabilities at amortized cost	TOTAL
Non-current financial liabilities		
Bonds and other marketable securities (Note 20.1)	16,769	**16,769**
Bank loans (Note 20.2)	-	**0**
Other financial liabilities (Note 20.3)	9,647	**9,647**
Current financial liabilities		
Bonds and other marketable securities (Note 20.1)	405	**405**
Bank loans (Notes 20.2 & 20.3)	8,928	**8,928**
Other financial liabilities	1,132	**1,132**
Current accounts payable – Group and associated undertakings (Notes 20 & 30)	3,529	**3,529**
Supplier accounts payable - Group and associated undertakings (Notes 20 & 30)	4,733	**4,733**
Suppliers	891	**891**
Sundry creditors	20,858	**20,858**
Personnel (compensation payable)	7,108	**7,108**
Customer advances	1,003	**1,003**
	75,003	**75,003**

2022 (thousand euro)	Financial assets at amortized cost	Financial assets at fair value through equity	Financial assets at fair value through profit or loss	Financial assets at cost	TOTAL
Non-current financial assets					
Financial assets – Group undertakings (Note 14.2)	5,234	-	-	-	**5,234**
Non-current financial assets (Notes 12 & 14)	-	335	-	6	**341**
Other financial assets (Notes 14.1 & 15)	45,355	-	3,606	-	**48,961**
					-
Current financial assets					**-**
Customer and other accounts receivable (Note 14.3)	25,420	-	-	-	**25,420**
Customer and other accounts receivable - Group and associated undertakings (Notes 14 & 30)	2,489	-	-	-	**2,489**
Financial assets – Group undertakings (Notes 14 and 30)	56	-	-	-	**56**
Current financial assets (Note 15)	32,341	-	-	-	**32,341**
Other financial assets (Note 14)	6,179	-	-	-	**6,179**
	117,074	**335**	**3,606**	**6**	**121,022**

	Financial liabilities at amortized cost	TOTAL
Non-current financial liabilities		
Bonds and other marketable securities (Note 20.1)	16,710	**16,710**
Bank loans (Note 20.2)	231	**231**
Other financial liabilities (Note 20.3)	8,092	**8,092**
Current financial liabilities		
Bonds and other marketable securities (Note 20.1)	405	**405**
Bank loans (Notes 20.2 & 20.3)	7,375	**7,375**
Other financial liabilities	1,008	**1,008**
Current accounts payable – Group and associated undertakings (Notes 20 & 30)	6,165	**6,165**
Supplier accounts payable - Group and associated undertakings (Notes 20 & 30)	3,256	**3,256**
Suppliers	707	**707**
Sundry creditors	24,492	**24,492**
Personnel (compensation payable)	6,499	**6,499**
Customer advances	1,446	**1,446**
	76,386	**76,386**

10.2 Analysis by maturity

The amounts of financial instruments with a fixed or determinable maturity, by year of maturity, are as follows:

FINANCIAL ASSETS / LIABILITIES BY MATURITY (thousand euro) 2023	2024	2025	2026	2027	2028	Subsequent years	Total non-Current	TOTAL
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**-**	**-**	**-**	**-**	**-**	**330**	**330**	**330**
Equity instruments (Note 12)	-	-	-	-	-	330	330	330
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**5,969**	**-**	**-**	**-**	**-**	**-**	**-**	**5,969**
Other financial assets	5,969	-	-	-	-	-	-	5,969
FINANCIAL ASSETS AT COST	**-**	**-**	**-**	**-**	**-**	**6**	**6**	**6**
Loans to third parties	-	-	-	-	-	6	6	6
FINANCIAL ASSETS AT AMORTIZED COST	**126,819**	**3,265**	**1,631**	**-**	**-**	**31,866**	**36,762**	**163,581**
Financial assets – Group undertakings (Notes 14.2 & 29)	639	-	-	-	-	31,130	31,130	31,769
Other financial assets (Note 14.1)	-	167	-	-	-	-	167	167
Sundry debtors	198	-	-	-	-	-	-	198
Personnel	104	-	-	-	-	-	-	104
Accruals	2,807	-	-	-	-	-	-	2,807
Customer receivables for sales and services (Note 14.3)	25,038	-	-	-	-	-	-	25,038
Customer receivables - Group and associated undertakings (Notes 14.4 & 29)	1,833	-	-	-	-	-	-	1,833
Other financial assets (Note 15)	**-**	3,098	1,631	-	-	736	5,465	5,465
Short-term deposits (Note 15)	96,200	-	-	-	-	-	-	96,200
TOTAL	**132,788**	**3,265**	**1,631**	**-**	**-**	**32,202**	**37,098**	**169,886**
FINANCIAL LIABILITIES AT AMORTIZED COST								
Bonds and other marketable securities (Note 20.1)	**405**	**-**	**-**	**16,769**	**-**	**-**	**16,769**	**17,174**
Bank loans and credit lines (Note 20.2)	6,789	-	-	-	-	-	-	6,789
Debt to official authorities (Note 20.3)	2,139	1,491	1,511	1,692	1,209	3,744	9,647	11,786
Bank debt and debt to official authorities	**8,928**	**1,491**	**1,511**	**1,692**	**1,209**	**3,744**	**9,647**	**18,575**
Current accounts payable – Group and associated undertakings (Notes 20 & 30)	**3,529**	**-**	**-**	**-**	**-**	**-**	**-**	**3,529**
Supplier accounts payable - Group and associated undertakings (Notes 20 & 30)	**4,733**	**-**	**-**	**-**	**-**	**-**	**-**	**4,733**
Suppliers	**891**	**-**	**-**	**-**	**-**	**-**	**-**	**891**
Sundry creditors	**20,858**	**-**	**-**	**-**	**-**	**-**	**-**	**20,858**
Personnel (compensation payable)	**7,108**	**-**	**-**	**-**	**-**	**-**	**-**	**7,108**
Customer advances	**1,003**	**-**	**-**	**-**	**-**	**-**	**-**	**1,003**
Other financial liabilities	**1,132**	**-**	**-**	**-**	**-**	**-**	**-**	**1,132**
TOTAL	**48,587**	**1,491**	**1,511**	**18,461**	**1,209**	**3,744**	**26,416**	**75,003**

FINANCIAL ASSETS / LIABILITIES BY MATURITY (thousand euro) 2022	2023	2024	2025	2026	2027	Subsequent years	Total non-Current	TOTAL
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**-**	**-**	**-**	**-**	**-**	**335**	**335**	**335**
Equity instruments (Note 12)	-	-	-	-	-	335	335	335
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**-**	**-**	**-**	**-**	**-**	**3,606**	**3,606**	**3,606**
Other financial assets	-	-	-	-	-	3,606	3,606	3,606
FINANCIAL ASSETS AT COST	**-**	**-**	**-**	**-**	**-**	**6**	**6**	**6**
Loans to third parties	-	-	-	-	-	6	6	6
FINANCIAL ASSETS AT AMORTIZED COST	**66,486**	**38,966**	**3,097**	**1,631**	**-**	**6,895**	**50,589**	**117,075**
Financial assets – Group undertakings (Notes 14.2 & 29)	56	-	-	-	-	5,234	5,234	5,290
Other financial assets (Note 14.1)	-	159	-	-	-	-	159	159
Sundry debtors	197	-	-	-	-	-	-	197
Personnel	113	-	-	-	-	-	-	113
Accruals	5,870	-	-	-	-	-	-	5,870
Customer receivables for sales and services (Note 14.3)	25,420	-	-	-	-	-	-	25,420
Customer receivables - Group and associated undertakings (Notes 14.4 & 29)	2,489	-	-	-	-	-	-	2,489
Other financial assets (Note 15)	-	2,807	3,097	1,631		1,661	9,196	9,196
Short-term deposits (Note 15)	32,341	36,000	-	-	-	-	36,000	68,341
TOTAL	**66,486**	**38,966**	**3,097**	**1,631**	**-**	**10,842**	**54,536**	**121,022**
FINANCIAL LIABILITIES AT AMORTIZED COST								
Bonds and other marketable securities (Note 20.1)	**405**	**-**	**-**	**-**	**16,710**	**-**	**16,710**	**17,115**
Bank loans and credit lines (Note 20.2)	4,324	231	-	-	-	-	231	4,555
Debt to official authorities (Note 20.3)	3,051	2,275	1,604	1,400	1,184	1,629	8,092	11,143
Bank debt and debt to official authorities	**7,375**	**2,506**	**1,604**	**1,400**	**1,184**	**1,629**	**8,323**	**15,698**
Current accounts payable – Group and associated undertakings (Notes 20 & 30)	**6,165**	**-**	**-**	**-**	**-**	**-**	**-**	**6,165**
Supplier accounts payable - Group and associated undertakings (Notes 20 & 30)	**3,256**	**-**	**-**	**-**	**-**	**-**	**-**	**3,256**
Suppliers	**707**	**-**	**-**	**-**	**-**	**-**	**-**	**707**
Sundry creditors	**24,492**	**-**	**-**	**-**	**-**	**-**	**-**	**24,492**
Personnel (compensation payable)	**6,499**	**-**	**-**	**-**	**-**	**-**	**-**	**6,499**
Customer advances	**1,446**	**-**	**-**	**-**	**-**	**-**	**-**	**1,446**
Other financial liabilities	**1,008**	**-**	**-**	**-**	**-**	**-**	**-**	**1,008**
TOTAL	**51,353**	**2,506**	**1,604**	**1,400**	**17,894**	**1,629**	**25,033**	**76,386**

The "Non-current financial assets - Group undertakings" account as of 31 December 2023 and 2022 contained the loans indicated in Note 14.2. Those loans were classified as non-current since they have no fixed maturity and the directors do not intend to repay them in the short term.

10.3 Credit quality of financial assets

The credit quality of financial assets that have not yet matured and have not suffered impairment can be assessed on the basis of credit ratings provided by external bodies or by the past history of default:

ACCOUNTS RECEIVABLE (thousand euro)	31/12/23	31/12/22
Customers without an external credit rating		
New customers (under 6 months)	294	685
Pre-existing customers (over 6 months)	24,744	24,735
TOTAL CUSTOMER RECEIVABLES FOR SALES AND SERVICES	**25,038**	**25,420**
Moody's rating		
A+	2,152	10
A1	22	992
A2	40,427	69,763
A3	28,931	41,042
Ba1	-	1,536
Baa1	10,416	-
Baa2	2,650	19,284
Baa3	23,131	18,416
Unrated	45,219	25,075
TOTAL CASH AND CASH EQUIVALENTS PLUS CURRENT FINANCIAL ASSETS	**152,948**	**176,118**
Baa3	-	20,000
Unrated	5,465	28,802
TOTAL CASH AND CASH EQUIVALENTS PLUS NON-CURRENT FINANCIAL ASSETS	**5,465**	**48,802**

11. HOLDINGS IN GROUP UNDERTAKINGS

11.1 Description of Group undertakings: registered offices and line of business

The registered office and line of business of each of PharmaMar's direct and indirect investees as of 31 December 2023 are summarized below:

Company	Registered offices	Line of business
Genómica, S.A.U. en liquidación - Madrid (Spain)	Via de los Poblados, 1, Edif. B, Parq. Emp. Alvento, Madrid, Spain	Research, development and commercialization of biotechnology applications, diagnosis and services related to these activities.
Genómica, A.B (in liquidation).- (Sweden)	Medicon Village Scheelevage, 2-Lund Sweden	Research, development and commercialization of biotechnology applications, diagnosis and services related to these activities.
Genómica Trading Co., Ltd. (in liquidation) (China)	No.401-421 (Wuhan Free Trade Area) 4/F, Office Building A, No.777, Guanggu 3 Road, Wuhan East Lake High-tech, Development Zone	Wholesale trade, import and export of Class III and Class I medical devices; R&D and sales of Class III IVD reagents; commission agency (excluding auctions) and supply of related support services.
Sylentis, S.A.U. - Madrid (Spain)	Pza. del Descubridor Diego de Ordás 3, Madrid, Spain	Research, development, production and sale of products with therapeutic activity based on reducing or silencing gene expression. The Company does not have any products on the market.
Pharma Mar, USA Inc. - NY (USA)	195 Montague St. 10th floor suite 1023. Brooklyn, NY 11201 USA	Marketing of pharmaceutical products.
PharmaMar, AG - Basel (Switzerland)	Aeschengraben 29, CH 4051 Basel (Switzerland)	Marketing of pharmaceutical products.
Pharma Mar, Sarl - Paris (France)	6 Rue de l'Est, 92100 Boulogne Billancourt, Paris, France	Marketing of pharmaceutical products.
Pharma Mar, GmbH - Berlin (Germany)	Uhlandstraße 14 - 10623 Berlin - Germany	Marketing of pharmaceutical products.
Pharma Mar, Srl - Milan (Italy)	Via Lombardia 2/A, Innov. Campus, Building B, Peschiera Borromeo, Milan, Italy	Marketing of pharmaceutical products.
Pharma Mar, Srl - Brussels (Belgium)	Rue de la Presse, 4 1000 Brussels, Belgium	Marketing of pharmaceutical products.
Pharma Mar Ges.m.b.H - Vienna (Austria)	Teinfaltstraße 9/7, 1010 Vienna, Austria	Marketing of pharmaceutical products.

11.2 PharmaMar stakes in Group undertakings

The detail of the holdings in group companies as of 31 December 2023 and 2022 is as follows:

Name and domicile	Statutory auditor	2023		2022	
		Percentage of ownership		Percentage of ownership	
		Direct %	Indirect %	Direct %	Indirect %
Genómica, S.A.U. en liquidación- Madrid (Spain) (*)	KPMG	100.00%	-	100.00%	-
Genómica, A.B. (in liquidation) - Sweden (**)	KPMG	-	100.00%	-	100.00%
Genómica Trading Co.Ltd. (in liquidation) (China) (**)	-	-	100.00%	-	100.00%
Sylentis, S.A.U. - Madrid (Spain)	KPMG	100.00%	-	100.00%	-
Pharma Mar USA INC - NY (USA)	Walter & Shuffain	100.00%	-	100.00%	-
PharmaMar AG - Basel (Switzerland)	PwC	100.00%	-	100.00%	-
Pharma Mar Sarl - Paris (France)	KPMG	100.00%	-	100.00%	-
Pharma Mar GmbH - Berlin (Germany)	-	100.00%	-	100.00%	-
Pharma Mar Srl - Milan (Italy)	PwC	100.00%	-	100.00%	-
Pharma Mar, Srl - Brussels (Belgium)	PwC	100.00%	-	100.00%	-
Pharma Mar Ges.m.b.H - Vienna (Austria)	-	100.00%	-	100.00%	-

(*) In liquidation

(**) Genómica A.B. and Genómica Ltd. are wholly-owned subsidiaries of Genómica, S.A.U.

The percentage of voting rights is proportional to the stake in capital.

Genomica, S.A.U. en liquidación maintained production and sales in the first quarter of 2023 in order to fulfil pre-existing commitments to customers. It was dormant as of 31 December.

The Company periodically receives economic and financial information from all its investees. In compliance with article 155 of the consolidated text of the Capital Companies Act, PharmaMar has presented the required notifications to the companies in which it has direct and/or indirect holdings of more than 10%.

11.3 Changes in holdings in Group undertakings: Capital increases, business combinations

The changes in the holdings in group undertakings in 2023 and 2022 are as follows:

Company	Cost	Provision	Balance as of 31/12/22	Addition due to capital increase	Addition due to shareholder contribution	Provision	Balance as of 31/12/23
Holdings in group undertakings							
Genómica, S.A.U. en liquidación	23,918	(23,918)	-	1,500	-	(1,500)	-
Sylentis, S.A.U.	77,568	-	77,568	-	4,450	(37,301)	44,717
Pharma Mar, USA INC	5,010	(5,010)	-	-	-	-	-
PharmaMar, AG	107	(52)	55	-	-	-	55
Pharma Mar, Sarl	1,641	(38)	1,603	-	-	-	1,603
Pharma Mar, GmbH	500	(29)	471	-	-	-	471
Pharma Mar, Srl	500	-	500	-	-	-	500
Pharma Mar, Srl (Belgium)	150	(43)	107	-	-	-	107
Pharma Mar Ges.m.b.H	100	-	100	-	-	-	100
	109,494	**(29,090)**	**80,404**	**1,500**	**4,450**	**(38,801)**	**47,553**

Company	Cost	Provision	Balance as of 31/12/21	Addition due to capital increase	Provision	Balance as of 31/12/22
Holdings in group undertakings						
Genómica, S.A.U. en liquidación	20,860	(18,798)	2,062	3,058	(5,120)	-
Sylentis, S.A.U.	49,068	-	49,068	28,500	-	77,568
Pharma Mar, USA INC	5,010	(5,010)	-	-	-	-
PharmaMar, AG	107	(52)	55	-	-	55
Pharma Mar, Sarl	1,641	(38)	1,603	-	-	1,603
Pharma Mar, GmbH	500	(29)	471	-	-	471
Pharma Mar, Srl	500	-	500	-	-	500
Pharma Mar, Ltd	-	-	-	-	-	-
Pharma Mar, Srl (Belgium)	150	(43)	107	-	-	107
Pharma Mar Ges.m.b.H	100	-	100	-	-	100
Noscira, S.A.	-	-	-	-	-	-
	77,936	**(23,970)**	**53,967**	**31,558**	**(5,120)**	**80,404**

In March 2023, the Company contributed equity to related company Sylentis, S.A.U. in the form of a plot of land located at calle Progreso in Getafe. The amount of the contribution was €4,450 thousand, the same amount for which the Company acquired the asset in November 2022, since this is not considered to differ materially from its fair value.

On 9 February 2024, it was announced that the Phase III trial conducted by Sylentis with tivanisiran for treating dry eye disease associated with Sjögren's syndrome had not attained its primary endpoint, related to efficacy. Consequently, PharmaMar impaired the investment in Sylentis to adjust the value of the investment to the recoverable value of the investee. The valuation method used is described in Note 11.3.1. As a result of the new valuation, an impairment loss of €37,301 thousand was recognized.

In December 2023, the Company carried out a capital increase in Genómica, S.A.U. en liquidación for €1,500 thousand. That amount was impaired in its entirety.

In June 2022, Genómica, S.A.U. en liquidación increased capital by offsetting accounts payable to the Company in the amount of €3,058 thousand. The loan had been fully impaired; consequently, when the capital increase was performed, the provision for impairment of the loan was reclassified as impairment of the holding in the Group undertaking.

In September 2022, PharmaMar decided to discontinue the diagnostics business, which was conducted through its wholly-owned subsidiary Genómica, S.A.U. en liquidación. As a result, the entire investment in Genómica S.A.U. en liquidación, amounting to €5,120 thousand, was written off. Although Genómica maintained production and sales during the first quarter of the year in order to meet pre-existing commitments to customers, it had ceased trading as of 31 December 2023.

In December 2022, Sylentis, S.A.U. increased capital by offsetting accounts payable to the Company in the amount of €28,500 thousand.

11.3.1 Disclosures on equity of Group undertakings and their net carrying amount at PharmaMar. Valuation methods for the holdings in Group undertakings

The amounts of capital, reserves, period result and other information of interest as of 31 December 2023 and 2022, as stated in each company's separate financial statements, and the net carrying amount at which PharmaMar has recognized its holding in each subsidiary, are as follows:

COMPANY	2023 Capital	Reserves	Other items	Operating profit	2023 result	Total capital and reserves	Carrying amount at parent company
Genómica, S.A.U. en liquidación	787	140	685	(8,188)	(798)	814	-
Genómica, A.B. (in liquidation) (**)	6	-	3	(22)	(8)	1	-
Genómica Trading Co.Ltd. (in liquidation) (**)	235	-	(217)	4	3	21	-
Sylentis, S.A.U.	3,583	42,894	(11,159)	(39,690)	(39,673)	(4,355)	44,717
Pharma Mar, USA INC	5,010	(4,958)	-	42	10	62	-
Pharma Mar, Sarl	1,641	(166)	-	67	61	1,536	1,603
Pharma Mar, GmbH	25	1,276	-	88	70	1,371	471
PharmaMar, AG	107	12	-	6	5	124	55
Pharma Mar, Srl	500	2,038	-	86	(387)	2,151	500
Pharma Mar, Srl (Belgium)	150	60	-	22	(1)	209	107
Pharma Mar Ges.m.b.H	35	207	-	40	29	271	100
TOTAL	**12,079**	**41,503**	**(10,688)**	**(47,545)**	**(40,689)**	**2,205**	**47,553**

COMPANY	2022 Capital	Reserves	Other items	Operating profit	2022 result	Total capital and reserves	Carrying amount at parent company
Genómica, S.A.U. en liquidación	787	120	5,515	(7,595)	(6,329)	93	-
Genómica, A.B. (in liquidation) (**)	6	-	254	53	74	334	-
Genómica Trading Co. Ltd. (**)	195	-	(210)	(8)	(8)	(23)	-
Sylentis, S.A.U.	3,583	42,892	(11,846)	(4,538)	(3,763)	30,866	77,568
Pharma Mar, USA INC	5,010	(4,967)	-	20	11	54	-
Pharma Mar, Sarl	1,641	(260)	-	107	93	1,474	1,603
Pharma Mar, GmbH	25	1,048	-	288	228	1,300	471
PharmaMar, AG	107	2	-	4	3	112	55
Pharma Mar, Srl	500	1,921	-	295	117	2,538	500
Pharma Mar, Srl (Belgium)	150	18	-	56	42	210	107
Pharma Mar Ges.m.b.H	35	148	-	82	59	242	100
TOTAL	**12,039**	**40,922**	**(6,287)**	**(11,236)**	**(9,473)**	**37,200**	**80,404**

(*) In liquidation
(**) Genómica A.B. and Genómica Trading Co. Ltd. are wholly-owned subsidiaries of Genómica, S.A.U. en liquidación

Under point 2.5 ("Investments in the equity of Group undertakings") of Accounting and Measurement Standard 9, "Financial Instruments", of Spain's New General Accounting Plan, these investments must be carried at cost, corrected at year-end if there is objective evidence that the investment is not recoverable. The carrying amount must be corrected to the recoverable amount, i.e. the fair value less selling costs or the present value of the future cash flows arising from the investment, whichever is higher.

The basis for the impairment test applied to investments in group undertakings varies depending on the available information and the best evidence for each investee.

In the case of Sylentis, S.A.U., appraisals by independent experts have been used. The appraisals use a range of methods, each of which provides values subject to different degrees of probability, resulting in three valuation ranges: low, medium and high. Finally, a weighted average of the results obtained from each appraisal method is calculated.

The methods are as follows: i) Sum of the parts, using the rNPV method and discounted cash flow for each of the open projects. The tivanisiran project, which has been derecognized, was not included in the calculation in 2023. ii) Market comparables; iii) Recent transactions; and iv) Using the valuations obtained with the foregoing methods, a possible price that an investor would pay assuming an exit in three years' time was calculated.

After removing tivanisiran from the development pipeline, the average of the valuations is €37,301 thousand lower than the recognized cost of the investment plus the loans granted. Taking the lower range of the average of the valuations obtained, the Company would have to recognize a provision of €8,655 thousand for impairment of the investment. Conversely, at the high end, there would be a gain of €10,307 thousand. Management considers that an impairment of €37,301 thousand adjusts the investment to fair value. .

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY

Holdings in companies

Holding in the capital of	Line of business	Percentage of ownership 2023 Direct %	Percentage of ownership 2022 Direct %
Instituto BIOMAR	Pharmaceutical research	3.49%	3.49%
Pangaea Biotech SA	Consulting services	0.07%	0.10%
Johnson & Johnson	Manufacture of pharmaceuticals, consumer products, and medical devices and diagnostics	0.00001%	0.00001%

The value of those holdings is as follows:

(thousand euro)	31/12/23	31/12/22
Instituto BIOMAR	252	252
Pangaea Biotech SA	50	50
Johnson&Johnson	28	33
	330	**335**

Those holdings are as follows:

- Unlisted securities: Instituto Biomar y Pangaea Biotech, available-for-sale financial investments in biopharmaceutical companies. The balance of these securities as of 31 December 2023 and 2022 was €302 thousand.

- Listed securities: Johnson&Johnson. The available-for-sale financial assets consist of biopharmaceutical company shares that are listed on the US market. Their fair value matches their listed market price. The balance of this item as of 31 December 2023 was €28 thousand (€33 thousand in 2022).

In 2023, a provision of €5 thousand was recognized for the depreciation of listed securities. No provisions for losses were recognized in 2022.

13. INVENTORIES

The Group classifies inventories as follows:

(thousand euro)	31/12/23	31/12/22
Raw materials and other supplies	1,782	1,744
Semi-finished products and products in process	36,658	24,966
Finished products	628	224
	39,068	**26,934**

The increase in the balance of inventories is the result of the need to advance production in preparation for launches in new territories, and of an increase in demand from licensees.

No financial expenses have been capitalized as the inventory production cycle does not exceed one year.

No material impairment losses were recognized for inventories in 2023 and 2022. No inventories have been committed as collateral for obligations or debt.

The Company has arranged an insurance policy to cover the risks to which the inventories are exposed. The cover of this policy is deemed to be sufficient.

14. FINANCIAL ASSETS AT AMORTIZED COST

Financial assets at amortized cost are classified as follows:

(thousand euro)	31/12/23	31/12/22
LONG-TERM FINANCIAL ASSETS AT AMORTIZED COST	**31,303**	**5,399**
Long-term deposits and guarantees provided (Note 14.1)	167	159
Loans to third parties	6	6
Loans to Group undertakings (Notes 14.2 & 30)	31,130	5,234
SHORT-TERM FINANCIAL ASSETS AT AMORTIZED COST	**30,621**	**34,147**
Customer receivables (Note 14.3)	25,038	25,420
Customer receivables - Group and associated undertakings (Notes 14.4 & 30)	1,833	2,489
Current investment – Group and associated undertakings (Notes 14.2 & 30)	639	56
Sundry debtors	198	197
Personnel	104	113
Accruals	2,807	5,870
Long-term deposits and guarantees provided	2	2
TOTAL	**61,924**	**39,546**

14.1 Deposits and sureties

Long-term deposits and guarantees as of 31 December 2023 and 2022 include deposits for leases.

14.2 Loans to Group undertakings

As of 31 December 2023 and 2022, the "Non-current loans to group undertakings" caption includes the loan from PharmaMar to Sylentis amounting to €31,130 thousand (€5,234 thousand in 2022). That loan was classified as non-current since it has no fixed maturity and the directors do not intend it to be repaid in the short term.

The "Investments in group undertakings" item under current financial assets contains the amount of €639 thousand in 2023 and €56 thousand in 2022 relating to interest on loans to group undertakings (Note 30) generated between the parent company and its investee Sylentis S.A.U. as a result of these loans.

14.3 Customer receivables

The detail of customer balances by age is as follows:

(thousand euro)	31/12/23	31/12/22
Current balances	**19,257**	**20,350**
Balances past-due but not provisioned	**5,781**	**5,070**
Up to 3 months	3,671	3,846
3-6 months	1,651	688
Over 6 months	459	536
TOTAL CUSTOMER RECEIVABLES	**25,038**	**25,420**

Past-due receivables have not been impaired and the Company expects to recover the total amount due.

Balances with official authorities

As of 31 December 2023, accounts receivable from public authorities amounted to €4,808 thousand (€4,910 thousand in 2022).

The geographic breakdown of receivables from public authorities in Spain is as follows:

(thousand euro)	Credit rating	2023
Andalusia	Baa2	60
Madrid	Baa1	407
Balearic Islands	A-	-
Valencia	Ba1u	249
Castilla y León	Baa1	27
Castilla la Mancha	Ba1	2
Aragon	BBB+	186
Catalonia	Ba1	60
Cantabria	BBB-	22
Galicia	Baa1	35
Canary Islands	A	(17)
Extremadura	Baa2	-
Basque Country	A3	22
Murcia	Ba1	18
Navarra	AA-	1
Rioja	CCC-	5
Asturias	Baa1	12
Ceuta and Melilla	-	14
TOTAL		**1,103**

(thousand euro)	Credit rating	2022
Andalusia	BBB+	133
Madrid	Baa1	432
Balearic Islands	BBB+	90
Valencia	Ba1u	347
Castilla y León	Baa1	21
Castilla la Mancha	Ba1	9
Aragon	BBB+	211
Catalonia	Ba3	65
Galicia	Baa1	115
Canary Islands	BBB+	27
Basque Country	AA-	28
Murcia	Ba1	187
Navarra	AA-	15
Rioja	BBB	15
Asturias	Baa1	24
Ceuta and Melilla	-	14
TOTAL		**1,733**

Debt owed by public authorities as of 2023 and 2022 year-end in other territories outside Spain where the Company operates was as follows:

(thousand euro)	Credit rating	31/12/23
France	Aaau	3,620
Austria	Aa1	84
Benelux	Aaau	1
TOTAL		**3,705**

(thousand euro)	Credit rating	31/12/22
France	Aaau	3,137
Austria	Aa1	11
Benelux	Aaau	29
TOTAL		**3,177**

Debt owed by official authorities that was more than three months past-due amounted to €908 thousand as of 31 December 2023 (€788 thousand in 2022), and no impairments had been recognized on those amounts.

14.4 Receivable from group and associated undertakings

The balances and transactions with group undertakings in 2023 and 2022 are detailed in Note 30.

15. FINANCIAL ASSETS

In 2023, other non-current financial assets at amortized cost totaling €5,632 thousand include portfolios held at a number of institutions containing mainly government and corporate fixed-income securities that repay the nominal amount at maturity and mostly pay coupons. This amount includes €167 thousand of deposits provided.

The balance of other current financial assets, amounting to €102,169 thousand, includes term deposits of €65,645 thousand maturing between 9 January and 13 May 2024 yielding between 0.89% and 3.75%; deposits in USD amounting to €13,810 thousand (USD 15,260 thousand) maturing between 15 and 22 February 2024 and yielding between 4.54% and 5.21%; and portfolio investments with a number of institutions amounting to €22,714 thousand, which include government and corporate fixed-income securities and equities.

In 2022, other non-current financial assets at amortized cost totaling €48,961 thousand include several deposits amounting to €30,000 thousand at fixed rates ranging from 0.89% to 2.77% per year and maturing between April and May 2024, as well as several portfolios containing mainly government and corporate fixed-income securities amounting to €18,802 thousand that repay the nominal amount at maturity and mostly pay coupons, held with a number of institutions. This amount includes €159 thousand of deposits provided.

Other current financial assets in 2022 amounting to €32,341 thousand mainly include term deposits at a number of financial institutions amounting to €18,278 thousand maturing on 10 June 2023 and a deposit in dollars amounting to €14,063 thousand tied to Libor and maturing between May and November 2023, with yields ranging from 0.89% to 4.04%, depending on when the investment was made and the maturity.

16. CASH AND CASH EQUIVALENTS

The detail of this caption as of 31 December 2023 and 2022 is as follows:

(thousand euro)	31/12/23	31/12/22
Cash on hand and at banks	18,450	115,650
Cash equivalents	32,329	28,127
TOTAL	**50,779**	**143,777**

The balance of "Cash equivalents" in 2023 relates to two deposits: USD 30,000 thousand (€27,149 thousand) and €5,180 thousand, maturing in less than 90 days. In 2022, there was one deposit in the amount of USD 30,000 (€28,127 thousand).

17. SHARE CAPITAL AND SHARE PREMIUM

17.1 Share capital

As of 31 December 2023, the Company's capital stock was represented by 18,354,907 fully subscribed and paid ordinary shares with a par value of €0.60 each (18,354,907 ordinary shares with a par value of €0.60 each in 2022), which are listed on the four Spanish stock exchanges.

According to information in the official registers of the Spanish National Securities Market Commission as of 31 December 2023, holders of significant stakes in Pharma Mar, S.A., either directly or indirectly, amounting to over 10% are as follows:

	DIRECT STAKE		INDIRECT STAKE (1)		TOTAL
	No. of shares	%	No. of shares	%	%
José Mª Fernández Sousa-Faro	1,114,147	6.070	954,460	5.200	11.270

(1) Indirect stake held through his spouse, Ms Montserrat Andrade Detrell.

17.2 Share premium account

The share premium account may be used for the same purposes as the Company's voluntary reserves, including conversion into capital stock, there being no restrictions as to its use or distribution. As of 31 December 2023, the share premium account amounted to €71,278 thousand (€71,278 thousand in 2022).

17.3 Own shares

Changes in own shares in 2023 and 2022 are as follows:

	No. of shares	Amount (euro)
Balance as of 31/12/22	247,288	(15,865,250)
Own shares purchased	787,140	(34,080,815)
Reversal from share ownership plan	262	(19,689)
Own shares sold	(303,869)	17,966,129
Share ownership plan	(15,634)	908,476
Balance as of 31/12/23	**715,187**	**(31,091,149)**

	No. of shares	Amount (euro)
Balance as of 31/12/21	344,366	(25,678,600)
Own shares purchased	761,511	(47,703,048)
Reversal from share ownership plan	104	(5,402)
Own shares sold	(850,449)	56,950,425
Share ownership plan	(8,244)	571,375
Balance as of 31/12/22	**247,288**	**(15,865,250)**

As of 31 December 2023, the Company held 715,187 own shares (247,288 in 2022) representing 3.90% of share capital (1.35% in 2022).

From 1 January 2023 to 31 July 2023, the company had a liquidity contract in place with an external firm to manage purchases and sales of own shares on an independent basis. Within the framework of this agreement, 436,918 own shares were acquired in that period for an amount of €21,873,733.62 and 303,869 shares were sold for an amount of €17,966,129.10.

On July 27, 2023, the Board of Directors resolved to temporarily suspend that liquidity contract and to implement a share buyback program in order to provide the Company with the capacity to trade in its own shares in order to undertake corporate transactions. The program commenced on 1 August 2023.

The established limits were as follows:

a. Maximum number of shares and cash amount: 540,000 shares or at most €15,000,000
b. Duration: maximum of 6 months, beginning on 1 August 2023 and remaining in force until 31 January 2024, with the possibility of concluding earlier if the limits as to the number of shares and/or maximum cash amount are reached.

As of December 31, 2023, 350,222 shares representing 1.91% of share capital had been acquired under this program, for a total amount of €12,207,081.45.

The six-month maximum term of the program was attained on January 31, 2024, a total of 419,400 shares, representing 2.28% of share capital, having been acquired for an amount of €14,999,203.29.

In 2023, the Company acquired own shares worth €34,081 thousand (€47,707 thousand in 2022) and sold own shares worth €17,966 thousand (€56,950 thousand in 2022). Those sales resulted in a loss of €3,797 thousand (a loss of €2,458 thousand in 2022), which was recognized in the Company's reserves. The company has a liquidity contract in place with an external firm that provides independent management of the purchase and sale of own shares.

In the scope of the employee share ownership plan, a total of 15,634 shares were allocated in 2023 to 177 beneficiaries at a price of €42.2623 (8,244 shares in 2022 to 167 beneficiaries at a price of €71.5923), generating a loss of €248 thousand (€19 thousand in 2022). Additionally, a total of 262 shares reverted under the share ownership plan in 2023 (104 shares in 2022).

18. RESERVES AND PRIOR YEARS' RESULT

The detail of the Company's reserves as of 31 December 2023 and 2022 is as follows:

(thousand euro)	31/12/23	31/12/22
LEGAL AND BYLAW RESERVES	**2,203**	**2,203**
Legal reserve	2,203	2,203
OTHER RESERVES	**277,005**	**280,799**
Voluntary reserves	62,091	65,888
Merger reserve	215,160	215,160
Reserve for canceled capital	120	120
Other reserves	31	31
Difference due to redenomination of share capital in euro	2	2
Own shares and equity instruments	(399)	(402)
TOTAL	**279,208**	**283,002**

The balance of the "Prior years' loss" item is €69,052 thousand in 2023 (€116,317 thousand in 2022).

The changes in reserves in 2023 and 2022 were as follows:

(thousand euro)	31/12/22	Gain/loss on own shares	Share ownership plan	31/12/23
LEGAL RESERVE				
Legal reserve	2,203	-	-	2,203
OTHER RESERVES				
Voluntary reserves	65,888	(3,797)	-	62,091
Merger reserve	215,160	-	-	215,160
Reserve for canceled capital	120	-	-	120
Other reserves	31	-	-	31

Difference due to redenomination of share capital in euro	2	-	-	2
Own shares and equity instruments	(402)	-	3	(399)
TOTAL	**283,002**	**(3,797)**	**3**	**279,208**

(thousand euro)	31/12/21	Gain/loss on own shares	Share ownership plan	31/12/22
LEGAL RESERVE				
Legal reserve	2,203	-	-	2,203
OTHER RESERVES				
Voluntary reserves	68,346	(2,458)	-	65,888
Merger reserve	215,160	-	-	215,160
Reserve for canceled capital	120	-	-	120
Other reserves	31	-	-	31
Difference due to redenomination of share capital in euro	2	-	-	2
Own shares and equity instruments	(485)	-	83	(402)
TOTAL	**285,377**	**(2,458)**	**83**	**283,002**

18.1 Legal reserve

Under article 274 of the Consolidated Text of the Capital Companies Act, approved by the Legislative Royal Decree of 2 July 2010, companies must transfer 10% of income for each year to the legal reserve until it amounts to at least 20% of capital stock.

The legal reserve may not be distributed and may only be used to offset losses if there are not sufficient unrestricted reserves available for this purpose, in which case it must be restored out of future income.

The legal reserve amounted to €2,203 thousand in 2023 (€2,203 thousand in 2022).

18.2 Other reserves

Voluntary reserves**:** In 2023, the balance of voluntary reserves was reduced by €3,797 thousand as a result of transactions with own shares (€2,458 thousand in 2022), with the result that the balance was €62,091 thousand as of 31 December 2023 (€65,888 thousand in 2022).

Merger reserve: The merger reserve, which arose in 2015 as a result of the reverse merger between PharmaMar and Zeltia (formerly the group parent company), amounts to €215,160 thousand, This reserve is unrestricted.

Reserve for canceled capital: this reserve is restricted and amounted to €120 thousand as of 2023 year-end.

Other reserves: they consist of a reserve amounting to €31 thousand as of 31 December 2023 and 2022 for differences in conversion to GAP 2007 because of the treatment of exchange gains that had accrued but not been realized.

Reserve for differences in converting capital to euro: this reserve amounts to €2 thousand and is restricted.

Own shares and equity instruments: this item, arising from the accrual of expenses during the lock-up period of the employee stock ownership plan, amounted to €399 thousand as of 31 December 2023, a decrease of €3 thousand with respect to 2021 (€402 thousand).

18.3 Limitations on dividend distribution

The distribution of reserves designated elsewhere in this note as unrestricted is subject to the limits established by law.

Under the Capital Companies Act, profits may not be distributed unless the amount of distributable reserves is at least equal to the amount of research and development expenses shown on the assets side of the balance sheet.

19. SUBSIDIES, DONATIONS AND LEGACIES RECEIVED

As of 31 December 2023, the "Subsidies, donations and other legacies received" item of the Company's equity includes €1,570 thousand of subsidies for loans from official authorities at zero or below-market interest rates (Notes 5.2 & 6.8). The balance of this item was €968 thousand in 2022.

Those subsidies were granted for the implementation of a number of development programs by the Company's projects, and the conditions under which they were granted have been met.

The changes in these subsidies are as follows:

(thousand euro)	31/12/23	31/12/22
BEGINNING BALANCE	**968**	**1,168**
Increase	1,121	596
Recognized in profit or loss	(519)	(796)
ENDING BALANCE	**1,570**	**968**

20. FINANCIAL LIABILITIES AT AMORTIZED COST

The detail of this caption as of 31 December 2023 and 2022 is as follows:

(thousand euro)	31/12/23	31/12/22
Bonds and other marketable securities (Note 20.1)	16,769	16,710
Bank loans (Note 20.2)	-	231
Debt to official authorities (Note 20.3)	9,647	8,092
Deferred revenues (Note 20.4)	19,866	43,330
NON-CURRENT FINANCIAL LIABILITIES AT AMORTIZED COST	**46,282**	**68,363**
Bonds and other marketable securities (Note 20.1)	405	405
Bank loans (Note 20.2)	6,789	4,324
Debt to official authorities (Note 20.3)	2,139	3,051
Other financial liabilities	1,132	1,008
Suppliers	891	707
Debt to group undertakings (Note 30)	4,733	3,256
Accounts payable to related parties (Notes 20.5 & 30)	3,529	6,165
Sundry creditors	20,858	24,492
Personnel	7,108	6,499
Customer advances	1,003	1,446
Deferred revenues (Note 20.4)	24,926	24,659
FINANCIAL LIABILITIES AT AMORTIZED COST	**73,513**	**76,012**
TOTAL FINANCIAL LIABILITIES AT AMORTIZED COST	**119,795**	**144,375**

The carrying amount of short-term debt is approximately the fair value since the effect of discounting is not material.

20.1 Bonds and other marketable securities

In 2015, the Company decided to issue non-convertible bonds for an amount of €17 million in order to strengthen its financial position and extend its debt maturity profile.

The principal terms and conditions of the bonds are as follows:

a) The nominal amount of the issue is €17 million;
b) Maturity: 12 years from disbursement;
c) The issue was targeted at a single qualified Spanish investor via a private placement.
d) The bonds, which are uncertificated, were issued at par, each with a nominal value of €100 thousand;
e) The bonds bear a fixed coupon of 4.75% per annum payable in arrears every year from the date of disbursement;
f) The Company is liable with all its assets for the obligations arising from the bonds and no specific guarantee is granted;
g) The terms and conditions of the bonds are governed by Spanish law;
h) The Company applied to list the bonds on the Alternative Fixed-Income Market (MARF) on 7 July 2015.

The debt is recognized at amortized cost under non-current liabilities.

Unpaid accrued interest amounted to €464 thousand as of 31 December 2023 (€461 thousand in 2022).

20.2 Bank debt

Current and non-current bank debt is broken down as follows:

	31/12/23	31/12/22	
(thousand euro)	Current	Non-current	Current
Bank loans	231	231	225
Credit lines	6,516	-	3,360
Interest payable	42	-	18
Other interest-bearing debt	-	-	721
TOTAL DEBTS AND ACCOUNTS PAYABLE	**6,789**	**231**	**4,324**

The Company did not arrange any bank debt in 2023.

The maturity calendar of the bank debt in 2023 and 2022 is detailed in Note 10.2.

"Other interest-bearing debt" includes a foreign trade financing line with a limit of €2,000 thousand against which no amount was drawn in 2023. €721 thousand were drawn in 2022.

As of 31 December 2023, the limit of the credit lines is €14,000 thousand (€14,000 thousand in 2022), against which the Company had drawn €6,516 thousand (€3,360 thousand in 2022) including credit cards. The credit lines bore average interest of 4.69% in 2023 (2.33% in 2022).

20.3 Debt to official authorities

This debt relates to research and development loans from official bodies at zero or below-market interest rates which are repayable over 10 years, with a three-year grace period.

The amounts under this item, recognized as non-current debt at amortized cost, amounted to €9,638 thousand as of 31 December 2023 (€8,083 thousand in 2022).

A total of €2,139 thousand were recognized as current under this heading in 2023 (€3,051 thousand in 2022).

Of the total debt to official authorities, only €4,881 thousand bears interest at rates between 0.06% to 0.649% (in 2022, €5,723 thousand at rates between 0.06% to 1%).

The difference between initial fair value and the nominal value is accrued on the basis of market interest rates (Euribor and Spanish government bond yields plus a spread based on the Group's risk).

In 2023, new subsidized loans were obtained for a nominal amount of €4,858 thousand (€839 thousand in 2022), corresponding to an initial fair value of €3,527 thousand (€627 thousand in 2022).

The maturities of the amounts due to official authorities which are recognized at fair value as of 31 December 2023 and 2022 are detailed in Note 10.2.

20.4 Accruals

As indicated in Note 1, for signing the agreement with Jazz Pharmaceuticals in 2019, PharmaMar collected a non-refundable upfront payment of USD 200 million (€181 million) in January 2020. In that same year, as a result of the FDA's accelerated approval of Zepzelca in June 2020, Pharma Mar collected another payment of USD 100 million (€88.5 million) from Jazz Pharmaceuticals.

As indicated in Note 4.14.2, the revenue associated with licensing and co-development agreements and other similar transactions must be matched with the consideration to be provided by the Company. If the Company has a contractual performance obligation, then the portion of revenue corresponding to the commitments set out in the agreement that are to be executed in subsequent periods must be recognized as deferred.

The breakdown as of 31 December 2023 and 2022 is as follows:

Long-term accruals

As of 31 December 2023, the balance of non-current accruals amounted to €19,866 thousand and relates entirely to the Jazz Pharmaceuticals agreement. In 2022, the balance of the non-current accrual account amounted to €43,330 thousand, of which €41,312 thousand related to the Jazz agreement and the remainder to other license agreements.

Short-term accruals

As of 31 December 2023, this item contains €24,926 thousand (€24,659 thousand in 2022) and, in both years, relates mainly to the amounts under the aforementioned agreement with Jazz Pharmaceuticals that are expected to be recognized as revenue in the next twelve months.

20.5 Due to Group undertakings

The detail of accounts payable to related parties is as follows:

(thousand euro)	31/12/23	31/12/22
Current financial liabilities		
Corporate income tax payable (Note 24)	2,074	5,888
VAT payable (Note 24)	1,455	277
	3,529	**6,165**

The balances with Group undertakings under current financial assets and liabilities in 2023 consist mainly of those arising between the Company and its subsidiaries as a result of tax consolidation — both corporate income tax and value added tax (Note 24).

20.6 Information on deferral of payments to suppliers

Information on payments for commercial transactions performed in 2023 and 2022 and amounts pending payment at the end of the year in relation to the maximum legal payment periods envisaged in Law 18/2022 is as follows:

	2023	2022
Average time taken to pay suppliers (days)	57	53
Proportion of transactions paid (days)	59	57
Proportion of transactions outstanding (days)	31	28
Total payments made (thousand euro)	100,123	86,872
Total payments outstanding (thousand euro)	8,617	13,739
Total invoices received (number)	9,530	9,322
Total invoices received (thousand euro)	108,740	100,611
Total invoices paid in less than 60 days (number)	4,441	4,561
Total invoices paid in less than 60 days (thousand euro)	58,396	53,403
Percentage of total number of invoices paid	52.89%	54.93%
Percentage of total amount of invoices paid	58.32%	61.47%

21. SHORT-TERM PROVISIONS

The provision recognized in 2023 in the amount of €11,973 thousand (€15,155 thousand in 2022) relates mainly to clawbacks in connection with the distribution of products under the "Autorisation d'accès compassionnel (AAC)" compassionate use system in France. Those clawbacks are applied on a sliding scale based on the amounts invoiced under the AAC system.

Zepzelca is currently covered by this system, under the very early access compassionate use system ("Autorisation d'accès compassionnel trés précoce"), and is therefore subject to this new regulation. Once the product is approved by the European Commission and, therefore authorized for marketing in France, that regulation will no longer apply.

22. DEFERRED TAXES

The detail of this caption as of 31 December 2023 and 2022 is as follows:

(thousand euro)	31/12/23	31/12/22
DEFERRED TAX ASSETS	**29,450**	**22,502**
Temporary differences (Note 24)	591	1,062
Tax credits (Note 24)	18,742	11,323
Tax withholdings receivable	10,117	10,117
DEFERRED TAX LIABILITIES	**707**	**845**
Temporary differences	707	845
DEFERRED TAXES (NET)	**28,743**	**21,657**

The "Tax withholdings receivable" account as of 31 December 2023 and 2022 includes taxes withheld from royalties and payments received from the Johnson & Johnson Group by virtue of the agreements signed in 2001 and 2011, and from Taiho Pharmaceutical Co. Ltd. and Chugai Pharmaceutical Co., among others.

The changes in deferred tax assets and liabilities during the year were as follows:

DEFERRED TAX ASSETS (thousand euro)	Tax credits	Temporary differences	Withholdings	TOTAL
Balance as of 31 December 2021	**9,632**	**1,478**	**10,473**	**21,583**
Charge (credit) to profit or loss	1,691	(416)	-	1,275
Other movements	-	-	(356)	(356)
Balance as of 31 December 2022	**11,323**	**1,062**	**10,117**	**22,502**
Charge (credit) to profit or loss	7,419	(471)	-	6,948
Other movements	-	-	-	-
Balance as of 31 December 2023	**18,742**	**591**	**10,117**	**29,450**

DEFERRED TAX LIABILITIES (thousand euro)	Subsidies, donations and legacies received	Capitalized financial expenses	TOTAL
Balance as of 31 December 2021	**389**	**441**	**830**
Charge (credit) to profit or loss	-	82	82
Charge to equity	(67)	-	(67)
Balance as of 31 December 2022	**322**	**523**	**845**
Charge (credit) to profit or loss	-	(337)	(337)
Charge to equity	200	(1)	199
Balance as of 31 December 2023	**522**	**185**	**707**

Deferred taxes charged to equity in the year are as follows:

(thousand euro)	31/12/23	31/12/22
Subsidies, donations and legacies received	200	(67)
TOTAL	**200**	**(67)**

Deferred tax assets due to tax losses carried forward are recognized to the extent that the Company is likely to obtain future taxable income enabling them to be offset.

23. REVENUES AND EXPENSES

23.1 Net revenues

The net amount of revenues is broken down as follows:

(thousand euro)	31/12/23	31/12/22
Product sales	67,060	88,738
Royalty revenues	52,178	50,254
Licensing agreement revenues	33,590	40,169
Services provided	876	573
TOTAL	**153,704**	**179,734**

Timing of revenue recognition	31/12/23	31/12/22
At a point in time	129,806	149,952
Over a period of time	23,898	29,782
Total revenues from contracts with customers	**153,704**	**179,734**

23.1.1 Revenue from the sale of products

The “Product sales” item basically refers to commercial sales of Yondelis for treating soft tissue sarcoma and relapsed ovarian cancer, made by PharmaMar in the European Union (€23,234 thousand in 2023 and €51,814 thousand in 2022).

It also includes sales of intermediates or raw materials of Yondelis, Aplidin and Zepzelca (€14,898 thousand in 2023 compared with €21,423 thousand in 2022).

It also includes sales of Zepzelca in certain European countries, mainly under the AAC compassionate use program (Autorisation d'Accès Compassionnel) in France, amounting to €28,928 thousand (€15,501 thousand in 2022).

23.1.2 Royalties

Royalties on sales of Yondelis:

Royalties on sales of Yondelis by Janssen Products Lp. ("Janssen") in the United States amounted to €3,069 thousand in 2023 (€2,688 thousand in 2022).

Royalties for Yondelis sales by Taiho Pharmaceutical, Ltd. in Japan amounted to €741 thousand in 2023 (€685 thousand in 2022).

Royalties on Zepzelca sales:

Royalties for Zepzelca sales by Jazz Pharmaceuticals ("Jazz") in the United States amounted to €48,368 thousand in 2023 (€46,881 thousand in 2022).

23.1.3 Licensing revenues

The Company has the following licensing and development agreements with pharmaceutical companies. Revenues under this heading amounted to €33,590 thousand in 2023 (€40,169 thousand in 2022).

Revenues under licensing agreements in 2023 and 2022 are as follows:

(thousand euro)	31/12/23	31/12/22
Jazz Pharmaceuticals (Zepzelca)	23,050	29,547
Janssen Products LP (Yondelis)	9,442	10,087
Lotus (Zepzelca)	293	-
Audium (Zepzelca)	250	-
STA (Zepzelca)	115	115
Boryung (Zepzelca)	440	120
MEGAPHARM (Yondelis)	-	100
STADA (Yondelis)	-	200
TOTAL	**33,590**	**40,169**

The licensing agreements for PharmaMar's compounds, their respective terms and conditions, their economic terms and the revenues received under them are described below.

Yondelis (trabectedin)

Janssen Products LP

In 2001, the Company signed a licensing and development agreement with Ortho Biotech Products L.P. (OBP, now Janssen Products, L.P.), a subsidiary of US group Johnson & Johnson (J&J). That agreement provides for certain payments to PharmaMar, including an upfront payment that was collected on the date of the contract and certain payments connected with subsequent development and regulatory milestones for Yondelis. Those amounts (upfront and milestone payments), which are collected irrevocably once the corresponding dates and milestones are attained, are recognized initially as deferred revenue and subsequently as revenue over the term of the contract, which includes two distinct phases: development and marketing.

The commitments assumed by the Company as a result of the agreement include the following:

- Development of Yondelis from the date of signature of the agreement up to marketing, and financing of a percentage of total development costs incurred by the two parties;

- Assignment to OBP of the future marketing rights for the United States and the rest of the world except Europe (retained by the Group). For this assignment, the Group will collect royalties based on OBP's sales.

- The Company retains the exclusive right to manufacture the active ingredient, which will be supplied to OBP on a cost-plus basis;

The Company will retain the patents associated with Yondelis and is responsible for complying with the administrative requirements relating to maintaining the patents and any other requirements that may apply for their effective use.

The amounts attributed to the development phase are recognized as revenue during the development phase based on the degree of progress with development and the project's total estimated costs. The Company has fulfilled all the related obligations and has incurred all expenses required to be borne by PharmaMar. Consequently, PharmaMar did not recognize any amount under this heading.

The amounts attributed to the marketing phase are royalties, which are recognized on an accrual basis. In 2023, royalties were recognized in the amount of €3,069 thousand for sales of Yondelis (€2,688 thousand in 2022).

In December 2023, PharmaMar received a USD 10,000 thousand (€9,442 thousand) payment from Janssen Products LP on attaining a commercial milestone established in the licensing agreement for Yondelis in the United States (USD 10,000 thousand or €10,087 thousand, in 2022).

In 2019, PharmaMar and Janssen signed a framework transfer agreement under which Janssen transferred to PharmaMar all rights to the compound in the other territories licensed to Janssen, i.e. all the countries in the world except the United States, Europe and Japan (the latter licensed to Taiho Pharmaceuticals Co. Ltd).

New agreements

As a result, since that transfer agreement in 2019 and 2020, PharmaMar has entered into several agreements to commercialize Yondelis with the result that they cover practically the entire world:

A total of seven agreements were signed in 2020: i) with Valeo for Canada; ii) with Adium Pharma, S.A. to market Yondelis in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Curaçao, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela; iii) with Onko Ilak San for marketing in Turkey; iv) with Key Oncologics for the Republic of South Africa, Namibia and Botswana; v) with TTY for marketing and distribution of Yondelis in Taiwan, Hong Kong and Macau; vi) with STADA for marketing Yondelis in the Middle East and North Africa; and vii) with R-Pharm for marketing Yondelis in Russia, the rest of the Commonwealth of Independent States and Georgia.

In 2019, PharmaMar signed two marketing agreements for Yondelis: one with Specialised Therapeutics Asia, Pte. Ltd. (STA) for marketing in Australia, New Zealand and Southeast Asia, and the second with Megapharm Ltd. for marketing in Israel and the Palestinian territories.

In all cases, PharmaMar retains exclusive rights to produce the product and will sell the product to its partners for commercial and clinical use.

As of 31 December 2023, combined sales under these new Yondelis agreements amounted to €6,632 thousand (€7,297 thousand in 2022). Additionally, in 2022, €300 thousand were collected due to attaining milestones under these new agreements.

Taiho Pharmaceutical Co

In 2009, PharmaMar signed a licensing agreement with Taiho Pharmaceutical Co. for development and commercialization of Yondelis in the Japanese market.

The commitments assumed by the Company as a result of the agreement include the following:

- Assignment to Taiho of future rights to market Yondelis in Japan. For this assignment, the Company will collect royalties based on Taiho's sales once authorization is obtained to market the drug in Japan.

- The Company retains the exclusive right to manufacture the active ingredient, which will be supplied to Taiho.

- Taiho assumes the responsibility, at its own expense, for researching, developing and obtaining regulatory approval for Yondelis in Japan.

In 2015, Taiho obtained authorization from the Japanese regulator (PMDA) to market Yondelis for the treatment of several subtypes of soft tissue sarcoma.

In 2023, PharmaMar recognized €741 thousand (€685 thousand in 2022) in revenue for royalties received from Taiho for sales of Yondelis in Japan.

Zepzelca (lurbinectedin)

As of 31 December 2023, the Company had entered into the following licensing, development and marketing agreements with a number of partners:

Jazz Pharmaceuticals

As described in Note 1, on 19 December 2019, PharmaMar and Jazz Pharmaceuticals signed an exclusive licensing agreement for marketing anti-tumor compound Zepzelca (lurbinectedin) in the US for treating relapsed small cell lung cancer. The agreement came into force in January 2020 upon receiving authorization by the US anti-trust authorities under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

The commitments assumed by the Group as a result of the agreement include the following:

- R&D activities: The Group undertook to complete and conduct certain trials of the licensed molecule that will be required by the FDA. These trials may be carried out by a third party and, hence, are classified as a distinct service and, therefore, as a performance obligation.

- Manufacturing: The Group retains the exclusive right to manufacture the medicine, which will be supplied to Jazz Pharmaceuticals.

- Pharmacovigilance activities: The Group assumes this function on behalf of Jazz Pharmaceuticals.

- Granting of a license to the compound Zepzelca, which entails assignment of the rights to market it in the licensed territory.

When the agreement came into force in January 2020, PharmaMar collected an upfront payment of USD 200 million (€181 million). Subsequently, in June, Zepzelca (lurbinectedin) received conditional approval from the FDA for commercialization in the US under the accelerated approval procedure. As a result, PharmaMar collected USD 100 million (€88.5 million) as a milestone payment from Jazz Pharmaceuticals. The upfront payment and the development milestone payment were recognized as revenue in profit or loss in the various years on the basis of

PharmaMar's fulfillment of its commitments under the contract. €23,050 thousand in revenues were recognized in 2023 (€29,547 thousand in 2022).

Additionally, in 2021, revenues in the amount of €22,073 thousand (USD 25 million) were recognized under this heading due to attainment in the year of one of the commercial milestones provided for in the license agreement, when our partner reached a certain volume of sales.

PharmaMar also received royalties from Jazz Pharmaceuticals in 2023 on sales of Zepzelca amounting to €48,368 thousand in the US (€46,881 thousand in 2022).

An addendum to the lurbinectedin license agreement for the United States with Jazz Pharmaceuticals Ireland Limited was signed in October 2020 in order to grant Jazz an exclusive license to market lurbinectedin in Canada. PharmaMar collected an upfront payment of USD 1,000 thousand (€848 thousand) for signing this addendum, USD 1,000 thousand (€864 thousand) were collected under this agreement in 2021 for the approval in Canada.

Luye Pharma Group

In April 2019, the Group signed an out-licensing agreement with Luye Pharma Group for the development and marketing of Zepzelca for treating small cell lung cancer and potentially other indications in the territories of China, Hong Kong and Macao. Under the terms of the agreement, PharmaMar collected an upfront payment of USD 5,000 thousand (€4,452 thousand). Luye undertakes to develop Zepzelca for treating small cell lung cancer in China, while PharmaMar retains exclusive production rights. In December 2023, Luye received authorization to market Zepzelca in Hong Kong and Macau.

Specialised Therapeutics Asia Pte, Ltd (STA)

In May 2017, PharmaMar signed a licensing agreement with Singapore-based Specialised Therapeutics Asia Pte, Ltd (STA) for commercialization of Zepzelca (lurbinectedin).

In connection with this licensing agreement, in that same year STA subscribed for shares of PharmaMar for a total amount of €2,211 thousand,

In 2021, Zepzelca was approved for the treatment of lung cancer in Australia and Singapore, two territories licensed to STA. Those approvals triggered regulatory milestone payments in the amount of USD 450 thousand (€380 thousand). €115 thousand were recognized as revenue in 2023 (€115 thousand in 2022).

Boryung Pharmaceutical Co.

In November 2017, a licensing agreement was signed with Boryung Pharmaceutical Co. to market Zepzelca (lurbinectedin) in South Korea. PharmaMar collected €1,000 thousand upon signature, and subsequently received regulatory milestone payments of €300 thousand in 2019 and €450 thousand in 2020.

In September 2022, Boryung Pharmaceutical Co. received conditional approval from the South Korean Ministry of Food and Drug Safety (MFDS) to market Zepzelca. As a result, PharmaMar collected a €1,000 thousand milestone payment of which it recognized €440 thousand in revenues as of 31 December 2023 (€120 thousand in 2022).

Other agreements

In 2023, PharmaMar signed a licensing agreement with Key Oncologics to market and distribute lurbinectedin, registered as Zepzelca, its marine-derived anti-tumor compound, for treating small cell lung cancer in South Africa, Namibia, Zimbabwe, Mozambique, Eswatini, Lesotho and Botswana.
In 2021, PharmaMar signed the following licensing agreements with respect to Zepzelca:

- Adium Pharma S.A.: for marketing in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Curaçao, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela.
- Lotus Pharmaceutical CO.: for marketing anti-tumor drug lurbinectedin in Taiwan.

Eczacibasi Pharmaceuticals Marketing Co.: for marketing lurbinectedin in Turkey.

In 2020, PharmaMar signed a licensing agreement with Megapharm Ltd for the commercialization of Zepzelca in Israel and the Palestinian territories.

23.2 Breakdown of revenues

The net amount of the Company's revenues, in thousand euro, by geographical region, is as follows:

(thousand euro)	31/12/23	31/12/22
Spain	6,023	12,347
European Union	121,060	140,717
Americas	12,510	12,774
Japan	741	1,794
Other OECD countries	5,375	3,992
Other countries	7,995	8,110
TOTAL	**153,705**	**179,734**

Revenues in the European Union include milestone and royalty payments from Jazz Pharmaceuticals that are billed through a company domiciled in Ireland.

23.3 Foreign currency transactions

The detail of foreign currency transactions is as follows:

(thousand euro)	31/12/23	31/12/22
Licensing revenues	84,669	89,888
Sales	2,285	1,498
Purchases and services received	6,147	8,384
TOTAL	**93,101**	**99,770**

23.4 Merchandise, raw materials and other consumables consumed

(thousand euro)	31/12/23	31/12/22
Purchased in Spain	3,590	3,676
Purchased in other EU countries	1,740	1,656
Imports	129	122
Change in inventories	(568)	(2,161)
TOTAL	**4,891**	**3,293**

23.5 Employee benefit expenses

(thousand euro)	31/12/23	31/12/22
Wages, salaries and similar	34,259	31,092
Indemnities	188	630
Employee welfare expenses		
Employer social security	5,814	5,048
Other welfare expenses	1,624	1,294
TOTAL	**41,885**	**38,064**

The average number of employees by category and gender is as follows:

NUMBER IN CATEGORY (MEN)	31/12/23	31/12/22
Executive directors	2	2
Senior managers	4	5
Management	7	6
Middle management	36	19
Clerical and similar staff	5	5
Technical staff	93	95
Other	12	22
TOTAL	**159**	**154**

NUMBER IN CATEGORY (WOMEN)	31/12/23	31/12/22
Executive directors	-	-
Senior managers	4	3
Management	8	7
Middle management	38	19
Clerical and similar staff	51	42
Technical staff	137	142
Other	6	11
TOTAL	**244**	**224**

TOTAL	**403**	**378**

The breakdown of the Company's workforce by category and gender at year-end was as follows:

NUMBER IN CATEGORY (MEN)	31/12/23	31/12/22
Executive directors	2	2
Senior managers	4	5
Management	7	7
Middle management	37	18
Clerical and similar staff	5	5
Technical staff	93	102
Other	10	21
TOTAL	**158**	**160**

NUMBER IN CATEGORY (WOMEN)	31/12/23	31/12/22
Executive directors	0	-
Senior managers	4	3
Management	8	8
Middle management	39	20
Clerical and similar staff	52	45
Technical staff	140	148
Other	6	12
TOTAL	**249**	**236**

TOTAL	**407**	**396**

There were an average of 4 employees during the year with disability of 33% or greater: 1 clerical assistant and 3 technicians (4 in 2022: 2 clerical assistants and 2 technicians).

23.6 Outside services

The detail of this caption as of 31 December 2023 and 2022 is as follows:

(thousand euro)	31/12/23	31/12/22
Research & Development expenses	41,147	31,198
Leases and fees	2,381	2,057
Repairs and upkeep	2,795	2,492
Independent professional services	9,333	11,512
Transport	1,842	1,429
Insurance premiums	1,467	1,588
Advertising and public relations	14,357	7,585
Utilities	863	973
Other services	7,234	6,355
Other taxes	807	569
TOTAL	**82,226**	**65,758**

23.7 Impairment losses and income from disposal of assets, etc.

As indicated in Note 7.1, based on an external appraisal, the Company reversed impairment of a plot of land in Colmenar Viejo in the amount of €121 thousand in 2023 (impairment amounting to €60 thousand was recognized in 2022).

In addition, assets (mainly laboratory equipment) were sold and derecognized, resulting in a gain of €6 thousand.

24. INCOME TAX AND TAX SITUATION

The balances with public authorities as of 31 December 2023 and 2022 are as follows:

	2023		2022	
(thousand euro)	Payable	Receivable	Payable	Receivable
Income tax	13,439	182	22,465	-
Advance tax revenues under audit	558	-	558	-
Total current tax revenues	**13,997**	**182**	**23,023**	**-**
Personal income tax	-	633	-	595
Social security	-	591	-	499
VAT	3,971	-	4,519	-
Other receivables from public authorities	**3,971**	**1,224**	**4,519**	**1,094**

In 2023, the Company filed corporate income tax returns on a consolidated basis. The following companies are included in the group's consolidated tax return: Genómica, S.A.U. en liquidación, Pharma Mar, S.A. and Sylentis, S.A.U.

Because certain transactions are treated differently for corporate income tax purposes and in the preparation of these financial statements, the taxable base for the year differs from the book result. The deferred or prepaid taxes arise from the recognition of revenues and expenses in different periods under current tax regulations and for the purpose of preparing the financial statements.

The reconciliation of net revenues and expenses in 2023 and 2022 to the income tax base is as follows:

2023 (thousand euro)	Income Statements	
BALANCE OF REVENUES AND EXPENSES IN THE YEAR	-	**(13,557)**
	Increase	**Decrease**
Corporate income tax	-	(11,103)
Permanent differences	39,723	(43,189)
Temporary differences:		
Arising in the year	294	(458)
Arising in prior years	1,807	(2,178)
TAX BASE	**-**	**(28,661)**
TAXABLE INCOME	**-**	**(28,661)**

2022 (thousand euro)	Income Statements	
BALANCE OF REVENUES AND EXPENSES IN THE YEAR	58,954	**-**
	Increase	**Decrease**
Corporate income tax	-	(795)
Permanent differences	8,337	(48,975)
Temporary differences:		
Arising in the year	338	(328)
Arising in prior years		(2,003)
TAX BASE	**-**	**15,528**
TAXABLE INCOME	**-**	**15,528**

The corporate income tax expense at year-end is as follows:

(thousand euro)	31/12/23	31/12/22
Current tax	7,165	(3,883)
Deferred taxes and capitalized tax losses	120	1,193
Other	(162)	182
Monetization	3,980	3,303
TOTAL TAX (REVENUE)/EXPENSE	**11,103**	**795**

In 2023, the company recognized €3,980 thousand in revenue as a result of monetizing research and development tax credits.

Since 2009, the Company has availed itself of article 23 of the Corporate Income Tax Act, which provides an exemption for revenues from the assignment of rights to use or exploit patents, drawings, models, plans, or secret formulas or procedures, and rights on information relating to industrial, commercial or scientific experience.

The decrease in permanent differences in 2023 relates mainly to the application of Article 23 of the Consolidated Text of the Corporate Income Tax Act in connection with revenue from the assignment of certain intangible assets created by the company, amounting to €42,851 thousand (€45,857 thousand in 2022).

The increase in permanent differences in 2023 relates mainly to the impairment of the holding in Sylentis, S.A.U. in the amount of €37,301 thousand and the impairment of the holding in Genómica, S.A.U. en liquidación in the amount of €1,500 thousand (€5,120 thousand in 2022).

In 2023, the temporary differences are due mainly to reversal of amortization taken in previous years that was not tax deductible, in the amount of €1,781 thousand (€1,781 thousand in 2022).

As of 31 December 2023, the tax credits earned by the Company that are available for use in future years, after deducting the tax losses used by other group undertakings, are as follows:

(thousand euro)				
Years	Taxable income as of 31/12/22	Used in 2023	Earned in 2023	Unused as of 31/12/23
2007	9,465	-	-	9,465
2008	7,317	-	-	7,317
2010	2,245	-	-	2,245
2011	3,691	-	-	3,691
2012	24,835	-	-	24,835
2015	39,798	-	-	39,798
2016	6,275	-	-	6,275
2017	39,723	-	-	39,723
2018	112,777	-	-	112,777
2019	11,000	-	-	11,000
2020	44,452	-	-	44,452
2023	-	-	28,661	28,661
TOTAL	**301,578**	**-**	**28,661**	**330,239**

As of 31 December 2023, the unused tax credits earned by the Company, mainly for R&D, were as follows:

(thousand euro)						
Year earned	Amount of credit as of 31/12/22	Used in previous years	Used in 2023	Earned in 2023	Unused as of 31/12/23	Expiring in
2005	10,565	-	-	-	10,565	2,023
2006	10,251	-	-	-	10,251	2,024
2007	9,477	-	-	-	9,477	2,025
2008	10,059	-	-	-	10,059	2,026
2009	8,625	-	-	-	8,625	2,027
2010	8,211	-	-	-	8,211	2,028
2011	7,980	-	-	-	7,980	2,029
2012	6,915	-	-	-	6,915	2,030
2013	9,076	-	-	-	9,076	2,031
2014	11,403	(3,866)	-	-	7,537	2,032
2015	13,827	(4,247)	-	-	9,580	2,033
2016	19,213	(6,250)	-	-	12,963	2,034
2017	16,559	(6,042)	-	-	10,517	2,035
2018	14,197	(5,839)	-	-	8,358	2,036
2019	10,800	(4,129)	-	-	6,671	2,037
2020	12,288	(4,974)	-	-	7,314	2,038
2021	12,892	(5,684)	-	-	7,208	2,039
2022	16,874	-	-	-	16,874	2,040
2023	-		-	22,151	22,151	2,041
TOTAL	**209,212**	**(41,031)**	**-**	**22,151**	**190,332**	

The "Used in previous years" column relates entirely to the amounts used to secure monetization of the research and development tax credits.

The Company's balances with the other companies in the tax group in respect of corporate income tax and VAT as a result of tax consolidation are as follows:

(thousand euro)	Corporate income tax
Genómica	515
Sylentis	1,558
TOTAL PAYABLE	**2,073**

(thousand euro)	VAT
Sylentis	1,455
TOTAL PAYABLE	**1,455**

In 2015, PharmaMar applied to the Spanish tax authorities for inclusion in the special tax regime for Value Added Tax Groups as the leading company.

As of 31 December 2023, that VAT tax group was comprised of Pharma Mar, S.A., as leading company, together with Sylentis, S.A.U., since the Company considered that all of them, both controlling company and controlled company, met the requirements of articles 163 quinquies and 163 sexies of the Value Added Tax Act and their Boards of Directors or equivalent governing bodies had approved the proposal to create a group under the Special VAT Group regime provided by Act 38/2006, using the "simple aggregation system".

Under current law, tax returns cannot be deemed definitive until they have been inspected by the tax authorities or the statute of limitations period has elapsed. The Group has the last four years open for review for the main taxes applicable to it (five years in the case of corporate income tax).

As a result, inter alia, of possible differing interpretations of the current tax legislation, additional liabilities might arise as a result of a tax audit. However, the Company's directors consider that such liabilities, if any, would not materially affect the financial statements.

On 6 January 2015, the Spanish tax authorities notified the company of plans to commence a partial tax audit of corporate income tax for the years 2010 to 2012, which would be confined to examining revenues from certain intangible assets reported by PharmaMar. On 20 January 2015, the Company applied to the tax authorities for the partial tax audit to be converted into a general tax audit covering the taxes and periods in question.

As a result, notification of the initiation of the tax audit was received in June 2015. It refers to the following periods and Group entities.

	Corporate income tax	VAT	Personal income tax - Spanish residents	Personal income tax - Non-residents	Income from capital
Zeltia, S.A.	2010-2013	2011-2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013
Genómica, S.A.U.	2010-2013	2011-2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013
PharmaMar, S.A.U.	2010-2013	2011-2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013	-
Zelnova Zeltia, S.A.	2010-2013	06/2011-2013	1Q 2012 - 4Q 2013	-	-
Xylazel, S.A.	2010-2013	06/2011-2013	1Q 2012 - 4Q 2013	-	-

The tax audit concluded in September 2016. The company accepted an assessment that resulted in a reduction in the tax base, and it disputed assessments for corporate income tax, personal income tax withholdings and prepayments, value added tax and non-residents' personal income tax. There is currently one appeal pending before the National Court and one appeal before the High Court.

The net amount of corporate income tax payable by the companies in the Spanish tax group in each of the years referred to in the disputed tax assessments is zero in all cases, since the companies in the Spanish tax group have tax losses and international double taxation tax credits which were applied in the tax authorities' proposal, in accordance with the regulations in force in each year. Consequently, in the worst-case scenario, in which all of the tax group's appeals were to fail, the tax payable would be zero and no late payment interest would accrue.

The amount of tax due plus late payment interest and penalties that would be payable in the event that none of the appeals succeeded would not result in a material reduction in the assets recognized by the Group.

25. NET FINANCIAL RESULT

The detail of financial income is as follows:

(thousand euro)	31/12/23	31/12/22
FINANCIAL REVENUES	**4,684**	**1,585**
Marketable securities and other equity instruments	**4,684**	**1,585**
Group and associated undertakings (Note 30.2)	583	706
Third parties (Note 15)	4,101	879
FINANCIAL EXPENSES	**(1,994)**	**(3,629)**
On debts to third parties	(1,994)	(3,629)
EXCHANGE DIFFERENCES	**(1,684)**	**3,259**
IMPAIRMENT AND INCOME FROM DISPOSAL OF FINANCIAL INSTRUMENTS	**(38,584)**	**(4,940)**
Impairment of group undertakings	(38,584)	(4,940)
FINANCIAL INCOME	**(37,578)**	**(3,725)**

Financial revenues from marketable securities and other equity instruments arise basically from interest received from third parties on financial assets (Note 15) and loans granted to Group undertakings.

In 2023 and 2022, most of the Exchange loss and gains differences were due to marking the Company's deposit in dollars to market at year-end.

Impairment of group undertakings: in 2023 and 2022, this caption mainly reflects the impairment of the total investment in Genómica, S.A.U. en liquidación, after it was decided in July 2022 to liquidate this company. The amount of the impairment includes the shareholder contribution made in December 2023 and the capital increase carried out in June 2022 against the loan from Pharma Mar, S.A. In 2023 it also includes the partial impairment of Sylentis to adjust the value of the investment to the recoverable value of the investee. The valuation method used is described in Note 11.3.1. As a result of the new valuation, an impairment loss of €37,301 thousand was recognized.

26. SHARE-BASED PAYMENTS

At the end of 2023, PharmaMar and the Group companies had three share ownership plans in place for Group executives and employees (excluding directors of Pharma Mar, S.A.). Those plans were implemented in 2021, 2022 and 2023 and were offered in the same conditions to all employees and executives of Group companies (excluding directors of Pharma Mar, S.A.) who had at least six months' seniority as of 31 December 2020, 2021 and 2022, respectively, and were liable for personal income tax.

Below are details of the essential terms and conditions of those share ownership plans. At the start of each year, each Group company that has decided to apply the Share Ownership Plans provides the Board of Directors of PharmaMar with a list of plan beneficiaries (i.e. employees who meet the conditions established in the relevant decision by the Shareholders' Meeting). Additionally, given that participation in such plans has been voluntary, the lists for the Plan include only employees and executives who decided to participate and to allocate part of their salary to the Plan; each beneficiary is assigned the same percentage for the purposes of calculating the number of shares to be allocated. Based on that information, the Board of Directors resolved that these beneficiaries should be given, by their respective employers, shares for the amount detailed in the aforementioned lists (not exceeding €12,000 per beneficiary and year in any event).

The number of shares under the Share Ownership Plans is the result of dividing the amount of salary allocated to the Plan in question by the value attributed to the shares, and applying the percentage of 100% (i.e. delivering an amount of shares equivalent to the shares acquired by the beneficiary). In all the Plans, the value attributed to the shares was the lower of: a) the weighted average price of the PharmaMar share in the electronic market on the Plan's execution date; or b) the arithmetic mean of the weighted average price of the PharmaMar share in the electronic market in the month prior to the execution date.

Beneficiaries hold the voting and dividend rights to the shares delivered to them from the date of effective delivery, although those shares are subject to lock-up for three years from that date (lock-up period); nevertheless, some of

the shares will be released from lock-up 18 months after delivery: specifically, the number of shares resulting from dividing the total number of shares that were delivered by two. The delivery of those shares, which must remain locked up for the above-mentioned lock-up period, is subject to a condition subsequent which is understood to be met in the event of voluntary severance or fair dismissal of the beneficiary. In the event of cessation of employment due to a cause other than those two, the lock-up is lifted.

Year 2020 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 26 June 2019)

On 26 June 2019, the Shareholders' Meeting of Pharma Mar, S.A. approved a new Share Ownership Plan that was executed in May 2020. The Company allocated 500,000 own shares from treasury stock to execute this plan.

In executing this Plan, a total of 128,408 shares were allocated in 2020 to 131 beneficiaries at a value of €4.6108 per share.

A total of 30,763 shares (2,527 shares after the stock merge) were released under this Plan in 2021.

In 2023, 21,549 shares (1,787 shares after the stock merge) were canceled: 3,308 shares (273 shares after the stock merge) purchased by employees and executives and 18,241 shares (1,514 shares after the stock merge) contributed by the Company.

This Plan concluded in May 2023 since the three-year lock-up period had expired, and the shares that were under lock-up were released. A total of 76,096 shares (6,327 shares after the stock merge) were released.

Year 2021 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 18 June 2020)

On 18 June 2020, the Shareholders' Meeting of Pharma Mar, S.A. approved a new Share Ownership Plan that was executed in April 2021. The Company allocated 500,000 own shares from treasury stock to execute this plan.

In executing this Plan, a total of 8,026 shares were allocated in 2021 to 183 beneficiaries at a value of €103.0164 per share.

In 2022, a total of 3,538 shares were released from lock-up under this Plan.

In relation to this Plan, a total of 1,476 shares were canceled in 2023: 475 shares purchased by employees and executives and 1,001 shares contributed by the Company.

As of 31 December 2023, there were 3,012 shares that had not accrued.

Year 2022 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 15 April 2021)

On 15 April 2021, the Shareholders' Meeting of Pharma Mar, S.A. approved a new Share Ownership Plan that was executed in May 2022. The Company allocated 41,000 own shares from treasury stock to execute this plan.

In executing this plan, a total of 8,244 shares were allocated in 2022 to 167 beneficiaries at a value of €71.5923 per share.

In 2023, a total of 3,694 shares were released.

In relation to this Plan, a total of 910 shares were canceled in 2022: 428 shares purchased by employees and executives and 482 shares contributed by the Company.

As of 31 December 2023, there were 3,640 shares that had not accrued.

Year 2023 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 29 June 2022)

On 29 June 2022, the Shareholders' Meeting of Pharma Mar, S.A. approved a new Share Ownership Plan that was executed in April 2023. The Company allocated 41,000 own shares from treasury stock to execute this plan.

In executing this plan, a total of 15,634 shares were allocated to 177 beneficiaries at a value of €42.2623 per share.

In relation to this Plan, a total of 562 shares were canceled in 2023: 281 shares purchased by employees and executives and 281 shares contributed by the Company.

As of 31 December 2023, there were 15,072 shares that had not accrued.

Year 2024 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 31 May 2023)

On 31 May 2023, the Shareholders' Meeting of Pharma Mar, S.A. approved a new Share Ownership Plan to encourage employees and executives of Group companies to own capital in Pharma Mar, S.A. and to remain in the Group, under the same conditions for all of them. The maximum number of shares that can be allocated for the execution of this plan was set by the Shareholders' Meeting at 41,000, which will be taken from treasury stock held by the Company at the time the plan is implemented. The Shareholders' Meeting determined that the beneficiaries of this Plan would be the Group's employees and executives (excluding directors of Pharma Mar, S.A.) who are in active service at the time the plan is implemented and have at least six months' seniority as of 31 December 2023.

The Shareholders' Meeting empowered the Board of Directors to determine the other terms and conditions of the Plan. At the date of authorizing these financial statements, the Plan was pending execution, and the Board of Directors of PharmaMar had yet to establish the conditions of same under the powers granted specifically for this purpose by the Shareholders' Meeting.

The following table shows the number of shares under each plan as of 31 December 2023, adjusted for the stock merge:

Plan / Grant date	Shares awarded under Plan	Shares purchased by employees - cancelled	Shares purchased by employees - vested	Shares purchased by employees - not yet vested	Shares contributed by Company- cancelled	Shares contributed by Company - vested	Shares contributed by Company - not yet accrued	Total number of shares not yet vested	Fair value per share	Accrual period
	(1)+(2)+(3)+(4)+(5)+(6)	(1)	(2)	(3)	(4)	(5)	(6)	(3)+(6)		
Plan 18 June 2019 (Granted May 2020)	10,641	273	2,527	-	1,514	6,327	-	-	4.61	May 23
Plan 19 June 2020 (Granted April 2021)	8,026	475	3,538	-	1,001	-	3,012	3,012	103.02	Mar. 24
Plan 20 April 2021 (Granted May 2022)	8,244	428	3,694	-	482	-	3,640	3,640	71.59	May 25
Plan 21 June 2022 (Granted April 2023)	15,634	281	-	7,536	281	-	7,536	15,072	42.26	May 26
	42,545	**1,457**	**9,759**	**7,536**	**3,278**	**6,327**	**14,188**	**21,724**		

A total of €306 thousand were recognized as reserves for the amortization of the share ownership plans in 2023 (€337 thousand in 2022). Additionally, the amount recognized in the period was €310 thousand (€259 thousand in 2022), and €8 thousand were derecognized (€4 thousand in 2022).

27. CONTINGENCIES

Under current law, tax returns cannot be deemed definitive until they have been inspected by the tax authorities or the statute of limitations period has elapsed. The Group has the last four years open for review for the main taxes applicable to it (five years in the case of corporate income tax).

A tax inspection of the Spanish Group for the years 2010, 2011, 2012 and 2013 concluded in September 2016 for the following taxes: corporate income tax, VAT, personal income tax (withholdings), non-residents' personal income tax, and withholdings from income from capital. PharmaMar's management has made its best estimates of the tax risk represented by the tax assessments that are in dispute (Note 24). This tax risk is not material in relation to the financial statements.

For the rest of the years open to inspection, the Company's directors do not anticipate that additional liabilities would arise or that the amount of recognized assets might be reduced such as to have a material effect on these consolidated financial statements.

28. COMMITMENTS

28.1 Purchase and sale commitments

The Company does not have any purchase or sale commitments.

28.2 Operating lease commitments

The minimum future payments for non-cancelable operating leases as of 31 December 2023 and 2022 are detailed in Note 9.

28.3 Share-based incentive plans

- Under the nineteenth plan (June 2020) for delivery of shares free of charge, of the shares delivered and under lock-up as of 31 December 2023, 3,012 will be released in May 2024.

- Under the twentieth plan (April 2021) for delivery of shares free of charge, of the shares delivered and under lock-up as of 31 December 2023, 3,640 shares will be released in May 2025.

- Under the twenty-first plan (June 2022) for delivery of shares free of charge, of the shares delivered and under lock-up as of 31 December 2023, 15,072 shares will be released in two tranches: 7,536 shares in October 2024 and 7,536 shares in May 2026.

28.4 Other commitments

The Company has also obtained a credit line and several guarantee lines in the amount of €524 thousand under which the Company is listed as a borrower alongside Genómica S.A.U. en liquidación and Pharma Mar USA. PharmaMar is jointly and severally liable for the full amounts drawn against that credit line and those guarantee lines, including amounts drawn by Genómica, S.A.U. en liquidación and PharmaMar USA.

29. DIRECTOR AND SENIOR MANAGEMENT REMUNERATION

29.1 Director remuneration

The following table shows the remuneration paid in 2023 and 2022 to directors of PharmaMar:

(thousand euro)	31/12/23	31/12/22
Fixed remuneration for executive directors	1,507	1,468
Variable remuneration for executive directors	1,166	947
Fixed remuneration for belonging to the Board of Directors	846	804
Board and Board committee meeting attendance fees	541	549
Fixed remuneration for belonging to Board committees	734	578
Remuneration for belonging to Boards of other Group undertakings	-	10
Remuneration for Lead Independent Director	19	19
Other remuneration	380	379
TOTAL	**5,193**	**4,754**

The "Other remuneration" item in 2023 and 2022 refers to certain benefits paid in kind to the Company's Chairman and Vice-Chairman, such as casualty and health insurance (both under the group policy for Company employees), and a group life insurance for which the Company pays an annual premium of €12 thousand for each of the two executive directors.

The Chairman also has an executive office at the Company's operational headquarters, communication equipment, means of payment, support staff, security systems and personnel, and a vehicle commensurate with his functions.

With respect to the executive director's variable remuneration, €1,166 thousand accrued as a result of the evaluation of objectives approved by the Board of Directors at a meeting on 30 January 2024, based on a proposal by the Appointments and Remuneration Committee.

29.2 Senior management remuneration and loans

Company senior management received aggregate total remuneration of €2,867 thousand (€2,567 thousand in 2022).

29.3 Companies related to the directors and executives and their close relatives

In 2023, a company related to a member of the Board of Directors provided services to the Company amounting to €14 thousand (€11 thousand in 2022).

29.4 Directors' duty of loyalty

Based on the disclosures presented by each of the Company's directors, they and, to the best of their knowledge and belief, their related parties did not incur in situations of conflict of interest as envisaged in article 229 of the Consolidated Text of the Capital Companies Act, except where they were authorized by the Company's Board of Directors or its Committees (see Note 29.3 Companies related to the directors and executives and their close relatives).

30. OTHER TRANSACTIONS WITH RELATED PARTIES

30.1 Balances with group companies

The detail of accounts payable to and receivable from group undertakings as of 31 December 2023 and 2022 is as follows:

(thousand euro) 2023	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Loans and other financial assets/liabilities	**31,130**	**639**	**-**	**3,529**
Genómica, S.A.U.	-	-	-	515
Sylentis, S.A.U.	31,130	639	-	3,014
Trade accounts receivable/payable	**-**	**1,833**	**-**	**4,733**
Pharma Mar, USA	-	-	-	236
Pharma Mar, Srl	-	-	-	939
Pharma Mar, GmbH	-	364	-	1,198
Pharma Mar, Sarl	-	305	-	1,706
Pharma Mar, Srl (Belgium)	-	99	-	203
Pharma Mar, Ges.m.b.H.	-	258	-	337
PharmaMar, AG	-	805		114
Sylentis, S.A.U.	-	2	-	-
TOTAL	**31,130**	**2,472**	**-**	**8,262**

(thousand euro) 2022	Non-current assets	Current assets	Current liabilities
Loans and other financial assets/liabilities	**5,234**	**56**	**6,165**
Genómica, S.A.U. en liquidación	-	-	2,173
Sylentis, S.A.U.	5,234	56	3,992
Trade accounts receivable/payable	**-**	**2,489**	**3,256**
Pharma Mar, USA	-	-	390
Pharma Mar, Srl	-	181	187
Pharma Mar, GmbH	-	575	237
Pharma Mar, Sarl	-	169	1,593
Pharma Mar, Srl (Belgium)	-	520	268
Pharma Mar, Ges.m.b.H.	-	567	471
PharmaMar, AG	-	477	110
TOTAL	**5,234**	**2,545**	**9,421**

Under non-current assets, loans and other financial assets refer to loans granted by the Company to its subsidiary Sylentis.

Current assets consist principally of accounts receivable (€1,833 thousand as of 31 December 2023 and €2,489 thousand as of 31 December 2022), i.e. the amount yet to be received for the sale of PharmaMar products to subsidiaries operating under the distribution model.

Current liabilities with Group undertakings in 2023 are broken down in the table:

(thousand euro) 2023	Current accounts	Accounts payable for purchases	Total
Sylentis, S.A.U.	639	2	641
PharmaMar, AG	-	805	805
Pharma Mar, GmbH	-	364	364
Pharma Mar, Sarl	-	305	305
Pharma Mar, Srl (Belgium)	-	99	99
Pharma Mar, Ges.m.b.H.	-	258	258
TOTAL	**639**	**1,833**	**2,472**

Taxes due are debts owed by the parent company to its subsidiaries as a result of tax consolidation of both corporate income tax and value added tax. In both cases, the amounts outstanding with the tax administration are recognized at PharmaMar, the head of the group, which also recognizes the account payable to its subsidiaries. Specifically, €2,074 thousand relate to corporate income tax and €1,455 thousand to VAT pending recovery in connection with 2022.

30.2 Transactions with Group undertakings

The amounts of the Company's transactions with Group undertakings as of 31 December 2023 and 2022 are as follows:

TRANSACTIONS WITH GROUP UNDERTAKINGS EXPENSES (thousand euro)	2023	2022
Services received		
Genómica, S.A.U.	-	9
Pharma Mar, GmbH	3,033	399
Pharma Mar, USA	444	1,274
PharmaMar, AG	341	193
Pharma Mar, Sarl	2,421	1,744
Pharma Mar, Srl	2,162	186
Pharma Mar, Srl (Belgium)	899	268
Pharma Mar, Ges.m.b.H.	939	470
Total expenses	**10,239**	**4,543**

TRANSACTIONS WITH GROUP UNDERTAKINGS REVENUES (thousand euro)	2023	2022
Sales		
PharmaMar, AG	3,093	1,450
Pharma Mar, Srl	1,920	9,951
Pharma Mar, GmbH	2,933	11,187
Pharma Mar, Sarl	1,518	2,354
Pharma Mar, Srl (Belgium)	424	1,854
Pharma Mar, GesmbH	1,265	2,636
Services provided		
Genómica, S.A.U.	7	25
Sylentis, S.A.U.	29	14
Pharma Mar, Srl	142	173
Pharma Mar, GmbH	266	455
PharmaMar, AG	3	3
Pharma Mar, Srl (Belgium)	78	131
Pharma Mar, Sarl	209	196
Pharma Mar, GesmbH	160	129
Financing		
Genómica, S.A.U.	-	29
Sylentis, S.A.U.	583	677
Total revenues	**12,630**	**31,264**

The transactions with Group undertakings were conducted on an arm's-length basis.

31. SURETIES AND GUARANTEES

The sureties and guarantees provided by banks for subsidies and advances received by the Company from public authorities amounted to €3,348 thousand as of 31 December 2023 (€3,441 thousand in 2022). €221 thousand relate to guarantees that had to be presented for Yondelis distribution tenders.

32. ENVIRONMENT

There were no material investments in environmental matters in 2023 and 2022. However, as part of its commitment to the environment and climate change mitigation, the Company invested €138 thousand in 2023 in the acquisition of photovoltaic panels, with which it expects to cover up to 8% of its energy needs, in addition to minor investments in changing to more efficient lighting systems.

Environmental protection and improvement expenses amounted to €157 thousand in 2023 (€106 thousand in 2022).

The Company is not aware of any contingencies relating to environmental protection and there are no risks that could have been transferred to other companies; consequently, it was not necessary to recognize any provisions for environmental actions in the year.

33. AUDITORS' FEES

The fees accrued by PricewaterhouseCoopers Auditores, S.L. and other firms in its network amounted to €438 thousand in 2023 (€438 thousand in 2022) for the statutory audit of Pharma Mar, S.A. and dependent companies. Fees for other non-audit services amounted to €48 thousand in 2023 (€43 thousand in 2022).

34. SUBSEQUENT EVENTS

On 7 February 2024, the Company collected €15,008 thousand from the Spanish tax authorities under the heading of corporate income tax for monetization of certain research and development tax credits under 2022 corporate income tax.

The Board of Directors declared a dividend of €0.65 per outstanding share, charged to unrestricted reserves (share premium), up to a maximum amount of €11,931 thousand, subject to approval by the 2024 Shareholders' Meeting. The final amount will be determined at the time of distribution of the dividend based on the number of outstanding shares and those held in treasury stock at that time. For the appropriate purposes, it is hereby placed on record that (i) there is sufficient liquidity for this distribution; (ii) after this distribution, the value of the Company's net worth will continue to exceed the share capital; and (iii) the other requirements established in Article 273 of the Capital Companies Law in order to be able to make this distribution are met. The Board of Directors will establish the specific date of payment of the dividend, designate the paying agent, and take any other actions that may be necessary or appropriate to successfully complete the distribution.

Between year-end and the authorization of these financial statements, no significant events occurred that affect the content of these financial statements and there were no other events requiring disclosure.

1. COMPANY SITUATION

1.1. Organizational structure

The main activity of Pharma Mar, S.A. (the "Company" or "PharmaMar") is research, development and commercialization of bio-active principles, particularly those of marine origin, for application in human medicine, especially in the antitumor field, as well as management, support and development of its investee, Sylentis, S.A.U., in the RNA interference business. On 27 September 2022, the Board of Directors of PharmaMar decided to discontinue the Diagnostics business, which was conducted through its wholly-owned subsidiary Genómica, S.A.U., and to commence the process for dissolving and liquidating that company. Although Genómica maintained production and sales during the first quarter of the year in order to meet pre-existing commitments to customers, it had ceased trading as of 31 December 2023.

In 2020, PharmaMar opened a new line of business: the Virology unit, where it has researched the antiviral activity of one of the compounds in its pipeline, plitidepsin, against COVID-19. The Group considers that this line of activity is not sufficiently significant to form a new segment.

The Board of Directors of the Pharma Mar, S.A. defines the general strategy. It has the following sub-committees: Executive Committee, Audit Committee, and Appointments, Remuneration and Sustainability Committee.

1.2. Operations: Business model, strategy

PharmaMar's main activity is the development and marketing of antitumor drugs of marine origin.

The oncology business model focuses on discovering new marine-based antitumor molecules and developing them in preclinical and clinical trials with a view to producing new drugs with therapeutic advantages for oncology patients. PharmaMar's strategy also includes the pursuit of strategic alliances with partners, preferably in the same industry, that will invest and collaborate in advancing the compounds through the various research phases and in subsequent marketing.

One of the distinguishing factors of the oncology business model is the capacity to discover new molecules for the pipeline, thereby generating opportunities to develop new drugs for the Company. The Company has several antitumor molecules in its pipeline at various stages of development, the goal being to bring new compounds to market. PharmaMar's business model includes having its own sales network covering Europe. This network not only enables the Company to sell its products directly in the EU, but also provides scope to leverage future opportunities to sell third-party products.

PharmaMar invests heavily in R&D and innovation in Oncology and it has a firm commitment to R&D to bring new drugs to market.

PharmaMar sees its strengths as being:

- A unique, integrated technology platform based on marine organisms which has led to three drugs — trabectedin, lurbinectedin and plitidepsin — being authorized for sale in numerous markets around the world and provides it with new candidates in earlier stages of clinical development with the objective of obtaining future approvals.

- The compounds already approved for certain antitumor indications have the potential to be approved for other indications.

- An established commercial structure in Europe that is focused on oncology and has the capacity to expand its portfolio with new products.

- Generation of revenue in the oncology business from direct sales of proprietary products.

- Existing out-licensing agreements for its components that offer advantageous conditions and are already providing sizeable revenue.

- A library of samples of marine organisms that can be tested for therapeutic applications other than oncology, as has been shown in the field of virology.

- A robust financial position with which to finance projects.

- The Company's strategy also includes the search for strategic alliances with partners, preferably in the same industry, that will invest and collaborate in advancing the compounds through the various research phases and in subsequent marketing.

The key components of PharmaMar's strategy are:

- Continue the clinical development of lurbinectedin in both small cell lung cancer and new indications to expand its application.

- Continue the clinical development of molecules currently in the pipeline to advance them along the clinical development track.

- Use its unique, marine-based technological platform to continue feeding its pipeline of compounds. In this regard, a new molecule recently entered the oncology pipeline and another is expected to initiate clinical development shortly.

- In-license one or more third-party products for marketing through the PharmaMar sales network: these would be products in the commercial or regulatory phase that would contribute to increasing the Company's revenue.

- Maximize the commercial value of lurbinectedin in markets outside the US and Europe through partnerships with third parties.

1. 2. BUSINESS PERFORMANCE AND RESULTS

2.1. Total revenues

Net sales amounted to €67,060 thousand, including from sales of Yondelis (€23,234 thousand) but also including sales in 2023 of the active ingredients of Yondelis, Aplidin and Zepzelca to our partners (€14,898 thousand), as well as sales of Zepzelca in certain European countries, mainly under the AAC (Autorisation d'accès compassionnel) program in France (€28,928 thousand). In 2022, total net sales amounted to €88,738 thousand.

Royalty revenue arises mainly from sales of Zepzelca by our partner Jazz Pharmaceuticals in the United States. These royalties amounted to €48,368 thousand in 2023 (€46,881 thousand in 2022). Pharma Mar also collected royalty revenue from Janssen Products and Taiho Pharmaceutical Co. for Yondelis sales, amounting to €3,810 thousand (€3,373 thousand in 2022).

Revenue from **licensing and other co-development agreements** amounted to €33,590 thousand in 2023 (€40,169 thousand in 2022). This revenue in 2023 was principally from the recognition of €23,050 thousand out of the USD 300 million collected in 2020 under the Zepzelca licensing agreement with Jazz Pharmaceuticals, which is being recognized in profit or loss as a function of the fulfilment of contractual commitments. Additionally, revenue in the amount of €9,442 thousand was recognized as a result of attaining a commercial milestone contemplated in the 2001 licensing and co-development agreement with Janssen (Johnson&Johnson).

2.2. International revenue

Out of total 2023 revenue, 96%, i.e. €147,682 thousand, came from sales and transactions in other countries (93%, €167,387 in 2022).

2.3. Gross margin

The gross margin was 62% of total revenue in 2023 (69% in 2022) (*).

(*) Calculated with respect to sales only, not including royalties or licensing revenue.

2.4. R&D expenditure

PharmaMar spent €83,633 thousand on R&D in 2023, of which €10,778 thousand related to the development of plitidepsin (Aplidin) as an antiviral.

Expenditure directly on oncology in 2023 was related mainly to the LAGOON confirmatory Phase III trial with lurbinectedin in small cell lung cancer, which continues to enroll patients. Another sizeable amount was allocated to the SaLuDo (Sarcoma patients treated with Lurbinectedin and Doxorubicin) Phase IIb/III trial with lurbinectedin in combination with doxorubicin for first-line treatment of patients with metastatic leiomyosarcoma, which began enrolling patients last October. The company is also investing in early-stage clinical development of other molecules. A Phase II trial is under way with ecubectedin in solid tumors, as well as Phase I trials with ecubectedin, PM534 and PM54 for treating solid tumors. Progress continues to be made in preparing new candidates for clinical development and in preclinical trials to bring new molecules to the clinical pipeline.

2.5. Operating expenses

The breakdown of operating expenses is shown in the next table:

(thousand euro)	31/12/2023	31/12/2022	Change
Personnel expenses	41,886	38,064	10.0%
Outside services	81,419	65,188	24.9%
Purchases	25,824	27,370	-5.6%
Taxes other than income tax	807	570	41.6%
Depreciation and amortization	3,305	3,001	10.1%
Fixed asset impairment	(128)	(60)	
Fixed asset derecognition	1	2	
	153,114	**134,135**	

Personnel expenses increased due to new hires as a result of increased activity in the company.

Outside services increased as a result of increased activity, mainly in clinical trials.

2.6. Income for the year

The Company reported an after-tax loss of €13,557 thousand in 2023 (profit of €58,954 thousand in 2022); this variation between years is the result of the decrease in revenue, mainly from licensing agreements and sales, partially offset by the increase in royalty revenue, as well as the increase in expenses, mainly on R&D, and the impairment of the Company's interest in subsidiary Sylentis, S.A.U.

2.7. Other events that impacted the 2023 financial statements

Lurbinectedin (Zepzelca)

A) Marketing approval for Zepzelca in new territories:

In 2023, PharmaMar partners obtained full or conditional approval to market Zepzelca in the following territories: Mexico, Ecuador, Israel, Switzerland, Taiwan, Oman, Peru,

Macao and Hong Kong. As a result, Zepzelca is now sold in 16 territories worldwide, including the United States, for treating small cell lung cancer.

B) New Phase III clinical trial:

In 2023, PharmaMar commenced a new Phase IIb/III clinical trial (SaLuDo: Sarcoma patients treated with Lurbinectedin and Doxorubicin) with lurbinectedin in combination with doxorubicin for first-line treatment of patients with metastatic leiomyosarcoma.

New compounds in the clinical trial pipeline:

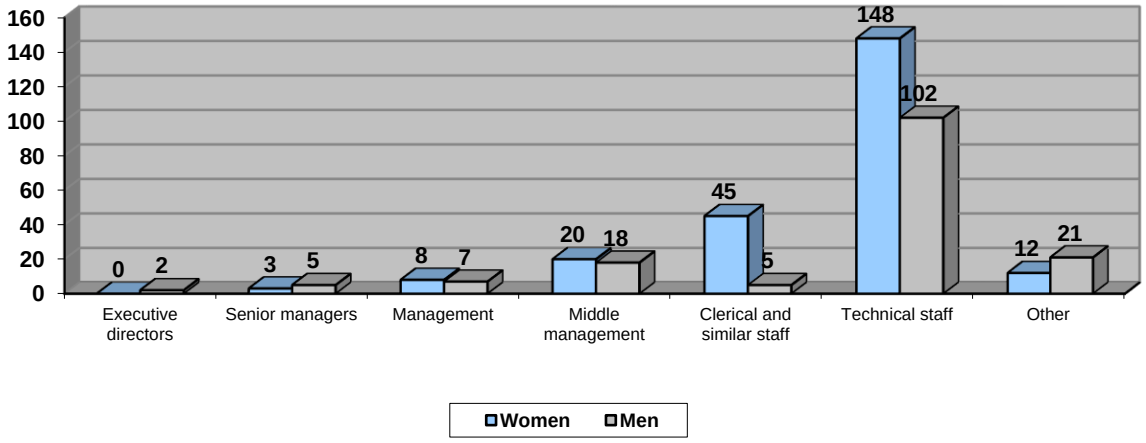
In May 2023, PharmaMar initiated a new Phase I clinical trial for the treatment of patients with different types of solid tumors using a new molecule of marine origin: PM54. This is the first clinical trial with this new compound in humans, and it is being conducted in hospitals in Spain, Europe and the United States.

2.8. Personnel

PharmaMar had 407 employees at the end of 2023 (396 in 2022).

Women account for 61% of the workforce (60% in 2022).

The graph below illustrates segmentation by gender and category:



2.9. Environmental issues

The Company did not need to incur material investments to protect and improve the environment during the year.

Since there were no contingencies relating to environmental protection and improvement and there are no risks that could have been transferred to other companies, it was not necessary to recognize any provisions for environmental actions in the year.

PharmaMar has an ISO 14001-certified environmental management system that is audited annually by independent firms.

PharmaMar has also signed the Pact for Biodiversity, which aims to promote economic development that is compatible with biodiversity conservation.

2.10. Average period taken to pay suppliers

Information on payments for commercial transactions performed in 2023 and pending payment at the end of the year in relation to the maximum legal payment periods envisaged in Act 18/2022 is as follows:

	2023	2022
Average time taken to pay suppliers (days)	57	53
Proportion of transactions paid (days)	59	57
Proportion of transactions outstanding (days)	31	28
Total payments made (thousand euro)	100,123	86,872
Total payments outstanding (thousand euro)	8,617	13,739
Total invoices received (number)	9,530	9,322
Total invoices received (thousand euro)	108,740	100,611
Total invoices paid in less than 60 days (number)	4,441	4,561
Total invoices paid in less than 60 days (thousand euro)	58,396	53,403
Percentage of total number of invoices paid	52.89%	54.93%
Percentage of total amount of invoices paid	58.32%	61.47%

The average supplier payment lag in the year between 1 January and 31 December 2023 was 57 days (53 days in 2022).

2. 3. LIQUIDITY AND CAPITAL

The balance of cash and cash equivalents amounted to €50,779 thousand as of 31 December 2023 (€143,777 thousand in 2022).

The balance of "Current financial investments", amounting to €102,169 thousand (€32,341 thousand in 2022), mainly comprises term deposits of €65,645 thousand maturing between 9 January and 13 May 2024 (€18,278 thousand in 2022, maturing on 10 June 2023); deposits in dollars amounting to €13,810 thousand (USD 15,260 thousand) maturing between 15 and 22 February 2024 (€14,063 thousand in 2022); and portfolio investments with a number of institutions amounting to €22,714 thousand, which include government and corporate fixed-income securities.

“Current debt” amounts to €10,465 thousand (€8,788 thousand in 2022) and "Non-current debt" to €26,416 thousand (€25,033 thousand in 2022).

PharmaMar had net cash in the amount of €122,035 thousand as of 31 December 2023.

The Company did not arrange any bank loans in 2023 and 2022.

As of 31 December 2023, the Company had €7,742 thousand available in credit lines.

Consequently, at the time of authorizing these financial statements, the directors of PharmaMar consider that PharmaMar has ample liquidity to cover its research and development projects and honor its future payment obligations.

The directors estimate that R&D expenditure in 2024 will be greater than in 2023 but that the other operating expenses will not increase significantly.

3. 4. MAIN RISKS AND UNCERTAINTIES

4.1. Situation risks

Competition.

The biopharmaceutical market is highly competitive and involves multinationals, small and medium-sized domestic players, and generic producers.

PharmaMar's results may be affected by the launch of novel or innovative products, technical and technological progress, and the launch of generics by competitors.

Industrial property. Patents.

Industrial property is a key asset for PharmaMar. Effective protection of industrial property is vital for ensuring a reasonable return on investment in R&D. Industrial property can be protected by registering patents, trademarks, brand names, domains, etc.

Patents run for 20 years in most countries, including the USA and the European Union. The effective period of protection depends on how long drug development takes before launch. To compensate partly for such a long development period and the need to obtain authorization before marketing a drug, a number of markets (including the USA and the European Union) offer patent extensions of up to five years in certain circumstances.

Deficient protection of an invention or excessively long development times that limit the patent's useful life are risks inherent to the pharmaceutical business.

PharmaMar has a rigorous patent policy which seeks to protect inventions obtained through its R&D activities. In addition to the protection that can be obtained for newly-discovered active principles, we also actively pursue protection for new formulations, production processes, medical applications and even new methods of drug administration.

PharmaMar has a system for managing its patents' life cycle, with patent departments that regularly review the patent situation in coordination with the regulatory affairs department. It is also vigilant to detect breaches of our patents by other companies with a view to taking legal action if necessary.

Regulation

The pharmaceutical industry is highly regulated. Regulations cover such aspects as research, clinical trials, drug registration, drug production, technical validation of production standards, and even marketing. Regulatory requirements have become more stringent in recent times and this trend is expected to continue.

In most countries, pharmaceutical prices are controlled and regulated by the government, which has the power to authorize, disallow or even rule out reimbursement for the products. In recent years, prices have been reduced and reference prices have been approved, while the marketing and prescription of generics and biosimilar products have been facilitated.

To offset the risk of a constant flow of new legal and regulatory requirements, PharmaMar makes its decisions and designs its business processes on the basis of developing innovative products in therapeutic areas where treatment options are very limited. The Group also constantly obtains exhaustive analyses of these issues by our own experts and by prestigious external experts where necessary.

Capital availability

Because the markets are not always open and PharmaMar makes significant R&D investments each year, the group seeks a range of funding sources, in both the credit and capital markets, to finance its growth, implement its strategy and generate income in the future.

PharmaMar has spread out its risk considerably among various credit institutions, which provides it with greater flexibility and limits the impact in the event that any of its loans are not rolled over.

It has also issued long-term debt in order to diversify its funding sources.

Shareholders

As in the case of any listed company, there is the risk that a shareholder may consider that a decision by the Company's Board of Directors or executives is detrimental to their interests as a shareholder and file a complaint.

PharmaMar has director and executive liability insurance which covers the risk of a shareholder filing a complaint on the grounds that a decision by the Company's Board of Directors or executives is detrimental to their interests.

4.2. Operating risks

Commodity prices

Deviations from expected price levels and a strategy of buying and accumulating inventories of raw materials may expose the organization to excessive production costs and to losses on inventories.

PharmaMar conducts an in-depth analysis of prices at the beginning of the year and tries to obtain a fixed price for the year from its suppliers. The products' cost prices are set on this basis. These are monitored monthly in case any modifications are necessary.

Health and safety

Failure to provide a safe workplace for its employees would expose the Company to sizable expenses, loss of reputation and other costs.

Workplace health and safety is monitored exhaustively in pursuit of continuous improvement.

Exposure of laboratory personnel to new natural or synthetic compounds whose possible adverse effects are unknown creates a theoretical health and safety risk in addition to the standard risk of handling chemicals.

The Company has implemented a workplace health and safety system which is audited regularly to ensure compliance.

The Company has also arranged casualty and third-party liability insurance.

Pharma Mar, S.A. has obtained OHSAS 18001 certification of its workplace health and safety systems. Additionally, in 2020, it was certified to the ISO 45001 standard for occupational health and safety systems, which involves a new approach based on the organization's internal and external context.

Environmental

Environmental risks can generate potentially significant liabilities for companies. The greatest risk lies in third-party claims for harm to persons or property as a result of pollution.

PharmaMar's production processes in general have a very low risk of environmental impact (noise, smoke, discharges, etc.) and generate almost no waste.

Waste management is outsourced to recycling and waste management companies that are authorized by the pertinent environmental administration. Regular compliance checks are conducted and, where necessary, atmospheric emissions are monitored, water purification systems are installed and the Group has designated points for depositing separated waste.

PharmaMar is certified to the ISO 14001 standard, a management tool for the systematic oversight of the degree of interaction between the companies' activities and processes and the environment, the goal being to enhance environmental performance and minimize the impact. The environmental management system is audited annually by independent firms.

Product development

PharmaMar allocates a considerable volume of resources to researching and developing new pharmaceutical products. As a result of the length of this process, the technological challenges involved, the regulatory requirements and the intense competition, it is not possible to be sure that all compounds currently under development and those to be developed in the future will reach the market and attain commercial success.

To maximize the effective and efficient use of our resources, the Company has implemented a horizontal working structure across the various departments, project-specific teams and reporting systems to monitor R&D projects internally.

4.3. Information risk

Malfunction of the Company's internal information flows poses the risk of misalignment with strategy and of erroneous or mistimed decisions.

Market disclosures

The Company is also obliged to disclose certain financial information and make other regulatory disclosures that must be truthful, complete and timely. Failure to comply carries the risk of punishment and of a loss of credibility.

Breach of transparency and market integrity rules is classified as a serious or very serious violation of current law, incurring punishment under the consolidated text of the Securities Market Act, with the possibility of reputational damage to the Company and/or loss of credibility among investors.

PharmaMar's management and Board of Directors and certain of the company's executives and employees have access to privileged information about the Company's performance.

There are control systems in place in order to be aware of who is in possession of such information at any given time, mainly in order to comply with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and with Spain's Securities Market Act, in the area of inside information.

The Market Abuse Regulation includes a tool enabling the regulator to investigate potential market abuses relating to inside information (the "insider list"), which the Company must compile and maintain up to date, including all persons with access to inside information. The Rules of Conduct Steering Committee, made up of four members appointed by the Board of Directors, is tasked with ensuring proper application of the Internal Rules of Conduct in matters related to the securities market.

Information systems

If the company's information systems malfunctioned or were not sufficiently robust, this might adversely affect the continuity of the organization's critical processes and operations.

If the computer security and access control systems failed to work properly, this might lead to unauthorized discovery, unauthorized access to data or the untimely delivery of same, and improper use of confidential information.

PharmaMar is aware of the importance of computer systems to support the main business processes; for that reason, it continuously invests to maintain the infrastructure and information systems, and to keep its physical and legal security policies aligned with technological progress.

PharmaMar has a strategic plan for information systems whose main objective is to align the information technology strategies with the company's strategic objectives, guarantee compliance with the strict regulatory framework, and ensure efficacy, security and robustness of the information systems that support the company's business processes.

The strategic plan for Information Systems addresses key issues for attaining those goals, including:

- Organization, roles and responsibilities within the IT unit
- Corporate computing architecture and infrastructure.
- Catalog of corporate services provided by the Information Systems unit
- Quality assurance and compliance commitments.
- General policies and procedures of the IT unit.
- Information security policies, procedures and infrastructure.

Where third-party technology infrastructures or IT solutions are used, the Group has service level agreements to minimize the impact on its operations of any degradation in those services.

4.4. Financial risk

4.4.1. Market risk

Price risk

PharmaMar is exposed to price risk on available-for-sale equity instruments and on shares in exchange-traded funds at fair value through profit or loss.

Investments in available-for-sale equity instruments (which are securities of foreign biopharmaceutical companies) and units in exchange traded funds are not material in the context of PharmaMar's operations. PharmaMar's policy with regard to financial assets is to place cash in low-risk highly-liquid financial assets in order to ensure the availability of funds. For this reason, those financial assets are mainly deposits remunerated at fixed interest rates at banks with good credit quality, government bonds and investments in corporate fixed-income securities, with the result that their value does not fluctuate significantly.

Interest rate risk on cash flows and fair values

The Group's interest rate risk arises from remunerated financial assets that can be converted into cash. The remunerated financial assets consist mainly of deposits remunerated at fixed interest rates.

Floating-rate debt securities expose the Company to interest rate risk on the cash flow. Fixed-rate debt securities expose the Company to interest rate risk on the fair value.

Based on a number of scenarios, at times the Company manages the interest rate risk of its cash flow by means of floating-to-fixed interest rate swaps. The economic impact of these swaps is to convert floating-rate debt into fixed-rate debt. Under interest rate swaps, the Company undertakes to exchange, at regular intervals, the difference between the fixed and floating interest rates on the notional principals that are contracted.

Exchange rate risk

Exchange rate risks arise from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations. The Company is exposed to exchange rate risk on transactions in foreign currencies, particularly the US dollar.

Management does not consider it necessary to establish any policy for hedging the foreign currency risk vs. the functional currency.

4.4.2. Credit risk

Credit risk arises from financial assets arranged with banks, mainly deposits.

The banks and financial institutions with which the Company works generally have independent ratings.

Where the Company acquires other financial assets, it must apply the following policies:

• Acquisition of fixed-income funds that invest in public- or private-sector debt (government bonds, treasury bills and commercial paper), generally secure, which pay periodic coupons.

• Acquisition of money market funds comprising short-term fixed-income securities (18 months maximum) where security is prioritized in exchange for a slightly lower yield than other investments.

4.4.3. Liquidity risk

The risk of not obtaining funds to honor debt obligations when they come due.

Prudent liquidity risk management entails having sufficient cash and marketable securities, financing via sufficient committed credit facilities, and the capacity to settle market positions. The goal of the Company's finance department is to maintain flexibility in funding by having credit lines and sufficient funds in financial assets to cover obligations.

4.5. Tax risks

Tax risks are inherent to the Company's activity and are influenced by the unique features of our tax regime, its complexity and the existence of gray areas that might lead to non-compliance or discrepancies with the tax administration in the application of the regulations. The Company must comply with a number of tax obligations, both material (i.e. payments) and formal, consisting of filing returns without having to make any payments. The Company tries to identify risks and then minimize them.

The Company does not use structures outside its own activities for the purpose of reducing its tax burden, nor does it carry out transactions with related undertakings whose sole purpose is to reduce taxable income or transfer profits to low-tax territories.

The Company does not have opaque structures for tax purposes nor does it constitute or acquire companies in countries or territories that Spanish regulations designate as tax havens or that are on the European Union's list of non-cooperative jurisdictions.

The Company has external advisors who help it to constantly analyze new legislation, case law and decisions in the tax area and quantify their impact.

In specific issues such as transfer pricing, it has an external consultant to ensure it has the proper documentation. In one specific case of transfer pricing, a formal valuation agreement was reached with the Administration beforehand.

The Company has not been found guilty of tax evasion.

The PharmaMar Group Code of Ethics and Code of Conduct expressly prohibit any practice involving the illegal evasion of taxes or other levies to the detriment of the public exchequer or that of the Social Security system or any other local or regional government body; accordingly, such practices must be avoided at all times.

The Group's Crime Prevention Organization and Management Model contains an exhaustive list of risk actions that are counter to the guidelines of conduct and a catalog of prohibited conduct, which refer to crimes against the Exchequer and Social Security and also to money laundering.

4. 5. SUBSEQUENT EVENTS

On 7 February 2024, the Company collected €15,008 thousand from the Spanish tax authorities under the heading of corporate income tax for monetization of certain research and development tax credits under 2022 corporate income tax.

The Board of Directors declared a dividend of €0.65 per outstanding share, charged to unrestricted reserves (share premium), up to a maximum amount of €11,931 thousand, subject to approval by the 2024 Shareholders' Meeting. The final amount will be determined at the time of distribution of the dividend based on the number of outstanding shares and those held in treasury stock at that time. For the appropriate purposes, it is hereby placed on record that (i) there is sufficient liquidity for this distribution; (ii) after this distribution, the value of the Company's net worth will continue to exceed the share capital; and (iii) the other requirements established in Article 273 of the Capital Companies Law in order to be able to make this distribution are met. The Board of Directors will establish the specific date of payment of the dividend, designate the paying agent, and take any other actions that may be necessary or appropriate to successfully complete the distribution.

Between year-end and the authorization of these financial statements, no significant events occurred that affect the content of these financial statements and there were no other events requiring disclosure.

5. 6. OUTLOOK FOR 2024

Zepzelca is solidly positioned in the United States as the standard of care for second-line treatment of small cell lung cancer.

Following the successful launch in 2020 by our partner, Jazz Pharmaceuticals, Zepzelca (lurbinectedin) has gained market share and the number of patients treated is expected to continue rising in 2024. In any case, the use of Zepzelca in small cell lung cancer is expected to increase notably if it is approved as a first-line treatment.

The approval of Zepzelca for the treatment of small cell lung cancer is not only a milestone for patients, who now have a new therapeutic option in an indication for which no new treatment had been approved for over 25 years, but also increased PharmaMar's royalty revenue on sales and represented the first commercial milestone related to sales volume. Revenue from Zepzelca in the United States will continue to grow in the coming years.

Since its launch in the US in 2020, lurbinectedin has been approved as second-line treatment of small cell lung cancer in 18 other countries outside the European Union, and has been launched in one European country, Switzerland. In addition, during 2024 we may obtain approval in other countries where a registration dossier has already been submitted, such as China.

In relation to ongoing clinical trials with lurbinectedin, enrolment continues for the LAGOON Phase III trial as second-line treatment of small cell lung cancer. The goal of this trial is not only to obtain marketing approval for lurbinectedin in Europe, but also to serve as a confirmatory trial for the accelerated approval obtained in the United States. Our partner, Jazz Pharmaceuticals, has completed enrolment for a Phase III trial for first-line maintenance treatment of small cell lung cancer. If the outcome is positive, this trial will support registration for sale as first-line treatment

in both the United States and Europe. The first results of this trial are expected to be available in late 2024 or early 2025.
This first-line clinical trial uses a combination of lurbinectedin and atezolizumab, an immunotherapy product from Hoffmann-La Roche, which is also participating in the trial as a sponsor.

In relation to other indications, a Phase IIb/III trial with lurbinectedin in combination with doxorubicin for first-line treatment of leiomyosarcoma began in 2023 and will continue to enroll patients throughout 2024.

Between the end of 2022 and the first half of 2023, we added two new molecules to our pipeline: PM534 and PM54, which are currently in Phase I clinical development and could complete enrolment in 2024.

With all these initiatives, we expect considerable progress with our oncology pipeline in 2024, including possibly the first results of the Phase III trial with lurbinectedin as first-line maintenance treatment for lung cancer.

During 2024, we will continue working to sign new lurbinectedin out-licensing agreements in countries such as Japan, where the opportunity for a new license still exists. We will also continue our efforts to in-license an oncology product that is in the commercial or regulatory phase, which would enable us to distribute it through our commercial network in Europe and contribute to revenue.

6. 7. R&D AND INNOVATION

R&D is a key component of PharmaMar's strategy, to which it allocated €83,633 thousand in 2023, of which €10,778 thousand for the development of Aplidin as an anti-viral against COVID-19.

The main progress and results in R&D in 2023 are as follows:

Zepzelca (lurbinectedin)

Small cell lung cancer

The LAGOON pivotal Phase III trial as second-line treatment for relapsed small cell lung cancer that had been agreed upon with the FDA continues enrolling patients as planned. This is a three-arm trial comparing lurbinectedin as monotherapy or in combination with irinotecan against investigator's choice of irinotecan or topotecan.

If the outcome is positive, this could serve as a confirmatory trial in the United States and as a registration trial in other territories outside the United States, including the EMA's jurisdictions.

Recruitment continues satisfactorily for the Phase III trial that our partner Jazz Pharmaceuticals and Hoffmann-La Roche are conducting with Zepzelca® in combination with atezolizumab, a PD-L1 inhibitor, for first-line maintenance treatment of small cell lung cancer. This trial, which is sponsored by Hoffmann-La Roche and co-financed by Jazz, will measure progression-free survival and general survival with Zepzelca® in combination with atezolizumab as compared with atezolizumab as sole agent. This research will provide information on a potential new first-line treatment option for small cell lung cancer.

A retrospective data collection study in France that included patients who had received lurbinectedin as part of the "ATU nominative" (named-patient authorization) program is awaiting publication. This study, which was presented at the ASCO Meeting, is being headed by Intergroupe Francophone de Cancérologie Thoracique and Groupe Français de Pneumo-Cancérologie. The study describes the clinical and demographic characteristics of these patients and evaluates real-life overall survival, progression-free survival, etc. **Leiomyosarcoma**

The SaLuDo (Sarcoma patients treated with Lurbinectedin and Doxorubicin) Phase IIb/III clinical trial with lurbinectedin in combination with doxorubicin for first-line treatment of patients with metastatic leiomyosarcoma commenced in October. The endpoint is to evaluate the compound as first-line treatment in patients with metastatic leiomyosarcoma.

The trial involves 76 centers in the United States and several European countries, including Spain.

Patient enrolment is advancing on schedule.

Combination trials with Zepzelca (lurbinectedin)

Recruitment continues on schedule for the Phase I/II trials in combination with irinotecan and atezolizumab. The combination trial with irinotecan completed enrolment of the small cell lung cancer and synovial sarcoma cohorts of patients, while enrolment of the neuroendocrine tumor cohorts is continuing as planned.

Patient enrolment for the combination trial with pembrolizumab concluded and the results were presented in an oral session on small cell lung cancer at the ESMO 2023 meeting.

PharmaMar presented progress with Zepzelca at the main world conferences:

The 2023 World Conference on Lung Cancer, organized by the International Association for the Study of Lung Cancer (IASLC), was held in Singapore on 9-12 September.
A number of communications on using Zepzelca® (lurbinectedin) to treat patients with small cell lung cancer were presented at the meeting:

- "Efficacy of Platinum after Lurbinectedin + DOX or Topotecan/CAV in Sensitive Relapsed SCLC Patients in the ATLANTIS Trial". Navarro et al.
- "Efficacy of Platinum Given after Lurbinectedin in Sensitive Relapsed SCLC Patients". Trigo et al.
- "Effectiveness and Safety Profile of Lurbinectedin in Second-Line Small Cell Lung Cancer: A Real-world Study". Ganti et al.
- "Real-world Safety and Dosing of Lurbinectedin-Treated Patients with Small Cell Lung Cancer: Jazz EMERGE 402 Preliminary Analysis". Halmos et al.

PharmaMar also presented new data on lurbinectedin in treating small cell lung cancer (SCLC) at the European Society for Medical Oncology (ESMO) 2023 Meeting in Madrid on 20-24 October:

- Notably, Dr. Antonio Calles gave an oral presentation in which he released the final data of the LUPER trial with lurbinectedin in combination with immunotherapy as second-line treatment of SCLC. The communication was entitled "Lurbinectedin (LUR) in combination with pembrolizumab (PBL) in relapsed small cell lung cancer (SCLC): the phase 1/2 LUPER study"

Additionally, an abstract was presented with the title "A randomised, multicenter phase-III study comparing doxorubicin (dox) alone versus dox with trabectedin (trab) followed by trab in non-progressive patients (pts) as first-line therapy, in pts with metastatic or unresectable leiomyosarcoma (LMS): Final results of the LMS-04 study". These results further support testing lurbinectedin in sarcoma.

Ecubectedin (PM14)

The first Phase I/II trial with ecubectedin attained the optimal dose in patients with advanced solid tumors. An expansion Phase II basket trial with a number of tumor types is currently enrolling patients.

Combination trials with ecubectedin

The first Phase I/II trial of this compound in combination with irinotecan identified the recommended dose in patients with advanced solid tumors. An expansion Phase II basket trial with a number of tumor types is currently enrolling patients.

The Phase Ib trial in combination with atezolizumab is also enrolling satisfactorily.

PM54

Enrolment continues on schedule in the Phase I clinical trial for the treatment of patients with different types of solid tumors. The trial is being conducted in Spain, Europe and the United States with the goal of determining the recommended dose.

PM534

Enrolment continues on schedule in the Phase I clinical trial for the treatment of patients with different types of solid tumors. The endpoints of this first trial are to find the recommended dose and assess the safety and efficacy profile. The trial will be conducted in Spain in patients with advanced solid tumors.

Virology

COVID-19: Phase II

The Nereida Phase II trial to determine the efficacy and safety of plitidepsin in immunocompromised adult patients with symptomatic COVID-19 requiring hospitalization has been approved at 57 centers in 11 countries.

Pharma Mar attended the Society of Hematologic Oncology 2023 meeting in Houston on 6-9 September 2023, where Dr. Alicia Ortiz (MD Anderson Hospital Madrid) presented a poster on plitidepsin entitled "Compassionate use of Plitidepsin in patients with Non-Hodgkin lymphoma and Sars-Cov2 infection".

Additionally, communications with data on Plitidepsin were presented at the following conferences: three posters presented on 16 November at the Congreso Nacional de Medicina Interna SEMI, which was held in Valencia on 15-17 November 2023, and one oral presentation on 28 October at the Congreso Nacional de Hematología (SEHH), which was held in Seville on 26-28 October 2023.

7. 8. OWN SHARES PURCHASED AND SOLD

As of 31 December 2023, the Company's capital amounted to €11,013 thousand and was represented by 18,354,907 bearer shares with a par value of €0.60 per share. All the shares were fully subscribed and paid and have the same political and economic rights.

As of 31 December 2023, the Company held 715,187 own shares (247,288 in 2022) representing 3.90% of capital stock (1.35% in 2022).

In 2023, the Company acquired own shares worth €34,081 thousand and sold own shares worth €17,966thousand. Those sales resulted in a loss of €3,797 thousand, which was recognized in the Company's reserves. The company has a liquidity contract in place with an external firm that provides independent management of the purchase and sale of own shares.

From 1 January 2023 to 31 July 2023, the company had a liquidity contract in place with an external firm to manage purchases and sales of own shares on an independent basis. Within the framework of this agreement, 436,918 own shares were acquired in that period for an amount of €21,873,733.62 and 303,869 shares were sold for an amount of €17,966,129.10.

On 27 July 2023, the Board of Directors resolved to temporarily suspend that liquidity contract and to implement a share buyback program in order to provide the Company with the capacity to trade in its own shares in order to undertake corporate transactions. The program commenced on 1 August 2023.

The established limits were as follows:

a. Maximum number of shares and cash amount: 540,000 shares or at most €15,000,000
b. Duration: maximum of 6 months, beginning on 1 August 2023, and remaining in force until 31 January 2024, with the possibility of concluding earlier if the limits as to the number of shares and/or maximum cash amount are reached.

As of 31 December 2023, 350,222 shares representing 1.91% of share capital had been acquired under this program, for a total amount of €12,207,081.45.

The six-month maximum term of the program was attained on 31 January 2024, a total of 419,400 shares, representing 2.28% of share capital, having been acquired for an amount of €14,999,203.29.

In the scope of the employee share ownership plan, a total of 15,634 shares were allocated in 2023 to 177 beneficiaries at a value of €42.2623 per share. Additionally, a total of 562 shares were canceled under this Plan in 2023.

The breakdown of, and changes in, own shares in 2023 are as follows:

	No. of shares
Balance as of 31/12/22	247,288
Own shares purchased	787,140
Reversal from share ownership plan	262
Own shares sold	(303,869)
Share ownership plan	(15,634)
Balance as of 31/12/23	**715,187**

8. 9. SHARE INFORMATION

Share information

General situation

The financial markets — both equities and fixed-income — ended 2023 on a more positive note than had been initially anticipated.

It was a particularly complex year for investors because, although the main indexes ended in positive territory, this was due mainly to the banking sector and some industrial companies, which represent a sizeable proportion of the indexes, while many medium and small companies in other sectors failed to match that performance. In addition, new sources of geopolitical uncertainty emerged during 2023, such as the outbreak of a new armed conflict in the Gaza Strip between Israel and Palestine, in addition to other existing conflicts such as the war in Ukraine. Moreover, the market experienced a banking crisis in the first half of the year with the collapse of SVB in the US in March and, subsequently, the crisis at Credit Suisse, which was ultimately acquired by UBS. Despite these two banking crises, a context of rising interest rates helped the banking sector to be among the top performers in the market and to overcome the problems at the aforementioned institutions. Also important was the fact that the main central banks tightened monetary policy in 2023. The US Federal Reserve raised interest rates four times during the year, ending at 5.5%. Meanwhile, the European Central Bank increased interest rates six times in the year to 4.5%. These moves were driven by high inflation, which finally seemed to stabilize.

Nevertheless, the world's main stock markets performed better than expected, driven mainly by global growth of close to 3%, together with solid earnings at the companies that make up the world's main stock market indexes.

The Spanish Stock Exchange had a particularly good year, appreciating by 22.8%. This is largely attributable to good performance by the banks, which account for a sizeable proportion of the IBEX-35 (28.5% of the total at the end of 2023).

In Europe, the IBEX-35 was only outperformed by Italy's FTSE MIB index, which gained 28.3%. The Eurostoxx 500 and Germany's DAX appreciated by nearly 20% during the year (19.2% and 20.3%, respectively).

The U.S. indexes set the positive trend observed in the European stock markets. The Dow Jones gained 13.7% while the S&P500 was one of the best performers on that side of the Atlantic in 2023, appreciating by 24.2%.

As for the main biotech indexes, the Nasdaq Biotech Index gained 3.7% in 2023, and the S&P Biotech Index gained 7.6%. It is worth noting that both indexes were down -14% and -20%, respectively, until October and rallied strongly in the last two months to end the year in positive territory.

Share information 2023	
Total number of shares	18,354,907
Par value (euro)	0.60
Average daily trading (no. of shares)	50,238
Average daily trading (euro)	2,107,708
Trading days	260
Year trading low (6 October) (euro)	432,042
Year trading high (25 April) (euro)	7,742,148
Total trading in the year (million euro)	548
Lowest share price (6 July)	29.52
Highest share price (3 January)	66.22
Share price at 29 December	41.08
Average share price in the year	40.57
Market capitalization at 29 December (million euro)	754.02

PharmaMar's share performance

Despite positive performance by the main stock markets, PharmaMar's specific circumstances during the year proved challenging for the share, which depreciated by 36.1% to end the year at €41.1 despite a late 40% rally from the year's low.

It was a complicated year for PharmaMar in the stock market. While the company has a sound balance sheet and has been making good progress with product development, the first quarter results reflected the arrival of generic Yondelis on the European market, which resulted in a significant decline in sales in that territory. The company had flagged the entry of generic Yondelis almost a year in advance but the market did not seem to have discounted it until the first data were published, and the effect on the share price was far greater than the negative impact on sales revenue.

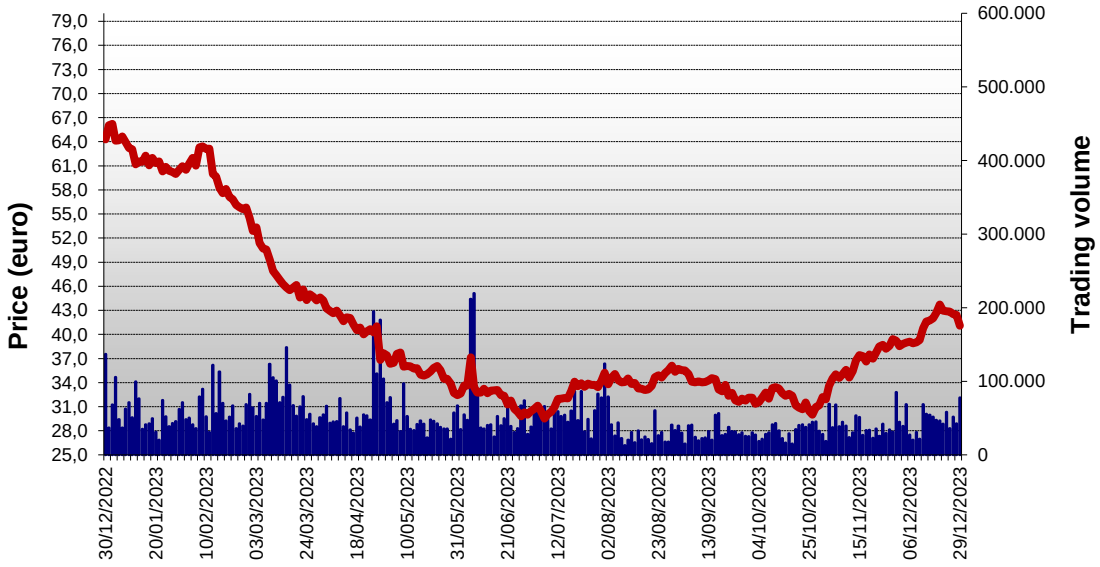
Throughout 2023, the company focused its efforts on advancing the various clinical trials that had commenced in previous years, as well as initiating new trials. A new anti-tumor compound of marine origin, PM54, entered clinical development, alongside PM534, which had entered the clinical phase late in 2022.

The company has continued to develop lurbinectedin. During the year, PharmaMar commenced a new Phase IIb/III trial with lurbinectedin in combination with doxorubicin for first-line treatment of patients with metastatic leiomyosarcoma. In addition, the results of the trial of lurbinectedin in

combination with pembrolizumab for small cell lung cancer were presented at the ESMO Meeting in Madrid in October, showing that it is an effective second-line treatment for this type of cancer.

Also, several territories approved lurbinectedin for sale, including notably Switzerland, Israel, Mexico and Taiwan.

In addition, our partner in China, Luye Pharma, announced in June that it had filed for approval of lurbinectedin in that country for the treatment of small cell lung cancer.



***Source**: Bloomberg*

9. 10. NON-FINANCIAL INFORMATION STATEMENT

Although the company is obliged to present a Non-Financial Information Statement since it had more than 250 employees as of 31 December 2023, it has availed itself of a total exemption insofar as the company's information is included in the consolidated Non-Financial Information Statement of the PharmaMar Group and subsidiaries, since it is the parent company of that Group. The financial statements of the PharmaMar Group and subsidiaries are filed with the Madrid Mercantile Registry.

The Annual Corporate Governance Report and the Annual Report on Director Remuneration, which form an integral part of this Directors' Report, may be viewed at www.cnmv.es.

FINANCIAL STATEMENTS AND DIRECTORS' REPORT OF PHARMA MAR, S.A.
FOR THE YEAR ENDED
31 DECEMBER 2023

These Financial Statements and Directors' Report of PHARMA MAR, S.A. for the period from 1 January 2023 to 31 December 2023 were drafted and authorized in compliance with the provisions of articles 34 and 35 of the Commercial Code and articles 253 and 254 of the Capital Companies Act.

In accordance with the provisions of article 37 of the Commercial Code and article 253 of the Capital Companies Act, the Board of Directors signed this 90-page document on 27 February 2024:

The Board of Directors:

José Mª Fernández Sousa-Faro Chairman	Pedro Fernández Puentes Vice-Chairman
Soledad Cuenca Miranda Director	Eduardo Serra Rexach Director
Sandra Ortega Mera Director	Carlos Solchaga Catalán Director
Rosa María Sánchez-Yebra Alonso Director	Montserrat Andrade Detrell Director
Mariano Esteban Rodríguez Director	Emiliano Calvo Aller Director
Mª Blanca Hernández Rodríguez Director	Fernando Martín-Delgado Santos Director

Certificate issued by the Secretary of the Board of Directors to the effect that the Financial Statements and Directors' Report of PHARMA MAR, S.A. for the year ended December 31, 2023, were authorized in electronic format by the Board of Directors at a meeting on 27 February 2024, in accordance with the format requirements established in Commission Delegated Regulation (EU) 2019/815, and were signed by the directors listed above. Which I certify in Madrid on 27 February 2024.

Secretary of the Board of Directors

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Juan Gómez Pulido

STATEMENT OF LIABILITY WITH RESPECT TO THE CONTENT OF THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors declare that, to the best of their knowledge, the separate financial statements for the year ended 31 December 2023, authorized by the Board of Directors at a meeting on 27 February 2024, and prepared in accordance with the applicable accounting standards, give a true and fair view of the net worth, financial position and results of PHARMA MAR, S.A. and that the separate directors' report includes a true and fair analysis of the development and results of the business and the position of PHARMA MAR, S.A.

Madrid, 27 February 2024

The Board of Directors:

Name	Tax ID no.	Position	Signature
José María Fernández Sousa-Faro		Chairman	
Pedro Francisco Fernández Puentes		Vice-Chairman	
Eduardo Serra Rexach		Director	
Sandra Ortega Mera		Director	
Carlos Solchaga Catalán		Director	
Rosa María Sánchez-Yebra Alonso		Director	
Montserrat Andrade Detrell		Director	
Mariano Esteban Rodríguez		Director	
Emiliano Calvo Aller		Director	
Mª Blanca Hernández Rodríguez		Director	
Soledad Cuenca Miranda		Director	
Fernando Martín-Delgado Santos		Director	

Certificate by the Secretary of the Board of Directors to the effect that, after authorization by the Board of Directors, on 27 February 2024, of the Separate Financial Statements and Directors' Report of PHARMA MAR, S.A. for the year ended 31 December 2023, the directors listed above signed this statement of director liability. Which I certify in Madrid on 27 February 2024.

Secretary of the Board of Directors

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Juan Gómez Pulido