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PHARMA MAR GROUP
(Pharma Mar, S.A. and subsidiaries)

Consolidated Financial Statements and Consolidated Directors' Report as of 31 December 2022

Independent auditor's report on the consolidated annual accounts

To the shareholders of Pharma Mar, S.A.

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Pharma Mar, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2022, and the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2022, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

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 consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated 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 consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Recognition and recoverability of deferred tax assets	
At 31 December 2022 the Group recognizes on its balance sheet a net deferred tax asset amounting to 30,529 thousand euro, as detailed in note 23 to the accompanying annual accounts. The recognition is based on a fiscal budgeting exercise conducted for the companies making up the Spanish tax group, in accordance with the criterion described in notes 2.20 and 4 to the consolidated annual accounts. The main sources of information used to assess the recoverability of deferred tax assets are the Group's projections of expected future profits as outlined in note 4 to the consolidated annual accounts. Note 4 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 Group'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 NIC 12 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 the Group 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.
Revenue recognition	
The Group's activity as outlined in note 1 to the accompanying annual accounts primarily consists of research, development and production and marketing of bioactive substances of marine origin, for its application in oncology.	We assessed the design and implementation and operational efficiency of the relevant controls that underpin the appropriate application of the revenue recognition policy.

Key audit matters	How our audit addressed the key audit matters
As outlined in note 2.23 to the accompanying consolidated annual accounts, the Group 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. • 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 25) due to its relevance to the Group's consolidated annual accounts.	Additionally, and taking into account the specifics of the revenues obtained by the Group: • 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 2022 relates to the obligations satisfied in the period. We also verified compliance with the possible milestones included in the licensing contract. • 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. Similarly, for a sample of invoices outstanding at the year end, collection was verified. • 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 Group's accounting records and the information included in the consolidated annual accounts regarding this area.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2022 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

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

a) Verify only that the consolidated 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 consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group 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 consolidated 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 consolidated management report is consistent with that contained in the consolidated annual accounts for the 2022 financial year, and its content and presentation are in accordance with applicable regulations.

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

The Parent company's directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the aforementioned directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

The Parent company's audit commission is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.

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

- Conclude on the appropriateness of the Parent company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 Group to cease to continue as a going concern.

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

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

We communicate with the Parent company'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 Parent company'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 Parent company's audit commission, we determine those matters that were of most significance in the audit of the consolidated 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 files of the European single electronic format (ESEF) of Pharma Mar, S.A. and its subsidiaries for the 2022 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, 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 2022 financial year in accordance with the formatting and markup 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 consolidated management report.

Our responsibility is to examine the digital files prepared by the Parent 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 consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Report to the audit commission of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Parent company dated 24 February 2023.

Appointment period

The General Ordinary Shareholders' Meeting held on 29 June 2022 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2022.

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 1996.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 40 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

The original Spanish version was signed by Álvaro Moral Atienza (21428)

28 February 2023

CONSOLIDATED BALANCE SHEET AS OF 2022 YEAR-END

CONSOLIDATED BALANCE SHEET (thousand euro)	Note	31/12/2022	31/12/2021
ASSETS			
Non-current assets			
Property, plant and equipment	6	31,163	26,961
Investment property	7	845	845
Intangible assets	8	2,589	3,233
Right-of-use assets	9	3,552	3,644
Financial assets	10	49,398	10,722
Deferred tax assets	23	30,529	27,750
		118,076	**73,155**
Current assets			
Inventories	15	27,746	10,536
Trade receivables	13	29,328	50,908
Financial assets	10	32,607	88,532
Other assets	14	35,689	31,907
Cash and cash equivalents	16	149,813	113,348
		275,183	**295,231**
TOTAL ASSETS		**393,259**	**368,386**

CONSOLIDATED BALANCE SHEET (thousand euro)	Note	31/12/2022	31/12/2021
EQUITY			
Share capital	17	11,013	11,013
Share premium account	17	71,278	71,278
Own shares	17	(15,865)	(25,679)
Revaluation reserves and other reserves		19	19
Retained earnings and other reserves		156,512	121,287
Total capital and reserves attributable to equity-holders of the controlling company		**222,957**	**177,918**
TOTAL EQUITY		**222,957**	**177,918**
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	22	25,883	33,386
Lease liabilities	9	2,014	1,916
Deferred revenues	20	44,899	68,634
Other liabilities		186	186
		72,982	**104,122**
Current liabilities			
Supplier and other accounts payable	19	29,959	29,269
Interest-bearing debt	22	13,125	12,212
Lease liabilities	9	1,608	1,819
Provisions for other liabilities and expenses	24	8,603	7,546
Deferred revenues	20	24,666	29,667
Other liabilities	21	19,359	5,833
		97,320	**86,346**
TOTAL LIABILITIES		**170,302**	**190,468**
TOTAL EQUITY AND LIABILITIES		**393,259**	**368,386**

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED INCOME STATEMENT			
(thousand euro)	**Note**	**31/12/2022**	**31/12/2021**
Revenues from contracts with customers:			
Product sales	5 & 25	105,736	123,821
Licensing and development agreements	5 & 25	40,169	64,787
Royalties	5 & 25	50,254	40,996
Services provided		184	227
		196,343	**229,831**
Cost of goods sold	5	(13,639)	(16,437)
Gross income		**182,704**	**213,394**
Marketing expenses	28	(24,219)	(22,368)
Administrative expenses	27	(19,022)	(17,371)
R&D expenses	26	(83,449)	(72,170)
Net impairment of financial assets	3 & 13	(364)	96
Other operating expenses	27	(15,180)	(10,928)
Other gains/(losses), net	29	3,601	1,794
Operating profit		**44,071**	**92,447**
Financial expenses		(11,287)	(7,683)
Financial revenues		11,006	10,365
Net financial income	32	**(281)**	**2,682**
Income before taxes		**43,790**	**95,129**
Income tax		5,566	(2,270)
Profit or loss for the year		**49,356**	**92,859**
Attributable to:			
Equity-holders of the controlling company		49,356	92,859

Euro per share	**Note**	**31/12/2022**	**31/12/2021**
Basic profit/(loss) per share			
- Attributable to equity holders of the controlling company	33	2.73	5.14
Diluted profit/(loss) per share			
- Attributable to equity holders of the controlling company	33	2.73	5.13

The accompanying notes are an integral part of these consolidated financial statements

A. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31/12/2022	31/12/2021
CONSOLIDATED PROFIT OR LOSS FOR THE YEAR	**49,356**	**92,859**
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
Value change in financial assets at fair value through other comprehensive income	-	4
Foreign exchange difference	(12)	(39)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXES	**(12)**	**(35)**
COMPREHENSIVE INCOME FOR THE YEAR	**49,344**	**92,824**
ATTRIBUTABLE TO:		
Equity-holders of the controlling company	49,344	92,824
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**49,344**	**92,824**

The accompanying notes are an integral part of these consolidated financial statements

B. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(thousand euro)	Share capital	Share premium account	Own shares	Revaluation reserve and other reserves	Reserves and other retained earnings	Total equity
Balance as of 1 January 2021	**11,013**	**71,278**	**(21,453)**	**14**	**41,870**	**102,722**
Fair value gain / (loss), gross:						
- Financial assets at fair value through other comprehensive income (Note 12)	-	-	-	4	-	4
- Other revenues and expenses recognized directly in equity	-	-	-	-	(39)	(39)
Other comprehensive income	**-**	**-**	**-**	**4**	**(39)**	**(35)**
2021 income	-	-	-	-	92,859	92,859
Comprehensive income for the year	**-**	**-**	**-**	**4**	**92,820**	**92,824**
Shares purchased (Note 17)	-	-	(40,659)	-	-	(40,659)
Shares sold (Note 17)	-	-	35,682	-	(2,468)	33,214
Value of employee services — Employee share ownership plan (Note 35)	-	-	751	-	(73)	678
Dividend payments (Note 18)	-	-	-	-	(10,872)	(10,872)
Other movements	-	-	-	1	10	11
Balance as of 31 December 2021	**11,013**	**71,278**	**(25,679)**	**19**	**121,287**	**177,918**
Balance as of 1 January 2022	**11,013**	**71,278**	**(25,679)**	**19**	**121,287**	**177,918**
Fair value gain / (loss), gross:						
- Financial assets at fair value through other comprehensive income (Note 12)	-	-	-	-	-	-
- Other revenues and expenses recognized directly in equity	-	-	-	-	(12)	(12)
Other comprehensive income	**-**	**-**	**-**	**-**	**(12)**	**(12)**
2022 income	-	-	-	-	49,356	49,356
Comprehensive income for the year	**-**	**-**	**-**	**-**	**49,344**	**49,344**
Shares purchased (Note 17)	-	-	(47,708)	-	-	(47,708)
Shares sold (Note 17)	-	-	56,950	-	(2,458)	54,492
Value of employee services — Employee share ownership plan (Note 35)	-	-	572	-	98	670
Dividend payments (Note 18)	-	-	-	-	(11,761)	(11,761)
Capital reduction	-	-	-	-	(12)	(12)
Other movements	-	-	-	-	14	14
Balance as of 31 December 2022	**11,013**	**71,278**	**(15,865)**	**19**	**156,512**	**222,957**

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED CASH FLOW STATEMENT (thousand euro)	Note	31/12/2022	31/12/2021
Income before taxes:		**43,790**	**95,129**
Adjustments for:		**21,532**	**2,822**
Depreciation and amortization	6.8 & 9	5,900	5,583
Change in provisions		15,083	(93)
Fixed asset impairment	6 & 8	1,483	(183)
Financial revenues	32	(875)	(370)
Financial expenses	32	2,376	3,373
Income from sale of fixed assets		(11)	33
Share-based payments		393	339
Deferred revenues - subsidies		313	(186)
Exchange differences		(3,108)	(5,674)
Other adjustments to income		(22)	-
Changes in working capital		**(28,220)**	**(61,408)**
Inventories	15	(17,210)	1,398
Customer and other receivables	13	21,612	(26,761)
Other assets and liabilities		(5,362)	(5,555)
Supplier and other accounts payable	19	1,786	7,185
Deferred and accrued items	20	(29,046)	(37,675)
Other operating cash flows:		**1,219**	**(10,866)**
Interest paid	32	(2,376)	(3,373)
Interest received	32	875	370
Income tax received/(paid)	14	2,720	(7,863)
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES		**38,321**	**25,677**
Investment payments:		**(228,051)**	**(7,803)**
Property, plant and equipment, intangible assets and investment property	6 & 7	(8,852)	(7,803)
Other financial assets		(219,199)	-
Divestment receipts:		**238,929**	**26,275**
Property, plant and equipment, intangible assets and investment property	6 & 7	11	-
Other financial assets		238,918	26,275
TOTAL NET INVESTING CASH FLOW		**10,878**	**18,472**
Receipts and (payments) in connection with equity instruments:		**7,049**	**(7,105)**
Acquisition	17	(50,178)	(40,659)
Disposal	17	57,227	33,554
Receipts and (payments) in connection with financial liabilities:		**(8,658)**	**(9,438)**
Loans received	22	1,543	5,832
Loans repaid	22	(10,201)	(15,270)
Payment of dividends and remuneration on other equity instruments		**(11,761)**	**(10,872)**
TOTAL NET FINANCING CASH FLOW		**(13,370)**	**(27,415)**
EFFECT OF EXCHANGE RATE FLUCTUATIONS		**636**	**404**
TOTAL NET CASH FLOW FOR THE YEAR		**36,465**	**17,138**
Beginning balance of cash and cash equivalents	16	113,348	96,210
ENDING BALANCE OF CASH AND CASH EQUIVALENTS		**149,813**	**113,348**

The accompanying notes are an integral part of these consolidated financial statements

Notes to the consolidated financial statements of Pharma Mar, S.A. and subsidiaries as of 31 December 2022
(Thousand euro)

1. General information

Pharma Mar, S.A. is the Company that resulted from the merger of Zeltia, S.A. (absorbed company) into Pharma Mar, S.A. (acquiring company). Pharma Mar, S.A., the Group's controlling company (hereinafter, "Pharma Mar " or "the Company"), was incorporated as a limited company in Spain for an indefinite period on 30 April 1986. Its registered offices are located in Colmenar Viejo (Madrid) at Avenida de los Reyes, 1 (Pol. Industrial La Mina – norte).

Pharma Mar's main activity is research, development, production and commercialization of bio-active principles of marine origin for application in oncology, as well as management, support and development of its subsidiaries in the diagnostics and interference RNA area, and subsidiaries whose object is to commercialize oncology products in Europe. A new Virology business unit was created in 2020.

On 27 September 2022, the Board of Directors of Pharma Mar decided to discontinue the diagnostics business, conducted through its wholly-owned subsidiary Genómica, S.A.U., and to initiate the proceedings to dissolve and liquidate that company. As of the closing date of this report, Genómica continues its production activity in order to meet pre-existing commitments to customers that are expected to be completed by the end of the first quarter of 2023. R&D operations and those unrelated to production have ceased.

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

The products developed by Pharma Mar that, as of 31 December 2022, were being marketed or had received authorization to be marketed from the regulatory authorities were as follows:

Yondelis® (trabectedin)

On 20 September 2007, Pharma Mar received authorization from the European Commission to commercialize Yondelis® for the treatment of soft tissue sarcoma. This approval marked the commencement of the sale of Pharma Mar's pharmaceutical compounds, as it had no drugs on the market until then.

Two years later, on 2 November 2009, the European Commission granted authorization for Pharma Mar to commercialize Yondelis® 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® (Trabectedin) was authorized for sale for treating certain types of soft tissue sarcoma by the Japanese regulatory authorities, via Pharma Mar partner Taiho Pharmaceutical Co, and by the US Food and Drug Administration (FDA), via Pharma Mar partner Janssen Biotech Inc.

Fifteen years after Yondelis reached 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 treating multiple myeloma in combination with dexamethasone. The approval covers treating patients who have relapsed after three lines of treatment. Pharma Mar has licensed Aplidin® to its partner STA for Australia, New Zealand and several Southeast Asian countries.

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 application for 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. As a result, the European Commission has urged the European Medicines Agency to reexamine the procedure. The aforementioned decision was not appealed by the European Commission but two Member States, Germany and Estonia, have filed appeals before the Court of Justice of the European Union which are currently awaiting a decision.

Zepzelca® (lurbinectedin)

On 15 June 2020, the US Food and Drug Administration (FDA) approved Zepzelca® 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 Pharma Mar 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, Pharma Mar collected USD 300 million (€269.5 million). It may receive additional payments up to USD 550 million if the FDA grants full approval for Zepzelca® by specific deadlines or for fulfilling commercial milestones, in addition to royalties on net sales of Zepzelca.

At the date of this report, Zepzelca is approved for marketing in nine other countries outside the European Union, in addition to 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.

As of 31 December 2022, Pharma Mar continued to develop its other products.

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. To this end, the Company has adopted policies and actions aimed at mitigating climate change and is seeking to contribute to an economy with low greenhouse gas emissions. 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.

Through two committees, the Audit Committee and the Remuneration, Appointments and Sustainability Committee, Pharma Mar's Board of Directors oversees and monitors the sustainability and non-financial information provided by the Company.

At Pharma Mar, 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 Pharma Mar'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.

Pharma Mar'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.

As part of its sustainability strategy and directly related to climate change, Pharma Mar has been calculating the carbon footprint of its operations since 2017. However, in 2022 the Group decided to include more emission sources in Scope 1 and to extend the calculation to include indirect emissions from the value chain (Scope 3), using the most reliable available data. Accordingly, Pharma Mar decided to recalculate its carbon footprint, taking 2021 as the baseline year, in order to determine its Scope 1, 2 & 3 GHG emissions in the baseline year. This is the first step towards setting ambitious, science-based emissions reduction targets and becoming a net-zero company, leading the pharmaceutical industry's path to a zero carbon economy.

Pharma Mar Group's carbon footprint was calculated in accordance with the methodological guidelines set out in the GHG Protocol, the most widely recognized international standard that establishes standardized frameworks for measuring, managing and reporting companies' GHG emissions.

Pharma Mar has submitted its carbon footprint calculations and targets to the Science Based Targets Initiative (SBTI).The objectives are as follows:

- Short-term decarbonization target: 42% reduction in Scope 1 and 2 emissions by 2030 with respect to the baseline year (2021).
- Long-term net-zero target: 90% reduction of Scope 1, 2 and 3 emissions by 2050 and neutralization of residual emissions (remaining 10%).

Consolidation scope

For the purposes of drafting these financial statements, a group is considered to exist when a controlling company has one or more subsidiaries over which it has control, directly or indirectly.

The dissolution of UK company Pharma Mar, Ltd. that commenced in 2019 was completed in May 2021.

The consolidated Group's subsidiaries as of 31 December 2022 are as follows:

		Stake		
Name	Registered offices	Direct	Indirect	Total
Pharma Mar USA Inc	195 Montague St. 10th floor suite 1023. Brooklyn, NY 11201 USA	100.00%	-	100.00%
PharmaMar AG	Aeschengraben 29, CH 4051 Basel (Switzerland)	100.00%	-	100.00%
Pharma Mar Sarl	6 Rue de l'Est, 92100 Boulogne Billancourt, Paris, France	100.00%	-	100.00%
Pharma Mar GmbH	Uhlandstraße 14 - 10623 Berlin, Germany	100.00%	-	100.00%
Pharma Mar Srl	Via Lombardia 2/A C/O Innov. Campus-Building B, 20068 Peschiera Borromeo, Milan, Italy	100.00%	-	100.00%
Pharma Mar, Srl (Belgium)	Rue de la Presse 4, 1000 Brussels, Belgium	100.00%	-	100.00%
Pharma Mar Ges.m.b.H	Teinfaltstraße 9/7, 1010 Vienna, Austria	100.00%	-	100.00%

Genomica, S.A.U. en liquidación (*)	Via de los Poblados, 1, Edif. B, Parq. Emp. Alvento, Madrid, Spain	100.00%	-	100.00%
Genómica, A.B. (*)	Medicon Village Scheelevage, 2- Lund. Sweden	-	100.00%	100.00%
Genómica (Wuhan) Trading Co. Ltd. (*)	No.401-421 (Wuhan Free Trade Area) 4/F, Office Building A, No.777, Guanggu 3 Road, Wuhan East Lake High-tech Development Zone	-	100.00%	100.00%
Sylentis, S.A.U.	Pza. del Descubridor Diego de Ordás 3, Madrid	100.00%	-	100.00%

(*) Genómica A.B. and Genómica Ltd are wholly-owned subsidiaries of Genomica, S.A.U. en liquidación; the latter is continuing as a going concern until the end of the first quarter of 2023 to fulfil commitments to its customers.

Below is a list of the Group's subsidiaries and the firms that audited their 2022 financial statements:

Name and domicile	Statutory auditor
Pharma Mar USA Inc	Walter & Shuffain, PC
PharmaMar AG	PwC
Pharma Mar Sarl	PwC
Pharma Mar GmbH	No
Pharma Mar Srl	PwC
Pharma Mar, Srl (Belgium)	PwC
Pharma Mar Ges.m.b.H	No
Genómica, S.A.U. en liquidación	KPMG
Genómica, A.B.	KPMG
Genómica Trading Co. Ltd.	XINGAOXIN
Sylentis, S.A.U.	KPMG

Description of subsidiaries

The principal activity of the Group companies, all of which were fully consolidated as of 31 December 2022 and 2021, is as follows:

- Pharma Mar USA: Business development in the US.
- PharmaMar AG: Marketing pharmaceutical products in the Swiss market.
- Pharma Mar SARL: Marketing pharmaceutical products in the French market.
- Pharma Mar GmbH: Marketing pharmaceutical products in the German market.
- Pharma Mar S.r.L.: Marketing pharmaceutical products in the Italian market.
- Pharma Mar S.R.L. Belgium: Marketing pharmaceutical products in the Belgian market.
- Pharma Mar Ltd.: This company was definitively dissolved on 2 May 2021 once all the legal formalities had been completed and it had been registered with the UK Companies House. The dissolution process had begun in 2019.
- Pharma Mar Ges.m.b.H AT (Austria): It is primarily engaged in marketing pharmaceutical products in the Austrian market.

- Genómica, S.A.U. (Genómica): Development and marketing of diagnostic applications and related services. In liquidation. It is continuing its normal activity until the end of the first quarter of 2023 in order to fulfil commitments to customers.

- Genómica, A.B.: Marketing diagnostic applications and related services in the Scandinavian market. In liquidation.

- Genómica Trading Co., Ltd. (China).: 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. In liquidation.

- Sylentis, S.A.U. (Sylentis): Research, development, production and sale of products with therapeutic activity based on reducing or silencing gene expression, and pharmaceutical derivatives of same in a range of formulations and applied in various ways to all types of diseases; it does not yet have any products on the market.

2. ACCOUNTING POLICIES

Below are described the main accounting principles adopted in drafting these consolidated financial statements. Those principles were applied on a consistent basis for all the years covered by these consolidated financial statements, except where indicated otherwise.

2.1 Basis of presentation

These consolidated financial statements for 2022 and those for 2021 presented for comparison were prepared in accordance with the International Financial Reporting Standards and IFRIC interpretations adopted for use in the European Union in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, by virtue of which all companies governed by the law of a Member State of the European Union and whose shares are listed on a regulated market of a Member State must prepare their consolidated accounts, for annual periods beginning on or after 1 January 2005, in accordance with the IFRS adopted by the European Union.

The consolidated financial statements were drawn up using the historical cost method, though modified in the case of financial assets at fair value through other comprehensive income and financial assets and liabilities (including derivatives) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Note 4 details the areas that require greater judgment or are more complex and the areas where significant assumptions and estimates are made for the consolidated financial statements.

The accounting policies applied in preparing the consolidated financial statements as of 31 December 2022 are consistent with those used to prepare the consolidated financial statements for the year ended 31 December 2021. The material estimates made in the 2022 financial statements are also consistent with those made in the 2021 financial statements.

The figures contained in the documents comprising these consolidated financial statements are expressed in thousands of euro.

2.2 Standards, amendments and interpretations that are obligatory for all annual periods beginning on or after 1 January 2022

A number of new or amended standards came into force in the reporting period and the group had to modify its accounting policies as a result of the adoption of the following standards.

- **IAS 16 (Amendment): "Property, Plant and Equipment: Proceeds before Intended Use":** Undertakings are prohibited from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Sales proceeds from such samples, and the related production cost, are

currently recognized in profit or loss. The amendment also clarifies that an undertaking is testing whether the asset is functioning properly when it assesses the technical and physical performance of the asset. The asset's financial performance is not relevant to this assessment. Accordingly, an asset may be capable of operating as intended by management and be subject to depreciation before it has reached the level of operating performance expected by management. These amendments are effective as from 1 January 2022.

- **IAS 37 (Amendment) "Onerous contracts: Cost of Fulfilling a Contract":** The amendment clarifies that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling the contract and an allocation of costs that relate directly to fulfilling that and other contracts. It also clarifies that, before recognizing a separate provision for an onerous contract, an undertaking must recognize any impairment loss that has occurred on the assets used to fulfill the contract, rather than on the assets dedicated to that contract. These amendments are effective as from 1 January 2022.
- **IFRS 3 (Amendment): "Reference to the Conceptual Framework":** IFRS 3 was updated to refer to the 2018 Reference Framework for the purposes of determining what constitutes an asset or a liability in a business combination (it previously referred to the 2001 Reference Framework). Additionally, a new exception for liabilities and contingent liabilities has been added to IFRS 3. These amendments are effective as from 1 January 2022.

The Group assessed the foregoing standards and concluded that they do not have a material impact on the financial statements.

2.3 Standards, amendments and interpretations that are pending adoption by the European Union.

At the date of authorizing these consolidated financial statements, the IASB and the IFRS Interpretations Committee had published the standards, amendments and interpretations described below, and the Group is currently assessing whether they might be applicable:

- **IFRS 10 (Amendment) and IAS 28 (Amendment) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"**
- **IFRS 16 (Amendment) "Lease liability on a sale and leaseback"**
- **IAS 1 (Amendment) "Non-current liabilities with covenants".**

2.4 Consolidation principles

All undertakings over which the Group has control are classified as subsidiaries. The Group is considered to control an undertaking when it is exposed to variable returns from its involvement in the investee or is entitled to obtain or use them, and it can use its power over it to influence such returns. Subsidiaries are consolidated on the date on which their control is transferred to the Group and are deconsolidated on the date on which control ceases.

The Group uses the acquisition method to account for business combinations. Consideration for the acquisition of a subsidiary is measured as the fair value of the transferred assets, the liabilities incurred with the previous owners of the acquiree, and the equity instruments issued by the Group. The consideration will also include the fair value of any asset or liability which arises from any contingent consideration agreement.

The identifiable assets and liabilities acquired and the contingent liabilities assumed in a business combination are carried initially at their acquisition-date fair value.

For each business combination, the Group may elect to measure non-controlling interests in the acquiree at fair value or at the proportionate share of the recognized amounts of the acquiree's identifiable net assets.

Acquisition-related costs are recognized in profit or loss in the years that they are incurred.

If the business combination takes place in stages, the pre-existing carrying amount of the acquirer's previously-held equity interest in the acquiree is remeasured at acquisition-date fair value. Any gain or loss arising from such remeasurement is recognized in profit or loss.

Contingent consideration is classified either as equity or as a financial liability. Amounts classified as financial liabilities are subsequently remeasured at fair value through profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree with respect to the fair value of the identifiable net assets acquired is recognized as goodwill. If the total of the consideration transferred, the recognized non-controlling interest and previously-held equity interest is lower than the fair value of the net assets of a subsidiary acquired in very advantageous conditions, the difference is recognized directly in profit or loss.

If the subsidiary is fully consolidated, intercompany transactions, balances, and revenues and expenses on transactions between Group undertakings are eliminated.

Also eliminated are gains and losses on intercompany transactions recognized as assets. The accounting policies of the subsidiaries have been modified where necessary to ensure conformity with the Group's policies.

The subsidiaries within the consolidation scope are detailed in Note 1.

The financial year of all the subsidiaries is the calendar year.

2.4.1 Transactions with non-controlling interests

The Group recognizes transactions with minority interests as transactions with holders of Group equity. In acquisitions of minority interests, the difference between the price paid and the related proportion of the carrying amount of the subsidiary's net assets is recognized in equity. Gains or losses resulting from the sale of minority interests are also recognized in equity.

2.5 Segment reporting

Operating segments are presented coherently with the internal information presented to the chief operating decision maker (CODM). The CODM is responsible for allocating resources to operating segments and for evaluating their performance. The Board of Directors has been identified as the CODM.

2.6 Foreign currency transactions

2.6.1 Functional and presentation currency

Items in the financial statements of each of the group’s undertakings are measured using the currency of the primary economic environment in which the undertaking operates (the ‘functional currency’). The consolidated financial statements are presented in euro, which is Pharma Mar’s functional and presentation currency.

Pharma Mar USA, the US subsidiary, has the euro as its functional currency, mainly because of its financing sources and its activity.

Regarding PharmaMar AG, the Swiss subsidiary, Genómica, AB, the Swedish subsidiary, and Genómica (Wuhan) Trading Co. Ltd, the Chinese subsidiary, their functional currencies in 2022 and 2021 were the Swiss franc, the Swedish krona and the Chinese yuan, respectively, as their sales are in local currency. The impact of translation to euro is not material given the small volume which their transactions represent with respect to the Group.

2.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges and are attributable to net investment in a foreign operation.

Foreign exchange gains and losses are presented in profit or loss under "Finance costs - net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities, such as equities held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equity securities classified as financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

2.6.3 Group undertakings

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities on each balance sheet are translated at the closing exchange rate on the balance sheet date;

- Revenues and expenses in each income statement and statement of other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenues and expenses are translated at the transaction dates), and

- All resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign undertakings, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on the sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate.

2.7 PROPERTY, PLANT AND EQUIPMENT

The property comprises mainly the buildings and installations of the controlling company in Colmenar Viejo, Madrid (Pharma Mar). Items of property, plant and equipment are recognized at cost less any accumulated depreciation and impairment, except in the case of land, which is presented net of impairment.

Historical cost includes expenses directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All repairs and maintenance expenses are expensed as incurred.

Land is not depreciated. Other assets are depreciated by the straight-line method to assign the difference between the cost and residual value over their estimated useful lives:

Assets	Years of useful life
Structures	17-50
Machinery and installations	5-10
Tools and equipment	3-10
Furniture and fixtures	3-10
Vehicles	4-7
Computer hardware	4-7
Other assets	7-15

The residual value and the useful life of an asset are reviewed, 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. Gains and losses on the sale of property, plant and equipment, which are calculated by comparing the proceeds with the carrying amount, are recognized in profit and loss.

2.8 Investment property

The Group classifies as "investment property" the property held to earn rent or for capital appreciation, or both, which is not occupied by the Group. The Group uses the cost model.

2.9 Intangible assets

2.9.1 *Research & development expenses*

Research and development expenses are expensed as incurred. Development project costs (design and testing of new and improved products) are recognized as intangible assets when it is probable that the project will be successful, based on its technical and commercial viability; specifically, they are capitalized when the following requirements are met:

(i) It is technically possible to complete production of the intangible asset so that it may be available for use or sale;

(ii) Management intends to complete the intangible asset in question for use or sale;

(iii) There is the capacity to use or sell the intangible asset;

(iv) The form in which the intangible asset will generate likely economic benefits in the future is demonstrable;

(v) Sufficient technical, financial and other resources are available to complete development and to use the intangible asset; and

(vi) The cost attributable to the intangible asset during development can be measured reliably.

Considering the nature of the development expenses incurred by the Group, i.e. connected to pharmaceutical development, and in line with standard practice in the industry, the requirements for capitalization are considered to be fulfilled in the registration phase.

Development costs with a finite useful life that are recognized as an asset are amortized on a straight-line basis from the end of the project, understood as the moment in which appropriate approvals have been received from the regulatory bodies and the Company has the capacity to sell in the market for which the authorization has been received. That useful life is estimated as the period in which profits are expected to be generated, which normally coincides with the patent's period of validity. Other development expenses are expensed as incurred.

Development costs that were previously expensed are not capitalized as an intangible asset in a subsequent year.

2.9.2 Trademarks and licenses

These assets are carried at historical cost. Trademarks acquired from third parties are assumed to have an indefinite useful life; therefore, they are not amortized and, instead, they are tested for impairment at the end of each year.

2.9.2.1 Computer programs

Acquired computer software licenses 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 (generally 5 years).

Computer program maintenance costs are recognized in profit or loss as incurred. Development expenses directly attributable to the design and testing of computer programs that are identifiable, unique and susceptible to being controlled by the Group are recognized as intangible assets when the following conditions are met:

- It is technically possible to complete production of the intangible asset so that it may be available for use or sale;
- Management intends to complete the intangible asset in question for use or sale;
- There is the capacity to use or sell the intangible asset;
- The form in which the intangible asset will generate likely economic benefits in the future is demonstrable;
- Sufficient technical, financial and other resources are available to complete development and to use or sell the intangible asset; and
- The cost attributable to the intangible asset during development can be measured reliably.

2.10 Impairment losses on non-financial assets

Intangible assets that have an indefinite useful life and intangible assets under development are not amortized and are tested annually for impairment. Assets that are amortized are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is determined as the fair value less selling costs, or the value in use, whichever is higher. To perform the impairment tests, the assets are grouped at the lowest level of separately identifiable cash flows (cash-generating units). Pre-existing impairment losses on non-financial assets (other than goodwill) are reviewed at each reporting date to consider the possibility of reversing the impairment.

2.11 Leases

The Group leases a number of offices, warehouses, items of equipment and automobiles. The leases are normally for fixed terms ranging from 3 to 8 years and may contain extension options. The lease conditions are negotiated individually and their terms and conditions vary considerably. The lease terms do not impose any commitments on the Group and the leased assets cannot be used as collateral for loans.

The contracts may contain lease and non-lease components. The Group assigns the consideration in the contract to the lease and non-lease components based on their independent relative prices. However, for leases of properties in which the Group is a lessee, it has chosen not to separate the lease and non-lease components and, instead, accounts for them as a single lease component.

The lease conditions are negotiated individually and their terms and conditions vary considerably. The leases do not impose any covenants other than the lessor's rights in rem over the leased assets. Leased assets cannot be used as collateral for indebtedness purposes.

Assets and liabilities derived from leases are initially measured on the basis of present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments) less any outstanding lease incentive.

- variable lease payments depending on an index or rate, initially measured according to the index or rate on the initial date.

- amounts expected to be paid by the Group as residual value guarantees.

- the strike price of a purchase option if the Group is reasonably certain that it will exercise that option,

- payment of lease termination penalties, if the Group has the choice of terminating under the lease terms.

- lease payments to be made under reasonably certain extension options are also included when measuring the liability.

At present, practically all the leases signed by the Group contain a fixed component which only varies when rent is updated annually linked to a price index, and which is reflected in the lease liability at the time when its definitive value is known.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case in the Group's leases, the lessee's incremental borrowing rate is used, i.e. the rate that the individual lessee would have to pay to borrow the funds required to acquire an asset of similar value to the right-of-use asset in a similar economic environment in similar terms, guarantees and conditions.

To determine the incremental borrowing rate, the Group calculates its risk premium each year and applies the following indices for each functional currency:EUR: EURIBOR, USD:LIBOR y SEK: STIBOR .

Moreover, since each lease has a different term, the variable references (EURIBOR, LIBOR and STIBOR) are replaced by the swap rate at each expiration date. In this way, each contract has a different discount rate that is adapted to its term but always calculated on the basis of the same risk premium.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is re-measured and adjusted against the right-of-use asset.

Lease payments are split between the principal and the interest cost. The interest cost is expensed over the lease term so as to produce a constant periodic interest rate on the outstanding balance of the liability in each period.

Right-of-use assets are measured at cost, comprising:

- the amount of the initial measurement of the lease liability

- any lease payment made on or before the initial date, less any lease incentive received

- any initial direct cost, and

- restoration costs.

Right-of-use assets are generally amortized on a straight-line basis over the asset's useful life or the lease term, whichever is shorter. If the Group is sure that it will exercise the purchase option, the right-of-use asset is amortized over the asset's useful life.

The term of the lease contracts has been estimated on the basis of the non-cancelable period of each lease, plus the periods covered by the option to terminate the contract, as the Group is reasonably certain that this option will not be exercised.

The judgments applied to determine the existence or not of reasonable certainty focus primarily on two aspects.

- If the Group has not taken action to cancel a revocable contract or a contract with a maturity of less than one year, it assumes that the contract will be extended.

- The contractual terms and conditions applicable to the periods covered by the termination option were advantageous in relation to market prices.

The Group considers that all the flows derived from these options are reflected in the valuation of the lease liabilities, since they were calculated having regard to all the terms of the contracts in force, regardless of whether they are revocable or not.

Payments for short-term leases of machinery and equipment and all leases of low-value assets are expensed on a straight-line basis. Leases for 12 months or less are classified as short-term leases. Low-value assets include computer hardware and small items of office furniture.

2.11.1 Extension and termination options

Some leases for offices and equipment contain extension or early termination options. Those options can be exercised at the election of the Group, not of the respective lessor.

The Group does not have significant investments in leased premises that encourage continuity or discourage termination. The contracts signed by the Group establish non-cancelable periods and, in some cases, specify additional penalties consisting of the payment of the rent that would accrue up to the end of such periods. The Group recognizes such possible penalties to the extent that, as indicated above, the periods covered by the option to terminate the contract are included with the non-cancelable periods.

2.12 Financial assets

2.12.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those that are subsequently measured at fair value (with changes through either profit and loss or other comprehensive income), and
- those that are measured at amortized cost.

The classification depends on the business model used by the undertaking to manage the financial assets and on the contractual terms of the cash flows.

For assets at fair value, gains and losses are recognized in profit and loss or other comprehensive income. For investments in equity instruments that are not held for trading, it will depend on whether the Group made an irrevocable choice at the time of initial recognition to account for the equity investment at fair value with changes in other comprehensive income.

The Group reclassifies investments in debt if and only if it changes its business model for managing those assets.

2.12.2 Recognition and derecognition

Conventional acquisitions or disposals of financial assets are recognized on the trade date, i.e. the date on which the Group undertakes to acquire or sell the asset. Financial assets are derecognized when the rights to receive the related cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.12.3 Measurement

At the time of initial recognition, the Group measures a financial asset at fair value plus, in the case of financial assets not at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of financial assets at fair value through profit or loss are expensed through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely the payment of principal and interest.

a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the characteristics of the asset's cash flows. The group classifies debt instruments into one of three measurement categories:

- Amortized cost: Assets held for the collection of contractual cash flows, when those cash flows represent only payments of principal and interest, are measured at amortized cost. Interest revenues from these financial assets are recognized under financial revenues according to the effective interest rate method. Any gain or loss that arises on derecognition is recognized directly in profit or loss along with gains and losses from exchange differences. Impairment is recognized separately in the income statement.

- Fair value through other comprehensive income: Assets held for the collection of contractual cash flows and financial assets held for sale, when the cash flows from the assets represent only payments of principal and interest, are measured at fair value with changes through other comprehensive income. Changes in the carrying amount are recognized in other comprehensive income, except for the recognition of impairment gains or losses, ordinary interest revenues, and gains or losses from exchange differences, which are recognized in profit or loss. When the financial asset is derecognized, the accumulated gain or loss recognized previously in other comprehensive income is reclassified from equity to profit or loss. Interest revenues from these financial assets are recognized under financial revenues according to the effective interest rate method. Exchange gains and losses are presented in other gains and losses and the impairment expense is presented as a separate item in the income statement.

- Fair value through profit or loss: Assets that do not qualify for amortized cost or for fair value through other comprehensive income are recognized at fair value through profit or loss. A gain or loss on an investment in debt that is recognized subsequently at fair value through profit or loss is recognized in profit or loss and is presented net in the income statement within other gains/(losses) in the year in which it arises.

b) Equity instruments

The group subsequently measures all investments in equity at fair value. Where the group's management has chosen to present the fair value gains and losses on investments in equity through other comprehensive income, there is no subsequent reclassification of the fair value gains and losses to profit or loss following derecognition in the investment accounts. Dividends from such investments continue to be recognized in profit or loss as other revenues when the Company's right to receive payments is established.

2.12.4 Impairment

The Group measures on a prospective basis the expected credit losses associated with its assets at amortized cost and at fair value through other comprehensive income. The methodology applied to impairment depends on whether there has been a significant increase in credit risk.

For trade accounts receivable, the group applies the simplified approach allowed by IFRS 9, which requires that the expected losses over their lifetime be recognized from the point of initial recognition of the accounts receivable (see Note 3.3 "Credit risk" for more details).

2.12.5 Derivatives and hedging

Derivatives are recognized initially at fair value on the date of signature of the derivative contract and are subsequently re-measured at fair value on each balance sheet date. Recognition of subsequent fair value changes depends on whether the derivative is designated as a hedge and, if so, the nature of the hedged item. The group designates certain derivatives as:

- fair value hedges of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows from recognized assets and liabilities and highly likely planned transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the beginning of the hedge, the group documents the economic relationship between the hedging instruments and the hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of the hedged items. The group documents its risk management objective and its hedging strategy.

2.13 Inventories

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the variable costs necessary to make the sale.

Cost is determined as follows:

- Trade inventories, raw materials and other supplies: weighted average cost.
- 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 (based on normal production capacity).

Inventories acquired and/or produced for the purposes of commercializing drugs are capitalized when the requirements indicated in Note 2.9.1 are met. Inventories are impaired up to that point, and the impairment is reversed once those requirements are met.

2.14 Trade receivables

Trade receivables are recognized initially at fair value and subsequently at amortized cost based on the effective interest rate method, less any impairment. See Note 13 for additional information on how the Group accounts for trade accounts receivable and Note 3.3 "Credit risk" for a description of the Group's policies in relation to impairment.

Trade accounts receivable are amounts owed by customers for goods or services provided in the ordinary course of business. They are usually settled between 60 and 90 days and, therefore, are classified as current. Trade accounts receivable are initially recognized at the amount of the consideration that is unconditional, unless they contain a material financial component, in which case they are recognized at fair value. The group holds trade accounts receivable in order to collect the contractual cash flows and, therefore, they are measured subsequently at amortized cost using the effective interest rate method. Details of the accounting policies regarding impairment and the calculation of impairment are provided in Note 3.3 "Credit risk".

Transfers of receivables result in derecognition when the Group has transferred substantially all the risks and rewards of ownership, including those related to late payment. Otherwise, the proceeds from the transfer are treated as borrowings.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits at banks, and other short-term, highly-liquid investments with an initial maturity of three months or less. Bank overdrafts are classified as interest-bearing debt under current liabilities in the balance sheet.

2.16 Share capital and distribution of dividends

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares and options are shown in equity as a deduction, net of tax, from the proceeds.

When any Group undertaking acquires shares of the controlling company, the consideration paid, including any directly attributable incremental costs (net of corporate income tax), is accounted for under “Own shares”, deducting equity attributable to the controlling company's equity holders until cancellation, re-issuance or disposal.

Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related corporate income tax, is accounted for under Own shares (acquisition cost) and Retained earnings (difference between the consideration and acquisition cost), increasing equity attributable to equity-holders of the controlling company.

Dividends on ordinary shares are recognized under liabilities in the year that they are approved by the Company's shareholders.

2.17 Government grants

Government grants are recognized at fair value when there is reasonable assurance that the grants will be received and the Group will fulfil all the conditions attached to them. These grants are recognized on the basis of their maturity.

Government grants related to the acquisition of fixed assets are included under “Non-current deferred revenues” and are recognized in profit or loss on a straight-line basis over the expected life of those assets under “Other gains”.

Subsidies related to the Group's research and development projects are recognized in profit or loss in proportion to the amortization of these intangible assets or when the asset is disposed of, impaired or derecognized. Subsidies tied to specific expenses are recognized in profit or loss in the year in which the related expenses are incurred.

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.

2.18 Trade and other accounts payable

Trade accounts payable are obligations to pay for goods or services acquired from suppliers in the ordinary course of business. Accounts payable are classified as current liabilities if the payments fall due in one year or less.

2.19 Interest-bearing debt

Interest-bearing debt is recognized initially at fair value, net of the transaction costs incurred. Subsequently, debt is measured at amortized cost based on the effective interest rate method. The difference between the funds obtained (net of the necessary costs to obtain them) and the reimbursement value is recognized in profit or loss over the debt term based on the effective interest rate method.

Interest-bearing debt is classified under current liabilities unless the Group has an unconditional right to defer the liability settlement for at least twelve months from the balance sheet date.

When a loan is renegotiated, a decision is made whether or not to derecognize it as a financial liability depending on whether the initial loan varies and whether the present value of the cash flows, including net fees, using the effective interest rate of the original contract, differs by more than 10% with respect to the present value of the cash flows payable prior to renegotiation.

2.20 Current and deferred taxes

The income tax expense includes both current and deferred taxes. The tax is recognized in profit or loss except to the extent that it refers to items recognized directly in equity. In that case, the tax is also recognized directly in equity.

The current tax expense is calculated on the basis of tax law enacted or substantively enacted on the balance sheet date. Management regularly evaluates positions adopted in connection with tax returns regarding situations where the tax regulations are open to interpretation, and recognizes any necessary provisions on the basis of the amounts expected to be paid to the tax authorities.

Deferred taxes are measured on the basis of the temporary differences arising between the tax base of the assets and liabilities and their carrying amounts in these consolidated financial statements. 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 taxable gain or loss at the transaction date are not recognized.

The deferred tax is determined by applying the tax rates and laws enacted or substantively enacted on the balance sheet date and which will be applicable when the corresponding deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized when it is probable that there will be future taxable income to offset the temporary differences.

Deferred tax assets are recognized for tax-deductible temporary differences arising from investments in subsidiaries, associates and joint agreements only to the extent that the temporary difference is likely to be reversed in the future and sufficient taxable profit is expected to be obtained against which to offset the temporary difference.

Deferred tax assets and liabilities are offset if and only if there is a legally acknowledged right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities arise from the tax on income levied by the same tax authority on the same undertaking or taxable subject, or on different undertakings or taxable subjects that settle current tax assets and liabilities for their net amount.

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 as a tax revenue at the time that it is considered to be assured, which normally coincides with the date on which there is certainty that it will be collected.

2.21 Employee benefits

2.21.1 Share-based payments

The Group has share-based equity-settled employee incentive plans which vest after employees have worked at the Group for a specific period.

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 as a personnel expense over the vesting period, while simultaneously recognizing a reserve for the incentive plans, for the same amount, under equity. The Group regularly reviews its assumptions and adjusts any deviation arising from employee rotation.

2.21.2 Termination indemnities

Termination indemnities are paid to employees as a result of the Group's decision to terminate the employment contract before the normal retirement age or when the employee agrees to resign voluntarily in exchange for those benefits. The Group recognizes these benefits on the following date, whichever is earlier: (a) when the Group can no longer withdraw the offer of such indemnities, or (b) when the undertaking recognizes the costs of a restructuring in the scope of IAS 37 and it entails the payment of termination indemnities. When an offer to encourage voluntary termination by employees is made, termination indemnities are measured on the basis of the number of employees expected to accept the offer. Benefits that are not to be paid in the twelve months following the balance sheet date are discounted to their present value.

2.22 Provisions

Provisions for environmental restoration and for restructuring and litigation costs are recognized when:

- the Group has a present obligation, legal or implicit, as a result of past events;
- a cash outflow is likely to be needed 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.

Where there are a number of similar obligations, the probability of the need for a cash outflow to settle them is determined considering the obligations as a whole. A provision is recognized even if the probability of an outflow in connection with any item in the same class of obligations is low.

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. An increase in the provision due to the passage of time is recognized as an interest expense.

2.23 Revenue from contracts with customers

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 Group'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 Group'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.

2.23.1 Product sales

In this case, revenues are recognized at the time that control of the asset is transferred to the customer, generally when the goods are delivered to the final customer; this transfer of control does not differ from the transfer of the material risks and benefits inherent in the ownership of the goods.

Receivables from official authorities as a result of sales of products are generally recognized for the amount receivable, which does not differ significantly from fair value. Balances with official authorities are monitored for late payment analysis purposes and late payment interest is claimed when the standard terms are not met (Note 13).

2.23.2 Sale of medical supplies for clinical diagnosis

The following performance obligations are identified in contracts of this type: supply of test results, and equipment maintenance (technical assistance). These revenues are recognized when the goods are delivered to the end customer, since that is when control of the goods is transferred to the

customer. Revenue for equipment maintenance is recognized generally at a moment in time, since these are agreed regular reviews performed on specific dates rather than a continuous service.

For massive sequencing contracts and the production of reports on the conclusions of this analysis, the first service is deemed to modify the second, since they are correlated, and these services are treated as a single performance obligation, namely the presentation of results and conclusions in a single analysis report. Revenue from these services will continue to be recognized over time, as they do not create an asset with an alternative use for the Group and the Group is entitled to an advance payment for the service provided plus a margin in accordance with the contract.

2.23.3 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 Group 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 Group and/or are given access to products under development (generally through development agreements). 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 revenue must be matched with the Group's performance obligations.

The Company takes account of the following considerations 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).

As indicated in the first paragraph, licensing and/or development agreements tend to be complex and include multiple components in two distinct phases: development and marketing. In connection with the compound development phase, they include:

- Upfront payments collected by Pharma Mar, which are generally non-refundable.
- Milestone payments, triggered when the compound to which the agreement refers attains development milestones, generally of a regulatory or commercial nature, such as accumulated sales volumes.

In the marketing phase, they include:

- Royalty payments,
- Revenues from the supply of products (raw materials).

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
- control of the asset is 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, as the obligations set out in the contract are met.

Additionally, any consideration linked to fulfillment of certain technical or regulatory 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 Group does not recognize revenues in excess of the amount to which it is entitled.
Payments 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 contracts are based on market manufacturing margins.

2.23.4 Royalty revenues

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

2.23.5 Variable consideration

Some contracts with customers provide the right to returns, trade discounts and volume discounts. The Group currently recognizes revenues from the sale of assets at the fair value of the consideration received or receivable. Returns are deducted from revenues.

In addition to the aforementioned variable consideration, amounts are also received for achieving milestones, which are recognized using the "most likely" method.

2.23.6 Financial component of customer advances

The Group receives long-term advances from its customers under license contracts.

Based on the nature of the services offered and the terms of collection, the Group has determined that, in the case of license contracts that require customers to pay advances that in some cases may be long-term, the terms of collection were structured mainly for reasons other than the obtainment of finance for the Group since the financial structure of the Group is stable. These advance receipts are common practice in the biopharmaceutical industry.

2.23.7 Services

Revenue from the provision of services is recognized in the accounting period in which the service is delivered, by reference to the degree of completion of the specific transaction, and measured on the basis of the current service expressed as a percentage of the total services to be provided.

This item includes equipment rental, training and maintenance revenues in the Diagnostics segment, as detailed in Note 2.23.2.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk

The Group's activities are subject to a number of financial risks: market risk (including exchange rate risk, interest rate risk, fair value risk and price risk), credit risk, and liquidity risk. The Group's overall risk management program focuses on the uncertainty of the financial markets and tries to minimize

the potential adverse effects on the Group's returns. The Group occasionally uses financial derivatives to hedge certain risk exposures.

Pharma Mar's Finance Department is responsible for risk management in accordance with the Board of Directors' guidelines. That Department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board establishes guidelines for overall risk management and for specific areas such as exchange rate risk, interest rate risk, liquidity risk, the use of derivatives and non-derivatives, and investment of surplus liquidity.

3.2 Market risk

3.2.1 Exchange rate risk

Exchange rate risk arises from future commercial transactions, recognized assets and liabilities, and net investments in foreign operations.

The Oncology segment engages in material transactions in foreign currencies.

Mainly, they relate to licensing and development agreements in US dollars amounting to €93,508 thousand in 2022 and €102,646 thousand in 2021. Group management did not consider it necessary to establish a hedging policy in 2022 and 2021.

The Group has several investments in companies in other countries whose net assets are exposed to exchange rate risk; however, the amounts are non-material in the context of the Group's operations.

If, as of 31 December 2022, 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 €2,987 thousand (€3,521 thousand in 2021), 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 2022, 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 €3,136 thousand (€3,698 thousand in 2021).

3.2.2 Interest rate risk on cash flows and fair values

The Group's interest rate risk arises from remunerated financial assets recognized at amortized cost and from borrowings at floating rates.

Remunerated financial assets consist basically of government bonds, bank commercial paper and time deposits remunerated at fixed interest rates.

With respect to financial liabilities, as of 31 December 2022, interest rate risk was basically due to the Group’s bank debt, of which approximately 29.9% (45.3% as of 31 December 2021) was at floating rates indexed to Euribor. As of 31 December 2022, bank debt amounted to €9,160 thousand (€12,399 thousand as of 31 December 2021).

The Group 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 Group 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 assets and liabilities.

If, as of 31 December 2022, the interest rates on the interest-bearing debt and assets remunerated at variable interest rates had been 100 basis points higher while all other variables remained constant, income after tax would have been higher by €795 thousand (€696 thousand in 2021).

3.2.3 *Price risk*

The Group is exposed to price risk on equity instruments classified as financial assets at fair value through other comprehensive income, and on the price of listed mutual fund units at fair value through profit or loss.

The investments in equity instruments classified as financial assets at fair value through other comprehensive income are shares of foreign biopharmaceutical companies. Nevertheless, the Group's volume of investment in this type of asset is not material in the context of the Group's operations (Note 12.1).

The Group's policy with regard to those financial assets is to place cash in low-risk financial assets in order to ensure the availability of funds as they are needed for research and development operations in the Oncology segment.

3.3 Credit risk

Credit risk arises on cash and cash equivalents, contractual cash flows from investments in debt recognized at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss, in-the-money derivative financial instruments and deposits with banks and financial institutions, as well as on exposure to credit to customers, including accounts receivable.

3.3.1 Risk management

The banks and financial institutions with which the Group works generally have independent ratings.

Where customers are independently rated, that rating is used. Otherwise, the Group assesses the risk on the basis of 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.

The Group applies the following policies when investing in mutual funds:

- Fixed-income funds that invest in sovereign or private-sector debt (bonds, bills, commercial paper), generally secured, which pay periodic coupons.

- Money market funds comprising fixed-income securities, where security is given priority in exchange for a slightly lower yield than other investments.

The credit quality of the financial assets and of customers with which the Group had balances as of 31 December 2022 and 2021 is set out in Note 11. The composition of the Group's financial assets is set out in Notes 12 and 13.

Regarding credit risk concentration, as of 31 December 2022, the Group had government bonds and bank products and balances at eight credit institutions amounting to €218,000 thousand (€196,011 thousand at eight institutions in 2021).

3.3.2 Impairment losses on financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- Trade accounts receivable for the sale of products.

- Financial assets at amortized cost.

3.3.2.1 Trade receivables for the sale of products

The Group applies the simplified approach allowed by IFRS 9 for measuring expected credit losses, under which an impairment is recognized for the losses expected over the lifetime of the trade accounts receivable.

To measure expected credit losses, trade accounts receivable are grouped on the basis of the characteristics of shared credit risk and days past due.

To calculate the expected loss on trade accounts receivable, the weighted average maturity of these accounts was calculated together with their nominal amount.

Then, the average rating of the pharmaceutical sector was taken from the latest issue of the S&P Industry Trends Health Care report.

Then, the CDS curve for pharmaceutical companies for the rating in question was obtained from Bloomberg and converted into probability of default (PD), applying this probability to the nominal weighted average maturity calculated to obtain the expected loss.

Trade accounts receivable are derecognized when there is no reasonable prospect of recovery. Indicators that there is no reasonable prospect of recovery include failure by the debtor to commit to a payment plan with the Group, and failure to make the contractual payments.

With regard to credit risk with public authorities, management analyzes the credit quality and recoverability of outstanding balances and generally claims default interest when the average collection period exceeds 365 days (Note 13).

3.3.2.2 Current financial assets at amortized cost

All of the undertaking's investments in debt at amortized cost are considered to have a low credit risk and, therefore, impairment recognized during the year was confined to losses expected in 12 months. Management considers that "low risk" for listed bonds is an investment grade credit rating from at least one major credit rating agency. Other instruments are considered to be of low credit risk when they have a low default risk and the issuer has considerable capacity to honor its contractual cash flow obligations in the short term.

3.4 Liquidity risk

Prudent liquidity risk management entails having sufficient cash and marketable securities, financing via sufficient credit facilities, and the capacity to settle positions in the market. The goal of the Group's treasury department is to maintain flexibility in funding by having credit lines and sufficient funds in financial assets to cover obligations, particularly those of the Oncology segment.

The net cash position, defined as cash and cash equivalents and current financial assets (€182,420 thousand in 2022, €201,880 thousand in 2021) less short-term borrowings (€13,125 thousand in 2022, €12,212 thousand in 2021), was positive in the amount of €169,295 thousand at the end of 2022 (positive in the amount of €189,668 thousand in 2021).

Long-term interest-bearing debt amounted to €25,883 thousand (€33,386 thousand in 2021), of which €8,943 thousand (€12,063 thousand in 2021) was in the form of research and development loans from official bodies which are repayable over 10 years, with a three-year grace period, at zero or below-market interest rates.

The Group generated operating cash flow amounting to €38,321 thousand in 2022, while it generated positive cash flow amounting to €25,677 thousand in 2021.

The following should be noted in connection with the Group's liquidity position as of 2022 year-end:

- The Group ended 2022 with cash and cash equivalents plus current financial assets amounting to €184,420 thousand.
- The Group had non-current financial assets amounting to €49,398 thousand as of 31 December 2022.
- The Group had unused credit lines in the amount of €11,944 thousand as of 31 December 2022.
- Working capital is positive in the amount of €177,863 thousand.

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The Group regularly monitors liquidity projections on the basis of expected cash flows, particularly in this segment, 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 2023 will be higher than in 2022 and that the other operating expenses will not increase significantly.

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

The table below shows an analysis of the Group's financial liabilities grouped by maturity based on the period remaining between the balance sheet date and the contractual maturity date, including the corresponding interest. The amounts in the table are the contractual cash flows, which have not been discounted. Since those amounts have not been discounted, and they include future interest, they are not comparable with the amount of borrowings, derivatives and supplier and other accounts payable recognized in the balance sheet.

Financial liabilities, by maturity, as of 31/12/22 (thousand euro)	**2023**	**2024-2025**	**2026-2028**	**2029 and thereafter**	**Total**
Bank debt and other interest-bearing debt	2,441	4,656	19,203	-	**26,300**
Debt to official authorities	3,923	5,308	4,081	883	**14,195**
Finance lease liabilities	1,669	1,779	326	-	**3,774**
Suppliers	27,492	-	-	-	**27,492**
Other accounts payable	2,467	-	-	-	**2,467**
Total liabilities	**37,992**	**11,743**	**23,610**	**883**	**74,228**

Financial liabilities, by maturity, as of 31/12/21 (thousand euro)	**2022**	**2023-2024**	**2025-2027**	**2028 and thereafter**	**Total**
Bank debt and other interest-bearing debt	4,963	4,884	21,415	-	**31,262**
Debt to official authorities	4,585	6,748	5,316	1,390	**18,039**
Finance lease liabilities	1,928	1,661	372	-	**3,961**
Suppliers	26,928	-	-	-	**26,928**
Other accounts payable	2,341	-	-	-	**2,341**
Total liabilities	**40,745**	**13,293**	**27,103**	**1,390**	**82,531**

3.4.1 Capital management

To date, the Group's objectives with regard to capital have been to safeguard its capacity to continue as a going concern and to raise sufficient liquid funds to finance operations, basically in the Oncology segment, having regard to the projected timelines for product launches in the market, research and development cash needs, and the costs of the various sources of funding.

The Group monitors its capital on the basis of the leverage ratio. This is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings, as shown in the consolidated balance sheet) less cash and cash equivalents and financial assets. Capital is calculated as equity, per the consolidated financial statements, plus net debt.

Total capital and leverage (thousand euro)	31/12/2022	31/12/2021
Long-term interest-bearing debt	(25,883)	(33,386)
Short-term interest-bearing debt	(13,125)	(12,212)
Cash and cash equivalents	149,813	113,348
Non-current and current financial assets	82,005	99,254
Equity	(222,957)	(177,918)
Total capital	**(30,147)**	**(10,914)**
Leverage	**0.00%**	**0.00%**

In 2021, Group cash and financial assets (current and non-current) led to a cash position of €231,818 thousand, which exceeded the amount of debt plus equity, with the result that there was zero leverage in 2022, as was also the case in 2021.

3.4.2 Fair value estimates

Financial instruments are classified as follows on the basis of the valuation method:

- Level 1. Quoted prices in active markets for identical assets or liabilities.
- Level 2. Observable inputs for the instrument, either direct (prices) or indirect (price-based).
- Level 3. Inputs not based on observable market data.

The table below presents the Group's assets at fair value as of 31 December 2022:

Fair value estimates 2022 (thousand euro)	Level 1	Level 3	Total
Financial assets at fair value through profit or loss			
Term financial assets (Note 10)	3,606	-	**3,606**
Financial assets at fair value through other comprehensive income			
- Equity securities, net (Note 12)	33	302	**335**
Total assets	**3,639**	**302**	**3,941**

The table below presents the Group's assets at fair value as of 31 December 2021:

Fair value estimates 2021 (thousand euro)	Level 1	Level 3	Total
Financial assets at fair value through other comprehensive income			
- Equity securities, net (Note 12)	33	302	**335**
Total assets	**33**	**302**	**335**

The Group has no liabilities at fair value in 2022 and 2021.

The fair value of financial instruments that are traded in an active market is based on the market price on the balance sheet date. A financial instrument is considered to be traded in an active market if listed prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual market transactions occurring regularly on an arm's-length basis. The listed market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (e.g. over-the-counter derivatives) is determined by using measurement techniques. Measurement techniques make the maximum use of observable market data and are based as little as possible on specific estimates by the undertakings. If all material data items required to measure an instrument's fair value are observable, the instrument is classified as Level 2.

If one or more of the significant items of data is not based on observable market data, the instrument is classified as Level 3.

An instrument is classified on the basis of the lowest level of input that is significant to the measurement of fair value in its entirety.

The fair value of unlisted fixed-income debt securities is the price at which the internal rate of return matches the market yields in the government bond market at any given time.

4. ACCOUNTING ESTIMATES AND JUDGMENTS

Assumptions and estimates are reviewed periodically and are based on past experience and other factors, including future expectations or future events that are considered to be reasonable in certain circumstances. The outcome of those events may differ from the initial projections.

Recognition of revenue under licensing and/or co-development agreements (Note 2.23.3)

The Oncology segment of the Group enters into licensing and/or co-development agreements with third parties. Those agreements generally include multiple components and the associated revenue must be matched with the costs and performance obligations to be borne by the Group.

The Group takes a number of factors into account when analyzing licensing, development and marketing contracts, which are described in Note 2.23.3.

Deferred tax assets (Note 2.20)

The Spanish undertakings in the Group have significant unused tax losses and tax credits as well as other deductible temporary differences (Note 23).

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.

The Group assesses the recoverability of the related deferred tax assets on the basis of estimates of future taxable income. The recoverability of deferred tax assets depends ultimately on the Group'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:

- Projections through 2032 are included for Pharma Mar, and through 2027 for Sylentis.

- The information for preparing the tax plan is the budget presented to the Board of Directors, which includes projections through 2027, extended to 2032 in the case of Pharma Mar, using the Group's best estimates of future earnings based on past experience, and the assumptions made in the first five years of estimation.

- The main variables used in projections for the Oncology segment are as follows:

a) probability assigned to developments in progress (expected revenues from each product under development are assigned probabilities of occurrence based on the current stage of research),

b) estimated sale price, and

c) penetration rate based on the number of patients likely to be treated with the product under development.

- The main assumptions in the tax plan are as follows:

a) No revenues are assumed from products under development that have not yet reached Phase III.

b) Revenue growth in the oncology segment is assumed to average 10.23 %. That growth is due mainly to the good prospects for sales by our partner in the US market of lurbinectedin, a product currently under development.

c) Average 6.33% sustained growth in operating expenses in the Oncology segment.

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 research, the estimated price of the medicine, and the prevalence of the various potential indications in the population:

- A 1% increase in the probability assigned to revenues from Phase III research would result in the recognition of an additional €586 thousand.

- A 5% reduction in the estimated price for the main research compound (Lurbinectedin) would result in the derecognition of €1,443 thousand.

- A 1-year delay in sales of the main compound under development, Lurbinectedin, would result in derecognition of €4,439 thousand.

- A 10% loss of market share for the main compound under development, Lurbinectedin, would result in derecognition of €2,396 thousand.

- A 10% reduction in US market share for our compound, Lurbinectedin, would result in derecognition of assets in the amount of €1,042 thousand.

Note 23.1 details the assets recognized by the Group as of 31 December 2022 and 2021 and the assets not recognized by application of this approach.

5. SEGMENT REPORTING

The Board of Directors is the highest decision-making body in operating matters. Management has determined the segments based on the information submitted to the Board of Directors for the purpose of assigning resources and assessing performance.

In identifying the segments, management takes into account the Group's products, and the services it provides, as well as quantitative factors.

The Board of Directors evaluates the performance of the segments by monitoring revenue, gross margin, cost of sales, R&D expenses, marketing and distribution expenses, and EBITDA. These magnitudes are also used as indicators for determining which operating segments have similar economic characteristics:

- Revenue from each segment is the revenue metric used for reporting to the Board of Directors.

- EBITDA from each segment (calculated as detailed in the segment disclosures below) is the profit metric used for reporting to the Board of Directors. This is an indicator of the Company's direct activity because it eliminates the tax effect. In the case of the Pharma Mar group, the tax item often has a positive sign and varies considerably between years, which distorts the comparability of net profit. Moreover, the financial burden that this indicator eliminates is not the Group's most significant expense and it is quite stable between years. EBITDA is the indicator that best reflects the Company's activity.

- Corporate costs are not allocated to individual segments and are presented as "unallocated". They basically consist of expenses associated with the central corporate services that should not distort the operating business segments, including personnel expenses, rent, consulting fees, expenses related to being listed on the stock market, etc.

- Total assets and liabilities are broken down in the same way in which the operating segments provide this information to the Board of Directors on a regular basis.

- Transactions between segments were not material in 2022 and 2021.

Consequently, the following three segments were identified in 2022:

1. Oncology This segment encompasses the Group undertakings whose object is to research, develop and market anti-tumor drugs: Pharma Mar, S.A., Pharma Mar USA, PharmaMar AG, Pharma Mar SARL, Pharma Mar GmbH, Pharma Mar Ltd (liquidated in May 2021), Pharma Mar, Srl (Italy), Pharma Mar Srl, (Belgium), and Pharma Mar Ges.m.b.H.

2. Diagnostics. This segment encompasses the development and marketing of diagnostic kits: Genómica, S.A.U. en liquidación and its subsidiaries: Genómica AB, y Genómica Trading Co. Ltd.

3. RNAi. This segment encompasses the development of drugs with therapeutic activity based on reducing or silencing gene expression (Sylentis, S.A.U.).

Income statement information by segment for the year ended 31 December 2022 is as follows:

Segment income 2022 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**Unallocated**	**Group**
Revenues	191,181	5,131	31	-	**196,343**
Cost of goods sold	(10,457)	(3,182)	-	-	**(13,639)**
Other operating revenues / Other net gains	814	2,086	337	-	**3,237**
R&D expenses	(68,099)	(2,318)	(13,032)	-	**(83,449)**
Other expenses	(38,134)	(7,508)	(654)	(12,125)	**(58,421)**
Net operating income	**75,305**	**(5,791)**	**(13,318)**	**(12,125)**	**44,071**
Net financial income	**191**	**(229)**	**(243)**	**-**	**(281)**
Income before taxes	**75,496**	**(6,020)**	**(13,561)**	**(12,125)**	**43,790**
Corporate income tax (expense)/revenue	2,566	1,651	1,349	-	**5,566**
Profit or loss for the year	**78,062**	**(4,369)**	**(12,212)**	**(12,125)**	**49,356**
Equity-holders of the controlling company	**78,062**	**(4,369)**	**(12,212)**		
Income for the year (1)	78,062	(4,369)	(12,212)		
Corporate income tax (expense)/revenue (2)	(2,566)	(1,651)	(1,349)		
Financial income (3)	(191)	229	243		
Depreciation and amortization (4)	4,664	804	432		

Fixed asset impairment losses (5)	(61)	1,543	-
Impairment and changes in trade provisions (6)	(21)	(11)	-
EBITDA (1)+(2)+(3)+(4)+(5)+(6)	**79,887**	**(3,455)**	**(12,886)**

Assets and liabilities by segment as of 31 December 2022 are presented as supplementary information:

Segment assets and liabilities 2022 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**Group**
Non-current assets	115,679	527	1,870	**118,076**
Current assets	270,062	4,264	857	**275,183**
Non-current liabilities	71,298	-	1,684	**72,982**
Current liabilities	88,701	6,711	1,908	**97,320**
Investment in fixed assets	8,164	349	357	**8,870**

Income statement information by segment for the year ended 31 December 2021 is as follows:

Segment income 2021 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**Unallocated**	**Group**
Revenues	224,670	5,158	3	-	**229,831**
Cost of goods sold	(13,535)	(2,902)	-	-	**(16,437)**
Other operating revenues / Other net gains	1,005	240	645	-	**1,890**
R&D expenses	(61,054)	(1,632)	(9,484)	-	**(72,170)**
Other expenses	(34,470)	(4,673)	(646)	(10,878)	**(50,667)**
Net operating income	**116,616**	**(3,809)**	**(9,482)**	**(10,878)**	**92,447**
Net financial income	**3,844**	**(182)**	**(980)**	**-**	**2,682**
Income before taxes	**120,460**	**(3,991)**	**(10,462)**	**(10,878)**	**95,129**
Corporate income tax (expense)/revenue	(4,153)	751	1,132	-	**(2,270)**
Profit or loss for the year	**116,307**	**(3,240)**	**(9,330)**	**(10,878)**	**92,859**
Equity-holders of the controlling company	**116,307**	**(3,240)**	**(9,330)**		
Income for the year (1)	116,307	(3,240)	(9,330)		
Corporate income tax (expense)/revenue (2)	4,153	(751)	(1,132)		
Financial income (3)	(3,844)	182	980		
Depreciation and amortization (4)	4,201	1,100	282		
Fixed asset impairment losses (5)	(183)	-	-		
Impairment and changes in trade provisions (6)	(85)	(9)	-		
EBITDA (1)+(2)+(3)+(4)+(5)+(6)	**120,549**	**(2,718)**	**(9,200)**		

Assets and liabilities by segment as of 31 December 2021 are presented as supplementary information:

Segment assets and liabilities 2021 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**Group**
Non-current assets	68,262	2,867	2,026	**73,155**
Current assets	287,761	6,477	993	**295,231**

Non-current liabilities	97,497	4,754	1,871	**104,122**
Current liabilities	82,221	2,373	1,752	**86,346**
Investment in fixed assets	6,690	594	690	**7,974**

In 2022 and 2021, there were no material transactions between reporting segments, and no goodwill impairment losses were recognized.

The following tables show the Group's property, plant and equipment, investment property and intangible assets, which are part of its non-current assets, by geographical area:

Non-current assets (thousand euro)	**31/12/2022**	**31/12/2021**
Spain	34,470	30,874
Rest of EU	127	165
	34,597	**31,039**

Most of the Group's sales are made in Spain and other European Union countries. The euro area accounted for 86.5% of total ordinary revenues in 2022 (94.0% in 2021).

Almost all the investment in property, plant and equipment, intangible assets and investment property in 2022 and 2021 was concentrated in Spain.

The following tables show the breakdown of the Group's revenues from contracts with customers based on the type of goods or services provided to customers, the geographical area and the time of transfer of goods and services, classified by reporting segment, in 2022.

Revenues by segment in 2022 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**Total**
Product sales	133,519	4,989	-	138,508
Returns, discounts	(32,761)	(11)	-	(32,772)
Licensing and development agreements	40,169	-	-	40,169
Royalties	50,254	-	-	50,254
Other revenues	-	153	31	184
Total revenues from contracts with customers	**191,181**	**5,131**	**31**	**196,343**
Geographies				
Spain	12,281	4,331	31	16,643
Italy	15,165	5	-	15,170
Germany	14,982	-	-	14,982
Ireland	86,788	-	-	86,788
France	17,389	-	-	17,389
Rest of EU	18,440	481	-	18,921
USA	13,365		-	13,365
Other	12,771	314	-	13,085
Total revenues from contracts with customers	**191,181**	**5,131**	**31**	**196,343**
Point of recognition of revenues				
At a point in time	161,399	4,978	31	166,408
Over a period of time	29,782	153	-	29,935

Total revenues from contracts with customers	**191,181**	**5,131**	**31**	**196,343**

Revenues in Ireland correspond to the product sales, milestones and royalties received from Jazz Pharmaceuticals invoiced through the Irish company in dollars.

Revenues by geography in 2022 (thousand euro)	**Spain**	**Italy**	**Germany**	**Ireland**	**France**	**Rest of EU**	**USA**	**Other**	**Total**
Product sales	19,799	23,638	17,829	10,360	23,594	26,292	590	16,406	138,508
Returns, discounts	(3,340)	(8,468)	(2,847)	-	(6,205)	(7,371)	-	(4,541)	(32,772)
Licensing and development agreements	-	-	-	29,547	-	-	10,087	535	40,169
Royalties	-	-	-	46,881	-	-	2,688	685	50,254
Other revenues	184	-	-	-	-	-	-	-	184
Total revenues from contracts with customers	**16,643**	**15,170**	**14,982**	**86,788**	**17,389**	**18,921**	**13,365**	**13,085**	**196,343**

The following tables show the breakdown of the Group's revenues from contracts with customers based on the type of goods or services provided to customers, the geographical area and the time of transfer of goods and services, classified by reporting segment, in 2021.

Revenues by segment in 2021 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**Total**
Product sales	143,764	4,965	-	148,729
Returns, discounts	(24,908)	-	-	(24,908)
Licensing and development agreements	64,787	-	-	64,787
Royalties	40,996	-	-	40,996
Other revenues	31	193	3	227
Total revenues from contracts with customers	**224,670**	**5,158**	**3**	**229,831**
Geographies				
Spain	13,247	4,101	3	17,351
Italy	17,111	36	-	17,147
Germany	18,214	-	-	18,214
Ireland	110,003	-	-	110,003
Rest of EU	52,635	689	-	53,324
USA	2,314	-	-	2,314
Other	11,146	332	-	11,478
Total revenues from contracts with customers	**224,670**	**5,158**	**3**	**229,831**
Point of recognition of revenues				
At a point in time	181,956	4,965	3	186,924
Over a period of time	42,714	193	-	42,907
Total revenues from contracts with customers	**224,670**	**5,158**	**3**	**229,831**

Revenues by geography in 2021 (thousand euro)	**Spain**	**Italy**	**Germany**	**Ireland**	**Rest of EU**	**USA**	**Other**	**Total**
Product sales	19,258	22,300	19,863	11,095	65,401	-	10,812	148,729

Returns, discounts	(2,123)	(5,153)	(1,649)	-	(12,582)	-	(3,401)	(24,908)
Licensing and development agreements	-	-	-	60,954	500	-	3,333	64,787
Royalties	-	-	-	37,954	-	2,314	728	40,996
Other revenues	216	-	-	-	5	-	6	227
Total revenues from contracts with customers	**17,351**	**17,147**	**18,214**	**110,003**	**53,324**	**2,314**	**11,478**	**229,831**

6. PROPERTY, PLANT AND EQUIPMENT

The breakdown of, and changes in, this caption in 2022 and 2021 are as follows:

Property, plant and equipment (thousand euro)	**31/12/2021**	**Recognitions**	**Derecognitions**	**Reclassifications and transfers**	**Exchange rate effect**	**31/12/2022**
Land and structures	22,590	4,450	-	2,003	-	29,043
Technical installations and machinery	24,324	1,918	(404)	2,045	(10)	27,873
Other installations, tools and furniture	20,711	6	-	102	-	20,819
Advances & construction in progress	3,709	1,929	-	(4,150)	-	1,488
Other property, plant & equipment	2,720	35	(117)	-	-	2,638
Provisions	(1,392)	(1,372)	60	-	-	(2,704)
Cost	**72,662**	**6,966**	**(461)**	**-**	**(10)**	**79,157**
Structures	(9,414)	(588)	-	-	-	(10,002)
Technical installations and machinery	(17,022)	(1,179)	384	(173)	9	(17,981)
Other installations, tools and furniture	(17,407)	(809)	3	173	-	(18,040)
Other property, plant & equipment	(1,858)	(230)	117	-	-	(1,971)
Accumulated depreciation	**(45,701)**	**(2,806)**	**504**	**-**	**9**	**(47,994)**
PROPERTY, PLANT AND EQUIPMENT	**26,961**	**4,160**	**43**	**-**	**(1)**	**31,163**

Property, plant and equipment (thousand euro)	**31/12/2020**	**Recognitions**	**Derecognitions**	**Reclassifications and transfers**	**Exchange rate effect**	**31/12/2021**
Land and structures	21,990	-	-	600	-	22,590
Technical installations and machinery	21,505	1,879	(342)	1,285	(3)	24,324
Other installations, tools and furniture	20,416	24	-	271	-	20,711

Advances & construction in progress	754	5,213	(131)	(2,127)	-	3,709
Other property, plant & equipment	2,909	397	(586)	-	-	2,720
Provisions	(1,575)	-	183	-	-	(1,392)
Cost	**65,999**	**7,513**	**(876)**	**29**	**(3)**	**72,662**
Structures	(8,896)	(518)	-	-	-	(9,414)
Technical installations and machinery	(16,251)	(1,156)	335	49	1	(17,022)
Other installations, tools and furniture	(16,774)	(568)	13	(78)	-	(17,407)
Other property, plant & equipment	(2,131)	(297)	570	-	-	(1,858)
Accumulated depreciation	**(44,052)**	**(2,539)**	**918**	**(29)**	**1**	**(45,701)**
PROPERTY, PLANT AND EQUIPMENT	**21,947**	**4,974**	**42**	**-**	**(2)**	**26,961**

Recognition of land and structures in 2022 relates to a 7,000 square meter industrial building on a 10,580 square meter plot at Calle Progreso 3, Getafe (Madrid). That building is recognized at €4,450 thousand, of which €1,662 thousand relates to "Land" and €2,788 thousand to "Structures". This building was acquired for conversion into an oligonucleotide production plant within the RNAi segment.

The other main additions to fixed assets in 2022 and 2021 relate mainly to the 1,093 square meter expansion and outfitting of offices at Pharma Mar's facilities, the warehouse expansion, and replacement of certain laboratory equipment.

Since the Group chose to prepare the income statement by function, the depreciation charge for property, plant and equipment is distributed as follows:

Depreciation of Property, plant and equipment (thousand euro)	**31/12/2022**	**31/12/2021**
Cost of goods sold	151	196
Marketing expenses	291	413
Administrative expenses	1,287	1,074
Research & development expenses	1,077	856
Depreciation	**2,806**	**2,539**

As of 31 December 2022 and 2021, the Company did not have any property, plant and equipment under finance lease.

As of 31 December 2022 and 2021, none of the Group's property, plant and equipment was encumbered.

7. INVESTMENT PROPERTY

As of 31 December 2022, this heading contains a plot of land valued at €845 thousand which the Group owns in Tres Cantos, for which it signed a 25-year lease with a third party in 2016 (non-cancelable in the first ten years).

Receipts for non-cancelable operating leases on investment property that are not recognized in the financial statements are as follows:

Receipts for non-cancelable operating leases on investment property (thousand euro)	31/12/2022	31/12/2021
Up to 1 year	69	63
1-5 years	138	251
	207	**314**

8. INTANGIBLE ASSETS

The breakdown of, and changes in, this caption in 2022 and 2021 as follows:

Intangible assets (thousand euro)	31/12/2021	Recognitions	Derecognitions	31/12/2022
Development expenses	26,373	-	-	26,373
Concessions, patents & trade marks	1,047	-	-	1,047
Computer software	5,145	532	(834)	4,843
Provisions	-	(170)	-	(170)
Cost	**32,565**	**362**	**(834)**	**32,093**
Development expenses	(24,268)	(702)	-	(24,970)
Concessions, patents & trade marks	(833)	-	-	(833)
Computer software	(4,231)	(304)	834	(3,701)
Accumulated amortization	**(29,332)**	**(1,006)**	**834**	**(29,504)**
INTANGIBLE ASSETS	**3,233**	**(644)**	**-**	**2,589**

Intangible assets (thousand euro)	31/12/20	Recognitions	Derecognitions	Reclassifications and transfers	31/12/2021
Development expenses	26,373	-	-	-	26,373
Concessions, patents & trade marks	979	-	-	68	1,047
Computer software	5,056	461	(334)	(38)	5,145
Advances on intangible assets	68	-	-	(68)	-
Cost	**32,476**	**461**	**(334)**	**(38)**	**32,565**
Development expenses	(23,566)	(702)	-	-	(24,268)
Concessions, patents & trade marks	(833)	-	-	-	(833)
Computer software	(4,217)	(325)	311	-	(4,231)
Accumulated amortization	**(28,616)**	**(1,027)**	**311**	**-**	**(29,332)**
INTANGIBLE ASSETS	**3,860**	**(566)**	**(23)**	**(38)**	**3,233**

Development expenses

The Group capitalizes the amount of clinical trials performed with drugs developed in-house that fulfill the conditions described in Notes 2.9.1 and 4.

As of 31 December 2022 and 2021, the Group had capitalized the cost of preparing the dossier and documentation required to file a new drug application (NDA) with the FDA for Zepzelca® as monotherapy for treating patients with relapsed small cell lung cancer.

Computer software

Computer software is mainly licenses for office, communication and management software acquired from third parties.

Since the Group chose to prepare the income statement by function, the amortization charge for intangible assets is distributed as follows:

Amortization of intangible assets (thousand euro)	**31/12/2022**	**31/12/2021**
Administrative expenses	17	17
Research & development expenses	989	1,010
Amortization	**1,006**	**1,027**

9. RIGHT-OF-USE ASSETS

The breakdown of, and changes in, this caption in 2022 and 2021 are as follows:

Right-of-use assets, by asset type (thousand euro)	**31/12/2021**	**Additions and provisions / (reversals)**	**Derecognitions**	**Exchange rate effect**	**31/12/2022**
Offices, Premises, Warehouses	4,974	1,825	(4,084)	7	2,722
Vehicles	3,852	1,030	(1,941)	-	2,941
Laboratory equipment	427	478	(752)	-	153
Computer hardware	12	-	-	-	12
Total cost	**9,265**	**3,333**	**(6,777)**	**7**	**5,828**
Offices, Premises, Warehouses	(3,053)	(1,078)	3,400	(1)	(732)
Vehicles	(2,145)	(892)	1,528	-	(1,509)
Laboratory equipment	(414)	(115)	506	-	(23)
Computer hardware	(9)	(3)	-	-	(12)
Accumulated amortization	**(5,621)**	**(2,088)**	**5,434**	**(1)**	**(2,276)**
Total net cost	**3,644**	**1,245**	**(1,343)**	**6**	**3,552**

Right-of-use assets, by asset type (thousand euro)	**31/12/20**	**Additions and provisions / (reversals)**	**Derecognitions**	**Reclassifications**	**Exchange rate effect**	**31/12/2021**
Offices, Premises, Warehouses	3,880	1,046	(133)	172	9	4,974
Vehicles	2,734	1,161	(205)	163	(1)	3,852
Laboratory equipment	270	-	-	157	-	427
Computer hardware	12	-	-	-	-	12
Total cost	**6,896**	**2,207**	**(338)**	**492**	**8**	**9,265**
Offices, Premises, Warehouses	(1,816)	(1,120)	128	(234)	(11)	(3,053)
Vehicles	(1,349)	(822)	114	(89)	1	(2,145)

Laboratory equipment	(173)	(72)	-	(169)	-	(414)
Computer hardware	(6)	(3)	-	-	-	(9)
Accumulated amortization	**(3,344)**	**(2,017)**	**242**	**(492)**	**(10)**	**(5,621)**
Total net cost	**3,552**	**190**	**(96)**	**-**	**(2)**	**3,644**

Payments for short-term leases of machinery and equipment and all leases of low-value assets are expensed on a straight-line basis. Leases for 12 months or less are classified as short-term leases. Low-value assets include computer hardware and small items of office furniture. The Group estimated that the amount of these commitments from 2022 onwards is €1,725 thousand.

10. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies with respect to financial instruments were applied to the sections detailed below:

Financial instruments by category 31/12/22 (thousand euro)	**Loans and receivables**	**Assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Investments held to maturity**	**Total**
Assets on balance sheet	**179,396**	**3,606**	**335**	**77,809**	**261,146**
Non-current financial assets					
Equity instruments	-	3,606	-	-	3,606
Non-current financial assets at amortized cost	-	-	-	45,202	45,202
Financial assets at fair value through other comprehensive income (Note 12)	-	-	335	-	335
Accounts receivable	255	-	-	-	255
Current financial assets					
Trade receivables (Note 13)	28,972	-	-	-	28,972
Accounts receivable (Note 13)	352	-	-	-	352
Current financial assets at amortized cost	-	-	-	32,607	32,607
Cash and cash equivalents (Note 16)	149,813	-	-	-	149,813
Liabilities on balance sheet	**72,589**	**-**	**-**	**-**	**72,589**
Non-current borrowings (Note 22)	25,883	-	-	-	25,883
Non-current lease liabilities (Note 9)	2,014	-	-	-	2,014
Current borrowings (Note 22)	13,125	-	-	-	13,125
Current lease liabilities (Note 9)	1,608	-	-	-	1,608
Supplier and other accounts payable (Note 19)	29,959	-	-	-	29,959

Financial instruments by category 31/12/21 (thousand euro)	Loans and receivables	Financial assets at fair value through other comprehensive income	Investments held to maturity	Total
Assets on balance sheet	**164,637**	**335**	**98,538**	**263,510**
Non-current financial assets				
Non-current financial assets at amortized cost	-	-	10,006	10,006
Financial assets at fair value through other comprehensive income (Note 12)	-	335	-	335
Accounts receivable	381	-	-	381
Current financial assets				
Trade receivables (Note 13)	50,561	-	-	50,561
Accounts receivable (Note 13)	347	-	-	347
Current financial assets at amortized cost	-	-	88,532	88,532
Cash and cash equivalents (Note 16)	113,348	-	-	113,348
Liabilities on balance sheet	**78,602**	**-**	**-**	**78,602**
Non-current borrowings (Note 22)	33,386	-	-	33,386
Non-current lease liabilities (Note 9)	1,916	-	-	1,916
Current borrowings (Note 22)	12,212	-	-	12,212
Current lease liabilities (Note 9)	1,819	-	-	1,819
Supplier and other accounts payable (Note 19)	29,269	-	-	29,269

11. CREDIT QUALITY OF FINANCIAL ASSETS

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

Credit quality of financial assets (thousand euro)		31/12/2022	31/12/2021
Accounts receivable:			
Customers without an external credit rating			
	Group 1	706	648
	Group 2	28,621	50,255
	Group 3	1	5
Total accounts receivable		**29,328**	**50,908**

Group 1 - New customers (under 6 months)
Group 2 - Existing customers (over 6 months) with no bad debt history
Group 3 - Existing customers (over 6 months) with bad debt history

Cash at banks and bank deposits (thousand euro)	31/12/2022	31/12/2021
Moody's rating		

A+	10	-
A1	3,110	253
A2	72,040	57,829
A3	41,292	83,229
Aa2	-	352
Aa3	601	37
Ba1	1,605	1,498
Baa1	329	20,940
Baa2	20,252	13,481
Baa3	38,413	14,036
Unrated	54,166	20,947
	231,818	**212,602**

None of the unmatured financial assets was renegotiated during the year. See credit quality of accounts receivable from public authorities, in Note 13.

12. OTHER FINANCIAL ASSETS

12.1 Financial assets at fair value through other comprehensive income

All of these financial assets consist of shares in companies in the biopharmaceutical sector. Their fair value is €335 thousand (€335 thousand in 2021).

Marking these securities to market in 2022 on the basis of their official listed prices led to a positive change of €0.4 thousand (a positive change of €4.2 thousand in 2021) that was recognized in other comprehensive income.

12.2 Investments held to maturity

In 2022, other non-current financial assets at amortized cost totaling €49,398 thousand include several deposits totaling €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. In 2021, this item totaled €10,722 thousand, comprising two investments worth €5,000 thousand maturing in April and October 2022 whose principal is guaranteed at maturity, net of interest (between -0.15% and -0.05%).

Other current financial assets at amortized cost in 2021 mainly include term deposits in US dollars (USD 77 million) amounting to €67,985 thousand at various financial institutions referenced to Libor and maturing between January and April 2022, with yields ranging from 0.14% to 0.39%. They also include an investment in an undertaking amounting to €20,000 thousand maturing in June 2022 with yields of between 0.4% and 1.4%.

13. TRADE RECEIVABLES

The detail of this caption as of 31 December 2022 and 2021 is as follows:

Trade receivables (thousand euro)	**31/12/2022**	**31/12/2021**
Customer receivables for sales and services	29,322	50,944
Impairment	(350)	(383)
Net	**28,972**	**50,561**
Other receivables	352	347

Supplier advances	4	-
Total	**29,328**	**50,908**

The change in the total balance of customer receivables between years is mainly due to the collection in February 2022 of €22,323 thousand corresponding to the commercial milestone accrued in December 2021 in connection with the Zepzelca license agreement with our partner Jazz Pharmaceuticals.

There were no customer receivables discounted with credit institutions as of 31 December 2022 (€90 thousand in 2021). Those discounts were recognized as secured loans since the Group retains the default and late payment risk.

As of 31 December 2022, accounts receivable amounting to €1,948 thousand were past due (€1,006 thousand in 2021) but had not suffered impairment. The analysis of those accounts receivable by age is as follows (thousand euro):

Accounts receivable past due and not provisioned (thousand euro)	**31/12/2022**	**31/12/2021**
3-6 months	1,244	448
Over 6 months	704	558
Total	**1,948**	**1,006**

The past-due accounts that had not been impaired as of 31 December 2022 and 2021 are mainly due from public hospitals belonging to the Spanish national health system and from distributors of vials for the two therapeutic uses which have been approved for Yondelis®. The average collection period from the Spanish national health system does not exceed one year. The Group does not impair past-due receivables from public authorities and expects to recover the total amount due plus any default interest that it claims. The average collection period for public authorities outside Spain is not more than one year.

In 2022, the Group did not arrange non-recourse factoring agreements with institutions specialized in this type of transaction for debt owed by public authorities in Spain (€2,711 thousand in 2021, on which interest amounted to €15 thousand).

As of 31 December 2022 and 2021, no impairment loss had been recognized on accounts receivable.

Change in provisions (thousand euro)	**31/12/2022**	**31/12/2021**
Beginning balance	**(383)**	**(388)**
Provision	-	-
Reversal	33	5
Ending balance	**(350)**	**(383)**

The carrying amount of the Group's trade and other accounts receivable is denominated in the following currencies:

Net carrying amount of customer and other accounts receivable (thousand euro)	**31/12/2022**	**31/12/2021**
EUR	14,287	27,371
USD	14,749	22,642
Other currencies	292	895
Total	**29,328**	**50,908**

The breakdown as of 31 December 2022 and 2021 of receivables from public authorities for sales and services, by geography, is as follows:

Customer receivables from public authorities (thousand euro)	31/12/2022	31/12/2021
Spain	2,309	1,191
Austria	206	185
Belgium	212	337
France	3,279	1,215
Germany	111	390
The Netherlands	-	1
Italy	1,077	1,702
Luxembourg	5	7
Total customer receivables from public authorities	**7,199**	**5,028**

As of 31 December 2022 and 2021, the credit rating of the accounts receivable from public authorities, by geography, is as follows:

Credit rating (thousand euro)	Credit rating	31/12/2022	31/12/2021
Germany	Aaau	111	390
Andalusia	BBB+	135	171
Aragon	BBB+	222	122
Asturias	Baa1	35	39
Austria	Aa1	206	185
Balearic Islands	BBB+	90	64
Belgium	Aa3	212	337
Canary Islands	BBB+	35	36
Cantabria	BBB	84	63
Castilla la Mancha	Ba1	19	33
Castilla y León	Baa1	70	49
Catalonia	Ba3	65	44
Extremadura	Baa2	-	109
France	Aaau	3,279	1,215
Galicia	Baa1	123	40
The Netherlands	Aaau	-	1
Italy	Aa3u	1,077	1,702
Luxembourg	Aaa	5	7
Madrid	Baa1	644	93
Murcia	Ba1	187	16
Navarra	AA-	15	188
Basque Country	AA-	33	26
Valencia	Ba1u	523	98
Total		**7,199**	**5,028**

The fair value of accounts receivable does not differ materially from their respective carrying amount.

Claims of principal and default interest from public authorities

The Group considers each country and autonomous region as a separate entity, since it handles each one separately and considers it to be independent from the others.

The Group files claims before the courts in the event of delays in payment of balances with public authorities. In those cases, the Group claims principal and default interest incurred from the date the invoice fell due up to the date of actual collection.

If a court finds in favor of claims for default interest, it is recognized in profit or loss on the date it is collected.

During 2022 and 2021, no default interest was claimed due to the improvement in the periods of payment by the public sector.

14. OTHER CURRENT ASSETS

The breakdown of "Other current assets" as of 31 December 2022 and 2021 is as follows:

Other current assets (thousand euro)	31/12/2022	31/12/2021
Prepaid expenses	5,980	3,908
Balances with public authorities	29,709	27,999
Total	**35,689**	**31,907**

The detail of the balance with public authorities as of 31 December 2022 and 2021 is as follows:

Balances with public authorities (thousand euro)	31/12/2022	31/12/2021
VAT	6,600	5,439
Other	23,109	22,560
Total	**29,709**	**27,999**

The "Other" caption in 2022 includes €22,464 thousand of corporate income tax prepayments (€22,513 thousand in 2021).

15. INVENTORIES

Inventories (thousand euro)	31/12/2022	31/12/2021
Trade inventories	324	188
Raw materials and other supplies	2,033	605
Semi-finished products and products in process	25,093	9,245
Finished products	296	498
Total	**27,746**	**10,536**

The increase in inventories (products in process and semi-finished products) in 2022 occurred in the Oncology segment and is the result of the need to advance production in preparation for the launch of Zepzelca in new territories, and of an increase in demand from our partners.

The cost of inventories recognized as an expense amounted to €15,789 thousand in 2022 (€18,072 thousand in 2021).

Impairment of inventories was recognized in the Diagnostics segment in the amount of €266 thousand in 2022 (€0 thousand in 2021).

No inventories have been committed as collateral for obligations or debt.

16. CASH AND CASH EQUIVALENTS

The detail of this caption as of 31 December 2022 and 2021 is as follows:

Cash and cash equivalents (thousand euro)	31/12/2022	31/12/2021
Cash on hand and at banks	121,686	113,348
Cash equivalents	28,127	-
Total	**149,813**	**113,348**

The balance of "Cash equivalents" relates to a USD 30,000 thousand (€28,127 thousand) deposit that matures in less than 90 days.

There were no bank overdrafts at the closing date.

17. CAPITAL AND SHARE PREMIUM

As of 31 December 2022, Pharma Mar's authorized share capital amounted to €11,013 thousand (€11,013 thousand as of 31 December 2021) and was represented by 18,354,907 shares, with a par value of €0.60 per share (€0.60 per share as of 31 December 2021). All Pharma Mar shares have been fully subscribed and paid.

Thousand euro/Thousand shares	**Number of outstanding shares**	**Share capital**	**Share premium account**	**Own shares**
Balance as of 1 January 2021	**18,113**	**11,013**	**71,278**	**(21,453)**
Own shares sold	419	-	-	35,682
Own shares purchased	(529)	-	-	(40,659)
Share ownership plans	8	-	-	751
Balance as of 1 January 2022	**18,011**	**11,013**	**71,278**	**(25,679)**
Own shares sold	850	-	-	56,950
Own shares purchased	(762)	-	-	(47,708)
Share ownership plans	8	-	-	572
Balance as of 31 December 2022	**18,107**	**11,013**	**71,278**	**(15,865)**

The number of outstanding shares in the foregoing table was calculated by subtracting, from the number of shares issued, the number of own shares held by the Group and the shares delivered to employees under share ownership plans which, under the conditions of those plans, are subject to lock-up and may not be disposed of by the employees to whom they have been granted.

Own shares

The number of shares outstanding as of 31 December 2022 was 18,107 thousand shares (18,011 thousand shares in 2021).As of 31 December 2022, the controlling company held 247 thousand own shares (344 thousand in 2021).

In 2022, the Group acquired 762 thousand own shares (529 thousand in 2021) for €47,708 thousand (€40,659 thousand in 2021), and sold 850 thousand own shares (419 thousand in 2021), recognizing a loss of €2,458 thousand (a loss of €2,468 thousand in 2021).

According to information in the official registers of the Spanish National Securities Market Commission as of 31 December 2022, the holders of significant stakes in Pharma Mar, either directly or indirectly, amounting to over 10% are as follows:

	DIRECT STAKE		INDIRECT STAKE (1)		TOTAL STAKE
	No. of shares	%	No. of shares	%	%
José Mª Fernández Sousa - Faro (1)	**1,103,135**	**6.010%**	**939,062**	**5.116%**	**11.126%**

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

18. AVAILABILITY AND RESTRICTIONS ON RESERVES AND RETAINED EARNINGS

Under article 274 of the Spanish Capital Companies Act, 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 (€2,202 thousand) can be used to increase capital provided that the remaining balance of the reserve is not less than 10% of the resulting amount of capital. Except for that purpose, until the legal reserve exceeds 20% of capital stock, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

The share premium 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 other than the general ones detailed below.

Dividends that the controlling company distributes are subject to the limitations and restrictions envisaged in the Capital Companies Act. In accordance with current legislation, the maximum amount to be distributed and the applicable limitations and restrictions are based on the amounts presented by the controlling company in its separate financial statements issued under Spanish GAAP.

Moreover, profits may not be distributed unless the amount of available reserves is at least equal to the amount of research and development expenses under assets on the controlling company's balance sheet; the amount is shown in Note 8.

The proposed distribution of 2022 income and other reserves to be submitted to the Shareholders' Meeting for approval, and the actual distribution approved for 2021, are as follows:

Basis of distribution (thousand euro)	**31/12/2022**	**31/12/2021**
Basis of distribution		
Profit or loss for the year of the controlling company	58,954	103,363
	58,954	**103,363**
Distribution		
Dividend	11,931	11,761
Prior years' income	47,023	91,602
	58,954	**103,363**

The only restrictions on the distribution of dividends are those laid down by law.

19. SUPPLIER AND OTHER ACCOUNTS PAYABLE

The composition of this caption is as follows:

Supplier and other accounts payable (thousand euro)	31/12/2022	31/12/2021
Payable for purchases and services received	27,492	26,928
Debts to related parties	929	961
Advances received for orders	1,446	1,225
Other accounts payable	92	155
Total	**29,959**	**29,269**

All payables mature within 12 months from the closing date of each year. Debt to related parties refers mainly to accrued outstanding bylaw-mandated allocations to members of Pharma Mar's Board and fees for membership of Pharma Mar's board committees (€929 thousand as of 31 December 2022, €933 thousand as of 31 December 2021), and accrued outstanding allocations to directors of Genómica who are also directors of Pharma Mar (€0 thousand as of 31 December 2022, and €28 thousand in 2021).

Advances received for orders recognized in 2022 amounted to €1,446 thousand (€1,225 thousand in 2021).

Information on payments for commercial transactions performed in 2022 and 2021 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:

Payment information	31/12/2022	31/12/2021
Average period taken to pay suppliers (days)	49	55
Proportion of transactions paid (days)	53	58
Proportion of transactions outstanding (days)	27	36
Total payments made (thousand euro) - (1)	77,667	59,368
Total payments outstanding (thousand euro)	11,329	8,561
Total invoices received (number)	14,336	14,170
Total invoices paid in less than 60 days (number) – (2)	7,384	6,754
Total invoices received (thousand euro)	88,087	63,504
Total invoices paid in less than 60 days (thousand euro) (3)	52,333	33,591
Percentage of total number of invoices paid = (2) / (4)	66.5%	63.2%
Percentage of total amount of invoices paid = (3) / (1)	67.4%	56.6%
Invoices paid (number of invoices) - (4)	11,102	10,688

The average supplier payment lag in the year between 1 January and 31 December 2022 was 49 days (55 days in 2021).

The foregoing disclosure refers only to companies domiciled in Spain.

20. CURRENT AND NON-CURRENT DEFERRED REVENUES

As indicated in Note 1, Pharma Mar signed an exclusive licensing agreement for Zepzelca with Jazz Pharmaceuticals in December 2019. For signing the agreement, Pharma Mar collected a non-refundable upfront payment of USD 200 million (€181 million) in January 2020. Subsequently, as a result of the FDA's accelerated approval to market Zepzelca® in June 2020, Pharma Mar collected another payment of USD 100 million (€88.5 million) from Jazz Pharmaceuticals.

As indicated in Note 2.23.3, the revenue associated with licensing and co-development agreements and other similar transactions must be matched with the consideration to be provided by the Group. If the Group

has a contractual obligation to provide a consideration (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 2022 and 2021 is as follows:

Non-current deferred revenues

As of 31 December 2022, the balance of non-current deferred revenues amounted to €44,899 thousand and included deferred revenues in the amount of €43,330 thousand (€67,197 thousand in 2021) relating to the portion of the aforementioned receipts (USD 300 million or €269.5 million) under the lurbinectedin licensing agreement with Jazz Pharmaceuticals.

This item also includes grants that are intended to finance property, plant and equipment within R&D projects in the Oncology and RNAi segments, the balance of which amounted to €1,569 thousand in 2022 (€1,437 thousand in 2021). The subsidies detailed below consist mostly of subsidized interest rates.

Non-current deferred revenues (thousand euro)	**31/12/2022**	**31/12/2021**
Subsidies	1,569	1,437
Deferred revenues	43,330	67,197
Total	**44,899**	**68,634**

Current deferred revenues

As of 31 December 2022, this item mainly includes the amounts under the aforementioned agreement with Jazz Pharmaceuticals that are expected to be recognized in the next twelve months.

Current deferred revenues (thousand euro)	**31/12/2022**	**31/12/2021**
Deferred revenues	24,666	29,667
Total	**24,666**	**29,667**

21. OTHER CURRENT LIABILITIES

Other current liabilities include an amount of €19,359 thousand (€5,833 thousand in 2021) relating mainly to a provision of €15,155 thousand recognized in 2022 for discounts as a result of the change in the law in France regarding the use and sale of products under the "Autorisation d'accés compassionel (AAC)" compassionate use system. The amendments to the law include a scaling of discounts 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'accés compassionel 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.

This item also contains €2,109 thousand (€1,957 thousand in 2021) owed to public authorities.

22. INTEREST-BEARING DEBT

The breakdown of the Group's non-current and current interest-bearing debt as of 31 December 2022 and 2021 is as follows:

Breakdown of non-current debt:

Breakdown of non-current interest-bearing debt (thousand euro)	**31/12/2022**	**31/12/2021**

Bank debt	231	4,669
Bonds and other marketable securities	16,709	16,654
Interest-bearing debt to official authorities	8,943	12,063
Total	**25,883**	**33,386**

Breakdown of current debt:

Breakdown of current interest-bearing debt (thousand euro)	**31/12/2022**	**31/12/2021**
Bank debt	8,929	7,730
Bonds and other marketable securities	405	405
Interest-bearing debt to official authorities	3,791	4,077
Total	**13,125**	**12,212**

22.1 Bank debt

Non-current and current debt consists of bank loans, credit lines and discounted bills, as detailed in the table below as of 31 December 2022 and 2021:

	No. of products	**Maturities**	**31/12/2022**	**No. of products**	**Maturities**	**31/12/2021**
Non-current debt						
Pharma Mar	1	2024	231	1	2023-2024	456
Genómica	-	-	-	1	2026	4,213
Total non-current debt	**1**		**231**	**2**		**4,669**
Current debt						
Bank loans						
Pharma Mar	1	2023	225	6	2022	3,106
Genómica	1	-	4,205	1	2022	758
	2		**4,430**	**7**		**3,864**
Credit lines						
Pharma Mar	7	2023	3,402	7	2022	3,745
Genómica	2	2023	104	2	2022	-
	9		**3,506**	**9**		**3,745**
Bills, certificates and COMEX lines						
Pharma Mar	1	2023	721	1	2022	90
	1		**721**	**1**		**90**
Interest and other accounts payable						
Pharma Mar	-		272	-	-	31
	-		**272**	**-**		**31**

Total current debt	**12**	**8,929**	**17**	**7,730**

In 2021, Genómica had a bank loan for which it had recognized a long-term liability of €4,213 thousand and a short-term liability of €758 thousand. After the decision was adopted to liquidate the company, the entire outstanding balance of €4,205 thousand was transferred to short-term as of December 31, 2022.

Non-current debt

The repayment schedule for non-current bank debt is as follows:

Repayment schedule for non-current interest-bearing debt (thousand euro)	**31/12/2022**	**31/12/2021**
2023	-	1,439
2024	231	1,487
2025	-	1,300
2026 and thereafter	-	443
Total	**231**	**4,669**

Current debt

Current bank debt is broken down as follows:

Breakdown of current bank debt (thousand euro)	**31/12/2022**	**31/12/2021**
Bank loans	4,430	3,864
Credit lines	3,506	3,745
Discounted bills, certificates and COMEX lines	721	90
Interest and other accounts payable	272	31
Total	**8,929**	**7,730**

The bank loans bear interest at fixed rates between 1.9% and 3.2%.

Some credit lines are subject to tacit renewal, although most are renewed annually. As of 31 December 2022, the Group had nine credit lines (nine in December 2021) with a total limit of €15,450 thousand (€15,450 thousand in 2021). Lines representing approximately 60% of the available limit bear interest at variable rates consisting of Euribor plus a spread ranging from 1.75% to 3.20%.The other lines bear fixed rate interest between 1.20% and 1.75%.

The effective interest rates as of 31 December are:

Effective interest rates	**31/12/2022**	**31/12/2021**
Bank overdrafts	29.00%	29.00%
Bank loans	2.26%	2.19%
Credit lines	2.77%	2.50%
Discounted notes	1.20%	1.20%

The Group's exposure to interest-bearing debt at floating rates is €2,443 thousand as of 31 December 2022 (€5,562 thousand in 2021), indexed mainly to three-month Euribor.

All the bank loans are arranged in euro.

The following table reconciles the movement of financial liabilities with financing cash flows, including both those derived from cash flows and those that do not involve cash flows (such as reclassifications between non-current and current).

Changes in liabilities due to financing activities (thousand euro)	31/12/2021	Cash flows	Reclassification to short term	Other	31/12/2022
Long-term bank loans	4,669	-	(4,455)	17	231
Short-term bank loans	3,864	(3,892)	4,455	3	4,430
Long-term bonds and other marketable securities	16,654	-	-	55	16,709
Short-term bonds and other marketable securities	405	(810)	-	810	405
Credit lines	3,745	638	-	(877)	3,506
Discounted bills, certificates and COMEX lines	90	631	-	-	721
Interest and other accounts payable	31	245	-	(4)	272
Long-term interest-bearing debt to official authorities	12,063	798	(3,808)	(110)	8,943
Short-term interest-bearing debt to official authorities	4,077	(4,199)	3,808	105	3,791
Long-term lease debt	1,916	-	(1,223)	1,321	2,014
Short-term lease debt	1,819	(2,069)	1,223	635	1,608
Total liabilities related to financing activities	**49,333**	**(8,658)**	**-**	**1,955**	**42,630**

Changes in liabilities due to financing activities (thousand euro)	31/12/2020	Cash flows	Reclassification to short term	Other	31/12/2021
Long-term bank loans	3,561	4,805	(3,697)	-	4,669
Short-term bank loans	5,487	(5,292)	3,697	(28)	3,864
Long-term bonds and other marketable securities	16,600	-	-	54	16,654
Short-term bonds and other marketable securities	405	(810)	-	810	405
Credit lines	4,771	(1,026)	-	-	3,745
Discounted bills and certificates	-	90	-	-	90
Interest and other accounts payable	29	-	-	2	31
Long-term interest-bearing debt to official authorities	17,571	(994)	(4,509)	(5)	12,063
Short-term interest-bearing debt to official authorities	4,621	(5,634)	4,509	581	4,077
Long-term lease debt	2,150	-	(1,687)	1,453	1,916
Short-term lease debt	1,470	(1,992)	1,687	654	1,819
Total liabilities related to financing activities	**56,665**	**(10,853)**	**-**	**3,521**	**49,333**

22.2 Bonds and other marketable securities

In 2015, the controlling company issued non-convertible bonds for an amount of €17,000 thousand in order to strengthen its financial position and extend its debt maturity profile.

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

- Nominal amount: €17,000 thousand;
- Maturity: 12 years from disbursement.
- The issue was targeted at a single qualified Spanish investor via a private placement.
- The bonds, which are uncertificated, were issued at par, each with a nominal value of €100 thousand.
- The bonds bear a fixed coupon of 4.75% per annum payable in arrears every year from the date of disbursement;
- The Company is liable with all its assets for the obligations arising from the bonds and no specific guarantee is granted;
- The terms and conditions of the bonds are governed by Spanish law;
- The controlling company applied to list the bonds on the Alternative Fixed-Income Market (MARF) on 7 July 2015.

22.3 Interest-bearing debt to public authorities

This item refers mainly to funding from official authorities consisting of loans and advances that are interest-free (or at substantially below market rates) and are repayable in seven years, after a three-year grace period, to finance research and development projects.

As of 31 December 2022, the Group had debt balances with official authorities for a total of €12,734 thousand, calculated on the basis of cash flows discounted at Euribor plus a spread based on the Group's risk (€16,140 thousand in 2021), of which €8,943 thousand were non-current (€12,063 thousand in 2021) and €3,791 thousand were current (€4,077 thousand in 2021).

In October 2021, the Group canceled early four loans from official bodies amounting to €2,500 thousand that matured between 2024 and 2028.

The repayment schedule of the non-current part of official aid is as follows:

Repayment schedule (thousand euro)	**31/12/2022**	**31/12/2021**
2023	-	3,242
2024	2,505	2,628
2025	1,834	1,952
2026	1,618	4,052
2027 and thereafter	2,986	189
Total	**8,943**	**12,063**

22.4 Fair value

The fair value and carrying amount of the non-current and current interest-bearing debt as of 31 December 2022 and 2021 are as follows:

	Fair value		**Carrying amount**	
Fair value and carrying amount of interest-bearing debt (thousand euro)	**31/12/2022**	**31/12/2021**	**31/12/2022**	**31/12/2021**
Non-current				
Bank loans	231	4,669	231	4,669
Due to official authorities	10,083	13,521	8,943	12,063
Bonds	17,000	17,000	16,709	16,654
Total	**27,314**	**35,190**	**25,883**	**33,386**

Current

Bank loans	4,430	3,892	4,430	3,864
Credit lines	3,506	3,745	3,506	3,745
Unmatured discounted bills, certificates and COMEX lines	721	90	721	90
Interest payable	17	23	17	22
Due to official authorities	4,175	4,536	3,791	4,077
Bonds	405	405	405	405
Other debt	255	8	255	9
Total	**13,509**	**12,699**	**13,125**	**12,212**

23. DEFERRED TAXES AND INCOME TAX

23.1 Deferred taxes

The breakdown of deferred tax assets and liabilities is as follows:

Net deferred tax assets (thousand euro)	**31/12/2022**	**31/12/2021**
Deferred tax assets	30,999	28,229
Deferred tax liabilities	(470)	(479)
Total	**30,529**	**27,750**

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

Deferred tax assets (thousand euro)	**Tax losses**	**Tax withholding**	**Intangible assets and property, plant and equipment**	**Other**	**TOTAL**
As of 1 January 2021	**20,495**	**11,558**	**1,963**	**268**	**34,284**
Tax withholding	-	(1,087)	-	-	(1,087)
Recognized in profit or loss	(4,482)	-	(490)	4	(4,968)
As of 31 December 2021	**16,013**	**10,471**	**1,473**	**272**	**28,229**
Tax withholding	-	(355)	-	(73)	(428)
Recognized in profit or loss	3,564	-	(490)	124	3,198
As of 31 December 2022	**19,577**	**10,116**	**983**	**323**	**30,999**

The "Tax losses" column includes tax loss carryforwards capitalized in the balance sheet.

The "Tax withholding" column as of 31 December 2022 and 2021 includes taxes withheld from royalties and payments received under licensing agreements.

Deferred tax liabilities (thousand euro)	**Capital subsidies and others**
As of 1 January 2021	**(868)**
Recognized in profit or loss	389
As of 31 December 2021	**(479)**
Recognized in profit or loss	9

As of 31 December 2022	**(470)**

Deferred tax assets are recognized on the basis of the future taxable income that the Group expects to generate based on current business plans.

The Group performed an analysis of unused tax losses. As a result of this analysis, the Group did not take account of €306,054 thousand in unused tax losses (€314,032 thousand in 2021).

At the same date, there are also unused R&D tax credits amounting to €200,048 thousand that have not been recognized in the balance sheet (€194,856 thousand in 2021).

Those unused tax losses and deductions were not recognized in relation to deferred tax assets at the end of 2022 and 2021 as a result of the analysis performed by the Group as described in Note 4 "Accounting estimates and judgments".

The following table shows the validity periods of unused tax credits that have specific expiry dates but were not recognized as deferred tax assets as of 31 December 2022:

Tax credits generated by (thousand euro)	Total amount	2023	2024	2025	2026	2027	2028	2029	2030 and thereafter
Unused R&D tax credits	200,048	10,889	10,760	9,977	11,332	9,697	9,376	9,280	128,737
TOTAL	**200,048**	**10,889**	**10,760**	**9,977**	**11,332**	**9,697**	**9,376**	**9,280**	**128,737**

23.2 Income tax

In 2022, the corporate income tax return was filed on a group basis by the tax group headed by Pharma Mar and comprising the following Group undertakings: Genómica, S.A.U. en liquidación and Sylentis, S.A.U. The other companies, namely Pharma Mar USA, PharmaMar AG, Pharma Mar SARL, Pharma Mar GmbH, Pharma Mar Srl, Pharma Mar sprl, Pharma Mar Ges.m.b.H.AT, Genómica AB and Genómica Trading Co. Ltd. (China), file individual tax returns.

The reconciliation of the difference between applying a 25% tax rate to the income before taxes and the recognized tax expense is shown in the following table:

Reconciliation of tax expense (thousand euro)	**31/12/2022**	**31/12/2021**
Income before taxes	43,790	95,129
Tax rate (25%)	(10,948)	(23,782)
Tax effect of:		
- Exempt revenues and other minor items	11,464	15,012
- Reversal of impairment	-	17
- Other adjustments	1,677	1,483
- Monetization of tax credits	3,373	5,000
Tax revenue (expense)	**5,566**	**(2,270)**

In the preceding table, the tax-exempt revenue is basically untaxed revenue relating to 50% of license fees and royalties collected in other countries.

The Other adjustments account contains tax bases that were capitalized on the basis of the Group's tax budgeting.

Additionally, during 2022, the Company recognized €3,373 thousand in revenue under the tax expense heading as a result of monetizing research and development tax credits.

The reconciliation of the income tax expense/(revenue) in the income statement is as follows:

Tax (expense)/revenue (thousand euro)	31/12/2022	31/12/2021
Current tax	2,359	2,309
Deferred tax	3,207	(4,579)
Total	**5,566**	**(2,270)**

The tax rate applicable to the Group is generally the standard tax rate in Spain (25%), except for operations whose earnings are taxed in Italy at approximately 30%. The effect of differences with respect to the tax rates applicable to the other subsidiaries located outside Spain is not material.

The amount of current tax in 2022 (€2,359 thousand) mainly contains the effect of monetization revenues indicated above.

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 revenue from certain intangible assets reported by Pharma Mar.

On 20 January 2015, the controlling company applied to the Spanish 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 undertakings:

	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
Pharma Mar, S.A.U.	2010-2013	2011-2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013	-
Zelnova, 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 four appeals 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.

24. PROVISIONS FOR OTHER LIABILITIES AND EXPENSES

As of 31 December 2022 and 2021, this caption includes mainly outstanding remuneration to Group employees in relation to bonuses that had accrued and were outstanding, and estimated bonuses accrued and outstanding at year-end, based on the compensation systems agreed by the Group with employees.

The variation in the balance of this caption is as follows:

Provision for other liabilities and expenses (thousand euro)	**31/12/2022**	**31/12/2021**
Beginning balance	**7,546**	**6,411**
Provision for expenses	6,181	6,304
Payments	(5,124)	(5,169)
Total	**8,603**	**7,546**

25. NET REVENUES

The detail of this caption as of 31 December 2022 and 2021 is as follows:

Breakdown of revenues (thousand euro)	**31/12/2022**	**31/12/2021**
Product sales	138,508	148,729
Returns, rebates and volume discounts	(32,772)	(24,908)
	105,736	**123,821**
Licensing and development agreements	40,169	64,787
Royalties	50,254	40,996
Services provided	184	227
Total	**196,343**	**229,831**

The breakdown of revenue by segment and geography is given in Note 5.

The Group has out-licensing and co-development agreements with a number of pharmaceutical companies. The breakdown of revenue, including royalties, in 2022 and 2021 is as follows:

Breakdown of royalties and licensing fees (thousand euro)	**31/12/2022**	**31/12/2021**
Jazz Pharmaceuticals Zepzelca® (lurbinectedin)	46,881	37,954
Johnson & Johnson Group Yondelis® (trabectedin)	2,688	2,314
Taiho Pharmaceuticals Co. Yondelis® (trabectedin)	685	728
Total royalties	**50,254**	**40,996**
Jazz Pharmaceuticals Zepzelca® (lurbinectedin)	29,547	60,954
Johnson & Johnson Group Yondelis® (trabectedin)	10,087	-
Adium Zepzelca® (lurbinectedin)	-	2,000
Impilo Zepzelca® (lurbinectedin)	-	500

Eczacibasi Zepzelca® (lurbinectedin)	-	500
Lotus Zepzelca® (lurbinectedin)	-	500
Other contracts	535	333
Total licenses	**40,169**	**64,787**
Total	**90,423**	**105,783**

25.1 Yondelis®

Janssen Products LP

In 2001, the Group signed a licensing and co-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 Pharma Mar, 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 Group as a result of the agreement include the following:

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

The Group 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. As of 31 December 2022, the Group did not have any amounts pending recognition since all the necessary obligations had been fulfilled and the related expenses had already been incurred by Pharma Mar. Consequently, Pharma Mar did not recognize any amount under this heading in 2022 and 2021.

The amounts attributed to the marketing phase are royalties, which are recognized on an accrual basis. In 2022, royalties were recognized in the amount of €2,688 thousand for sales of Yondelis® (€2,314 thousand in 2021).

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

In 2019, Pharma Mar and Janssen signed a framework transfer agreement under which Janssen transferred to Pharma Mar 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, Pharma Mar has entered into the following 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, Pharma Mar signed two marketing agreements for Yondelis®: with Specialised Therapeutics Asia, Pte. Ltd. (STA) for Australia, New Zealand and Southeast Asia, and with Megapharm Ltd. for Israel and the Palestinian territories.

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

In 2022, it collected €100 thousand under the agreement with Megapharm and €200 thousand under the agreement with STADA.

Taiho Pharmaceutical Co

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

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

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

- The Group 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 2022, Pharma Mar recognized €685 thousand (€728 thousand in 2021) in revenue for royalties received from Taiho for sales of Yondelis® in Japan.

25.2 Zepzelca®

The Company has entered into licensing, development and marketing agreements with a number of partners.

Jazz Pharmaceuticals

As described in Note 1, on 19 December 2019, Pharma Mar and Jazz Pharmaceuticals signed an exclusive licensing agreement for marketing anti-tumor compound Zepzelca® 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 lurbinectedin, which entails assignment of the commercialization rights.

When the agreement came into force in January 2020, Pharma Mar collected an upfront payment of USD 200 million (€181 million). Subsequently, in June, Zepzelca® was approved by the FDA for commercialization in the US under the accelerated approval procedure. As a result, Pharma Mar collected USD 100 million (€88.5 million) as a milestone payment from Jazz Pharmaceuticals. The upfront and milestone payments were recognized as revenue in profit or loss on the basis of Pharma Mar's fulfillment of its commitments under the contract. Accordingly, €135,655 thousand were recognized as revenue in 2020, €38,881 thousand in 2021 and €29,547 thousand in 2022.

Additionally, in 2021, revenues in the amount of €22.1 million (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.

In 2022, Pharma Mar also received royalties from Jazz Pharmaceuticals amounting to €46,881 thousand on sales of Zepzelca® in the US (€37,954 thousand in 2021).

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, Pharma Mar collected an upfront payment of USD 5,000 thousand (€4,452 thousand). €1,257 thousand were recognized as revenue in 2020 as Pharma Mar had fulfilled the commitments set out in the licensing agreement. Luye undertakes to develop Zepzelca® for treating small-cell lung cancer in China, while Pharma Mar retains exclusive production rights.

Specialised Therapeutics Asia Pte, Ltd

In May 2017, Pharma Mar signed a licensing agreement with Singapore-based Specialised Therapeutics Asia Pte, Ltd (STA) for commercialization of Zepzelca®. Pharma Mar received an upfront payment of €179 thousand.

In connection with this licensing agreement, in that same year STA subscribed for shares of Pharma Mar 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 2022 (€33 thousand in 2021).

Boryung Pharmaceutical

In November 2017, a licensing agreement was signed with Boryung Pharma to market Zepzelca® in South Korea. Pharma Mar collected €1,000 thousand.

In 2020 and 2019, it collected €450 thousand and €300 thousand, respectively, for attaining certain regulatory milestones: submission of the registration application to the FDA in 2019, and FDA approval for marketing in 2020.

In 2022, Zepzelca was approved for the treatment of lung cancer in South Korea, a territory licensed to Boryung, which triggered a regulatory milestone payment of €1,000 thousand. €120 thousand were recognized as revenue in 2022.

Other agreements

In 2021, Pharma Mar 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.
Amount: €2,000 thousand

Lotus Pharmaceutical CO.: for marketing anti-tumor drug lurbinectedin in Taiwan. Amount: €500 thousand

Eczacibasi Pharmaceuticals Marketing Co.: for marketing lurbinectedin in Turkey.
Amount: €500 thousand

Immedica Pharma

In 2020, Pharma Mar signed a distribution agreement for Zepzelca® with Impilo Pharma covering Eastern Europe, the UK, Ireland, the Nordic countries and some countries in the Middle East.

25.3 Other molecules

Seattle Genetics Inc.

In February 2018, Pharma Mar signed a licensing agreement with Seattle Genetics Inc. under which the latter receives worldwide exclusive rights over certain molecules owned by Pharma Mar to develop antibody-drug conjugates (ADC) for its own account; Pharma Mar did not undertake any additional obligation with respect to development.

Under the terms of the agreement, Pharma Mar collected an upfront payment of €4,074 thousand in 2018 and it may collect subsequent payments if Seattle Genetics continues with clinical development of the ADCs.

26. RESEARCH & DEVELOPMENT EXPENSES

The following table shows the amounts spent on R&D by business segment in 2022 and 2021:

Research and development expenses (thousand euro)	**Oncology**		**Diagnostics**		**RNAi**		**Total**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
I+D	(68,099)	(61,054)	(2,318)	(1,632)	(13,032)	(9,484)	(83,449)	(72,170)
Total	**(68,099)**	**(61,054)**	**(2,318)**	**(1,632)**	**(13,032)**	**(9,484)**	**(83,449)**	**(72,170)**

27. GENERAL, ADMINISTRATION AND OTHER OPERATING EXPENSES

Consolidated general and administration expenses amounted to €19,022 thousand, 9.5% more than in 2021 (€17,371 thousand).

Other operating expenses amounted to €15,180 thousand in 2022, 38.9% more than in 2021 (€10,928 thousand), mainly as a result of the increase in expenses on corporate functions (€12,124 thousand, vs. €10,878 thousand in 2021) and the process of liquidating the Diagnostics segment.

28. MARKETING EXPENSES

Commercial and marketing expenses amounted to €24,219 thousand, an increase of 8.3% with respect to 2021 (€22,368 thousand). Expenses under this heading in the Oncology segment increased to €22,738 thousand, compared with €20,371 thousand in 2021, as a result of increased commercial activities, trips and industry conferences.

29. OTHER GAINS/(LOSSES) NET

The breakdown of other income, by type, is as follows:

Breakdown of other net income (thousand euro)	31/12/2022	31/12/2021
Capital subsidies	1,399	1,470
Other income	2,202	324
Total	**3,601**	**1,794**

Other income includes €2,000 thousand recognized as a result of a refund from a supplier that had been in litigation for some time, after a finding in favor of the Diagnostics segment.

30. BREAKDOWN OF EXPENSES BY TYPE

The breakdown of operating expenses, by type, is as follows:

Breakdown of expenses by type (thousand euro)	31/12/2022	31/12/2021
Changes in finished product and product-in-process inventories	(14,437)	(2,797)
Raw materials and other supplies	30,226	20,869
Employee benefit expenses	53,625	47,507
Depreciation and amortization	5,900	5,583
Impairment/(Reversal)	1,482	(183)
Transport	1,548	1,333
Marketing expenses	4,699	4,014
Leases	1,675	1,417
Expenses of R&D performed by third parties	41,509	31,332
Other expenses	29,646	30,103
Total	**155,873**	**139,178**

Other expenses are mainly related to services received, communications, utilities, travel, security, and directors' remuneration.

31. EMPLOYEE WELFARE EXPENSES

The breakdown of employee welfare expenses is as follows:

Employee welfare expenses (thousand euro)	31/12/2022	31/12/2021
Salaries and wages	41,589	38,539
Indemnities	2,478	242
Social security	7,371	6,771
Pension cost	70	53

Share ownership plans	338	293
Other welfare expenses	1,779	1,609
Total	**53,625**	**47,507**

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

Average number of employees by category	**Men**		**Women**		**Total**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Executive directors	3	2	-	-	3	2
Senior managers	5	5	3	3	8	8
Management	14	15	14	14	28	29
Middle management	27	26	31	28	58	54
Technical staff	123	107	199	184	322	291
Clerical and similar staff	7	6	55	55	62	61
Other	22	22	12	10	34	32
Total	**201**	**183**	**314**	**294**	**515**	**477**

As of 31 December 2022, four of the twelve members of the Board of Directors were women (in 2021, four of the eleven directors were women). There were eleven women among Pharma Mar's 25 executives (22 executives in 2021), including executive directors at the closing date (ten women in 2021).

The Group companies have an average of six employees with disability greater than or equal to 33% (six in 2021).

32. NET FINANCIAL INCOME

Net financial result (thousand euro)	**31/12/2022**	**31/12/2021**
On debts to third parties and similar expenses	(2,376)	(3,373)
Losses on financial assets	(1,888)	-
Exchange loss	(7,023)	(4,310)
Financial expenses	**(11,287)**	**(7,683)**
Other interest and similar revenues	875	370
Income from financial investments	-	11
Exchange gains	10,131	9,984
Financial revenues	**11,006**	**10,365**
Total net financial income	**(281)**	**2,682**

In 2022, most of the exchange differences were due to marking the deposits held in US dollars to market.

33. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing income attributable to equity holders of the controlling company by the weighted average number of shares outstanding during the year.

Basic earnings per share in 2022 and 2021 were as follows:

Earnings per share (basic)	**31/12/2022**	**31/12/2021**
Income attributable to equity-holders of the controlling company (thousand euro)	49,356	92,859

Weighted average number of outstanding ordinary shares (*thousand shares)*	18,050	18,070
Basic earnings per share (euro)	**2.73**	**5.14**

Diluted earnings per share are calculated by adjusting the weighted average number of outstanding ordinary shares to reflect conversion of all potentially-dilutive ordinary shares.

Diluted earnings per share in 2022 and 2021 were as follows:

Earnings per share (diluted)	**31/12/2022**	**31/12/2021**
Income attributable to equity-holders of the controlling company (thousand euro)	49,356	92,859
Weighted av. no. of ordinary shares for diluted earnings per share *(thousand shares)*	18,063	18,085
Diluted earnings per share (euro)	**2.73**	**5.13**

The reconciliation between the weighted average number of ordinary shares outstanding and the weighted average number of ordinary shares for the purposes of diluted earnings per share is shown below.

Reconciliation of basic to diluted shares	**31/12/2022**	**31/12/2021**
Weighted average number of outstanding ordinary shares (thousand shares)	18,050	18,070
Adjustments for: Employee share ownership plan (thousand shares)	13	15
Weighted av. no. of ordinary shares for diluted earnings per share	**18,063**	**18,085**

34. RELATED-PARTY TRANSACTIONS

The following are considered to be related parties of the controlling company for the purposes of this note: the Company's significant shareholders, directors and executives, the close relatives of all of them, and the companies over which any of those persons have a significant influence.

Significant shareholders are those who own over 3% of capital. Employees who report to the Chairman, who is the Company's chief executive, are classified as executives even if they have an ordinary employment contract (rather than a senior management contract in accordance with Spanish Royal Decree 1382/85).

34.1 Board of Directors

The following table shows the remuneration paid in 2022 and 2021 to directors of Pharma Mar:

Remuneration (thousand euro)	**31/12/2022**	**31/12/2021**
Fixed remuneration for executive directors	1,468	1,343
Variable remuneration for executive directors	947	1,076
Fixed remuneration for belonging to the Board of Directors	804	770
Board and Board committee meeting attendance fees	549	417
Fixed remuneration for belonging to Board committees	578	597
Remuneration for belonging to Boards of other Group undertakings	10	32
Remuneration for Lead Independent Director	19	18
Other remuneration	379	337

Total	**4,754**	**4,590**

The "Other remuneration" item in 2022 and 2021 refers to certain benefits paid to the Company's Chairman and Vice-Chairman, such as casualty and health insurance (both under the group policy for Company employees), and life insurance for which the Company pays an annual premium of €12 thousand per policy. 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, €947 thousand accrued as a result of evaluation of objectives approved by the Board of Directors at its meeting on 31 January 2023, based on a proposal by the Appointments and Remuneration Committee.

The Company has arranged a civil liability policy for the members of the Company's Board of Directors. The premium paid in 2022 was €505 thousand (€487 thousand in 2021).

34.2 Senior management remuneration and loans

Company senior management received an aggregate total remuneration of €2,567 thousand in 2022 (€2,455 thousand in 2021).

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

In 2022, a company related to one member of the Board of Directors provided services to a Group company amounting to €11 thousand (€4 thousand in 2021).

35. SHARE-BASED PAYMENTS

At the end of 2022, Pharma Mar and the Group companies had three share ownership plans in place for Group executives and employees (excluding directors of Pharma Mar, S.A.). The plan implemented in 2020 was for executives and employees who collected variable annual remuneration for attainment of objectives in 2019, had an indefinite contract (having completed any trial period by 31 December 2019) and had exceeded 50% of the targets for that year set by their department head or hierarchical superior. The plans implemented in 2021 and 2022 were aimed at 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 and 2021, 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 Pharma Mar with a list of plan beneficiaries (i.e. employees who meet the conditions established in the relevant decision by the Shareholders' Meeting) which details, in the case of the plans implemented in 2020, the degree of attainment by the beneficiary of the objectives set for the preceding year. Additionally, given that participation in such plans has been voluntary, the lists for the Plan implemented in 2020 include only employees and executives who decided to participate and to allocate part or all of their variable remuneration to those plans; in the case of the Plans implemented in 2021 and 2022, the list includes the employees and executives who chose to participate and allocate part of their salary to the Plan. In the Plan implemented in 2020, each beneficiary was assigned a coefficient based on the degree of attainment of their objectives the previous year (on the basis of which the amount to be granted in shares was calculated); in the Plans implemented in 2021 and 2022, each beneficiary was assigned the same percentage for calculating the number of shares to be granted. 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).

In the Plan implemented in 2020, the number of shares to be delivered to each beneficiary is the result of dividing the amount of variable remuneration allocated to the Plan, multiplied by the corresponding coefficient plus 1, by the value attributed to the shares. In the Share Ownership Plans implemented in 2021 and 2022, the number of shares delivered is the result of dividing the amount of salary allocated to the Plan 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 Pharma Mar share in the electronic market on the Plan's execution date; or b) the arithmetic mean of the weighted average price of the Pharma Mar share in the electronic market in the month prior to the execution date.

Executives and employees who elected not to participate in the Plan implemented in 2020 collected their variable remuneration entirely in cash, but without a multiplier being applied.

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 the assigned coefficient plus one (in the case of the Plan implemented in 2020), or by two (in the case of the Plans implemented in 2021 and 2022). 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.

35.1 Year 2019 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 28 June 2018) - Granted before the stock merge

On 28 June 2018, the Shareholders' Meeting of Pharma Mar, S.A. approved a new Share Ownership Plan that was executed in June 2019. The Company allocated 500,000 own shares from treasury stock to execute this plan.

In executing this Plan, a total of 163,631 shares were allocated in 2019 to 99 beneficiaries at a value of €2.0768 per share.

A total of 43,718 shares (3,629 shares after the stock merge) were released under this Plan in 2020.

In relation to this Plan, a total of 33,503 shares (2,790 shares after the stock merge) were canceled in 2022: 3,140 shares (261 shares after the stock merge) purchased by employees and executives and 30,363 shares (2,529 shares after the stock merge) contributed by the Company.

This Plan concluded in June 2022 since the three-year lock-up period had expired, and the shares that were under lock-up were released. A total of 86,410 shares (7,190 shares after the stock merge) were released under this Plan.

35.2 Year 2020 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 26 June 2019) - Granted before the stock merge

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 2022, 20,573 shares (1,706 shares after the stock merge) were canceled in 2022: 3,308 shares (273 shares after the stock merge) purchased by employees and executives and 17,265 shares (1,433 shares after the stock merge) contributed by the Company.

As of 31 December 2022, 77,072 shares (6,408 shares after the stock merge) contributed by the Company had not accrued.

35.3 Year 2021 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 18 June 2020) - Approved before the stock merge

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 (41,667 own shares after stock merge).

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 1,031 shares were canceled in 2022: 475 shares purchased by employees and executives and 556 shares contributed by the Company.

As of 31 December 2022, there were 3,457 shares that had not accrued.

35.4 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 relation to this Plan, a total of 224 shares were canceled in 2022: 212 shares purchased by employees and executives and 212 shares contributed by the Company.

As of 31 December 2022, there were 8,020 shares that had not accrued.

35.5 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 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 2022.

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 Pharma Mar 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 2022, adjusted for the stock merge:

Plan / Grant date	Shares allocated in the Plan	Shares purchased by employees - canceled	Shares purchased by employees - accrued	Shares purchased by employees - not yet accrued	Shares contributed by employer - canceled	Shares contributed by employer - accrued	Shares contributed by employer - not yet accrued	Total number of shares not yet accrued	Fair value per share	Accrual period
	(1)+(2)+(3) +(4)+(5)+(6)	(1)	(2)	(3)	(4)	(5)	(6)	(3)+(6)		
Plan 17 June 2018 (Granted June 2019)	13,609	261	3,629	-	2,529	7,190	-	-	2.08	June 22

Plan 18 June 2019 (Granted May 2020)	10,641	273	2,527	-	1,433	-	6,408	6,408	4.61	May 23
Plan 19 June 2020 (Granted April 2021)	8,026	475	3,538	-	556	-	3,457	3,457	103.02	Mar. 24
Plan 20 June 2021 (Granted May 2022)	8,244	112	-	4,010	112	-	4,010	8,020	71.59	May 25
	40,520	**1,121**	**9,694**	**4,010**	**4,630**	**7,190**	**13,875**	**17,885**		

A total of €337 thousand were recognized as reserves for the amortization of the share ownership plans in 2022 (€297 thousand in 2021). Additionally, the amount recognized in the period was €259 thousand (€335 thousand in 2021), and €4 thousand were derecognized (€7 thousand in 2021).

36. DUTY OF LOYALTY

Director conflicts of interest

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 the situations of conflict of interest envisaged in article 229.1 of the Consolidated Text of the Capital Companies Act, except in the case of related-party transactions authorized by the Company's Board of Directors or its Committees, which are disclosed in Note 29 to the Separate Financial Statements, Note 34 to the Consolidated Financial Statements, and section D.3 of the Annual Corporate Governance Report for the year ended 31 December 2022, which forms part of these Financial Statements.

37. CONTINGENCIES

Contingent liabilities

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 (last five years in the case of corporate income tax).

A tax inspection of the Spanish Group for 2010, 2011, 2012 and 2013 was completed 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. Pharma Mar's management has made its best estimates of the tax risk represented by the tax assessments. 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 will arise or that the amount of recognized assets might be reduced such as to have a material effect on these consolidated financial statements.

Contingent assets

The Group did not have contingent assets as of 31 December 2022 and 2021.

38. COMMITMENTS

Operating lease commitments

The minimum future non-cancelable operating lease payments are as follows:

Operating lease commitments (thousand euro)	**31/12/2022**	**31/12/2021**
Under 1 year	1,725	1,459
1 to 5 years	5,175	4,377

Total	**6,900**	**5,836**

39. AUDITORS' FEES

Statutory audit fees accrued by PricewaterhouseCoopers Auditores, S.L. and other firms in its network amounted to €438 thousand in 2022 (€412 thousand in 2021). In 2022 and 2021, no audit services were provided apart from the statutory audit. The fees for non-audit services provided to Pharma Mar Group undertakings in 2022 amounted to €43 thousand in 2021 (€43 thousand in 2021).

Companies in the PwC network did not accrue any fees for tax advisory services in 2022 and 2021.

The fees accrued during the year by other auditors of subsidiaries amounted to €59 thousand for audit services in 2022 (€43 thousand in 2021) and €7 thousand for other verification services in 2022 (€94 thousand in 2021).

40. ENVIRONMENT

The Company did not need to incur significant investments during the year to protect and improve the environment. Environmental protection expenses amounted to €116 thousand in 2022 (€85 thousand in 2021).

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.

41. SUBSEQUENT EVENTS

On 3 February 2023, the Company collected €17,243 thousand from the Spanish tax authorities under the heading of corporate income tax for monetization of certain research and development tax credits under 2021 corporate income tax.

In January, Pharma Mar partner Adium Pharma received full approval from the Mexican Federal Commission for Protection against Health Risks (COFEPRIS) to market Zepzelca® (lurbinectedin) in Mexico for the treatment of adult patients with metastatic small cell lung cancer who had experienced progression during or after platinum-based chemotherapy.

Also in January, Pharma Mar partner Megapharm Ltd. received conditional approval from the Israeli Ministry of Health to market Zepzelca® (lurbinectedin) in Israel for that same indication.

In February, the Group decided to close the Phase III Neptuno trial with plitidepsin for treating COVID-19 in hospitalized patients. The Company took this decision because the evolution of the pandemic resulted in a lack of patients available for enrolment. Although the patient sample is insufficient, a preliminary analysis suggests a positive trend demonstrating the drug's potency.

In 2023, the Company tacitly rolled over a credit line amounting to €3,000 thousand in total.

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.

CONSOLIDATED DIRECTORS' REPORT 2022

1. Company situation

1.1. Organizational structure

Pharma Mar, S.A. (the Company or Pharma Mar) is the holding company of a group of companies (Pharma Mar Group or the Group) whose financial disclosures are presented in three segments: Oncology, Diagnostics and RNA interference. On 27 September 2022, the Board of Directors of Pharma Mar 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. As of the closing date of this report, Genómica continues its production activity in order to meet pre-existing commitments to customers. R&D operations and those unrelated to production have ceased.

In 2020, Pharma Mar 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.

Pharma Mar became the parent company of the Group in 2015 through a reverse merger of Zeltia (absorbed company) into Pharma Mar (acquiring company). As a result of that merger, the entire net worth of Zeltia, with its rights and obligations, was transferred en bloc to the acquiring company, Pharma Mar.

The Board of Directors of the Group parent company, Pharma Mar, 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

The main business within the Biopharmaceutical area is currently the development and marketing of antitumor drugs of marine origin, which is the Group's main activity. Oncology is the Group's fastest-growing and most strategic area.

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.

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 Group has several antitumor molecules in its pipeline at various stages of development, the goal being to bring new compounds to market. Pharma Mar’s business model includes having its own sales network covering Europe. This network not only enables it to sell its products directly in the EU, but also provides scope to leverage future opportunities to sell third-party products.

Pharma Mar sees its strengths as being:

- A powerful technology platform for discovering new molecules. This platform, using marine organisms as the basis for its research, has enabled the Group to develop novel oncological treatments that provide new therapeutic alternatives for patients and have been approved for marketing in the world's main oncology markets. Pharma Mar has obtained marketing approval for three of its products: trabectedin, lurbinectedin and plitidepsin. In addition, its discovery platform provides it with new candidates in earlier stages of clinical and pre-clinical development with the objective of finding new treatments and obtaining future approvals.

- Given their activity, compounds already approved for certain antitumor indications have the potential to be approved for other indications.

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

- The revenues and cash flow from the oncology segment finance the Group's R&D spending for continued growth.

- Licensing agreements with international partners for marketing Pharma Mar's compounds outside Europe. These agreements represent an important source of revenue.

- A library of samples of marine organisms from around the world. They can be used for researching and developing therapeutic applications other than oncology, as has been shown with the ongoing developments in virology.

- A sound financial position to fund its projects. The Group is profitable, generates cash and has reduced its debt to less than half in the last three years.

- Pharma Mar is investing in other opportunities, enabling it to diversify part of its business. It is conducting clinical trials in ophthalmology with the new gene silencing technology, RNAi.

- The Group'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.

- Most of the Group's R&D and innovation spending is focused on oncology, the Group's main strategic business. Oncology is the fastest-growing area and the Company maintains a firm commitment to R&D to bring new drugs to market.

The key components of the Group's oncology 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. A new molecule was recently added to the oncology pipeline and another is expected to enter clinical development shortly.

- In-license one or more third-party products for marketing through the Pharma Mar sales network. These would be products in the commercial or regulatory phase that would contribute to increasing Group revenues.

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

Regarding the areas other than oncology:

- In the area of RNAi, progress is being made in a number of Phase III and earlier phase clinical trials to bring a compound for ophthalmology to the market.

- The RNAi area has its own software (SirFinder™) for rational design of small interfering RNAs (siRNAs) using mathematical algorithms and Artificial Intelligence (AI). This makes it possible to produce specific drugs for a range of pathologies. The RNAi area is open to collaboration with third parties to develop therapies.

- Since mid-2022, the RNAi area has also had a pilot plant for the production of oligonucleotides that not only covers the production needs for its own research and development but also enables it to produce compounds for third parties. It is planned to expand production capacity in future years.

- Advance with clinical and pre-clinical development in the Virology area.

1.3 Notable events in 2022.

The most noteworthy developments within the oncology segment can be broken down in terms of the approved compounds:

As for **lurbinectedin (Zepzelca),** the events of 2022 can be grouped under the following headings:

1) Marketing approval for Zepzelca in new territories:

- In September, Pharma Mar partner Boryung Corporation obtained conditional approval from South Korea's Ministry of Food and Drug Safety (MFDS) to market Zepzelca® (lurbinectedin) for the treatment of adult patients with metastatic small-cell lung cancer where the disease has progressed during or after platinum-based chemotherapy.

- In July, the Qatar regulatory authorities approved Zepzelca for treating small cell lung cancer.

2) New orphan drug designation:

- In December, the Swiss Agency for Therapeutic Products (Swissmedic) designated lurbinectedin as an orphan drug for the treatment of malignant mesothelioma.

3) New authorization for early access:

- Luye Pharma Group, Pharma Mar's Hong Kong partner for lurbinectedin, has launched the Named Patient Program (NPP) in Hong Kong (China), which provides eligible local patients with immediate access to the innovative cancer treatment Zepzelca® (lurbinectedin). The marketing application for the drug is currently under review by the local health authority in Hong Kong.

Regarding **trabectedin (Yondelis**):

- Fifteen years after Yondelis was first commercialized, generic trabectedin was released in some European countries in the fourth quarter of 2022, which impacted Yondelis® sales.

In the RNAi segment, Sylentis inaugurated the first plant in Spain for the production of oligonucleotides. The 400-square-meter plant will serve the needs of both Sylentis and third parties. Oligonucleotides, short strands of DNA or RNA that are manufactured by chemical synthesis, are the active ingredient of a new class of drugs.

2. Business performance and results

	31/12/2022	31/12/2021	Change
RECURRING REVENUE	**155,990**	**164,817**	**-5%**
Oncology sales	100,759	118,856	-15%
Diagnostics sales	4,977	4,965	0%
Oncology royalties	50,254	40,996	23%
NON-RECURRING REVENUE	**40,353**	**65,014**	**-38%**

Oncology out-licensing agreements	40,169	64,787	-38%
Other	184	227	-19%
TOTAL REVENUES	**196,343**	**229,831**	**-15%**

(Thousand euro)

2,1. Total revenues

Group revenue totaled €196.3 million in 2022, compared with €229.8 million in 2021. The breakdown of that figure is as follows:

Recurring revenue, i.e. net sales plus royalties from sales by partners, went from €164.8 million in 2021 to €156.0 million in 2022. This variation of 5% with respect to the previous year is due mainly to the decrease in oncology sales, partially offset by the increase in royalty revenue.

Net revenue in the Oncology segment amounted to €100.8 million, 15% less than in 2021 (€118.9 million). The breakdown of net revenue is as follows:

i) Net revenue from Yondelis sales amounted to €63.8 million in 2022 (€69.4 million in 2021).
ii) Revenue from Zepzelca in Europe under the early access program, mainly in France, amounted to €15.5 million (€30.2 million in 2021).
iii) Sales of both Yondelis and Zepzelca raw material to our various partners amounted to €21.4 million (€19.2 million in 2021).

Net sales of Yondelis amounted to €63.8 million. Yondelis gross sales in 2022 were almost 2% higher than in the previous year. The 8% year-on-year change in net sales is attributable to the market launch of generic trabectedin in the fourth quarter, which has led to price pressure in recent months.

The 48.7% decrease in Zepzelca revenue in Europe (early access) is due to the entry into force in France of a regulation imposing significant discounts on the prices of drugs in the Temporary Authorization for Use (ATU) system under which Zepzelca is distributed in that territory. Nevertheless, unit sales were similar to the previous year.

Sales of Yondelis and Zepzelca raw materials to partners rose from €19.2 million in 2021 to €21.4 million in 2022 (+11.6%).

Diagnostics revenue remained stable year-on-year at €5.0 million.

Royalties revenue amounted to €50.3 million in 2022, up from €41.0 million in 2021 (+23%). That figure includes €3.4 million in royalties from Yondelis sales by our partners in the United States and Japan (€3.0 million in 2021) and €46.9 million in royalties on Zepzelca sales by our US partner, Jazz Pharmaceuticals (€38.0 million in 2021). Royalties in the fourth quarter of 2022 are an estimate since the figures for sales by Jazz in that period were not available at the date of publishing this report.

Non-recurring revenue, mainly from out-licensing agreements, amounted to €40.2 million in 2022, compared with €64.8 million in 2021.

In 2022, revenue amounting to €29.5 million was recognized in connection with Zepzelca under the 2020 Zepzelca licensing agreement with Jazz Pharmaceuticals, whose proceeds (USD 300 million) are being recognized in profit or loss as a function of the fulfilment of contractual commitments. Additionally, revenue in the amount of €10 million was recognized in 2022 as a result of attaining a commercial milestone contemplated in the 2001 licensing and co-development agreement with Janssen (Johnson&Johnson).

The total amount in 2021 was €64.8 million, of which €39.5 million related to recognition of revenue for progress in fulfilling contractual commitments with Jazz Pharmaceuticals, and €22 million to the accrual in the year of another commercial milestone under the licensing agreement.

2,2. EBITDA. Net profit.

Group EBITDA amounted to €51.4 million in 2022 (€97.8 million in 2021).

	31/12/2022	31/12/2021
Net income	**49,356**	**92,859**
Income tax	(5,566)	2,270
Financial result	281	(2,682)
Depreciation and amortization	7,350	5,305
EBITDA	**51,421**	**97,752**

(Thousand euro)
(EBITDA: revenues and expenses before interest, taxes, depreciation and amortization).

EBITDA went from €97.8 million in 2021 to €51.4 million in 2022, i.e. a 47% change. As detailed in note 2.1, total revenues declined in 2022 by €33.5 million (8.8 of which relates to recurring revenues, i.e. sales plus royalties, and €24.7 million to non-recurring revenues arising from licensing agreements signed in previous years). At the same time, R&D expenses increased by €11.3 million.

The EBITDA contribution by the business segments is as follows:

	31/12/2022	31/12/2021
Oncology	79,887	120,550
Diagnostics	(3,455)	(2,720)
RNAi (Ophthalmology)	(12,886)	(9,200)
Unallocated	(12,125)	(10,878)
EBITDA	**51,421**	**97,752**

(Thousand euro)

Income after taxes amounted to €49.4 million in 2022 (€92.9 million in 2021).

2,3. R&D expenditure

R&D spending increased by 16% year-on-year to €83.4 million in 2022, from €72.2 million in 2021.

Oncology spent €68.1 million on R&D in the year, including €17 million on clinical trials to develop plitidepsin (Aplidin) as an antiviral, which are recognized in this segment.

Expenditure directly on oncology in 2022 was related mainly to the LAGOON confirmatory Phase III trial with lurbinectedin in small cell lung cancer, clinical trials of this molecule in combination with other agents, and the preparation of clinical trials in other indications. Also noteworthy was spending on the clinical trial of ecubectedin in solid tumors, and the commencement of clinical trials in humans with PM534, a new anti-tumor compound of marine origin from the Company's solid tumor research program. In addition, progress continues to be made in preparing new candidates for clinical development, as well as in researching new compounds in earlier phases and in preclinical trials to bring new molecules to the clinical pipeline.

The RNA interference segment advanced in 2022 with the Phase III clinical trial with tivanisiran in dry eye associated with Sjögren's syndrome, by opening new hospital centers in the United States to increase patient recruitment. In March, the first patient was enrolled in the USA in a new Phase III trial to assess the long-term safety of tivanisiran for treating the signs and symptoms of dry eye disease. Upon completion of the first Phase I trial with SYL1801 for treating and/or preventing choroid neovascularization, a common cause of retinal diseases such as age-related macular degeneration (AMD) and diabetic retinopathy, the regulatory documentation to commence a Phase II clinical trial was presented in the second quarter.

The breakdown of R&D expenditure is shown in the next table:

	31/12/2022	31/12/2021	Difference	
R&D expenses	**83,449**	**72,170**	**11,279**	**16%**
Oncology	68,099	61,054	7,044	12%
Diagnostics	2,318	1,632	686	42%
RNAi	13,032	9,484	3,549	37%

(Thousand euro)

2,4. Other operating expenses

Operating expenses: the Group spent €58.4 million on marketing, commercial, general and administrative expenses in 2022, a 15% increase year-on-year (€50.7 million in 2021). Marketing and commercial expenses increased by 7% due to the normalization of congresses, international meetings and commercial actions after the pandemic. General and administrative expenses increased by 10%, mainly due to the increase in institutional relations activities. The other operating expenses account, amounting to €15.2 million, mainly includes expenses incurred in corporate activities (not allocated to any segment) amounting to €12.1 million (€10.9 million in 2021), and amounts associated with the dissolution and liquidation of the Diagnostics segment.

	31/12/2022	31/12/2021	Difference	
Other operating expenses	**58,421**	**50,667**	**7,754**	**15%**
Marketing and commercial	24,219	22,368	1,851	8%
General and administrative	19,022	17,371	1,651	10%
Other operating expenses (Corporation)	15,180	10,928	4,252	39%

(Thousand euro)

2,5. Personnel

The Group had an average of 515 employees in 2022 (477 in 2021). The average number of employees is 442 in Oncology, 43 in Diagnostics and 30 in RNAi.

Women accounted for 61% of the workforce in 2022.

An average of 98.7% of employees in the year had indefinite contracts (98.1% in 2021).

The table below shows the segmentation by gender and category:

	Men	Women	Total
Executive directors	3	0	3
Senior managers	5	3	8
Management	14	14	28
Middle management	27	31	58
Technical staff	123	199	322
Clerical and similar staff	7	55	62
Other	22	12	34

TOTAL	201	314	515

2,6. 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.

Through two committees, the Audit Committee and the Remuneration, Appointments and Sustainability Committee, Pharma Mar's Board of Directors oversees and monitors the sustainability and non-financial information provided by the Company.

Pharma Mar'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.

2,7. Average period taken to pay suppliers

Information on payments for commercial transactions performed in 2022 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:

	31/12/22 Days
Average period taken to pay suppliers	49
Proportion of transactions paid	53
Proportion of transactions outstanding	27

The average supplier payment lag in the year between 1 January and 31 December 2022 was 49 days (55 days in 2021).

Payments totaled €77,667 thousand in 2022 (€59,368 thousand in 2021). The balance of outstanding payments was €11,329 thousand as of 31 December 2022 (€8,561 thousand in 2021).

A total of 7,384 invoices for a total of €52,333 thousand were paid in less than the established maximum period.

Invoices paid during the year in less than the maximum period amounted to 67.4% of the total amount of invoices paid in the year.

The 7,384 invoices paid in less than the maximum period accounted for 66.5% of the total number of invoices paid in the year.

3.- Liquidity and Capital

The balance of cash and cash equivalents amounted to €182.4 million as of 31 December 2022 (€202.0 million as of 31 December 2021). Including non-current financial assets, cash and cash equivalents amounted to €231.8 million as of 31 December 2022 (€212.7 million in 2021). This increase in liquidity is due mainly to the receipt, during the year, of a commercial milestone payment in the amount of €22.4 million that accrued in December 2021 in connection with the Zepzelca license to Jazz Pharmaceuticals, and of a commercial milestone payment from Janssen in the amount of €10 million.

For the purpose of comparing balance sheet figures, the Group's total net interest-bearing debt at amortized cost in the last two years is detailed below:

	31/12/2022	31/12/2021	Change
Non-current debt	**25,883**	**33,386**	**(7,503)**
Bank loans	231	4,669	(4,438)
Bonds	16,709	16,654	55
Loans from official authorities	8,943	12,063	(3,120)
Current debt	**13,125**	**12,212**	**913**
Credit lines	3,506	3,745	(239)
Bank loans	4,430	3,864	566
Loans from official authorities	3,791	4,077	(286)
Interest, etc.	1,398	526	872
Total interest-bearing debt	**39,008**	**45,598**	**(6,590)**
Cash and cash equivalents plus current and non-current financial assets	**231,818**	**212,602**	**19,216**
TOTAL NET CASH	**192,810**	**167,004**	**25,806**

(Thousand euro)

Total debt declined by €6.6 million in 2022. This decline was due to repayment of loans to banks and official agencies in the amount of €8.1 million (€12.9 million in 2021). New loans arranged in 2022 were from official agencies and amounted to €0.8 million (€5.8 million in 2021, from both banks and official agencies). The amount drawn against credit lines was stable year-on-year.

As a result, Group net cash flow in 2022 was positive in the amount of €192.8 million (€167.0 million in 2021). This level of cash flow will enable the Group to undertake the planned development and R&D work in the coming years without cash stresses.

4.- Primary Risks and Uncertainties

4,1. Situation risks

Competition.

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

The Pharma Mar Group'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 the Pharma Mar Group. 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, trade marks, 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 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.

The Pharma Mar Group 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, the Group also actively seeks protection for new formulations, production processes, medical applications and even new methods of drug administration.

The Group 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 aspects of 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, the Group 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 Pharma Mar Group incurs significant R&D expenditure 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.

The Group 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.

The Group 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 Board of Directors or the Group's executives is harmful to their interests as a shareholder and file a complaint.

The Group has director and executive liability insurance which covers the risk of a shareholder filing a complaint on the grounds that a decision by the Board of Directors or the Group's 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.

The Group conducts an in-depth analysis of prices at the beginning of the year and tries to obtain a closed 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 Group 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 Group has implemented a workplace health and safety system which is audited regularly to ensure compliance.

The Group has arranged accident and third-party liability insurance.

Pharma Mar, S.A., which employs 73.7% of the Group's total workforce, has a health and safety management system certified to the ISO 45001 standard for occupational health and safety management systems, audited by Lloyds Register Quality Assurance. This certification integrates employee health into the internal management system by seeking to ensure a healthy life and promote wellness in employees of all ages.

Environmental

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

The Group's production processes generally have a 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.

Pharma Mar, S.A. 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

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

Market disclosures

The Group is 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. The group has a system of internal control over financial reporting (ICFR) and over non-financial reporting (ICNFR) to provide reasonable assurance regarding the reliability of financial and non-financial information reported to the markets.

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.

Pharma Mar's management and Board of Directors and certain of the Company's executives and employees have access to privileged information about the Group'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 five 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.

The Pharma Mar Group 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.

The Pharma Mar Group 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. A). Market risk

Price risk

The Group 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 the Group's operations. The Group'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, the Company occasionally manages the interest rate risk of its cash flow by means of floating-to-fixed interest rate swaps when it considers this to be appropriate. 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. B). 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. C). 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 Group's financial department is to maintain flexibility in funding by having credit lines and sufficient funds in financial assets to cover obligations (Note 3).

4.5 Tax risks

Tax risk is inherent to the Company's activity and is 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 Group must comply with a number of tax obligations, both material (i.e. payments) and formal, consisting of filing returns without necessarily having to make any payments. The Group tries to identify risks and then minimize them.

The Group 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 Group 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 Group has not been found guilty of tax evasion.

The Pharma Mar 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.

Likewise, 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.

The Group 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.

5.- Subsequent events.

On 3 February 2023, the Company collected €17,243 thousand from the Spanish tax authorities under the heading of corporate income tax for monetization of certain research and development tax credits under 2021 corporate income tax.

In January, Pharma Mar partner Adium Pharma received full approval from the Mexican Federal Commission for Protection against Health Risks (COFEPRIS) to market Zepzelca® (lurbinectedin) in Mexico for the treatment of adult patients with metastatic small cell lung cancer who had experienced progression during or after platinum-based chemotherapy.

Also in January, Pharma Mar partner Megapharm Ltd. received conditional approval from the Israeli Ministry of Health to market Zepzelca® (lurbinectedin) in Israel for that same indication.

In February, the Group decided to close the Phase III Neptuno trial with plitidepsin for treating COVID-19 in hospitalized patients. The company took this decision because the evolution of the pandemic resulted in a lack of patients available for enrolment. Although the patient sample is insufficient, a preliminary analysis suggests a positive trend demonstrating the drug's potency.

In 2023, the Company tacitly rolled over a credit line amounting to €3,000 thousand in total.

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.

6.- 2023 outlook

After a successful launch of lurbinectedin in the United States for treating small cell lung cancer in 2020, our partner, Jazz Pharmaceuticals, succeeded in making lurbinectedin the standard of care in this indication in the United States in less than a year. It has gained market share in its first years on the market and we expect the number of treated patients to continue growing in 2023.

Lurbinectedin has now achieved a market share of over 37% as second-line treatment. In addition to being a milestone for patients, who now have a new therapeutic alternative in an indication for which no new treatment had been approved in over 25 years, it also increased Pharma Mar's revenues from royalties on sales and from the first commercial milestone in terms of sales volume.

Since 2020, Lurbinectedin has been approved as a second-line treatment of small-cell lung cancer in eight other countries outside Europe apart from the US. In addition, it may be approved during 2023 in countries where a registration dossier has already been submitted, and dossiers may be filed in such major countries as China.

Regarding clinical development of lurbinectedin, the LAGOON Phase III trial in small cell lung cancer commenced in 2021. The goal of this trial is not only to obtain approval for marketing lurbinectedin in Europe, but to serve as a confirmatory trial for the accelerated approval obtained in the United States. This trial is under way and enrolment is accelerating. Additionally, our partner, Jazz Pharmaceuticals, initiated a Phase III trial in 2021 to gain approval as first-line treatment in the United States. Our partner expects to complete enrolment for this trial in 2023. This trial is in combination with atezolizumab, an immunotherapy treatment from Roche, which is also participating in the trial as one of its sponsors. If the outcome is positive, this trial will be used not only for approval in the United States but also for registration in Europe. In relation to other indications, a Phase III registration trial for the treatment of mesothelioma is expected to begin in 2023 with lurbinectedin in combination with immunotherapy, where very encouraging results have already been obtained in previous phases. It is also planned to commence two Phase III trials with lurbinectedin in 2023: one for treating leiomyosarcoma and the other for treating ovarian cancer. Accordingly, we should end 2023 with three Phase III trials under way with lurbinectedin.

In 2022, we advanced in the development of other molecules such as PM14, with which we initiated a Phase II basket trial in a range of indications, and we also started clinical trials with a new molecule, PM534. We expect to advance with these trials in 2023 and bring a new molecule — PM54 — into clinical development.

As a result, we plan to end 2023 with clear growth in the oncology pipeline, which we expect to generate positive results in subsequent years.

In the last quarter of 2022, 15 years after Yondelis was released on the market, generic trabectedin began to be sold in Europe. Yondelis was authorized for the treatment of soft tissue sarcoma in 2007 and maintained a share of around 30% of the second-line market until 2022. The year 2023 will be the first full year to capture the effect of generics on Yondelis sales.

In 2023 we may sign new out-licensing agreements for our molecules and work is also under way to in-license a third-party oncology product that is in the commercial or regulatory phase, which would enable us to distribute it through our commercial network in Europe, providing additional revenues.

In 2023, subsidiary Sylentis is expected to have the results from the first Phase III trial with tivanisiran for treating dry eye associated with Sjögren's syndrome. We should also have the safety results from the Phase III trial in dry eye. If the first Phase III trial attains its primary endpoints, this would be another out-licensing opportunity and, in any event, we will initiate the last Phase III trial required to produce the registration dossier to apply for approval in this indication. We also expect to advance with production at the oligonucleotide manufacturing pilot plant, which was commissioned in 2022, and construction of a larger facility will begin in 2023. To that end, Pharma Mar acquired a plant that it will assign to Sylentis

in 2023. The plant will be built in stages, as production capacity will be expanded in line with the needs of the Group itself and of third parties. One of the purposes of the plant is to produce oligonucleotides for third parties, as market demand currently exceeds production capacity.

7.- R&D and Innovation

Research and development is vital to the Group's strategy. It spent €83.4 million on R&D in 2022 (€72.2 million in 2021).

Of that total, €68.1 million was spent in oncology, including €17 million to develop Aplidin as an anti-viral against COVID-19; €13.0 million in RNAi in ophthalmology; and €2.3 million in diagnostics.

The Group's main progress and results in R&D in 2022 by area of activity are as follows:

7.1.- ONCOLOGY: PHARMA MAR.

The activities and progress for each of the compounds in 2022 are detailed below:

a) 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, the trial could confirm the benefits of lurbinectedin for treating small cell lung cancer when patients have experienced progression after first-line treatment with platinum in the USA, and would serve as a registration trial for territories outside the USA.

The IMforte Phase III trial conducted by our partner Jazz Pharmaceuticals to assess Zepzelca® in combination with Tecentriq®, a PD-L1 inhibitor, for treating small cell lung cancer is also advancing satisfactorily. This trial, which is sponsored by F. Hoffman-La Roche Ltd and conducted in collaboration with our US partner, Jazz Pharmaceuticals, will measure progression-free survival and general survival with Zepzelca® in combination with atezolizumab as compared with atezolizumab alone. This collaborative research will provide information on a potentially novel first-line treatment option for small cell lung cancer. Our partner estimates that recruitment will be completed by the end of 2023.

In this indication, it is important to note that retrospective data collection in France, including patients who received lurbinectedin as part of the "ATU nominative" (named-patient authorization) program, also called the "French Early Access Program", to describe the clinical and demographic characteristics of these patients by assessing overall survival, real-world progression-free survival, etc. has concluded. This study is headed by Intergroupe Francophone de Cancérologie Thoracique and Groupe Français de Pneumo-Cancérologie, and the principal investigator is Professor Nicolas Girard of Institut Curie (Paris). The next stage is analysis of the data that was collected.

The following communications in connection with lurbinectedin for treating small cell lung cancer were presented at the American Society of Clinical Oncology (ASCO) annual meeting, which was held online and in person in Chicago from 3 to 7 June 2022:

- A poster entitled "*Analysis of patients with relapsed small cell lung cancer (SCLC) receiving single-agent lurbinectedin in the phase III ATLANTIS trial*", which showed the results of a subgroup of 50 patients with small cell lung cancer in the ATLANTIS Phase III trial who switched to single-agent lurbinectedin after ten cycles of lurbinectedin in combination with doxorubicin. Upon switching to lurbinectedin monotherapy, these patients tended to maintain or improve the superior tumor response obtained with the combination and no new signs of toxicity were identified.

- A poster entitled "*A phase 1/2 trial of lurbinectedin (L) in combination with pembrolizumab (P) in relapsed small cell lung cancer (SCLC): The LUPER study*", which showed a manageable safety profile and preliminary antitumor activity of the combination of lurbinectedin with pembrolizumab (immunotherapy) as second-line therapy for patients with relapsed small cell lung cancer.
- An abstract entitled "*Efficacy and safety of lurbinectedin as second-line therapy in Chinese patients with small cell lung cancer Preliminary results of a phase 1 study*", which analyzed the results of the phase I trial in which lurbinectedin as monotherapy showed promising efficacy as a second-line treatment in Chinese patients with small-cell lung cancer, with acceptable tolerability and a manageable safety profile.

Combination trial with Zepzelca™ (lurbinectedin)

Recruitment continued on schedule in 2022 for the Phase I trials with lurbinectedin in combination with irinotecan, pembrolizumab and atezolizumab.

Specifically, the combination trial with irinotecan continued in the expansion phase in small cell lung cancer, synovial sarcoma and neuroendocrine tumors, as planned.

Phase I trial in China

The clinical trial being conducted by our partner in China, Luye Pharma, and designed to ascertain the dose of Zepzelca in Chinese patients has ended patient enrolment and is currently in the monitoring phase.

b) 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

Recruitment for the Phase I/II trial with this compound in combination with irinotecan is progressing satisfactorily. The Phase Ib trial in combination with atezolizumab is also recruiting satisfactorily.

c) PM534

PM534 is a new marine-derived antitumor compound obtained in the Company's research program for the treatment of solid tumors. A new Phase I study has been initiated with this compound. The objectives of this first trial are to find the recommended dose and assess the safety and efficacy profile. The trial will be conducted in patients with advanced solid tumors who will be administered the drug intravenously.

d) PM54

This new compound has been submitted to the regulatory agencies and we estimate that it could enter the clinical phase in the first quarter of 2023.

7.2.- VIROLOGY: PHARMA MAR

In 2020, Pharma Mar commenced a new line of activity in the biopharmaceutical area by creating a Virology Unit to research, develop and supply medicines for viral diseases for which there are no effective treatments as yet.

a) Aplidin (plitidepsin)

The NEPTUNE multicenter, randomized, controlled Phase III clinical trial to determine the efficacy and safety of two dosages of plitidepsin versus control in adult patients requiring hospitalization for the treatment of moderate COVID-19 infection continued in 2022. However, in February 2023, it was

decided to close the Phase III Neptune study with plitidepsin for the treatment of COVID-19 in hospitalized patients. The Company took this decision because the evolution of the pandemic resulted in a lack of patients available for enrolment. Although the patient sample is insufficient, a preliminary analysis suggests a positive trend demonstrating the drug's potency. Pharma Mar will continue to analyze the trial data for subsequent publication.

Additionally, the NEREIDA Phase II, multicenter, open, randomized, controlled, basket and pragmatic clinical trial to determine the efficacy and safety of plitidepsin compared to control in immunocompromised adult patients with symptomatic COVID-19 requiring hospitalization was submitted to the Spanish regulatory authorities (AEMPS and Ethics Committee) in late September.

7.3.- RNA Interference, OPHTHALMOLOGY: Sylentis

Clinical development of tivanisiran for treating dry eye syndrome continued in 2022. Two Phase III trials are currently under way with Tivanisiran in the United States. Over 30 hospitals in the United States are participating in the first Phase III trial with SYL1001 in dry eye disease associated with Sjögren's syndrome, an autoimmune disease, and 200 patients are to be enrolled. This is a randomized, double-masked, placebo-controlled trial whose primary and secondary end-points are, respectively, the efficacy (signs and symptoms) and safety of tivanisiran in patients with dry eye disease associated with Sjögren's syndrome. The other Phase III trial (FYDES) is a multicenter, randomized (2:1), double-blind study in which 300 patients with mild to severe dry eye will receive tivanisiran or the ophthalmic vehicle solution for 360 consecutive days. The trial has 26 active centers in the United States. The main endpoint is to assess safety for ocular and non-ocular adverse events. The trial completed patient enrollment in October 2022 and treatment will continue until the last patient reaches 360 days.

Additionally, a Phase I trial with healthy volunteers of SYL1801 for the treatment and/or prevention of choroid neovascularization associated with pathologies such as age-related macular degeneration (AMD) and diabetic retinopathy concluded, showing an excellent safety and ocular tolerance profile. A Phase II trial has commenced with this compound, SYL1801, in 90 patients with AMD in three Europe countries (Czech Republic, Poland and Slovakia). This is a multicenter, randomized, double-masked trial to compare the safety, tolerability and effect of different doses of SYL1801 in previously untreated patients with neovascular AMD. The first patient was enrolled in December 2022.

The Company continues using Sylentis's proprietary SirFINDER 2.0 software to find new RNAi-based candidates for topical treatment of rare retinal diseases. Those new candidates' efficacy continues to be assessed using preclinical models of a number of retinal pathologies.

8.- Acquisition and disposal of own shares

As of 31 December 2022, 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 these shares were fully subscribed and paid and have the same political and economic rights.

The breakdown of, and changes in, own shares in 2022 are as follows:

	No. of shares	Amount
Own shares as of 31/12/2021	**344,366**	**25,678**
Own shares purchased	761,615	47,708
Own shares sold	-850,449	-56,950
Employee share ownership plan	-8,244	-571
Own shares as of 31/12/2022	**247,288**	**15,865**

As of 31 December 2022, the Company held 247,288 own shares (344,366 in 2021) representing 1.35% of capital stock (1.88% in 2021).

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 2022, the Company acquired own shares worth €47,708 thousand (€40,659 thousand in 2021) and sold own shares worth €56,950 thousand (€35,683 thousand in 2021). Those sales resulted in a loss of €2,458 thousand (a loss of €2,468 thousand in 2021), which was recognized in the Company's reserves.

In the scope of the employee share ownership plan, a total of 8,244 shares were allocated in 2022 to 167 beneficiaries at a price of €71.5923 (8,026 shares in 2021 to 183 beneficiaries at a price of €103.0164), generating a gain of €19 thousand (€74 thousand in 2021). Additionally, a total of 224 shares were canceled under this Plan in 2022 (582 shares in 2021).

9.- Share information

General situation

The year 2022 was one of uncertainty in all areas, both geopolitical and social, resulting in economic imbalances.

As the year began, the COVID-19 pandemic was continuing, although with lower incidence and less severely than in previous year because of the vaccination campaign that commenced in 2021. The first quarter brought the outbreak of the war between Russia and Ukraine. This conflict not only created geopolitical and social tensions but has also triggered an energy crisis with major economic consequences.

Gross Domestic Product (GDP) was driven strongly by inflation and the monetary policies established by central banks. The United States ended 2022 with 2.0% GDP growth (1.4% projected for 2023), while the figure in the Euro area was 3.5% (0.7% projected for 2023) and Spain achieved 5.2% growth in the year (expected to ease to 1.1% in 2023)[1].

Soaring inflation in the main economies was one of the main factors behind the slowing growth. The increase in inflation was due to price pressure in energy, oil, gas and food, as well as other factors. This inflation is a consequence of the expansionary policy of recent years and was aggravated by the outbreak of war between Russia and Ukraine. According to the International Monetary Fund, inflation in 2022 was 8.0% in the United States (up from 4.7% in 2021), 8.3% in Europe (up from 2.6% in 2021) and 8.8% in Spain (up from 3.1% in 2021).

Responding to this inflationary situation, the central banks adopted more restrictive monetary policies by raising benchmark rates during the year. As a result, rates in the United States were between 4.5% and 5.0% at the end of the year while, in the Euro area, the European Central Bank raised rates to 2.5%. Those levels of interest rates had not been seen since the end of 2008.

Interest rate hikes coupled with high inflation put pressure on households, reducing their purchasing power. Household spending in Spain fell by 1.9% in 2022 (vs. 6.0% in 2021), while the household saving rate fell by 16.1%[2] as households drew on surplus savings accumulated during the pandemic.

This macroeconomic situation was reflected in the stock market. Equities lost ground in 2022 as a result of central bank monetary policies, involving interest rate increases.
The Spanish stock market ended 2022 -5.56% down, but was one of the better performers in Europe if compared with Eurostoxx50 (-11.74%) and DAX (-12.35%). The only index in Europe that outperformed the IBEX35 was FTSE100, which ended in positive territory (+0.91%). The Spanish index was supported by bank, energy and oil stocks: Caixabank +52.11%, Banco de Sabadell +48.83% and Repsol +42.30%.

US indexes performed broadly in line with their European counterparts, with losses across the board. The Dow Jones lost -8.78% and the S&P500 lost -19.44%. The biotechnology indexes fared no better: the Nasdaq Biotech Index lost -26.70% and the S&P Biotech Index lost -11.68%.

Pharma Mar: Share information 2022

[1] Source: International Monetary Fund (WEO January 2023)

[2] Source: Cuentas Trimestrales no Financieras de los Sectores Institucionales. Segundo trimestre de 2022. (INE)

Total number of shares	18,354,907
Par value (euro)	0.60
Average daily trading (no. of shares)	72,365
Average daily trading (euro)	4,518,705
Trading days	258
Year trading low (6 October) (euro)	25,346
Year trading high (11 January) (euro)	547,421
Total trading in the year (million euro)	1,165
Lowest share price (24 February)	50.08
Highest share price (19 April)	77.80
Share price as of 31 December	64.28
Average share price in the year	63.07
Market capitalization as of 31 December (million euro)	1,180.22

***Source**: Bloomberg*

Pharma Mar's share performance

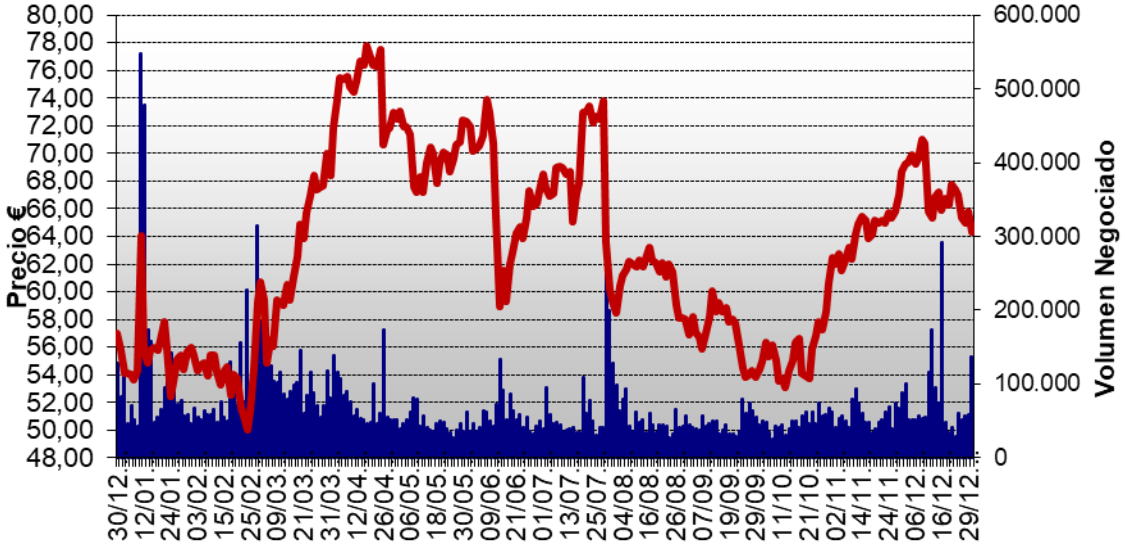
Despite the difficult environment for the stock markets in 2022, Pharma Mar's share performance during the year was particularly positive, as it gained 12.77% to close at €64.28.

During the year, the Company focused on conducting and completing the trials that commenced in previous years, and on initiating those planned. A Phase I trial with PM453, a new anti-tumor compound of marine origin, commenced at the end of the year in patients with advanced solid tumors.

Lurbinectedin continued to advance during the year. In May, "Clinical Cancer Research" published the results of the Phase II trial in Ewing sarcoma, where the primary endpoint of an overall response rate of 14.3%, with a median duration of response of 4.2 months was achieved. A number of approvals were obtained and progress was achieved during the year: in July, Luye Pharma Group announced approval of compassionate use in the territory of Hainan (China), the UK Medicines and Healthcare products Regulatory Agency granted innovative drug status, conditional approval was obtained in South Korea, etc.

Sylentis also commenced two Phase III trials during the year. The first was a Phase III trial in the United States to evaluate the activity and safety of tivanisiran in dry eye patients, while the second, with tivanisiran, aimed to assess safety. A Phase II clinical trial with SYL1801 in patients with macular degeneration also commenced.

Additionally, as part of the Company's strategy of focusing on its main activity of developing and marketing drugs, in September the Board of Directors decided to discontinue the diagnostics business, which is conducted through its subsidiary Genomica, S.A.U.



***Source**: Bloomberg*

10.- Consolidated Non-Financial Information Statement

The consolidated non-financial disclosures are presented separately.

The Annual Corporate Governance Report, which is an integral part of this Directors' Report, may be viewed at www.cnmv.es.

The Annual Director Remuneration Report, which is an integral part of this Directors' Report, may be viewed at www.cnmv.es.

FINANCIAL STATEMENTS AND DIRECTORS' REPORT
OF THE PHARMAMAR GROUP
FOR THE YEAR ENDED
31 DECEMBER 2022

In compliance with the provisions of articles 34 and 35 of the Commercial Code and articles 253 and 254 of the Capital Companies Act, these financial statements and directors' report (which include the consolidated non-financial information statement referred to in article 49.7 of the Commercial Code) of the PHARMAMAR GROUP for the period from 1 January to 31 December 2022, are hereby drafted and authorized.

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 2023.

The Board of Directors:

Mr José Mª Fernández Sousa-Faro Chairman	Mr Pedro Fernández Puentes Vice-Chairman
Mr Carlos Pazos Campos Director	Mr Eduardo Serra Rexach Director
Ms Sandra Ortega Mera Director	Mr Carlos Solchaga Catalán Director
Ms Rosa María Sánchez-Yebra Alonso Director *Participated in the Board of Directors meeting by means of an online connection and approved the content of the Consolidated Financial Statements and Directors' Report of the PharmaMar Group*.	Ms Montserrat Andrade Detrell Director
Mr Mariano Esteban Rodríguez Director	Mr Emiliano Calvo Aller Director
Ms Mª Blanca Hernández Rodríguez Director *Her signature is not recorded as she excused herself from attending the Board of Directors for unavoidable professional reasons, having delegated her representation*	Mr Fernando Martín-Delgado Santos Director

Certificate by the Secretary of the Board of Directors to the effect that the Consolidated Financial Statements and Consolidated Directors' Report (of which the separate report concerning the consolidated non-financial information statement referred to in article 49.7 of the Commercial Code forms part) of the PHARMA MAR Group (the consolidated group whose parent company is Pharma Mar, S.A.) for the year ended December 31, 2022, were authorized in electronic format by the Board of Directors at a meeting on February 27, 2023, in accordance with the format and markup requirements established in Commission Delegated Regulation (EU) 2019/815 and Commission Delegated Regulation (EU) 2022/352, and were signed by the directors listed above, with the exception of: (i) Ms. Rosa María Sánchez-Yebra Alonso, who participated in the Board of Directors' meeting by means of distance communication and approved the contents of the consolidated Financial Statements and Directors' Report of the Pharma Mar Group; and (ii) Ms. Blanca Hernández Rodríguez, who did not sign because she had given notice of being unable to attend due to unavoidable professional requirements and granted proxy for the matters on the Agenda of this meeting (which include the authorization of the Separate and Consolidated Financial Statements and the Separate and Consolidated Directors' Reports for the year ended December 31, 2022) to the director Ms. Montserrat Andrade Detrell, with express instructions to vote in favor. Which I certify in Madrid on February 27, 2023.

Secretary of the Board of Directors

Juan Gómez Pulido

This English version has been translated by Pharma Mar, under its sole responsibility, and is not considered official or regulated financial information.

PHARMA MAR GROUP

(Pharma Mar S.A. and subsidiaries)

SEPARATE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT (ART. 49.7 OF THE CODE OF COMMERCE) FOR THE FISCAL YEAR ENDED 31 DECEMBER 2022, WHICH IS PART OF THE MANAGEMENT REPORT OF THE PHARMA MAR GROUP FOR THAT FISCAL YEAR

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 verification report

To the shareholders of Pharma Mar, S.A.:

Pursuant to article 49 of the Code of Commerce, we have verified , with the scope of a limited assurance engagement, the accompanying Consolidated Statement of Non-Financial Information ("SNFI") for the year ended 31 December 2022 of Pharma Mar, S.A. (Parent company) and subsidiaries (hereinafter "Grupo Pharma Mar" or the Group) which forms part of the Grupo Pharma Mar's consolidated management report.

Responsibility of the directors of the Parent company

The preparation of the SNFI included in Grupo Pharma Mar's consolidated management report and the content thereof, are the responsibility of the directors of Pharma Mar, S.A. The SNFI has been drawn up in accordance with the provisions of current mercantile legislation and following the criteria of the *Sustainability Reporting Standards* of the *Global Reporting Initiative* ("GRI Standards") selected as per the details provided for each matter in the "Anexo 1: Relación completa de aspectos materiales para el Grupo Pharma Mar" of the aforementioned Statement.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the SNFI to be free of material misstatement due to fraud or error.

The directors of Pharma Mar, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the SNFI is obtained.

Our independence and quality management

We have complied with the independence requirements and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code") which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies current international quality standards and maintains, consequently, a quality system that includes policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team consisted of professionals specialising in Non-financial Information reviews, specifically in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in a limited assurance independent report based on

the work we have performed. We carried out our work in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and in the Guidelines for verification engagements of the Statement of Non-Financial Information issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement and accordingly, the assurance provided is also lower.

Our work consisted of posing questions to management as well as to the various units of Grupo Pharma Mar that were involved in the preparation of the SNFI, of the review of the processes for compiling and validating the information presented in the SNFI, and in the application of certain analytical procedures and review procedures on a sample basis, as described below:

- Meetings with the Pharma Mar, S.A. personnel to understand the business model, policies and management approaches applied, principal risks relating to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the content of the SNFI for the year 2022, based on the materiality analysis carried out by Grupo Pharma Mar and described in section el apartado "Análisis de materialidad", taking into account the content required by current mercantile legislation.
- Analysis of the procedures used to compile and validate the information presented in the SNFI for the year 2022.
- Review of information relating to risks, policies and management approaches applied in relation to material matters presented in the SNFI for the year 2022.
- Verification, by means of sample testing, of the information relating to the content of the SNFI for the year 2022 and that it was adequately compiled using data provided by the sources of the information.
- Obtaining a management representation letter from the directors and management of the Parent company.

Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that the SNFI of Pharma Mar, S.A. and its subsidiaries, for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the provisions of current mercantile legislation and following the criteria of GRI selected as per the details provided for each matter in the "Anexo 1: Requerimientos de la Ley 11/2018 en materia de información no financiera y diversidad" of the aforementioned Statement.

Emphasis of matter

The Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 relating to the establishment of a framework to facilitate sustainable investments establishes the obligation to disclose information on the manner and extent to which the company's activities are associated with economic activities aligned in relation to the objectives of climate change mitigation and adaptation to climate change for the first time for the year 2022, in addition to the information referring to eligible activities required in the year 2021. Consequently, comparative alignment information has not been included in the accompanying SNFI. On the other hand, to the extent that the information referring to eligible activities in the year 2021 was not required with the same level of detail as in the year 2022, detailed information regarding eligibility is not strictly comparable either in the accompanying SNFI. Additionally, it should be noted that Grupo Pharma Mar's directors have incorporated information on the criteria that, in their opinion, best allow compliance with the aforementioned obligations and that are defined in "Anexo 3: Cifras de elegibilidad de CapEx y OpEx del Anexo II del Reglamento Delegado 2021/2178 de 6 de julio" of the accompanying SNFI. Our conclusion has not been modified in relation to this matter.

Use and distribution

This report has been drawn up in response to the requirement established in current Spanish mercantile legislation and therefore may not be suitable for other purposes and jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

(Originally signed in Spanish)

Ramón Abella Rubio

28 February 2023

CONTENTS

0.1. About this Report

This Consolidated Non-Financial Information Statement (**NFIS**) has been prepared in accordance with the requirements laid down in Law 11/2018, of 28 December, amending the Commercial Code, the amended and restated text of the Capital Corporations Law as approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July on Statutory Auditing, as relates to non-financial information and diversity.

In preparing the report, the Global Reporting Initiative's Guide to Sustainability Reporting Standards (GRI Standards) has been considered, insofar as it does not contradict Law 11/2018. The Pharma Mar Group's Corporate Social Responsibility Report, previously published each year, was replaced from 2018 with the Non-Financial Information Statement.

The Pharma Mar Group publishes this NFIS in order to **report on and disseminate its sustainable development strategy and its performance in 2022**. Hence, the report sets forth the Company's commitments relative to the environment, society, its employees and human rights, as well as its anti-corruption and anti-bribery efforts.

Scope

The NFIS has the same scope of consolidation as the Pharma Mar Group's financial statements at 31 December 2022, comprising both Pharma Mar, S.A. as well as its direct and indirect subsidiaries (see section 1.3., “Our Organization”).The Group's materiality analysis has been taken into account in its preparation and selection of contents. When one of the aspects analyzed does not include any of the subsidiaries, this is expressly stated.

In September 2022, the Board of Directors of Pharma Mar, S.A., after assessing various options, decided not to continue with the activity of the diagnostics area, which had been carried out through its wholly owned subsidiary, Genomica, S.A.U., under liquidation. This area was not considered strategic for the Group, and making it grow in the current context of declining prices and margins in the sector would have required very large investments. For this reason, it was decided to initiate the procedures for the winding-up of Genomica, S.A.U., under liquidation.

In light of the importance for the Pharma Mar Group of the dissemination of significant, comprehensible, complete and strategic information, the NFIS has been prepared through extensive implementation and verification of **the Internal Control over Non-Financial Reporting procedures for each of the sections of this report (ICNFR)**, and internally auditing the procedures that have made it possible to prepare this report.

Materiality analysis

The materiality analysis is a **key element** for the Pharma Mar Group in defining its long-term strategies. The analysis is conducted every two years, although each year the relevant significant updates are incorporated. In 2022, a complete analysis was carried out to identify material issues for the Pharma Mar Group, and information was obtained from both internal and external sources.

For the analysis of **external relevance**, information was combined from four sources outside of the organization and the results were weighted. The external sources analyzed were: the investment firm Sustainable Asset Management (SAM), the not-for-profit organization Sustainability Accounting Standards Board (SASB), an analysis on press reports on the Pharma Mar Group and a benchmarking analysis in which the materiality analyses carried out by five comparable companies in the sector were used as the benchmark.

For the **internal relevance** analysis with respect to the material issues, the persons responsible for all of the Group's functional areas were consulted. Each material issue was assigned a numerical value and weighted, and the issue with the highest score was considered to have 100% internal relevance.

The information gathered was used to prioritize the Group's material issues in the **double materiality matrix**, which takes into account both internal relevance of each material issue, as well as its relevance for the relevant stakeholders. Hence, the Group directs both its strategy and the public reporting on its sustainability performance according to this NFIS.

As a result of this process, the **30 material issues** detailed in ***Annex 2*** are maintained in 2022. These material issues are grouped into five categories and shown in ***Figure 1*** along with the Group's stakeholders.

Figure 1*. Categories of material issues and stakeholders of the Pharma Mar Group.*

The complete materiality matrix resulting from this analysis is shown in ***Figure 2***, along with its material issues distributed according to relevance for both Pharma Mar and its stakeholders.

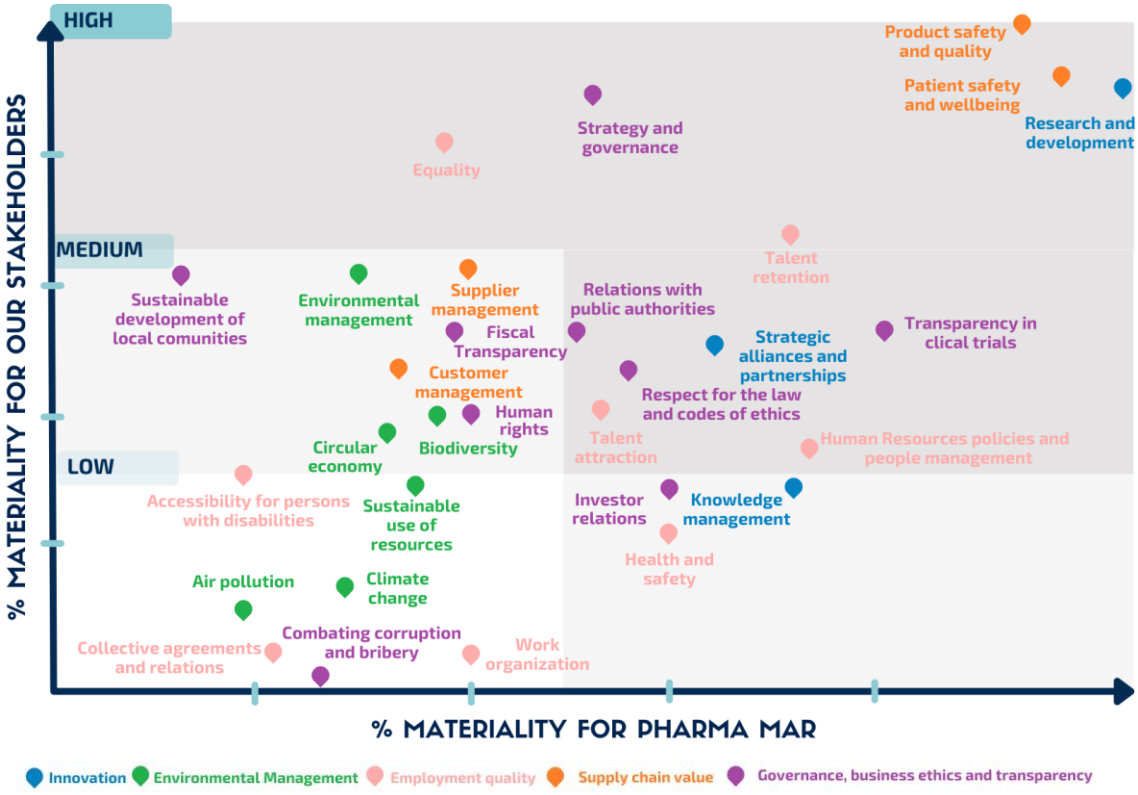


Figure 2. *Materiality matrix for the Group in 2022.*

In general, there were no significant changes in the priorities assigned to each material issue in 2021. Nevertheless, in the press analysis, greater interest in the sustainable development of local communities was perceived.

In 2022, the more than 30 surveys conducted to determine **internal relevance** resulted in a higher weighting than in 2021 for material issues relative to **transparency in clinical trials, sustainable resource use and equality**.

As a result of the double materiality analysis, it was concluded that the issues guiding the activity of the Pharma Mar Group and the pharmaceutical sector in general are research and development and product quality and safety in order to contribute to patient health and wellbeing. None of this can be achieved without highly specialized human capital committed to innovation.

The EU Taxonomy Regulation in the Climate Delegated Act does not include the pharmaceutical sector as an economic activity or a sector with potential to attain the objective of mitigating climate change. Environmental issues are therefore not considered relevant in the sector.

Lastly, the pharmaceutical sector is highly regulated, as the activities relating to the development and marketing of its products are closely monitored, as is the

interrelationship between companies and patients and prescribers in the fight against corruption and bribery.

Key material issues

As a result of the materiality analysis, it is concluded that the key material issues, for both the Pharma Mar Group and its stakeholders, are:

Related to supply chain value:

- Product safety and quality.
- Patient safety and wellbeing.

Related to innovation:

- Commitment to research and development (R&D) on new products.
- Knowledge protection, patentability and management.
- Establishment of strategic alliances and partnerships, especially with licensees, partners, research centers and universities.

Related to employment quality:

- Training and professional development for talent retention.
- Talent attraction.
- Human resource policies and management.
- Equality.

Related to governance, business ethics and transparency:

- Strategy and governance of the business model.
- Transparency in clinical trials.
- Respect for laws, regulations and codes of ethics.
- Transparent relationship with public authorities and administrations.
- Transparent relationship with investors and shareholders.

Related to the environment. These issues are at a lower level of the matrix. Nevertheless, the following material issues are important for the Group:

- Biodiversity protection.
- Sustainable use of resources.

Commitment to sustainable development

Pharma Mar always pursues its main objective of providing solutions and improving the lives of patients who suffer from serious illnesses through innovative treatments, with a sense of **responsibility and respect for and commitment to the environment, society and its stakeholders**.

Pharma Mar Group's activity is linked to sustainable development through its objective of continuing to be a global leader in discovering medicines of marine origin.

In 2021, the **Group's Board of Directors approved the Sustainability Policy and the Sustainability Action Plan 2021-2023**, which apply to all Group companies. This makes

clear the Group's efforts to meet the needs of patients and other stakeholders now and with an eye on future growth and sustainability.

The Sustainability Action Plan 2021-2023 and the Sustainability Policy may be consulted in the "Sustainability & Ethics" section of the Pharma Mar's website. Specifically, a set of commitments, strategic objectives and performance indicators for each category of material issues, aligned with the Sustainable Development Goals of the United Nations 2030 Agenda (***Figure 3***), has been established.

In 2022, the sustainability reporting workgroup has held follow-up meetings at which the progress of each objective could be verified. At year-end 2022, a total of 51.3% of the proposed objectives had been completed, and the remaining objectives were in progress.

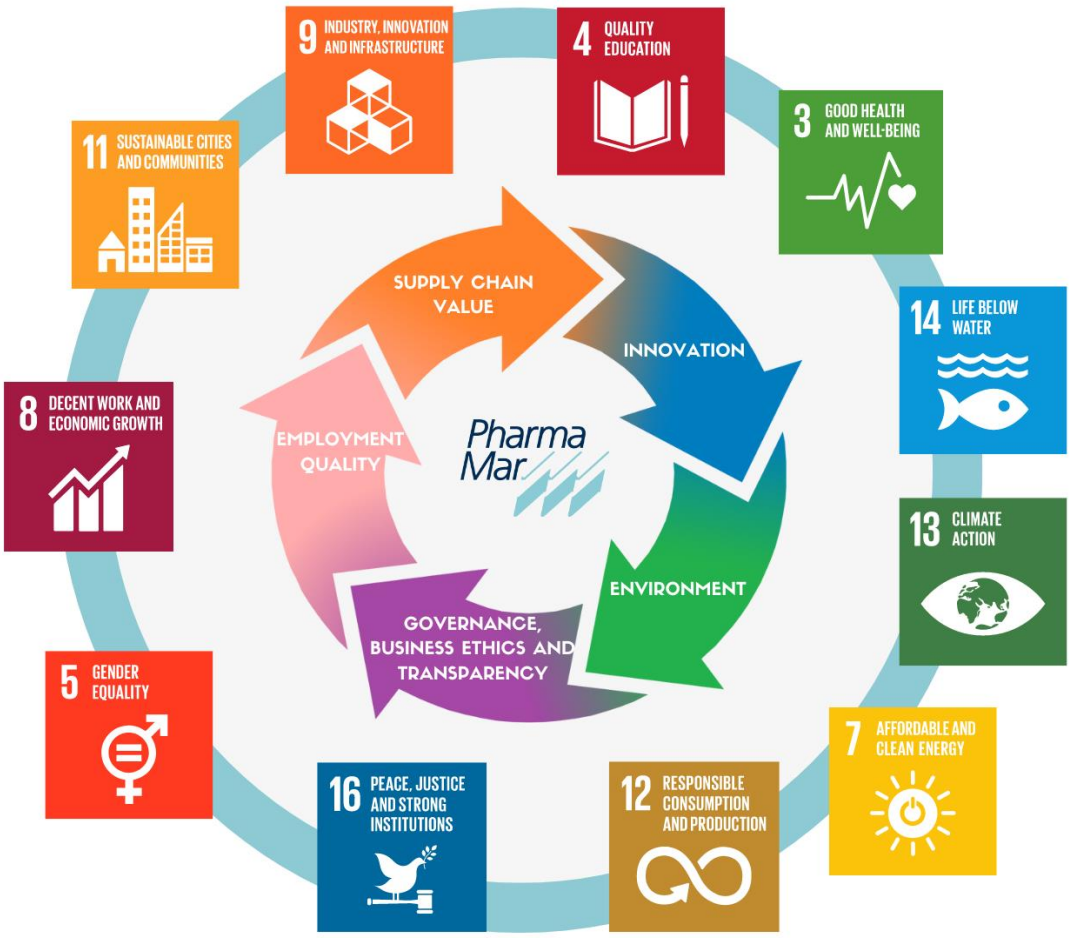


***Figure 3**. Alignment of the Sustainable Development Goals of the 2030 Agenda with the Pharma Mar Group's five categories of material issues.*

+SUSTAINABILITY
PHARMAMAR GROUP

0.2. Key indicators

In order to ensure the attainment of the sustainable development goals described in this report, key indicators have been defined for each of the Group's material issues (***Table 1***).

		2021	2022
Innovation	Revenue (thousands of euros)	229,831	196,343
	Investment in R&D/revenues (%)	31.4	42.5
	Operating expense/revenues (%)	22.0	29.8
	Number of new patent applications	110	249
	Number of strategic agreements in force	46	46
Corporate Governance	Independent Directors (%)	36.4	41.7
	Women on the Board of Directors (%)	36.4	33.0
	Communication to society: number of media impacts	42,242	17,171
Talent attraction and retention	Workforce turnover (%)	14.3	19.3
	Hours of training	18,584	24,113
	Number of nationalities (cultural diversity)	16	15
	Women in management positions (%)	45.3	47.6
Environment	Amount of water used (m^3)	8,378	8,937
	Annual amount of Chemical Oxygen Demand (COD) discharged for industrial use (kg)	434.2	402.3
	CO_2 emissions (t CO_2e)	8,565	8,293
Community Action	Cumulative number of orphan drug designations in force	18	19
	Number of collaborations with not-for-profit entities	23	33
	Interns trained in the year/total workforce (%)	3.8	4.3

***Table 1**. Pharma Mar Group key indicators.*

Some clarifications are provided below on the value of certain key indicators in order to make the data more understandable.

Innovation indicators. The number of new patent applications has increased because of the national extension of several patent applications processed and approved under the Patent Cooperation Treaty (PCT) in 2022.

Talent retention indicators. Training hours have been recalculated because the training database is dynamic, and is fed as the attendance certificates of the programmed courses are received. In 2021, 15,344 hours were recorded. A figure of 18,934 hours was extracted from the database on the date on which this report was prepared.

Environmental indicators. Regarding CO_2 emissions, in 2022 the Group included more sources of emissions in Scope 1 and broadened the calculation to include indirect emissions from the value chain (Scope 3). For both 2021 and 2022 the calculation has followed the guidelines set out in the GreenHouse Gas (GHG) Protocol, which is the most widely recognized standard at a global level.

Communication to society indicator: number of media impacts. The decline in this indicator is due to the replacement of the monitoring platform with one with different impact-counting criteria. It was not possible to recalculate the 2021 figure with the new methodology.

2022 MILESTONES

BUSINESS

INNOVATION

January

Publication in the Life Science Alliance journal of plitidepsin results in patients with COVID-19 including data against Delta and Omicron variants

March

Payment recieved from Jazz Pharmaceuticals for the first commercial milestone for Zepzelca® in the amount of US$25 million

Completion of Phase I trial with SYL1801 for retinal diseases

April

Inauguration of the first oligonucleotide manufacturing pilot plant in Spain

Pharma Mar brings together Europe's leading experts in Soft Tissue Sarcoma in Madrid

Initiation of a new Phase III trial in the United States to evaluate the safety of tivanisiran (SYL1001) in patients with dry eye

May

Registration application for approval of lurbinectedin for the treatment of metastatic small cell lung cancer in the UK

Publication of the results of the phase II trial with Zepzelca® (lurbinectedin) for recurrent Ewing Sarcoma

July

Zepzelca® (lurbinectedin) receives compassionate use approval in China's Hainan region

Zepzelca® (lurbinectedin) receives marketing approval in Qatar

August

Zepzelca® (lurbinectedin) receives Innovative Medicines Designation from the UK Medicines and Healthcare products Regulatory Agency

September

Zepzelca® (lurbinectedin) receives marketing approval in South Korea

Agreement to cease the activity of the diagnostics area

October

PROFARMA program grants Pharma Mar an "Excellent" company rating

November

Zepzelca® (lurbinectedin) receives marketing approval in Ecuador

Start of a new Phase II trial with SYL1801 for patients with Age-Related Macular Degeneration

December

Payment received from Janssen for commercial milestione for Yondelis® in the amount of US$10 million

Pharma Mar leads the ONCOLIBERYX consortium to develop new strategies for the administration of marine-derived oncology drugs and TERINMUN to search for immunotherapies based on marine-derived compounds

Orphan drug designation of lurbinectedin by the Swiss Agency for Therapeutic Products for malignant mesothelioma

Start of first clinical trial with the new molecule PM534 in cancer patients

• 1. About Pharma Mar

1.1. Pharma Mar Group

The Pharma Mar Group in 2022 was present in three main areas focused on human health (***Figure 4***): oncology, diagnostics and RNA interference technology.

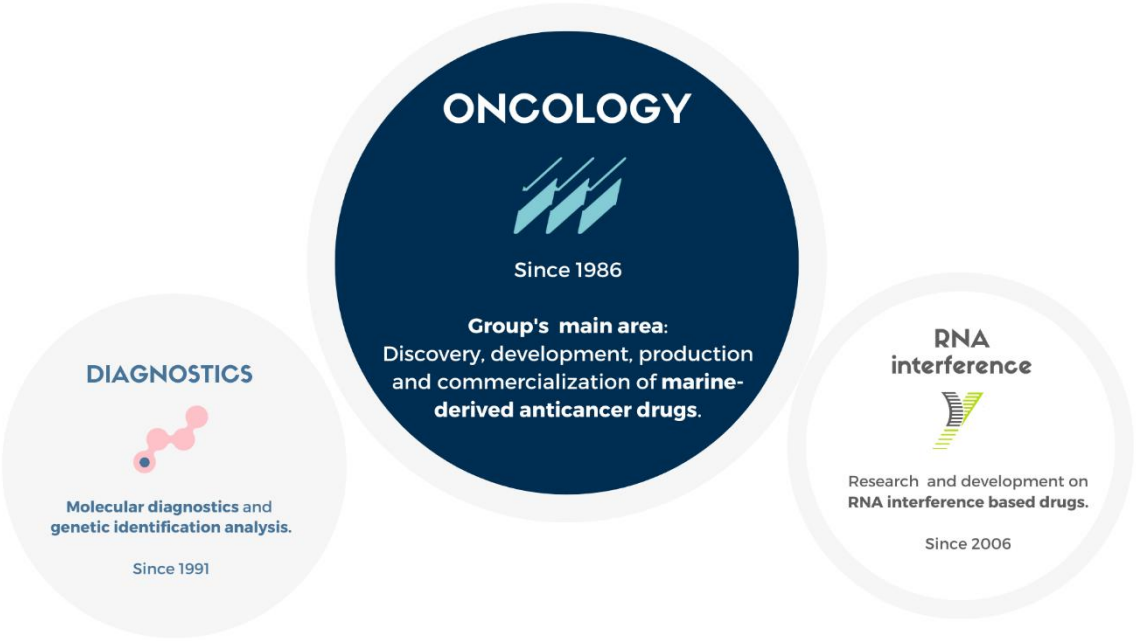


***Figure 4**. Activity areas of the Pharma Mar Group in 2022.*

In the **oncology area**, Pharma Mar has a global presence with an integrated business model. Indeed, with the approval of Yondelis® (trabectedin), Pharma Mar became the first group in the world to successfully provide patients with a marine-based oncology drug, from discovery to commercialization. Over the years, it has put together and analyzed a collection of more than 350,000 marine samples for the search for new treatments for serious illnesses.

Pharma Mar is contributing to the fight against cancer by marketing the following drugs:

- **Zepzelca**® (lurbinectedin). This Pharma Mar product is marketed as a single agent for treating **adult patients with metastatic small cell lung cancer** where the disease has progressed during or after platinum-based chemotherapy. It received the first approval for sale in the United States in 2019, and at year-end 2022 it has been approved in another seven countries: Australia, Singapore, United Arab Emirates, Canada, Qatar, South Korea and Ecuador.

- **Yondelis**® (trabectedin). The first product developed by Pharma Mar, is marketed in 75 countries as a single agent for treating patients with certain **advanced soft tissue sarcoma**. It has been marketed since 2007 for this indication.
  It is also marketed — in combination with pegylated liposomal doxorubicin — to treat patients with recurrent **ovarian cancer** in 65 countries.

- **Aplidin**® (plitidepsin). Has been approved — in combination with dexamethasone — for treating patients with relapsed **multiple myeloma** in Australia.

These drugs continue to be developed with new indications in order to expand the number of patients who can benefit from them.

In addition, Pharma Mar has an expanding pipeline, most notably with the PM14 (ecubectedin) compound, for which Phase I and Phase II clinical trials are being conducted for the treatment of patients with solid tumors. In 2022, the first trial (Phase I) also began for the PM534 compound, and the first patient was included in the study on 28 December 2022.

In its fight against cancer, Pharma Mar is firmly committed to searching for drugs to treat rare diseases, also known as **orphan drugs**. In 2022, lurbinectedin was designated as an orphan drug in the indication of mesothelioma in Switzerland.

With this, Pharma Mar currently has 19 orphan drugs designations.

- Yondelis® (trabectedin):
  - Designation for the treatment of soft tissue sarcoma in the United States, Switzerland, Japan, South Korea and Australia.
  - Designation for ovarian cancer treatment in the United States and Switzerland.

- Aplidin®(plitidepsin):
  - Designation for multiple myeloma treatment in the European Union, the United States and Switzerland.

- Zepzelca® (lurbinectedin):
  - Designation for ovarian cancer treatment in the European Union and the United States.
  - Designation for the treatment of small cell lung cancer in the United States, the European Union, Switzerland, Australia, South Korea.
  - Designation for the treatment of malignant mesothelioma in the European Union and Switzerland (2022).

Figure 5 shows a map of current designations of orphan drugs.

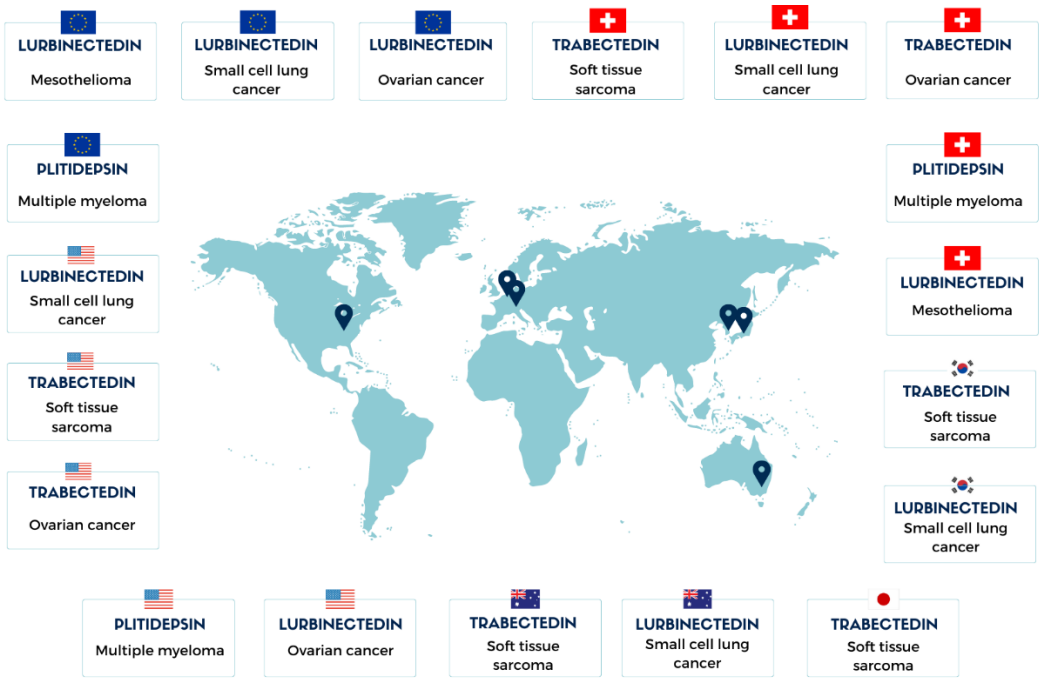


***Figure 5**. Map of current orphan drug designations.*

In the area of **molecular diagnostics and genetic identification analysis**, the Group, through its Clinical Arrays Technology (CLART®) platform, has developed diagnostic tests for a range of viruses. As explained in section 0.1, the Group has decided to discontinue this activity.

In the area of **RNA interference**, a selective gene silencing method, the Group is primarily focused on ophthalmology, and its most advanced compound, tivanisiran, is in Phase III study in the United States for the treatment of dry eye syndrome, which is associated with Sjögren's Syndrome. In addition, in 2022, a new Phase II trial of its SYL1801 compound began, for patients with age-related macular degeneration.

These drugs are designed and identified through artificial intelligence-based software developed by the Group. This platform, named SirFinder™, uses numerous design algorithms to select the most optimal, powerful and safest candidates with respect to a given target, taking into account not only the research stage but also the required criteria for further development. This type of rational design therefore entails not only an improvement in the final product, in terms of its specificity and safety, but also allows economic resources to be better used and optimized during its conception, validation and development, thus noticeably reducing the expense associated with its pharmaceutical development process in comparison with traditional drug development. This software is the result of the Group's clear commitment to digitalization and Industry 4.0.

In addition to its advances in pharmaceutical development, in 2022 the RNA interference area inaugurated the first pilot plant in Spain for manufacturing oligonucleotides. This groundbreaking pilot plant provides service for the manufacturing of the Group's needs, but also for other pharmaceutical companies that may need to manufacture and analyze oligonucleotides.

Although oncology is the Pharma Mar Group's main activity, since 2020 it has a virology area that researches, develops and supplies drugs for viral diseases. Hence, in 2022 Pharma Mar moved forward with its Phase III NEPTUNO study for clinical development for the plitidepsin molecule as a COVID-19 treatment. In light of the lack of hospitalized patients as a result of the evolution of the pandemic, the Group decided to shut down the study ahead of schedule in February 2023. In addition, in 2022, Pharma Mar received authorization in France and Portugal to begin the Phase II NEREIDA study on immunocompromised COVID-19 patients when there is an unmet medical need.

The Group's research efforts are supported by public co-funding of various projects, whether standalone or **in cooperation with research centers and other private companies** (***Figure 6***).

In 2022, the Spanish Ministry of Science and Innovation, through the State Research Agency, co-funded the ONCOLIBERYX and TERINMUN projects for the oncology area. The two projects are part of a consortium led by Pharma Mar along with leading researchers in Spain in oncology, nanotechnology and immunotherapy. ONCOLIBERYX focuses on searching for new drug administration strategies in order to increase the specificity of the marine-based oncological active compounds. For its part, TERINMUN's primary objective is to search for new marine compounds with antitumoral activity that act through innovative immunomodulation mechanisms.

In 2022, the oncology area also obtained approval for another three projects by the Ministry of Science and Innovation, in the 2022 call for strategic lines. The projects in question are RECYTSEA, on repositioning cytotoxic marine compounds for intratumoral immunotherapy; INMUNO-TRANSCRIPT, a project to study transcription in the tumor for resensitizing with respect to immunotherapy; and FARMBANK, a study to develop the first organoid biobank in research on infectious diseases.

In addition, Pharma Mar has continued its work on the projects approved the preceding year: µMETonChip, which seeks to develop a new micrometastasis-on-a-chip platform for screening and validating marine-based drugs; OLIGOFASTX, for developing and promoting new RNA-based therapies for the treatment of rare diseases; and AgrarIA, on artificial intelligence applied to the 2050 value chain of agricultural production.

These eight projects are part of the Recovery, Transformation and Resilience Plan, and are co-funded by the European Union with NextGenerationEU funds.

In addition, the group is actively collaborating on the European SECRETed project, which aims to enhance the potential of marine biotechnology, with the involvement of both the oncology area and the RNA interference area. Lastly, in 2022, the Group continued with the ITCC-P4 project, as part of the Innovative Medicines Initiative (IMI) for establishing a pre-clinical study platform for pediatric oncology therapies.

Figure 6 shows the collaborative R&D projects underway in 2022, in both the oncology and the RNA interference areas.

***Figure 6**. Collaborative R&D projects underway in 2022.*

1.2. Strengths of the Pharma Mar Group

The Pharma Mar Group considers that its main strengths are as follows:

- It has a powerful technological platform for discovering new molecules. This platform, using marine organisms as the basis for its research, has allowed the Group to develop novel oncology treatments offering new therapeutic alternatives to patients that have been approved for marketing in the leading global markets. Pharma Mar has received approval to sell three of its products: trabectedin, lurbinectedin and plitidepsin. In addition, its discovery platform allows it to have new candidates in earlier stages of clinical and pre-clinical development in order to obtain new treatments and secure future approvals.

- The compounds already approved for given antitumor indications, in light of their activity, have the potential to be approved in additional indications.

- Pharma Mar's sales infrastructure is centered on oncology, has a strong foothold in Europe and the capacity to expand its portfolio with new products.

- Revenue and cash flow in the oncology area allows the Group to finance R&D investment in order to continue growing.

- The licensing agreements with various international partners to the commercialization of Pharma Mar's compounds beyond Europe. These agreements represent an important source of revenue.

- Since its foundation, Pharma Mar has created what may be the largest library of samples of marine organisms in the world. These organisms may be used to research and develop non-oncological therapeutic applications, as demonstrated by ongoing developments in virology.

- Pharma Mar's sound financial position allows it to finance its projects. The Group is turning a profit, generating cash, and has lowered its debt to less than half over the last three fiscal years.

- Pharma Mar is investing in other opportunities, allowing it to diversify part of its business. Hence, it is conducting clinical trials in ophthalmology with one of the new gene silencing technologies, RNA interference.

- It is also part of the Group's strategy to seek strategic alliances, preferably with partners in the same business sector. The Group intends for these partners to participate in and collaborate on the different phases of compound research, as well as their subsequent marketing.

- As for the Group's investments, the main target of its R&D investment is oncology, the Group's primary strategic business. Oncology is the area with the greatest growth, and the Company intends to continue with its clear commitment to investing in R&D in order to bring new drugs to the market.

Each year, the Pharma Mar Group makes a great effort in investment in research and development on new compounds, in line with its commitment to seek innovative therapies for treating diseases for which there is no effective remedy. Hence, each year since 2002, Pharma Mar has received an **Excellent rating** in the PROFARMA plan, the primary objective of which is to increase the competitiveness of Spanish pharmaceutical industry through modernization and bolstering of activities that contribute greater added value.

According to a report published on 13 December 2022 by the European Commission's Joint Research Center titled "*The 2022 EU Industrial R&D Investment Scoreboard*," in 2021 **Pharma Mar was the Spanish group that invested the highest proportion of its sales in R&D** (30.6%). It also ranked third in Spain in investment in R&D per employee.

In absolute terms, it rose to 297th (from 348th in 2020) on the list of private investment in R&D in the European Union, making it the Spanish pharmaceutical group with the third largest R&D investment. The Pharma Mar Group ranked 1,906th on the list of companies in the world with the largest R&D investment (up from 1,986th in 2020).

1.3. Our organization

At 31 December 2022, the Pharma Mar Group was structured as shown in ***Figure 7***.

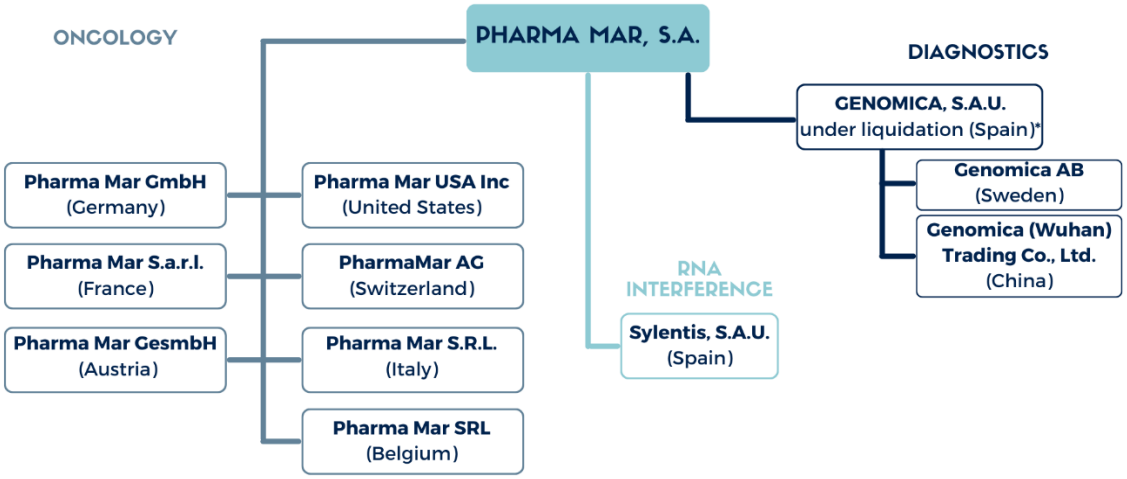


***Figure 7**. Organizational structure of the Pharma Mar Group. All subsidiaries are wholly owned by Pharma Mar, S.A. *In September 2022, the Board of Directors of Pharma Mar, S.A. agreed to discontinue activity in the area of diagnostics.*

1.4. Our strategy

The key elements of the Pharma Mar Group's strategy in the area of oncology are:

- To move forward with clinical developments with lurbinectedin, both on small cell lung cancer and in new indications for expanding its use.

- To continue developing molecules currently in the pipeline that will advance to new phases of clinical trials.

- To utilize its unique, marine-based technological platform, to continue feeding its portfolio of compounds. Hence, a new molecule was recently included in the oncology pipeline, and another is expected to be included soon, also for the initiation of clinical development.

- To obtain a license on one or more third-party products to be included in Pharma Mar's sales network. These would be products in the commercial or regulatory phase that would contribute to the continued growth in the Group's revenue.

- To maximize the commercial value of lurbinectedin in markets outside of the United States and Europe through collaborations with third parties, potentially increasing its value.

Regarding the remaining, non-oncology areas of activity:

- In the RNA interference area, progress is being made in different clinical trials, both Phase III trials as well as earlier phases, in order to bring an ophthalmology compound to market.

- The RNA interference area has its own rational design software of small interfering RNAs (siRNAs), SirFinder™, which uses mathematical and AI algorithms. This makes it possible to generate specific drugs against various pathologies. The RNA interference area is therefore open to collaborations with third parties for therapy development.

- Since mid-2022, the RNA interference area also has an oligonucleotide production pilot plant. This plant not only meets the area's needs for research and development but also makes its production available for third parties to produce their own compounds. There are plans to expand the facilities in order to increase production capacity in coming years.

- To move forward with clinical and pre-clinical development within the area of virology.

1.5. Challenges for the pharmaceutical industry

Following the COVID-19 pandemic, the European Commission published its "Pharmaceutical Strategy for Europe" with a view to reinforcing and building a stronger European Health Union in which all European Union countries will prepare for and respond collectively to health crises and have access to innovative, safe, effective and affordable medicines and collaborate to enhance disease prevention and treatment. The strategy is a long-term, ambitious project intended to ensure that the European pharmaceutical system is patient-centric, future proof and resilient to crises.

This strategy entails revising pharmaceutical legislation, given that the EU's pharmaceutical system must ensure drug quality and safety, while promoting the sector's overall competitiveness and creating an attractive regulatory environment for innovation and investment backed by harmonized international standards and, to the extent possible, regulatory convergence among member countries.

The revision of pharmaceutical legislation in general is complemented with other initiatives underway, such as the European Health Data Space (EHDS), which aims to provide high quality health assistance by making maximum use of digital health, and the efforts of the EU's Health Emergency Preparedness and Response Authority (HERA). In addition, this is related to the European Green Deal, especially through the environmental impact of pharmaceutical ingredients.

The Pharmaceutical Strategy is also in line with the objectives of the Industrial Strategy. This strategy aims to provide the European Union with a favorable investment environment for research and innovation, the enabling of key technologies, support for the industry, the creation of European industrial ecosystems in areas of strategic importance, as well as the diversification of the supply of input raw materials and other components for the production of drugs.

All of these initiatives, which are linked to the current geopolitical context, entail challenges for pharmaceutical companies, as discussed below:

Increased funding for innovation

Innovation will be the primary challenge in coming years, but it also generates new opportunities making it possible to shorten clinical development, accelerate diagnosis and improve the efficacy of each process. The automation of both internal and external processes, the use of information from clinical practice and digital tools make it possible to accelerate research on new drugs, improve monitoring of clinical trials thereby shortening required times, better control the production and logistics chain of medications and/or the traceability of raw materials and products from their origin to the hospital or pharmacy that delivers them to the patient.

Public-Private partnerships to promote R&D

The challenge of the COVID-19 pandemic has also underscored the need for collaboration between public authorities and the private sector. In Spain, the intention is for these partnerships to be promoted in connection with the Strategic Projects for Economic Recovery and Transformation (*Proyectos Estratégicos para la Recuperación y Transformación Económica*; PERTEs). Specifically, in November 2021, the Council of Ministers approved the Cutting-Edge Health PERTE (*PERTE de Salud de Vanguardia*). This PERTE has been devised to underpin and drive the process of promoting and protecting health, based on the development and inclusion of products, innovative procedures and digital solutions that add value to prevention, diagnosis, treatment or rehabilitation of patients in a personalized manner and make it possible to face new health challenges.

In addition, in 2022, Spain participated in the launch of the Important Project of Common European Interest named “Med4Cure” (IPCEI Med4Cure). This initiative aims to bring together the public and private sectors in order to undertake large-scale projects of great benefit for Europe and its citizens. It deals with potential market failures preventing innovation and improvement of patients’ healthcare quality and access to it.

IPCEI Med4Cure addresses three objectives of common European interest:

- Encouraging the deployment of major medical breakthroughs in therapeutic areas that will help shape the health of tomorrow and improve patient care.

- Enhancing the European Union’s strategic autonomy, especially by developing innovative production processes all along the value chain.

- Helping create an industrial tool to respond to unmet medical needs and prepare for health crises, so as to enhance Europe's resilience.

Market access and relations with Governments

The World Health Organization (WHO) considers that one of the critical challenges for improving global public health is access to better and more effective drugs[1]. In recent years, the industry has been working to convey to public authorities and health decision-

makers the pharmaceutical sector's contribution to the economy, job creation, research and innovation, as an engine of overall development in each country. In addition, given that this is a highly regulated sector the prices of whose products are agreed on with the government, greater dialog is required between authorities and industry.

Adaptation to more regulation and regulatory changes

Moreover, tighter regulations on developing, registering and producing new drugs, and even on marketing them (through price controls), make it necessary for the pharmaceutical sector to adapt to a continuously changing environment. The pharmaceutical industry must become involved in building the pillars of health systems' sustainability, promoting its own progressive transformation as a high-strategic-value participant and better addressing the health problems of society as a hole.

Greater transparency and patients' role

Society is more demanding than ever, expecting a social commitment from all stakeholders. Pharmaceutical companies have made a significant effort in social responsibility to ensure that their management is transparent and improve the information provided to patients, given that in many countries, including Spain, they are prohibited by law from directly approaching patients to speak about products or treatments.

Better control in the supply chain

The COVID-19 pandemic and the current geopolitical situation, with an energy crisis that is raising raw material prices, has also highlighted the danger of concentrating global production in certain countries as well as the consequences that long supply chains subject to climate shocks, pandemics and/or changes in trade policy in a given country may have on production. In light of the situation, Europe is committed to "Open Strategic Autonomy",[2] a new type of globalization in which stronger alliances are built with like-minded partners, with greater protection for local enterprises and with a diversification of supply chains. In any event, the pharmaceutical industry, with highly specialized and diverse suppliers, requires greater control over its supply chains.

1.6. Our policies and internal regulations

The Pharma Mar Group has a series of policies, procedures, plans and internal regulations regarding what it considers to be relevant issues, in accordance with the materiality analysis it has conducted.

[1] Road Map for Access 2019-2023. Comprehensive Support for Access to Medicines, Vaccines and Other Health Products, published at www.who.int/medicines/access_use/Roadmap_for_access_zero_draft.pdf, retrieved on 19 February 2022.

[2] EU Trade Policy published on https://ec.europa.eu/commission/presscorner/detail/es/ip_21_644 on 18 February 2021.

These policies, which are high-level statements approved by the board of directors, are: the Sustainability Policy, the Company's Financial, Non-Financial and Corporate Disclosure Policy, as well as the Director Remuneration Policy (2022-2025) approved by the General Shareholders' Meeting. The Board of Directors has also approved the Crime Prevention Plan (Anti-Corruption Policy is included in this Plan), the Sustainability Action Plan 2021-2023, the Quality, Prevention and Environment Integrated Manual, and the Purchasing and Supply Management Procedure.

In addition, each of the Group's areas has its own policies required by senior management, ensuring good practices relating to quality, regulatory compliance and human resources, among others. Particularly noteworthy are the Quality, Prevention and Environment Policy, the Personal Data Protection Policy and the Telework Policy.

In recent years, the procedures, plans and models that detail how these policies are to be implemented have been updated. This includes the Advisory Boards Procedure, the Compassionate Drug Use Management Policy, the Transparency Procedure on Value Transfers to Health Professionals and Health Organizations, the Training Procedure, the Environmental Emergency Plan and the Waste Minimization Plan.

Figure 8 lists the Pharma Mar Group's internal policies and regulations.

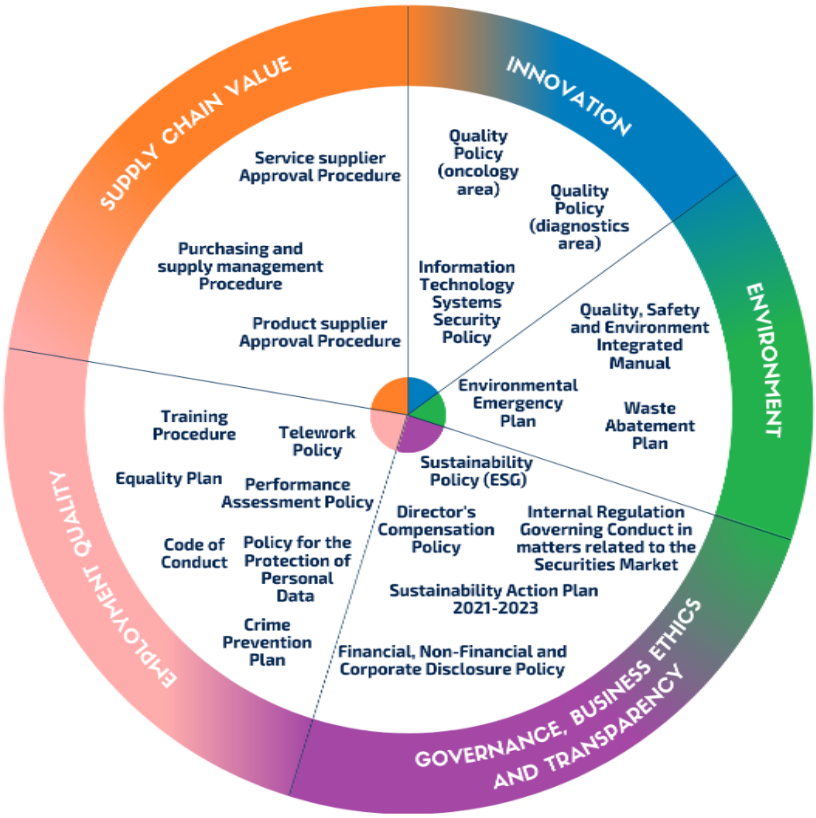


Figure 8*. Internal policies and regulations classified according to the materiality analysis categories.*

1.7. Short-, mid- and long-Term Risks

Business Risks

Competition The pharmaceutical market is extremely competitive. Multinational companies, small and medium sized domestic companies and generic drug manufacturers participate in this market. The profits of the Pharma Mar Group may be affected by the launch of new or innovative products, technical and technological advances or by competitors' generic brands entering the market.
Mitigation measures: The Group invests in research and development in order to compete in this environment. In addition, for key positions for the efficient and timely development of new products, it hires qualified, experienced professionals. The small number of such professionals are in strong demand by the Group's competitors. Lastly, the Group has a broad, updated training program to ensure that it has the required personnel in the event it needs to replace an employee.
Relationship with materiality: Innovation; Employment quality. Commitment to research and development of new products (1), People management and Human Resources policies (10), Professional training and development (talent retention) (14) and Talent attraction (15).
Time Frame: Medium term.
Industrial property. Patents Industrial property is a key asset for the Pharma Mar Group. Effective protection of it is critical when it comes to ensuring a reasonable return on investment in R&D. Industrial property can be protected by patents, trademarks, registrations of names and domains, etc. In most countries – including in the United States (US) and European Union (EU) member states – patent rights are granted for a period of 20 years. The effective time of protection ultimately depends on the length of the development period for the medication before its launch. In order to compensate in some way for this long development period and the need to obtain authorization prior to commercializing medications, some markets, including the US and the EU, allow the extension of patents under certain circumstances. An invention that is not sufficiently protected or extremely long development periods that limit the useful life of the patent are inherent risks in the pharmaceutical industry.
Mitigation measures: The Pharma Mar Group has a rigorous patent practice to ensure both the protection of the new inventions it devises through its R&D activities as well as the new formulations, production processes, medical applications and even new drug-administration methods. The Group has a system for managing the life cycle of the patents, including patent departments that regularly review the status of the patents in coordination with the regulatory affairs departments. Furthermore, the Group looks out for potential violations of our patents by other companies in order to initiate legal proceedings, as necessary.
Relationship with materiality: Innovation. Knowledge protection, patentability and management (2).
Time Frame: Long term.

Regulation The pharmaceutical sector is highly regulated with respect to research, clinical trials, registration, manufacturing, technical validation of production standards, and even various aspects of the marketing of each drug are broadly regulated. These requirements have increased in recent years and this trend is expected to continue. The prices of pharmaceutical products are controlled and regulated by the government in most countries, and it is the government that has the authority to approve, deny or even preclude the reimbursement of the product reimbursement. In recent years, price reductions have been applied, benchmark prices have been approved, and the marketing and prescribing of generic and biosimilar drugs has been promoted.
Mitigation measures: In order to offset the risks arising from ongoing and new legal requirements and regulations, the Group makes it decisions and designs its business processes based on the development of innovative therapeutic products in areas where treatments are very limited. In parallel, the Group completes an ongoing exhaustive analysis of these matters, provided by its own experts and by reputable external specialists, as deemed necessary.
Relationship with materiality: Supply chain value; Governance, business ethics and transparency. Patient safety and wellbeing (20), Product safety and quality (21), Respect for laws, regulations and industry codes of ethics (26) and Transparent relationship with Authorities and Public Administrations (29).
Time Frame: Medium term.

Operational risks

Prices of key materials Deviations from expected prices, as well as the company's strategy for purchasing and stocking key materials, may expose the company to excessive production costs or losses for keeping materials in stock.
Mitigation measures: The Group carries out a detailed analysis of the prices at the beginning of the year, working with our suppliers in order to establish a closed price for the whole year. Based on this, the cost price of the products is calculated. These prices are monitored on a monthly basis in case any amendment is required.
Relationship with materiality: Supply chain value. Quality in managing outsourcing and suppliers (18)
Time Frame: Short term
Patient safety Drugs have beneficial effects for patients, but they may also have adverse effects for various reasons. A failure to gather, review, follow up on or give notice of information on human safety from all potential sources, as well as a failure to take timely action in response to relevant findings, may compromise the Group's ability to detect and understand safety signals and ensure appropriate action. This could result in potential harm to patients, reputational harm for the Group, product liability claims or other litigation, government investigations, regulatory actions such as fines, penalties or even loss of product authorization.
Mitigation measures: The Group has a Pharmacovigilance Department, which is responsible for compliance within the framework of an overall policy. This policy

ensures patient protection both in clinical trials and in the case of users of the Group's drugs.
The pharmacovigilance organization monitors any adverse effects of products over the course of clinical trials and after they are placed on the market. Information on possible side effects of products is received from several sources, including unprompted reports from healthcare professionals and patients, regulatory authorities, medical and scientific literature, traditional media and social media. Pharmacovigilance involves all employees, who must immediately report any issue relating to product safety or quality; consequently, each year specific training is provided on this matter, and is mandatory for all employees. The Pharmacovigilance Department is responsible for oversight, exception monitoring and training to ensure that safety information is gathered and reported to the appropriate central safety department, in accordance with the policy and applicable legal requirements.
In addition, it has a Quality Unit which ensures patient safety and protection, verifying compliance with good practices requirements (GxP) (GLP, GCP, GVP, GMP and GDP) applicable to Pharma Mar's activities (see Section 3, "Supply Chain Value"). It is ultimately responsible for ensuring that all activities associated with designing, developing and executing nonclinical and clinical studies, as well as manufacturing active principles and drugs, are carried out systematically, according to approved procedures and protocols, complying, and leaving a record of compliance, with all applicable legal and regulatory requirements and, most importantly, ensuring the protection of patients' rights, safety and wellbeing.

Relationship with materiality: Supply chain value.
Quality in customer management (19), Patient safety and wellbeing (20) and Product safety and quality (21).

Time Frame: Short term.

Employee health and safety

Occupational safety and providing an adequate work environment benefits the entire company. Direct exposure of the employees working in the laboratories to new natural or synthetic compounds– the potential adverse effects of which are unknown – may in theory generate health and safety risks in addition to the regular risks involved in managing chemical products. A lack of adequate mechanisms foreseeing potential risks and the action to be taken in the event they materialize could imperil workers' health and cause reputational damage for the Group and involve significant costs.

Mitigation measures: Health and safety controls are comprehensive, continually seeking to make improvements. The Group has implemented an Occupational Risk Prevention System, compliance with which is regularly audited.
In addition, the Company holds accident and civil liability insurance policies.
Pharma Mar, S.A., whose workforce represents 73.4% of total Group employees, has obtained the OHSAS 18001 Certification for occupational health and safety management. In 2020, it also obtained the ISO 45001 certification for occupational health and safety systems, which represents a new approach based on the internal and external context of the organization.

Relationship with materiality: Employment quality.
Health and safety (12)

Time Frame: Short term.

Environmental Environmental risks could expose the companies to potentially significant liabilities. Elevated risk exposure derives from potential third party claims for damage or loss to persons, property and/or the environment caused by different types of pollution.
Mitigation measures: The Company's production processes in general have a low risk as regards environmental impact (noise, smoke, spills, etc.). Waste is managed through companies authorized by the relevant environmental authorities for recycling and waste management. Regular verifications of legal compliance are completed and, where necessary, atmospheric emissions control systems are in place. The company also has water purification systems and clean points for appropriate waste separation. Pharma Mar, S.A. holds ISO 14001 Certification, i.e. a management tool for systematic control over interactions between the environment and the activities and processes of the company, all with a view to improving environmental performance and minimizing impact. This environmental management system is audited by independent certifying companies.
Relationship with materiality: Environmental management. Approach and objectives of environmental management (4), Circular economy and waste abatement (6), Sustainable resource use (7) and Climate change (8).
Time Frame: Long term.
Product development The Group applies a significant amount of its resources to research and development of new pharmaceutical products. As a result of the length of the development processes, technological challenges, regulatory requirements and intense competition, it cannot be guaranteed that all of the compounds currently in development as well as those that may be developed in the future will reach the market and have commercial success.
Mitigation measures: In order to provide maximum assurance of the effective and efficient use of its resources, the Group has implemented a transversal work structure among the different departments, project teams and reporting systems in order to internally monitor research and development projects.
Relationship with materiality: Innovation. Commitment to research and development on new products (1).
Time Frame: Long term.

Information Risks

Information systems and cybersecurity If the Group's information systems did not work properly or were not sufficiently robust, this could adversely affect the continuity of the organization's critical processes and operations. If the IT security systems and access control systems do not function properly, this could result in unauthorized release, unauthorized access to or mistaken delivery of the information and improper use of confidential information.
Mitigation measures: The Pharma Mar Group is aware of the importance of computer systems as a means to support its main business processes, which is why it makes continuing investments to maintain the infrastructure and information systems and maintains physical and legal security policies aligned with technological advances.

The Pharma Mar Group has a Strategic Information Systems Plan with the primary goal of bringing its IT strategies in line with the company's strategic targets, ensuring strict compliance with the regulatory framework, as well as the effectiveness, security and resilience of the information systems supporting the company's business processes. The Strategic Information Systems Plan covers key aspects to achieve these goals, including: - Organization, roles and responsibilities within the information technology (IT) unit. - Architecture and corporate IT infrastructure. - Catalog of corporate services for the Information Systems Unit. - Quality assurance commitments and compliance with applicable regulations. - General procedures and policies for the IT unit. - Information security policies, procedures and infrastructure. If third-party technological infrastructure or IT solutions are used, service level agreements are available to ensure that any potential impairments in service have a minimum impact on transactions.
Relationship with materiality: Innovation; Supply chain value. Knowledge protection, patentability and management (2), Quality in managing outsourcing and suppliers (18) and Quality in customer management (19).
Time Frame: Short term.
Market disclosures The Group is required to issue certain financial information and, in general, relevant events in an accurate, complete and timely manner. If not completed in this manner, the company would face the risk of sanctions and loss of credibility. Violations resulting from a breach of the market transparency and integrity obligations are classified in accordance with current legislation as serious or very serious and will be sanctioned in accordance with the provisions of the amended and restated text of the Securities Market Law, which could result in reputational damage to the Company and/or loss of credibility among investors.
Mitigation measures: Pharma Mar's Board of Directors and certain company managers and employees hold insider information on the performance of the Group. Control systems are in place that allow us to determine who has access to this information at any given time and which are primarily directed at compliance with Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and with the Spanish Securities Market Law, as relates to insider information. Said Regulation provides a tool for investigation by the regulatory authority of any potential market abuse relating to insider information, the so-called insider lists, which the Company is required to draft and update, including all persons who have access to insider information. The Monitoring Committee for the Internal Regulations on Conduct in Securities Markets (RIC), comprised of five members appointed by the Board of Directors ensures proper application of the RIC in Securities Markets.
Relationship with materiality: Governance, business ethics and transparency. Transparent relationship with investors and shareholders (28) and Transparent tax information (27).
Time Frame: Short term.

***Table 2**. Short-, mid- and long-term risks.*

Financial Risks. The financial risks are described in the Consolidated Financial Information Statements.

• 2. Employment Quality

Our commitment

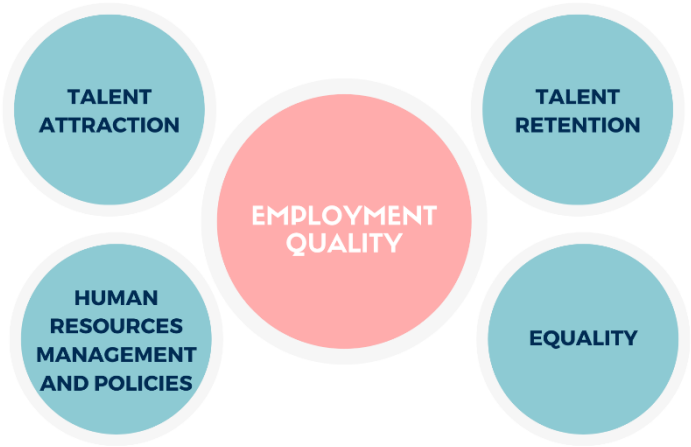
is to promote the professional development of PharmaMar people in a safe, progressive, motivating and inclusive environment.

2.1. People management

Employees are the most important asset for Pharma Mar Group. They are what drives the Group's success and their wellbeing is therefore essential to achieving the Group's objectives.

A healthy working environment with fair pay, benefits and opportunities for professional growth is a key concern for the Pharma Mar Group. As we are part of the health care sector, it is equally important to promote ethical professional conduct. With this in mind, the Group's Code of Conduct establishes the guidelines steering the behavior of all employees in their daily work and, more specifically, in their dealings with their respective stakeholders.

The Group's materiality analysis has flagged talent attraction and retention, equality and human resources management and policies as topics considered material in relation to employment quality.



The Group applies various protocols and policies to adapt to the new challenges and demands posed by the current labor market, mainly in the form of work-life flexibility mechanisms to ensure a healthy balance between its employees' professional and personal life. Among them, the following are worth highlighting:

- General Human Resources (HR) rules governing working time, use of communal areas, rest times, holidays and, in general, the rights and duties of the company's employees in the work environment.
- Recruitment Policy (direct hires or arranged through Temporary Employment Agencies).
- Equality Plan.
- Training Procedure.

- Performance Assessment Policy.
- Telework Policy and other flexibility mechanisms.
- Logging and control of working hours.
- Intern Induction Policy.

In accordance with Spanish Royal Decree 901/2020 of 13 October, the Equality Plan negotiating committee was set up in April 2022 and information on the Equality Plan was posted on Pharma Mar's intranet.

2.2. Workforce evolution in 2022

All companies covered by the scope of consolidation of the company's financial statements were taken into account when calculating the average number of employees (see section 1. About Pharma Mar. Our organization), including all Pharma Mar subsidiaries.

In 2022, as in previous years, the Sygris data management platform was used to generate this information. Sygris enables to compile and analyze the Group's sustainability information and is used to obtain average headcount and average remuneration, and to calculate the gross and weighted wage gap.

The average headcount data have been calculated on the basis of 360 days per year.

Breakdown of employees by gender, age, company, country and occupational group

Pharma Mar Group employed an average of 515 people in 2022, 61.0% of whom were women (477 people and 61.6% women in 2021), as shown in ***Figure 9***, thus revealing an 8.0% increase in staff between both years.

Considering the figures at year-end 2022, the total number of employees working at the Group was 508 people; 309 women and 199 men (490 employees in 2021; 307 women and 183 men).

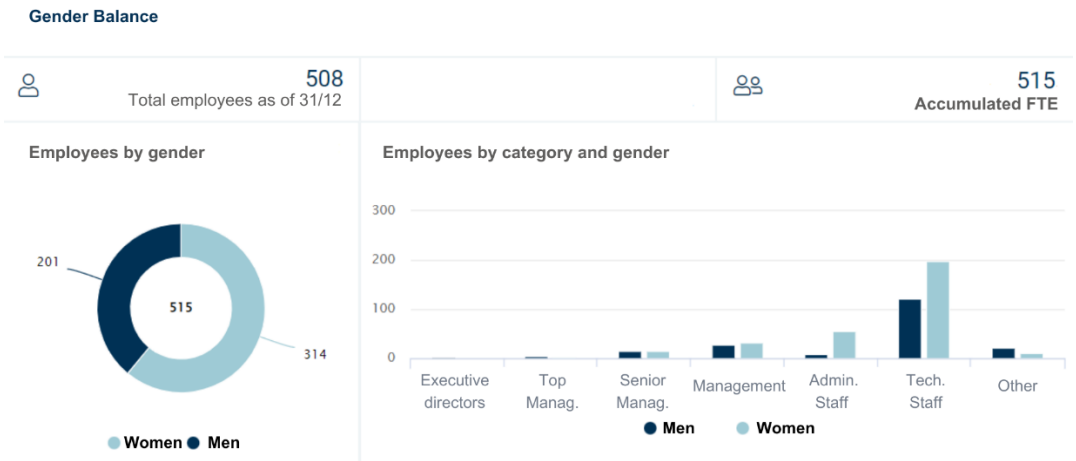


Figure 9*. Gender breakdown at Pharma Mar Group *Cumulative FTE is the average of all workers who were employed at any time during the year..*

Regarding the age breakdown, 7.4% of the staff was aged under 30 while 35.0% was aged over 50 (2021: 6.1% and 33.7%, respectively), with a median age of 46 years, the same as in the previous year.

In 2022, the average number of employees working in Spain was 451, equivalent to 87.5% of the Group's total workforce (412 people and 86.4% in 2021), with 64 employees working outside Spain, mainly in Europe (65 employees in 2021). These figures are shown in ***Table 3***. Average seniority or tenure at the Group was 7.9 years (8.2 in 2021).

When calculating the average number of employees by nationality, as shown in ***Table 4***, the current nationality of the employees was taken into account and not their country of origin by birth or former nationality. Thus, employees of Moroccan, Lebanese or Argentinian origin are shown in the table with their current nationality, whether Spanish, French, or other. In 2022, 17.0% of the Group's employees had a nationality other than Spanish (16.8% in 2021), with 97.1% of the Group belonging to the European Union (97.3% in 2021).

Employee averages	Spain			International		
	Pharma Mar	Genomica	Sylentis	European Union	Rest of the world	Total
Women	224	25	20	43	2	314
Men	154	18	10	18	1	201
TOTAL	**378**	**43**	**30**	**61**	**3**	**515**

Table 3*. Average number of Pharma Mar Group employees broken down by geographical area:*

Nationality	Women	Men	Total
Germany	10	10	20
Austria	6	0	6
Belgium	6	1	7
Spain	260	168	428
France	9	6	15
Italy	15	9	24
European Union	306	194	500
Argentina	1	2	3
Brazil	1	0	1
Canada	1	0	1
Cuba	0	1	1
United States	1	1	2
Peru	2	0	2
United Kingdom	0	1	1
Romania	2	1	3
Russia	0	1	1
TOTAL	**314**	**201**	**515**

Occupational Group	Women	Men	Total
Executive Directors	0	3	3
Senior Management	3	5	8
Management	14	14	28
Middle Management	31	27	58
Technical Staff	199	123	322
Administrative and Clerical Staff	55	7	62
Other	12	22	34
TOTAL	**314**	**201**	**515**

Age range	Women	Men	Total
< 30	20	18	38
31-40	71	35	106
41-50	123	68	191
51-60	89	63	152
> 61	11	17	28
TOTAL	**314**	**201**	**515**

Table 4*. Average number of employees broken down by nationality, occupational group and age range.*

Breakdown of workforce by work day duration

The annual average number of part-time employees in 2022 was 5.6%, compared to 94.4% for full-time employees (2021: 6.7% and 93.3%, respectively). In 2022, 8.3% of women and 1.6% of men worked on a part-time basis (2021: 10.2% and 1.1%, respectively). The highest relative percentage of part-time workers can be seen in the 41-50 age group, with 8.9% (2021: 11.3% in the 31-40 age group). This information is shown in ***Table 5***.

Gender	Full Time	Part Time	Total
Women	288	26	314
Men	198	3	201
TOTAL	**486**	**29**	**515**

Age	Full Time	Part Time	Total
<30	36	2	38
31-40	97	9	106
41-50	174	17	191
51-60	151	1	152
>61	28	0	28
TOTAL	**486**	**29**	**515**

Ocupational Group	Full Time	Part Time	Total
Executive Directors	3	0	3
Senior Management	8	0	8
Management	28	0	28
Middle Management	56	2	58
Technical Staff	306	16	322
Administrative and Clerical Staff	54	8	62
Other	31	3	34
TOTAL	**486**	**29**	**515**

Table 5*. Average number of full-time and part-time employees.*

Distribution of workforce by type of employment contract

In 2022, the annual average of indefinite contracts was 98.8%, compared to just 1.2% for temporary contracts (2021: 98.1% and 1.9% respectively) (***Table 6***).

Gender	Indefinite	Temporary	Total
Women	311	3	314
Men	198	3	201
TOTAL	**509**	**6**	**515**

Age	Indefinite	Temporary	Total
<30	34	4	38
31-40	104	2	106
41-50	191	0	191
51-60	152	0	152
>61	28	0	28
TOTAL	**509**	**6**	**515**

Occupational group	Indefinite	Temporary	Total
Executive Directors	3	0	3
Senior Management	8	0	8
Management	28	0	28
Middle Management	58	0	58
Technical Staff	316	6	322
Administrative and Clerical Staff	62	0	62
Other	34	0	34
TOTAL	**509**	**6**	**515**

Table 6*. Average number of employees by type of employment contract.*

Dismissals by gender, age and occupational group

In 2022, there were 107 new hires (86 in 2021), comprising 58 women and 49 men, and a total of 92 departures (50 in 2021), of which 36 qualified as dismissals (13 in 2021). The increase in the number of dismissals was due to the decision to cease diagnostics activity at the company Genomica, S.A.U., under liquidation, thus leading to the start of a collective redundancy procedure for the employees of this company in October 2022. This process accounted for 22 of the total number of 36 redundancies as of 31 December 2022. This collective redundancy process will ultimately extend to all remaining employees of this company during 2023.

Employee turnover was 19.3% in 2022 (14.3% in 2021). Stripping out the effect of the aforementioned collective redundancies, Pharma Mar Group's employee turnover would have been 15.3%.

Table 7 shows the number of dismissals and their breakdown by gender, age and occupational group.

Age	Gender	Management	Middle Management	Technical Staff	Administrative and Clerical Staff	Other	Total
<30	Women	0	0	2	0	0	2
	Men	0	0	0	0	0	0
31-40	Women	0	0	4	1	0	5
	Men	0	1	3	0	0	4
41-50	Women	1	3	7	0	0	11
	Men	2	1	0	0	0	3
51-60	Women	2	1	0	1	0	4
	Men	0	1	1	0	1	3
>61	Women	0	0	0	0	0	0
	Men	1	1	2	0	0	4
TOTAL		**6**	**8**	**19**	**2**	**1**	**36**

Table 7*. Number of dismissals by gender, age and occupational group*.

Employees with disabilities, broken down by gender and occupational group

Pharma Mar, S.A. has claimed exceptional grounds for exemption from the obligation to hire workers with disability, requiring it to adopt alternative measures instead, with the Special Employment Center of the Community of Madrid number 286[3]. Under this arrangement, the Company procures the services of a special employment center, a travel agency, such that the amount billed through this center enables Pharma Mar to cover the mandatory quota of workers with a disability, which must be at least three times the Spanish official minimum wage indicator (IPREM) for each disabled worker not hired.

Table 8 shows the total number of employees with some form of disability at Pharma Mar Group by gender and occupational group in 2022 and 2021.

[3] According to the Resolution of the Directorate General of the Public Employment Service, attached to the Ministry of Economy, Employment and Finance of the Madrid Regional Government dated 14 June 2016 and File no. 61/2016.

Year	Gender	Technical Staff	Administrative and Clerical Staff	Other	Total
2022	Women	1	1	0	2
	Men	2	1	1	4
2021	Women	1	1	0	2
	Men	2	2	0	4

***Table 8**. Number of employees with some form of disability, by gender and occupational group.*

2.3. Wage gap and average remuneration

Pharma Mar Group promotes effective equality between men and women for jobs of equal value, providing equal opportunities, both when hiring and for promotions and equal pay.

The Sygris platform is used to analyze the wage gap, subject to the structure and methodology established in 2020, thus ensuring that information is consistent and that any data that might distort the calculations are detected and discarded.

The gross wage gap is the percentage difference between the average remuneration received by men and women.

Gross Gap = [(Men's average remuneration - Women's average remuneration) / Men's average remuneration] X 100

When calculating average remuneration:

- Both fixed and variable remuneration were taken into account, whether in the form of cash or employee benefits (healthcare insurance, canteen, vehicle, etc.), though excluding overtime, severance payments and the value of any shares delivered free of charge to employees who decide to take part in the Stock Ownership Plan. The shares are offered to all employees under the same terms and for the same amount, though participation in the Plan is voluntary, meaning that it is not a form of payment decided by the employer. Nevertheless, the amount is not material with respect to total remuneration.
- When calculating the remuneration of employees who left the Company during the year, their annualized wages include both fixed remuneration and other employee benefits. Once calculated, one-off payments such as bonuses are added.
- Only workplaces in Europe are considered, which account for 99.4% of the workforce, thus excluding the wages of employees in the United States (3 employees), which account for the remaining 0.6%. This is to avoid applying foreign currency exchange rates that would distort the result.
- The fixed and variable remuneration of executive directors does not form part of the Group's average remuneration, although it is disclosed in the table of average remuneration by occupational group.
- Internship contracts are not included in the calculation of average remuneration.
- The cash basis was used to calculate average remuneration, unless otherwise specified. Figures are expressed in euros.

The weighted wage gap is calculated by applying econometric models that strip out the effect on wages of differences between men and women, both in terms of their socioeconomic aspects (age, seniority, level of education or academic choices) and the positions they hold (working hours and type of occupation, among others). Accordingly, adjusted wage gaps are a more reliable indicator of whether men and women receive the "same pay for the same work."

Calculation of the Pharma Mar Group Wage Gap

In 2022, the weighted wage gap at Pharma Mar Group was 3.4% (5.4% in 2021) and was calculated using the aforementioned econometric model. The calculation takes into account the weighted average of the existing pay difference (wage gap) between men and women with the same attributes. For those individuals who do not have an equivalent person of different gender to compare with, only the mean of the attribute in which they do have an equivalent is compared. In the model used by Pharma Mar, occupational group and seniority were used as attributes for making the adjustment. In the case of seniority, recognition of the person's contribution to the company and the labor market conditions at the time they were hired are used as differentiating elements.

Table 9 shows the calculation of the wage gap by occupational group, weighted by employee seniority.

Occupational group	Weighted gap	Contribution to the weighted gap
Senior Management	5.6%	0.0%
Management	1.7%	0.1%
Middle Management	2.5%	0.2%
Technical Staff	4.9%	3.2%
Administrative and Clerical Staff	-3.6%	-0.6%
Other	14.3%	0.5%
	Weighted gap	**3.4%**

Table 9*. Wage gap weighted by occupational group.*

The Group's gross wage gap stood at 20.2%, down from the previous year (24.7% in 2021).

Tables 10 and 11 show the 2022 gross gaps broken down by occupational group and age range. In both cases, the figures are further broken down based on whether the work centers are located in Spain or in the rest of Europe.

Occupational group	Pharma Mar Group	Spain	Europe
Senior Management	23.0%	23.0%	-
Management	4.9%	1.1%	25.7%
Middle Management	7.5%	7.4%	1.2%
Technical Staff	6.7%	10.8%	1.6%
Administrative and Clerical Staff	-11.4%	-24.3%	13.8%
Other	8.1%	8.1%	-

Table 10*. Gross wage gap by occupational group.*

Age range	Pharma Mar Group	Spain	Europe
<30	1.8%	4.8%	-
31-40	-7.8%	-9.1%	53.4%
41-50	19.4%	23.4%	-3.9%
51-60	11.6%	5.5%	36.6%
>61	38.3%	45.4%	-42.5%

***Table 11**. Gross wage gap by age range.*

Average remuneration and its performance over time, broken down by gender, occupational group and age

The average remuneration of Pharma Mar Group's total workforce in 2022 was 73,273.95 EUR (74,578.10 EUR in 2021), showing a slight reduction in average remuneration between both periods, mainly due to staff turnover.

Tables 12 and 13 show average remuneration at Pharma Mar Group in 2022, broken down by gender, occupational group and age range and including a comparison with 2021. It has also been calculated by geographical area, separating the average remuneration accrued at work centers in Spain from that accrued in the rest of Europe.

Occupational group	Pharma Mar Group				Spain		European Subsidiaries	
	2021		2022		2022		2022	
	Women	Men	Women	Men	Women	Men	Women	Men
Executive Directors	-	674,271	-	761,906	-	761,906	-	-
Senior Management	267,091	357,360	282,615	367,222	282,615	367,222	-	-
Management	187,285	219,243	197,937	208,226	202,349	204,566	164,846	221,953
Middle Management	102,133	109,077	106,581	115,218	107,036	115,636	101,879	103,100
Technical Staff	57,791	65,359	57,260	61,347	51,246	57,450	90,336	91,787
Administrative and Clerical Staff	41,927	37,802	39,874	35,788	38,344	30,844	50,007	58,036
Other	34,449	36,074	34,341	37,363	34,341	37,363	-	-

***Table 12**. Average remuneration by occupational group.*

The remuneration of executive directors includes their fixed remuneration for the performance of their executive duties, as well as the variable remuneration payable to the executive chairman. They are also granted remuneration in kind in the form of communication devices, a representative office, support staff, security systems and personnel and a company vehicle, the total amount of which amounted to 351 thousand EUR in 2022 (332 thousand EUR in 2021).

Age range	Pharma Mar Group 2021		Pharma Mar Group 2022		Spain 2022		European Subsidiaries 2022	
	Women	Men	Women	Men	Women	Men	Women	Men
<30	28,682	30,962	30,171	30,734	29,250	30,734	52,295	-
31-40	42,988	50,203	46,525	43,177	43,841	40,200	70,089	150,357
41-50	66,475	87,408	65,399	81,174	61,028	79,672	96,511	92,853
51-60	92,559	110,290	92,402	104,470	93,749	99,228	86,871	136,975
>61	105,315	147,637	95,634	154,926	93,007	170,238	104,390	73,261

***Table 13**. Average remuneration by age.*

Average remuneration of directors and senior managers

The average remuneration of directors and senior managers was calculated on an accrual basis, as disclosed in the Annual Report on Director Remuneration.

Average remuneration of directors

The remuneration of the members of the Board of Directors acting in their capacity as such is governed by the 2022-2025 Director Remuneration Policy, as approved by the Annual General Meeting held on 29 June 2022.

The remuneration broken down below is the remuneration received by the directors in their capacity as such, excluding from the calculation the fixed and variable remuneration payable to the executive directors for the performance of their executive duties (also contained in the 2022–2025 Director Remuneration Policy), as shown in ***Table 12***.

Director remuneration includes fixed allowances received as members of the Board of Directors and its Committees (Executive Committee, Audit Committee and Appointments and Remuneration and Sustainability Committee), allowances for attending meetings of the Board of Directors and its Committees, remuneration payable to the Lead Director, as well as contributions to savings schemes.

The average remuneration, broken down by gender, accrued by the directors in their capacity as such in 2022 was 142 thousand EUR for men (192 thousand EUR in 2021) and 115 thousand EUR for women (129 thousand EUR in 2021).

Table 14 breaks down the various remuneration items and the remuneration pertaining to each item, for men and women.

	2021				2022			
	Number		Remuneration		Number		Remuneration	
	F	M	Women	Men	F	M	Women	Men
Board Member	4	7	70,049	70,049	4	8	71,450	71,450
Member of the Executive Committee	-	3	-	137,826	1	3	140,582	140,582
Chair of Other Committees	-	2	-	23,781	1	1	24,257	24,257
Member of Other Committees	3	3	18,259	18,259	2	2	18,624	18,624
Board Attendance Allowances	-	-	4,013	4,013	-	-	4,093	4,093
Committee Attendance Allowances	-	-	1,820	1,820	-	-	1,857	1,857
Lead Director	-	1	-	18,259	-	1	-	18,624

***Table 14**. Breakdown by gender of the Board of Directors and director remuneration.*

As at 31 December 2022, there were 12 directors, four of whom were women (11 directors, including four women in 2021).

Pharma Mar's director remuneration policy seeks to align the interests of the directors and the shareholders, prudent risk management and moderation and balance, bearing in mind at all times that the quality and commitment of the members of the Board of Directors is essential in order to successfully implement the Group's strategy. Remuneration should incentivize dedication without compromising independence.

Remuneration of managers

The information disclosed under this heading refers to the average remuneration of senior management, defined as managers who report directly to the Board of Directors or to a member thereof[4] and who can only be appointed and removed by Pharma Mar's Board of Directors, in accordance with Spanish law.

As at 31 December 2022, senior management comprised 8 members, 3 of whom were women (the same composition as the previous year). As of the date of this report, there is gender parity, with senior management comprising four (4) men and four (4) women. As already shown in ***Table 12*** on remuneration by occupational group, the average remuneration of senior management in 2022 was 282,615 EUR for women, compared to 367,222 EUR for men (in 2021 it was 267,091 EUR and 357,360 EUR, respectively).

CEO pay ratio

The CEO pay ratio (ratio of CEO to worker remuneration) is calculated as the ratio of the remuneration of Pharma Mar Group's first executive to the median annual pay of all employees excluding the said executive. In 2022, the CEO was paid 43.3 times more than the median Group employee (28.3 times in 2021). ***Table 15*** shows the ratio of the CEO's earnings versus the average by occupational group.

[4] In line with the criteria set forth in Article 249 *bis* of the Capital Corporations Law.

Occupational group	*CEO Pay Ratio*
Senior Management	6.8
Management	11.1
Middle Management	20.5
Technical Staff	38.5
Administrative and Clerical Staff	57.7
Other	62.4

Table 15. *CEO pay ratio vs. average for each occupational group.*

2.4. Labor Relations

The Group is covered by the **collective bargaining agreement for the chemical industry** (currently in its 20th edition, valid for the years 2021 to 2023), which applies to all employees in Spain.

At year-end 2022, all employees at the Group's European subsidiaries were covered by a collective bargaining agreement, except in Germany, which does not have a collective bargaining agreement for the sector, and Sweden, which is covered by the country's prevailing labor legislation. The following collective bargaining agreements are in force:

- "Contratto Collettivo Nazionale dei Chimici 2019-2022", in Italy.
- "Convention collective nationale de l'industrie pharmaceutique. Édition du 1er juin 2020. IDCC 176", in France.
- "Les conventions collectives de travail conclues au sein de la CPAE. Édition 2020", in Belgium.
- "Kollektivvertrag für Angestellte und Lehrlinge in Handelsbetrieben, 1. Jänner 2021", in Austria.

Therefore, 95.9% of Pharma Mar Group employees are covered by a collective bargaining agreement. All collective agreements address issues related to occupational health and safety.

Only the French subsidiary has a works council.

The Group uses an intranet site to provide its employees with information concerning legislation, policies and procedures, internal organization, departmental organization, departmental organization, along with relevant news and activities.

2.5. Work Organization

Base annual hours amount to 1,752, in accordance with the collective bargaining agreement for the chemical industry. This is equivalent to a 40-hour week, which employees can distribute so as to take Friday afternoons off. At Pharma Mar, employees have the **flexibility** to start their working day between 7:30 and 9:30, according to their preferences.

These flexible hours, as well as the intensive working day (shorter day but with no lunch break), are offered so as to ensure a healthy work-life balance by allowing employees to spend more time with their families and engaged in other personal activities.

At the oncology area, these work-life balance measures also include the option to work from home (telework), although this may not always be possible, depending on the employee's duties. Teleworking employees are provided with all the infrastructure and resources they need to connect to their work group from home. The effectiveness of this arrangement is monitored through a set of specific metrics and targets. As at 31 December 2022, 17.0% of employees were using some form of teleworking arrangement (22.6% in 2021).

Pharma Mar also offers its employees a **canteen service fully funded by the Company**, a convenient option that also saves them money. It also offers a take-away menu so that employees can eat outside of the canteen opening hours or off the Company's premises if they so wish. A restaurant voucher system has been implemented at those work centers that do not have a canteen.

All work-life balance measures and other employee benefits are explained on the intranet, under the Human Resources section.

2.6. Talent Management through Training

There is a **training process** focused on the continuous training of Group employees. Given the broad spectrum of occupational groups that can be found across the organization, training needs can and do vary, with high-level training often required. The task of managing these needs is entrusted to the departments concerned.

The department heads indicate whether any employees in their department might benefit from specific training in technical, linguistic or other skills. Employees also take part in courses and seminars to hone their skills.

The Human Resources Department performs three functions in this area:

- It manages, promotes and delivers general training activities aimed at developing skills and languages. It also delivers technical training suitable for broad interdepartmental groups.

- It approves, oversees, monitors and controls external training actions, and arranges for employees to attend conventions and similar events. These functions are carried out through:

    - The Training Procedure, which is available to all employees on the Company's intranet.
    - Annual Training Plan, which includes all annual training plans for all areas.
    - Learning Management System – LMS.

- It manages grants and aid received from FUNDAE (State Foundation for On-the-Job Training).

Table 16 below shows the total number of training hours at the Group, broken down by occupational group.

In 2022, the number of training hours per person was 45 hours, compared to 37 hours in 2021, representing an increase of 21.6% from previous year.

Occupational group	2021*		2022	
	No. Persons	Hours of Training	No. Persons	Hours of Training
Senior Management	10	154	9	245
Management	27	963	24	1,342
Middle Management	105	5,346	105	6,062
Technical Staff	147	4,912	162	7,898
Administrative and Clerical Staff	205	7,112.5	229	8,342
Other	3	96	5	224
TOTAL	**497**	**18,584**	**534**	**24,113**

Table 16*. Total number of training hours by occupational group. * The training database is a dynamic system that is updated as and when attendance certificates are issued for scheduled courses. Therefore, in some cases, the data reported in the previous NFIS may not match the current data. In the 2021 NFIS, a figure of 15,344 hours was published, while the accumulated data retrieved from the database as of the date of this report is 18,584 hours.*

2.7. Universal Accessibility for Persons with Disabilities

Pharma Mar's facilities are **accessible to people with reduced mobility**. This accessibility begins as soon as the person arrives at the facilities, with parking spaces reserved for people with disabilities. All entrances have access ramps. There is also an elevator inside the facilities. There are toilets adapted for wheelchair access and equipped with all the necessary elements so that they can be used by people with disabilities.

2.8. Committed to Equality and Diversity

In 2021, Pharma Mar joined the IBEX Gender Equality Index, the first indicator in Spain to measure the presence of women in management positions and whose objective is to promote gender equality in line with UN Sustainable Development Goal 5. To be included in the index, companies must have between 25% and 75% of female presence on their Boards of Directors and between 15% and 85% in senior management positions.

Pharma Mar Group's Code of Conduct prohibits discrimination based on gender, race, sexual orientation, religious belief, political opinion, nationality, social origin, disability or any other circumstance that could lead to discrimination. All job offers are available to both genders and remuneration is established according to actual experience and skills.

The Company also has a Plan for Equal Opportunities between Women and Men[5], which embodies its commitment to:

- Respect for Equality in Selection Processes.
- Employee Promotion.
- Employee Training.
- Remuneration.
- Work-Life Balance.
- Occupational Health.
- Raising Awareness of the Action Protocol against Sexual and Gender-Based Harassment.

This plan is posted on the intranet under the Human Resources section, together with the terms of reference of the Equality Plan negotiating committee. In 2022, training was delivered to management and middle management on equality in selection processes (with a completion rate of 100%).

In a bid to promote diversity, job offers are widely advertised and the best candidate for each position is always sought, regardless of their background. For instance, in 2022 Pharma Mar Group employees included 15 different nationalities (16 in 2021) across its various locations. This has a very positive impact in terms of diversity of languages, origins and cultures.

2.9. Health and Safety

Pharma Mar Group develops policies that seek to ensure safe and healthy working conditions for all employees. This section discusses the actions carried out at the oncology area (which accounts for 73.4% of the Group's total number of employees). Absenteeism and accident rate data refer to the entire Group.

Promoting Employee Health

Employee health is a key priority for Pharma Mar. The aim is to protect not only the physical health of workers, but also their emotional health, which in the wake of the COVID-19 pandemic has had a particular impact on the general population. Since 2015, Pharma Mar has been conducting studies among its employees to assess **psychosocial risks**. This study was carried out once again in 2022 from both a quantitative and qualitative standpoint. The employee participation rate stood at 76.4%. The latest 2022 study has also led to the development of a training program and different measures targeting the most pressing concerns. The two biggest concerns among employees were time organization and decision-making and time management independence.

The **Occupational Health and Safety Week** has been a regular annual event since 2018. The 2022 edition focused on workshops related to health improvement, focusing on mindfulness or mental wellness, along with physical and mental care and stress

[5] In accordance with Organic Law 3/2007, of 22 March, and Royal Decree 901/2020, of 13 October.

management. The event also promotes healthy eating by offering employees free pieces of fruit at certain designated points. Given the success and popularity of this initiative, the Group has decided to keep it running on a permanent basis, through the "healthy corner" found in the canteen, where all Pharma Mar employees and collaborators can collect free fruit.

Pharma Mar also has a **healthcare insurance policy for all employees**, including psychotherapy and psychiatry coverage.

***Figure 10**. Summary of health and safety measures for Pharma Mar employees.*

An individualized **ergonomic assessment** of workstations was also carried out in 2022. This assessment prioritized the so-called "senior talent", focusing on workers over 50 years of age. The study covers ergonomic aspects and matters related to mental workload, which can be affected by aspects such as work volume and time spent working. The findings led to the implementation of personalized preventive measures for each workstation, including not only ergonomic improvements (ergonomic chairs, mice, footrests, workstation adaptation, etc.), but also tips and guidelines on how best to organize working time.

Also in 2022, the workforce was encouraged to take part in the "*La carrera de las empresas*" (Intercompany Run) event, which took place in Madrid, to champion sports as a tool for employee wellbeing.

Last but not least, and following on from previous years, a free flu vaccination campaign was carried out at the oncology area.

Occupational Risk Prevention Management

Pharma Mar runs a **health and safety management system** certified in accordance with **ISO 45001 standard** for occupational health and safety management systems and

audited by Lloyd's Register Quality Assurance. This certification makes employee health an integral part of the internal management system, in line with Sustainable Development Goals 8 and 3, by seeking to ensure healthy living and promoting wellness among employees of all ages.

All areas and departments are involved in health and safety, with programs headed up by Pharma Mar's own prevention service working alongside external services and specialized entities. Employee training is a key concern, with a total of 16 courses delivered in 2022 (13 in 2021) and up to 120 training actions provided.

All facilities have occupational risk prevention plans and self-protection and emergency plans. Moreover, evacuation and emergency drills are carried out every year to evaluate the effectiveness of the emergency measures in place. In 2022, four drills were conducted at different areas of the facilities (four in 2021) and live fire-fighting courses were delivered to members of the emergency teams.

In 2022, an employee consultation and engagement body was set up to serve as an interface between employees and management in the realms of prevention and the environment. This body is known as the **Prevention and Environment Working Group** and its members come from the R&D, Operations, Logistics, Offices and Human Resources Departments, as well as the Health, Safety and Environment Department. It is tasked with supervising internal projects relating to prevention and the environment and monitoring the results of related external audits.

A **Biosafety Committee** was also set up in 2022, attached to the R&D Department of the oncology area. It is responsible for monitoring and assessing biosafety issues related to the Group's research activities. Among other functions, it evaluates those facilities and activities that require authorization, so as to ensure that they comply with applicable legal and internal regulations. It is also involved in the advising, identification, review and approval of activities related to genetically modified organisms and biological organisms.

Turning to the Group's accident rate in 2022 (***Table 17***), there were 8 occupational accidents, 4 involving medical leave and 4 without leave, and four accidents while commuting to and from work (4 in 2021), 2 of them leading to medical leave (3 in 2021) and 2 without leave (1 in 2021).

	2021		2022	
Category	**Women**	**Men**	**Women**	**Men**
Number of accidents with medical leave	1	1	3	1
Number of accidents without medical leave	2	3	1	3
TOTAL	**3**	**4**	**4**	**4**

Table 17. *Accident rate by gender.*

Pharma Mar investigates all accidents and incidents that occur at its facilities, implementing preventive measures and assessing their effectiveness. No occupational diseases were detected during the period and the accidents were all classified as minor. The accident rate data, as well as the company's incidence, frequency and severity rates

for 2021 and 2022 are shown below, compared to the data for the wider sector (***Table 18***).

Data	Oncology Area (2021)	Sector 2021	Oncology Area (2022)	Sector 2022
Incidence	5.66	6.42	10.41	19.24
Frequency	3.14	3.57	5.78	10.69
Absolute frequency	11.00	11.96	14.45	17.56
Severity	0.27	0.09	0.09	0.23

Table 18*. Data on incidence, frequency and severity of occupational accidents at the oncology area.*

At the diagnostics area, there was 1 accident with medical leave (0 in 2021), while at the RNA interference area there were no accidents in 2022 (0 in 2021).

Absenteeism[6] at the Group came to 40,613 hours in 2022 (28,904 hours in 2021). The increase over previous years was due to medical leave situations resulting from non-work-related illness.

Pharma Mar continued to monitor the course of the COVID-19 pandemic throughout 2022 in order to deploy the measures needed to protect the health of its employees at all times. In doing so, it carried out regular screening among its workforce to assess the incidence of the disease, and provided free antigen tests and PCR tests where it was suspected that the worker might be infected. While the number of positive cases increased in 2022 (182 cases compared to 74 in 2021), the health impact was found to be milder, in line with the overall health incidence rate. Protective equipment (face masks and hydroalcoholic gels) continued to be provided throughout the year.

[6] The Group considers absenteeism to be temporary incapacity for work, understood as leave due to non-work-related illness or work-related accident, excluding paid absences such as maternity and paternity leave, vacations, etc.

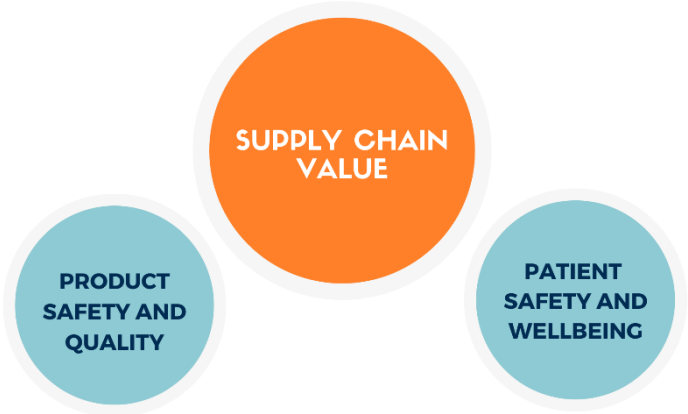
• 3. Supply Chain Value

Our commitment

is to incorporate environmental, social and governance factors into our relationships with third parties and to promote the creation of long-term value.

The Pharma Mar Group engages with a wide range of suppliers of products and services, who constitute one of its main stakeholder groups. The responsibility for ensuring the quality of products and the wellbeing of patients are material issues for the Group.

The Group's materiality analysis flags product safety and quality, and patient safety and wellbeing as material issues in creating value along the supply chain.



3.1. Supplier management

The procurement organization manages the supplier selection process in cooperation with the department requesting the product or service. The goal is to achieve mutual benefit for the Group and the suppliers, as well as fulfilling commitments and playing a leading role in sustainability, by ensuring that procurements respect both society and the environment.

The procurement organization has implemented and systematized supplier selection and assessment processes, which are applied to ensure impartiality, ethical behavior and transparency when awarding contracts, and **socially responsible behavior is demanded from the selected suppliers**.

Local suppliers are given preference over non-local suppliers, and domestic suppliers over international suppliers, thus promoting the economic development of the city, region and country. Procurements are made in conditions of equality without increasing the Group's risk or diminishing its competitive advantage.

The procurement organization and the suppliers work closely together to optimize supply. This has resulted in, inter alia, improvements in online purchasing and in delivery times from certain suppliers, to the satisfaction of both parties.

Employees with procurement duties must comply with and promote compliance with certain basic ethical standards in relations with contractors, suppliers and the market. These standards are set out expressly in the Group's Code of Conduct.

Approval of Suppliers

As a general rule, **all suppliers of products and services must be approved**, although the approval requirements vary in accordance with the product or service they offer.

The approval process is implemented in coordination with the areas involved so as to guarantee that the chosen suppliers meet the minimum legal requirements as regards quality and sustainable procurement (e.g. gender equality and workplace safety, among others). To this end, documentary proof of the supplier's environmental and quality certifications is always requested.

In 2022, two on-site supplier audits were conducted. Both audits addressed ISO 14001 certification and sustainability measures.

3.2. Procurement Management

Procurement management seeks to optimize the expenditure in each procurement category and to ensure that it contributes the greatest possible value from the supply markets. It includes processes that take into account the following minimum concerns when making purchasing decisions:

- Supply **certainty** criteria: The extent to which a supplier is able to supply the good or service.
- **Quality** criteria: The extent to which the good or service meets the required specifications.
- **Service** criteria: The extent to which the good or service ensures compliance with delivery, performance or technical support commitments.
- **Cost** criteria: The extent to which the price of the goods or services matches their actual market value.
- **Innovation** criteria: The extent to which the good or service contributes an advantage or added value.
- Applicable **regulations** criteria: The extent to which the supplier, the good or the service meet the current regulations.
- **Sustainability** criteria: The extent to which the supplier meets the Company's sustainability standards and to which the good or service is respectful of society or the environment over its life cycle.

3.3. Geographical Distribution of Suppliers

All of the Group's suppliers are listed in ***Table 19***. Most of them are based in countries belonging to the Organization for Economic Co-operation and Development (OECD) or the United Nations (UN) and, as such, they comply with current labor legislation and respect the Universal Declaration of Human Rights. Suppliers from the rest of the world

are mainly engaged to protect industrial property and provide research and development services, and specific value-added contracts are signed with them.

Number of Group Suppliers by Territory as at 31 December 2022		
Spain	1,244	55.7%
European Union	706	31.6%
Rest of Europe	108	4.8%
USA and Canada	92	4.1%
Rest of the world	85	3.8%

***Table 19**. Number of suppliers by territory*.

Considering the number of suppliers of the companies based in Spain, the percentage of national suppliers amounts to 69.9%.

3.4. Supply of products

Supply chains were stretched in 2022, largely due to the recent geopolitical issues, which have caused considerable instability within the economy. Political and military tensions in certain countries, such as the war in Ukraine, shortages of certain raw materials, rising energy costs, and changes in trade policies stemming from political decisions, such as Brexit, are partly to blame for the instability in the production and marketing of certain products within the pharmaceutical sector.

The Group has been proactive in tackling these challenges by strengthening its supply chains, diversifying its sources of supply and implementing close monitoring of its suppliers.

One such measure has been to classify all raw materials according to whether they are GMP or non-GMP, and also by supplier origin and type of packaging materials used. This classification achieves not only the objectives described above, but also the following, which reflect the sustainability criteria set out in the Sustainability Action Plan 2021-2023:

- **Switching from plastic to glass containers.**
- **Switching from smaller to larger volume containers**, thus reducing handling and labeling time and making **efficiency gains**.
- **Improving the carbon footprint** by prioritizing local suppliers.

Secondly, and in relation to certain critical materials such as solvents and reagents used in production processes, the Group worked intensively during the first half of 2022, not only to increase the number of manufacturers of those products carrying the greatest risk of experiencing supply problems, but also to implement a procedure that will be triggered immediately in the event that a product is discontinued.

Also in 2022, sufficient packaging and raw production materials were procured to cover the Group's foreseeable needs for at least one year. Meanwhile, it was decided to cover the Group's needs for half a year and schedule orders with monthly deliveries in relation

to those products that see heavy use or cannot be put into storage due to their hazardous nature.

Cardboard and paper product supplies had a choppy start to the year in 2022. This instability did not affect Pharma Mar, as it has several qualified suppliers and the supply situation came back to normal as the year went by.

Eventually, these steps were highly effective, as there were no delays in production or deliveries during 2022.

3.5. Consumer Relations

Pharma Mar Group companies' consumers are patients receiving oncology treatments and customers using diagnostic products. Collectively, they form an essential stakeholder group, as the Group's fundamental purpose is to improve the health of patients affected by serious diseases.

The pharmaceutical industry is one of the most stringently regulated sectors in the world The health authorities supervise key features of drugs, namely their quality, effectiveness and safety. Therefore, to continue to operate as a pharmaceutical laboratory, **Pharma Mar ensures absolute compliance with the most stringent regulations applied by the health authorities in all countries around the world and also with a number of sector-specific regulations**.

Pharma Mar oversees compliance with all these regulations by monitoring and auditing each stage of the process, starting with GLP standards in pre-clinical trials. It can then ensure that the clinical trials are scientifically and ethically sound by applying GCP standards to the trial protocol approved by the health authorities.

Good Manufacturing Practices (GMP) applied by Pharma Mar reduce the risks associated with the production of drugs, both those that are commercialized and those used in clinical trials.

Good Distribution Practices (GDP) ensure that the quality of medicines is maintained at all stages of the supply chain: from Pharma Mar's warehouses to the pharmacy in the hospital where the drugs are administered to patients.

GDPs also include measures to protect patients from the risk of counterfeit drugs reaching the supply chain. To this end, the European Union introduced the Falsified Medicines Directive, which requires each unit of medicine to carry a unique identifier and an anti-tampering device. Pharma Mar complies with all of the requirements established therein.

Good Pharmacovigilance Practices (GVP) make it possible to assess the risks associated with a medicine at any given time. Pharma Mar keeps its pharmacovigilance system files up-to-date and regularly issues updated reports on product safety. Furthermore, all its employees receive training in pharmacovigilance so that they can fulfill their obligation

to report any adverse effects of any of the company's products of which they become aware.

Figure 11 shows all these regulations as implemented at Pharma Mar.

Figure 11. *Pharmaceutical industry standards monitored and audited during each stage at Pharma Mar.*

To ensure compliance with these standards, Pharma Mar devised a **Quality Policy** for the oncology area and implemented a **quality assurance system**, as described in the Quality Manual. This system identifies those responsible at all levels of the organization, provides for proper management of human and financial resources, establishes appropriate action indicators, and fosters continuous improvement processes. All of this is further strengthened through robust quality assurance programs for manufacturing processes.

Figure 12 shows all the quality assurance activities at Pharma Mar.

Figure 12. *Quality assurance programs at Pharma Mar.*

There is also a **Quality Unit** and a **Quality Committee** that meets every six months to monitor the implementation of the quality assurance system in all areas of the company.

Both Pharma Mar's partners and the health authorities perform regular audits to confirm compliance with all those practices and with the legal and/or voluntary agreements established.

In this regard, Pharma Mar has been inspected by the Spanish Agency of Medicines and Healthcare Products (2008, 2011, 2014, 2017 and 2019) plus a specific audit of the pharmacovigilance system (2020), the European Medicines Agency (2007 and 2019), the US Food and Drug Administration (2009, 2015 and 2019) and Japan's Pharmaceuticals and Medical Devices Agency (2015 and 2020). The health authorities did not conduct any inspections at the oncology area in 2022, as they have been put back to the first quarter of 2023.

Through the **diagnostics area**, the company offers consumers molecular diagnostic and genetic identification methods using reliable, automated tools that meet the highest quality standards. This mission has led to obtaining to ISO 9001:2015 (quality management systems) and ISO 13485:2016 (specific quality management systems for medical devices) certifications. As well as qualification by Entidad Nacional de Acreditación (ENAC) as ISO 17025:2015 (laboratory quality) compliant with regard to genetic forensics.

As a manufacturer of in vitro diagnostic (IVD) healthcare products, the Group maintains the mandatory operating license granted by the Spanish Agency of Medicines and Healthcare Products (AEMPS) under number 7311-PS. In addition, as the company performs clinical analyses in its own premises using its IVD kits, it is licensed as a clinical analysis center with number CS 14383.

A quality system review is carried out annually with the involvement of the entire management team. This review addresses the validity of the **Quality Policy** in the diagnostics area, among other material aspects.

All in vitro diagnostic (IVD) products being manufactured comply with the requirements of Directive 98/79/EC of the European Parliament and of the Council, which establishes a product classification system under which the CLART ENTHERPEX and CLART STDs kits require external assessment by a notified body (in these cases, the AEMPS, with number 0318). The other IVD kits developed are self-certified, which means that the manufacturer is responsible for ensuring compliance with the essential requirements of the aforementioned Directive. All IVD products have the requisite declarations of conformity.

The health authorities perform regular inspections to confirm compliance with all those practices and with the legal and/or voluntary agreements established by the diagnostics area.

Quality complaints

The Quality Unit handles and resolves all complaints, regardless of how they are received: from healthcare professionals, institutions, patients or others.

Operating procedures are in place to establish the manner and timeline for resolving the complaint, as well as the obligation to implement improvements in the event such an opportunity is detected. Moreover, the quality complaints database is regularly cross-checked against the safety database maintained by the Pharmacovigilance Department, so as to determine whether any potential adverse effects caused by a drug might be associated with deficiencies in their quality.

During 2022, the oncology area received a total of eight complaints in the Quality Department (eleven in 2021). None of them related to material risks to patient safety and none resulted in a product recall.

The diagnostics area received thirty-six complaints (eighteen in 2021). They referred not only to IVD products but also to the equipment used and the genetic identification services.

Privacy and data protection

The Pharma Mar Group attaches the utmost importance to the privacy of the personal data of its patients, customers, employees and suppliers. The manner in which the company approaches this issue reflects its commitment in this regard.

In 2022, the Pharma Mar Group's **General Personal Data Protection Policy** underwent an in-depth review to make it more accessible and practical for employees, and a new version was approved and disseminated across the entire organization. This policy sets forth the basic principles of data privacy and processing within the Group and is the key document governing the processing of personal data at Pharma Mar. The policy is available to all employees on Pharma Mar's intranet. It contains information on the following matters, among others:

- Why and for what purpose the personal data of company employees are processed;
- How the personal data of patients taking part in clinical trials are managed;
- How the personal data of investigators taking part in clinical trials are managed;
- How the personal data of any third party whose personal data are processed by Pharma Mar are managed;
- How long the data will be retained;
- How to exercise personal data rights.

Pharma Mar keeps a **unified record of all data processing for which it is the controller**, in accordance with the European Data Protection Regulation. This Data Processing Activities Record (DPAR) includes the purpose of each processing activity carried out, a description of the categories of data subjects and categories of personal data, any transfers of personal data to a third country, as the case may be, and the technical and organizational security measures in place. This record was updated in 2022.

In 2021, the company appointed a Data Protection Officer (DPO) to represent it before the Spanish Data Protection Agency (*Agencia Española de Protección de Datos*). Although this appointment is not mandatory under the General Data Protection Regulation (GDPR) and the Spanish Organic Law on Data Protection (LOPD), it showcases Pharma Mar's firm commitment to data privacy and the importance the Group attaches to data protection.

Also in 2021, a specific on-site training plan on this subject was launched for all Group employees who have access to particularly sensitive personal data or who deal with personal data regularly as part of their jobs. The aim is to guarantee that employees are aware of the requirements of the data protection legislation and can ensure that they are properly complied with. Face-to-face training on the subject was also provided to employees of the Group's Austrian subsidiary in 2022.

Privacy requirements are also included in all contracts entered into with any entity with which personal data is processed. This includes the performance of pharmacovigilance and clinical trial activities (centers, researchers and subcontractors). In clinical trials, particular attention is paid to the processing of the data of participating patients, by obtaining informed consent in which they are informed of their rights clearly and in detail. Before patients participate in trials, they must sign informed consent forms and approval of the relevant ethics committees must be sought.

Pharma Mar has implemented both internal and perimeter security measures to protect its IT resources from attacks and unauthorized external access. These security standards are described in the Information Systems Security Procedure.

To further improve data protection and cybersecurity, a number of cybersecurity activities were carried out in 2022. In early 2022, all Pharma Mar Spain employees received trained in security and underwent a phishing (scam email) simulation. Further training was delivered towards the end of the year in the form of a "knowledge pill" in cybersecurity and cyberattacks (these pills are delivered regularly to raise awareness among employees on a variety of subjects). During this exercise, employees received practical guidance and tips on how to spot and respond to a cyberattack.

Lastly, the Clinical Quality Assurance Department verifies not only compliance with these privacy requirements, but also that health data are not collected in an unfair, unlawful or fraudulent manner. This verification is carried out either in its internal audits of the Pharmacovigilance Quality System and the Clinical Development Department or in the scheduled audits of the centers participating in the clinical trials. Whenever these audits pinpoint an opportunity for improvement or a potential breach, remedial actions are established that must be approved by the Clinical Quality Assurance Department before being implemented.

No claims related to data protection were received in 2022, and nor was there any data security breach that had to be reported to the Spanish Data Protection Agency (AEPD).

• 4. We Protect the Environment

Our commitment

is to conserve and make rational use of resources, minimizing environmental impact and paying special attention to marine resources and climate change risks.

The Pharma Mar Group respects and cares for the environment. As part of this commitment to environmental management, it has established a set of key guidelines aimed at ensuring environmental protection and sustainable development in its activities.

Below is information on the oncology and diagnostics areas in relation to the Group's commitment to environment. The oncology area is the only one that carries out activities with more significant environmental implications since it has its own facilities.

No risks materialized in 2022, the Group was not handed any environmental fines or sanctions and no environmental incidents occurred.

4.1. Approach to our Environmental Management

Pharma Mar's environmental performance has been certified under the **ISO 14001 environmental management standard** for more than 13 years. The Group has chosen this model to ensure environmental protection and full compliance with applicable environmental legislation governing each operation.

The oncology area's significant environmental aspects — both direct and indirect — are assessed each year by means of an internal procedure. This procedure includes aspects related to atmospheric pollution, industrial discharges, waste management and use of raw materials. This information is reported to senior management so that it can assess the area's environmental performance and take any necessary decisions towards achieving the goals established in the Sustainability Policy.

In 2021, the Group approved its **Sustainability Action Plan 2021-2023**, which describes, among other aspects, the specific environmental actions planned for the years 2021 to 2023. Progress made toward this plan is reported to the Appointments and Remuneration and Sustainability Committee.

A **Prevention and Environment Working Group** was also set up in 2022 as a channel for communicating and consulting with employees on the Group's environmental objectives. The Working Group meets at least once a quarter. Its duties include that of providing initial training on the Pharma Mar Group's environmental objectives and measures to new employees and carrying out environmental awareness campaigns via the intranet throughout the year. It comprises one member from each operational area and from the Human Resources department.

Pharma Mar is also a member of the **Spanish Green Growth Group** (*Grupo Español para el Crecimiento Verde*), an association created to foster public-private cooperation and

help address the current environmental challenges. The goals of the Spanish Green Growth Group are as follows:

- Promote and organize activities to showcase to society and public administrations the potential of an eco-friendly economic growth model in Spain.
- Help to generate and disseminate the knowledge needed to bring about real change on the path to sustainable development.
- Help to create conditions conducive to the development of a low-carbon economy and compatible with the objective of economic growth and job creation.
- Function as a key stakeholder, interfacing between the business sector and public administrations, business and trade associations, universities and other interest groups, both nationally and internationally.

Figure 13 shows Pharma Mar Group's various guidelines, plans and commitments when it comes to environmental management.

***Figure 13**. Pharma Mar Group's approach to environmental management.*

4.2. Climate change

Pharma Mar is acutely aware of the importance of informing its stakeholders about the impact of climate change and the measures taken to control it.

Pharma Mar has been calculating the carbon footprint of its operations since 2017, as part of its sustainability strategy. However, in 2022 the Group decided to include more sources of emissions in Scope 1 and broaden the calculation to include indirect emissions from the value chain (Scope 3), using the most reliable data available. Along these lines, Pharma Mar decided to recalculate its carbon footprint — taking 2021 as the base year — in order to determine its greenhouse gas (GHG) emissions under Scopes 1, 2 and 3 for the base year. This is the first step toward setting ambitious, science-based

emissions reduction targets and becoming a net zero company, thus spearheading the pharmaceutical industry towards a zero carbon economy.

Pharma Mar Group's carbon footprint has been calculated in accordance with the methodological guidelines set out in the GreenHouse Gas (GHG) Protocol, the most widely recognized international standard establishing standard frameworks for measuring, managing and reporting GHG emissions by companies.

Pharma Mar has submitted its carbon footprint calculations and targets to the Science Based Targets initiative (SBTi). The targets are as follows:

- Short-term decarbonization target: 42% reduction in Scope 1 and 2 emissions by 2030, compared to the base year 2021.
- Long-term net zero target: 90% reduction in Scope 1, 2 and 3 emissions by 2050 and neutralization of residual emissions (remaining 10%).

When calculating its carbon footprint, Pharma Mar counts all of the emissions from activities over which it has operational control. The base year for future measurements will be 2021.

Emissions have been classified into three scopes:

- **Scope 1**: Direct emissions from sources owned or controlled by the organization. For Pharma Mar, Scope 1 emissions are generated by the hot water boilers required for space heating and compliance with the comfort parameters required by law (Royal Decree 486/1997, of 14 April). Scope 1 emissions include not only natural gas, but also emissions from the consumption of cooling gases and fuel from leased vehicles.
- **Scope 2**: Indirect emissions from electricity or steam consumption (purchased from third parties).
  At Pharma Mar, Scope 2 emissions, which exceed Scope 1 emissions in terms of volume, come from the electricity consumed to keep both the production facilities and the cold rooms in operation 24 hours a day, 365 days a year. The cold rooms are necessary to preserve our marine samples, raw materials and intermediate products, as well as the final product to be marketed.
- **Scope 3**: Indirect emissions not included in Scope 2 that are generated along the organization's value chain (business travel, waste management, service providers, transportation, etc.).

Figure 14 shows the results of these measurements.

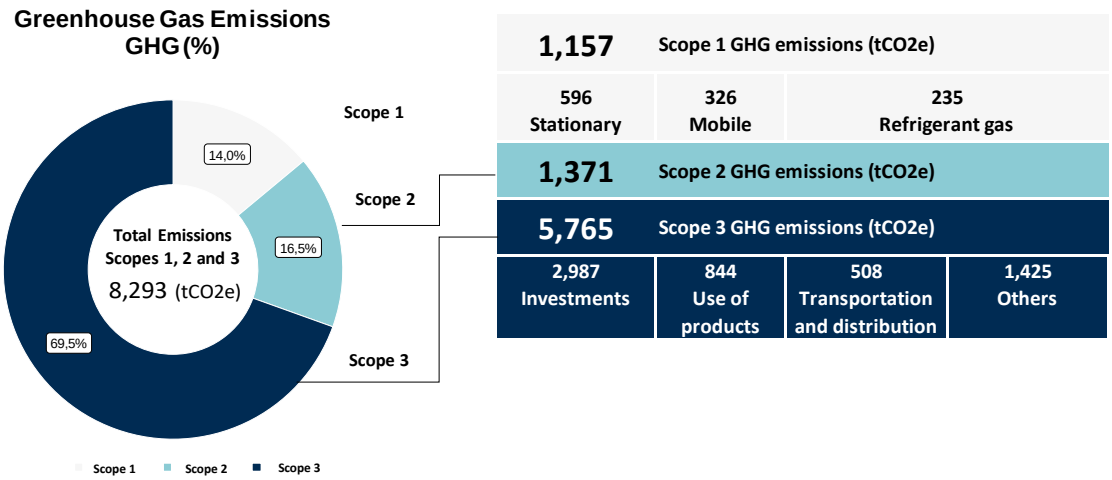


***Figure 14**. Calculation of Pharma Mar Group's emissions in 2022.*

Scope 2 and Scope 1 emissions from stationary sources were calculated under a market-based approach, i.e. using the factor provided for each of the marketing companies in the different countries. Where no factor was provided, the factors were retrieved from the latest report of the International Energy Agency.

For Scope 1 emissions from mobile sources, DEFRA 2021 conversion factors were used.

Lastly, for Scope 1 emissions from cooling gases, data from the Spanish Climate Change Office of the Ministry for Ecological Transition were used.

Total accounted Scope 1, 2 and 3 emissions came to 8,293 metric tons of CO_2 (tCO_2e) (8,565 tCO_2e in 2021). Scope 3 emissions made the largest contribution to the carbon footprint, accounting for 5,765 tCO_2e (6,065 tCO_2e in 2021), followed by Scope 2, with 1,371 tCO_2e (1,265 tCO_2e in 2021) and Scope 1, with 1,157 tCO_2e (1,235 tCO_2e in 2021).

The various initiatives undertaken in 2022 to reduce emissions are described below.

Pharma Mar fitted its Colmenar Viejo facilities with electric car charging stations at 6.0% of its parking spaces, in a bid to promote and enable the use of electric cars. At the end of 2022, 22.5% of the Pharma Mar Group's fleet of vehicles were hybrid or electric (16.0% in 2021); 35.5% of the Company's vehicles in Spain (26.0% in 2021).

In 2022, Pharma Mar launched a program to encourage carpooling among workers traveling to and from the facilities of the oncology area. In the months during which the program has been up and running, 2.9 tCO_2e of emissions were saved (***Figure 15***).

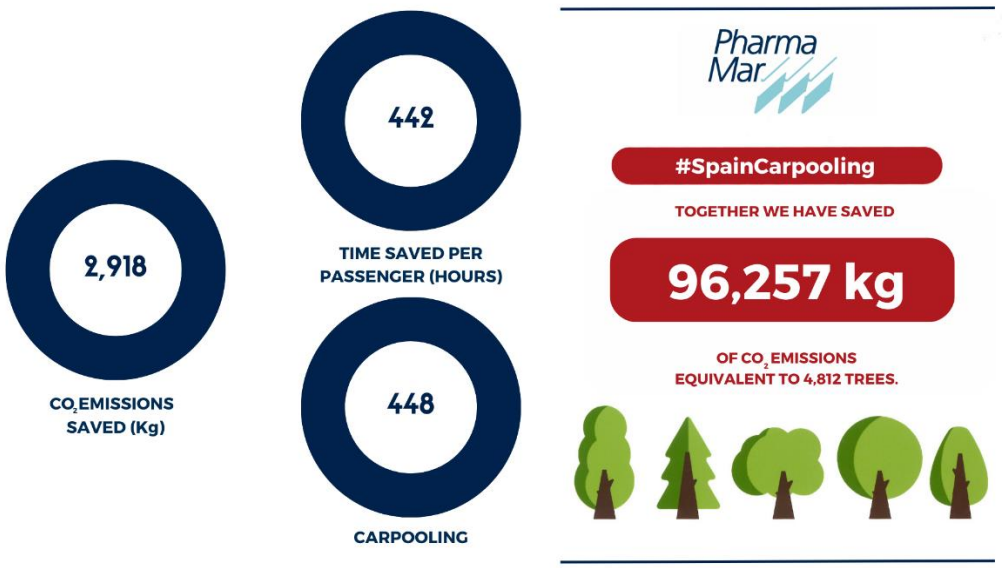


***Figure 15**. CO_2 emissions saving program through car sharing.*

Cooling systems, which are essential to meeting a range of needs, may also generate greenhouse gas emissions. To minimize the risks, this equipment is subjected to a strict maintenance program to avoid, for example, small leaks in the systems that would lead to unwanted emissions.

In 2022, Pharma Mar made further progress in meeting the greenhouse gas reduction target envisioned in the Sustainability Action Plan 2021-2023. The aim is to achieve a 10.0% reduction in Scope 1 and 2 energy per employee and per m^2 by 2023, using 2018, 2019 and 2020 figures as a baseline.

European Union Green Taxonomy

The Pharma Mar Group is part of the biopharmaceutical industry; its activities include research and development of new drugs, and the manufacture and marketing of pharmaceutical products. This industry is not one of the sectors included in EU Regulation 2020/852 as economic activities that can make a substantial contribution to climate change mitigation or adaptation.

The Group has analyzed the economic activities of all its divisions and functions in light of the activities listed in the Climate Delegated Act and has found that its economic activities are not covered by that Act and, therefore, are not eligible activities under the European Union Taxonomy (Taxonomy-eligible activities).

However, the Group believes that certain secondary activities necessary for the performance of the economic activities might qualify as eligible, such as the construction or expansion and maintenance of facilities for the performance of the economic activities, or the transportation of our products to our end customers, provided that they comply with the description of their respective economic activity.

In order to determine which activities can be considered environmentally sustainable, the Group firstly took note of industry practices in this area. It subsequently analyzed

how these activities are carried out in the Group to determine whether they can be considered as eligible activities. The analysis conducted by Pharma Mar Group revealed the following eligible activities, in accordance with the two environmental objectives approved to date (***Table 20***).

Description of Eligible Expenses and Investments under the EU Green Taxonomy	Connection with Annex I of Article 8 of the Climate Delegated Act
Expansion of Cimplicity system network analyzers to provide electricity consumption inputs for new electricity dashboards (monitoring and data archiving).	7.5. Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings.
Project for the construction of a solar power plant with a production capacity of 158.9 MWp.	7.6. Installation, maintenance and repair of renewable energy technologies.
Replacement of 435 LED luminaires, switching from 72W to 20W per unit.	7.3. Installation, maintenance and repair of energy efficiency equipment.
Maintenance of EBN (high energy efficiency) motors.	7.3. Installation, maintenance and repair of energy efficiency equipment.

Table 20*. Individually eligible CapEx/OpEx and related economic activities.*

In accordance with Article 8 of the Taxonomy Regulation (EU Regulation 2020/852), below we provide the calculation of the key performance indicators (KPIs) obtained under Commission Delegated Regulation (EU) 2021/2139 of 4 June and Commission Delegated Regulation (EU) 2021/2178 of 6 July, showing the proportion of taxonomy-eligible activities in the above table, in relation to total turnover, CapEx for the year and OpEx.

To allocate CapEx and OpEx, the related purchases and expenses were identified, as well as the main related economic activity provided for in the Climate Delegated Act 2021/2139, of 4 June. This ensures that no item of CapEx or OpEx is considered more than once.

Turnover KPI. The turnover eligibility KPI is the result of dividing taxonomy-eligible revenue (numerator) by the Group's total revenue (denominator). Meanwhile, the turnover alignment KPI is obtained by dividing taxonomy-eligible and taxonomy-aligned revenue (numerator) by the Group's total revenue (denominator).

As for the numerator, no taxonomy-eligible activity was identified, meaning that the amount of revenue in the numerator of both the eligibility KPI and the alignment KPI is equal to zero.

The denominator of the Turnover KPI coincides exactly with the consolidated revenues as per Pharma Mar's Consolidated Financial Statements, calculated in accordance with International Accounting Standard (IAS) 1, section 82(a).

CapEx KPI. The CapEx eligibility KPI is the result of dividing taxonomy-eligible CapEx (numerator) by the Group's total CapEx (denominator). Meanwhile, the alignment KPI is the result of dividing taxonomy-eligible and taxonomy-aligned CapEx (numerator) by the Group's total CapEx (denominator).

In particular, taxonomy-eligible CapEx (numerator) was calculated by adding the amount of the acquisitions recognized as assets, arising from taxonomy-eligible activities, as described in the table above.

Total CapEx (denominator) includes all additions in the year of intangible assets, property, plant and equipment and right-of-use assets, before amortization, depreciation or impairment, excluding fair value changes. (Note 6 – Property, plant and equipment; Note 8 – Intangible assets; and Note 9 – Right-of-use assets, to the Consolidated Annual Financial Statements 2022).

The CapEx eligibility KPI came to 0.9% in 2022, compared to 8.8% in 2021. The reason for this decrease between both years is largely due to the completion in 2021 of the outfitting and air conditioning project for the expansion of the Company's facilities.

OpEx KPI. The OpEx eligibility KPI is the result of dividing taxonomy-eligible OpEx (numerator) by the Group's total OpEx (denominator). Meanwhile, the OpEx alignment KPI is the result of dividing taxonomy-eligible and taxonomy-aligned OpEx (numerator) by the Group's total OpEx (denominator). The OpEx considered is as defined in Annex I of Commission Delegated Regulation (EU) 2178/2021 of July 6.

In relation to eligible OpEx (numerator), the items to be included in the numerator were analyzed, concluding that the amount of these activities was not material during the year. The eligibility KPI is equal to 0.04%, meaning that only 0.04% of the OpEx defined by the Taxonomy is eligible. The reason for such a small amount under this KPI is largely due to the fact that R&D expenses are particularly significant for the Group.

In accordance with Commission Delegated Regulation (EU) 2178/2021 of 6 July, total OpEx (denominator) means OpEx directly and exclusively related to:

i) Research and development costs not capitalized (Note 26 to the Consolidated Annual Financial Statements 2022).
ii) The volume of non-capitalized leases determined in accordance with IFRS 16 includes expenses for short-term leases and low-value leases (Note 38 to Pharma Mar's Consolidated Annual Financial Statements 2022).
iii) Maintenance, repair and other expenses, provided that they are directly related to the day-to-day use of the facilities, plants and equipment used in the business activities and have been determined on the basis of the maintenance and repair costs allocated to our internal cost centers.

Having determined the Group's eligible economic activities that contribute to climate change mitigation (***Table 19***), their potential alignment with the EU taxonomy was then analyzed, concluding that these activities cause no harm to the other environmental objectives and that the minimum safeguards under Regulation (EU) 2020/852 are met. It was not possible to conclude from this analysis that such activities are environmentally sustainable. The Group is now working to ensure that it will be able to carry out the required assessment in the next financial year.

The reporting tables for CapEx and OpEx eligibility information, following the template provided in Annex II of Commission Delegated Regulation (EU) 2021/2178 of 6 July, are provided in ***Annex 3*** of this document.

4.3. Sustainable use of resources

Pharma Mar is aware of the importance of minimizing the use of the natural resources it needs for its activity and it now runs a very efficient facility in this regard.

Energy consumption

The energy sources used at the Group's permanent facilities in 2022 were electricity and natural gas. The efficient supply of energy is assured through utilities and through self-production at the solar plant in the oncology area. In 2022, Pharma Mar embarked on a project to expand the solar plant, which will ultimately produce 8% of the facility's total consumption. This project is currently ongoing and will be completed during the first half of 2023.

Figure 16 shows the calculated percentage of utilization in 2022 of the Group's various energy sources at these permanent facilities.

Figure 16. *Energy sources of Pharma Mar Group.*

As a further measure, a water heating system was installed using electric heating elements to decouple the production of sanitary hot water and self-supply through the electricity produced at the solar plant.

Electricity is used mainly to keep the production facilities and cold storage rooms in operation 24 hours a day, 365 days a year. The cold rooms are necessary to preserve our marine samples, raw materials and intermediate products, as well as the final product to be marketed. It is also used for lighting and air conditioning.

In 2022, total electricity consumption at the oncology and diagnostics area came to 5,495 MWh, while in 2021 it was 5,253 MWh. This higher consumption was due to the increase in the workforce and production needs, which led to a greater number of working hours during weekends, over three months.

Since 2018, the oncology area has achieved a 20.48% reduction in electricity consumption per person and per square meter. This area accounted for 90.7% of the Group's total electricity consumption in 2022. In 2022, LED lighting was installed across all office space and administrative areas, thus reducing installed power by 22 kW.

Pharma Mar uses natural gas mainly for the hot water boilers required for space heating and compliance with the comfort parameters required by the law.

In 2022, total gas consumption came to 3,260 MWh, while in 2021 it was 3,537 MWh. This reduction was due to the replacement in previous years of the heating boiler burners and of the existing steam boiler with a more energy efficient boiler.

The Group's energy consumption monitoring program has been implemented in 2022. It is based on linear regression models that make it possible to identify savings opportunities that contribute to adaptation to climate change and to reducing greenhouse gas emissions. This system enables excess consumption to be detected early and its causes to be identified.

Last but not least, the fuel consumed by Pharma Mar Group's leased vehicles was estimated. This calculation was based on the annual mileage reported by employees at the Group's companies in Spain and the proportional part of the mileage allowances for the vehicles arranged by the Group's commercial subsidiaries in Europe. To calculate liters of fuel consumed, an average consumption per type of engine was estimated, relying on data released by the Ministry for Ecological Transition. As a result, it is estimated that 115,846 liters of fuel were consumed in 2022 (149,521 liters in 2021).

Water Consumption. Wastewater/Discharges

Water is a limited and irreplaceable natural resource and access to it is a fundamental human right. The Group always seeks to optimize the use of water resources. The Group uses water for the manufacture of purified water for process equipment (between 40% and 50%), while the remaining 60%-50%, respectively, is for sanitary use and, to a lesser extent, for air conditioning.

In 2022, total water consumption stood at 8,937 m^3, compared to 8,387 m^3 in 2021. This growth was due to the increase in irrigation water due to the prevailing weather conditions during the summer.

There is no information available on water consumption in the diagnostic area or in the RNA interference area, since their facilities are leased and water consumption figures are not segregated.

Various steps were taken to reduce water consumption, such as the identification and reuse of uncontaminated water from different factory processes and the deployment of a more efficient system of inner bacteriostats in the toilets to reduce water consumption.

Pharma Mar complies with applicable national and local regulations and authorizations governing the disposal and treatment of wastewater from its facilities.

It also carries out discharge control by adjusting chemical parameters and performing regular measurements, thus ensuring that discharges into the Integrated Sanitation System (ISS) are below the permitted thresholds.

Consumption of raw materials: reagents and solvents

When it comes to the consumption of the Group's main raw inputs, namely solvents and reagents, strict pharmaceutical regulations require prior authorization of any modifications that might impact the manufacturing process, which in practice makes it difficult to modify the products involved in the process.

In addition, the raw inputs used in the process can and do vary considerably, as the company is heavily involved in research and development activity.

The consumption of production-related solvents increased 26.7% from 2021, reaching 45.4 metric tons in 2022. Meanwhile, the consumption of reagents used predominantly for research and development activities amounted to 2.8 metric tons.

Table 21 shows the consumption of resources at the Colmenar Viejo oncology facilities in 2021 and 2022, together with an estimate of the fuel consumed by Pharma Mar Group's leased vehicles. The raw materials figure for 2021 has been recalculated to include those raw materials that relate exclusively to the production process of the oncology area at the Colmenar Viejo facilities. Electricity figures have been recalculated to include the diagnostic area and facilities in Madrid, Italy, France and Germany.

Type of Resources	2021	2022
Electricity (MWh)*	5,253	5,495
Natural gas as a fuel (MWh)	3,537	3,260
Vehicle fuel (l)	149,521	115,846
Water (m^3)	8,378	8,937
Breakdown of raw materials (kg)		
Solvents (kg)	35,869	45,431
Reagents (kg)	2,906	2,766

Table 21*. Consumption of resources at the oncology area in Colmenar Viejo.* *As electricity also includes the diagnostic area and facilities in Madrid, Italy, France and Germany, the 2021 figure has been recalculated accordingly. Vehicle fuel covers the entire Group.

4.4. Pollution Prevention. Waste management and circular economy.

The Group's facilities comply with the pollution requirements under its Integrated Environmental Authorization. This legislation establishes limit values across all environmental vectors (air, water, noise, waste, soil, etc.), along with monitoring plans, permitted emission thresholds and the relevant rules and criteria on how to apply them. It aims to protect the wider environment by applying the principles of prevention and environmental control in an integrated fashion, in order to stop pollution from transitioning from one medium to another. This legislation requires a bond to be posted to insure against environmental risks[7].

Pollution Prevention

The oncology area is subject to the legal requirements set forth in the **Integrated Environmental Authorization** (AAI) granted by the Regional Government of the Autonomous Region of Madrid, in accordance with Royal Legislative Decree 1/2016, of 16 December, approving the amended and restated text of the Law on Integrated Pollution Prevention and Control. The measures put in place for preventing pollution at the facilities fully comply with the provisions of the IEA. These measures are updated accordingly in response to best available techniques (BATs) and when modifications to the production facilities make this necessary. These measures include, among others:

- Minimization of atmospheric emissions through the use of HEPA particle filters and carbon filters for volatile organic compounds (VOCs) at the R&D areas and through scrubbing towers for gases released by laboratory fume cupboards at the R&D and production areas.
- Control of the hazardous waste generated and impact minimization through the waste minimization plan, sorting programs and recovery strategies.
- Control of process water by adjusting chemical parameters and controlling discharge parameters by taking regular measurements, thus ensuring that water from industrial discharges is always below the permitted threshold.
- Storage areas with spill containment mechanisms, on paving that guarantees adequate levels of watertightness and waterproofing to prevent seepage into the soil.

Regarding **noise pollution**, noise levels are compliant with the criteria established in the Colmenar Municipal Regulations[8]. Since the company is located in an industrial estate at least 500 meters from the nearest home, there is no risk of noise pollution for local residents. Therefore, there was no need to take corrective or mitigating measures in relation to noise pollution.

Light pollution is not considered to be significant as there is no nocturnal activity and the only light left on at night is that needed for surveillance of the premises.

Waste Management and circular economy

When it comes to waste management, Pharma Mar works hard to minimize the volume and hazardousness of the waste it generates by sorting its waste accordingly and prioritizing waste recovery over disposal. To ensure optimum compliance in this regard, the company has implemented an integrated waste management system that ensures proper waste collection and treatment.

[7] In accordance with the implementing legislation under Environment Ministry (APM) Order 1040/2017, of 23 October, establishing the date from which a mandatory financial guarantee of €2,000,000 must be arranged by companies with an ISO 14001-compliant environmental management system, pursuant to Law 26/2007, of 23 October, on Environmental Liability.

[8] Official Gazette of the Madrid Regional Government (BOCM) 216.

Pharma Mar selects those managers that achieve the highest level of waste recovery. Local managers are also used so as to ensure less of an environmental impact while the waste is being transported to the recycling or recovery site.

In 2022, 163.64 metric tons (t) of waste were managed, comprising 61.64 t of non-hazardous waste (37.7%) and 102.00 t of hazardous waste (62.3%).

In a bid to reduce the quantity of waste earmarked for disposal, Pharma Mar conducted a study into the treatment of all waste generated in 2022. As a result, 60.6% of the total waste managed was recovered following its treatment through reuse, recycling or energy recovery, with only 39.4% earmarked for disposal (***Figure 17***).

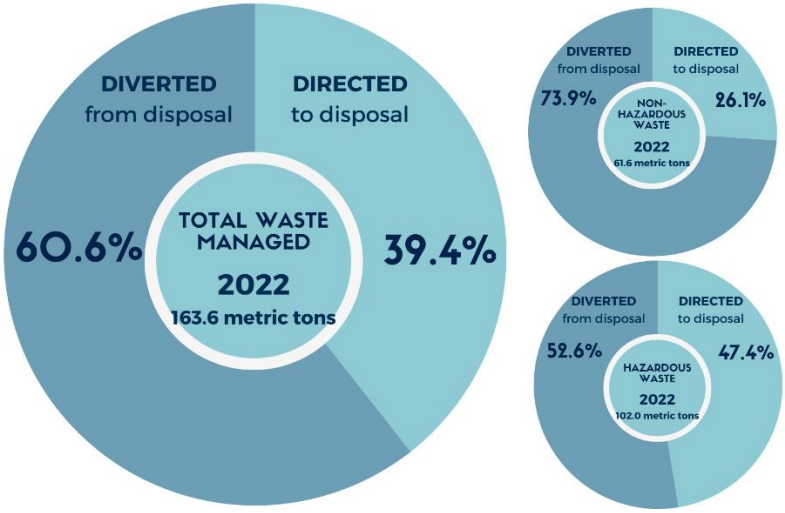


Figure 17*. Optimization of waste management at the oncology area in 2022.*

The Group is duly authorized for hazardous waste, which means the waste must be logged, inventoried, stored and processed by waste managers authorized by the relevant authority in accordance with the applicable legislation. This information is reported in the Annual Hazardous Waste Report, which must be submitted each year along with the environmental records.

Notable actions by Pharma Mar in the realm of waste reduction and circular economy include the following:

Since 2014, returnable barrel circuits have been implemented for the products used in the greatest volume: solvents for manufacturing and R&D. This supply system offers major advantages, such as minimizing packaging waste, reducing storage costs and reducing the risk of fire and spills. The use of returnable packaging increased by 27.2% in 2022 with respect to 2021.

In addition, since 2021, Pharma Mar has been using rented medical gowns for visitors and for employees who do not have a personal gown. The use of disposable gowns in 2022 was down 46.7% from 2021.

Pharma Mar has also achieved a significant reduction in the use of plastic materials in recent years, thanks to its campaign to reduce the consumption of plastic cups

(cardboard cups are in use since late 2021) and to stop the use of plastic laundry bags. In the canteen of the oncology area, cutlery no longer comes in plastic wrap; plastic cutlery has been replaced with wooden cutlery for take-out food; plastic has been replaced by glass in dessert containers; and a "boomerang" system has been set up, whereby employees can pick up their food using an app and return the container at a later date.

In addition, and as explained in section 3.4."Supply of Products", the procurement organization carried out a study to identify the types of packaging used with a view to changing them for more environmentally sustainable alternatives, including the acquisition of larger packaging and retiring (non-recoverable) glass and plastic packaging. This project is currently under development and has enabled the Group to switch out at least 25 products.

Activities to combat food waste

This is not considered to be a material issue for Pharma Mar. However, in its commitment to environmental protection, in addition to taking consideration of the importance of a healthy diet, the Group considered sustainability when choosing the company EUREST to produce the meals made available to most of its employees at the Colmenar Viejo facilities. In addition to its Environmental Policy, EUREST has a food waste reduction program consisting of educational activities, workshops and awareness campaigns for employees, customers and users to combat food waste. Also, a mobile application has been implemented to measure the different types of waste on a daily basis and check the impact that the above actions have on them.

Figure 18 shows all environmental actions through which the Group has displayed its commitment to minimize its environmental impact.

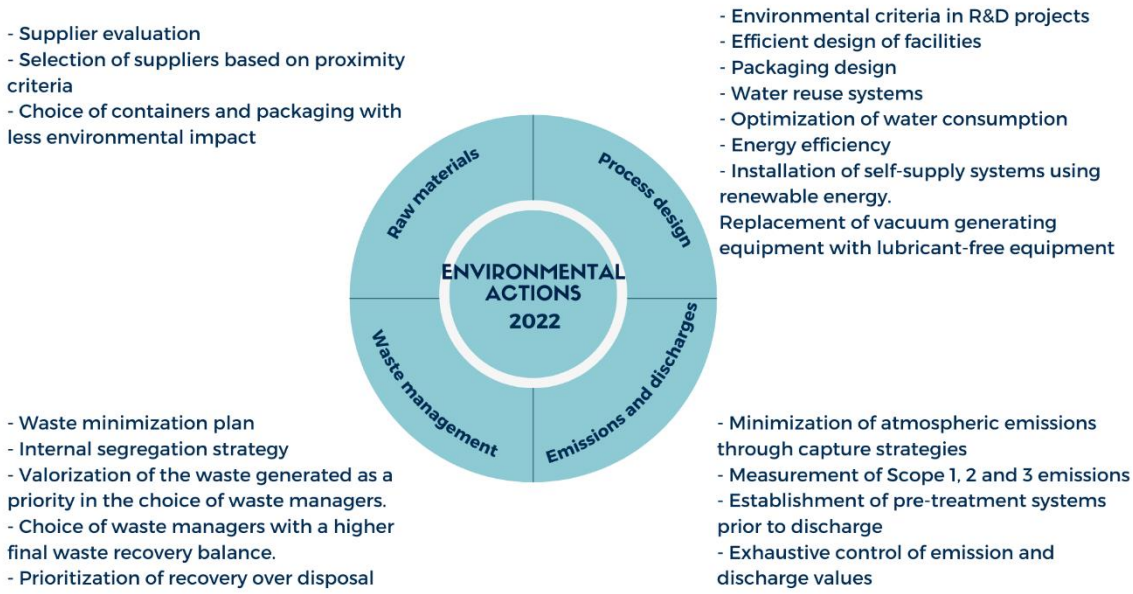


Figure 18*. Pharma Mar Group's environment-related actions.*

4.5. Protection of biodiversity

Protecting marine biodiversity is essential for the conservation of whole species and ecosystems. Overexploitation, pollution and climate change are just some of the threats affecting marine biodiversity, and if measures are not taken to protect it, many species and ecosystems could disappear altogether.

Therefore, for Pharma Mar, protecting marine biodiversity is the most relevant material topic within the Environment category and one of the aims of Fundación Pharmamar (see Section 5 – Our Commitment to Society).

In addition, Pharma Mar's research work using the samples it collects respects the marine environment, since the **molecules of interest for the company are chemically synthesized afterwards**. This provides a supply of the compound without having to resort to the natural organisms that produce it. Thus, by protecting and conserving marine biodiversity, Pharma Mar can continue to obtain new bioactive compounds for the development of innovative and sustainable drugs that improve patients' health and quality of life.

Moreover, marine organisms are removed from their environment in a minimally invasive manner and always ensuring compliance with international conventions, including:

- Rio Declaration on Environment and Development
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- UN Convention on Biological Diversity, relating to access to genetic resources and fair and equitable sharing of the benefits arising from their utilization.

Additionally, the Pharma Mar Group is a signatory of the **Pact for Biodiversity**, which aims to promote economic development that is compatible with biodiversity conservation.

When collecting marine samples, Pharma Mar takes account of two existing international lists: the Red List of Threatened Species, and the CITES list.

Samples are collected selectively by hand, taking all necessary steps to minimize the impact on the natural environment, such as:

- Collection by specialized divers. Using scuba diving equipment, the divers use their extensive experience and training to identify those species that may be of interest for the discovery of new chemical entities.
- Non-use of mechanical systems, such as drag nets.
- Marine survey robot with an umbilical cord that is operated from the surface and provides a view of the seabed in real time. This makes it possible to choose sampling areas and minimizes human interaction with the ecosystem.
- Collection of no more than 100 grams of each marine organism.

The samples are collected under permits provided by the various countries in the areas they indicate, either directly by Pharma Mar or in partnership with local universities. All of this information is compiled in the expedition log, showing the exact location of the marine ecosystem involved, which can be used by local authorities as an environmental indicator.

The company thus defends the **sustainable use of the ocean's valuable resources and the equitable distribution of its findings.** In this way, Pharma Mar not only contributes to the development of new treatments from just a few grams of sample, but also fosters knowledge and conservation of local marine ecosystems.

During 2022, 3 expeditions were conducted in which local teams, following Pharma Mar guidelines, were in charge of collecting samples of marine organisms.

5. Our commitment to society

Our commitment

is to promote the research and development of novel therapies and diagnostics that improve patient's lives while promoting the dissemination of scientific knowledge in the communities in which we operate.

In the realm of social commitment and innovation, the Pharma Mar Group fosters an environment of wellbeing and progress, especially when it comes to improving people's knowledge and health.

In 2022, Fundación Pharmamar — the Group's foundation — was entered on the Registry of Foundations that fall within the purview of the State, kept by the Spanish Ministry of Justice. The Foundation's Board of Trustees also drew up its action plan for 2023, based on the Foundation's purposes, which are as follows:

- Supporting the continuation and growth of scientific research at national and international level.
- Promoting science in the field of health and fostering scientific research by taking action to encourage it.
- Promoting the development of medicine, the improvement of patient care, the training of professionals, medical education and general education in health care.
- Disseminating the Pharma Mar Group's scientific knowledge and innovation across society, as well as knowledge and innovation in general in the realms of science and health.
- Contributing to the knowledge and defense of marine biodiversity.

Over the course of the year, the Group's various areas and departments also organized and/or supported activities that reflect its commitment to society, divided into:

- **Community action**. Initiatives that contribute to the development of society. They are grouped into the areas of health; social welfare and local and development; and education and research promotion (***Figure 19***).
- **Actions in relation to industry associations**. Cooperation with foundations, not-for-profit entities and associations that work in the biopharmaceutical industry. The aim is to promote values such as research and development, the dissemination of knowledge and health, equal opportunities and any other values that are aligned with the company's ethical and material principles.

5.1. Community Action

In 2022, the Group and its employees got involved in numerous community initiatives in each of the Group's areas of interest. Actions relating to health seek to promote and protect people's physical and mental health; actions targeting social welfare and local development look to have a positive impact on social and economic development, especially in local communities, while also providing support to underprivileged groups; and actions in the area of education and research promotion encompass all activities that aim to train and promote and/or disseminate knowledge.

Many of these initiatives were posted on the intranet to encourage all employees to get involved, thus achieving a multiplier effect on the activities carried out.

A total of €111,923.2 was spent on these initiatives (€100,913.5 in 2021).

They included notably:

Health Area

- Donate blood campaign on the premises of the oncology area alongside the Spanish Red Cross and the Transfusion Center of the Autonomous Region of Madrid, under the slogan *#SeBuscanCoRazones* (Hearts Wanted). A total of 41 employees took part in this initiative.

- Support for the organization of a trek on the Way of Saint James by a group of women undergoing breast cancer treatment at Hospital Universitario Infanta Cristina, in cooperation with Fundación para la Investigación Biomédica of Hospital Puerta del Hierro.

- Participation in a motivational talk on how to beat cancer, titled "*Contra el cáncer, ¡sí se puede!*". The event was organized by the cancer association Siempre Fuertes and was aimed at people either living with cancer or who have overcome the disease, as well as their close family members.

- Participation in the round table discussion "*What is One Health?*: *Connecting the health of people, animals and our environment"*, at the first One Health Forum.

Social Welfare and Local Development Area

- Food drive for Ukraine in cooperation with the UN refugee agency UNHCR.

- Participation in the Spanish Green Growth Group, to promote a sustainable, circular and efficient economy.

- Membership of Círculo de Empresarios, which promotes the free market and entrepreneurship and engages in social cooperation programs.

- Outsourcing of advertising materials and graphic design work to workshops of persons with disabilities, such as Trébore, a Fundación Paideia Galiza initiative.

- Donation of a high-performance liquid chromatography (HPLC) set to IES San Fernando, a public high school in the Community of Madrid.

- Partnership with ASEYACOVI, the Association of Entrepreneurs, Merchants and the Self-Employed of Colmenar Viejo.

- Selection of small companies in the municipality of Colmenar Viejo for renovation work on the company's facilities: re-upholstering, carpentry, corporate image, etc. in order to foster local development.

- Work with Fundación Empresa-Universidad Gallega, a not-for-profit entity specialized in the transfer of knowledge, innovation and technology from Galicia's universities to business and society at large.

- The Group companies in Spain are established in the municipalities of Colmenar Viejo, Tres Cantos and Madrid, all in the Madrid region, as well as at Barcelona's Parc Científic. They all contribute to local development by creating and maintaining stable employment, paying taxes and participating in the activities mentioned above.

***Figure 19**. Summary of the Pharma Mar Group's community action initiatives in 2022.*

Education and Research Promotion Area

- Organization of an initiative titled "International Observership Program at European Reference Centers in Soft Tissue Sarcoma" (SARCOSMUS) at the oncology area. It is a program of grants whereby health professionals can spend three days at the center

as they receive theoretical training and observe how the center is run and how prominent experts in the field go about their daily clinical practice in treating sarcomas.

- Staging of the "Sarcoma Talks" event in La Granja de San Ildefonso, to disseminate and promote sarcoma research under the "Sarcoma TED Talks" initiative, involving group-based work sessions and plenary meetings in a multidisciplinary atmosphere.

- Participation in the "Research inspired by the sea" cycle of talks, with the lecture "The sea as a source of new drugs" at the auditorium of Hospital Clínico San Carlos in Madrid.

- Involvement in the *4ºESO+Empresa* educational program of the public high school IES Ramiro de Maeztu in Madrid, where a pupil from the school is able to receive training for one week in a real working environment.

- Participation in the Talent Development Forum to promote the opportunities of the blue economy at the Smart City Expo World Congress in Barcelona, organized by Fundación Princesa de Girona.

- Participation in the ESG: Risks and Opportunities Congress at Fundación Pablo VI in Madrid, involving a round table on how Compliance and ESG can work together to share Pharma Mar's experience.

- The Group opened its doors to university students during the International Week of Universidad CEU San Pablo in Madrid and Università degli Studi di Torino in Turin, so they could learn more about career opportunities in pharmacy and biotechnology.

- Participation in the talks over breakfast initiative, which is organized by Universidad de Santiago de Compostela as part of the assignments and other arrangements with the company to promote public-private partnership.

- Participation in the PMFarma webinar "Recruiting and retaining talent", which focuses on the importance and difficulties in finding and retaining talent at biopharmaceutical companies.

- Scientific publications in a range of prestigious international journals and specialist press, in the fields of oncology, pharmacology, therapeutics and diagnosis.

- Dissemination of science in the form of podcasts, webinars, press reports and/or infographics in social media on oncology, marine biology, COVID-19 and molecular biology.

- Information and awareness-raising on cancer in the press and notably in social media, in connection with national and international days relating to various pathologies and health anniversaries.

- Publication of volume 18 of the book “El mundo submarino de Pharma Mar” (Pharma Mar’s Undersea World), which contains photographs of marine organisms taken on expeditions by our marine biologists, from which the company extracts the compounds for its R&D activities.

- Staging of institutional visits to the oncology area facilities alongside Grupo Planeta – La Razón, Asociación Madrileña de la Empresa Familiar (Madrid Association of Family-Run Businesses) and CEOE – CEIM, the association of business owners of Madrid.

5.2. Actions in relation to industry associations (contributions, donations and sponsorship)

The Group allocated a total of €490,310.6 (€382,003.9 in 2021) to its collaboration initiatives with foundations, non-profit organizations and associations operating in the biopharmaceutical industry.

Notable contributions included:

- Working with **patient associations**, namely Grupo Español de Pacientes con Cáncer and Fundación Mari Paz Jiménez Casado.

- Collaboration with **medical associations**, including Asociación de Médicos Gallegos and biomedicine groups working on independent research projects in cancer and epidemiology.

- Collaboration with ASEBIO, the Spanish Association of Bioenterprises, to promote biotechnology activity.

- Sponsorship of, participation in, and presentations at, numerous **scientific conferences and meetings, both at national and European level**.

6. Business Ethics and Transparency

Our commitment

is to guide and direct the Group's activities in line with best practices in the areas of governance, ethics and integrity.

The Pharma Mar Group is firmly committed to respect for human rights and to an environment of trust and transparency in business. This chapter details the means by which both commitments are implemented.

6.1. Human rights

The Group companies and areas are located in the European Union and the United States and comply with current legislation governing employment and respect for the Universal Declaration of Human Rights. The Pharma Mar Group is subject to European regulations, which are based on eight fundamental conventions of the International Labor Organization (ILO). Among other aspects, the conventions refer to freedom of association and the right to collective bargaining.

In 2020, the Pharma Mar Group updated its compliance procedures by approving a **Crime Prevention Plan**. This plan updates existing policies — such as the previous Code of Conduct or Code of Ethics, in force since 2016 — and incorporates new ones, as shown in ***Figure 20*** and detailed in this chapter.

***Figure 20**. Commitment to ethics and composition of the Pharma Mar Group's Crime Prevention Plan.*

The updated **Code of Conduct** sets out the principles that should guide the conduct of all Group employees, both among themselves or in their professional relationships with customers, partners and suppliers.

The document explicitly requires non-discrimination in the workplace. It requires all relations between employees to be based on strict respect for each person's dignity and

rejects all forms of abuse or conduct that might violate their rights. The Pharma Mar Group does not tolerate any kind of discrimination based on gender, race, sexual orientation, religious beliefs, political opinions, nationality, social background, disability or any other circumstance.

The Group also has a **Catalogue of Forbidden Conducts,** which among other unlawful acts, prohibits any offense related to the violation of workers' rights. This catalog expressly mentions child labor and forced labor, strictly prohibiting any deception or abuse of an employee's situation to impose working conditions that harm or suppress his or her rights.

A **Whistleblower Channel** has been made available to all employees so that they can report, in good faith and confidentially, any suspected or known breach of the Code of Conduct without fear of reprisal. All complaints and reports received are appropriately, independently and confidentially managed and scrutinized by the Corporate Compliance Committee, and the information is shared on a strict need-to-know basis during the investigation and resolution procedures. Once a complaint or report is received, it is acknowledged and an investigation started. Once the investigation is complete, all interested parties are notified and disciplinary and/or punitive action may be taken, depending on the severity of the case, though always in accordance with the provisions of applicable labor legislation, the Workers' Statute and Pharma Mar's Sanctioning Procedure. Corrective action may also be taken, depending on the outcome of the investigation.

The Whistleblower Channel is available via:

- Corporate intranet.
- Email: comitecumplimiento@pharmamar.com
- Postal mail: Plaza Descubridor Diego de Ordás, 3. 28003 Madrid.

To date, there have been no complaints in relation to human rights violations, forced or mandatory labor, or child labor.

6.2. Combating corruption and bribery

In order to ensure the strictest ethical compliance, the Group has various committees, departments and documents as shown in ***Figure 20.***

In 2020 the **Compliance Department** was created, reporting directly to the Chairperson, with functions related to Criminal Law Compliance[8] and Pharmaceutical Compliance, ensuring respect for regulations and industry self-regulatory codes.
Persons governed by the Code of Conduct — namely, all employees and executives of the companies forming part of the Group, including the Board of Directors and senior management — must be alert in order to avoid any behaviors which are unlawful or contrary to the Code in the Group's relations with other persons and organizations. In particular, it sets out explicit measures aimed at preventing bribery and corruption and

[8] In accordance with the provisions of the Spanish Criminal Code in connection with the criminal liability of legal persons.

prohibits the use of unethical practices to influence persons outside the company in order to obtain a benefit.

Thus, those persons may not make, offer or receive any payment in cash or in kind or any other benefit which might be considered to be unethical or to alter the professional relationships between the parties. They are also prohibited from making payments, in any form and of any amount, to secure or expedite the performance of any process or action before any judicial body, public administration or government agency.

In 2020, the Board of Directors set up a **Corporate Compliance Committee** under the framework of the Crime Prevention Plan, in order to oversee and enforce the Crime Prevention Model. The Committee's main duties are:

- Ensuring compliance with ethical standards within the company.
- Communicating all matters relating to compliance with the rules governing the Group.
- Exercise the relevant supervision and oversight functions.
- Investigating reports received through the Group's Complaints Channel.

The Compliance Committee comprises the Head of the Compliance Department, the Company Secretary, the Head of Human Resources and the Head of Corporate Development, and it is open to receive reports regarding ethical, anti-corruption and/or compliance matters at the following address: comitecumplimiento@pharmamar.com

In addition to this Committee, which deals with corporate affairs, the Pharma Mar Group wanted to go the extra mile and ensure the strictest compliance with the Spanish regulations applicable specifically to its industry. To this end, it created a **Pharmaceutical Oncology and Virology Compliance Committee**, which ensures that the Group works in accordance with the ethical codes of the pharmaceutical industry, such as those of the European Federation of Pharmaceutical Industries and Associations (EFPIA) and Farmaindustria, among others. This Committee is made up by the managers of the Oncology and Virology Unit, together with the Compliance Department.

In accordance with the Compliance Training Plan, two types of face-to-face training courses were held in 2022 on the subjects of data protection and competition (antitrust). The two courses were delivered to employees of Pharma Mar Spain and of the Group's various subsidiaries. Specific online training in the EFPIA's (European Federation of Pharmaceutical Industries and Associations) Code of Practice for the Promotion of Medicinal Products was also delivered during the year to employees at departments involved in the promotion, reporting or marketing and sale of medicinal products, both in Spain and at our subsidiaries.

In addition, specific and interactive induction training was given to new employees, which they must complete online during their first 30 days at the company. This training addresses general compliance issues, covering the main aspects of the Crime Prevention Plan, Industry Codes, Internal Policies and Procedures governing Criminal Law Compliance and Pharmaceutical Compliance, obligations incumbent on employees

when it comes to insider information in accordance with the Internal Regulations on Conduct in Securities Markets (RIC), and an introduction to data protection.

Throughout the year, various “Knowledge Pills” or “ePills” (useful information delivered in bite-sized format) were created on a variety of subjects, including the Code of Conduct, promotional matters in relation to prescription medicines, hospitality limits in different European countries for health care professionals, proper use of social media platforms by employees on matters related to the company, cyber-attacks, etc.

The main internal compliance regulations and other key information can be found on the corporate website under the section on “Sustainability & Ethics.”

In the domain of external regulations, Pharma Mar also shares the fundamental ethical values of the **Code of Ethics of the Spanish Association of Biotechnology Companies (ASEBIO)**, of which it is a member.

The company has also **adopted Farmaindustria’s Code of Good Practice in the Pharmaceutical Industry**. This Code is based on the European Code of Good Practice for the Promotion of Medicinal Products, approved by the **EFPIA**.

In line with these last two codes, the company publishes an annual **transparency report** on its corporate website in which it discloses all transfers of value (in cash or in kind) in relationships with healthcare professionals, healthcare associations and patient organizations, not only in Spain but also in the case of all European subsidiaries. This highlights the contributions of the pharmaceutical industry, and in this case Pharma Mar, such as the key role it plays in training healthcare professionals. At the same time, it is a sign of the rigor and independence with which these relationships are conducted, which are beneficial to healthcare professionals, national healthcare systems and, most importantly, patients.

This support for healthcare organizations and professionals is published in the following categories:

- Donations to healthcare organizations.
- Support for scientific and professional training activities and meetings.
- Working with patient associations.
- Remuneration for professional services.
- Research and development.

Money-laundering issues are not considered to be material for the Group due to the characteristics of the sector in which it operates and the markets in which it is present.

6.3. Tax information

The Pharma Mar Group prioritizes compliance with its obligations to pay the taxes which accrue in each territory.

The Pharma Mar Group paid a total of €809,993 in corporate income taxes in 2022 (€1,392,528 in 2021) in the countries where it operates. ***Table 22*** provides a breakdown of this tax contribution, counting on a cash basis the total payments made in each country for corporate income tax in 2021, as well as payments on account of corporate income tax for 2022.

In application of the minimum installment payment system based on accounting profit, the Group has pre-paid €10,467,424 on account of tax. Under the accrued tax base method, which is the same method used to settle corporate income tax, the amount payable in 2023 will be offset by payments on account made in 2022, and hence Pharma Mar has recognized an account receivable for the aforementioned amount.

It also includes a detail of the income obtained on a country-by-country basis, understood as the profit before taxes, as indicated in the Notes to the Consolidated Financial Statements (Note 23. "Deferred taxes and income tax").

COUNTRY	Profit (before tax)	Payments on account of FY 2022 corporate income tax	Payments of FY 2021 corporate income tax	Corporate income tax paid FY 2022
Germany	281,891	98,921	31,729	130,650
Austria	82,258	500		500
Belgium	52,068	10,000		10,000
Spain	42,894,046	10,357,821	666,248	666,248
France	102,145			
Italy	293,260			
Sweden	74,019			
Switzerland	4,094			
China	-8,117			
USA	15,158			
TOTAL	**43,790,823**	**10,467,242**	**700,573**	**809,993**

Table 22*. Corporate Income Tax Calculation*

Grants recognized in 2022 amounted to €1,304,438.80 (€870,001.04 in 2021), of which €768,251.43 were collected in cash during the fiscal year (€299,765.92 in 2021).

The table below shows the content required by Law 11/2018, of 28 December, amending the Commercial Code, the amended and restated text of the Capital Corporations Law, as approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Statutory Auditing, as regards non-financial information and diversity.

• Annex 1

Non-Financial Information and Diversity Requirements of Law 11/2018

SCOPE	CONTENTS	MATERIAL ISSUE	SCOPE	RELATED GRI STANDARDS / REPORTING CRITERIA	SECTION
GENERAL					
Business model	Brief description of the group's business model, which shall include: 1.) Business environment, 2.) Organization and structure, 3.) Markets in which the business operates, 4.) Goals and strategies, 5.) Main factors and trends that may impact future performance, 6.) Statement from senior decision-makers.	Yes	General	2-1 2-2 2-6 2-22	0.1 0.3 1.1-1.5.
Policies	A description of the policies applied by the group to these matters, which shall include: 1.) Due diligence procedures applied for identifying, assessing, preventing and mitigating material risks and impacts; 2.) Verification and control procedures, including the measures that have been adopted; 3.) The results of these policies, which must include key performance indicators to enable monitoring and assessment and comparisons to be drawn between companies and sectors.	Yes	General	3 - Management approaches	1.6.
Policy Results	The results of these policies, which must include the relevant non-financial key performance indicators to enable: 1.) Monitoring and assessment of progress made, and; 2.) Promoting comparability between companies and sectors, in accordance with national, European and international frameworks of reference used for each subject matter.	Yes	General	3 - Management approaches	1.6. 4.3. 4.4.
Short-, Mid- and Long-Term Risks	The main risks associated with those areas related to the group's activities, including, where relevant and proportionate, it's business relationships and products or services that may have negative effects in those areas.	Yes	General	205-1 413-1	1.7.
KPIs	Key non-financial performance indicators that are relevant to the specific business activity, and which meet the criteria of comparability, materiality, relevance and reliability.	Yes	General	General or specific GRI standards of the economic, environmental and social areas, reported in the following blocks	0.2.
ENVIRONMENTAL MATTERS					
Overall Environmental	1.) Details on the current and foreseeable effects of the Company's activities on the environment and, as the case may be, on health and safety, environmental assessment or certification procedures;	Yes	General	3 - Management approach 2-23	4.1.

2.) Resources dedicated to the prevention of environmental risks; 3.) Application of the precautionary principle and the amount of provisions and guarantees for environmental risks.				
Pollution				
1.) Measures to prevent, reduce or remedy carbon emissions that severely affect the environment; 2.) Considering any kind of atmospheric pollution that is specific to an activity, including noise and light pollution.	Yes No	General	305-5 -	4.4.
Circular Economy and Waste Prevention and Management				
Circular economy. Waste: Measures for waste prevention, recycling, reuse, other forms of recovery and disposal. Activities to combat food waste.	Yes No	General	306-1 -	4.4.
Sustainable Use of Resources				
Water consumption and supply pursuant to local restrictions.			303-5	
Consumption of raw materials and the measures adopted to improve the efficiency of their use.	Yes	General	301-1	4.3.
Direct and indirect energy consumption, measures adopted for improving energy efficiency and use of renewable energies.			302-1	
Climate Change				
Significant elements of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces.			305-1 305-2	
Measures taken to adapt to consequences of climate change.	Yes	General	3 - Management approach	
Voluntarily established medium- and long-term GHG reduction goals and the measures implemented for that purpose.			3 - Management approach	4.2.
European Union Green Taxonomy.	Yes	General	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 and related Delegated Regulations	
Protection of Biodiversity				
Measures taken to preserve or restore biodiversity. Impacts of activities/operations in protected areas.	Yes	General	3 - Management approach 304-2	4.5.
SOCIAL AND EMPLOYEE-RELATED MATTERS				
Employment				
Total number of employees by gender, age, country and occupational group. Total employment contracts by type of contract.	Yes	General	3 - Management approach 2-7 2-7	6.2.

	Annual average of indefinite, temporary contracts and part-time contracts by gender, age and occupational group.			2-7	
	Number of dismissals by gender, age and occupational group.			401-1	
	Average remuneration and comparative figures broken down by gender, age and occupational group or equal value; wage gap, remuneration for equal jobs or average remuneration at the company.			405-2	
	Average remuneration of directors and executives, including variable remuneration, per diem allowances, reimbursements, contributions to long-term pension savings plans and all other remuneration by gender CEO pay ratio.			2-19 2-20 2-21	6.3.
	Implementation of work disconnection policies.			3 - Management approach	2.5.
	Employees with disabilities.			405-1	2.2.
Work Organization					
	Organization of working hours.			3 - Management approach	2.5.
	Total absenteeism hours.	Yes	General	403-9 403-10	2.9.
	Measures to promote work-life balance and to encourage shared use of these measures by both parents.			3 - Management approach	2.1 2.5.
Health and Safety					
	Occupational Health & Safety Conditions.	Yes	General	3 - Management approach	2.9.
	Occupational accidents (focusing on frequency and severity); occupational diseases, by gender.			403-9 403-10	
Labor Relations					
	Organization of social dialog, including procedures for informing, consulting and negotiating with staff.	Yes	General	3 - Management approach	2.4.
	Percentage of employees covered by collective bargaining agreement by country.			2-30	
	Balance of collective agreements, particularly in the field of occupational health and safety.			403-4	
	Worker participation, consultation, and communication on occupational health and safety.			3 - Management approach	
Education:					
	Training policies implemented.	Yes	General	404-1	2.1. 2.6.
	Total number of training hours by occupational group.				
	Universal accessibility for persons with disabilities.		General	3 - Management approach	2.7.
Equality					
	Measures taken to promote equal treatment and opportunities for women and men Equality plans (Chapter III of Organic Law 3/2007, of 22 March, on effective equality between women and men), measures taken to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility for persons with disabilities.	Yes	General	3 - Management approach	2.8.
	Anti-discrimination and, where applicable, diversity management policy.				6.1.

HUMAN RIGHTS				
Implementation of due diligence procedures with regard to human rights Prevention of the risk of human rights violations and, where appropriate, measures to mitigate, manage and remedy possible abuses committed. Complaints relating to human rights violations.	Yes	General	3 - Management approach 406-1	6.1.
Promotion and compliance with the fundamental conventions of the International Labor Organization relating to respect for freedom of association and the right to collective bargaining.	Yes	General	3 - Management approach	
Elimination of discrimination in employment and occupation.	Yes	General	3 - Management approach 406-1	2.1. 6.1.
Elimination of forced or compulsory labor Effective abolition of child labor.	Yes	General	3 - Management approach	6.1.
BRIBERY AND CORRUPTION				
Measures taken to prevent corruption and bribery Communication and training on anti-corruption policies and procedures.	Yes	General	2-23 2-26 205-1 205-3	6.2.
Anti-money laundering measures.	No	General	-	
Contributions to foundations and non-profit organizations.	Yes	General	413-1	5.1. 5.2.
SOCIETY				
Impact of the Company's activity on employment and local development.	Yes	General	3 - Management approach 413-1	2.1.
Impact of the Company's activity on local populations and on the territory. Relations and modalities of dialog with local community actors.	Yes	General	413-1 2-29	5.1.
Partnership or sponsorship actions.	Yes	General	2-28	5.2.
Outsourcing and Suppliers				
* Inclusion of social, gender equality and environmental issues in the purchasing policy. * Consideration of social and environmental responsibility in relations with suppliers and subcontractors.	Yes	General	2-6 308-1 414-1	3.1. 3.2.
Oversight and audit systems and their results.	Yes	General	3 - Management approach	3.1.
Consumers				
Consumer health and safety measures. Complaint systems, complaints received and resolution of complaints.	Yes	General	3 - Management approach 416-2	3.5.
Tax Information				
Country by country profits. Income taxes paid. Public subsidies received.	Yes	General	3 - Management approach 201-4	6.3.

• Annex 2

Full list of material issues for the Pharma Mar Group

	No.	Material Issues (Law 11/2018)
Innovation	1	Commitment to research and development on new products.
	2	Knowledge protection, patentability and management.
	3	Strategic alliances and partnerships (with licensees, partners, research centers and universities).
Environmental management	4	Environmental management approach and goals.
	5	Air pollution.
	6	Circular economy and waste prevention.
	7	Sustainable resource use - Water, energy and commodities.
	8	Climate change - Greenhouse gas emissions and risk management.
	9	Biodiversity protection.
Employment quality	10	People management and human resources policies.
	11	Organization of work.
	12	Health and safety.
	13	Collective agreements and labor relations.
	14	Training and professional development (talent retention).
	15	Talent attraction.
	16	Universal accessibility for persons with disabilities.
	17	Equality.
Supply Chain Value	18	Quality in managing outsourcing and suppliers.
	19	Quality in customer management.
	20	Patient safety and wellbeing.
	21	Product safety and quality.
Governance, business ethics and transparency	22	Business model (strategy and governance).
	23	Respect for human rights.
	24	Fight against bribery and corruption.
	25	Company's commitments to sustainable development of communities.
	26	Respect for laws, regulations and industry codes of ethics.
	27	Transparent tax information.
	28	Transparent relationship with investors and shareholders.
	29	Transparent relationship with public authorities and administrations.
	30	Transparency in clinical trials.

• Annex 3.

• Figures on Taxonomy-Eligible Turnover, CapEx and OpEx under Annex II of Commission Delegated Regulation 2021/2178 of 6 July.

Economic activities	Code	Total absolute turnover [thousands of euros]	Proportion of turnover [%]	Substantial Contribution Criteria: Climate change mitigation [%]	Climate change adaptation [%]	Water and marine resources [%]	Circular economy [%]	Pollution [%]	Biodiversity and ecosystems [%]	DNSH Criteria: Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of turnover (FY 2022) [%]	Taxonomy-aligned proportion of turnover (FY 2021) [%]	Enabling activity? (E)	Transitional activity? (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Total turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1).	-	-	-%	-	-	-	-	-	-	-	-	-	-	-	-	-	-%	N/A	-	-
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Total turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)	-	-	-%																	
Total A.1. + A.2.		-	-%														-%	N/A	-	-
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
Turnover of Taxonomy-non-eligible activities (B)		196,343	100.0%																	
Total A + B		196,343	100.0%																	

Table 1. Proportion of turnover from products or services associated with taxonomy-aligned economic activities – Pharma Mar Group disclosure covering FY 2022

Economic activities	Code	Absolute CapEx [thousands of euros]	Proportion of CapEx [%]	Substantial Contribution Criteria: Climate change mitigation [%]	Climate change adaptation [%]	Water and marine resources [%]	Circular economy [%]	Pollution [%]	Biodiversity and ecosystems [%]	DNSH Criteria: Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of CapEx (FY 2022) [%]	Taxonomy-aligned proportion of CapEx (FY 2021) [%]	Enabling activity? (E)	Transitional activity? (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Total CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1).		-	-%	-	-	-	-	-	-	-	-	-	-	-	-	-	-%	N/A	-	-
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
7.3. Installation, maintenance and repair of energy efficiency equipment	S95 2.2 C33 1.2	-	-%																	
7.5. Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings	F43. 2.1	10	0.1%																	
7.6. Installation, maintenance and repair of renewable energy technologies	M71	105	0.9%																	
Total CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		114	0.9%																	
Total A.1. + A.2.		114	0.9%														-%	N/A	-	-
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities (B)		12,089	99.1%																	
Total A + B (12)		12,203	100.0%																	

Table 2. Proportion of CapEx from products or services associated with taxonomy-aligned economic activities – Pharma Mar Group disclosure covering FY 2022

Economic activities	Code	Absolute OpEx [thousands of euros]	Proportion of OpEx [%]	Substantial Contribution Criteria: Climate change mitigation [%]	Climate change adaptation [%]	Water and marine resources [%]	Circular economy [%]	Pollution [%]	Biodiversity and ecosystems [%]	DNSH Criteria: Climate change mitigation (Y/N)	Climate change adaptation (Y/N)	Water and marine resources (Y/N)	Circular economy (Y/N)	Pollution (Y/N)	Biodiversity and ecosystems (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion of OpEx (FY 2022) [%]	Taxonomy-aligned proportion of OpEx (FY 2021) [%]	Enabling activity? (E)	Transitional activity? (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Total OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1).		-	-%	-	-	-	-	-	-	-	-	-	-	-	-	-	-%	N/A	-	-
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
7.3. Installation, maintenance and repair of energy efficiency equipment	S95 2.2 C33 1.2	29	0.0%																	
7.5. Installation, maintenance and repair of instruments and devices for measuring, regulating and controlling energy performance of buildings	F43. 2.1	-	-%																	
7.6. Installation, maintenance and repair of renewable energy technologies	M71	-	-%																	
Total OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		29	0.0%																	
Total A.1. + A.2.		29	0.0%														-%	N/A	-	-
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
OpEx of Taxonomy-non-eligible activities (B)		69,166	100.0%																	
Total A + B		69,196	100.0%																	

Table 3. Proportion of OpEx from products or services associated with taxonomy-aligned economic activities – Pharma Mar Group disclosure covering FY 2022

SEPARATE REPORT ON THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT (ART. 49.7 OF THE CODE OF COMMERCE) FOR THE FISCAL YEAR ENDED 31 DECEMBER 2022, WHICH IS PART OF THE MANAGEMENT REPORT OF THE PHARMA MAR GROUP FOR THAT FISCAL YEAR

In accordance with Articles 34, 44 and 49 of the Spanish Commercial Code and Articles 253 and 254 of the Spanish Capital Corporations Law, this separate report on the consolidated statement of non-financial information for the period running from 1 January 2022 to 31 December 2022 — said report as referred to in Article 49(7) of the Commercial Code and forming part of the Pharma Mar Group Management Report for the period from 1 January 2022 to 31 December 2022 — is hereby drawn up and authorized for issue.

Pursuant to the provisions of the Commercial Code and the Capital Corporations Law, the Board of Directors hereby executes this document consisting of 84 pages, on 27 February 2023.

Board of Directors:

Mr. José Mª Fernández Sousa-Faro Chairman	Mr. Pedro Fernández Puentes Vice Chairman
Mr. Carlos Pazos Campos Member	Mr. Eduardo Serra Rexach Member
Ms. Sandra Ortega Mera Member	Mr. Carlos Solchaga Catalán Member
Ms. Rosa María Sánchez-Yebra Alonso Member *Attended the Board meeting via a remote connection and approved this separate report on the consolidated non-financial information statement.*	Ms. Montserrat Andrade Detrell Member
Mr. Mariano Esteban Rodríguez Member	Mr. Emiliano Calvo Aller Member
Ms. Mª Blanca Hernández Rodríguez Member *Her signature is not shown, as she had cited unavoidable professional reasons for not being able to attend the Board meeting and had granted a proxy ahead of the meeting.*	Mr. Fernando Martín-Delgado Santos Member

The Secretary of the Board of Directors hereby puts on record that, following the issuance of the separate report on the consolidated non-financial information statement for the period from 1 January 2022 to 31 December 2022 by the members of the Board of Directors at the meeting held on 27 February 2023, said report as referred to in Article 49(7) of the Spanish Commercial Code and forming part of the Pharma Mar Group Management Report for the period from 1 January 2022 to 31 December 2022, the directors named above have signed this document, with the exception of (i) Ms. Rosa María Sánchez-Yebra Alonso, who attended the Board meeting via remote connection and approved the content of the separate report on the consolidated non-financial information statement; and (ii) Ms. Blanca Hernández Rodríguez, who did not sign because she had cited unavoidable professional reasons for not being able to attend and had granted a proxy ahead of the meeting to Ms. Montserrat Andrade Detrell, containing express instructions to vote in favor of the matters included on the Agenda for the meeting (including the authorization for issue of the separate and consolidated annual financial statements and of the separate and consolidated management reports for the year ended 31 December 2022). All of which I certify and attest in Madrid, on 27 February 2023.

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 consolidated financial statements for the year ended 31 December 2022, authorized by the Board of Directors at a meeting on 27 February 2023, 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 of the subsidiaries included in consolidation, taken as a whole, and that the consolidated directors' report includes a true and fair analysis of the development and results of the business and the position of PHARMA MAR, S.A., taken as a whole, and of the subsidiaries included in consolidation.

Madrid, 27 February 2023

The Board of Directors:

Name	Tax ID no.	Position	Signature
Mr José María Fernández Sousa-Faro		Chairman	
Mr Pedro Francisco Fernández Puentes		Vice-Chairman	
Mr Eduardo Serra Rexach		Director	
Ms Sandra Ortega Mera		Director	
Mr Carlos Solchaga Catalán		Director	
Ms Rosa María Sánchez-Yebra Alonso		Director	*Participated in the Board of Directors meeting by telematic link, and approved the content of the Financial statements and directors' report of Pharma Mar, S.A*.
Ms Montserrat Andrade Detrell		Director	
Mr Mariano Esteban Rodríguez		Director	
Mr Emiliano Calvo Aller		Director	
Ms Mª Blanca Hernández Rodríguez		Director	*Her signature is not recorded as she excused herself from attending the Board of Directors for unavoidable professional reasons, having delegated her representation.*
Mr Carlos Pazos Campos		Director	
Mr Fernando Martín-Delgado Santos		Director	

Certificate by the Secretary of the Board of Directors to the effect that, after authorization by the members of the Board of Directors at a meeting on February 27, 2023, of the Consolidated Financial Statements and Consolidated Directors' Report of PHARMA MAR, S.A. for the year ended December 31, 2022, the directors listed above signed this statement of director liability, with the exception of: (i) Ms. Rosa María Sánchez-Yebra Alonso, who participated in the Board of Directors' meeting by means of distance communication and approved the contents of the consolidated Financial Statements and Directors' Report of the Pharma Mar Group; and (ii) Ms. Blanca Hernández Rodríguez, who did not sign because she had given notice of being unable to attend due to unavoidable professional requirements and granted proxy for the matters on the Agenda of this meeting (which include the authorization of the Separate and Consolidated Financial Statements and the Separate and Consolidated Directors' Reports for the year ended December 31, 2022) to the director Ms. Montserrat Andrade Detrell, with express instructions to vote in favor. Which I certify in Madrid on February 27, 2023.

Secretary of the Board of Directors

Juan Gómez Pulido