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Pharma Mar, S.A. and its subsidiaries

Auditor´s report
Consolidated annual accounts at December 31, 2023
Consolidated management report

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

Independent auditor's report on the 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 2023, 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 2023, 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 2023 the Group recognizes on its balance sheet a net deferred tax asset amounting to 31,469 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 2023 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. In addition, we have verified the collection for all the invoices issued during the year. • We assessed the disclosures included in the notes to the annual accounts concerning revenue. As a result of our procedures, we obtained appropriate and sufficient audit evidence concerning the 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 2023 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 2023 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 2023 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 2023 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 27 February 2024.

Appointment period

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

Previously, we were appointed by resolution of the General Ordinary Shareholders' Meeting for an initial period and we have audited the accounts continuously since the year ended 31 December 1996.

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 39 to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

The original Spanish version was signed by Álvaro Moral Atienza

28 February 2024

PHARMAMAR GROUP
(Pharma Mar, S.A. and subsidiaries)

Consolidated Financial Statements and Consolidated Directors' Report as of 31 December 2023

CONSOLIDATED BALANCE SHEET AS OF 2023 YEAR-END

CONSOLIDATED BALANCE SHEET (thousand euro)	Note	31/12/23	31/12/22
ASSETS			
Non-current assets			
Property, plant and equipment	6	43,874	31,163
Investment property	7	845	845
Intangible assets	8	1,935	2,589
Right-of-use assets	9	3,733	3,552
Financial assets	10	6,062	49,398
Deferred tax assets	23	31,469	30,529
		87,918	**118,076**
Current assets			
Inventories	15	39,289	27,746
Trade receivables	13	27,554	29,328
Financial assets	10	102,538	32,607
Other assets	14	23,197	35,689
Cash and cash equivalents	16	60,024	149,813
		252,602	**275,183**
TOTAL ASSETS		**340,520**	**393,259**

CONSOLIDATED BALANCE SHEET (thousand euro)	Note	31/12/23	31/12/22
EQUITY			
Share capital	17	11,013	11,013
Share premium account	17	71,278	71,278
Own shares	17	(31,091)	(15,865)
Revaluation reserves and other reserves		15	19
Retained earnings and other reserves		142,223	156,512
Total capital and reserves attributable to equity-holders of the controlling company		**193,438**	**222,957**
TOTAL EQUITY		**193,438**	**222,957**
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	22	27,036	25,883
Lease liabilities	9	1,828	2,014
Deferred revenues	20	22,137	44,899
Other liabilities		193	186
		51,194	**72,982**
Current liabilities			
Supplier and other accounts payable	19	31,308	29,959
Interest-bearing debt	22	12,825	13,125
Lease liabilities	9	1,980	1,608
Provisions for other liabilities and expenses	24	8,989	8,603
Deferred revenues	20	24,946	24,666
Other liabilities	21	15,840	19,359
		95,888	**97,320**
TOTAL LIABILITIES		**147,082**	**170,302**
TOTAL EQUITY AND LIABILITIES		**340,520**	**393,259**

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS			
(thousand euro)	**Note**	**31/12/23**	**31/12/22**
Revenues from contracts with customers:			
Product sales	5 & 25	71,873	105,736
Licensing and development agreements	5 & 25	33,590	40,169
Royalties	5 & 25	52,178	50,254
Services provided		512	184
		158,153	**196,343**
Cost of goods sold	5	(9,613)	(13,639)
Gross profit / (loss)		**148,540**	**182,704**
Marketing expenses	28	(23,542)	(24,219)
Administrative expenses	27	(18,263)	(19,022)
R&D expenses	26	(99,302)	(83,449)
Net impairment of financial assets	3 & 13	271	(364)
Other operating expenses	27	(12,783)	(15,180)
Other results	29	1,252	3,601
Operating profit / (loss)		**(3,827)**	**44,071**
Financial expenses		(9,427)	(11,287)
Financial revenues		9,631	11,006
Net financial result	32	**204**	**(281)**
Result of the period before income taxes		**(3,623)**	**43,790**
Income tax		4,760	5,566
Profit or loss for the year		**1,137**	**49,356**
Attributable to:			
Equity-holders of the controlling company		1,137	49,356

Euro per share	**Note**	**31/12/23**	**31/12/22**
Basic profit/(loss) per share			
- Attributable to equity holders of the controlling company	33	0.06	2.73
Diluted profit/(loss) per share			
- Attributable to equity holders of the controlling company	33	0.06	2.73

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

A. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31/12/23	31/12/22
CONSOLIDATED RESULT FOR THE PERIOD	**1,137**	**49,356**
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	35	(12)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF TAXES	**31**	**(12)**
COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**1,168**	**49,344**
ATTRIBUTABLE TO:		
Equity-holders of the controlling company	1,168	49,344
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**1,168**	**49,344**

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 2023

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 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 / (loss) 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 (Note 17)	-	-	-	-	(12)	(12)
Other movements	-	-	-	-	14	14
Balance as of 31 December 2022	**11,013**	**71,278**	**(15,865)**	**19**	**156,512**	**222,957**
Balance as of 1 January 2023	**11,013**	**71,278**	**(15,865)**	**19**	**156,512**	**222,957**
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	-	-	-	-	35	35
Other comprehensive income / (loss)	**-**	**-**	**-**	**(4)**	**35**	**31**
2023 income	-	-	-	-	1,137	1,137
Comprehensive income/ (loss) for the year	**-**	**-**	**-**	**(4)**	**1,172**	**1,168**
Shares purchased (Note 17)	-	-	(34,101)	-	-	(34,101)
Shares sold (Note 17)	-	-	18,875	-	(3,797)	15,078
Value of employee services — Employee share ownership plan (Note 35)	-	-	-	-	28	28
Dividend payments (Note 18)	-	-	-	-	(11,689)	(11,689)
Capital reduction	-	-	-	-	(3)	(3)
Other movements	-	-	-	-	-	-
Balance as of 31 December 2023	**11,013**	**71,278**	**(31,091)**	**15**	**142,223**	**193,438**

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED CASH FLOW STATEMENT (thousand euro)	Note	31/12/23	31/12/22
Result before taxes:		**(3,623)**	**43,790**
Adjustments for:		**6,823**	**21,532**
Depreciation and amortization	6.8 & 9	5,756	5,900
Change in provisions		(99)	15,083
Fixed asset impairment	6 & 8	(1,747)	1,483
Financial revenues	32	(4,103)	(875)
Financial expenses	32	2,416	2,376
Result from sale of fixed assets		1,933	(11)
Share-based payments		297	393
Deferred revenues - subsidies		718	313
Exchange differences		1,684	(3,108)
Other adjustments to profit and loss		(32)	(22)
Changes in working capital		**(34,923)**	**(28,220)**
Inventories	15	(11,542)	(17,210)
Customer and other receivables	13	1,783	21,612
Other assets and liabilities		(3,790)	(5,362)
Supplier and other accounts payable	19	1,825	1,786
Deferred and accrued items	20	(23,199)	(29,046)
Other operating cash flows:		**18,277**	**1,219**
Interest paid	32	(2,416)	(2,376)
Interest received	32	4,103	875
Income tax received/(paid)	14	16,590	2,720
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES		**(13,446)**	**38,321**
Acquisitions:		**(330,284)**	**(228,051)**
Property, plant and equipment, intangible assets and investment property	6 & 7	(15,956)	(8,852)
Other financial assets		(314,328)	(219,199)
Proceeds from:		**287,236**	**238,929**
Property, plant and equipment, intangible assets and investment property	6 & 7	-	11
Other financial assets		287,236	238,918
NET CASH INFLOW / (OUTFLOW) FROM INVESTING ACTIVITIES		**(43,048)**	**10,878**
Receipts and (payments) in connection with equity instruments:		**(19,295)**	**7,049**
Acquisition	17	(37,901)	(50,178)
Disposal	17	18,606	57,227
Receipts and (payments) in connection with financial liabilities:		**(1,153)**	**(8,658)**
Loans received	22	6,391	1,543
Loans repaid	22	(7,544)	(10,201)
Payment of dividends and remuneration on other equity instruments		**(11,689)**	**(11,761)**
NET CASH INFLOW / (OUTFLOW) FROM FINANCING ACTIVITIES		**(32,137)**	**(13,370)**
EFFECT OF EXCHANGE RATE FLUCTUATIONS		**(1,158)**	**636**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(89,789)**	**36,465**
Cash and cash equivalents at beginning of the year	16	149,813	113,348
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**60,024**	**149,813**

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 2023 (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, "PharmaMar" 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).

PharmaMar'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 PharmaMar 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. Although Genómica maintained production and sales during the first quarter of the year in order to meet pre-existing commitments to customers, it had ceased trading as of 31 December 2023.

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

Yondelis (trabectedin)

On 20 September 2007, PharmaMar received authorization from the European Commission to commercialize Yondelis for the treatment of soft tissue sarcoma. This approval marked the commencement of the sale of PharmaMar’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 PharmaMar 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 was authorized for sale for treating certain types of soft tissue sarcoma by the Japanese regulatory authorities, via PharmaMar partner Taiho Pharmaceutical Co, and by the US Food and Drug Administration (FDA), via PharmaMar partner Janssen Biotech Inc.

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. PharmaMar 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 approval to market Aplidin in Europe for treating multiple myeloma. The Company brought an action against the European Commission before the General Court of the European Union requesting annulment of the decision. In October 2020, the Court upheld Pharma Mar's claim and annulled the Commission's decision. The European Commission urged the European Medicines Agency to reexamine the procedure. The aforementioned decision was not appealed by the European Commission but two Member States, Germany and Estonia, filed appeals before the Court of Justice of the European Union (CJEU), which halted the process of approval by the EMA.

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

Zepzelca (lurbinectedin)

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

As a result of that approval, Jazz Pharmaceuticals Ireland Limited (hereinafter "Jazz Pharmaceuticals"), with which PharmaMar had signed an exclusive licensing agreement in December 2019 for marketing anti-tumor compound Zepzelca in the US to treat relapsed small cell lung cancer, began marketing in that territory. By virtue of that agreement, PharmaMar collected USD 300 million (€269.5 million). PharmaMar also currently collects royalties for net sales of Zepzelca and may collect additional payments if the FDA grants full approval for Zepzelca by specific deadlines or for fulfilling commercial milestones.

At the date of this report, Zepzelca is approved for marketing in sixteen other countries outside the European Union, 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 2023, PharmaMar continued to develop its other products.

Geopolitical situation

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

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

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

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

Climate change: analysis of financial risk and impact

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

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

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

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

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

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

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

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

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

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

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

PharmaMar's environmental objectives are to reduce greenhouse gas emissions, improve the energy efficiency of its facilities and production processes, promote the use of clean energy, use resources rationally, encourage recycling, and promote actions to protect marine biodiversity, since the marine environment is the basis of our business. In 2023, 367 solar panels were installed which, added to the 48 panels installed in 2022, will enable Pharma Mar to generate 8% of its energy needs. In addition, since the second half of 2023, PharmaMar has acquired electricity only from 100% renewable sources.

As part of its sustainability strategy and directly related to climate change, PharmaMar calculated the carbon footprint of its operations, including scope 1, 2 and 3 greenhouse gas sources. . This is the first step towards setting ambitious, science-based emissions reduction targets and becoming a net-zero company.

PharmaMar 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.

PharmaMar 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 consolidated Group's subsidiaries as of 31 December 2023 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%
PharmaMar 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 (Italy)	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. (in liquidation) (*)	Medicon Village Scheelevage, 2-Lund, Sweden	-	100.00%	100.00%
Genómica (Wuhan) Trading Co.Ltd (in liquidation) (*)	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 Genómica, S.A.U. en liquidación.

Below is a list of the Group's subsidiaries and the firms that audited their 2023 financial statements:

Name and domicile	Statutory auditor
Pharma Mar USA Inc	Walter & Shuffain, PC
PharmaMar AG	PwC
PharmaMar Sarl	KPMG
Pharma Mar GmbH	No
Pharma Mar Srl	PwC
Pharma Mar, Srl (Belgium)	PwC
Pharma Mar Ges.m.b.H	No
Genomica, S.A.U. en liquidación (*)	KPMG
Genómica, A.B. (in liquidation) (*)	No
Genómica (Wuhan) Trading Co.Ltd (in liquidation) (*)	No
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 2023 and 2022, 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 Ges.m.b.H AT (Austria): Marketing pharmaceutical products in the Austrian market.
- Genómica, S.A.U. en liquidación (Genómica): Ceased trading in April 2023.
- Genómica, A.B.: In liquidation.
- Genómica Trading Co., Ltd.(China): 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 2023, and those for 2022 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 2023 are consistent with those used to prepare the consolidated financial statements for the year ended 31 December 2022. The material estimates made in the 2023 financial statements are also consistent with those made in the 2022 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 2023 [IAS 8.28]

- **IAS 1 (Amendment) "Disclosures of Accounting Policies":** IAS 1 has been amended to improve disclosures about accounting policies so as to provide more useful information to investors and other primary users of financial statements. These amendments are effective as from 1 January 2023.
- **IAS 8 (Amendment) "Definition of accounting estimates"** IAS 8 has been amended to help distinguish between changes in accounting estimates and changes in accounting policies. These amendments are effective as from 1 January 2023.
- **IAS 12 (Amendment) "Deferred tax related to assets and liabilities arising from a single transaction":** In certain circumstances under IAS 12, companies are exempt from recognizing

deferred taxes when they first recognize assets or liabilities ("initial recognition exemption"). Previously, there was some uncertainty as to whether the exemption applied to transactions, such as leases and decommissioning obligations, for which both an asset and a liability are recognized upon initial recognition. The amendment clarifies that the exemption does not apply and, therefore, there is an obligation to recognize deferred taxes on such transactions.

The amendment is effective for annual periods beginning on or after 1 January 2023, although earlier application is permitted.

The application of this standard has not had any impact on deferred items related to IFRS 16 since it was considered to be recognized at the time of adoption.

- **IAS 12 (Amendment) "International tax reform: Pillar Two Model Rules":** In October 2021, more than 130 countries, representing more than 90% of global GDP, agreed to implement a minimum tax for multinational companies, referred to as "Pillar Two". In December 2021, the Organisation for Economic Co-operation and Development ("OECD") published the Pillar Two model rules for reforming international corporate taxation. Affected large multinational companies must calculate their effective GloBE (acronym for "Global Anti-Base Erosion") tax rate for each jurisdiction in which they operate. Those companies are required to pay an additional tax for the difference between their effective GloBE tax rate in each jurisdiction and the minimum rate of 15%.

  In May 2023, the IASB issued limited scope amendments to IAS 12. A temporary exemption is provided from the requirement to recognize and itemize deferred taxes arising from an enacted or substantially enacted tax law that implements the Pillar Two model standards issued by the OECD.

  The amendments also introduce the following specific disclosure requirements for affected companies:

  - Whether they applied the temporary exception to the recognition and disclosure of deferred tax assets and liabilities related to income tax arising from Pillar Two;
  - Their current tax expense (if any) related to income tax arising from Pillar Two; and
  - During the period between the enactment or substantive enactment of the legislation and the effective date of the legislation, entities are required to disclose known or reasonably estimable information that would assist users of the financial statements in understanding the entity's exposure to Pillar Two income taxes.

  The amendment to IAS 12 must be applied immediately and retrospectively in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", including the requirement to disclose the fact that the above-mentioned temporary exception has been applied, if relevant. Disclosures related to current tax expense and known or reasonably estimable Pillar Two income tax exposure are mandatory for annual periods beginning on or after 1 January 2023. However, no disclosure of this information is required in interim financial statements for any interim period ending on or before 31 December 2023.

  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 have not yet entered into force but which may be adopted early [IAS 8.29]

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 16 (Amendment) "Lease liability on a sale and leaseback":** IFRS 16 includes requirements on how to account for a sale and leaseback on the transaction date. However, it did not specify how to recognize the transaction after that date. This amendment explains how a company should account for for a sale and leaseback after the date of the transaction.

  This amendment is effective as of 1 January 2024, but early adoption is permitted.

- **IAS 1 (Amendment) "Classification of liabilities as current or non-current" and IAS 1 (Amendment) "Non-current liabilities with covenants":** The amendments, which were adopted simultaneously by the European Union, clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. The classification is not affected

by the entity's expectations or by events after the reporting date (e.g., receipt of a waiver, or breach of the agreement). The amendment also clarifies what IAS 1 means when it refers to the "settlement" of a liability.

The amendment is also intended to improve the information provided when the right to defer payment of a liability is subject to the fulfillment of conditions ("covenants") within twelve months after the reporting period.

This amendment is effective for annual periods beginning on or after 1 January 2024, and is applied retrospectively in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". Early adoption is permitted.

The Group has not adopted the above standards early. However, had it done so, their adoption would not have had a material impact on the financial statements.

Standards, interpretations and amendments of existing standards that cannot be adopted early or have not been adopted 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 that are pending adoption by the European Union:

IAS 7 (Amendment) and IFRS 7 (Amendment) "Supplier financing agreements": The IASB has amended IAS 7 and IFRS 7 to improve disclosures on supplier financing arrangements and their effects on a company's liabilities, cash flows and liquidity risk. The amendment responds to investor concerns that some companies' supplier financing arrangements are not sufficiently transparent.

The amendment is effective for annual periods beginning on or after 1 January 2024. Early adoption of the amendment is permitted, although it is pending approval by the European Union.

IAS 21 (Amendment) "Lack of exchangeability": The IASB has amended IAS 21 to add requirements to assist entities in determining whether a currency is exchangeable for another currency, and the spot rate to use when it is not. When a currency cannot be exchanged for another currency, it is necessary to estimate the spot exchange rate on a valuation date in order to determine the rate at which an orderly exchange transaction would take place on that date between market participants under prevailing economic conditions.

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 PharmaMar'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 Pharma Mar AG, the Swiss subsidiary, Genómica, AB (in liquidation), the Swedish subsidiary, and Genómica (Wuhan) Trading Co. Ltd. (in liquidation), the Chinese subsidiary, their functional currencies in 2023 and 2022 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 (PharmaMar) and Getafe, Madrid (Sylentis). 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
Buildings	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, and
- 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

Moreover, since each lease has a different term, the variable references (EURIBOR and LIBOR) 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.

2.12.1.1 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.

2.12.1.2 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.

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.

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.

2.12.2 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).

2.12.3 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 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 factors when analyzing licensing, development and marketing contracts:

- Identification of the performance obligations.

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

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

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 PharmaMar, 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 contract prices 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.

They relate mainly to licensing and development agreements in US dollars amounting to €86,616 thousand in 2023 and €93,508 thousand in 2022. Group management did not consider it necessary to establish a hedging policy in 2023 and 2022.

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 2023, the euro had appreciated by 5% with respect to the US dollar while all other variables remained constant, income after taxes for the year would have been lower by €2,885 thousand (€2,987 thousand in 2022), mainly as a result of translation into euro of customer and other accounts receivable and debt denominated in US dollars. If, as of 31 December 2023, the euro had depreciated by 5% with respect to the US dollar while all other variables remained constant, income after taxes for the year would have been higher by €3,029 thousand (€3,136 thousand in 2022).

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 2023, interest rate risk was basically due to the Group's bank debt, of which approximately 30.9% (29.9% as of 31 December 2022) was at floating rates indexed to Euribor. As of 31 December 2023, bank debt amounted to €9,985 thousand (€9,160 thousand as of 31 December 2022).

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 2023, 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 €849 thousand (€795 thousand in 2022).

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 2023 and 2022 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 2023, the Group had government bonds and bank products and balances at eight credit institutions amounting to €154,532 thousand (€218,000 thousand at eight institutions in 2022).

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

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 (€162,562 thousand in 2023, €182,420 thousand in 2022) less short-term borrowings (€12,825 thousand in 2023, €13,125 thousand in 2022), was positive in the amount of €149,737 thousand at the end of 2023 (positive in the amount of €169,295 thousand in 2022).

Long-term interest-bearing debt amounted to €27,036 thousand (€25,883 thousand in 2022), of which €10,267 thousand (€8,943 thousand in 2022) 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.

In 2023, the Group consumed €13,446 thousand in cash in operating activities, while in 2022 it generated positive cash flows in the amount of €38,321 thousand.

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

- The Group ended 2023 with cash and cash equivalents plus current financial assets amounting to €162,562 thousand.
- The Group had non-current financial assets amounting to €6,062 thousand as of 31 December 2023.
- The Group had unused credit lines in the amount of €8,042 thousand as of 31 December 2023.
- Working capital is positive in the amount of €156,714 thousand.

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 2024 will be higher than in 2023 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 31/12/23 (thousand euro)	**2024**	**2025-2026**	**2027-2029**	**2030 and thereafter**	**Total**
Bank debt and other interest-bearing debt	10,390	1,750	17,880	-	**30,020**
Debt to official authorities	2,435	4,273	5,154	2,647	**14,509**
Finance lease liabilities	1,980	1,675	253	-	**3,908**
Suppliers	29,175	-	-	-	**29,175**
Other accounts payable	2,134	-	-	-	**2,134**
Total liabilities	**46,114**	**7,698**	**23,287**	**2,647**	**79,746**

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**

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)	31/12/23	31/12/22
Long-term interest-bearing debt	(27,036)	(25,883)
Short-term interest-bearing debt	(12,825)	(13,125)
Cash and cash equivalents	60,024	149,813
Non-current and current financial assets	108,600	82,005
Equity	(193,438)	(222,957)
Total capital	**(64,675)**	**(30,147)**
Leverage	**0.00%**	**0.00%**

During the year, Group cash and financial assets (current and non-current) led to a cash position of €168,624 thousand, which exceeded the amount of debt plus equity, with the result that there was zero leverage in 2023, as was also the case in 2022.

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 and liabilities at fair value as of 31 December 2023:

Fair value estimates 2023 (thousand euro)	Level 1	Level 3	Total
Financial assets at fair value through profit or loss			
Term financial assets (Note 10)	5,968	-	**5,968**
Financial assets at fair value through other comprehensive income			
- Equity securities, net (Note 12)	28	302	**330**

Total assets	**5,996**	**302**	**6,298**

The table below presents the Group's assets and liabilities 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 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:

- The tax budget is based on the budget presented to the Board of Directors.

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

    a) 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) Average 32.5% growth in sales in the Oncology segment. 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.

    b) Average 8.35% 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 affecting the estimate are the estimated price of the medicine and the prevalence of the various potential indications in the population:

- A 5% reduction in the estimated price for the main research compound (Lurbinectedin) would result in the derecognition of €2,149 thousand.

- A 1-year delay in sales of the main compound under development, Lurbinectedin, would result in derecognition of €13,770 thousand.

- A 10% loss of market share for the main compound under development, Lurbinectedin, would result in derecognition of €3,568 thousand.

- A 10% reduction in US market share for our compound, Lurbinectedin, would result in derecognition of assets in the amount of €2,633 thousand.

Note 23.1 details the assets recognized by the Group as of 31 December 2023 and 2022 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 PharmaMar 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 2023 and 2022.

Consequently, the following two segments were identified in 2023:

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, Pharma Mar AG, Pharma Mar SARL, Pharma Mar GmbH, Pharma Mar, S.r.L., Pharma Mar, Sprl, and Pharma Mar Ges.m.b.H.

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

As of 31 December 2022, the Group had another business segment: Diagnostics. That business was conducted through a wholly-owned subsidiary, Genómica, S.A.U. en liquidación. On 27 September 2022, the Board of Directors of PharmaMar decided to discontinue the diagnostics business and to initiate the proceedings to dissolve and liquidate that company.This segment encompassed Genómica, S.A.U. en liquidación and its wholly-owned subsidiaries: Genómica AB (in liquidation) and Genómica Trading Co. Ltd (in liquidation). This segment continued to operate during the first quarter of 2023 to fulfil pre-existing commitments to customers. The Diagnostics segment was dormant as of 31 December 2023. The figures corresponding to this segment's operations in the first three months of the year, in which it continued to trade, are recognized in the "Unallocated" column and consist of €1,191 thousand in sales revenue, €57 thousand in Other operating revenues / Other net gains, €-696 thousand in Cost of goods sold, €-1,491 thousand in Other expenses and €-156 thousand in Net financial result.

Result statement information by segment for the year ended 31 December 2023 is as follows:

2023 Result by segment (thousand euro)	Oncology	RNAi	Unallocated (*)	Group
Revenues	156,841	121	1,191	**158,153**
Cost of goods sold	(8,916)	-	(697)	**(9,613)**
Other operating revenues / Other net gains	1,161	305	57	**1,523**
R&D expenses	(83,633)	(15,669)	-	**(99,302)**
Other expenses	(39,123)	(1,211)	(14,254)	**(54,588)**
Net operating result	**26,330**	**(16,454)**	**(13,703)**	**(3,827)**
Net financial result	**460**	**(100)**	**(156)**	**204**
Result before taxes	**26,790**	**(16,554)**	**(13,859)**	**(3,623)**
Corporate income tax (expense)/revenue	4,528	232	-	**4,760**
Profit or loss for the year	**31,318**	**(16,322)**	**(13,859)**	**1,137**
Equity-holders of the controlling company	**31,318**	**(16,322)**		
Result for the year (1)	31,318	(16,322)		
Corporate income tax (expense)/revenue (2)	(4,528)	(232)		
Financial costs-net (3)	(460)	100		
Depreciation and amortization (4)	5,140	582		
Impairment and income from fixed assets (5)	(120)	-		
Impairment and changes in trade provisions (6)	(31)	-		
EBITDA (1)+(2)+(3)+(4)+(5)+(6)	**31,319**	**(15,872)**		

(*) The amounts relating to the Diagnostics business in 2023 are recognized in the "Unallocated" column. This segment reported €1,191 thousand in revenue and €-1,075 thousand in net income.

Assets and liabilities by segment as of 31 December 2023 are presented as supplementary information:

2023 Segment assets and liabilities (thousand euro)	Oncology	RNAi	Unallocated (*)	Group
Non-current assets	69,908	18,010	-	**87,918**
Current assets	245,818	3,430	3,354	**252,602**
Non-current liabilities	49,841	1,353	-	**51,194**
Current liabilities	86,820	6,014	3,054	**95,888**
Investment in fixed assets	3,922	12,308	-	**16,230**

(*) Current assets and liabilities in the "Unallocated" column relate to the assets of Genómica, S.A.U. en liquidación, (mainly cash and bank borrowings, respectively).

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

2022 Result by segment (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)**		
Result for the year (1)	78,062	(4,369)	(12,212)		
Corporate income tax (expense)/revenue (2)	(2,566)	(1,651)	(1,349)		
Financial costs-net (3)	(191)	229	243		
Depreciation and amortization (4)	4,664	804	432		
Impairment and income from fixed assets (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:

2022 Segment assets and liabilities (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**

In 2023 and 2022, 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)	31/12/23	31/12/22
Spain	46,589	34,470
Rest of EU	65	127
	46,654	**34,597**

Most of the Group's sales are made in Spain and other European Union countries. The euro area accounted for 83.5% of total ordinary revenues in 2023 (86.5% in 2022).

Almost all the investment in property, plant and equipment, intangible assets and investment property in 2023 and 2022 was concentrated in Spain.

The following tables show the breakdown of the Group's revenues from contracts with customers in 2023 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.

2023 Disaggregated segments revenue (thousand euro)	**Oncology**	**Unallocated (*)**	**RNAi**	**Total**
Product sales	117,507	1,192	-	118,699
Returns, discounts	(46,826)	-	-	(46,826)
Licensing and development agreements	33,590	-	-	33,590
Royalties	52,178	-	-	52,178
Other revenues	391	-	121	512
Total revenues from contracts with customers	**156,840**	**1,192**	**121**	**158,153**
Revenue by geographical markets				
Spain	5,891	918	121	6,930
Italy	4,187	-	-	4,187
Germany	4,637	-	-	4,637
Ireland	75,356	-	-	75,356
France	30,003	-	-	30,003
Rest of EU	10,745	154	-	10,899
USA	12,510		-	12,510
Other	13,511	120	-	13,631
Total revenues from contracts with customers	**156,840**	**1,192**	**121**	**158,153**
Timing of revenue recognition				
At a point in time	132,942	1,192	121	134,255
Over a period of time	23,898	-	-	23,898
Total revenues from contracts with customers	**156,840**	**1,192**	**121**	**158,153**

(*) The amounts relating to the Diagnostics business in 2023 are recognized in the "Unallocated" column.

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

2023 Disaggregated geographical revenue (thousand euro)	**Spain**	**Italy**	**Germany**	**Ireland**	**France**	**Rest of EU**	**USA**	**Other**	**Total**
Product sales	15,244	13,158	12,435	3,938	41,438	18,113	-	14,373	118,699
Returns, discounts	(8,826)	(8,971)	(7,798)	-	(11,435)	(7,214)	-	(2,582)	(46,826)
Licensing and development agreements	-	-	-	23,050	-	-	9,442	1,098	33,590
Royalties	-	-	-	48,368	-	-	3,068	742	52,178
Other revenues	512	-	-	-	-	-	-	-	512
Total revenues from contracts with customers	**6,930**	**4,187**	**4,637**	**75,356**	**30,003**	**10,899**	**12,510**	**13,631**	**158,153**

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.

2022 Disaggregated segments revenue (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**
Revenue by geographical markets				
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**
Timing of revenue recognition				
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**

2022 Disaggregated geographical revenue (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		138,508
Returns, discounts	(3,340)	(8,468)	(2,847)	-	(6,205)	(7,371)	-		(32,772)
Licensing and development agreements	-	-	-	29,547	-	-	10,087		40,169
Royalties	-	-	-	46,881	-	-	2,688		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**

6. PROPERTY, PLANT AND EQUIPMENT

The breakdown of, and changes in, this caption in 2023 and 2022 are as follows:

Property, plant and equipment (thousand euro)	31/12/22	Additions	Disposals	Reclassifications and transfers	31/12/23
Land and buildings	29,043	-	-	-	29,043
Technical installations and machinery	27,873	2,589	(7,737)	1,236	23,961
Other installations, tools and furniture	20,819	60	(1,824)	267	19,322
Advances & construction in progress	1,488	13,154	(22)	(1,557)	13,063
Other property, plant & equipment	2,638	63	(15)	2	2,688
Provisions	(2,704)	-	1,577	-	(1,127)
Cost	**79,157**	**15,866**	**(8,021)**	**(52)**	**86,950**
Buildings	(10,002)	(675)	-	-	(10,677)
Technical installations and machinery	(17,981)	(1,245)	6,069	-	(13,157)
Other installations, tools and furniture	(18,040)	(545)	1,519	-	(17,066)
Other property, plant & equipment	(1,971)	(216)	11	-	(2,176)
Accumulated depreciation and amortization	**(47,994)**	**(2,681)**	**7,599**	**-**	**(43,076)**
PROPERTY, PLANT AND EQUIPMENT	**31,163**	**13,185**	**(422)**	**(52)**	**43,874**

Property, plant and equipment (thousand euro)	31/12/21	Additions	Disposals	Reclassifications and transfers	Exchange rate effect	31/12/22
Land and buildings	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**
Buildings	(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 and amortization	**(45,701)**	**(2,806)**	**504**	**-**	**9**	**(47,994)**
PROPERTY, PLANT AND EQUIPMENT	**26,961**	**4,160**	**43**	**-**	**(1)**	**31,163**

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

Advances & construction in progress recognized relate entirely to investments in the new oligonucleotide production plant in Getafe by the RNAi segment.

The additions (€422 thousand net) relate almost entirely to the disposal of the assets assigned to the Diagnostics segment, which the Group decided to discontinue in September 2022.

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

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

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

Depreciation of Property, plant and equipment (thousand euro)	**31/12/23**	**31/12/22**
Cost of goods sold	34	151
Marketing expenses	47	291
Administrative expenses	1,308	1,287
Research & development expenses	1,292	1,077
Depreciation and amortization	**2,681**	**2,806**

As of 31 December 2023 and 2022, the Company did not have any property, plant and equipment under finance lease.

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

7. INVESTMENT PROPERTY

As of 31 December 2023, 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)	**31/12/23**	**31/12/22**
Up to 1 year	70	69
1-5 years	70	138
	140	**207**

8. INTANGIBLE ASSETS

The breakdown of, and changes in, this caption in 2023 and 2022 are as follows:

Intangible assets (thousand euro)	31/12/22	Additions	Disposals	Reclassifications and transfers	31/12/23
Development expenses	26,373	-	-	-	26,373
Concessions, patents & trade marks	1,047	-	(621)	-	426
Computer software	4,843	364	(539)	53	4,721
Impairment	(170)	170	-	-	-
Cost	**32,093**	**534**	**(1,160)**	**53**	**31,520**
Development expenses	(24,970)	(702)	-	-	(25,672)
Concessions, patents & trade marks	(833)	-	621	-	(212)
Computer software	(3,701)	(330)	330	-	(3,701)
Accumulated depreciation and amortization	**(29,504)**	**(1,032)**	**951**	**-**	**(29,585)**
INTANGIBLE ASSETS	**2,589**	**(498)**	**(209)**	**53**	**1,935**

Intangible assets (thousand euro)	31/12/21	Additions	Disposals	31/12/22
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 depreciation and amortization	**(29,332)**	**(1,006)**	**834**	**(29,504)**
INTANGIBLE ASSETS	**3,233**	**(644)**	**-**	**2,589**

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 2023 and 2022, 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)	31/12/23	31/12/22
Administrative expenses	23	17
Research & development expenses	1,009	989
Depreciation and amortization	**1,032**	**1,006**

9. RIGHT-OF-USE ASSETS

The breakdown of, and changes in, this caption in 2023 and 2022 are as follows:

Right-of-use assets, by asset type (thousand euro)	31/12/22	Additions	Disposals	Exchange rate effect	31/12/23
Offices, Premises, Warehouses	2,722	1,039	(804)	(4)	2,953
Vehicles	2,941	1,397	(1,282)	-	3,056
Laboratory equipment	153	429	(153)	-	429
Computer hardware	12	10	(12)	-	10
Total cost	**5,828**	**2,875**	**(2,251)**	**(4)**	**6,448**
Offices, Premises, Warehouses	(732)	(991)	452	4	(1,267)
Vehicles	(1,509)	(874)	1,097	-	(1,286)
Laboratory equipment	(23)	(176)	39	-	(160)
Computer hardware	(12)	(2)	12	-	(2)
Accumulated depreciation and amortization	**(2,276)**	**(2,043)**	**1,600**	**4**	**(2,715)**
Total net cost	**3,552**	**832**	**(651)**	**-**	**3,733**

Right-of-use assets, by asset type (thousand euro)	31/12/21	Additions	Disposals	Exchange rate effect	31/12/22
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 depreciation and amortization	**(5,621)**	**(2,088)**	**5,434**	**(1)**	**(2,276)**
Total net cost	**3,644**	**1,245**	**(1,343)**	**6**	**3,552**

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 2023 onwards is €1,696 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 31/12/23 (thousand euro)	**Financial assets at amortized cost**	**Assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Total**
Assets on balance sheet	**189,880**	**5,968**	**330**	**196,178**
Non-current financial assets				
Non-current financial assets at amortized cost	5,470	-	-	5,470
Financial assets at fair value through other comprehensive income (Note 12)	-	-	330	330
Accounts receivable	262	-	-	262
Current financial assets				
Trade receivables (Note 13)	27,203	-	-	27,203
Accounts receivable (Note 13)	351	-	-	351
Current financial assets at amortized cost	96,570	5,968	-	102,538
Cash and cash equivalents (Note 16)	60,024	-	-	60,024
Liabilities on balance sheet	**74,977**	**-**	**-**	**74,977**
Non-current borrowings (Note 22)	27,036	-	-	27,036
Non-current lease liabilities (Note 9)	1,828	-	-	1,828
Current borrowings (Note 22)	12,825	-	-	12,825
Current lease liabilities (Note 9)	1,980	-	-	1,980
Supplier and other accounts payable (Note 19)	31,308	-	-	31,308

Financial instruments by category 31/12/22 (thousand euro)	**Financial assets at amortized cost**	**Assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Total**
Assets on balance sheet	**257,205**	**3,606**	**335**	**261,146**
Non-current financial assets				
Non-current financial assets at amortized cost	45,202	3,606	-	48,808
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
Supplier advances (Note 13)	4	-	-	4
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

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)	**31/12/23**	**31/12/22**
Accounts receivable:		
Customers without an external credit rating		
Group 1	827	706
Group 2	26,664	28,621
Group 3	63	1
Total accounts receivable	**27,554**	**29,328**

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)	**31/12/23**	**31/12/22**
Moody's rating		
A+	2,152	10
A1	1,437	3,110
A2	42,964	72,040
A3	29,813	41,292
Aa3	6	601
Ba1	-	1,605
Baa1	14,045	329
Baa2	2,653	20,252
Baa3	23,127	38,413
Unrated	52,427	54,166
	168,624	**231,818**

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 €330 thousand (€335 thousand in 2022).

Marking these securities to market in 2023 on the basis of their official listed prices led to a negative change of €4.2 thousand (a positive change of €0.4 thousand in 2022) that was recognized in other comprehensive income.

12.2 Other financial assets at amortized cost

In 2023, other non-current financial assets at amortized cost totaling €5,470 thousand include dynamically managed portfolios held at a number of institutions containing mainly government and corporate fixed-income securities that repay the nominal amount at maturity and mostly pay coupons. Accounts receivable include €262 thousand in deposits provided.

In 2022, other non-current financial assets at amortized cost totaling €48,808 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.

The balance of other current financial assets, amounting to €102,538 thousand, includes term deposits of €65,645 thousand maturing between 9 January and 13 May 2024 yielding between 0.89% and 3.75%; deposits in USD amounting to €13,810 thousand (USD 15,260 thousand) maturing between 15 and 22 February 2024 and yielding between 4.54% and 5.21%; and portfolio investments with a number of institutions amounting to €22,714 thousand, which include government and corporate fixed-income securities.

Other current financial assets in 2022 amounting to €32,607 thousand mainly include term deposits at a number of financial institutions amounting to €18,278 thousand maturing on 10 June 2023 and a deposit in dollars amounting to €14,063 thousand tied to Libor and maturing between May and November 2023, with yields ranging from 0.89% to 4.04%, depending on when the investment was made and the maturity.

13. TRADE AND OTHER RECEIVABLES

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

Trade and other receivables (thousand euro)	**31/12/23**	**31/12/22**
Customer receivables for sales and services	27,525	29,322
Impairment	(322)	(350)
Net	**27,203**	**28,972**
Other receivables	351	352
Supplier advances	-	4
Total	**27,554**	**29,328**

There were no customer receivables discounted with credit institutions as of 31 December 2023.

As of 31 December 2023, accounts receivable amounting to €2,353 thousand were past due (€1,948 thousand in 2022) but had not been impaired. The analysis of those accounts receivable by age is as follows (thousand euro):

Accounts receivable past due and not provisioned (thousand euro)	**31/12/23**	**31/12/22**
3-6 months	1,772	1,244
Over 6 months	581	704
Total	**2,353**	**1,948**

The past-due accounts that had not been impaired as of 31 December 2023 and 2022 are mainly due from public hospitals belonging to the Spanish national health system and from distributors of vials for the two therapeutic uses that 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 2023, 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.

As of 31 December 2023 and 2022 , there were no impairment losses on receivables, while prior years' provisions were reversed in the amounts of €28 thousand in 2023 and €33 thousand in 2022.

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)	**31/12/23**	**31/12/22**
EUR	10,787	14,287
USD	14,890	14,749
Other currencies	1,877	292
Total	**27,554**	**29,328**

The breakdown as of 31 December 2023 and 2022 of receivables from public authorities for sales and services, by geography, is as follows:

Customer receivables from public authorities (thousand euro)	**31/12/23**	**31/12/22**
Spain	1,101	2,309
Austria	180	206
Belgium	65	212
France	3,674	3,279
Germany	53	111
Italy	95	1,077
Luxembourg	1	5
Total customer receivables from public authorities	**5,169**	**7,199**

As of 31 December 2023 and 2022, the credit rating of the accounts receivable from public authorities, by geography, is as follows:

Credit rating (thousand euro)	**Credit rating**	**31/12/23**	**31/12/22**
Germany	Aaau	53	111
Andalusia	Baa2	61	135
Aragon	BBB+	186	222
Asturias	Baa1	12	35
Austria	Aa1	180	206
Balearic Islands	A-	-	90
Belgium	Aa3	65	212
Canary Islands	A	(17)	35
Cantabria	BBB-	22	84
Castilla la Mancha	Ba1	2	19
Castilla y León	Baa1	27	70
Catalonia	Ba1	60	65
Ceuta y Melilla	0	14	14
France	Aa2u	3,674	3,279

Galicia	Baa1	35	123
Italy	Baa3u	95	1,077
Luxembourg	Aaa	1	5
Madrid	Baa1	404	644
Murcia	Ba1	18	187
Navarra	AA-	1	15
Basque Country	A3	22	33
Rioja	CCC-	5	15
Valencia	Ba1u	249	523
Total		**5,169**	**7,199**

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.

During 2023 and 2022, 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 2023 and 2022 is as follows:

Other current assets (thousand euro)	**31/12/23**	**31/12/22**
Prepaid expenses	2,917	5,980
Balances with public authorities	20,280	29,709
Total	**23,197**	**35,689**

The detail of the balance with public authorities as of 31 December 2023 and 2022 is as follows:

Balances with public authorities (thousand euro)	**31/12/23**	**31/12/22**
VAT	6,213	6,600
Other	14,067	23,109
Total	**20,280**	**29,709**

The "Other" caption in 2023 includes €13,439 thousand of corporate income tax prepayments (€22,464 thousand in 2022).

15. INVENTORIES

Inventories (thousand euro)	**31/12/23**	**31/12/22**
Trade inventories	-	324
Raw materials and other supplies	1,783	2,033
Semi-finished products and products in process	36,661	25,093
Finished products	845	296
Total	**39,289**	**27,746**

The increase in inventories (products in process and semi-finished products) in 2023 is the result of the need to advance production in preparation for launches in new territories, and of an increase in demand from our licensees.

The cost of inventories recognized as an expense amounted to €17,066 thousand in 2023 (€15,789 thousand in 2022).

Impairment of inventories was recognized in the amount of €213 thousand in 2023 (€266 thousand in 2022).

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 2023 and 2022 is as follows:

Cash and cash equivalents (thousand euro)	31/12/23	31/12/22
Cash on hand and at banks	27,695	121,686
Cash equivalents	32,329	28,127
Total	**60,024**	**149,813**

The balance of "Cash equivalents" relates to a deposit of USD 30,000 thousand (€27,149 thousand) and another of €5,180 thousand maturing in less than 90 days.

There were no bank overdrafts at the closing date.

17. SHARE CAPITAL AND SHARE PREMIUM

As of 31 December 2023, PharmaMar's authorized share capital amounted to €11,013 thousand (€11,013 thousand as of 31 December 2022) 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 2022). All PharmaMar 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 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 1 January 2023	**18,107**	**11,013**	**71,278**	**(15,865)**
Own shares sold	304	-	-	17,967
Own shares purchased	(787)	-	-	(34,101)
Share ownership plans	16	-	-	908
Balance as of 31 December 2023	**17,640**	**11,013**	**71,278**	**(31,091)**

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 2023 was 17,640 thousand (18,107 thousand in 2022).As of 31 December 2023, the controlling company held 715 thousand own shares (247 thousand in 2022).

From 1 January 2023 to 31 July 2023, the company had a liquidity contract in place with an external firm to manage purchases and sales of own shares on an independent basis. Within the framework of this agreement,

436,918 own shares were acquired in that period for an amount of €21,873,733.62 and 303,869 shares were sold for an amount of €17,966,129.10.

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

The established limits were as follows:

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

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

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

In 2023, the Group acquired 787 thousand own shares (762 thousand in 2022) for €34,101 thousand (€47,708 thousand in 2022), and sold 304 thousand own shares (850 thousand in 2022), recognizing a loss of €3,797 thousand (a loss of €2,458 thousand in 2022).

According to information in the official registers of the Spanish National Securities Market Commission as of 31 December 2023, 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	**1,114,147**	**6.070%**	**954,460**	**5.200%**	**11.270%**

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 2023 income and other reserves to be submitted to the Shareholders' Meeting for approval, and the actual distribution approved for 2022, are as follows:

Basis of distribution (thousand euro)	31/12/23	31/12/22
Basis of distribution		
Income/(loss) for the year attributable to the parent company	(13,557)	58,954
	(13,557)	**58,954**
Distribution		
Dividend	-	11,689
Prior years' income/(loss)	(13,557)	47,265
	(13,557)	**58,954**

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

19. TRADE AND OTHER PAYABLES

The composition of this caption is as follows:

Trade and other payables (thousand euro)	31/12/23	31/12/22
Payable for purchases and services received	29,174	27,492
Debts to related parties	1,041	929
Advances received for orders	1,003	1,446
Other accounts payable	90	92
Total	**31,308**	**29,959**

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 (€1,041 thousand as of 31 December 2023, €929 thousand as of 31 December 2022).

Advances received for orders recognized in 2023 amounted to €1,003 thousand (€1,446 thousand in 2022).

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

Payment information	31/12/23	31/12/22
Average time taken to pay suppliers (days)	49	51
Proportion of transactions paid (days)	50	54
Proportion of transactions outstanding (days)	30	27
Total payments made (thousand euro) - (4)	120,025	104,249
Total payments outstanding (thousand euro)	12,191	14,489
Total invoices received (number)	12,409	13,479
Total invoices paid in less than 60 days (number) - (1)	6,624	7,482
Total invoices received (thousand euro)	132,216	120,488
Total invoices paid in less than 60 days (thousand euro) - (3)	77,080	68,513
Percentage of total number of invoices paid = (1) / (2)	60.0%	61.5%
Percentage of total amount of invoices paid = (3) / (4)	64.2%	65.7%
Total invoices received (number) - (2)	11,041	12,169

The average supplier payment lag in the year between 1 January and 31 December 2023 was 49 days (51 days in 2022).

The foregoing disclosure refers only to companies domiciled in Spain.

20. CURRENT AND NON-CURRENT DEFERRED REVENUES

As indicated in Note 1, PharmaMar signed an exclusive licensing agreement for Zepzelca with Jazz Pharmaceuticals in December 2019. For signing the agreement, PharmaMar 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 commitments to be met by the Group. If the Group has a contractual performance obligation, then the portion of revenue corresponding to the commitments set out in the agreement that are to be executed in subsequent periods must be recognized as deferred.

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

Non-current deferred revenues

As of 31 December 2023, the balance of non-current deferred revenues amounted to €22,137 thousand and included deferred revenues in the amount of €19,866 thousand (€43,330 thousand in 2022) 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 €2,271 thousand in 2023 (€1,569 thousand in 2022). The subsidies detailed below consist mostly of subsidized interest rates.

Non-current deferred revenues (thousand euro)	**31/12/23**	**31/12/22**
Subsidies	2,271	1,569
Licensing agreements	19,866	43,330
Total	**22,137**	**44,899**

Current deferred revenues

As of 31 December 2023, this item mainly includes the amounts under the aforementioned agreement with Jazz Pharmaceuticals that are expected to be recognized in the next twelve months.

21. OTHER CURRENT LIABILITIES

Other current liabilities include an amount of €15,840 thousand (€19,359 thousand in 2022) relating mainly to a provision of €11,973 thousand (€15,155 thousand in 2022) for clawbacks relating to the distribution of products under the "Autorisation d'accés compassionnel (AAC)" compassionate use system in France. Those clawbacks are applied on a sliding scale based on the amounts invoiced under the AAC system.

Zepzelca is currently covered by this system, under the very early access compassionate use system ("Autorisation d'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 €3,402 thousand (€1,836 thousand in 2022) 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 2023 and 2022 is as follows:

Breakdown of non-current debt:

Breakdown of non-current interest-bearing debt (thousand euro)	31/12/23	31/12/22
Bank debt	-	231
Bonds and other marketable securities	16,769	16,709
Interest-bearing debt to official authorities	10,267	8,943
Total	**27,036**	**25,883**

Breakdown of current debt:

Breakdown of current interest-bearing debt (thousand euro)	31/12/23	31/12/22
Bank debt	9,985	8,929
Bonds and other marketable securities	405	405
Interest-bearing debt to official authorities	2,435	3,791
Total	**12,825**	**13,125**

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 2023 and 2022:

	No. of products	Maturity	31/12/23	No. of products	Maturity	31/12/22
Total non-current debt	-		-	1		231
Bank loans	2	2024	3,226	2	2023	4,430
Credit lines	7		6,458	9		3,506
Bills certificates and COMEX lines	1	2024	-	1	2023	721
Interest and other accounts payable	-		301	-		272
Total current debt	10		9,985	12		8,929

Of the current bank loans, €2,995 thousand relate to a loan to Genómica en liquidación (€4,205 thousand in 2022).

Non-current debt

At the end of 2023, all the Group's bank debt is current.

Current debt

Current bank debt is broken down as follows:

Breakdown of current bank debt (thousand euro)	31/12/23	31/12/22
Bank loans	3,226	4,430
Credit lines	6,458	3,506
Discounted bills and certificates and COMEX lines	-	721
Interest and other accounts payable	301	272
Total	**9,985**	**8,929**

As of 31 December 2023, there is only one bank loan at a fixed rate of 2.50%.

Some credit lines are subject to tacit renewal, although most are renewed annually. As of 31 December 2023, the Group had seven credit lines (9 in December 2022) with a total limit of €14,500 thousand (€15,450 thousand in 2022). Lines representing approximately 45% of the available limit bear interest at variable rates consisting of Euribor plus a spread ranging from 1.75% to 2.75%. 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	31/12/23	31/12/22
Bank overdrafts	n/a	29.00%
Bank loans	2.96%	2.26%
Credit lines	4.69%	2.77%
Discounted notes	n/a	1.20%

The Group's exposure to interest-bearing debt at floating rates is €2,991 thousand as of 31 December 2023 (€2,443 thousand in 2022), 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)	31/12/22	Cash flows	Reclassification to short term	Other	31/12/23
Long-term bank loans	231	-	(231)	-	-
Short-term bank loans	4,430	(1,439)	231	4	3,226
Long-term bonds and other marketable securities	16,709	-	-	60	16,769
Short-term bonds and other marketable securities	405	(810)	-	810	405
Credit lines	3,506	2,952	-	-	6,458
Discounted bills and certificates and COMEX lines	721	(721)	-	-	-
Interest and other accounts payable	272	(1)	-	30	301
Long-term interest-bearing debt to official authorities	8,943	4,842	(2,263)	(1,255)	10,267
Short-term interest-bearing debt to official authorities	3,791	(4,084)	2,263	465	2,435
Long-term lease debt	2,014	-	(1,457)	1,271	1,828

Short-term lease debt	1,608	(2,006)	1,457	921	1,980
Total liabilities related to financing activities	**42,630**	**(1,267)**	**-**	**2,306**	**43,669**

Changes in liabilities due to financing activities (thousand euro)	**31/12/21**	**Cash flows**	**Reclassification to short term**	**Other**	**31/12/22**
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 and 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**

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 2023, the Group had debt balances with official authorities for a total of €12,702 thousand, calculated on the basis of cash flows discounted at Euribor plus a spread based on the Group's risk (€12,734 thousand in 2022), of which €10,267 thousand were non-current (€8,943 thousand in 2022) and €2,435 thousand were current (€3,791 thousand in 2022).

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

Repayment schedule (thousand euro)	31/12/23	31/12/22
2024	-	239
2025	1,712	2,496
2026	1,729	1,821
2027	1,832	1,540
2028 and thereafter	4,994	2,847
Total	**10,267**	**8,943**

22.4 Fair value

The fair value and carrying amount of the non-current and current interest-bearing debt as of 31 December 2023 and 2022 are as follows:

	Fair value		Carrying amount	
Fair value and carrying amount of interest-bearing debt (thousand euro)	31/12/23	31/12/22	31/12/23	31/12/22
Non-current				
Bank loans	-	231	-	231
Due to official authorities	12,039	10,083	10,267	8,943
Bonds	17,000	17,000	16,769	16,709
Total	**29,039**	**27,314**	**27,036**	**25,883**
Current				
Bank loans	3,226	4,430	3,226	4,430
Credit lines	6,458	3,506	6,458	3,506
Unmatured discounted bills and certificates and COMEX lines	-	721	-	721
Interest payable	41	17	41	17
Due to official authorities	2,902	4,175	2,435	3,791
Bonds	405	405	405	405
Other debt	260	255	260	255
Total	**13,292**	**13,509**	**12,825**	**13,125**

23. DEFERRED TAXES AND INCOME TAX EXPENSE

23.1 Deferred taxes

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

Net deferred tax assets (thousand euro)	31/12/23	31/12/22
Deferred tax assets	32,172	30,999
Deferred tax liabilities	(703)	(470)
Total	**31,469**	**30,529**

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 2022	**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**
Tax withholding	-	-	-	12	12
Recognized in profit or loss	1,747	-	(490)	(96)	1,161
As of 31 December 2023	**21,324**	**10,116**	**493**	**239**	**32,172**

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

The "Tax withholding" column as of 31 December 2023 and 2022 includes taxes withheld from royalties and payments received under licensing agreements.

Deferred tax liabilities (thousand euro)	Capital subsidies and others
As of 1 January 2022	**(479)**
Recognized in profit or loss	9
As of 31 December 2022	**(470)**
Recognized in profit or loss	(233)
As of 31 December 2023	**(703)**

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 €348 million in unused tax losses (€306 million in 2022).

At the same date, there are also unused R&D tax credits amounting to €214,009 thousand that have not been recognized in the balance sheet (€200,048 thousand in 2022).

Those unused tax losses and deductions were not recognized in relation to deferred tax assets at the end of 2023 and 2022 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 2023:

Tax credits generated by (thousand euro)	Total amount	2024	2025	2026	2027	2028	2029	2030	2031 and thereafter
Unused R&D tax credits	214,009	10,889	10,760	9,977	11,332	9,697	9,376	9,280	142,698
TOTAL	**214,009**	**10,889**	**10,760**	**9,977**	**11,332**	**9,697**	**9,376**	**9,280**	**142,698**

23.2 Income tax

In 2023, the corporate income tax return was filed on a group basis by the tax group headed by PharmaMar 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 (in liquidation) and Genómica Trading Co. Ltd. (China) (in liquidation), 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)	**31/12/23**	**31/12/22**
Income before taxes	(3,623)	43,790
Tax rate (25%)	906	(10,948)
Tax effect of:		
- Exempt revenues and other minor items	10,713	11,464
- Other adjustments	(11,161)	1,677
- Monetization of tax credits	4,302	3,373
Tax revenue (expense)	**4,760**	**5,566**

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

Other adjustments include the effect of not fully recognizing the deferred tax assets arising from the tax loss carryforwards generated in the year.

Additionally, during 2023, the group recognized €4,302 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)	**31/12/23**	**31/12/22**
Current tax	3,832	2,359
Deferred tax	928	3,207
Total	**4,760**	**5,566**

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 2023 (€3,832 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
PharmaMar, 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 one appeal before the High Court.

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

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

24. PROVISIONS FOR OTHER LIABILITIES AND EXPENSES

As of 31 December 2023 and 2022, 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)	**31/12/23**	**31/12/22**
Beginning balance	**8,603**	**7,546**
Provision for expenses	4,586	6,181
Payments	(4,200)	(5,124)
Total	**8,989**	**8,603**

25. NET REVENUES

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

Breakdown of revenues (thousand euro)	31/12/23	31/12/22
Product sales	118,699	138,508
Returns, rebates and volume discounts	(46,826)	(32,772)
	71,873	**105,736**
Licensing and development agreements	33,590	40,169
Royalties	52,178	50,254
Services provided	512	184
Total	**158,153**	**196,343**

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 2023 and 2022 is as follows:

Breakdown of royalties and licensing fees (thousand euro)	31/12/23	31/12/22
Jazz Pharmaceuticals Zepzelca (lurbinectedin)	48,368	46,881
Johnson & Johnson Group Yondelis (trabectedin)	3,068	2,688
Taiho Pharmaceuticals Co. Yondelis (trabectedin)	742	685
Total royalties	**52,178**	**50,254**
Jazz Pharmaceuticals Zepzelca (lurbinectedin)	23,050	29,547
Johnson & Johnson Group Yondelis (trabectedin)	9,442	10,087
Adium Zepzelca (lurbinectedin)	250	-
Lotus Zepzelca (lurbinectedin)	293	-
Other contracts	555	535
Total licenses	**33,590**	**40,169**
Total	**85,768**	**90,423**

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 PharmaMar, including an upfront payment that was collected on the date of the contract and certain payments connected with subsequent development and regulatory milestones for Yondelis. Those amounts (upfront and milestone payments), which are collected irrevocably once the corresponding dates and milestones are attained, are recognized initially as deferred revenue and subsequently as revenue over the term of the contract, which includes two distinct phases: development and marketing.

The commitments assumed by the 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. The Company has fulfilled all the related obligations and has incurred all expenses required to be borne by PharmaMar. Consequently, PharmaMar did not recognize any amount under this heading.

The amounts attributed to the marketing phase are royalties, which are recognized on an accrual basis. In 2023, royalties were recognized in the amount of €3,068 thousand for sales of Yondelis (€2,688 thousand in 2022).

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

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

New agreements

As a result, since that transfer agreement, PharmaMar 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, PharmaMar signed two marketing agreements for Yondelis: one with Specialised Therapeutics Asia, Pte. Ltd. (STA) for marketing in Australia, New Zealand and Southeast Asia, and the second with Megapharm Ltd. for marketing in Israel and the Palestinian territories.

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

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

Taiho Pharmaceutical Co

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

The commitments assumed by the 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 2023, PharmaMar recognized €742 thousand (€685 thousand in 2022) in revenue for royalties received from Taiho for sales of Yondelis in Japan.

25.2 Zepzelca

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

Jazz Pharmaceuticals

As described in Note 1, on 19 December 2019, PharmaMar and Jazz Pharmaceuticals signed an exclusive licensing agreement for marketing anti-tumor compound Zepzelca 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 rights to market it in the licensed territory.

When the agreement came into force in January 2020, PharmaMar collected an upfront payment of USD 200 million (€181 million). Subsequently, in June, Zepzelca was approved by the FDA for commercialization in the US under the accelerated approval procedure. As a result, PharmaMar collected USD 100 million (€88.5 million) as a milestone payment from Jazz Pharmaceuticals. The upfront and milestone payments were recognized as revenue in profit or loss on the basis of PharmaMar's fulfillment of its commitments under the contract. Accordingly, €135,655 thousand were recognized as revenue in 2020, €38,881 thousand in 2021, €29,547 thousand in 2022 and €23,050 thousand in 2023.

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

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

Luye Pharma Group

In April 2019, the Group signed an out-licensing agreement with Luye Pharma Group for the development and marketing of Zepzelca for treating small cell lung cancer and potentially other indications in the territories of China, Hong Kong and Macao. Under the terms of the agreement, PharmaMar collected an upfront payment of USD 5,000 thousand (€4,452 thousand). €1,257 thousand were recognized as revenue in 2020 as PharmaMar had fulfilled the commitments set out in the licensing agreement. Luye has undertaken to develop Lurbinectedin for treating small cell lung cancer in China, while PharmaMar retains exclusive production rights.In December 2023, Luye received authorization to market Zepzelca in Hong Kong.

Specialised Therapeutics Asia Pte, Ltd

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

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

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

Boryung Pharmaceutical

In November 2017, a licensing agreement was signed with Boryung Pharma to market Zepzelca in South Korea. PharmaMar 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 small cell lung cancer in South Korea, a territory licensed to Boryung, which triggered a regulatory milestone payment of €1,000 thousand. €440 thousand were recognized as revenue in 2023 (€120 thousand in 2022).

Other agreements

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

In 2021, PharmaMar signed the following licensing agreements with respect to Zepzelca:

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

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

26. RESEARCH & DEVELOPMENT EXPENSES

The following table shows the amounts spent on R&D by business segment in 2023 and 2022:

Research and development expenses 2023 (thousand euro)	**Oncology**	**RNAi**	**TOTAL**
Total expenses	(83,633)	(15,669)	**(99,302)**
Research & development expenses	**(83,633)**	**(15,669)**	**(99,302)**

Research and development expenses 2022 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**TOTAL**
Total expenses	(68,099)	(2,318)	(13,032)	**(83,449)**
Research & development expenses	**(68,099)**	**(2,318)**	**(13,032)**	**(83,449)**

27. GENERAL, ADMINISTRATION AND OTHER OPERATING EXPENSES

Consolidated general and administration expenses amounted to €18,263 thousand, 4.0% less than in 2022 (€19,022 thousand).

28. MARKETING EXPENSES

Commercial and marketing expenses amounted to €23,542 thousand in 2023, 2.8% less than in 2022 (€24,219 thousand). Expenses under this heading in the Oncology segment increased to €23,337 thousand, compared with €22,738 thousand in 2022, as a result of increased commercial activities, trips and industry conferences.

29. OTHER RESULTS

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

Breakdown of other net income (thousand euro)	31/12/23	31/12/22
Capital subsidies	999	1,399
Other income	253	2,202
Total	**1,252**	**3,601**

Other income in 2022 includes €2,000 thousand recognized as a result of a refund from a supplier that had been in litigation for some time, which was finally settled 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)	31/12/23	31/12/22
Changes in finished product and product-in-process inventories	(11,441)	(14,437)
Raw materials and other supplies	28,507	30,226
Employee benefit expenses	53,044	53,625
Depreciation and amortization	5,756	5,900
Impairment/(Reversal)	186	1,482
Transport	1,973	1,548
Marketing expenses	5,084	4,699
Leases	1,646	1,675
Expenses of R&D performed by third parties	51,121	41,509
Other expenses	27,356	29,646
Total	**163,232**	**155,873**

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

31. EMPLOYEE BENEFIT EXPENSES

The breakdown of employee welfare expenses is as follows:

Employee benefit expenses (thousand euro)	31/12/23	31/12/22
Salaries and wages	42,479	41,589
Indemnities	376	2,478
Social security	7,859	7,371

Pension cost	66	70
Share ownership plans	294	338
Other benefit expenses	1,970	1,779
Total	**53,044**	**53,625**

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

Average number of employees by category and gender	**Men**		**Women**		**Total**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Executive directors	2	3	-	-	2	3
Senior managers	4	5	4	3	8	8
Management	11	14	12	14	23	28
Middle management	44	27	47	31	91	58
Technical staff	115	123	182	199	297	322
Clerical and similar staff	8	7	62	55	70	62
Other	12	22	6	12	18	34
Total	**196**	**201**	**313**	**314**	**509**	**515**

As of 31 December 2023, five of the twelve members of the Board of Directors were women (in 2022, four of the twelve directors were women).There were 16 women among the PharmaMar Group's 33 executives, including executive directors (17 out of 39 in 2022).

The Group's average headcount does not differ materially from the headcount at year-end.

The Group companies have an average of eight employees with disability greater than or equal to 33% (six in 2022).

32. NET FINANCIAL RESULT

Net financial result (thousand euro)	**31/12/23**	**31/12/22**
On debts to third parties and similar expenses	(2,416)	(2,376)
Losses on financial assets	(17)	(1,888)
Exchange loss	(6,994)	(7,023)
Financial expenses	**(9,427)**	**(11,287)**
Other interest and similar revenues	4,103	875
Income from financial investments	218	-
Exchange gains	5,310	10,131
Financial revenues	**9,631**	**11,006**
Total net financial income	**204**	**(281)**

In 2023 and 2022, most of the exchange loss and gains differences were due to marking the deposits held in US dollars to market.

33. EARNINGS / (LOSS) 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 2023 and 2022 were as follows:

Earnings / (loss) per share (basic)	**31/12/23**	**31/12/22**
Income attributable to equity-holders of the controlling company (thousand euro)	1,137	49,356
Weighted average number of outstanding ordinary shares (*thousand shares)*	17,900	18,050
Basic earnings / (loss) per share (euro)	**0.06**	**2.73**

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 2023 and 2022 were as follows:

Earnings / (loss) per share (diluted)	**31/12/23**	**31/12/22**
Income attributable to equity-holders of the controlling company (thousand euro)	1,137	49,356
Weighted av. no. of ordinary shares for diluted earnings per share *(thousand shares)*	17,916	18,063
Diluted earnings / (loss) per share (euro)	**0.06**	**2.73**

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	**31/12/23**	**31/12/22**
Weighted average number of outstanding ordinary shares (thousand shares)	17,900	18,050
Adjustments for: Employee share ownership plan (thousand shares)	16	13
Weighted av. no. of ordinary shares for diluted earnings per share	**17,916**	**18,063**

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 2023 and 2022 to directors of PharmaMar:

Remuneration (thousand euro)	**31/12/23**	**31/12/22**
Fixed remuneration for executive directors	1,507	1,468
Variable remuneration for executive directors	1,166	947
Fixed remuneration for belonging to the Board of Directors	846	804
Board and Board committee meeting attendance fees	541	549
Fixed remuneration for belonging to Board committees	734	578
Fixed remuneration for belonging to Boards of other Group companies	0	10
Remuneration for Lead Independent Director	19	19
Other remuneration	380	379
TOTAL	**5,193**	**4,754**

The "Other remuneration" item in 2023 and 2022 refers to certain benefits paid in kind to the Company's Chairman and Vice-Chairman, such as casualty and health insurance (both under the group policy for Company employees), and a group life insurance for which the Company pays an annual premium of €12 thousand 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, €1,166 thousand accrued as a result of the evaluation of objectives approved by the Board of Directors at a meeting on 30 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 2023 was €390 thousand (€505 thousand in 2022).

34.2 Senior management remuneration and loans

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

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

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

35. SHARE-BASED PAYMENTS

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

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

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

Beneficiaries hold the voting and dividend rights to the shares delivered to them from the date of effective delivery, although those shares are subject to lock-up for three years from that date (lock-up period); nevertheless, some of the shares will be released from lock-up 18 months after delivery: specifically, the number of shares resulting from dividing the total number of shares that were delivered by two. The delivery of those shares, which must remain locked up for the above-mentioned lock-up period, is subject to a condition subsequent which is understood to be met in the event of voluntary severance or fair dismissal of the beneficiary. In the event of cessation of employment due to a cause other than those two, the lock-up is lifted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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 2023, 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 (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. PharmaMar'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 2023 and 2022.

38. COMMITMENTS

Operating lease commitments

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

Operating lease commitments (thousand euro)	31/12/23	31/12/22
Under 1 year	1,696	1,725
1 to 5 years	5,087	5,175
Total	**6,783**	**6,900**

39. AUDITORS' FEES

Statutory audit fees accrued by PricewaterhouseCoopers Auditores, S.L. and other firms in its network amounted to €438 thousand in 2023 (€438 thousand in 2022). The fees for non-audit services provided to PharmaMar Group undertakings in 2023 amounted to €48 thousand in 2023 (€43 thousand in 2022).

Companies in the PwC network did not accrue any fees for tax advisory services in 2023 and 2022.

The fees accrued during the year by other auditors of subsidiaries amounted to €76 thousand for audit services in 2023 (€59 thousand in 2022) and €8 thousand for other verification services in 2023 (€7 thousand in 2022).

40. ENVIRONMENT

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

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

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

41. SUBSEQUENT EVENTS

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

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

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

CONSOLIDATED DIRECTORS' REPORT 2023

1. Company situation

1.1. Organizational structure

Pharma Mar, S.A. (the Company) is the holding company of a group of companies (PharmaMar Group or the Group) whose financial disclosures as of 31 December 2023, are presented in two segments: Oncology and RNA interference. On 27 September 2022, the Board of Directors of PharmaMar decided to discontinue the Diagnostics business, which was conducted through its wholly-owned subsidiary Genómica, S.A.U., and to commence the process for dissolving and liquidating that company. Although Genómica maintained production and sales during the first quarter of the year in order to meet pre-existing commitments to customers, it had ceased trading as of 31 December 2023.

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

PharmaMar became the parent company of the Group in 2015 through a reverse merger of Zeltia (absorbed company) into PharmaMar (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, PharmaMar.

The Board of Directors of the Group parent company, PharmaMar, 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 is 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. PharmaMar'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.

PharmaMar 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. PharmaMar has obtained marketing approval for three of its molecules: 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.

- Revenue and a solid balance sheet with a net cash position and a low level of debt enable the Group to fund R&D expenditure for continued growth.

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

- Since its foundation, PharmaMar has created what is possibly the world's largest library of samples of marine organisms.

- 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.

- PharmaMar 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 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. Two new molecules have been added to the oncology pipeline in the last 14 months.

- In-license one or more third-party products for marketing through the PharmaMar sales network. These would be products in the commercial or regulatory phase that would contribute to increasing 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 RNA interference, progress is being made in a number of clinical trials in ophthalmology.

- 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 2022, the RNAi area has a pilot plant for the production of oligonucleotides. In 2023, construction commenced of an oligonucleotide production plant that will enable the company to cover its own potential production needs as well as producing for third parties.

1.3 Notable events in 2023.

As for **lurbinectedin (Zepzelca),** the events of 2023 can be grouped under the following headings:

1) Marketing approval for Zepzelca in new territories:

- In 2023, PharmaMar partners obtained full or conditional approval to market Zepzelca in the following territories: Mexico, Ecuador, Israel, Switzerland, Taiwan, Oman, Peru, Macao and Hong Kong. As a result, Zepzelca is now sold in 16 territories worldwide, including the United States, for treating small cell lung cancer.

2) New Phase III clinical trial:

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

New compounds in the clinical trial pipeline:

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

With regard to **RNAi**, construction commenced in 2023 of an oligonucleotide production plant that will enable the company to cover its own potential production needs as well as producing for third parties. The plant will be built in stages and production capacity will be expanded in line with demand.

On 9 February 2024, it was announced that the Phase III trial with SYL1001_V (tivanisiran) for treating dry eye disease associated with Sjögren's syndrome did not met its primary endpoint.

2. Business performance and results

	31/12/2023	31/12/2022	Change
RECURRING REVENUE	**124,051**	**155,990**	**-20%**
Oncology sales	70,681	100,759	-30%
Other sales	1,192	4,977	-76%
Oncology royalties	52,178	50,254	4%
NON-RECURRING REVENUE	**34,102**	**40,353**	**-15%**
Oncology out-licensing agreements	33,590	40,169	-16%
Other	512	184	178%
TOTAL REVENUES	**158,153**	**196,343**	**-19%**

(Thousand euro)

2.1. Total revenues

Group revenue totaled €158.2 million in 2023, compared with €196.3 million in 2022. The breakdown of that figure is as follows:

Recurring revenue, i.e. net sales plus royalties from sales by partners, went from €156.0 million in 2022 to €124.1 million in 2023. This 20% variation with respect to the previous year is due mainly to the decrease in Yondelis sales revenue.

Net revenue in the oncology segment amounted to €70.7 million in 2023, down 30% on 2022 (€100.8 million). The breakdown of net sales is as follows:

i) Net sales of Yondelis in the European market. Yondelis sales in Europe amounted to €26.1 million in 2023 (€63.8 million in 2022). This variation is a consequence of the release of generic trabectedin on the market in the fourth quarter of 2022, resulting in significant pressure on prices. Yondelis received its first marketing authorization in 2007, so it has been on the market for more than fifteen years.

ii) Revenues from lurbinectedin in Europe amounted to €29.7 million in 2023 (€15.5 million in 2022), of which €28.5 million in France under the "Autorisation d'accès compassionnel" compassionate use program (€14.7 million in 2022). This increase is due to the positive adjustment made by the French authorities in relation to the previous year's clawbacks. The number of units demanded under this program increased slightly compared to the previous year.

iii) Sales of raw materials, both Yondelis and Zepzelca, to our partners. This item amounted to €14.9 million in 2023, compared with €21.4 million in 2022. The change is due to inventory accumulation by partners in 2022.

Royalties revenue amounted to €52.2 million in 2023, a 4% increase on the €50.3 million recognized in 2022. That figure includes royalties from Zepzelca sales by our US partner, Jazz Pharmaceuticals, amounting to €48.4 million in 2023 (€46.9 million in 2022).

Non-recurring revenue, mainly from **out-licensing agreements**, amounted to €33.6 million in 2023, compared with €40.2 million in 2022.

In 2023, €23.0 million in revenue were recognized out of the USD 300 million received in 2020 under the Zepzelca license agreement with Jazz Pharmaceuticals, which is being recognized in revenue on the basis of the performance obligations (€29.5 million in 2022). Other revenue from Zepzelca licensing agreements for other territories amounted to €1.1 million in 2023 (€0.6 million in 2022). Revenue in the amount of USD 10 million (€9.5 million) was recognized in 2023 as a result of attaining a commercial milestone contemplated in the 2001 licensing and co-development agreement with Janssen (Johnson&Johnson) (USD 10 million, or €10.1 million, in 2022).

2.2. EBITDA. Net profit.

Group EBITDA amounted to €2,1 million in 2023 (€51.4 million in 2022).

	31/12/2023	31/12/2022
Net income	**1,137**	**49,356**
Income tax	(4,760)	(5,566)
Financial result	(204)	281
Depreciation and amortization	5,911	7,350
EBITDA	**2,084**	**51,421**

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

EBITDA went from €51.4 million in 2022 to €2.1 million in 2023. As detailed in note 2.1, revenues declined in 2023 as a result of the arrival of generic trabectedin products on the market, resulting in strong pressure on prices. Additionally, R&D expenditure increased, as described in Note 2.3.

The EBITDA contribution by the business segments is as follows:

	31/12/2023	31/12/2022
Oncology	31,319	79,887
Diagnostics	0	(3,455)
RNAi	(15,872)	(12,886)
Unallocated	(13,363)	(12,125)
EBITDA	**2,084**	**51,421**

(Thousand euro)

Income after taxes amounted to €1.1 million in 2023 (€49.4 million in 2022).

2.3. R&D expenditure

R&D spending increased by 19% year-on-year to €99.3 million in 2023, from €83.4 million in 2022.

The €72.9 million of R&D spending in oncology in 2023 (€51.0 million in 2022) is related mainly to the LAGOON Phase III confirmatory trial with lurbinectedin in small cell lung cancer, which continues to enroll patients. Another sizeable amount was allocated to the SaLuDo (Sarcoma patients treated with Lurbinectedin and Doxorubicin) Phase IIb/III trial with lurbinectedin in combination with doxorubicin for first-line treatment of patients with metastatic leiomyosarcoma, which began enrolling patients last October. The company is also investing in early-stage clinical development of other molecules. A Phase II trial is under way with ecubectedin in solid tumors, as well as Phase I trials with ecubectedin, PM534 and PM54 for treating solid tumors. Progress continues to be made in preparing new candidates for clinical development and in preclinical trials to bring new molecules to the clinical pipeline. Additionally, during the period, €10.8 million (€17.1 million in 2022) were spent on the clinical development of plitidepsin as an antiviral; this expenditure is recognized in the oncology segment.

The main R&D spending in the RNA interference segment relates to Phase III clinical trials with tivanisiran in dry eye associated with Sjögren's syndrome. On 9 February 2024, it was announced that the Phase III trial conducted by Sylentis with *tivanisiran* for treating dry eye disease associated with Sjögren's syndrome did not met its primary endpoint, related to efficacy.

A Phase II 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, has commenced.

	2023	2022
R&D expenses	**99,302**	**83,449**
Oncology	83,633	68,098
Diagnostics	-	2,318
RNAi	15,669	13,033

(Thousand euro)

2.4. Other operating expenses

Operating expenses: the Group spent €54.6 million on marketing, commercial, general, administrative and other expenses in 2023, a 6.6% decline year-on-year, mainly as a result of the expenditure in 2022 to liquidate the diagnostics segment.

	2023	2022
Other operating expenses	**54,588**	**58,421**
Marketing	23,542	24,219
Administration	18,263	19,022
Other operating expenses (Corporation)	12,783	15,180

(Thousand euro)

2.5. Personnel

The Group had an average of 509 employees in 2023 (515 in 2022). The average number of employees is 465 in Oncology and 40

Women account for 61.5% of the average workforce in 2023 (60% in 2022).

An average of 99.2% of employees had indefinite contracts in 2023 (98.7% in 2022).

The table below shows the segmentation by gender and category:

	Women	Men	Total
Executive directors	0	2	2
Senior managers	4	4	8
Management	12	11	23
Middle management	47	44	91
Technical staff	182	115	297
Clerical and similar staff	62	8	70
Other	6	12	18
TOTAL	**313**	**196**	**509**

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, PharmaMar's Board of Directors oversees and monitors the sustainability and non-financial information provided by the company.

PharmaMar's environmental objectives are to reduce greenhouse gas emissions, improve the energy efficiency of its facilities and production processes, promote the use of clean energy, use resources rationally, encourage recycling, and promote actions to protect marine biodiversity, since the marine

environment is the basis of our business.

Pharma Mar calculates the carbon footprint of its operations, including scope 1, 2 and 3 sources of GHG emissions. This is the first step towards setting ambitious, science-based emissions reduction targets and becoming a net-zero company.

PharmaMar 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.

PharmaMar 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%).

During 2023, PharmaMar worked on a report on the risks and opportunities related to climate change. In preparing this report, the generic criteria for DNSH to climate change adaptation in Appendix A of Delegated Regulation 2021/2139/EU were used as a reference to identify and assess the specific physical climate events to which the PharmaMar Group is exposed, and to identify and implement adaptation solutions that substantially reduce the identified material risks.

The methodology applied by the PharmaMar Group to assess physical climate risks and identify and implement solutions is summarized below:

1. Categorization and selection of various acute and chronic physical weather events to which PharmaMar is exposed and which may affect its business performance over the foreseeable future.
2. Calculation and prioritization of the overall risk posed by each physical climate event in a range of scenarios.
    a. Assessment of the danger posed by selected climate events in a range of climate scenarios.
    b. Assessment of the vulnerability of activities that are exposed to different climate events.
3. Estimation of the financial impact that the materialization of significant physical climate risks would have.
4. Assessment of adaptation solutions that can reduce significant physical climate risks.

In this way, the Pharma Mar Group reports on the risks and opportunities associated with climate change and assumes its responsibility as an active agent in the fight against climate change.

2.7. Average period taken to pay suppliers

Information on payments for commercial transactions performed in 2023 and pending payment at the end of the year in relation to the maximum legal payment periods envisaged in Act 15/2010 is as follows:

	31/12/23
Average period taken to pay suppliers (Days)	49
Proportion of transactions paid	50
Proportion of transactions outstanding	30

The average supplier payment lag in the year between 1 January and 31 December 2023 was 49 days (51 days in 2022).

Payments totaled €120,025 thousand in 2023 (€104,249 thousand in 2022). The balance of outstanding payments was €12,191 thousand as of 31 December 2023 (€14,489 thousand in 2022).

A total of 12,409 invoices amounting to €132,216 thousand were received in 2023 (13,479 invoices amounting to €120,488 thousand in 2022).

The percentage of amount paid in a period shorter than the established minimum out of the total number of invoices paid in the financial year is 64%.

The 7,384 invoices paid in less than the maximum period accounted for 60% of the total number of invoices paid in the year.

3. Liquidity and Capital

The balance of cash and cash equivalents amounted to €162.6 million as of 31 December 2023 (€182.4 million in 2022). Including non-current financial assets, cash and cash equivalents amounted to €168.6 million as of 31 December 2023 (€231.8 million in 2022).

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:

	31/12/2023	31/12/2022	Change
Non-current interest-bearing debt	**27,036**	**25,883**	**1,153**
Bank loans	0	231	-231
Bonds	16,769	16,709	60
Loans from official authorities	10,267	8,943	1,324
Current interest-bearing debt	**12,825**	**13,125**	**-300**
Credit lines	6,458	3,506	2,952
Bank loans	3,226	4,430	-1,204
Loans from official authorities	2,435	3,791	-1,356
Interest, etc.	706	1,398	-692
Total interest-bearing debt	**39,861**	**39,008**	**853**
Cash and cash equivalents plus current and non-current financial assets	**168,625**	**231,818**	**-63,193**
TOTAL NET CASH	**128,764**	**192,810**	**-64,046**

(Thousand euro)

Total debt was stable in 2023 in comparison with the previous year. A total of €4.9 million in new loans were obtained from government agencies in 2023 (€0.8 million in 2022). €5.5 million in loans from banks and government agencies were repaid.

As a result, Group net cash flow in 2023 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 PharmaMar 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 PharmaMar 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, trademarks, brand names, domains, etc.

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

PharmaMar'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 PharmaMar 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 PharmaMar 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 PharmaMar Group Code of Ethics and Code of Conduct expressly prohibit any practice involving the illegal evasion of taxes or other levies to the detriment of the public exchequer or that of the Social Security system or any other local or regional government body; accordingly, such practices must be avoided at all times.

The Group's Crime Prevention Organization and Management Model contains an exhaustive list of risk actions that are counter to the guidelines of conduct and a catalog of prohibited conduct, which refer to crimes against the Exchequer and Social Security and also to money laundering.

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

The Board of Directors declared a dividend of €0.65 per outstanding share, charged to unrestricted reserves (share premium), up to a maximum amount of €11,931 thousand, subject to approval by the 2024 Shareholders' Meeting. The final amount will be determined at the time of distribution of the

dividend based on the number of outstanding shares and those held in treasury stock at that time. For the appropriate purposes, it is hereby placed on record that (i) there is sufficient liquidity for this distribution; (ii) after this distribution, the value of the Company's net worth will continue to exceed the share capital; and (iii) the other requirements established in Article 273 of the Capital Companies Law in order to be able to make this distribution are met. The Board of Directors will establish the specific date of payment of the dividend, designate the paying agent, and take any other actions that may be necessary or appropriate to successfully complete the distribution.

In 2024, 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. 2024 outlook

Zepzelca is solidly positioned in the United States as the standard of care for second-line treatment of small cell lung cancer.

Following the successful launch in 2020 by our partner, Jazz Pharmaceuticals, Zepzelca (lurbinectedin) has gained market share and the number of patients treated is expected to continue rising in 2024. In any case, the use of Zepzelca in small cell lung cancer is expected to increase notably if it is approved as a first-line treatment.

The approval of Zepzelca for the treatment of small cell lung cancer is not only a milestone for patients, who now have a new therapeutic option in an indication for which no new treatment had been approved for over 25 years, but also increased PharmaMar's royalty revenue on sales and represented the first commercial milestone related to sales volume. Revenue from Zepzelca in the United States will continue to grow in the coming years.

Since its launch in the US in 2020, lurbinectedin has been approved as second-line treatment of small cell lung cancer in 18 other countries outside the European Union, and has been launched in one European country, Switzerland. In addition, during 2024 we may obtain approval in other countries where a registration dossier has already been submitted, such as China.

In relation to ongoing clinical trials with lurbinectedin, enrolment continues for the LAGOON Phase III trial as second-line treatment of small cell lung cancer. The goal of this trial is not only to obtain marketing approval for lurbinectedin in Europe, but also to serve as a confirmatory trial for the accelerated approval obtained in the United States. Our partner, Jazz Pharmaceuticals, has completed enrolment for a Phase III trial for first-line maintenance treatment of small cell lung cancer. If the outcome is positive, this trial will support registration for sale as first-line treatment in both the United States and Europe. The first results of this trial are expected to be available in late 2024 or early 2025.
This first-line clinical trial uses a combination of lurbinectedin and atezolizumab, an immunotherapy product from Hoffmann-La Roche, which is also participating in the trial as a sponsor.

In relation to other indications, a Phase IIb/III trial with lurbinectedin in combination with doxorubicin for first-line treatment of leiomyosarcoma began in 2023 and will continue to enroll patients throughout 2024.

Between the end of 2022 and the first half of 2023, we added two new molecules to our pipeline: PM534 and PM54, which are currently in Phase I clinical development and could complete enrolment in 2024.

With all these initiatives, we expect considerable progress with our oncology pipeline in 2024, including possibly the first results of the Phase III trial with lurbinectedin as first-line maintenance treatment for lung cancer.

During 2024, we will continue working to sign new lurbinectedin out-licensing agreements in countries such as Japan, where the opportunity for a new license still exists. We will also continue our efforts to in-license an oncology product that is in the commercial or regulatory phase, which would enable us to distribute it through our commercial network in Europe and contribute to revenue.

7. R&D and Innovation

Research and development is vital to the Group's strategy. R&D spending amounted to €99.3 million in 2023 (€83.4 million in 2022).

Of that total, €83.6 million was spent in oncology, including €10.8 million to develop Aplidin as an anti-viral against COVID-19, and €15.7 million in RNAi in ophthalmology.

The Group's main progress and results in R&D in 2023 by area of activity are as follows:

7.1.- ONCOLOGY: PHARMA MAR, S.A.

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

A) Lurbinectedin (ZEPZELCA)

Small cell lung cancer

The LAGOON pivotal Phase III trial as second-line treatment for small cell lung cancer that has been agreed upon with the FDA continues enrolling patients. This is a three-arm trial comparing lurbinectedin as monotherapy or in combination with irinotecan against investigator's choice of irinotecan or topotecan.

If the outcome is positive, this could serve as a confirmatory trial in the United States and as a registration trial in other territories outside the United States, including the EMA's jurisdictions.

Recruitment continues satisfactorily for the Phase III trial that our partner Jazz Pharmaceuticals and Hoffmann-La Roche are conducting with Zepzelca® in combination with atezolizumab, a PD-L1 inhibitor, for first-line maintenance treatment of small cell lung cancer. This trial, which is sponsored by Hoffmann-La Roche and co-financed by Jazz, will measure progression-free survival and general survival with Zepzelca® in combination with atezolizumab as compared with atezolizumab as sole agent. This research will provide information on a potential new first-line treatment option for small cell lung cancer.

A retrospective data collection study in France that included patients who had received lurbinectedin as part of the "ATU nominative" (named-patient authorization) program is awaiting publication. This study, which was presented at the ASCO Meeting, is being headed by Intergroupe Francophone de Cancérologie Thoracique and Groupe Français de Pneumo-Cancérologie. The study describes the clinical and demographic characteristics of these patients and evaluates real-life overall survival, progression-free survival, etc.

Leiomyosarcoma

The SaLuDo (Sarcoma patients treated with Lurbinectedin and Doxorubicin) Phase IIb/III clinical trial with lurbinectedin in combination with doxorubicin for first-line treatment of patients with metastatic leiomyosarcoma commenced in October. The endpoint is to evaluate the compound as first-line treatment in patients with metastatic leiomyosarcoma.

The trial involves 76 centers in the United States and several European countries, including Spain.

Patient enrolment is advancing on schedule.

Combination trials with Zepzelca (lurbinectedin)

Recruitment continues on schedule for the Phase I/II trials in combination with irinotecan and atezolizumab. The combination trial with irinotecan completed enrolment of the small cell lung cancer and synovial sarcoma cohorts of patients, while enrolment of the neuroendocrine tumor cohorts is continuing as planned.

Patient enrolment for the combination trial with pembrolizumab concluded and the results were presented in an oral session on small cell lung cancer at the ESMO 2023 meeting.

PharmaMar presented progress with Zepzelca at the main world conferences:

The 2023 World Conference on Lung Cancer, organized by the International Association for the Study of Lung Cancer (IASLC), was held in Singapore on 9-12 September. A number of communications on using Zepzelca® (lurbinectedin) to treat patients with small cell lung cancer were presented at the meeting:

- *"Efficacy of Platinum after Lurbinectedin + DOX or Topotecan/CAV in Sensitive Relapsed SCLC Patients in the ATLANTIS Trial".* Navarro et al.
- *"Efficacy of Platinum Given after Lurbinectedin in Sensitive Relapsed SCLC Patients".* Trigo et al.
- *"Effectiveness and Safety Profile of Lurbinectedin in Second-Line Small Cell Lung Cancer: A Real-world Study".* Ganti et al.
- *"Real-world Safety and Dosing of Lurbinectedin-Treated Patients with Small Cell Lung Cancer: Jazz EMERGE 402 Preliminary Analysis".* Halmos et al.

PharmaMar also presented new data on lurbinectedin in treating small cell lung cancer (SCLC) at the European Society for Medical Oncology (ESMO) 2023 Meeting in Madrid on 20-24 October:

- The final data from the LUPER trial with lurbinectedin in combination with immunotherapy as second-line treatment for small cell lung cancer were presented. The communication was entitled "*Lurbinectedin (LUR) in combination with pembrolizumab (PBL) in relapsed small cell lung cancer (SCLC): the phase 1/2 LUPER study*"

- Additionally, an abstract was presented with the title "*A randomised, multicenter phase-III study comparing doxorubicin (dox) alone versus dox with trabectedin (trab) followed by trab in non-progressive patients (pts) as first-line therapy, in pts with metastatic or unresectable leiomyosarcoma (LMS): Final results of the LMS-04 study*". These results further support testing lurbinectedin in sarcoma.

B) Ecubectedin (PM14)

The first Phase I/II clinical trial with ecubectedin attained the recommended dose in patients with advanced solid tumors. An expansion Phase II basket trial with a number of tumor types is currently enrolling patients.

Combination trials with ecubectedin

The first Phase I/II trial of this compound in combination with irinotecan identified the recommended dose in patients with advanced solid tumors. An expansion Phase II basket trial with a number of tumor types is currently enrolling patients.

The Phase Ib trial in combination with atezolizumab is also enrolling satisfactorily.

C) PM54

Enrolment continues on schedule in the Phase I clinical trial for the treatment of patients with different types of solid tumors. The trial is being conducted in Spain, Europe and the United States with the goal of determining the recommended dose.

D) PM534

Enrolment continues on schedule in the Phase I clinical trial for the treatment of patients with different types of solid tumors. The endpoints of this first trial are to find the recommended dose and assess the safety and efficacy profile. The trial will be conducted in Spain in patients with advanced solid tumors.

7.2. VIROLOGY: PHARMA MAR

COVID-19: Phase II

The **Nereida** Phase II trial to determine the efficacy and safety of plitidepsin in immunocompromised adult patients with symptomatic COVID-19 requiring hospitalization has been approved at 57 centers in 11 countries:

Pharma Mar attended the Society of Hematologic Oncology 2023 meeting in Houston on 6-9 September 2023, where Dr. Alicia Ortiz (MD Anderson Hospital Madrid) presented a poster on plitidepsin entitled *"Compassionate use of Plitidepsin in patients with Non-Hodgkin lymphoma and Sars-Cov2 infection"*.

Additionally, communications with data on Plitidepsin were presented at the following conferences: three posters presented on 16 November at the Congreso Nacional de Medicina Interna SEMI, which was held in Valencia on 15-17 November 2023, and one oral presentation on 28 October at the Congreso Nacional de Hematología (SEHH), which was held in Seville on 26-28 October 2023.

7.3. RNA Interference, OPHTHALMOLOGY: Sylentis, S.A.

In relation to tivanisiran, enrolment of the 200 patients with dry eye disease associated with Sjögren's syndrome, an autoimmune disease, involving more than 30 hospitals in the United States concluded in 2023. This was a randomized, double-masked, placebo-controlled trial whose primary and secondary end-points were, respectively, the efficacy (signs and symptoms) and safety of tivanisiran in patients with dry eye disease associated with Sjögren's syndrome. On 9 February 2024, it was announced that the Phase III trial conducted by Sylentis with *tivanisiran* for treating dry eye disease associated with Sjögren's syndrome had not attained its primary endpoint, related to efficacy.

Additionally, a Phase I trial in healthy volunteers with 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 four European countries (Czech Republic, Poland, Slovakia and Hungary) in 90 patients with AMD. 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 AMD.

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.

In 2023, construction commenced of an oligonucleotide production plant that will enable the company to cover its own potential production needs as well as producing for third parties. The plant will be built in stages and production capacity will be expanded in line with demand.

8. Acquisition and disposal of own shares

As of 31 December 2023, the Company's capital amounted to €11,013 thousand and was represented by 18,354,907 bearer shares with a par value of €0.60 per share. All the shares were fully subscribed and paid and have the same political and economic rights.

The breakdown of, and changes in, own shares in 2023 are as follows:

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

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

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

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

The established limits were as follows:

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

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

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

In 2023, the Company acquired own shares worth €34,100 thousand (€47,708 thousand in 2022) and sold own shares worth €17,966 thousand (€56,950 thousand in 2022). Those sales resulted in a loss of €3,797 thousand (a loss of €2,458 thousand in 2022), which was recognized in the Company's reserves. The company has a liquidity contract in place with an external firm that provides independent management of the purchase and sale of own shares.

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

9. Share information

General situation

The financial markets — both equities and fixed-income — ended 2023 on a more positive note than had been initially anticipated.

It was a particularly complex year for investors because, although the main indexes ended in positive territory, this was due mainly to the banking sector and some industrial companies, which represent a sizeable proportion of the indexes, while many medium and small companies in other sectors failed to match that performance. In addition, new sources of geopolitical uncertainty emerged during 2023, such as the outbreak of a new armed conflict in the Gaza Strip between Israel and Palestine, in addition to other existing conflicts such as the war in Ukraine. Moreover, the market experienced a banking crisis

in the first half of the year with the collapse of SVB in the US in March and, subsequently, the crisis at Credit Suisse, which was ultimately acquired by UBS. Despite these two banking crises, a context of rising interest rates helped the banking sector to be among the top performers in the market and to overcome the problems at the aforementioned institutions. Also important was the fact that the main central banks tightened monetary policy in 2023. The US Federal Reserve raised interest rates four times during the year, ending at 5.5%. Meanwhile, the European Central Bank increased interest rates six times in the year to 4.5%. These moves were driven by high inflation, which finally seemed to stabilize.

Nevertheless, the world's main stock markets performed better than expected, driven mainly by global growth of close to 3%, together with solid earnings at the companies that make up the world's main stock market indexes.

The Spanish Stock Exchange had a particularly good year, appreciating by 22.8%. This is largely attributable to good performance by the banks, which account for a sizeable proportion of the IBEX-35 (28.5% of the total at the end of 2023).

In Europe, the IBEX-35 was only outperformed by Italy's FTSE MIB index, which gained 28.3%. The Eurostoxx 500 and Germany's DAX appreciated by nearly 20% during the year (19.2% and 20.3%, respectively).

The U.S. indexes set the positive trend observed in the European stock markets. The Dow Jones gained 13.7% while the S&P500 was one of the best performers on that side of the Atlantic in 2023, appreciating by 24.2%.

As for the main biotech indexes, the Nasdaq Biotech Index gained 3.7% in 2023, and the S&P Biotech Index gained 7.6%. It is worth noting that both indexes were down -14% and -20%, respectively, until October and rallied strongly in the last two months to end the year in positive territory.

Share information 2023	
Total number of shares	18,354,907
Par value (euro)	0.60
Average daily trading (no. of shares)	50,238
Average daily trading (euro)	2,107,708
Trading days	260
Year trading low (6 October) (euro)	432,042
Year trading high (25 April) (euro)	7,742,148
Total trading in the year (million euro)	548
Lowest share price (6 July)	29.52
Highest share price (3 January)	66.22
Share price at 29 December	41.08
Average share price in the year	40.57
Market capitalization at 29 December (million euro)	754.02

PharmaMar's share performance

Despite positive performance by the main stock markets, PharmaMar's specific circumstances during the year proved challenging for the share, which depreciated by 36.1% to end the year at €41.1 despite a late 40% rally from the year's low.

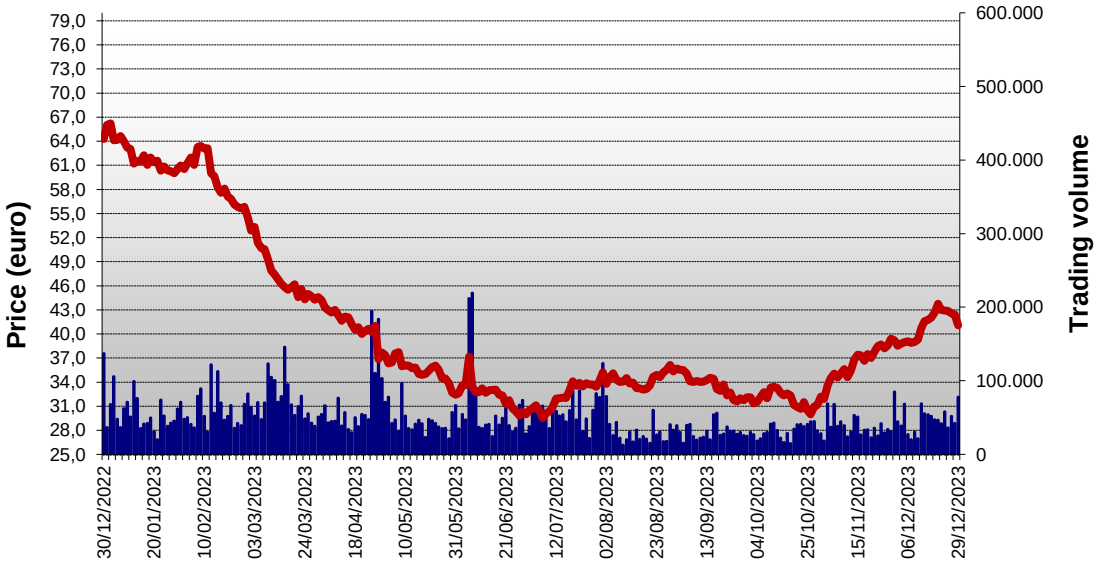
It was a complicated year for PharmaMar in the stock market. While the company has a sound balance sheet and has been making good progress with product development, the first quarter results reflected the arrival of generic Yondelis on the European market, which resulted in a significant decline in sales in that territory. The company had flagged the entry of generic Yondelis almost a year in advance but the market did not seem to have discounted it until the first data were published, and the effect on the share price was far greater than the negative impact on sales revenue.

Throughout 2023, the company focused its efforts on advancing the various clinical trials that had commenced in previous years, as well as initiating new trials. A new anti-tumor compound of marine origin, PM54, entered clinical development, alongside PM534, which had entered the clinical phase late in 2022.

The company has continued to develop lurbinectedin. During the year, PharmaMar commenced a new Phase IIb/III trial with lurbinectedin in combination with doxorubicin for first-line treatment of patients with metastatic leiomyosarcoma. In addition, the results of the trial of lurbinectedin in combination with pembrolizumab for small cell lung cancer were presented at the ESMO Meeting in Madrid in October, showing that it is an effective second-line treatment for this type of cancer.

Also, several territories approved lurbinectedin for sale, including notably Switzerland, Israel, Mexico and Taiwan.

In addition, our partner in China, Luye Pharma, announced in June that it had filed for approval of lurbinectedin in that country for the treatment of small cell lung cancer.



***Source**: Bloomberg*

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 Report on Director Remuneration, 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 2023

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 2023, 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 89-page document on 27 February 2024.

The Board of Directors:

José Mª Fernández Sousa-Faro Chairman	Pedro Fernández Puentes Vice-Chairman
Soledad Cuenca Miranda Director	Eduardo Serra Rexach Director
Sandra Ortega Mera Director	Carlos Solchaga Catalán Director
Rosa María Sánchez-Yebra Alonso Director	Montserrat Andrade Detrell Director
Mariano Esteban Rodríguez Director	Emiliano Calvo Aller Director
Mª Blanca Hernández Rodríguez Director	Fernando Martín-Delgado Santos Director

Certificate 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 PHARMAMAR Group (the consolidated group whose parent company is Pharma Mar, S.A.) for the year ended 31 December 2023, were authorized in electronic format by the Board of Directors at a meeting on 27 February 2024, 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. Which I certify in Madrid on 27 February 2024.

Secretary of the Board of Directors

_____

Juan Gómez Pulido

Pharma Mar, S.A.

Independent verification report

Consolidated Statement of Non-Financial Information

31 December 2023

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 2023 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.

The content of the SNFI includes information additional to that required by current mercantile legislation in relation to non-financial information, which has not been covered by our verification work. In this respect, our work was limited solely to verifying the information identified in "Anexo 1: Requerimientos de la Ley 11/2018 en materia de información no financiera y diversidad" included in the accompanying SNFI.

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 thel "Anexo 1: Requerimientos de la Ley 11/2018 en materia de información no financiera y diversidad" 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) of the International Ethics Standards Board for Accountants (IESBA Code of Ethics) which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management (ISQM) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 2023, based on the materiality analysis carried out by Grupo Pharma Mar and described in section "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 2023.
- Review of information relating to risks, policies and management approaches applied in relation to material matters presented in the SNFI for the year 2023.
- Verification, by means of sample testing, of the information relating to the content of the SNFI for the year 2023 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 2023 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 el "Anexo 1: Requerimientos de la Ley 11/2018 en materia de información no financiera y diversidad" of the aforementioned Statement.

Emphasis of matter

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, as well as the Delegated Acts promulgated in accordance with the provisions of the aforementioned Regulation, establish the obligation to disclose information on the manner and extent to which the company's activities are associated with eligible economic activities in relation to the environmental objectives of sustainable use and protection of water and marine resources, transition to a circular economy, prevention and control of pollution and protection and restoration of biodiversity and ecosystems (the rest of the environmental objectives), and with respect to certain new activities included in the objectives of mitigation and adaptation to climate change, for the first time for the 2023 financial year, in addition to the information referring to eligible and aligned activities already required in the 2022 financial year in relation to the objectives of climate change mitigation and climate change adaptation. Consequently, comparative information on eligibility in relation to the rest of the environmental objectives indicated above or on new activities included in the objectives of climate change mitigation and climate change adaptation, has not been included in the accompanying SNFI. Furthermore, to the extent that the information relating to the 2022 financial year was not required with the same level of detail as in the 2023 financial year, the information disclosed in the accompanying SNFI is not strictly comparable either. In addition, it should be noted that Pharma Mar, S.A.'s directors have incorporated information on the criteria that, in their opinion, allow for improved compliance with the aforementioned obligations and which have been 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.

The original Spanish version was signed by Ramón Abella Rubio.

28 February 2024

PHARMA MAR GROUP

(Pharma Mar S.A. and affiliates)

SEPARATE REPORT ON THE CONSOLIDATED STATEMENT OF NON-FINANCIAL INFORMATION (ART. 49.7 OF THE CODE OF COMMERCE) FOR THE FISCAL YEAR ENDED DECEMBER 31st 2023, WHICH IS PART OF THE MANAGEMENT REPORT OF THE PHARMA MAR GROUP FOR THAT FISCAL YEAR

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 December 28th, amending the Commercial Code, the amended and restated text of the Capital Corporations Law as approved by Royal Legislative Decree 1/2010 of July 2, and Law 22/2015 of July 20th 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 publishes this NFIS in order to **report on and disseminate its sustainable development strategy and its performance in 2023**. 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

In September 2022, the Board of Directors of Pharma Mar, S.A. decided not to continue with the activity of the diagnostics segment, which had been carried out through its wholly owned subsidiary, Genomica, S.A.U., under liquidation. Consequently, the activities of this segment were discontinued in the first quarter of 2023 and the liquidation process is currently continuing. Due to this limited activity, it has not been considered relevant to include it in the analysis of certain categories of material Group matters, except in the notes 2.2 "Evolution of our workforce" and 2.3 "Pay gap and average remuneration".

Note 1.3 "Our organization" shows all the companies included in the consolidated financial statements of the Pharma Mar Group.

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 execution 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 staff 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 **material issues** are grouped into five categories and shown in ***Figure 1*** along with the Group's stakeholders.

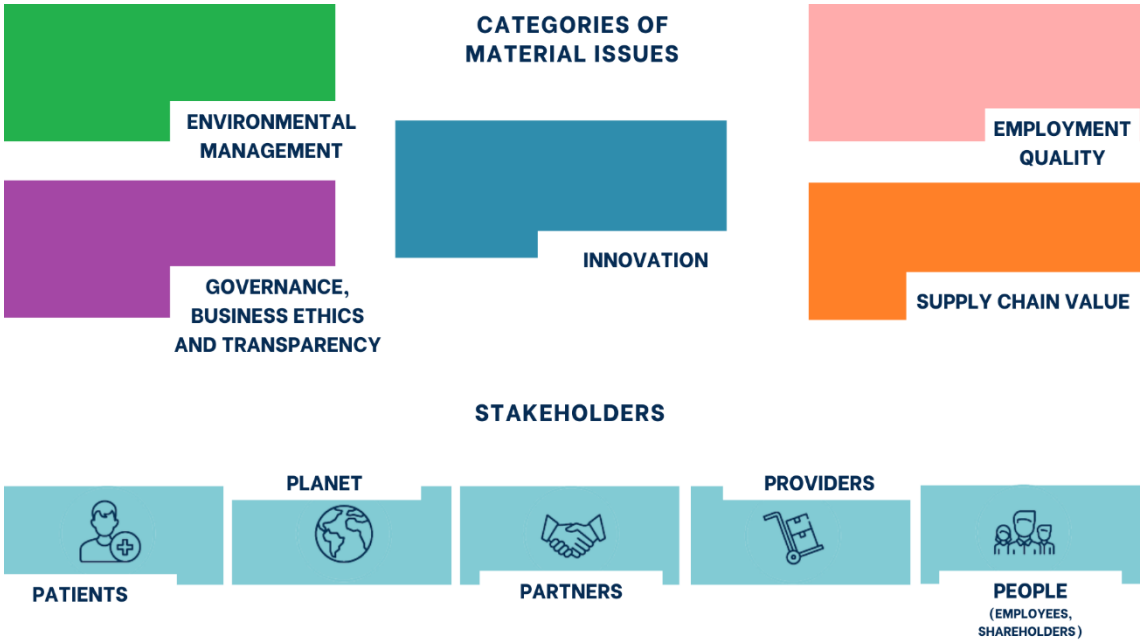


***Figure 1**. Categories of material issues and stakeholders of the Pharma Mar Group.*

In 2023, based on the identification made in 2022, an assessment was made of the existence of possible significant changes in the Group's reality that could have a substantial impact on the material issues defined in the previous year. The analysis of internal relevance involved consultations with the heads of the Pharma Mar Group's functional areas that are directly related to the areas analyzed in the NFIS (Human Resources, environment, operations and quality), concluding that no changes were made with respect to the previous year. With regard to external relevance, there were some minor variations for stakeholders in some material issues, due to the different

scores given to the categories "Patient safety and well-being", "Climate change", "Attracting talent" and "Transparent taxation" in the press analysis.
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.

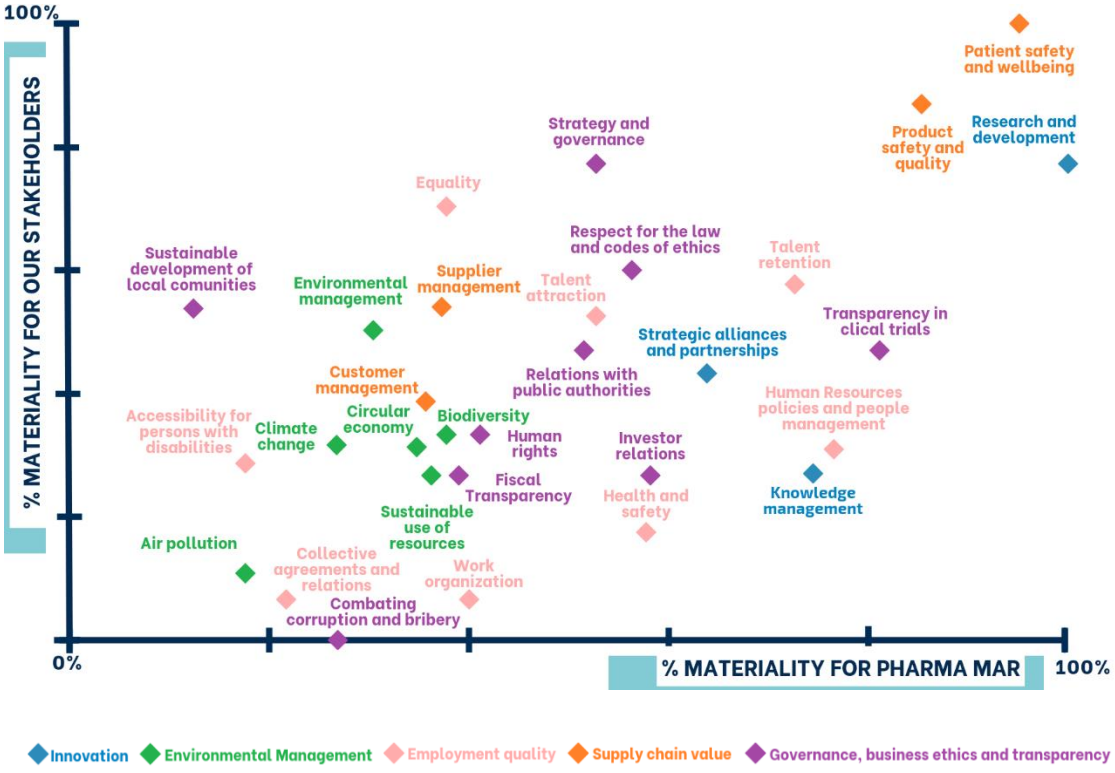


Figure 2. *Materiality matrix for the Group in 2023.*

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.

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, there are no changes in the main material issues(***Annex 2***), both for the Pharma Mar Group and for its stakeholders, but it is noteworthy that the material issues related to the environment are of certain relevance compared to the previous year, especially the focus and objectives of environmental management. The main material issues 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:

- Environmental management approach and goals.

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.

In October 2023, Pharma Mar joined the first IBEX ESG (Environmental, Social and Governance) index, which includes the 47 leading Spanish companies that promote sustainable investment. The requirements for inclusion in this index are an ESG rating equal to or higher than C+, of the twelve possible levels between A+ and D-, and compliance with the United Nations (UN) Global Compact Principles, as well as exclusion criteria related to business activities critical to sustainability.

In addition, since 2021 Pharma Mar has been part of the Ibex Gender Equality Index, the first indicator in Spain that measures the presence of women in management positions and aims to promote gender equality in line with the UN's Sustainable Development

Goal 5. To be part of the index, companies must have between 25% and 75% female presence on their Board of Directors and between 15% and 85% in senior management.

The Sustainability Action Plan 2021-2023 and the Sustainability Policy may be consulted in the "Sustainability & Ethics" section of the Pharma Mar 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.

During 2023, follow-up meetings were held by the sustainability reporting working group, where the progress of each of the goals was evaluated. At the end of 2023, 90.1% of the proposed objectives were met. Most of the partially achieved targets will be continued in the next Action Plan which is being drawn up for the period 2024-2026.

***Figure 3**. Alignment of the Sustainable Development Goals of the 2030 Agenda with the Pharma Mar Group's five categories of material issues.*

DNSH principle

To comply with the "do not cause significant harm" (DNSH) principle, Pharma Mar has been working in 2023 to prepare a report on climate change-related risks and opportunities. The guidelines described in **Appendix A of Delegated Regulation 2021/2139/EU of the EU Taxonomy on Adaptation to Climate Change** in the DNSH were used as a reference **for identifying and assessing the specific physical climate events** to which the Pharma Mar Group is exposed and for identifying and implementing adaptation solutions that substantially reduce the material risks identified.

The methodology followed by the Pharma Mar Group to assess physical climate risks and identify and implement solutions can be summarized as follows:

1. **Categorization and selection of the various acute and chronic physical climate events** to which Pharma Mar is exposed, which could affect the performance of economic activity over the foreseen duration.
2. **Calculation and prioritization of the overall risk** for each climate event according to the different scenarios.
    a. Assessment of the danger of the selected climate events based on different climate scenarios.
    b. Assessment of the vulnerability of the activities exposed to the different climate events.
3. **Estimation of the financial impact** of the materialization of significant physical climate hazards.
4. **Assessment of adaptation** solutions that can reduce significant physical climate risks.

Thus, the Pharma Mar Group reports on the risks and opportunities associated with climate change in note 1.7 “Short, medium and long term risks”, assuming its responsibility as an active agent in the fight against climate change.

0.2_ Key performance 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***).

		2022	2023
Innovation	Revenue (thousands of Euros)	196,343	158,153
	Investment in R&D/revenues (%)	42.5	62.8
	Operating expense/revenues (%)	29.8	34.5
	Number of new patent applications	249	75
	Number of strategic agreements in force	46	46
Corporate Governance	Independent Directors (%)	41.7	41.7
	Women on the Board of Directors (%)	33.0	41.7
	Communication to society: number of media impacts	17,171	3,382
Talent attraction and retention	Workforce turnover (%)	19.3	12.7
	Hours of training	24,917	25,199
	Number of nationalities (cultural diversity)	15	15
	Women in management positions (%)	47.6	51.1
Environment	Amount of water used (m^3)	8,937	8,765
	Annual amount of Chemical Oxygen Demand (COD) discharged for industrial use (kg)	402.3	879.1
	CO_2 emissions (t CO_2e)	8,293	14,149
Community Action	Cumulative number of orphan drug designations in force	19	22
	Number of collaborations with not-for-profit entities	33	40
	Interns trained in the year/total workforce (%)	4.3	4.1

***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 reduction in the number of new patent applications is due to the national extension in 2022 of several patent applications processed and granted under the Patent Cooperation Treaty (PCTs).

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 2022, 24,113 hours were recorded. A figure of 24,917 hours was extracted from the database on the date on which this report was prepared.

Communication to society indicator: number of impacts in the media. The high number of impacts in 2022 compared to 2023 is due to the fact that in that year the Group was part of the IBEX 35 and appeared in a large number of news items relating to this index.

Environmental indicator: The increase in CO_2 emissions is due to the investment made in the new Getafe plant for the production of oligonucleotides, carried out by the RNA interference segment. Although Scope 1 emissions were maintained, Scope 2 and 3 emissions increased.

2023 MILESTONES

JANUARY-MARCH

Zepzelca® (lurbinectedin) receives approval for treatment of metastatic small-cell lung cancer in Mexico

Zepzelca® (lurbinectedin) receives approval for treatment of metastatic small-cell lung cancer in Switzerland

Zepzelca® (lurbinectedin) initiates Named Patient Program for small-cell lung cancer in Hong Kong

Zepzelca® (lurbinectedin) receives approval for treatment of metastatic small-cell lung cancer in Israel

APRIL-JUNE

Pharma Mar receives AEIFI award for its commitment to employee training

Start of the first clinical trial with a new molecule, PM54, in patients with solid tumors

Pharma Mar joins Reuters' Ocean Titans project to promote sustainability and research

Start of the Nereida clinical trial with plitidepsin for the treatment of immunocompromised patients with COVID-19

Zepzelca® (lurbinectedin) receives orphan drug designation from the European Commission for the treatment of soft-tissue sarcoma

PharmaMar Foundation is born to promote and disseminate science and research

JULY-SEPTEMBER

The PROFARMA program once again awards Pharma Mar the "Excellent" company rating

Pharma Mar organizes the XVII international congress "MaNaPro" and the XII European conference "ECMNP" on natural marine products in Granada

Lurbinectedin licensing agreement with Key Oncologics for marketing and distribution in Africa

Zepzelca® (lurbinectedin) receives approval for treatment of metastatic small-cell lung cancer in Taiwan

Zepzelca® (lurbinectedin) receives approval for treatment of metastatic small cell lung cancer in Oman

OCTOBER - DECEMBER

Start of a new Phase IIb/III clinical trial with Zepzelca® (lurbinectedin) for the treatment of patients with metastatic leiomyosarcoma.

PharmaMar Foundation celebrates the first edition of the Argonauta Awards

Ecovadis recognizes Pharma Mar's commitment to sustainability with a silver medal

Pharma Mar receives 10 million of dollars milestone payment from Janssen

Zepzelca® (lurbinectedin) receives approval for treatment of metastatic small-cell lung cancer in Peru

Zepzelca® (lurbinectedin) receives approval for treatment of metastatic small cell lung cancer in Macau

Zepzelca® (lurbinectedin) receives approval for treatment of small-cell lung cancer in Hong Kong

1. About Pharma Mar

1.1_Pharma Mar Group

Pharma Mar Group in 2023 has been present mainly in the oncology and RNA interference segments, focused on human health.

In the **oncology segment**, its core business, 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 400,000 marine samples for the search for new treatments for serious illnesses.

Pharma Mar improves the lives of cancer patients with the following marketed drugs:

- **Zepzelca®** (lurbinectedin). This Pharma Mar product is marketed in general terms 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 2020, and at year-end 2023 it has been approved in another fifteen countries: Australia, Singapore, United Arab Emirates, Canada, Qatar, South Korea, Ecuador, Mexico, Israel, Switzerland, Taiwan, Oman, Peru, Macao and Hong Kong.
  Zepzelca® continues to be developed for new indications in order to expand the number of patients who can benefit from them.

- **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 64 countries.

- **Aplidin®** (plitidepsin). It was approved — in combination with dexamethasone — for treating patients with relapsed **Multiple Myeloma** in Australia.

Pharma Mar also has an expanding pipeline, including the PM14 (ecubectedin), compound for which Phase I and Phase II clinical trials are under way to treat patients with solid tumors, and the PM534 compound with a Phase I clinical trial also on solid tumors.

In 2023, a new molecule, PM54, started a Phase I/Ib clinical trial in patients with advanced solid tumors after all approvals were granted by Ethics Committees and Regulatory Agencies. The trial is being conducted in Spain, Belgium and the United States.

In its fight against cancer, Pharma Mar is firmly committed to searching for drugs to treat rare diseases, also known as **orphan drugs**. In 2023, lurbinectedin was designated as an orphan drug for the indication of Soft Tissue Sarcoma in Europe and Switzerland, as well as for Ovarian Cancer in Switzerland.

With this, Pharma Mar currently has 22 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 and Switzerland (2023).
  - 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.
  - Designation for the treatment of Soft Tissue Sarcoma in the European Union (2023) and Switzerland (2023).

Figure 4 shows a map of current designations of orphan drugs.

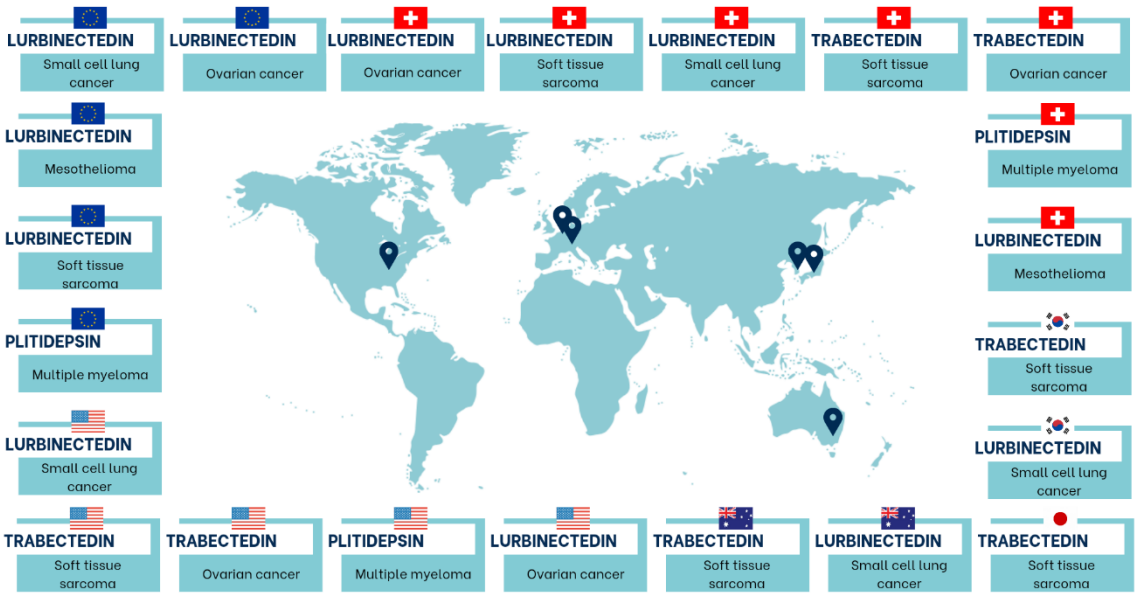


Figure 4*. Map of current orphan drug designations.*

In the segment of **RNA interference**, a selective gene silencing method, the Group is primarily focused on ophthalmology. Its most advanced compound, tivanisiran, continued its Phase III study in the United States for the treatment of Dry Eye syndrome, which is associated with Sjögren's Syndrome. As of the date of this report, this study, which evaluated the efficacy of tivanisiran, has not reached its primary endpoint. In addition, in 2023, the Phase II trial of its SYL1801 compound continued 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 digitization and Industry 4.0.

As well as its advances in pharmaceutical development, in 2022 the RNA interference segment 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. In 2023, the construction of a new oligonucleotide manufacturing plant was started in order to meet the company's own manufacturing needs, as well as to produce for third parties.

In addition, in the virology area, Pharma Mar commenced the Phase II NEREIDA trial in immunocompromized COVID-19 patients in 2023, where there is an unmet medical need. This trial is being conducted in Spain, Hungary, Poland, Italy, Greece, the UK, Belgium, Georgia and Israel.

The Group's research efforts are supported by public co-funding of various projects **in cooperation with research centers and other private companies** (***Figure 6***).

In the oncology segment, the public-private partnership projects, ONCOLIBERYX and TERINMUN, continued. Both projects are led by Pharma Mar together with cutting-edge researchers in Spain in the fields of 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 addition, the oncology segment is also actively working in the following projects from strategic lines called µMETonChip, which seeks to develop a new micro metastasis-on-a-chip platform for screening and validating marine-based drugs; RECYTSEA, on repurposing 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.

All these projects are co-funded by the Ministry of Science, Innovation and Universities through the State Research Agency.

For its part, the RNA interference segment continues to lead the OLIGOFASTX project, funded by the same Ministry through the Centre for Technological Development and Innovation. This project promotes new therapies based on RNA oligonucleotides for the treatment of rare diseases and generates an industrial framework aimed at their accelerated development in Spain. It has also continued its role in the AgrarIA consortium on Artificial Intelligence applied to the value chain of agricultural production 2050, a project funded by the Ministry of Digital Transformation and the Civil Service.

These eight projects, mentioned above, 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 segment and the RNA interference segment. Lastly, in 2023, 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 5 shows the collaborative R&D projects underway in 2023, in both the oncology and the RNA interference segments.

***Figure 5**. Collaborative R&D projects underway in 2023.*

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 segment allows the Group to finance R&D investment in order to continue growing. Revenue generation and a strong balance sheet with net cash and a reduced debt position enables the Group to finance its R&D investment for further growth.

- The licensing agreements with various international partners for 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.

- 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.

- With regard to the investments made in the Group, the main recipient of R&D investment is oncology, the Group's main strategic business. Oncology is the greatest growing segment and the company intends to continue its commitment to R&D investment to bring new drugs to market.

- While oncology is its core business, Pharma Mar is also investing in other opportunities. Hence, it is conducting researches in ophthalmology with one of the new gene silencing technologies, RNA interference.

Each year, 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. In this regard, since 2002, Pharma Mar has received an **Excellent rating** in the PROFARMA plan, the primary objective of which is to increase the competitiveness of the Spanish

pharmaceutical industry through modernization and the bolstering of activities that contribute greater added value.

According to a report published on December 14th 2023 by the European Commission's Joint Research Center titled "*The 2023 EU Industrial R&D Investment Scoreboard*," in 2022 **Pharma Mar was the Spanish group that invested the highest proportion of its sales in R&D** (41.4%). It also ranked second in Spain in investment in R&D per employee.

In absolute terms, it rose to 284th from 297th position in the 2022 EU report, on the list of private investment in R&D in the European Union, making it the Spanish pharmaceutical group with the second largest R&D investment. The Pharma Mar Group ranked 1,830th on the list of companies in the world with the largest R&D investment, up from 1,906th.

1.3_ Our organization

At December 31st 2023, the Pharma Mar Group was structured as shown in ***Figure 6***.

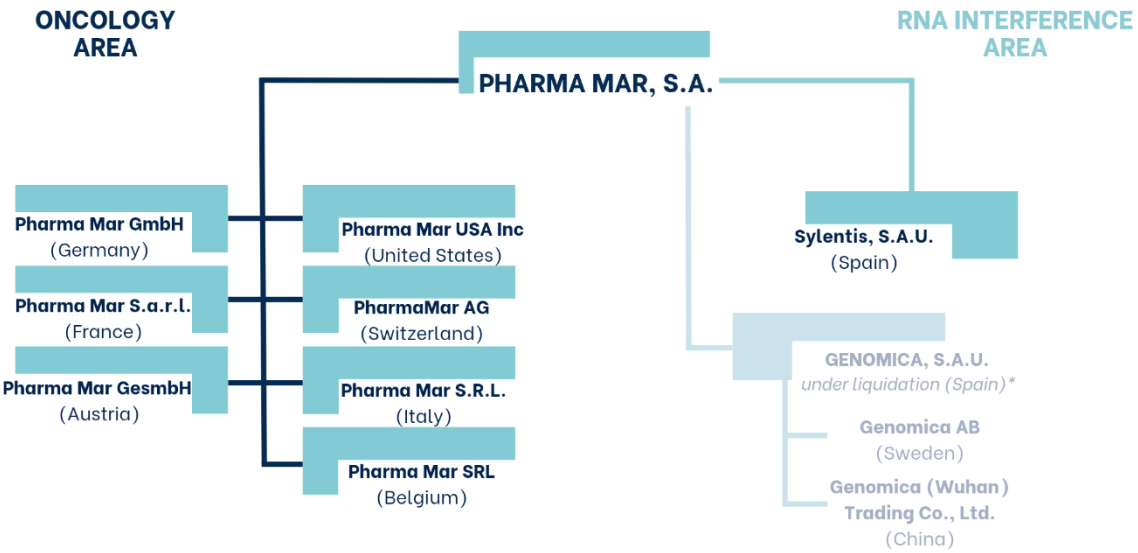


Figure 6*. Organizational structure of the Pharma Mar Group. All affiliates are wholly owned by Pharma Mar, S.A. *In September 2022, the Board of Directors of Parma Mar, S.A. agreed to discontinue activity in the segment of diagnostics.*

1.4_ Our strategy

The key elements of the Pharma Mar Group's strategy in the segment 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. Two new molecules have been added to the oncology pipeline in the last 14 months.

- 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 segments of activity:

- In the segment of RNA interference, research is progressing from early to clinical stages in the area of ophthalmology.

- The RNA interference segment 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 segment is therefore open to collaborations with third parties for therapy development.

- Since mid-2022, the RNA interference segment also has an oligonucleotide production pilot plant. In 2023, it has started the construction of a production plant that will enable it to cover its own potential production needs in the future, as well as to produce for third parties. The construction will be carried out in different phases, with production capacity being expanded in line with changing requirements.

1.5_ Challenges for the pharmaceutical industry

In a geopolitical context of increasing risks, several challenges facing the pharmaceutical industry are highlighted, such as global technology fragmentation, volatile commodity prices, financial uncertainty and incessant regulatory developments. Against this backdrop, the European Union is primarily seeking to strengthen its strategic industrial autonomy and accelerate the deployment of technological innovations, while proposing a Pharmaceutical Strategy focused on the patient and on the accessibility of medicines for all European citizens.

On April 26th 2023, the European Commission adopted a proposal for a new Directive and a proposal for a new Regulation revising and replacing the existing General Pharmaceutical Legislation.

In this review, the biggest European reform in more than 20 years, the European Commission addresses problems such as delays in getting medicines to patients, unequal accessibility, unmet medical needs, high prices and shortages. Its main

objectives include creating a single market for medicines, promoting an innovation-friendly regulatory framework, reducing administrative burdens, ensuring availability across the EU, combating antimicrobial drug resistance and promoting environmental sustainability.

Specific measures include incentivizing companies to make medicines available in all EU countries, simplifying marketing authorization procedures and introducing stronger measures against shortages. The reform also aims to make regulation more effective, with the European Medicines Agency providing better support, faster assessment processes and effective incentives for innovation. However, the proposal also contains a reduction of patent exploitation time if innovations do not reach the market in all 27 EU countries within two years. As well as, a reduction of orphan drug designations with a standard length of market exclusivity period of 9 years, which may be a drag on investment in Research and Development of new products in the long term. These proposals are currently under review by pharmaceutical industry associations.

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.

In this particular context, the challenges identified in previous years' NFIS are maintained, but reordered according to their level of importance:

Better control in the supply chain

In the face of volatile commodity prices, pharmaceutical companies must diversify their supply sources and seek supply chain efficiencies to mitigate cost increases.

The current geopolitical situation has also highlighted the danger of the concentration of global production in certain countries and the consequences for production if long supply chains are subject to climatic shocks, pandemics, wars and/or changes in a country's trade policy.

Increased funding for innovation

In October 2023, the European Commission presented a list of critical technologies to incentivize, protect and compete with other countries. These critical technologies are artificial intelligence, semiconductors, biotechnology and quantum computing.

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.

Besides, with increasing digitization, the pharmaceutical industry that handles large amounts of sensitive data will need to implement robust cyber-security measures to protect Research and Development information, as well as patient data.

Public-Private partnerships to promote R&D

Encouraging and optimizing collaboration between public administrations and the private sector is essential to boost investment in medicines research and development. However, this collaboration is hampered in Europe by excessive regulation and bureaucracy in signing collaboration agreements, managing joint projects, securing project funding and balancing the benefits and risks inherent in research.

As a result, there is a need for a clear legal and regulatory framework, which provides legal certainty and takes into account the long-term nature of the research projects, including a reform of the contracting procedures and management of these joint projects, as well as of the aspects that regulate the so-called "open science" vis-à-vis the need for protection and exploitation of the Industrial Property that is generated.

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.

[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 19th February 2023.

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.

In the area of sustainability, the industry must adopt sustainable practices to reduce its environmental footprint. This includes the implementation of environmentally friendly practices in the manufacture and distribution of medicines, which is also a challenge to adapt to upcoming regulations.

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, are prohibited by law from directly approaching patients to speak about products or treatments.

In addition, ensuring equitable access to medicines and treatments is a major challenge. The industry must work in partnership with governments and organizations to ensure that the benefits of innovation are available to all populations.

In summary, the pharmaceutical industry faces complex and multidimensional challenges ranging from technological innovation to managing economic, climate and geopolitical risks. Adaptability and the adoption of sustainable practices will be critical to its success in this changing environment.

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.

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 Compensation Policy (2022-2025) approved by the General Shareholders' Meeting. The Board of Directors also approved the Crime Prevention Plan, which integrates the Anti-Corruption Policy, the Code of Conduct and the Ethics Channel Policy, among others. The Board of Directors also approved a Sustainability Action Plan 2021-2023.

In addition, each of the Group's segments 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 General Policy for the Protection of Personal Data and the Telework Policy.

In 2003, the following Policies and procedures have been updated and/or approved:

- Purchase Policy;
- Supply Chain Code of Conduct;
- Management of complaints regarding promotional and non-promotional materials and activities;
- Reporting of events and activities to Farmaindustria's Surveillance Unit in accordance with Farmaindustria's Code of Good Practice;
- Drafting, revision, approval and signing of contracts;
- Travel Expenses and Acceptance of Gifts Procedure; and
- Information Systems Security Procedure for Affiliates.

In addition, because of the update of the **Ethics Channel**, the following documents have been updated or generated during 2023:

- Code of Conduct;
- Ethics Channel Policy;
- Ethics Channel and Internal Investigations Management Procedure;
- Protocol for dealing with harassment at work;
- Disciplinary Policy;
- Corporate Compliance Committee Charter; and
- Ethics Channel Frequently Asked Questions (FAQ) document.

In 2023, in addition to the review of the aforementioned procedures and policies, the documents considered key to ethics and compliance were translated into the languages of the countries where the company has affiliates (French, German and Italian), in an effort to bring ethical compliance closer to the employees of the affiliates, so that they find it more attractive and easier to comply with, as the documents are available in their own language.

In the update of the Code of Conduct approved by the Board of Directors in 2023, among other aspects, a chapter was added on the company's commitment to money laundering and the chapter on tax obligations was expanded.

Figure 8 lists the Pharma Mar Group's internal policies and regulations.

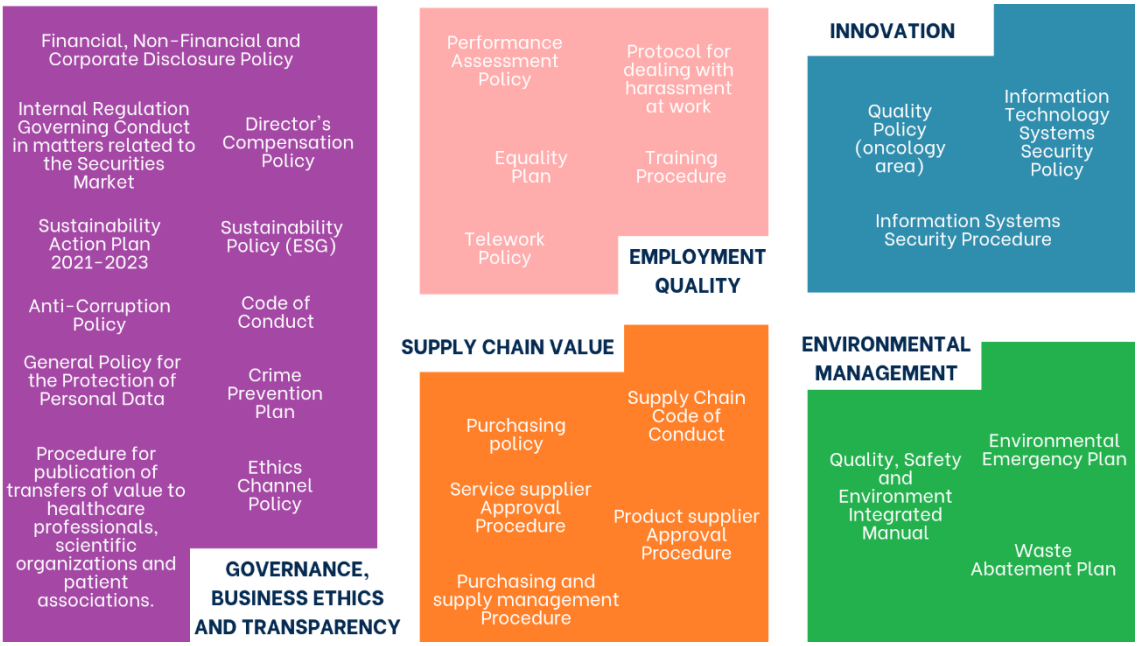


***Figure 8**. Internal policies and regulations classified according to the materiality analysis categories.*

1.7_ Short, medium and long term risks

Risk management in the Pharma Mar Group requires special attention in the context of a highly regulated sector, subject to rapid change and immersed in innovation and product development projects that require a large investment and do not always guarantee a successful outcome or short-term profitability.

Early detection of risks for the Group can provide a competitive advantage by being able to anticipate and implement the necessary preventive or corrective measures to minimize the potential impact on the Group's activities as well as on its supply chain, ensuring the continuity of its operations.

The Group's risk identification and assessment is based on ESG criteria, both in the short, medium and long term, which facilitates the implementation of the necessary preventive or adaptive measures within the appropriate timeframe to address potential threats that may materialize.

Pharma Mar Group's risk management is carried out independently by the various departments/areas, thereby involving all levels of the company in anticipating and preventing risks that could compromise the achievement of the Group's objectives.

In addition, the Audit Committee is responsible for monitoring the effectiveness of the Company's internal control and risk management and control systems, and for submitting recommendations and proposals to the Board of Directors in this regard. This process enables the Group to have a comprehensive view of potential threatening events. The Pharma Mar Group's risk management process is divided into the following phases:

- **Identification:** The first phase focuses on identifying potential risks related to sustainability, including climate change, which may have a negative impact on the Group's activity in the short, medium and long term. Any person in the Group may

participate in this phase. Once a potential risk has been identified, it must be communicated to the head of the Group's area or department for validation, who will be ultimately responsible for it. This process is coordinated by the Audit Committee.

- **Assessment and action:** Once the risks have been identified, a qualitative assessment of the risks is carried out jointly with the area and the Audit Committee. The objective of this phase is the design and planning of specific action plans to mitigate the risks identified in the previous phase. These action plans may comprise preventive measures, corrective actions or contingency protocols to avoid a possible disruption of the company's normal activities.
- **Follow-up and monitoring:** Finally, the aim of this last phase is to ensure the correct implementation of the actions and measures planned in the assessment and action phase. For each risk assessed, control activities are defined to follow up and monitor the actions planned and implemented. This task is carried out by the area itself. The planned action drawn up may be subject to changes and updates, in the event of changes in the Group's internal or external circumstances or the possibility of new emerging threats.

As indicated above, the Pharma Mar Group has two bodies responsible for guiding and supervising the company's risk-related actions. The first is the Board of Directors, whose functions are to determine the company's sustainability policies and strategies, as well as the relationships and implications they have throughout the value chain. It plays a fundamental role in monitoring the actions approved and developed, evaluating the actions based on the objectives and goals established. Its work is key to ensuring the long-term success of the Group. The second body is the Audit Committee, whose functions include the supervision and independent assurance of the internal and external audit process and the effectiveness of the control and management systems for financial and non-financial risks; it monitors the metrics used to quantify and monitor the measures implemented by the various departments. In addition, the Committee identifies and assesses potential risks in the company, especially in matters related to sustainability, regulatory changes or reputational issues.

Classification of risks based on ESG criteria

The following table shows the details of the main ESG risks identified, together with the expected time horizon and the company's management approach.

Types of risks	Time horizon
Environmental	
Impact of climate change The fight against climate change is the main environmental risk currently facing society as a whole, as evidenced in the *Global Risks Report 2024*, published by the *World Economic Forum*[2] . In the short term, its impacts	**Medium-Long Term**

[2] Source: https://www.weforum.org/publications/global-risks-report-2024/in-full/?utm_source=google&utm_medium=ppc&utm_campaign=globalrisks&gad_source=1&gclid=Cj0KCQ

are already being felt in the form of extreme weather phenomena such as increased flooding, heavy rainfall and the risk of drought, which jeopardize the viability and stability of the Pharma Mar Group's business model. Ignoring these risks could have a negative economic impact, damage the Group's reputation and reduce the adaptive capacity and resilience of the business model.

Adaptation to climate change has therefore become a strategic priority within companies' risk management processes to ensure their long-term sustainability and resilience.

Pharma Mar Group response

The Pharma Mar Group, aware of the risk that climate change may pose to the fulfillment of the company's strategic objectives, is focusing its efforts on implementing measures to mitigate possible impacts.

In line with the necessary adaptation of the company to climate change, the Group has an environmental management system, certified under the ISO 14001 standard. In addition, the Group has a sustainability policy that includes the objectives set and the commitments acquired in the area of sustainability.

In this regard, during 2023, the Group has been working on the analysis and quantification of climate-related risks and opportunities, reported in accordance with the DNSH of Adaptation to Climate Change of the European Taxonomy and the requirements of the Climate Change Act. This study has made it possible to define the main climate risks and opportunities in the short, medium and long term through their danger and vulnerability; to know their possible financial effects; and to identify the measures necessary for their correct management. As a result of this analysis, it has been identified that the main risks faced by the Group are those associated with possible flooding at suppliers' facilities and forest fires, heavy rainfall or water stress. Similarly, these risks bring with them a series of opportunities that the Pharma Mar Group can take advantage of, such as mitigating greenhouse gas emissions, adapting to climate change and improving innovation and updating, which would enable the company to improve its profitability and competitiveness.

In addition, in line with its commitment to limiting global warming to 1.5ºC as set out in the Paris Agreement, the Pharma Mar Group has set a Net Zero target for 2050; to this end, it is working to reduce its Scope 1 and 2 emissions in the short term (2030) and to involve its value chain to reduce its Scope 3 emissions in the long term.

Raw materials

Short term

In the current social and economic context, with the instability in the production and marketing of certain products in the pharmaceutical

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sector, there are risks arising from the various social and geopolitical crises that may lead to higher inflation and a decrease in the availability of certain raw materials from the usual suppliers, which may be essential for the normal functioning of the Pharma Mar Group's business.

This increase in prices may trigger the Group to take the adaptive measure of purchasing commodities in larger quantities than necessary to ensure their availability. This may result in excessive production costs or even losses from holding them in inventory. In a more pessimistic scenario, dependence on specific raw materials could expose the Group to supply risks, such as logistical problems and supply chain disruptions.

Pharma Mar Group response

In view of these risks arising from shortages or price increases in raw materials, the Pharma Mar Group has been working since last year to strengthen its supply chains. In order to achieve greater stability of supply, the Group has focused its efforts on diversifying its sources of supply and implementing strict monitoring of its suppliers. With the reclassification of its raw materials, it has achieved the objective of providing greater stability and guarantee when accessing them and at the same time implementing sustainability criteria in them. In the case of certain critical raw materials, Pharma Mar has implemented a procedure for action in the event that a product is discontinued. In addition, stock requirements for 2023 have been covered with the acquisition of packaging material and raw materials for manufacturing.

Social

Patient safety

Short term

The safety of the Group's patients is a central concern for companies in the sector, as it affects both the physical integrity and general well-being of patients, as well as having direct implications for the organization’s efficiency and reputation. In this regard, product safety, reliability and efficacy issues can negatively impact sales, result in litigation or reputational damage.

This risk may materialize in various ways, including failure to collect the necessary information, failures in drug review and monitoring processes, which may pose a risk to Pharma Mar’s business model. These circumstances may lead to product liability claims or other litigation, investigations or sanctions by public health authorities.

Pharma Mar Group response

Pharma Mar's effective management of this risk focuses on implementing sound safety policies and procedures based on the recommendations of the health authorities. Strict compliance with manufacturing standards (GMP), those relating to the distribution of pharmaceutical products (GDP) and those relating to the assessment of the risks associated with

medicines (GVP) are imperative in order to proceed safely throughout the manufacturing process, from product development to safe application to patients. GVP standards, together with regular product safety reporting, serve to minimize these risks.

Short term

Employee health and safety

The direct exposure of employees, especially those working in laboratories, to new natural or synthetic compounds, the adverse effects of which are unknown, poses a real risk to their health and safety. This risk is in addition to the usual hazards associated with exposure to chemicals and biological agents in use. The absence of appropriate mechanisms to anticipate potential risks and establish protocols for action in the event of an accident could put the health of workers at risk, as well as potentially causing reputational damage to the Group and significant associated costs.

Pharma Mar Group response

The health and safety of its employees is at the center of Pharma Mar's attention. In order to ensure a safe working environment, Pharma Mar has a health and safety management system certified in accordance with ISO 45001. Risk minimization is achieved through effective integration of prevention in all company activities, a training plan adapted to these risks and ongoing monitoring of the effectiveness of the measures implemented. All these activities are managed by the company's own Prevention Service and coordinated with specialized collaborating entities. In 2023, 33 actions were carried out in the area of Occupational Risk Prevention, weekly safety inspections and 3 emergency and first aid evacuation drills.

Medium term

Diversity and equal opportunities

The risks linked to diversity and equal opportunities in the Pharma Mar Group are of paramount importance, as they can affect organizational cohesion and the external perception of customers and investors. The absence of sound policies can lead to discrimination and harassment, generating internal conflicts, affecting employee morale and potentially resulting in legal problems. In addition, a lack of diversity in the Group's workforce can limit innovation and effective decision-making, reducing the company's competitiveness. Managing these risks involves implementing inclusive policies, providing diversity training and fostering a culture that values and respects differences, thereby promoting an equitable and diverse work environment.

Pharma Mar Group response

Pharma Mar's response to possible risks related to diversity and equal opportunities is set out in the Group's Code of Conduct, whose main objective is to prevent and eliminate discrimination on grounds of gender, race, sexual orientation or religious beliefs, among other reasons. To this

end, there is a Protocol for dealing with harassment at work. In order to promote diversity, job offers are widely advertised and the best candidate for each position is always sought, regardless of their origin, sex or age. In addition, an Equal Opportunities Plan for Men and Women has been implemented which sets out the company's main commitments and is available to all employees on the internal communication platform.

Attracting and retaining talent

Short term

Recruitment, management and retention of talent in the Pharma Mar Group are essential to ensure adequate organizational performance. However, because the Group's activity, which operates in a highly specialized sector, requires employees with highly specialized profiles, attracting new talent can become a risk factor.

On the other hand, inadequate staff selection can lead to poor performance and high employee turnover, which can lead to increased costs and affect the stability of work teams. In addition, lack of career development and effective on-boarding can de-motivate employees, contributing to a negative work climate and talent retention problems.

Addressing these risks involves establishing sound recruitment processes, promoting continuous professional development, and promoting a culture that values and retains talent, thus ensuring long-term stability and efficiency.

Pharma Mar Group response

An efficient recruitment process can enrich the team with diverse skills and perspectives, fostering innovation and improving adaptability to changing challenges.

Since its inception, Pharma Mar has championed an inclusive culture and well-designed retention programs, which not only increases stability in the workforce but also attracts external talent. One of the retention measures is the existence of an Employee Stock Participation Plan.

In addition, the Group enhances professional development and integration programs by implementing continuous employee training programs to strengthen employees' existing skills, technical and linguistic competencies, boosting their performance and commitment.

These continuous training and development programs enable the employee to improve his or her own competitiveness and to pass it on to the company by increasing productivity and process efficiency.

In 2023, the Pharma Mar Group spent 25,199 hours on training, an average of 49.5 hours per employee. This investment in training hours ensures that employees' skills are maintained and at the same time helps to retain them.

Supply chain management

Medium term

International instability poses a risk to the Pharma Mar Group's supply chain. The concentration of production in certain countries, regulatory changes, geopolitical instability, protectionist trade policies and increased physical climate risks threaten the smooth operation of the long supply chains that support Pharma Mar's products.

In particular, the environmental impact of the pharmaceutical supply chain is particularly relevant. There is therefore a risk arising from the interdependence between the commitments made by companies in the sector and the involvement of their supply chain.

Pharma Mar Group response

Aware of the great value of the supply chain for Pharma Mar, which is made up of a wide variety of suppliers of both products and services, the company pays special attention to its responsibility to ensure product quality at all stages of the supply chain and patient protection.

In view of the existing risks, Pharma Mar has managed to minimize the risks that could affect the supply chain, thereby creating a situation of security for customers. This has been achieved by diversifying the range of suppliers and improving planning, as well as strengthening the Group's main supply network. In addition, the supplier selection and approval system has integrated evaluation criteria for the socially responsible behavior of suppliers, while at the same time a commitment has been made to local products by choosing local suppliers over international ones. These measures implemented by the Group improve the reliability and stability of the supply chain.

In addition, Pharma Mar has a Supply Chain Code of Conduct to ensure that its own values permeate the supply chain.

Governance

Compliance and transparency

Medium term

The Pharma Mar Group is particularly sensitive to compliance risk, arising from internal and external regulations, their possible changes and their interpretation. In the pharmaceutical sector, which is highly regulated, this risk may materialize when stricter regulations come into force, especially in health, environmental and tax matters.

Possible non-compliance with applicable regulations may result in the imposition of sanctions or fines on the Group, a potential financial impact, exposure to investigations, or a negative impact on the reputation or image of the Pharma Mar brand.

On the other hand, there is a growing demand for transparency towards companies in the pharmaceutical sector, especially in their relationship

with the public sector, which requires constant adaptation by all actors involved, in a constantly changing environment.

In particular, the threat of corruption and bribery is one of the most important risks that corporate governance of companies in the sector has faced over the years, involving various PPP stakeholders.

Ineffective management of these risks (lack of codes of ethics and conduct, inefficient compliance systems, insufficient internal controls, etc.) not only threatens the Group's integrity, but may also affect its competitiveness and stakeholder confidence. Therefore, establishing and maintaining rigorous ethical and compliance standards is essential to ensure sustainable management and the short-, medium- and long-term success of the Pharma Mar Group.

Pharma Mar Group response

The Pharma Mar Group is firmly committed to business transparency and the strictest ethical compliance. It therefore implements the necessary preventive measures to ensure compliance with current legislation in the countries in which it operates. Furthermore, the Group is fully aware that ethical conduct can have a positive business impact, such as increasing the likelihood of attracting and retaining talent.

The Group complies with the sector's own regulations and guarantees compliance with the strictest regulations applied by the Health Authorities. Compliance with these regulations is monitored and audited at each stage of its processes. Pharma Mar has policies and procedures for efficient management of these risks, such as the Anti-Corruption Policy, the Crime Prevention Plan and the Ethical Channel Policy. It also has a dedicated *Compliance* Department and an associated Committee as a body delegated by the Board of Directors to oversee the operation of and compliance with the Crime Prevention Plan. On the other hand, the Oncology Pharma Compliance Committee is responsible for ensuring that the company works in line with the ethical codes of the pharmaceutical industry. In addition, the company has an Ethics Channel to report any potential non-compliance in relation to ethical, anti-corruption and/or compliance issues.

ESG regulatory risks

Medium term

In the current context of sustainability, one of the most frequently mentioned issues is the regulatory wave that companies are facing at international level, which implies a risk derived from the impossibility for companies to cope with a large number of new legal requirements. On top of this, there are additional demands from other stakeholders such as consumers, investors, suppliers and rating agencies.

On the one hand, non-compliance can lead to legal and regulatory sanctions, with possible fines and operational restrictions, as well as reputational damage as an immediate consequence. On the other hand, a negative perception in relation to social and environmental practices can

affect the confidence of consumers, investors and other stakeholders. This can result, in the medium term, in a loss of customers, diminished brand value and, ultimately, can negatively impact profitability.

Pharma Mar Group response

Pharma Mar is working to integrate sustainability into the company's organizational structure, which is why it is working to anticipate future legal requirements arising from the approval of new regulations or possible updates to legislation on sustainability, in order to avoid potential risks arising from possible non-compliance in this area.

Identifying, assessing and monitoring updates to the regulations applicable to Pharma Mar not only minimize this risk, but also creates opportunities for the Group. In addition to preventing this risk as a tool to avoid legal disputes, imprudent actions or the manufacture of products that do not comply with existing regulations, it could provide a competitive advantage by being ahead of other companies in the sector in complying with new legislation.

In order to prevent this type of risk, the company's Regulatory Compliance Committee is responsible for updating and applying information on governance regulations and integrating them with the set of rules that apply to the company.

In addition, the Group relies on external advisors to assist it with new regulatory issues. A budget is set aside annually for this purpose.

Cyber-security and data protection

Short term

Risks related to cyber-security and data protection have increased in recent years, especially following the changes introduced as a result of the COVID-19 pandemic, such as the implementation of teleworking and further digitalization of processes in the Group.

The possibility of cyber-attacks threatens the security and confidentiality of company, customer and patient and supplier data, putting the operational integrity and reputation of the company at risk. Data breaches from external intrusions pose serious implications, from loss of sensitive information to potential damage to customer confidence and possible legal consequences.

Pharma Mar Group response

The rapid evolution of cyber threats requires Pharma Mar Group to implement robust security measures to preserve the privacy of its patients', customers', employees' and suppliers' data.

To this end, it has an Information Systems Procedure that aims to align information technology strategies with the company's strategic objectives, as well as prioritizing strict compliance with current regulations and ensuring the efficiency, security and robustness of the information systems that support the company's business processes. In addition, in

order to minimize these risks, in 2023 all Pharma Mar personnel, including its European affiliates, received internal training on the most common cyber-security risks and best practices to avoid them.

Technological innovations

Short term

The incorporation of new technologies in the Pharma Mar Group entails risks that must be carefully considered. The costs associated with adopting new technologies, which include an initial investment, staff training and possibly upgrading existing infrastructures, can represent a considerable financial burden for the Group. In addition, rapid technological obsolescence can render investments obsolete in a short period of time, putting the company at a competitive disadvantage. Reliance on emerging technologies also introduces security risks, as exposure to vulnerabilities and cyber-attacks can increase significantly. Managing these risks in advance is essential to maximize the benefits and minimize the potential adversities associated with the adoption of new technologies.

Pharma Mar Group response

The company seeks to seize the opportunity presented by new technologies, and has therefore established a series of measures to position itself at the forefront, with technological products that help improve the Group's positioning in the markets. The implementation of collaborative projects such as the development of a powerful platform for the discovery of new molecules and the use of new enabling technologies in clinical trials are evidence of the Group's commitment to technology and the advantages it can offer.

Patents

Medium term

The risk of losing patents due to the limited period of exclusivity they provide is inherent to the pharmaceutical sector, especially because long periods of research are required for the authorization of a new product. This sector is one of the sectors with the highest number of applications for new patents year after year, which represents the high level of competition faced by the Pharma Mar Group.

Patent management at Pharma Mar entails risks such as the possibility of infringing other companies' patents, costly legal proceedings and loss of exclusive product rights. Given the special importance of Research and Development (R&D) for the Group, it is essential to protect the asset that industrial property represents for the development of its business. Pharma Mar must carry out strategic patent management and monitor the legal and regulatory environment, as well as follow up on challenges by competitors and their consideration by the courts in order to maintain its competitiveness.

Once the product patent (or other patent families protecting the product in the market) expires, there is a risk that generic products will enter the market to compete, putting considerable downward pressure on prices.

Pharma Mar Group response

Aware of the asset that patents represent for the company, as well as the enormous risk they entail, the Group follows a rigorous procedure to seek protection for the development of new products as a result of R&D, production processes or novel drug delivery methods.

Given the importance of this issue, the Pharma Mar Group has a Patents and Regulatory Affairs department that is responsible for ensuring the safety of these processes. In addition, the patent life-cycle management system monitors the status of the company's patents and analyses possible infringements of Pharma Mar's patents by other companies in the sector. The Group is also assisted by external patent advisors who, in addition to advising on the establishment of its own patents, keep it up to date on new regulations and possible incidents.

Risks materialized in 2023

Patent Risk: In the last quarter of 2022, the first generic trabectedin (Yondelis®) product reached the market. Subsequently, two more generic products have been approved for marketing in 2023. This generic drugs entry has led to a decline in Yondelis® sales revenues of approximately 60%.

Pharmaceutical development risk: On 9 February 2024, it was announced that the results of the Phase III clinical trial conducted by Sylentis with tivanisiran to evaluate the activity of this compound for the treatment of dry eye associated with Sjögren's syndrome did not meet the primary endpoint. As a result, the project was terminated and the market value of the Group company developing it was impaired.

In 2023, no supply chain, cyber-security, ethics, governance or environmental risks have materialized.

2. Employment Quality

OUR COMMITMENT

is to promote the professional development of Pharma Mar people in a safe, progressive, motivating and inclusive environment.

2.1_ People management

For the Pharma Mar Group, employees are the driving force behind its achievements. Their well-being is essential to achieving the Group's goals, without forgetting that the ultimate goal is to bring to market drugs that contribute to patients' well-being. To this end, Pharma Mar seeks to create a healthy working environment, offering fair compensation, benefits and opportunities for professional growth. As part of the healthcare sector, ethical behavior is promoted, and there is a Code of Conduct that establishes guidelines for employees' daily actions and their interaction with the various stakeholders.

This section will address the importance of employment at Pharma Mar, as well as the fundamental principles underpinning the relationship with its team of professionals.

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 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. This plan was updated in July 2023 with data as of the end of 2022.

2.2_ Workforce evolution in 2023

In order to calculate the average number of employees, the scope of consolidation of the financial statements as described in note 1.3 "Our organization" of this report has been taken into account.

In 2023, 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 workforce by gender, age, company, country and occupational group

Pharma Mar Group employed an average of 509 people in 2022, 61.5% of whom were women (515 people and 61.0% women in 2022), as shown in ***Figure 9.*** , thus revealing an 8.0% increase in staff between both years. Therefore, there has been a decrease of -1.2% in staff between the two years. This is due to the definitive cessation of activity in the diagnostics segment. Excluding this segment, the Group would have grown by 6.9% in employment.

Considering the figures at year-end 2023, the total number of employees working at the Group was 512 people; 317 women and 195 men (508 employees in 2022; 309 women and 199 men).

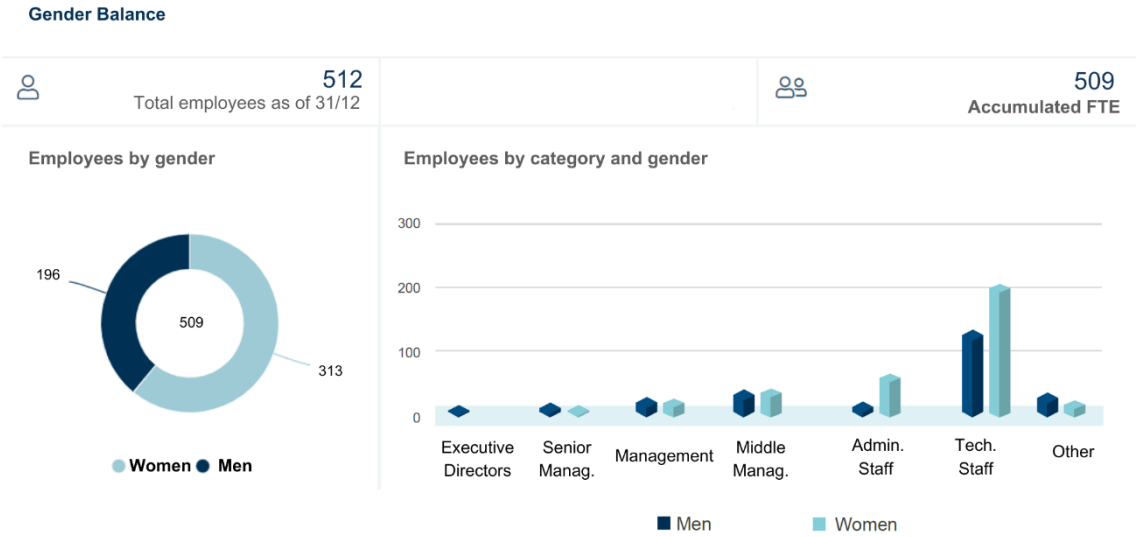

Figure 9*. Gender breakdown at Pharma Mar Group *Cumulative FTE is the average of all workers who were employed at any time during the year.*

In 2023, the average number of employees working in Spain was 447, equivalent to 87.8% of the Group's total workforce (481 people and 87.5% in 2022), with 62 employees working outside Spain, mainly in Europe (64 employees in 2022). These figures are shown in ***Table 3***. Average seniority or tenure at the Group was 8.4 years (7.9 in 2022).

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 Lebanese or Argentinian origin are shown in the table with their current nationality, whether Spanish, French, or other. In 2023, 17.1% of the Group's employees had a nationality other than Spanish (17.0% in 2022), with 96.9% of the Group belonging to the European Union (97.1% in 2022).

Employee averages	Spain			International		
	Pharma Mar	Genomica	Sylentis	European Union	Rest of the world	Total
Women	244	2	26	39	2	313
Men	159	2	14	21	0	196
TOTAL	**403**	**4**	**40**	**60**	**2**	**509**

Table 3*. Average number of Pharma Mar Group employees broken down by geographical area:*

Nationality	Women	Men	Total
Germany	7	11	18
Austria	6	0	6
Belgium	6	1	7
Spain	261	161	422
France	9	7	16
Italy	16	8	24
European Union	***305***	***188***	***493***
Argentina	1	2	3
Brazil	1	0	1
Canada	1	0	1
Cuba	0	1	1
United States	1	1	2
Peru	2	1	3
United Kingdom	0	1	1
Romania	2	1	3
Russia	0	1	1
TOTAL	**313**	**196**	**509**

Occupational Group	Women	Men	Total
Executive Directors	0	2	2
Senior Management	4	4	8
Management	12	11	23
Middle Management	47	44	91
Technical Staff	182	115	297
Administrative and Clerical Staff	62	8	70
Other	6	12	18
TOTAL	**313**	**196**	**509**

Age range	Women	Men	Total
< 30	23	15	38
31-40	67	34	101
41-50	114	66	180
51-60	96	62	158
> 61	13	19	32
TOTAL	**313**	**196**	**509**

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 2023 was 4.5%, compared to 95.5% for full-time employees (5.6% and 94.4%, respectively, in 2022). In 2023, 7.0% of women and 0.5% of men worked on a part-time basis (8.3% and 1.6%, respectively, in 2022). The highest relative percentage of part-time workers can be seen in the 41-50 age group, with 7.8% (8.9% in 2022 in the same age range). This information is shown in ***Table 5***.

Gender	Full Time	Part Time	Total
Women	291	22	313
Men	195	1	196
TOTAL	**486**	**23**	**509**

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**	**23**	**509**

Occupational Group	Full Time	Part Time	Total
Executive Directors	2	0	2
Senior Management	8	0	8
Management	23	0	23
Middle Management	88	3	91
Technical Staff	285	12	297
Administrative and Clerical Staff	62	8	70
Other	18	0	18
TOTAL	**486**	**23**	**509**

***Table 5**. Average number of full-time and part-time employees.*

Distribution of workforce by type of employment contract

In 2023, the annual average of indefinite contracts was 99.2%, compared to just 0.8% for temporary contracts (in 2022, 98.8% and 1.2% respectively) (***Table 6***).

Gender	Indefinite	Temporary	Total
Women	310	3	313
Men	195	1	196
TOTAL	**505**	**4**	**509**

Age	Indefinite	Temporary	Total
<30	36	2	38
31-40	99	2	101
41-50	180	0	180
51-60	158	0	158
>61	32	0	32
TOTAL	**505**	**4**	**509**

Occupational group	Indefinite	Temporary	Total
Executive Directors	2	0	2
Senior Management	8	0	8
Management	23	0	23
Middle Management	91	0	91
Technical Staff	293	4	297
Administrative and Clerical Staff	70	0	70
Other	18	0	18
TOTAL	**505**	**4**	**509**

***Table 6**. Average number of employees by type of employment contract.*

Tables 3, 4, 5 and 6 reported in this note with average number of employees are included in Annex 3 of this report with headcount data as of the end of 2023.

Dismissals by gender, age and occupational group

In 2023, there were 66 new hirings (107 in 2022), comprising of 47 women and 19 men, and a total of 63 departures (92 in 2022), of which 20 qualified as dismissals (36 in 2022). Sixty per cent of these redundancies, 12 in particular, correspond to the cessation of activity in the diagnostics segment. The process of ceasing this activity began in October 2022, when 22 employees were affected.

Employee turnover was 12.7% in 2023 (19.3% in 2022). Stripping out the effect of the aforementioned collective redundancies, Pharma Mar Group's employee turnover would have been 11.6%.

Table 7 shows the number of dismissals and their breakdown by gender, age and occupational group.

Occupational Group	2022			2023		
	Women	Men	Total	Women	Men	Total
Management	3	3	6	1	1	2
Middle Management	4	4	8	2	-	2
Technical Staff	13	6	19	4	8	12
Administrative and Clerical Staff	2	-	2	-	1	1
Other	-	1	1	2	1	3
TOTAL	**22**	**14**	**36**	**9**	**11**	**20**

Age	2022			2023		
	Women	Men	Total	Women	Men	Total
<30	2	-	2	2	1	3
31-40	5	4	9	2	1	3
41-50	11	3	14	2	5	7
51-60	4	3	7	3	3	6
>61	-	4	4	0	1	1
TOTAL	**22**	**14**	**36**	**9**	**11**	**20**

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 2023 and 2022.

[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 June 14th 2016 and File no. 61/2016.

Year	Gender	Technical Staff	Administrative and Clerical Staff	Other	Total
2023	Women	2	3	0	5
	Men	1	1	1	3
2022	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 99.6% of the workforce, thus excluding the wages of employees in the United States (2 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 2023, a number of employees (58 employees) were reclassified among the different professional categories used in this report to obtain the gross and weighted salary gap and average remuneration, as it was considered that this new classification better reflected the situation of these employees. This reclassification affects the professional categories of "middle management", "technical staff", "administrative and clerical staff" and "other". Therefore, for the purposes of comparability, the same reclassification has been made in the 2022 financial year, which has led to differences within the figures published in the previous financial year.

In 2023, the weighted wage gap at Pharma Mar Group was 5.8% (2.2% in 2022, after the new category classification) 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	26.6%	0.3%
Management	25.2%	1.0%
Middle Management	2.9%	0.4%
Technical Staff	4.9%	2.9%
Administrative and Clerical Staff	4.6%	0.9%
Other	14.2%	0.3%
	Weighted gap	**5.8%**

***Table 9**. Wage gap weighted by occupational group.*

The number of employees in the Group is not a large number and occasional variations in specific positions make the gap percentages very sensitive to changes. In 2023 there have been certain salary increases in certain positions to bring them closer to their comparators which have impacted the gap, which has increased from 20.2% in 2022 to 24.2% in 2023.

Tables 10 and 11 show the 2023 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	35.4%	35.4%	-
Management	28.9%	33.3%	20.7%
Middle Management	7.1%	6.3%	28.6%
Technical Staff	4.8%	8.9%	4.8%
Administrative and Clerical Staff	9.4%	-1.0%	20.5%
Other	16.4%	16.4%	-

Table 10*. Gross wage gap by occupational group.*

Age range	Pharma Mar Group	Spain	Europe
<30	8.9%	14.1%	-
31-40	-7.2%	-10.7%	48.0%
41-50	20.6%	22.1%	17.8%
51-60	21.6%	18.7%	35.7%
>61	31.1%	42.5%	-85.0%

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 the Pharma Mar Group's total workforce in 2023 was EUR 77,795.11 (EUR 73,273.95 in 2022). The average increase in 2023 is due to several factors: the salary equalization referred to in the explanation of the gap, the general salary increases in the year itself, and the fact that the departures during the year mainly involved employees with lower salaries.

Tables 12 and 13 show average remuneration at Pharma Mar Group in 2023, broken down by gender, occupational group and age range and including a comparison with 2022. 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 2022		Pharma Mar Group 2023		Spain 2023		European Affiliates 2023	
	Women	Men	Women	Men	Women	Men	Women	Men
Executive Directors	-	761,906	-	1,232,746	-	1,232,746	-	-
Senior Management	282,615	367,222	261,597	404,692	261,597	404,692	-	-
Management	197,937	208,226	213,527	300,403	215,456	323,262	201,952	254,686
Middle Management	102,318	109,641	107,027	115,225	107,897	115,123	85,695	119,957
Technical Staff	54,242	56,079	57,638	60,555	49,127	53,900	106,234	111,579

Administrative and Clerical Staff	39,322	36,250	41,195	45,492	39,173	38,771	54,899	69,015
Other	27,630	33,225	28,876	34,544	28,876	34,544	-	-

***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 349 thousand EUR in 2023 (351 thousand EUR in 2022).

Age range	Pharma Mar Group 2022		Pharma Mar Group 2023		Spain 2023		European Affiliates 2023	
	Women	Men	Women	Men	Women	Men	Women	Men
<30	30,171	30,734	32,842	36,035	28,392	33,054	65,101	89,695
31-40	46,525	43,177	50,571	47,163	47,701	43,090	102,958	197,834
41-50	65,399	81,174	69,692	87,807	66,318	85,177	95,962	116,736
51-60	92,402	104,470	86,260	110,108	82,059	100,910	99,580	163,452
>61	95,634	154,926	126,576	183,593	121,205	210,688	151,636	81,985

***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 June 29th 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, Compensation 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 185 thousand EUR for men (182 thousand EUR in 2022) and 171 thousand EUR for women (143 thousand EUR in 2022).

Table 14 breaks down the various remuneration items and the remuneration pertaining to each item, for men and women.

	2022				2023			
	Number		Remuneration		Number		Remuneration	
	F	M	Women	Men	F	M	Women	Men
Board Member	4	8	71,450	71,450	5	7	71,450	71,450
Member of the Executive Committee	1	3	140,582	140,582	1	3	140,582	140,582
Chair of Other Committees	1	1	24,257	24,257	2		24,257	24,257
Member of Other Committees	2	2	18,624	18,624	4	3	18,624	18,624
Board Attendance Allowances	-	-	4,093	4,093	-	-	4,093	4,093
Committee Attendance Allowances	-	-	1,857	1,857	-	-	1,857	1,857
Lead Director	-	1	-	18,624	-	1	-	18,624

Table 14. *Breakdown by gender of the Board of Directors and director remuneration.*

As at December 31st 2023, there were 12 directors, five of whom were women (12 directors, including four women in 2022).

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 December 31st 2023, there is gender parity, with senior management comprising of 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 2023 was 261,597 EUR for women, compared to 404,692 EUR for men (in 2022 it was 282,615 EUR and 367,222 EUR, respectively).

CEO pay ratio

[4] In line with the criteria set forth in Article 249 *bis* of the Capital Corporations Law.

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 2023, the CEO was paid 39.6 times more than the median Group employee (43.3 times in 2022). ***Table 15*** shows the ratio of the CEO's earnings versus the average by occupational group.

Occupational group	*CEO Pay Ratio*
Senior Management	6.3
Management	8.5
Middle Management	19.5
Technical Staff	36.8
Administrative and Clerical Staff	51.8
Other	66.3

Table 15. *CEO pay ratio vs. average for each occupational group.*

2.4_ Labor Relations

The Group is covered by the **Chemical Industry Collective Bargaining Agreement** (currently in its 20th edition, valid for the years 2021 to 2023), which applies to all employees in Spain.

At year-end 2023, all employees at the Group's European affiliates were covered by a collective bargaining agreement, except in Germany, which does not have a collective bargaining agreement for the sector but it is covered by the country's prevailing labor legislation. The following collective bargaining agreements are in force:

- "Contratto Collettivo Nazionale dei Chimici 2022-2025", in Italy.
- "Convention collective nationale de l'industrie pharmaceutique. Édition du 1er juin 2020. IDCC 176", updated October 2023, in France.
- "Les conventions collectives de travailconcluesausein de la CPAE. Édition 2020", updated conditions in July 2023, in Belgium.
- "KollektivvertragfürAngestellte und Lehrlinge in Handelsbetrieben, 1. Jänner 2023", in Austria.

Therefore, 96.2% of Pharma Mar Group employees are covered by a collective bargaining agreement. All collective agreements address issues related to occupational health and safety.

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 segment, 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 December 31st 2023, 17.7% of employees were using some form of teleworking arrangement (17.0% in 2022).

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 card system was 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 and/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).

A new feature in 2023 was the implementation of the goFLUENT platform, an online language campus for all Pharma Mar employees, which gives them flexible access to learning 12 languages with guided and structured courses, open or group conversation classes and individual monitoring of learning.

Table 16 below shows the total number of training hours at the Group, broken down by occupational group.

In 2023, the number of training hours per person was 49.5 hours, compared to 48.4 hours in 2022.The average number of employees for each of the years was used for the calculation.

Occupational group	2022*		2023	
	No. Persons	Hours of Training	No. Persons	Hours of Training
Senior Management	9	245	8	160
Management	24	1,412	20	1,707
Middle Management	105	6,445	98	7,144
Technical Staff	162	7,990	318	13,756
Administrative and Clerical Staff	229	8,600	76	2,171
Other	5	225	16	261
TOTAL	**534**	**24,917**	**536**	**25,199**

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 2022 NFIS, a figure of 24,113 hours was published, while the accumulated data retrieved from the database as of the date of this report is 24,917 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

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 2023 Pharma Mar Group employees included 15 different nationalities across its various locations. This has a very positive impact in terms of diversity of languages, origins and cultures.

Pharma Mar is included in the Ibex Gender Equality Index as it has 41.7% of women on its Board of Directors and 51.6% of women in senior management and management positions.

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 segment (which accounts for 79.2% of the Group's total number of employees). Absenteeism and accident rate data refer to the entire Group.

Promoting Employee Health

[5]In accordance with Organic Law 3/2007, of March 22nd and Royal Decree 901/2020, of October 13th .

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. These programs are adapted annually by the Prevention and Environment department and are developed in the field of training, awareness and health care of employees.

Annual medical check-ups are offered free of charge to all employees and are extended with additional tests if necessary. Pharma Mar has a health policy for all employees covering psychotherapy and psychiatry, physiotherapy, acupuncture, osteopathy and all medical specialties, with a 100% reimbursement policy.

In addition, depending on the results of epidemiological studies, specific prevention campaigns are carried out. In 2023, for yet another year, a free flu vaccination campaign was carried out both at the oncology facilities and at various medical centers in other locations depending on the employees concerned.

In relation to mental health care, in 2023, the psychosocial study started the previous year was completed, deepening the analysis with the qualitative phase of the study. This phase consisted in carrying out semi-structured interviews with 105 employees. From this study, a report has been prepared with specific measures and a multidisciplinary group has been created that is preparing a 2024-2026 action plan dedicated to strengthening the work environment.

Concerning the 2023 edition of the **"Occupational Health and Safety Week"**, its content was focused on workshops related to health improvement, in particular with a focus on "mindfulness" or "mental wellbeing", as well as on physical care and stress management, with a theoretical and practical approach. At the same time, on the occasion of this week, all employees were given access to a corporate wellness application, focused on improving wellbeing and health in companies. This application allows personalized assistance to each employee, with services ranging from assistance with a personal trainer, nutritionists, psychologists and doctors and various online training, among other options. This platform has been well received, with approximately 25% of the workforce participating.

Also within the framework of this major health and safety training week at Pharma Mar, activities related to road safety took place. The training plan included awareness-raising talks (for example, from the shocking experience of a traffic victim), as well as practical workshops with car and motorbike driving simulators in which the sensations of driving under the influence of alcohol and/or drugs and of tiredness and drowsiness were experienced.

In addition, a circuit was carried out to include people with functional diversity, specifically for those who use wheelchairs, have reduced mobility and/or have visual disabilities. This circuit was aimed at learning about the difficulties they face in their day by day these people while they carry out their routine activities.

Figure 10.*Summary of employee health care and safety actions at Pharma Mar.*

Since oncology is the Group's main strategic business, Pharma Mar employees receive specific training on this disease throughout the year. In 2023, training was provided on World Cancer Day, during November, known as Lung Cancer Awareness Month, and through the "A Pulmón" initiative promoted by the Spanish Association of Lung Cancer Patients, in which a group of employees accompanied lung cancer patients to climb the Peñalara peak, the highest peak in the Madrid region. This activity combined the promotion of sport among employees, as well as practical training on cancer through conversations with patients.

Occupational Risk Prevention Management

In 2023, Pharma Mar renewed the certification of its **health and safety management system** in accordance with **ISO 45001 standard** 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 considered a key aspect, having developed in 2023 a total of 33 courses and 677 total hours of training for all employees in health, safety and environment.

With the aim of applying new training strategies in prevention, this year 2023 training courses were given to the company's Emergency Teams using the *Lego Serious Play* methodology.

Since 2022, quarterly meetings have been held with the Prevention and Environment Working Group. This group was created with participants representing each of the most important areas. The aim of the meetings is to discuss different health, safety, ergonomics, audits, employee consultations and internal company projects that may be relevant and of interest to employees.

With regard to the Group's accident rate in 2023 (***Table 17***), there were five occupational accidents, three involving medical leave. There were six *in itinere* accidents (four in 2022), three with medical leave (two with medical leave in 2022).

	2022		2023	
Category	**Women**	**Men**	**Women**	**Men**
Number of accidents with medical leave	3	1	0	3
Number of accidents without medical leave	1	3	0	2
TOTAL	**4**	**4**	**0**	**5**

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 with medical leave, as well as the company's incidence, frequency and severity rates for 2022 and 2023 are shown below compared to the data for the wider sector (***Table 18***).

Data	**Oncology Segment2022**	**Sector 2022**	**Oncology Segment2023**	**Sector 2023**
Incidence	10.41	19.24	14.56	18.54
Frequency	5.78	10.69	8.09	10.3
Absolute frequency	14.45	17.56	14.83	19.86
Severity	0.09	0.23	0.52	0.38

Table 18*. Data on incidence, frequency and severity of occupational accidents at the oncology segment.*

In the RNA interference segment, there were no accidents in 2023 (zero in 2022). In 2023, the RNA interference segment was awarded the Zero Accidents Silver Distinction by Fraternidad-Muprespa, having achieved 10 consecutive years with no accidents.

Absenteeism[6] at the Group came to 30,129 hours in 2023 (40,613 hours in 2022, year with the highest number of sick leaves due to common illnesses).

[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 in the 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 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 supplier selection process is managed between the purchasing organization and the department requesting the product or service, with the participation of the Quality Unit and the Occupational Risk Prevention area in the selection of the most critical suppliers. 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**. To this end, in 2023, a Code of Conduct for Pharma Mar's supply chain was approved by the Appointments, Compensation and Sustainability Committee, which suppliers must be aware of and accept.

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 delivery times from certain suppliers through scheduled orders and the creation of stocks at suppliers' facilities to ensure immediate deliveries, as well as less frequent deliveries, resulting in a reduction in carbon emissions. In addition, long-term business relationships are encouraged, especially with critical suppliers, through the implementation of communication technologies that enable both parties to increase efficiency, safety and delivery optimization.

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 Code of Conduct for Supply Chain, updated in 2023, which forms an integral part of the new Procurement Policy. In addition, all

employees must sign a Declaration of Conflicts of Interest, which is also included in the new Procurement Policy.

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 supplier meets the minimum legal requirements as regards quality and sustainable procurement. To this end, documentary proof is always requested.

In 2023, document audits were carried out in which the environmental, health and safety management system, code of ethics, among other measures were assessed, of 40% of the most critical suppliers of both materials and services (two face-to-face audits in 2022).

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.
- **Service** criteria: The extent to which the good or service ensures compliance with delivery, performance or technical support commitments.
- **Quality** criteria: The extent to which the good or service meets the required specifications.
- **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 goods 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 complies with the Group's sustainability standards set out in the purchasing policy. Among the sustainability criteria, the criterion of supplier proximity is positively valued.

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 December 31st 2023		
Spain	1,047	53.1%
European Union	618	31.4%
Rest of Europe	126	6.4%
USA and Canada	106	5.4%
Rest of the world	74	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 67.9%.

3.4_Supply of products

After the years 2020, 2021 and 2022, with severe shortages of raw materials, pandemics, energy crisis, intense price volatility and serious geopolitical problems that caused severe economic instability, the year 2023 has been characterized by an incipient economic stability, generally overcoming the problems of shortages and price increases of raw materials. However, the geopolitical situation continues to invite preparation for future setbacks, as the Ukraine-Russia, Gaza-Israel and Red Sea maritime crises are still active and may cause the economic situation to change in a short time.

The following measures have been implemented by the purchasing organization throughout the year 2023:

- Since the first half of 2022 and throughout 2023, actions have been taken to ensure that all critical materials are secured by more than one supplier, some of which can now be supplied by up to four suppliers. This dynamic is embedded in the purchasing organization.

- Work has continued to maintain a significant stock of the most critical materials in the warehouse during 2023.

- In 2023, ESG document audits of the most critical material and service suppliers have begun. From the results obtained so far, it can be seen that material suppliers are more ESG compliant than service suppliers, with multinational companies being the most prepared, although it should be noted that small and medium-sized companies are also currently making a great effort to comply with ESG requirements. For those suppliers that do not comply with any aspect after reviewing the documentary evidence, they are encouraged to at least develop internal policies if they do not have a quality management system, occupational health and safety or environmental management system, as well as a code of ethics.

- In 2023, the Appointments, Compensation and Sustainability Committee approved the Code of Conduct for Pharma Mar's supply chain, which is committed to ethical purchasing and support for the social and environmental principles set out in the United Nations Global Compact.

- In addition, the Appointments, Compensation and Sustainability Committee has approved a Code of Ethics in Purchasing, which sets out the guidelines to be followed in the purchasing process, as well as a Buyer's Decalogue, which provides guidance on ethical purchasing.

3.5_ Consumer Relations

Pharma Mar Group companies' consumers are patients receiving oncology treatments. 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 11shows all these regulations as implemented at Pharma Mar. These regulations encompass globally accepted "good practices," identified by the abbreviation GxP.

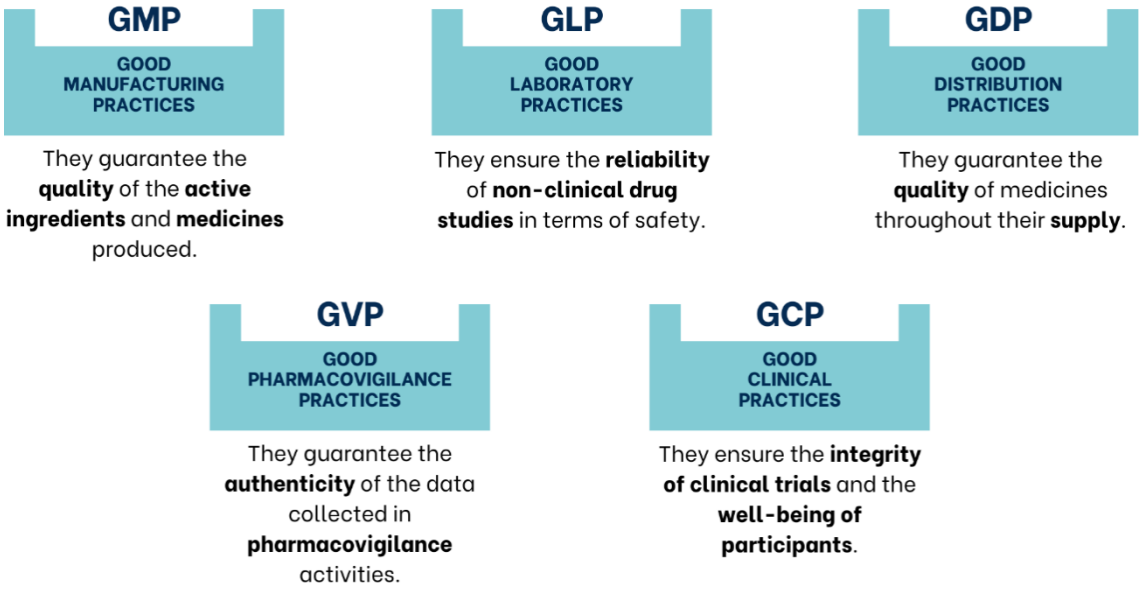

***Figure 11**. Pharmaceutical industry standards monitored and audited during each stage at Pharma Mar.*

To ensure compliance with these standards, Pharma Mar devised a **Quality Policy** for the oncology segment 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.

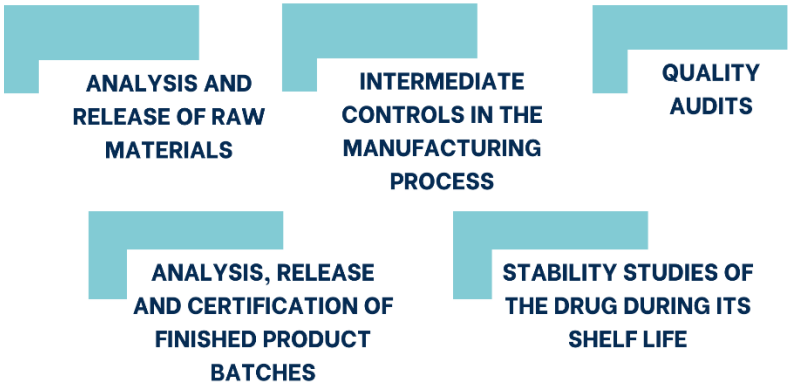

***Figure 12**. Quality assurance programs at Pharma Mar.*

There is also a **Quality Unit** that meets every six months to monitor the implementation of the quality assurance system in all areas of the company. Additionally, a monthly review is conducted and approved by the management.

Both Pharma Mar's partners and the health authorities perform regular audits or inspections to confirm GxP compliance and with the legal and/or voluntary agreements established. In 2023, Pharma Mar has been inspected by the Spanish Agency of Medicines and Medical Devices (AEMPS) at its Colmenar Viejo facilities to renew the GMP certification as a manufacturing laboratory (no inspections occurred in 2022).

In previous years, specific inspections have been received for the pharmacovigilance system, conducted by the European Medicines Agency, the U.S. Food and Drug Administration, and the Japanese Pharmaceuticals and Medical Devices Agency, primarily.

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 2023, the oncology segment received a total of eleven complaints in the Quality Department (eight in 2022). None of them related to material risks to patient safety and none resulted in a product recall.

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. This section covers the actions carried out in the areas of oncology and virology.

The Pharma Mar Group has a **General Personal Data Protection Policy**, which was last updated in 2022 to make it more accessible and practical for employees. 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.

In 2023, all employees were required to read and agree to comply with the Policy via the company's online training platform, achieving a 95% read rate.

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 has been updated during the year 2023 to include new processing activities and to update information on other processing activities.

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. This appointment has also been extended to countries where Pharma Mar has affiliates, such as Belgium, France, Italy, Austria, etc.

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. This training plan has continued for the years 2022 and 2023The 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. In addition, in 2023, face-to-face training on the subject was also provided to employees of the employees of the Belgian subsidiary. As well as another specific training course that was given to the Human Resources and Information Technology departments, where special attention was paid to the particularities of data processing in both departments, as they are critical areas that deal with personal data on a daily basis. From the evaluation questionnaires for these courses, it can be seen that they were very positively received (***Figure 13***).

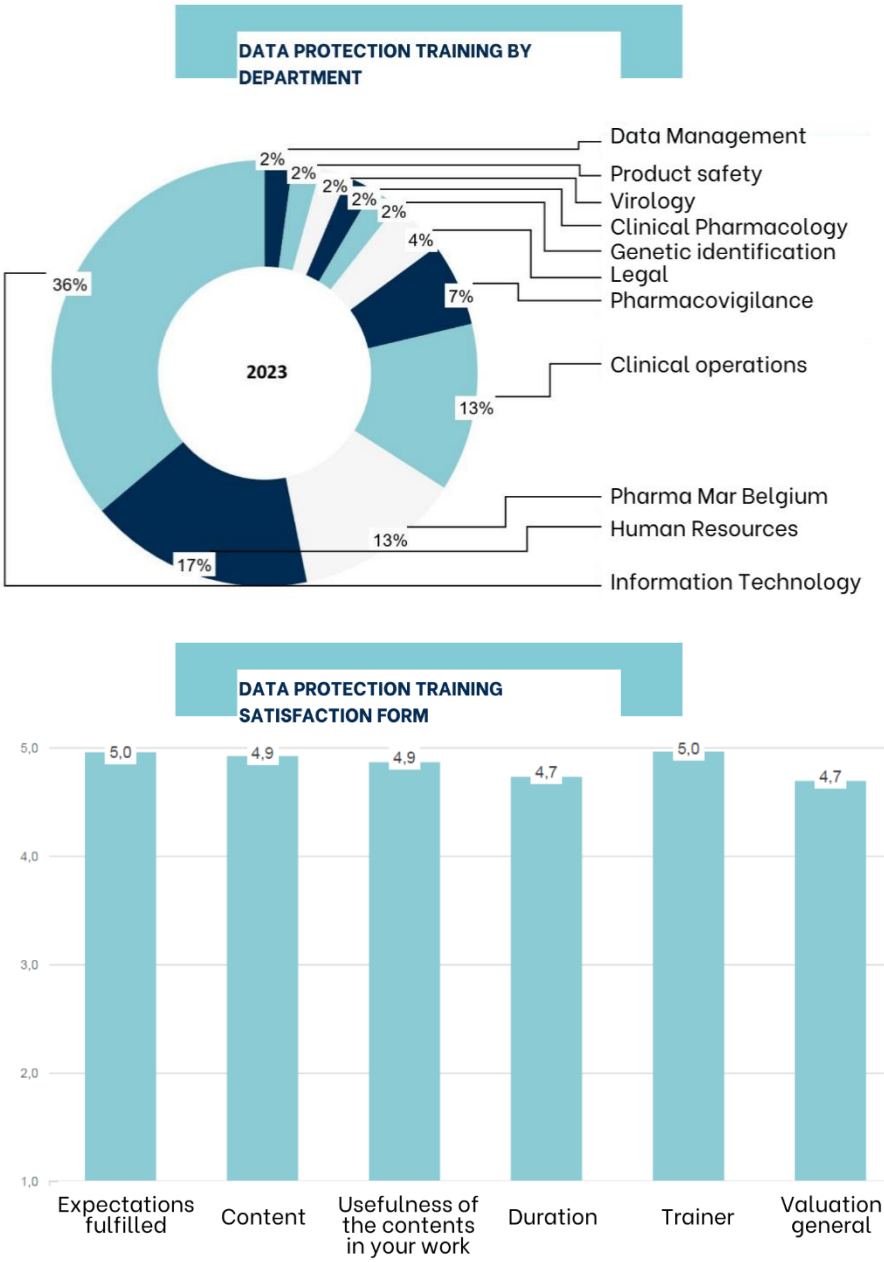

***Figure 13**. Aggregate results of face-to-face training courses on Data Protection.*

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. An update to these informed consent forms was made in 2023.

Throughout the year 2023, the Data Protection Impact Assessment has been updated and/or carried out in accordance with the provisions of article 35 of the GDPR in the area of clinical trials.

Impact assessments, as set out in the GDPR, should be carried out whenever a type of processing, in particular if it uses new technologies, is likely, by its nature, scope, context or purposes, to result in a risk to the rights and freedoms of natural persons. Such an assessment should be made taking into account the nature, scope, context and purposes of the processing and the sources of the risk and should assess, in particular, the origin, nature, particularity and severity of that risk. The aforementioned impact assessment has been prepared jointly with the DPO and include, among other things, the measures, safeguards and mechanisms envisaged to mitigate the risk, ensure the protection of personal data and demonstrate compliance with the GDPR and the Data Protection Act.

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. In 2023, the European affiliates' Information Systems Security Procedure was updated, adapting it to the current standards and needs of the affiliates, improving security measures and the protection of IT resources.

In addition, as a cyber security reinforcement, at the end of the year, the IT team sent out a reminder to raise employee awareness on cyber security and cyber attacks, giving practical guidance to employees on how to recognize when they might be the target of a cyber attack attempt and how to deal with it.

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 2023, 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

The Pharma Mar Group respects and cares for the environment. As part of this commitment to environmental management, it has established a series of key guidelines aimed at guaranteeing environmental protection and sustainable development in its activities.

This chapter mainly includes information relating to the oncology segment, as this is the segment that currently has its own facilities in operation, except in note 4.2, which includes the RNA interference segment in the calculation of emissions.

In 2023, no environmental-related risks have materialized, the Group has not been subject to any environmental sanctions and no environmental incidents have occurred.

4.1_ Approach to our Environmental Management

Pharma Mar's environmental performance has been **certified under the ISO 14001 environmental management standard** for 15 years. The Group chose this model to ensure environmental protection and compliance with applicable environmental legislation governing each operation.

The oncology segment annually assesses both direct and indirect environmental aspects in the following environmental vectors considered: consumption of raw materials and resources, waste, industrial discharges, atmospheric pollution, soil and noise pollution, and possible emergency situations. This assessment is reported to senior management, and specific objectives are established based on the significant aspects detected, so that they can be aligned with the objectives set out in the **2021-2023 Sustainability Action Plan**.

The 2021-2023 Sustainability Action Plan was approved in 2021 and details, among other aspects, the specific actions planned in environmental matters for those years. The progress of these actions has been reported to the Appointments, Compensation and Sustainability Committee. At year-end 2023, the main environmental milestones achieved include:

- a 29.6% reduction in Scope 1 and 2 energy consumption per employee and square meter in the oncology segment facilities, taking the average for the years 2018-2020 as a reference,
- the calculation and measurement of Scope 3 energy consumption,
- the signing of a contract to supply electricity from 100% renewable sources, and
- the installation of solar panels with a capacity to achieve up to 8% self-produced energy at the Colmenar Viejo facilities.

In 2022, the Prevention and Environment Working Group was created, which meets on a quarterly basis, and its main objective is to integrate the company's prevention and environment policy and act as a channel of communication between workers and the company. This working group is made up of workers from different areas of the company, the Health, Safety and Environment area and the Human Resources Department.

Figure 13 shows Pharma Mar Group's environmental management guidelines, plans and commitments.

***Figure 13**. Pharma Mar Group's environmental management approach.*

4.2_ Climate change

Pharma Mar is aware of the importance of reporting its stakeholders of the impact of climate change and the measures taken to manage it.

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

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

- Short-term decarbonization target: 42% reduction of Scope 1 and 2 emissions by 2030, compared to base 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%).

Pharma Mar calculates its carbon footprint by accounting for 100% of emissions from activities over which it has operational control. The base year for measurements is 2021, on which ambitious, scientifically-based emission reduction targets have been set, with the aim of becoming a net zero company, leading the pharmaceutical industry towards a zero-carbon economy.

Emissions have been classified into 3 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 needed to heat the facility and meet the comfort parameters required by Royal Decree 486/1997 of 14 April. In addition to natural gas, emissions from the consumption of refrigerant gases and fuel from *leasing* vehicles are also accounted for.
- **Scope 2**.- Indirect emissions from electricity or steam consumption (purchased from third parties). For Pharma Mar, Scope 2 emissions, which are higher in volume than Scope 1 emissions, are due to the electricity consumption needed to keep the production facilities and cold storage chambers running 24 hours a day, 365 days a year. These chambers are necessary for the preservation of marine samples, different raw materials, intermediate products, as well as the final product that is marketed.
- **Scope 3**.- Indirect emissions not included in scope 2 that occur in the organization's value chain, e.g. business travel, waste management, service providers, transport, etc.

The result of these measurements is shown in ***Figure 14***.

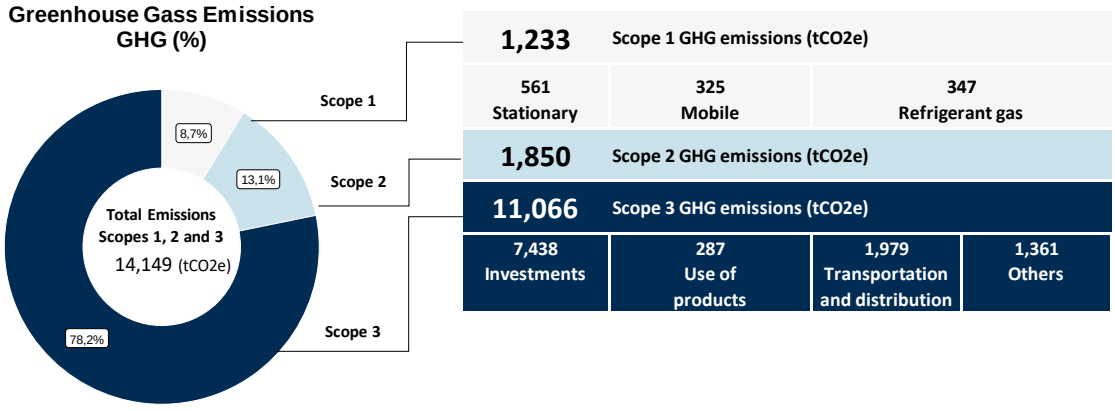

***Figure 14**. Calculation of Pharma Mar Group's emissions in 2023.*

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 suppliers in the different countries. In those countries where no factor was provided, the factors have been taken from the latest report of the International Energy Agency.

For Scope 1 emissions from mobile sources, DEFRA Conversion factors 2021 were used.

Finally, 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 14,149metric tons of CO_2 (tCO_2 e) (8,293 tCO_2 e in 2022). The largest contribution to the carbon footprint is made by Scope 3, accounting for11,066 tCO_2 e (5,765 tCO_2 e in 2022), followed by Scope 2 with 1,852 tCO_2 e (1,371 tCO_2 e in 2022) and Scope 1 with 1,233 tCO_2 e (1,157 tCO_2 e in 2022).

To reduce emissions, the following initiatives have been taken since 2022:

- Various actions aimed at reducing Scope 1 and 2 energy consumptions have been implemented, achieving a reduction of 29.6% per employee and square meter in the oncology segment facilities, taking the average for the years 2018-2020 as a reference. An example of this is the installation of solar panels and the signing of a contract for the supply of electricity from 100% renewable sources only.

- Calculation and measurement of Scope 3 energy consumption has also been integrated, accounting for 100% of emissions from activities over which Pharma Mar has operational control.

- Pharma Mar fitted its Colmenar Viejo facilities with electric car charging station sat at 6.0% of its parking spaces to promote and enable the use of electric cars. By the end of 2023, 31.0% of the Pharma Mar Group's fleet were hybrid or electric (22.5% in 2022), 45.8% considering only vehicles in Spain (35.5% in 2022).

- Pharma Mar implemented an initiative to encourage carpooling among workers on the route to the oncology facilities. 10.6 $tCO_2$of emissions were saved in 2023 (***Figure 15***).

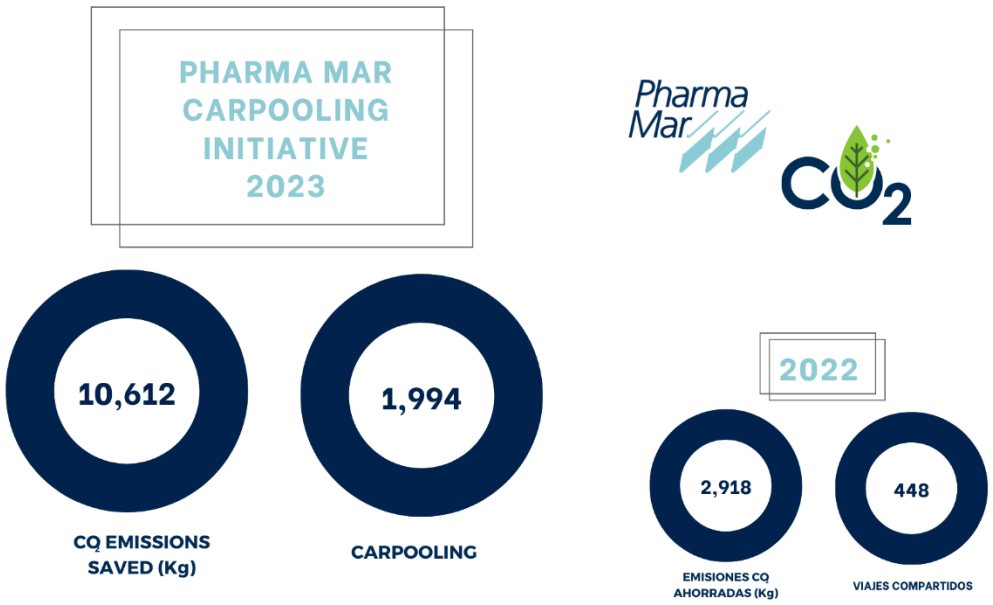

Figure 15*. CO emissions savings program₂ through the car sharing measure.*

Due to the company's activity, in order to achieve optimal and stable conditions of temperature, humidity and air quality in the facilities, cooling system is essential for the development of the activity. Aware of the environmental damage caused by greenhouse gas emissions of this equipment, the company established a strict Preventive Maintenance Program to minimize the possible environmental risks. The goals are to avoid future anomalies, to ensure the proper functioning of the equipment and its reliability, eliminating possible failures that would lead to unwanted emissions.

Sustainable use of resources

Pharma Mar, aware of the need for sustainable use of natural resources (materials, energy), made structural and technological changes in its main facilities to ensure efficient use of natural resources.

Energy consumption

The energy sources used at the Group's facilities in 2023 were electricity and natural gas.

Since August 2023, the oncology segment's energy supply has come from 100% renewable sources certified by the National Markets and Competition Commission (known by its Spanish acronym CNMC) and from self-production generated by the solar plant. In 2022, Pharma Mar embarked on a project to expand the solar plant, which in 2023 continued to reach an estimated **self-production capacity of 8% of the plant's total consumption**. The park currently consists of 416 panels with a theoretical production of more than 400,000 kWh/year.

Figure 16 shows the calculated percentage utilization in 2023 of the Group's various energy sources at these facilities.

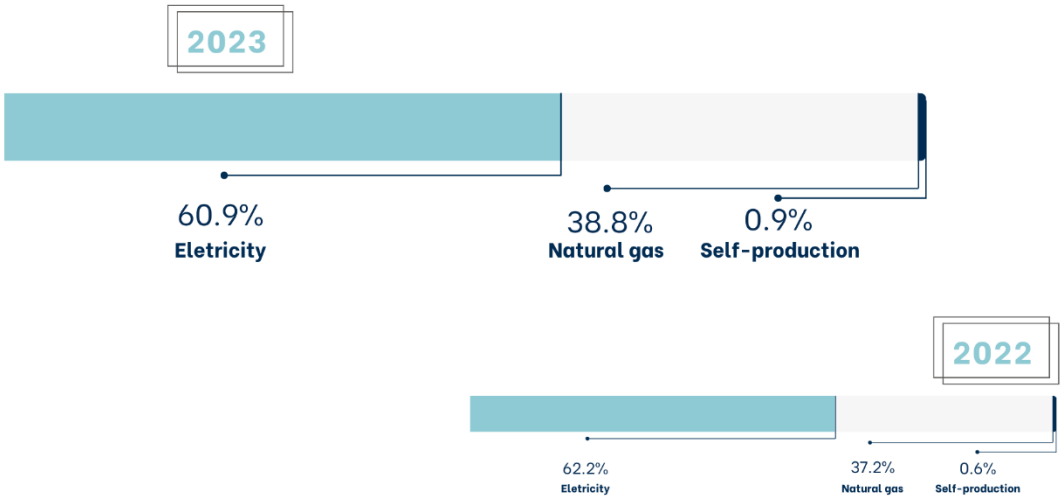

Figure 16. *Energy sources ofPharma Mar Group.*

As a further measure to the previous one, in 2022 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 stores rooms in operation 24 hours a day, 365 days a year. These cold rooms are necessary to preserve marine samples, raw materials, intermediate products as well as the final product to be marketed. They are also used for lighting and air conditioning.

In 2023, the Group's total electricity consumption was 5,005 MWh, while in 2022 it was 5,495 MWh. This decrease is due to the cessation of activity in the diagnostics segment. This figure does not include the interference RNA segment, as its calculation is an estimate and only information for 2023 is available from the owner of the facilities.

Since 2018, a 10.9% reduction in electricity consumption per square meter was achieved in the oncology segment. This segment represents 96.8% of the Group's electricity consumption in 2023. In 2023, LED lighting was installed across all R&D and production areas, thus reducing installed power by 100 kW.

Natural gas, mainly used in hot water boilers, necessary for the air-conditioning system, is used to maintain the comfort temperature at the facilities, complying the limits required by the current legislation, thus contributing to the Energy Saving and Management Plan.

In 2023,total gas consumption came to 3,076 MWh, while in 2022 it was 3,260 MWh. Consumption decreased by 5.6% due to a reduction in the use of boilers for sanitary hot water during the summer months, being replaced by a heating system using electrical resistances in the accumulators. In addition, the recirculation of water through the boilers allows a reduction in gas consumption.

In 2023, the energy consumption monitoring program was consolidated, based on the development of linear regression models that enable the identification of savings opportunities that contribute to taking measures to adapt to climate change and reduce greenhouse gases. This system enables the early detection of overconsumption and the identification of the causes.

Lastly, the fuel consumed by the Pharma Mar Group's leased vehicles was estimated. The calculation was based on the annual kilometers reported by employees for the Group's companies in Spain and a proportional part of the kilometers agreed for vehicles contracted by the commercial affiliates in Europe. To calculate the liters of fuel consumed, an average consumption per type of engine was estimated based on the data released by the Ministry for Ecological Transition. As a result, it is estimated that 128,080 liters of fuel were consumed in 2023 (115,846 liters in 2022).

Water consumption. Wastewater/discharges

The industrial sector accounts for a large part of the water consumed worldwide, and within this sector, the pharmaceutical industry, water is essential due to its use in many

critical processes. The Pharma Mar Group is aware of this, which is why optimizing water consumption is one of the fundamental objectives in terms of the use, consumption, reduction and reuse of water resources. To reduce water consumption, various measures were taken, such as the identification and reuse of non-pollutant water from different plant processes.

In 2023, the global water consumption was 8,765 m^3 compared to 8,937 m^3 in 2022, which shows a constant value and does not represent a significant difference with respect to previous years.

Pharma Mar implemented additional measures to control discharges into the Integrated Sanitation System (SIS), thereby improving discharge parameters. The effectiveness of these measures, which focus on the source of discharges, is monitored through a rigorous measurement program.

Consumption of raw materials: reagents and solvents

With regard to the consumption of the Group's main raw materials, solvents and reagents, the strict control of pharmaceutical regulations requires 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.

Besides, the company's activity focused on research and development means that the variability of raw materials involved in the process is very high.

Solvent consumption in 2023 decreased by 21.2% compared to 2022, reaching 35.8 tons (t). The consumption of reagents used mainly for research and development activities amounted to 3.5 tons.

Table 20 shows the consumption of resources at the Colmenar Viejo oncology facilities in 2022 and 2023, as well as the estimated fuel consumed by the Pharma Mar Group's leased vehicles.

Type of resources	2022	2023
Electricity (MWh)*	5,495	5,005
Water (m3)	8,937	8,765
Fuel natural gas (MWh)	3,260	3,076
Vehicle fuel (l)	115,846	128,080
Breakdown of raw materials (kg)		
Solvents (kg)	45,431	35,790
Reagents (kg)	2,766	3,452

Table 20*. Resource consumption of the oncology segment in Colmenar Viejo.* *Electricity also includes the facilities in Madrid, Italy, France and Germany. Fuel for vehicles includes the entire Group.

4.4_ Pollution prevention. Waste management and circular economy.

The Group's facilities adhere to the principle of prevention, the aim of which is to prevent pollution at source before it becomes necessary to minimize its effects. The oncology facilities are regulated by the Integrated Environmental Authorization, thus ensuring the protection of the environment and people's health, and operating the facilities under conditions that guarantee compliance with current legislation. This document includes all environmental authorizations relating to the atmosphere, soil, water discharge, waste management and noise, as well as other environmental requirements applicable to the facility[7].

Pollution prevention

Pharma Mar is aware of the importance of contributing to the fight against climate change by improving the production process through structural and technological changes, thus acting at the source of pollution and applying the Pollution Prevention Principle. The oncology segment relies on the application of best available techniques, involving the application of the most effective, economically and technically feasible techniques, to achieve a high general level of protection of the environment as a whole.

Among these measures are the following:

- Channeling of atmospheric emissions in the R&D area, through a new collection system using HEPA filters (particles) and carbon filters (solvent).
- Control of the hazardous waste generated and minimization of its impact through segregation and awareness program for workers and strategies for its recovery and the search for new managers.
- Control of process water by adjustment of chemical parameters as well as control of discharge parameters by periodic measurements to ensure that water from industrial discharges is below the permitted limit.
- Storage areas with spill containment mechanisms on a pavement that guarantees watertightness and waterproofing conditions to prevent leaks to the ground.

In terms of **noise pollution**, noise levels comply with the criteria established in accordance with the Colmenar Viejo Municipal Regulations[8]. Furthermore, taking into account that the company is located in an industrial estate, with the nearest houses more than 500 meters away, there is no risk of noise pollution for the population. Therefore, there has been no need to take corrective or mitigating measures in relation to noise pollution.

Similarly, **light pollution** is not considered to be significant because there is no nocturnal activity and the only light left on at night is that required for surveillance of the site.

[7] In accordance with the legislative development of Order APM 1040/2017 of October 23rd, which establishes the date from which the constitution of a mandatory financial guarantee of 2,000,000 Euros will be required for companies that have an environmental management system in accordance with the ISO 14001 standard, in accordance with Law 26/2007, of 23rd October, on Environmental Responsibility.

[8] Ordinance on protection against noise pollution. Official Gazette of the Community of Madrid 216, September 11th.

Waste management and circular economy

Pharma Mar's waste management policy is based on the *Zero Waste* Movement, which encompasses actions aimed at reducing and reusing objects and products. The aim is to minimize the amount and hazardousness of waste generated, promoting segregation and prioritizing recovery over disposal. To ensure optimum compliance in this aspect, the company has implemented an integrated waste management system that ensures adequate waste collection and treatment.

Pharma Mar selects waste managers that achieve a higher level of waste recovery, prioritizing those that allow for greater waste recovery. As a result, in 2023 Pharma Mar **recovered 93.3% of the non-hazardous waste** generated at its facilities, 10.6% more than in 2022.

During 2023, 132.3 tons of waste will be managed (166.2 tons in 2022). Of the total, 38.4 tons of non-hazardous waste accounted for 29% (55.1 tons accounted for 33.2% in 2022) and 93.9 tons of hazardous waste accounted for the remaining 71% (111.0 tons accounted for 66.8% in 2022).

In order to reduce waste for disposal, Pharma Mar conducted a study of waste treatment in 2023 based on the previous year's data. As a result, in 2023, 89.8 tons of waste (67.9% of total waste managed) were recovered after treatment by reuse, recycling or energy recovery (60.6% in 2022), with 32.1% destined for disposal (39.4% in 2022) (***Figure 17***).

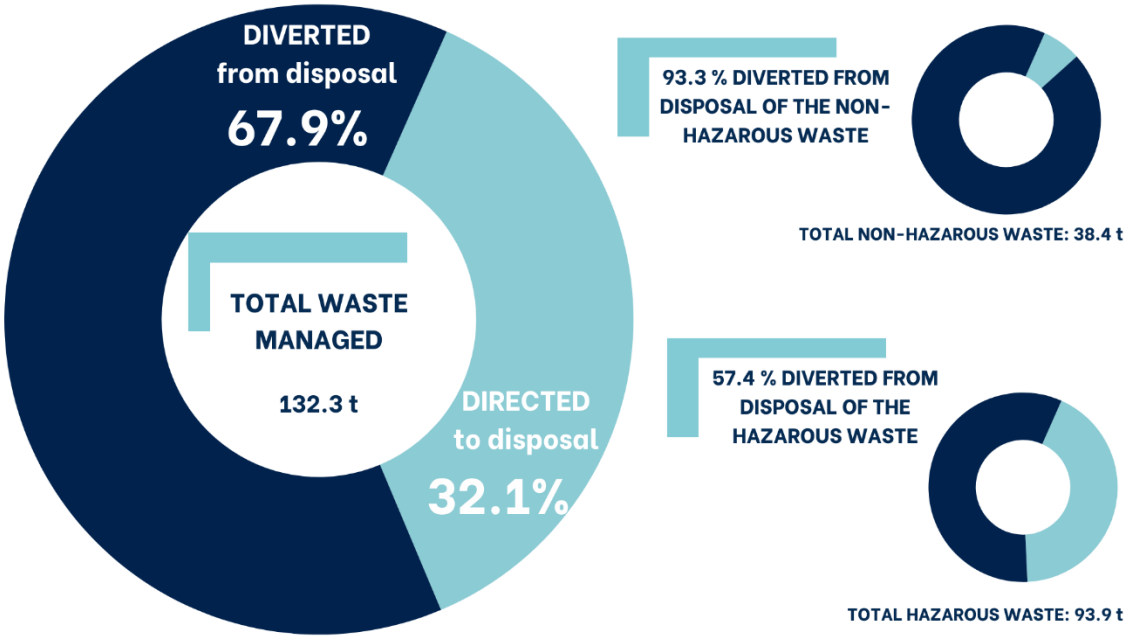

***Figure 17**. Optimization of waste management in the oncology segment in 2023.*

In the case of hazardous waste, the corresponding authorization is available, which obliges its registration, inventory, storage and treatment by waste managers authorized by the corresponding administration in accordance with current legislation. This

information is included in the Annual Report on hazardous waste, which must be submitted each year together with the environmental register.

Actions to combat food waste

As part of its commitment to environmental protection and awareness, Pharma Mar took into account sustainable criteria, social and environmental commitment in its choice of Eurest to manage the canteen located in the oncology segment. Eurest, in addition to its Environmental Policy, has a Food Waste Saving Program consisting of educational activities, workshops and awareness campaigns for employees, customers and users to combat food waste. In addition, they have implemented a mobile application 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 those actions related to the environment through which the Group demonstrates its commitment to minimizing its environmental impact.

Figure 18*. Actions related to the environment in the Pharma Mar Group.*

4.5_ Biodiversity protection

Pharma Mar's commitment to the marine environment goes beyond a simple duty to care for and protect the seas. For Pharma Mar, the sea is the source of life, which is why it is deeply involved in the protection and care of species. Our commitment is to conserve and make rational use of resources, minimizing environmental impact and paying special attention to marine resources and the risks of climate change.

Protecting marine biodiversity is essential to ensure that species and ecosystems are conserved. Overexploitation, pollution and climate change are some of the threats to

marine biodiversity, and if action is not taken to protect it, many species and ecosystems could disappear.

Therefore, for Pharma Mar, the protection of marine biodiversity is the most important material issue in the Environment category and one of the aims of the PharmaMar Foundation (see note 5. Our commitment to society).

In addition, the research Pharma Mar carries out on the samples it collects respects the marine environment, as the **chemical synthesis of the molecules of interest** is carried out afterwards. This means that the compounds can be made available without resorting to the natural organisms that provide them. Thus, by ensuring the protection and conservation of marine biodiversity, Pharma Mar can continue to obtain new bioactive compounds for the development of innovative and sustainable medicines that improve the health and quality of life of patients.

Likewise, the process of extracting marine organisms is carried out in a minimally invasive manner and always ensuring compliance with international conventions, such as:

- Rio Declaration on Environment and Development.
- Convention *on International Trade in Endangered Species of Wild Fauna and Flora* (CITES).
- UN Convention on Biological Diversity on access to genetic resources and the fair and equitable sharing of benefits arising from their utilization.

In addition to complying with these agreements, the Pharma Mar Group has signed the **Biodiversity Pact**, which seeks to promote economic development that is compatible with biodiversity conservation.

Pharma Mar's criteria for the collection of marine samples take into account the two existing international lists: the *Red List* of endangered species (*Red List*) and the CITES List.

Sample collection is manual and selective, applying all the necessary measures to minimize the impact on the natural environment, such as:

- Collection by specialist divers. Divers are equipped with scuba diving equipment and, based on their extensive experience and training, identify those species of interest for the discovery of new chemical entities.
- Total absence of mechanical systems such as trawls or dredges.
- Marine survey robot with an umbilical cord that is operated from the surface and allows the seabed to be viewed in real time. This enables the choice of sampling areas and minimizes human interaction with the ecosystem.
- Extraction of less than 100 grams of each marine organism.

The samples are collected with the permits provided by the various countries and in the areas indicated by them, both directly by Pharma Mar and in collaboration with various local universities. All this information is recorded in the expedition's logbook, which

provides information on the current state of the marine ecosystem and can be used by local authorities as an environmental indicator.

The Group therefore stands for the **sustainable use of the sea's valuable resources and the equitable sharing of its findings**. In this way, Pharma Mar not only contributes to the discovery of new treatments from a few grams of sample, but also to the increased knowledge of local ocean ecosystems and their conservation.

During the year 2023, 13 expeditions have been carried out with a local team from the expedition areas, which, under Pharma Mar's criteria, has been in charge of continuing the work of collecting samples of marine organisms.

4.6_ Green Taxonomy of the European Union

In 2020, the European Parliament and the Council of the European Union adopted the Delegated Regulation on Taxonomy (EU 2020/852) with the aim of unifying and making more transparent the reporting of companies on those economic activities that can be considered sustainable from an environmental point of view. The European Union has defined six environmental objectives and has determined which economic activities contribute to each of these objectives by adopting delegated regulations.

This Note will present the part of the Group's turnover, CapEx and OpEx that are associated with the economic activities eligible under the Taxonomy and, where applicable, the economic activities that could be aligned with the Taxonomy in relation to the first two environmental objectives: climate change mitigation and climate change adaptation.

Pharma Mar business units

Pharma Mar's main activities focus on:

- Research and development of anti-tumor drugs of marine origin.
- Manufacture and marketing of anti-tumor medicines.
- Manufacture and marketing (to its partners/licensees) of active pharmaceutical ingredients.
- Research and development of ophthalmology-related medicines based on RNAi technology.
- An oligonucleotide manufacturing plant is currently being adapted for its own use and as a CDMO.

Eligibility

Taxonomically eligible activities are those economic activities described in the Delegated Regulation. Pharma Mar Group has identified and reported the taxonomically eligible activities corresponding to the six environmental objectives in 2023.

The principal economic activities of the Group are the manufacture of medicinal products and the manufacture of active pharmaceutical ingredients, as described in ***Table 21***. Both economic activities are described in Annex 3 of Delegated Regulation 2023/2486, which complements the Taxonomy Regulation (EU) 2020/852 of the European Parliament and are therefore eligible activities for the taxonomy. This Annex contains the technical selection criteria for determining under which conditions an economic activity will be considered as making a substantial contribution to pollution prevention and control (PPC code) and for determining whether that economic activity causes significant harm to any of the other environmental objectives.

Principal Economic Activity for the Group	Description
SQP 1.1: Manufacture of active pharmaceutical ingredients (APIs) or active substances	Manufacture and sale to Pharma Mar's partners/licensees of the active pharmaceutical ingredients, or intermediates, of Pharma Mar's proprietary products, so that, once they have been vialized, they can be marketed by partners/licensees as finished products (medicines) in their respective territories.
SQP 1.2: Manufacture of medicinal products	Manufacture of medicinal products for use in oncology

Table 21*. Main economic activities of the Pharma Mar Group.*

In addition, the Group has examined all other taxonomically eligible economic activities listed in Delegated Regulations 2021/2139, 2023/2485 and 2023/2486 (supplementing the Taxonomy Regulation (EU) 2020/852), on the basis of the activities and investments as a pharmaceutical group. Following a thorough review involving all relevant divisions and functions, it has been concluded that the Group has undertaken a number of activities which, while not forming part of its core business, do qualify as eligible. In order to determine which activities can be considered environmentally sustainable, the Group has first and foremost taken industry practice in this area as a reference. As a result of this analysis by the Pharma Mar Group, the following eligible activities have been identified (***Table 22***) in accordance with the objective of mitigating climate change (code CCM) and transition to a circular economy (code CE).

Cross-cutting economic activity for the Group	Description
CCM 7.2 / CE 3.2: Renovation of existing buildings	The renovation/refurbishment of the building has been carried out on a two-storey industrial

	building with a built-up area of 9,048.79 m2, which on completion will provide the necessary infrastructure for various functions, from offices to production areas, with the installation of solar panels on the roofs. In addition, the outdoor areas will include green spaces, roads, car parks and areas for loading and waste.
CCM 7.3: Installation, maintenance and repair of energy efficient equipment	Replacement of traditional luminaries with LEDs in R&D and production laboratories.
CCM 7.6: Installation, Maintenance and Repair of Renewable Energy Technologies	Supply, maintenance and replacement of EBM engines (which are part of heat exchange systems)
CCM 7.6: Installation, Maintenance and Repair of Renewable Energy Technologies	Installation and commissioning of 367 photovoltaic panels, on level 3 roof and pitched roof.

***Table 22**. Cross-cutting economic activities for the Pharma Mar Group.*

In relation to the climate change adaptation objective, no specific measures have been identified this year that have been aimed at increasing the resilience of the Group's activities to the physical effects of climate change, so no activity is reported as eligible under the climate change adaptation objective.

Alignment

For the year ending 31st December 2023, considering the implementation requirements contained in Delegated Regulation 2023/2486, alignment is assessed only in relation to economic activities related to Climate Change Mitigation and Climate Change Adaptation objectives (activities 7.2., 7.3 and 7.6 in ***Table 22***).

The Group, after identifying eligible economic activities, has proceeded to assess whether these activities are aligned with the European taxonomy, following the three conditions required for alignment: (i) Substantial contribution to one of the six objectives defined in the Taxonomy (ii) Do not cause significant harm to the other objectives (do not significant harm, or DNSH) and (iii) Comply with minimum safeguards on human and consumer rights, anti-corruption and bribery, taxation and fair competition (compliance with the Minimum Social Safeguards).

In relation to "ii)", the compliance with the DNSH criterion of Adaptation to Climate Change has been studied in particular for the different taxonomic activities susceptible to be aligned.

Consequently, in line with the provisions of Appendix A of Delegated Regulation 2021/2139, the Group has first carried out a screening of the physical climate risks that may affect its production centers in Colmenar Viejo and Getafe, as well as its warehouses, also located in the Community of Madrid, using the table in Appendix A as a basis.

Once this exercise had been carried out, the level of danger of the physical climate risks identified as relevant was studied, assigning, for each physical risk, a climate indicator representative of each risk. Consequently, under the IPCC RCP 8.5 scenario, the maximum, minimum and median values of these climate indicators for the year 2050 have been obtained and, based on this data, a range of danger levels associated with each climate risk has been obtained.

Likewise, the degree of vulnerability of the two production centers and the warehouses for each of the climate risks identified was assessed, considering their susceptibility to damage and their adaptive capacity as factors. Consequently, by combining the quantification of hazard and vulnerability by production center and warehouse, and by climate risk, an overall risk score has been obtained in 2050 under an optimistic and pessimistic scenario.

Based on the global risk result, a calculation of the financial impact of the materialization of these risks has been made obtaining for water stress and flooding risks, a financial impact that could be significant, although the climate risk is of low probability. For these physical risks, the company will start working on adaptation measures to reduce the foreseeable future financial impact for the Group.

In addition, the Group has also assessed the level of vulnerability and dangerousness of certain climate risks for its most representative national and international suppliers, obtaining a global risk assessment, which has also been quantified in terms of its potential financial impact for the Group.

Finally, in relation to "iii)" regarding compliance with the Minimum Social Safeguards, the Group, in all its activities, follows the OECD Guidelines on Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, has processes in place to prevent corruption, treats governance and tax compliance as important elements of oversight and promotes fair competition. The Group has a Supply Chain Code of Conduct.

In addition, the Group has not received any convictions or sanctions for Human Rights violations, corruption, bribery, tax evasion or non-compliance with competition laws.

In particular, 96.3% of its suppliers are located in OECD countries, and are subject to the above-mentioned performance principles and guidelines.

However, as of the date of this report, the Group has not been able to implement the ethical integrity due diligence procedures for suppliers, customers and/or partners, as referred to in article 18 of the Taxonomy Regulation.

Thus, although the activities assessed cannot be considered aligned, it has been examined whether these activities meet the criteria of substantial contribution to the climate change mitigation objective, as well as the other DNSH criteria, other than the DNSH criterion of adaptation to climate change. The analysis is detailed below.

CCM 7.2 Renovation of existing buildings

- Compliance with the criterion of substantial contribution to climate change mitigation: the activity described by Pharma Mar under this heading is included in Annex I of the EU Delegated Regulation 2021/2139. As indicated in its point 1, it has been demonstrated that the renovation complies with the requirements applicable to major refurbishments. In Spain, these requirements are embodied in the latest version of the Basic Document HE: Energy Saving of the Technical Building Code (CTE).

  Given the characteristics of the building, which is of an industrial type, and given the temperature conditions of the building due to its production needs, the CTE does not oblige this type of building to comply with a given limit on primary energy consumption (section HE 0); in this sense, it has been considered that, in this particular case, it is not applicable to evaluate these consumption limits in order to check compliance with this criterion.

  Consequently, in order to demonstrate an adequate performance of the building in terms of its energy efficiency, the energy performance conditions of the building envelope (section HE 1) have been assessed. To this end, the thermal transmittance values of the different construction elements (insulating panels, foam roofs, windows, doors, etc.) installed in the different parts of the envelope (roof, façade, openings and floors) have been evaluated and it has been verified that these values do not exceed the limits established in section HE 1, for the Madrid climate zone (climate zone D).

  With regard to the conditions of the thermal installations (section HE 2), it complies with the provisions of the RITE regulation on thermal installations in buildings as far as ventilation, heating and air conditioning equipment is concerned, providing adequate regulation of their performance and therefore, the thermal comfort of the occupants.

  In relation to the lighting conditions (section HE 3), the workplaces have adequate lighting by means of high efficiency and low luminance luminaries such as LEDs. It is pointed out that the efficiency obtained is higher than that established in section HE 3.

  In addition, as required by the CTE also for this type of industrial buildings, the building complies with sections HE 4, HE 5 and HE 6. In particular, at least 60% of the annual DHW energy demand is covered by renewable energy thanks to the use of heat pumps; the photovoltaic panel system has a capacity of 168 kWp, also above the minimum capacity required by the standard; and there are also initiatives to promote car sharing, with five spaces available for vehicle charging,

which is above the limit of 3% of the total number of spaces stipulated by the CTE.

- Compliance with the DNSH (no significant harm to other objectives): the applicable DNSH criteria for this activity are explained below (apart from the climate change adaptation criterion, which has already been assessed):

  With regard to the objective "Sustainable use and protection of water and marine resources", it has been verified that the installations (taps, showers, toilets, etc.) of the building comply with the technical specifications relating to the flow rates stipulated by this criterion.

  In relation to the circular economy criteria, in line with the requirements established in the framework of BREEAM certification, the construction company manages construction waste (construction and demolition waste, CDW) on the basis of which at least 70% of the CDW is prepared for reuse, recycling and/or recovery. Furthermore, it has been verified that the building's cladding is modular and designed for maximum recyclability and reuse at the end of its useful life, in line with another of the criteria to be met by the builder in the context of obtaining BREEAM certification.

  With regard to the objective of pollution prevention and control, and in particular with regard to the criteria set out in Appendix C of Annex I, it has been verified that the components and construction materials are in compliance with the REACH Regulation as well as with the RoHS Directive in the case of electrical equipment. Furthermore, Sylentis and the constructor have assessed that the volatile emissions of the components and construction materials used do not exceed the limits for volatile organic compounds established by the Taxonomy.

  This activity does not include the revision of the DNSH on biodiversity protection and restoration.

CCM 7.3 Installation, maintenance and repair of energy efficient equipment: Replacement of traditional luminaries with LEDs in R&D and Production laboratories.

- Compliance with the criterion of substantial contribution to climate change mitigation: the activity described by Pharma Mar under this heading is included in Annex I of the EU Delegated Regulation 2021/2139. This activity is considered to contribute substantially to the objective of climate change mitigation, as it consists of the "installation and replacement of energy-efficient light sources" (section "d)" of the substantial contribution criterion).

- Compliance with DNSH (no significant detriment to the other objectives): in relation to the pollution prevention and control objective, certificates of compliance of LED luminaries with the RoHS Directive have been collected, concluding that the components and materials comply with the criteria set out

in Appendix C of Annex I. This activity does not require DNSH to be analyzed for the other objectives, apart from climate change adaptation and pollution prevention and control.

CCM 7.3 Installation, maintenance and repair of energy-efficient equipment: Replacement and maintenance of energy-efficient and low-maintenance electric motors (EBM motors)

- Compliance with the criterion of substantial contribution to climate change mitigation: the activity described by Pharma Mar under this heading is included in Annex I of the EU Delegated Regulation 2021/2139. The energy label class of the installed EBM motors is "A", being this rating the second highest among all ventilation systems listed in the EPREL (European Product Register for Energy Labeling) database. Consequently, this activity is considered to make a substantial contribution to the climate change mitigation objective, as it consists of the "installation, replacement, maintenance and repair of ventilation systems with high efficiency technologies" (section "e)" of the substantial contribution criterion).

- Compliance with DNSH (no significant detriment to the other objectives): for the pollution prevention and control objective, the certificates of conformity of EBM engines with the RoHS Directive have been collected, concluding that the components and materials comply with the criteria set out in Appendix C of Annex I. This activity does not require DNSH to be analyzed for the other objectives, apart from climate change adaptation and pollution prevention and control.

CCM 7.6. Installation, maintenance and repair of renewable energy technologies: Installation and commissioning of 367 photovoltaic panels.

- Compliance with the criterion of substantial contribution to climate change mitigation: the activity described by Pharma Mar under this heading is included in Annex I of the EU Delegated Regulation 2021/2139. The activity is included in section "a)" of the substantial contribution criteria: "installation, maintenance and repair of solar photovoltaic systems and ancillary technical equipment", and therefore makes a substantial contribution to the climate change mitigation objective.

- Compliance with DNSH (no significant harm to other objectives): this activity does not require DNSH to be analyzed for the other objectives, apart from climate change adaptation.

Calculation of indicators

KPI Turnover

The Turnover Eligibility KPI is the result of dividing the Taxonomy Eligible Revenue (numerator) by the Group's total turnover (denominator). Turnover as defined in the Taxonomy corresponds to the Group's revenue in accordance with International Accounting Standard (IAS) 1, paragraph 82(a).

In financial year 2023, this numerator (eligible revenues) contains the revenues from those taxonomically eligible activities that have been identified among those carried out by the Group and that are revenue generating, which correspond to activities 1.1. and 1.2. of the pollution prevention and control objective. In the 2022 financial year, no information was provided on turnover KPIs as Annex 3, which complements Regulation (EU) 2020/852 and applies to the Group's main activities (manufacture of APIs and manufacture of pharmaceutical products, which are part of the pollution prevention and control objective), had not entered into force, and the Group had no revenue from other activities.

Eligible income has been calculated as follows:

Eligible revenues from activity 1.1 consist of all sales made by Pharma Mar of intermediate products or active pharmaceutical ingredients (APIs) to its partners/licensees so that the latter can sell them and market them in the licensed territories. Eligible revenues from activity 1.2 consist of sales of finished products made by Pharma Mar or its affiliates to third parties, net of any discounts and/or returns.

Both the sales of API and pharmaceutical products have their own separate accounting codes/accounts, so that the identification of the volume of income for each of the concepts is immediate and no additional analysis is necessary. 100% of the revenues recorded in the respective accounting codes are considered eligible.

The denominator of the Turnover KPI corresponds entirely to the amount of consolidated revenues in Pharma Mar's consolidated financial statements, calculated in accordance with International Accounting Standard (IAS) 1, paragraph 82.a. Group turnover is included in the consolidated income statement in the 2023 financial statements under "Revenue from contracts with customers".

The difference between the denominator of the turnover KPI (157,806 thousand Euros) and the eligible turnover (70,681 thousand Euros) is due to the different nature of this income, as it is not related to production activity, but comes from royalties and intellectual property licensing agreements.

On the other hand, the turnover alignment KPI is the result of dividing the eligible and furthermore taxonomy-aligned revenues (numerator) by the Group's total Group turnover (denominator). However, in financial year 2023, no analysis is made as to whether the activities mentioned in the previous paragraph are aligned with the taxonomy, so the alignment KPI is considered to be zero. Thus, the eligible turnover KPI in the current financial year is equal to 44.7% and the aligned one is equal to 0%. In the last financial year, 2022, the KPI for eligible and aligned turnover was equal to 0%. The reason for this increase in the eligibility KPI is due to the fact that this is the first year in

which the Taxonomy includes economic activities directly linked to the Group's business model (activities 1.1. and 1.2. of the pollution prevention and control objective).

KPI CapEx

The CapEx eligibility KPI is the result of dividing the eligible CapEx according to the taxonomy (numerator) by the total CapEx of the Group (denominator). The definition of CapEx established by the Taxonomy in Annex I of the Delegated Regulation 2021/2178 has been taken into account.

In particular, the calculation of the eligible CapEx (numerator) has been made by adding the amount of acquisitions embodied in the assets, derived from taxonomically eligible activities, both core and cross-cutting (as described in ***Tables 21*** and ***22*** of this note).

In the case of the Group's main economic activities (see ***Table 21***), the eligible CapEx amounts have been calculated by analyzing and selecting the assets incorporated in the current year as technical equipment and facilities directly related to the production activity of either IFA or pharmaceutical products, as well as patents or activated R&D related to these activities. In the event that these assets could be used for both production processes, the amounts are computed only once within one of the activities to avoid double counting.

In the case of the cross-cutting economic activities for the group (see ***Table 22***), the eligible CapEx amounts have been obtained from the analysis of all additions to the assets of the current year, carried out by each department involved in the activity. After the analysis, it has been determined which of these additions are directly related to the taxonomic activities. If any of these assets were related to more than one transversal economic activity, they will only be taken into account in one of them.

Concerning the activity "renovation of existing buildings", although the activity is associated with two different environmental objectives (climate change mitigation and transition towards a circular economy) the eligibility figures associated with the CapEx of this activity have been computed only once to obtain the numerator of the alignment KPI, thus avoiding any double counting.

In turn, the denominator of the Capex KPI (Total CapEx) includes all additions for the year in intangible fixed assets, tangible fixed assets and right-of-use assets, before amortization, depreciation or impairment, also excluding changes in fair value. The total CapEx can be reconciled in Note 6 Tangible fixed assets table Additions/Cost column, Note 8 Intangible assets table Intangible fixed assets column Additions/Cost column and Note 9 Assets by right of use table Rights of use by type of asset column Additions/Cost column, of the Consolidated financial statements 2023.

On the other hand, the alignment KPI is the result of dividing the eligible and also taxonomy-aligned CapEx (numerator) by the total CapEx of the Group (denominator). However, in 2023, the activities identified as eligible as defined in Delegated Regulation 2021/2139 are not aligned with the taxonomy, so the aligned CapEx is zero.

Thus, the eligible CapEx KPI in the current year is 52.5% and the aligned one is 0%. In the last financial year, 2022, the eligible CapEx KPI was 0.9% and the aligned one was 0%. The reason for this increase in the eligible KPI is mainly due to the major renovation activity of a building where an oligonucleotide production plant is being built which the Group has started in 2023. In addition, this is the first year in which the Taxonomy contemplates economic activities directly linked to the Group's business model (activities 1.1. and 1.2. of the pollution prevention and control objective), which are related to part of the investments made by the Group.

KPI OpEx

The OpEx eligibility KPI is the result of dividing the taxonomy-eligible OpEx (numerator) by the Group's total OpEx (denominator).

The calculation of the numerator and denominator of this KPI has been made taking into account the type of expenses that make up the OpEx, as defined by the EU Delegated Regulation 2178/2021 of July 6th. In particular, OpEx is that directly and exclusively related to:

i) Research and Development expenses not capitalized (Note 26 of the Consolidated Financial Statements 2023).
ii) The volume of non-capitalized leases determined in accordance with IFRS 16 and including expenses for short-term leases and low-value leases (Note 30 to the Consolidated Financial Statements 2023).
iii) Maintenance, repair and other expenses provided that they are directly related to the day-to-day use of plant, plant and equipment used in economic activities and have been determined on the basis of the maintenance and repair costs allocated to internal cost centers.

In particular, in relation to the eligible OpEx (numerator), an analysis of the items to be considered in the numerator has been carried out. It is concluded that the eligible OpEx comes from both the Group's core and cross-cutting economic activities.

For the Group's principal economic activities, the eligible OpEx amounts have been obtained through internal analysis of the departments involved in the activity, which have identified the operating expenses linked to the eligible principal economic activities according to the taxonomy, as well as non-capitalized R&D expenses or maintenance expenses for those assets that could be related to both principal activities. We have ensured that any OpEx is only accounted for once.

For the Group's cross-cutting economic activities, the eligible OpEx amounts have been obtained through internal analysis of the different departments involved, which have identified the operating expenses linked to the eligible activities according to the taxonomy. We have ensured that any OpEx is only accounted for once.

Furthermore, the OpEx alignment KPI is the result of dividing the eligible and also taxonomy-aligned OpEx (numerator) by the Group's total OpEx (denominator). However, in FY2023, the activities identified as eligible as defined in Delegated Regulation 2021/2139 are not aligned with the taxonomy, so the aligned OpEx is zero.

Thus, the eligible OpEx KPI in the current year is 0.2% and the aligned one is 0%. In the last financial year, 2022, the eligible CapEx KPI was equal to 0.04% and the aligned KPI was equal to 0%. The reason for this increase in the eligibility KPI is due to the fact that this is the first year in which the Taxonomy includes economic activities directly linked to the Group's business model (activities 1.1. and 1.2. of the pollution prevention and control objective), which are related to a large part of the investments made by the Group. However, the figures for this KPI are limited, given the great relevance for the Group of expenditure on R&D activities, which are generally not related to the production/manufacture of an active ingredient or medicinal product.

The reporting tables for turnover, CapEx and OpEx eligibility figures, which follow the model templates of Annex II of Delegated Regulation 2021/2178 of July 6th (as amended by Annex V of Delegated Regulation 2023/2486), are reported in ***Annex 3*** of this document.

5. Our commitment to society

In terms of social commitment and innovation, the Pharma Mar Group promotes an environment of well-being and progress, especially in matters related to improving people's knowledge and health. As a result of this commitment, Pharma Mar received the "Madrid Open City" award in the Health and Safety category in 2023.

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***). The actions of the PharmaMar Foundation are also included in this category.

- **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 2023, 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.
- 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 communicated via the corporate intranet, with the aim of encouraging the participation of all employees and achieving a multiplier effect in the activities carried out. The Pharma Mar Group reiterates its ongoing commitment to innovation also through social actions, exploring new ways of making a positive contribution to communities and general well-being.

A total of EUR 832.962,3 was spent on these initiatives (EUR 111,923.2 in 2022, year in which the PharmaMar Foundation was established, but did not register any activity).

They included notably:

Health Area

- Blood donation campaign on the premises of the oncology segment alongside the Spanish Red Cross and the Transfusion Center of the Autonomous Region of Madrid. This campaign has been carried out for more than 15 years, with 42 donations from the staff in 2023.

- Collaboration with the “A Pulmón” Project of the Spanish Association of Lung Cancer Sufferers to raise awareness of lung cancer through sport. Some employees shared the climb to the Peñalara peak with patients suffering from this disease.

- Participation in the round table discussion "Use of research drugs for patients with no other therapeutic alternatives" held at El Español newspaper.

- Participation in the round table "Clinical research in Spain: challenges and opportunities" organized by farmaforum.

Social Welfare and Local Development Area

- Membership of the 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 laboratory equipment (a polarimeter), sent to IES San Fernando, a public high school in the Community of Madrid.

- Participation in the webinar "Empowering HR teams: technology as a key to agility and efficiency" organized by Equipos&Talento.

- Participation in the conferences of the European Climate Pact initiative organized by ASEBIO and the National Museum of Natural Sciences.

- 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 the Fundación Empresa-Universidad Gallega, a non-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 ParcCientífic. 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 2023.*

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 segment. 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.

- Participation in the Reuters "Ocean Titans" project to promote sustainability and marine research.

- Scientific publications in a large number of journals and specialized media in the field of oncology and pharmacology.

- Scientific dissemination in podcast, webinar, press and/or infographics in social networks on oncology, marine biology and molecular biology.

- Information on cancer and public awareness in the press and mainly social networks, on national and international days of different pathologies and health events.

- Publication of volume 19 of the book “El mundosubmarino 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.

- Organization of institutional and educational visits to oncology and RNA interference facilities.

PharmaMar Foundation Activities

The activities organized by the PharmaMar Foundation, registered in 2022 in the Register of Foundations of State Competence of the Spanish Ministry of Justice, are described below. The foundational purposes are shown in ***Figure 20***.

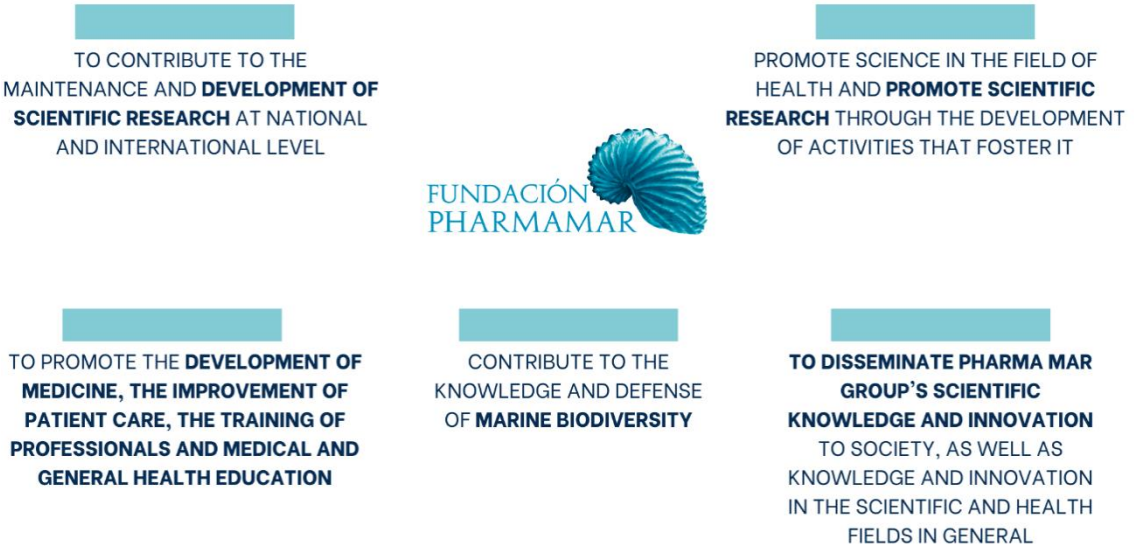

Figure 20*. Fines fundacionales de la Fundación Pharma Mar.*

In 2023, the Foundation became a member of the Spanish Association of Foundations and developed its annual program based on five pillars: Publications related to health and scientific research; Promotion and/or holding of scientific meetings; Awards in the fields of health and scientific research; Academic programs and grants and aid to promote research; Collaboration with other entities in matters related to the Foundation's aims.

- **Publications related to health and scientific research.** Videos on pathologies and health have been developed and published to provide a clear and understandable view of the challenges faced by patients and their families, as well as to share advances in research on various pathologies and their treatments with the public.

They are available on the website, as well as on YouTube and Twitter channels. In addition, a dictionary of medical terms was published on the website.

- **Promotion and/or holding of scientific meetings.** Two "Ciencia al Día (science up to date)" training days for journalists were organized in collaboration with the Asociación de Informadores de la Salud (Association of Health Journalists, ANIS). In addition, the Foundation sponsored the XVII International Symposium on Marine Natural Products (MaNaPro) and the XIII edition of the European Congress on Marine Natural Products (ECMNP). These congresses, held jointly, are the most important scientific events in the world on products of marine origin.

  A major event focused on sarcoma was held at the Jiménez Díaz Foundation University Hospital (Madrid). The PharmaMar Foundation sponsored this workshop, which brought together leading researchers from the US, UK and Spain. In addition, the Foundation organized its first series of scientific conferences. This initiative reflects the Foundation's commitment to scientific dissemination, research and health promotion. This series featured internationally renowned speakers at the Residencia de Estudiantes and the National Archaeological Museum. The 5 sessions were open to the public free of charge.

- **Awards in the fields of health and scientific research.** To close the year, the Foundation organized a gala presentation of its Annual ARGONAUTA Awards. In this edition, prizes were awarded for the Best Clinical Case (Dr. Louis Gros), Best Care Provision for Hospitalized COVID Patients (Dr. Pedro Landete), Basic Research (Dr. Adolfo García-Sastre) and Clinical Research (Dr. Josep Tabernero), as well as a review of the Foundation's activities during 2023 and the presentation of the video summary of the year, available on YouTube.

- **Promotion of Research through Academic Programs**. In 2023, the Spanish Society of Hospital Pharmacy in cooperation with the University of Alcalá de Henares launched a postgraduate training program called "Certificate of Continuing Education in Sarcoma", sponsored by PharmaMar Foundation. In addition, the first conference on Real World Data research was held.

- **Collaboration with other entities.** The Foundation collaborated with the Aula Sarcoma - eSarcomas project developed by the Biomedical Research Foundation of the Gregorio Marañón Hospital. In addition, support was given to the non-profit Pablo Ugarte Association against childhood cancer, in the XII Cerro de la Marmota Race and Trekking Walk, together with the Colmenar Viejo Town Council.

5.2_ Actions in relation to industry associations (contributions, donations and sponsorship)

The Group allocated a total of EUR 492,105.1 (EUR 490,310.6 in 2022) 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 a national and European level**.

6. Business ethics and transparency

OUR COMMITMENT

is to guide and direct the Group's activities in line with **the 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 business transparency. This section details the measures to achieve both commitments.

The fundamental pillar on which the Compliance model is based is the **Pharma Mar Group**'s **Code of Conduct**. It was updated and approved by the Board of Directors in 2023. The Code sets out the principles that should guide the conduct of all the Group's employees, both among themselves and in their professional relationships with customers, partners and suppliers. The document explicitly includes, among other aspects, non-discrimination in employment. All relations between employees must always be based on scrupulous respect for people's dignity, rejecting any form of abuse or conduct that might offend their rights.

In 2020, a **Compliance Department** was expressly created that reports directly to the Chairman's Office, providing it with independence in the exercise of its responsibilities, with functions relating to Criminal Compliance[9] and Pharmaceutical Compliance, ensuring compliance with regulations and sector self-regulation codes. This department has its own budget for the exercise of its activity.

In order to enforce the highest ethical standards, Pharma Mar has a Compliance System or **Crime Prevention Plan** to ensure that it acts in accordance with ethical principles and applicable legislation and to prevent improper conduct or conduct contrary to ethics, the law or the company's Internal Procedures ***(Figure 20)***.

As one of the key points of the Crime Prevention model, the company has an **Ethics Channel** as its only internal reporting system, based on trust, impartiality and reporting person protection. Employees, managers, members of the governing bodies of Pharma Mar, including its affiliates, volunteers, interns, suppliers, collaborators, customers and third parties who have dealings with Pharma Mar can freely, securely and confidentially report any evidence or reasonable suspicion of non-compliance with the law or Pharma Mar's internal regulations, including the Code of Conduct, the Protocol for dealing with harassment at work and other policies and procedures, and, specifically, about:

- Insider trading (stock and stock exchange related).
- Antitrust.
- Bribery / Corruption (to public officials, health professionals and/or individuals).
- Conflicts of interest.

[9]According to the provisions of the Criminal Code on the criminal liability of the legal person.

- Fraud.
- Harassment at work.
- Human Rights.
- Environment.
- Other violations of law, regulations and/or our Code of Conduct.

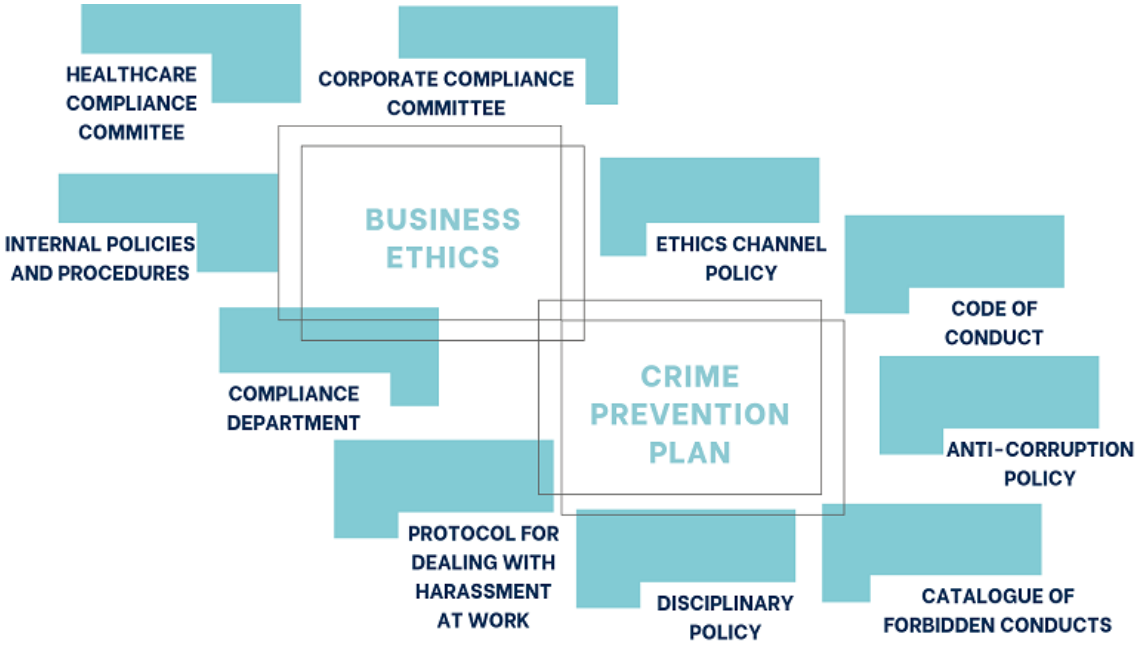

***Figure 20**. Ethical commitment and documents included in the Pharma Mar Group's Crime Prevention Plan.*

In 2023, the Ethics Channel was updated in accordance with European Directive 2019/193 on the protection of persons who report breaches of EU law, Spanish Law 2/2023 and the respective national laws where Pharma Mar has affiliates and/or employees. This channel enables confidential reporting in good faith, without fear of reprisals and, if the reporting person so wishes, **anonymously**.

Communications are received by the *Compliance* department, which analyses them carefully, acknowledges receipt within a maximum of 7 calendar days of receipt and establishes whether a case should be opened, in which the relevant investigators will be included. In addition to the *Compliance* department, the members of the Corporate Compliance Committee, made up of managers from the *Compliance*, Legal, Human Resources and Corporate Development departments, may participate in the investigation. Other persons, such as the head of the Equality and Harassment Plan, or Internal Audit, may participate in the investigation of cases within their respective competencies. However, to ensure that the investigation remains confidential (regardless of whether it is anonymous or not), only those persons who are strictly necessary are involved.

Once the investigation is completed, the interested parties are notified and, if appropriate, disciplinary and/or punitive measures are applied depending on the seriousness of the facts, always in accordance with applicable labor legislation, the

Workers' Statute[11] and **Pharma Mar's Disciplinary Policy**. In addition, depending on the outcome of the investigation, corrective measures of various kinds may be taken.

The Ethics Channel can be accessed both from the company's corporate website[12] and from the internal Intranet for employees. The Ethics Channel Policy is also available in both locations, as well as a **Frequently Asked Questions document[13]** , which provides practical answers to the most common questions that users of the Ethics Channel may have. All these documents are available in English, Spanish, French, German and Italian.

With regard to the Ethics Channel, communications can be reported through the following channels:

- Website: https://Pharma Mar.speakup.report/en-GB/CanalEtico/home
- By sending a voice message in the language of the informant's choice on the telephone line provided. To preserve anonymity, the voice message is recorded by an external provider and the Pharma Mar investigative team investigating the case only receives a written transcript of the recording, without ever hearing the voice. The telephone mailbox service is available 24 hours a day, 365 days a year.
- Using this QR code:
- Through the **"Speak Up by People Intouch"** application available on mobile phones for both Android and iOS. It should be noted that all company phones provided to employees have this application installed by default.

Ethics Channel figures

[11]The Workers' Statute is the legislation that governs labour relations between employees and companies in Spain.
[12]https://Pharma Mar.com/en/company/corporate-responsability/#ethical
[13] https://Pharma Mar.com/wp-content/uploads/2023/07/FAQS_CodigoEtico_Idiomas.pdf

Communications received in the Pharma Mar Group's Ethics Channel	2023
Total number of communications received	10
Number of communications admitted for processing	9
Communications on matters relating to forced labor and/or Human Rights violations	0

The ratio of communications received in the Ethics Channel during 2023 is 1.96 per 100 employees, compared to public reports and studies on the subject that establish a benchmark of between 0.5 and 2.3 communications per 100 employees depending on the geographical area[14] .

Throughout 2023, a training, dissemination and communication campaign was conducted for the Ethics Channel, which included in-person and online training, informative communications via e-mail and new posters in offices, which has led Pharma Mar Group employees to rely on the Ethics Channel for their communications and queries, as can be seen from the comparison of the rate of communications received.

As part of the Crime Prevention Plan, the **Corporate Compliance Committee** was created in 2020 as a body delegated by the Board of Directors to supervise the operation of and compliance with the Crime Prevention Model. As established in the **Statute of the Corporate Compliance Committee**, updated in 2023, the main functions of the Committee are:

- Ensure compliance with ethical standards within the company.
- Communicate all matters relating to compliance with the rules governing the Group.
- Perform relevant monitoring and control functions.
- As the body responsible for the Internal Reporting System, to ensure the proper functioning of the Internal Reporting System and, therefore, to carry out internal investigations of the Ethics Channel.
- Carry out any other functions established in the Ethics Channel Policy and in the Procedure for Management of the Ethics Channel and Internal Investigations with autonomy, independence and impartiality, not being expressly subject to instructions from the Board of Directors of Pharma Mar, S.A. or other bodies of Pharma Mar in the exercise of their functions, including the management bodies of group companies.

This Committee prepares the **Annual Report of the Corporate Compliance Committee**, which is presented annually to the Board of Directors with a summary of the year's activities, including the main milestones in the area of criminal prevention, the various training courses given, both face-to-face and online, the Ethics and *Compliance* Policies and Procedures approved and/or updated, aggregate information on the Ethics Channel, summary of ethics and data protection audits, the different activities carried out, summary of breaches or non-compliance in ethics detected and the main corrective actions carried out, among others.

[14] Navex: 2022 Regional Whistleblowing Hotline Benchmark Report.

In addition to this Committee, which deals with corporate matters, the Pharma Mar Group has gone further to ensure that it strictly complies with the regulations applicable to its specific sector. To this end, it has created the **Healthcare Compliance Committee**, which ensures that it works in accordance with the ethical codes of the pharmaceutical industry, such as those of the European Federation of the Pharmaceutical Industry (EFPIA) and Farmaindustria, among others. This Committee is made up of directors from the Oncology and Virology Units, together with the *Compliance* Department.

6.1_ Human rights

Pharma Mar Group companies are located in European Union countries and the United States, which comply with current labor legislation and the Universal Declaration of Human Rights. In addition, the Pharma Mar Group is subject to European regulations, which are based on the 8 core conventions of the International Labor Organization (ILO).These conventions refer, among other aspects, to respect for freedom of association and the right to collective bargaining.

The Pharma Mar Group does not tolerate discrimination on grounds of gender, race, sexual orientation, religious beliefs, political opinions, nationality, social origin, disability or any other circumstance, as set out in the **Protocol for dealing with harassment at work**, updated in 2023 to include new regulations on the subject in Spain, such as those relating to Law 4/2023, of 28 February, for the real and effective equality of trans people and for the guarantee of the rights of LGTBI people, Royal Decree 901/2020 of October 13th, which regulates equality plans and their registration or the Basic Guidelines for the evaluation of occupational risks of the Spanish National Institute for Safety and Health at Work (INSST) of 2022.

The Group also has a **Catalogue of Forbidden Conducts** which, among other unlawful acts, prohibits any offence related to the violation of workers' rights. This catalogue expressly mentions child labor and forced labor, and strictly prohibits any deception or abuse of an employee's situation in order to impose working conditions that are detrimental to or suppress his or her rights.

6.2_ Fight against corruption and bribery

Pharma Mar maintains a "zero tolerance" policy on bribery and corruption, rejecting any action that includes these practices as a means of obtaining its private interests.

As set out in the **Anti-Corruption Policy**, all employees and managers of the companies forming part of the Group - including the Governing Bodies and senior management - must remain vigilant to prevent unlawful conduct under the Code in the Group's dealings with other persons or organizations. In particular, specific measures are established to prevent corruption and bribery, prohibiting unethical practices to influence the will of persons outside the Group in order to obtain a benefit.

In accordance with the provisions of the **Anti-Corruption Policy**, these persons may not make, offer or receive any payment in cash, in kind or any other benefit that may be

considered unethical or disrupt the development of the professional relationships in which they are involved. Likewise, they must refrain from making payments, whatever their amount or nature, in exchange for securing or expediting the course of a procedure or action before a judicial body, public administration or official body.

Therefore, no employee may offer a direct or indirect benefit to a third party that is intended to influence, or is made with the intention of unlawfully influencing, that third party's ability to make objective and legitimate business decisions.

Likewise, Pharma Mar employees are expressly prohibited from accepting any form of corruption or bribery offered by a third party. In this regard, a **Gift Register Book** was created in 2023 which, in accordance with the **Procedure for Reimbursement of Expenses and Acceptance of Gifts**, establishes clear limits on the acceptance of gifts. To ensure that gifts or presents are of token value and are received in a public, open and transparent manner, all employees and external collaborators are required to declare all gifts and presents. It shall be verified that the gift or present is in line with the principles set out in the Code of Conduct, the provisions of the Company's policies and procedures, as well as with the content of any legislation that may be applicable, and that no actions may be carried out that contain any element contrary to these rules. The Compliance Department shall report to the Audit Committee of the Board of Directors on an annual basis on gifts and presents received, identifying the receiver, possible motivation and their market value, if applicable.

Lastly, it should be noted that Pharma Mar is considered to be a non-subject entity for the purposes of article 2 of Spanish Law 10/2010 on the Prevention of **Money Laundering** and Terrorist Financing and, therefore, they are not considered material for the Pharma Mar Group due to the characteristics of the sector in which it operates and the markets in which it is present. However, in order to reinforce its commitment to ethics, Pharma Mar has various mechanisms in place to combat money laundering, such as the Procurement Policy, the GxP Service Provider Approval Procedure and the GMP Materials Supplier Procedure.

In order to ensure the strictest ethical compliance, the Group has various committees, departments and documents as shown in ***Figure 21.***

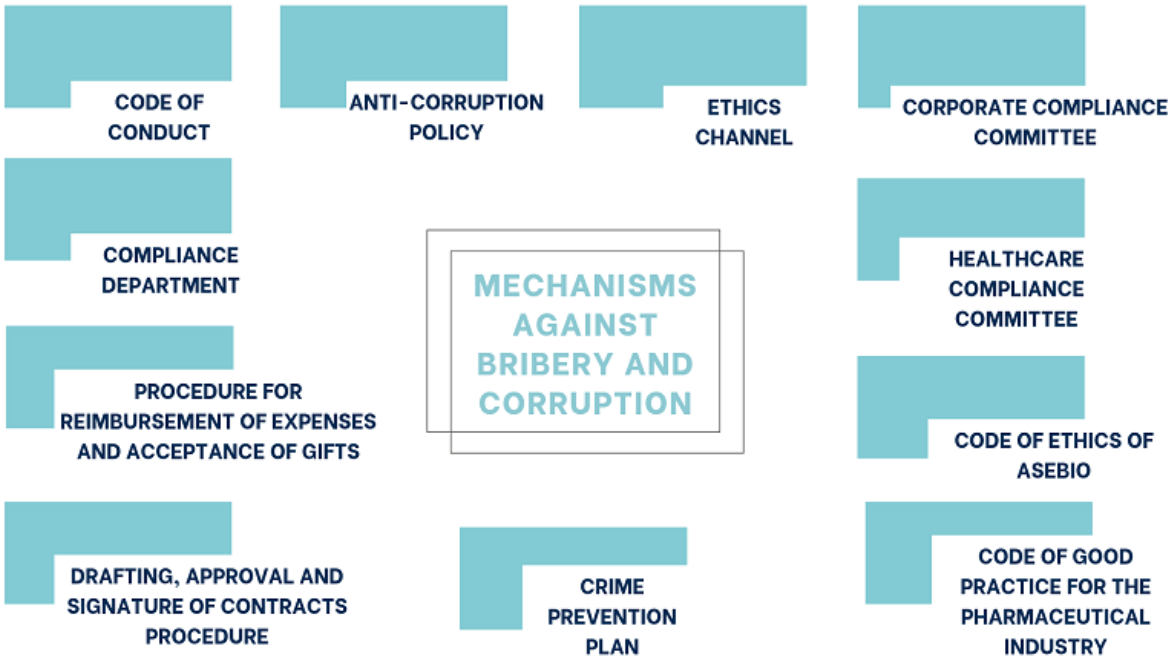

Figure 21. *Anti-bribery and anti-corruption mechanisms in the Pharma Mar Group.*

Ethics and compliance training

During 2023 and in accordance with the *Compliance* Training Plan, four types of face-to-face training were given in different sessions throughout the year on Data Protection, on information and awareness of the Ethics Channel, on the appropriate limits between Commercial and Medical in matters of *Compliance* and commercial activities, and a specific one for all investigators or persons directly or indirectly involved in the management of the company's Ethics Channel, this was attended not only by members of the Corporate Compliance Committee, but also by the rest of the *Compliance team*, the Legal department, members of IT who might be involved in obtaining information in the course of an investigation and any other persons who, due to their functions, might have to take an active part in an internal investigation.

In addition, this year we have strengthened the specific and interactive training of the **welcome package** for new employees, which must be completed *online* during the first 30 days after joining the company. This training deals with general compliance issues, covering the main aspects of the Crime Prevention Plan, the sectoral Codes, the Internal Policies and Procedures applicable to Criminal and Pharmaceutical *Compliance*, the obligations for employees regarding insider information in accordance with the Internal Code of Conduct and matters related to the securities market (RIC), as well as basic notions of Data Protection. And since this year it has been available not only in Spanish, but also in English, French, German and Italian. *Online* training has also been provided through the company's internal training platform on various ethical issues, compliance with internal procedures, etc.

Throughout the year, and following the formula of ePills, that is, informative and training communications in brief format, 5 "pills" have been generated on different

subjects such as the Clean Desk Policy, Permissible hospitality limits with healthcare professionals in Europe (in accordance with the different national Codes of Good Practice), Ethics Channel, cyber-security or the Gift Register Book.

Figure 22. *Key figures for ethics and compliance training in 2023 in the Pharma Mar Group.*

The main internal compliance regulations, as well as relevant information, are published on the corporate website in the "Sustainability and Ethics" section, including that relating to the **Ethics Channel.**

With regard to external regulations, Pharma Mar also shares the fundamental ethical values of the **Code of Ethics of the Spanish Association of Biocompanies (ASEBIO)**, of which it is a member.

The company also **adheres to Farmaindustria's Code of Good Practice for the Pharmaceutical Industry**. This Code is based on the European Code of Good Practice for the Promotion of Medicines, approved by **EFPIA**.

In line with these last two codes, the company publishes every year on its corporate website, in the "Sustainability and Ethics / Transparency" section, a **transparency report on** all transfers of value (in cash or in kind) in its relations with healthcare professionals, health associations and patient organizations, not only for Spain but also for all its European affiliates. This highlights the activities carried out by the pharmaceutical industry, and in this case Pharma Mar, such as its key role in training healthcare professionals. It also demonstrates the rigor and independence with which these collaborations are carried out, creating an integral benefit for healthcare professionals, national health systems and, most importantly, for patients.
Collaborations with health organizations and professionals are published in the following sections:

- Donations to health care organizations.
- Grants for training activities and scientific-professional meetings.
- Collaboration with patient associations.
- Remuneration for professional services.
- Research and Development.

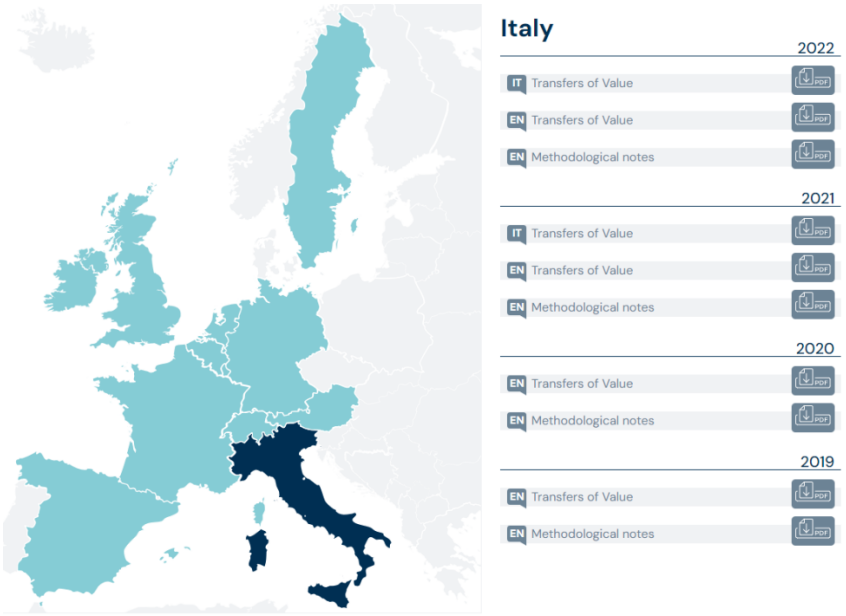

Figure 23. *Examples of reports from the Group's Italian subsidiary available on the corporate website.*

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 €516,859 in corporate income taxes in 2023 (€809,993 in 2022) 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 2022, as well as payments on account of corporate income tax for 2023.

In application of the minimum installment payment system based on accounting profit, the Group has pre-paid €2,714,502 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 2024 will be offset by payments on account made in 2023, 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 2023 corporate income tax	Payments of FY 2022 corporate income tax	Corporate income tax paid FY 2023	Corporate income tax paid FY 2022
Germany	85.260	19.779		19.779	130.650
Austria	39.871	500	23.241	23.741	500
Belgium	16.101	10.000	3.691	13.691	10.000
Spain	-3.711.811	2.684.223	454.952	454.952	666.248

France	64.147			0	0
Italy	78.779			0	0
Sweden	-217.497			0	0
Switzerland	6.170		728	728	212
China	3.172			0	0
USA	13.170		3.968	3.968	2.384
TOTAL	**-3.622.637**	**2.714.502**	**486.580**	**516.859**	**809.993**

***Table 22**. Corporate Income Tax Calculation*

Grants recognized in 2023 amounted to €588,792 (€1,304,438 in 2022), of which €492,691 were collected in cash during the fiscal year (€768,251 in 2022).

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 July 2nd, and Law 22/2015, of July 20th, on Statutory Auditing, as regards non-financial information and diversity(***Annex 1***).

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	Yes	General	305-5	4.4.
2.) Considering any kind of atmospheric pollution that is specific to an activity, including noise and light pollution	No		-	
Circular Economy and Waste Prevention and Management				
Circular economy Waste: Measures for waste prevention, recycling, reuse, other forms of recovery and disposal	Yes	General	306-1	4.4.
Activities to combat food waste	No		-	
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	Yes	General	3 - Management approach 2-7	6.2.
Total employment contracts by type of contract			2-7	

	Annual average of permanent, 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 compensation of directors and executives, including variable compensation, per diem allowances, reimbursements, contributions to long-term pension savings plans and all other compensation 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 Total number of training hours by occupational group	Yes	General	404-1	2.1. 2.6.
	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			3 - Management approach	
Complaints relating to Human Rights violations			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			3 - Management approach 406-1	2.1. 6.1.
Elimination of forced or compulsory labor Effective abolition of child labor			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		-	
Contributions to foundations and non-profit organizations	Yes		413-1	5.1. 5.2.
SOCIETY				
Impact of the Company's activity on employment and local development			3 - Management approach 413-1	2.1.
Impact of the Company's activity on local populations and on the territory	Yes	General	413-1	5.1.
Relations and modalities of dialog with local community actors			2-29	
Partnership or sponsorship actions	Yes		2-28	5.2.
Outsourcing and Suppliers				
* Inclusion of social, gender equality and environmental issues in the purchasing policy			2-6	3.1.
* Consideration of social and environmental responsibility in relations with suppliers and subcontractors	Yes	General	308-1 414-1	3.2.
Oversight and audit systems and their results			3 - Management approach	3.1.
Consumers				
Consumer health and safety measures	Yes	General	3 - Management approach	3.5.
Complaint systems, complaints received and resolution of complaints			416-2	
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 Tables in note 2.2. with employees at year-end

Breakdown of workforce by gender, age, country and occupational group

2023

No. employees	Spain		International		Total
	Pharma Mar	Sylentis	European Union	Rest of the world	
Women	244	26	39	2	313
Men	159	14	21	0	196
TOTAL	**403**	**40**	**60**	**2**	**509**

2022

No. employees	Spain			International		Total
	Pharma Mar	Genomica	Sylentis	European Union	Rest of the world	
Women	236	7	22	42	2	309
Men	160	7	10	21	1	199
TOTAL	**396**	**14**	**32**	**63**	**3**	**508**

2023

Country	Women	Men	Total
Germany	6	10	16
Austria	4	1	5
Belgium	5	1	6
Spain	272	159	431
France	8	7	15
Italy	14	9	23
European Union	*309*	*187*	*496*
Argentina	1	2	3
Brazil	1	0	1
Canada	1	0	1
Cuba	0	1	1
United States	1	1	2
Peru	2	1	3
United Kingdom	0	1	1
Romania	2	1	3
Russia	0	1	1
TOTAL	**317**	**195**	**512**

Occupational Group	Women	Men	Total
Executive Directors	0	2	2
Senior Management	4	4	8
Management	12	11	23
Middle Management	48	45	93
Technical Staff	184	116	300
Administrative and Clerical Staff	62	7	69
Other	7	10	17
TOTAL	**317**	**195**	**512**

Age	Women	Men	Total
< 30	24	14	38
31-40	66	35	101
41-50	113	66	179
51-60	100	62	162
> 61	14	18	32
TOTAL	**317**	**195**	**512**

2022

Country	Women	Men	Total
Germany	9	11	20
Austria	6	0	6
Belgium	6	1	7
Spain	254	164	418
France	10	7	17
Italy	16	8	24
European Union	*301*	*191*	*492*
Argentina	1	2	3
Brazil	1	0	1
Canada	1	0	1
Cuba	0	1	1
United States	1	1	2
Peru	2	1	3
United Kingdom	0	1	1
Romania	2	1	3
Russia	0	1	1
TOTAL	**309**	**199**	**508**

Occupational Group	Women	Men	Total
Executive Directors	0	2	2
Senior Management	3	5	8
Management	12	12	24
Middle Management	47	42	89
Technical Staff	178	115	293
Administrative and Clerical Staff	63	10	73
Other	6	13	19
TOTAL	**309**	**199**	**508**

Age	Women	Men	Total
< 30	18	19	37
31-40	65	32	97
41-50	119	68	187
51-60	93	62	155
> 61	14	18	32
TOTAL	**309**	**199**	**508**

Breakdown of workforce by work day duration

2023

Gender	Full Time	Part Time	Total
Women	293	24	317
Men	193	2	195
TOTAL	**486**	**26**	**512**

Edad	Full Time	Part Time	Total
<30	38	0	38
31-40	95	6	101
41-50	163	16	179
51-60	158	4	162
>61	32	0	32
TOTAL	**486**	**26**	**512**

Occupational Group	Full Time	Part Time	Total
Executive Directors	2	0	2
Senior Management	8	0	8
Management	23	0	23
Middle Management	89	4	93
Technical Staff	286	14	300
Administrative and Clerical Staff	61	8	69
Other	17	0	17
TOTAL	**486**	**26**	**512**

2022

Gender	Full Time	Part Time	Total

Women	283	26	309
Men	195	4	199
TOTAL	**478**	**30**	**508**

Edad	Full Time	Part Time	Total
<30	36	1	37
31-40	89	8	97
41-50	168	19	187
51-60	153	2	155
>61	32	0	32
TOTAL	**478**	**30**	**508**

Occupational Group	Full Time	Part Time	Total
Executive Directors	2	0	2
Senior Management	8	0	8
Management	24	0	24
Middle Management	86	3	89
Technical Staff	277	16	293
Administrative and Clerical Staff	62	11	73
Other	19	0	19
TOTAL	**478**	**30**	**508**

Distribution of workforce by type of employment contract

2023

Gender	Indefinite	Temporary	Total
Women	316	1	317
Men	195	0	195
TOTAL	**511**	**1**	**512**

Age	Indefinite	Temporary	Total
<30	38	0	38
31-40	100	1	101
41-50	179	0	179
51-60	162	0	162
>61	32	0	32
TOTAL	**511**	**1**	**512**

Occupational group	Indefinite	Temporary	Total
Executive Directors	2	0	2
Senior Management	8	0	8
Management	23	0	23
Middle Management	93	0	93
Technical Staff	299	1	300
Administrative and Clerical Staff	69	0	69
Other	17	0	17
TOTAL	**511**	**1**	**512**

2022

Gender	Indefinite	Temporary	Total
Women	306	3	309
Men	197	2	199
TOTAL	**503**	**5**	**508**

Age	Indefinite	Temporary	Total
<30	33	4	37
31-40	96	1	97
41-50	187	0	187
51-60	155	0	155
>61	32	0	32
TOTAL	**503**	**5**	**508**

Occupational group	Indefinite	Temporary	Total
Executive Directors	2	0	2
Senior Management	8	0	8
Management	24	0	24
Middle Management	89	0	89
Technical Staff	288	5	293
Administrative and Clerical Staff	73	0	73
Other	19	0	19
TOTAL	**503**	**5**	**508**

Annex 4 Annex II of Commission Delegated Regulation 2021/2178 of July 6th

Economic activities	Codes	Total turnover [thousands of Euros]	Proportion of turnnover [%]	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 (A.1.) or taxonomy-eligible (A.2.) turnover, FY 2022 [%]	Enabling activity (E)	Transitional activity (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Turnover of environmentally sustainable activities (taxonomy-aligned) A.1.	-	0	0%	0	0	0	0	0	0	Y	Y	Y	Y	Y	Y	Y	0%		
Of which: facilitators	-	0	0%	0	0	0	0	0	0	Y	Y	Y	Y	Y	Y	Y	0%	E	
Of which: transitional	-	0	0%	0						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of active pharmaceutical ingredients (API) or active substances	**PPC 1.1.**	11,281	7.1%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								N/A		
Manufacture of medicinal products	**PPC 1.2.**	59,400	37.6%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								N/A		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) A.2.	-	70,681	44.7%	0.0	0.0	0.0	44.7	0.0	0.0								0		
A. Turnover of Taxonomy-eligible activities (A.1.+A.2.)		70,681	44.7%	0.0	0.0	0.0	44.7	0.0	0.0								0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy non-eligible activities (B)		87,472	55.3%																
TOTAL		**158,153**	**100%**																

	Proportion of turnover	
	Adjusted to the taxonomy by objetive	eligible according to the taxonomy objetive
Climate change mitigation	0.0%	0.0%
Climate change adaptation	0.0%	0.0%
Water and marine resources	0.0%*	0.0%
Circular economy	0.0%*	0.0%
Pollution	0.0%*	44.7%
Biodiversity and ecosystems	0.0%*	0.0%

**In accordance with the Taxonomy legislation, alignment with these objectives has not been evaluated in this fiscal year 2023.*

Table 1.Proportion of turnover from products or services associated with economic activities that comply with the taxonomy-disclosure for 2023 in the Pharma Mar Group.

Economic activities	Codes	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 mitigation (Y/N)	Climate change mitigation (Y/N)	Climate change mitigation (Y/N)	Climate change mitigation (Y/N)	Climate change mitigation (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion (A.1.) or taxonomy-eligible (A.2.)CapEx, FY 2022 [%]	Enabling activity (E)	Transitional activity (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
CapEx of environmentally sustainable activities (taxonomy-aligned) A.1.	-	0	0%	0	0	0	0	0	0	Y	Y	Y	Y	Y	Y	Y	0%		
Of which: facilitators	-	0	0%	0	0	0	0	0	0	Y	Y	Y	Y	Y	Y	Y	0%	E	
Of which: transitional	-	0	0%	0						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Renovation of existing buildings	**CCM 7.2 / CE 3.2**	9,415	48.8%	S	N/EL	N/EL	N/EL	EL	N/EL	Y	Y	Y	Y	Y	Y	N	0.0%		
Installation, maintenance and repair of energy efficiency equipment	**CCM 7.3**	64	0.3%	S	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	N	0.0%		
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	**CCM 7.5**	0	0.0%	S	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	N	0.1%		
Installation, maintenance and repair of renewable energy technologies	**CCM 7.6**	138	0.7%	S	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	N	0.9%		
Manufacture of active pharmaceutical ingredients (API) or active substances	**PPC 1.1.**	390	2.0%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								N/A		
Manufacture of medicinal products	**PPC 1.2.**	116	0.6%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								N/A		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) A.2.	-	10,123	52.5%	49.9	0.0	0.0	2.6	0.0	0.0								0.9%		
A. CapEx of Taxonomy-eligible activities (A.1.+A.2.)		10,123	52.5%	49.9	0.0	0.0	2.6	0.0	0.0								0.9%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy non-eligible activities (B)		9,152	47.5%																
TOTAL		**19,275**	**100%**																

	Proportion of CapEx	
	Adjusted to the taxonomy by objective	eligible according to the taxonomy objetive
Climate change mitigation	0.0%	49.9%
Climate change adaptation	0.0%	0.0%
Water and marine resources	0.0%*	0.0%
Circular economy	0.0%*	0.0%
Pollution	0.0%*	2.6%
Biodiversity and ecosystems	0.0%*	0.0%

**In accordance with the Taxonomy legislation, alignment with these objectives has not been evaluated in this fiscal year 2023.*

Table2. *Proportion of CapEx from products or services associated with economic activities that comply with the taxonomy-disclosure for 2023 in the Pharma Mar Group.*

Economic activities	Codes	AbsoluteOpEx [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[%]	Criterios DNSH: Climate change mitigation (Y/N)	Climate change mitigation (Y/N)	Climate change mitigation (Y/N)	Climate change mitigation (Y/N)	Climate change mitigation (Y/N)	Climate change mitigation (Y/N)	Minimum safeguards (Y/N)	Taxonomy-aligned proportion (A.1.) or taxonomy-eligible (A.2.) OpEx, FY 2022 [%]	Enabling activity (E)	Transitional activity (T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
OpEx of environmentally sustainable activities (taxonomy-aligned) A.1.	-	0	0%	0	0	0	0	0	0	Y	Y	Y	Y	Y	Y	Y	0%		
Of which: facilitators	-	0	0%	0	0	0	0	0	0	Y	Y	Y	Y	Y	Y	Y	0%	F	
Of which: transitional	-	0	0%	0						Y	Y	Y	Y	Y	Y	Y	0%		T
A.2. Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Installation, maintenance and repair of renewable energy technologies	**CCM 7.6**	20	0.0%	Y	N	N	N	N	N	Y	N	Y	Y	Y	Y	N	0.0%		
Manufacture of active pharmaceutical ingredients (API) or active substances	**PPC 1.1.**	68	0.1%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								N/A		
Manufacture of medicinal products	**PPC 1.2.**	69	0.1%	N/EL	N/EL	N/EL	EL	N/EL	N/EL								N/A		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) A.2.	-	157	0.2%	0.0	0.0	0.0	0.1	0.0	0.0								0%		
A. OpEx of Taxonomy-eligible activities (A.1.+A.2.)		157	0.2%	0.0	0.0	0.0	0.1	0.0	0.0								0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy non-eligible activities (B)		103,887	99.8%																
TOTAL		**104,044**	**100%**																

	Proportion of OpEx	
	Adjusted to the taxonomy by objective	**eligible according to the taxonomy objective**
Climate change mitigation	0.0%	0.0%
Climate change adaptation	0.0%	0.0%
Water and marine resources	0.0%*	0.0%
Circular economy	0.0%*	0.0%
Pollution	0.0%*	0.1%
Biodiversity and ecosystems	0.0%*	0.0%

**In accordance with the Taxonomy legislation, alignment with these objectives has not been evaluated in this fiscal year 2023.*

Table 3. Proportion of OpEx from products or services associated with economic activities that comply with the taxonomy-disclosure for 2023 in the Pharma Mar Group.

Row	Activities related to nuclear energy	
1.	The company carries out, finances, or has exposures to the research, development, demonstration, and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal fuel cycle waste.	NO
2.	The company undertakes, finances, or has exposures to the construction and safe operation of new nuclear facilities for electricity or process heat production, including for urban heating or industrial processes such as hydrogen production, along with safety enhancements, using the best available technologies.	NO
3.	The company engages in, finances, or has exposures to the safe operation of existing nuclear facilities that produce electricity or process heat, including for urban heating or industrial processes such as hydrogen production from nuclear energy, along with safety improvements.	NO
	Activities related to fossil fuel	
4.	The company carries out, finances, or has exposures to the construction or operation of electricity generation facilities that produce electricity from gaseous fossil fuels.	NO
5.	The company carries out, finances, or has exposures to the construction, renovation, and operation of combined heat and power (CHP) facilities that use gaseous fossil fuels.	NO
6.	The company carries out, finances, or has exposures to the construction, renovation, and operation of heat generation facilities that produce both heat and cold using gaseous fossil fuels.	NO

Table 4. Activities related to nuclear energy and fossil gas for the year 2023 within the Pharma Mar Group.

SEPARATE DISCLOSURES CONCERNING THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT (ART. 49.7 OF SPAIN'S COMMERCIAL CODE) FOR THE YEAR ENDED 31 DECEMBER 2023 AND WHICH FORM PART OF THE PHARMA MAR GROUP'S DIRECTORS' REPORT FOR THAT YEAR

In compliance with the provisions of articles 34, 44 and 49 of the Commercial Code and articles 253 and 254 of the Capital Companies Act, this separate report concerning the consolidated non-financial information statement for the period from 1 January to 31 December 2023, as referred to in article 49.7 of the Commercial Code, is drafted and authorized as part of the Directors' Report of the PharmaMar Group for the period from 1 January to 31 December 2023.

In accordance with the provisions of the Commercial Code and the Capital Companies Act, the Board of Directors signed this 111-page document on 27 February 2024.

The Board of Directors:

Mr. José María Fernández Sousa-Faro Chairman	Mr Pedro Fernández Puentes Vice-Chairman
Ms. Soledad Cuenca Miranda Director	Mr. Eduardo Serra Rexach Director
Ms. Sandra Ortega Mera Director	Mr. Carlos Solchaga Catalán Director
Ms. Rosa María Sánchez-Yebra Alonso Director	Ms. Montserrat Andrade Detrell Director
Mr. Mariano Esteban Rodríguez Director	Mr. Emiliano Calvo Aller Director
Ms. Mª Blanca Hernández Rodríguez Director	Mr. Fernando Martín-Delgado Santos Director

Certificate by the Secretary to the Board of Directors to the effect that, following the authorization by the members of the Board of Directors, at a meeting on 27 February 2024, of the separate report concerning the consolidated non-financial information statement for the period from 1 January to 31 December 2023, as referred to in article 49.7 of the Commercial Code, as part of the Directors' Report of the PHARMA MAR Group for the period from 1 January to 31 December 2023, the directors listed above signed this document. Which I certify in Madrid on 27 February 2024.

Secretary of the Board of Directors:

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Juan Gómez Pulido

STATEMENT OF LIABILITY WITH RESPECT TO THE CONTENT OF THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors declare that, to the best of their knowledge, the consolidated financial statements for the year ended 31 December 2023, authorized by the Board of Directors at a meeting on 27 February 2024, and prepared in accordance with the applicable accounting standards, give a true and fair view of the net worth, financial position and results of PHARMA MAR, S.A. and of the subsidiaries included in consolidation, taken as a whole, and that the consolidated directors' report contains a true and fair analysis of the development and results of the business and the position of PHARMA MAR, S.A. and of the subsidiaries included in consolidation, with a description of the main risks and uncertainties that they face.

Madrid, 27 February 2024

The Board of Directors:

Name	**Tax ID no.**	**Position**	**Signature**
José María Fernández Sousa-Faro		Chairman	
Pedro Francisco Fernández Puentes		Vice-Chairman	
Eduardo Serra Rexach		Director	
Sandra Ortega Mera		Director	
Carlos Solchaga Catalán		Director	
Rosa María Sánchez-Yebra Alonso		Director	
Montserrat Andrade Detrell		Director	
Mariano Esteban Rodríguez		Director	
Emiliano Calvo Aller		Director	
Mª Blanca Hernández Rodríguez		Director	
Soledad Cuenca Miranda		Director	
Fernando Martín-Delgado Santos		Director	

Certificate by the Secretary of the Board of Directors to the effect that after authorization by the members of the Board of Directors at a meeting on 27 February 2024, of the Consolidated Financial Statements and Consolidated Directors' Report of PHARMA MAR, S.A. for the year ended 31 December 2023, the directors listed above signed this statement of director liability. Which I certify in Madrid on 27 February 2024.

Secretary of the Board of Directors

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Juan Gómez Pulido