

SOM INNOVATION BIOTECH, S.A.

Annual Accounts for the year ending 31 December 2023

Includes Annual Account Audit Report

INDEPENDENT ANNUAL ACCOUNTS AUDIT REPORT

To the shareholders of SOM INNOVATION BIOTECH, S.A.:

Opinion

We have audited the annual accounts of SOM INNOVATION BIOTECH, S.A. (the Company). They comprise the balance sheet at 31 December 2023, profit and loss account, statement of changes in equity, cash flow statement and report for the year ending on that date.

In our opinion, the attached annual accounts express a true image of the equity and financial situation of the Company at 31 December 2023, as well as its profit and cash flows for the year ending on that date, according to the applicable financial reporting framework (identified in note 2 of the report) and, in particular, with the accounting principles and criteria set forth therein.

Basis for the opinion

We have conducted our audit according to regulations governing account auditing in force in Spain. Our responsibilities according to these standards are described below in the *Responsibilities of the auditor in relation to annual account auditing* section of our report.

We are an independent company pursuant to ethical requirements, including independence, applicable to how we audit annual accounts in Spain as required by regulations governing our account auditing activity. In this sense, we have provided no services other than account auditing, neither have we incurred in situations or circumstances that have compromised our necessary independence according to the provisions of the above-mentioned governing regulation.

We consider that the audit evidence obtained provides a sufficient and adequate basis for our opinion.

Material uncertainty related with Going concern

We would like to draw your attention to note 2.4 in the report on the attached annual accounts; it indicates that the Company focuses its activities on research into so-called rare or orphan diseases. In order to develop safe, effective therapies to treat them, the company requires significant financial resources that guarantee it can continue the research and development activities necessary to obtain products that can be marketed or licenced to a third party, where applicable. Due to the Company's activity and the phase of its business, it has incurred losses in 2023 and previous years with negative equity at 31 December 2023 of 12,906,073 euros; on that date, the Company's current liabilities exceeded its current assets by 12,331,495 euros. These facts, along with other matters described in note 2.4, indicate that there is material uncertainty that can generate significant doubts on the Company's capacity to continue operating. Our opinion has not varied with regard to the matter.

Most relevant aspects of the audit

The most relevant aspects of the audit are those which, in our professional opinion, have been considered as the most significant risks of material inaccuracy in our audit of annual accounts for the current period. These risks have been addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, we do not express a separate opinion on these risks.

Except for the factor described in the *Material uncertainty related with Going concern* section, we have determined that there are no other more significant risks considered in the audit which must be included in our report.

Other information: Management report

Other information only includes the 2023 management report drafted by Company directors and which is not a part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the management report, as required by regulations governing account auditing activity, consists in assessing and reporting whether the management report matches the annual accounts based on knowledge of the entity obtained during the account audit, as well as assessing and reporting whether the content and presentation of the management report comply with applicable regulations. If we conclude based on our work that there are material inaccuracies, we are obliged to report them.

Based on the work conducted, as described above, the information contained in the management report matches that of the 2023 annual accounts, and their content and presentation are pursuant to applicable regulations.

Responsibility of directors for annual accounts

Directors are responsible for formulating the attached annual accounts so that they reflect a true image of the equity, financial situation and profit of the Company according to the regulatory framework for financial reporting applicable to the entity in Spain, and the internal control they deem necessary to prepare annual accounts free of any material inaccuracy due to fraud or error.

In preparing the annual accounts, directors are responsible for measuring the Company's capacity to continue operating, disclosing, as appropriate, issues related to business operations and using the going concern principle, except if the directors intend to liquidate the Company or cease operations, or if there is no realistic alternative.

Responsibilities of the auditor regarding the annual accounts audit

Our goals are to obtain reasonable certainty that the annual accounts as a whole are free from material inaccuracy, due to fraud or error, and issue an audit report containing our opinion. Reasonable certainty is a high level of certainty but does not guarantee that an audit conducted pursuant to regulations governing account audit activity in force in Spain will always detect a material inaccuracy. Inaccuracies may be due to fraud or error, and they are considered material if, individually or jointly, they can be reasonably expected to influence the economic decisions of users based on the annual accounts.

Pursuant to regulations governing account auditing in force in Spain, as part of an audit we apply our professional opinion and maintain our professional scepticism throughout the audit. Also:

- We identify and measure the risks of material inaccuracy in the annual accounts, due to fraud or error; we design and apply audit procedures to respond to these risks; and we obtain sufficient and adequate audit evidence as a basis for our opinion. The risk of not detecting material inaccuracy due to fraud is higher than material inaccuracy due to error, as fraud may involve collusion, forgery, deliberate omissions, intentionally erroneous statements, or eluding internal control.
- We obtain knowledge of internal control that are relevant to the audit in order to design appropriate audit procedures depending on the circumstances, and not for the purpose of expressing an opinion on the efficiency of the entity's internal controls.
- We assess whether the accounting policies applied are adequate and the reasonableness of accounting estimates as well as information reported by directors.
- We conclude whether how directors have used the going concern principle is adequate and, based on the audit evidence obtained, we determine whether or not there is material uncertainty regarding the facts or with conditions that can generate significant doubts on the Company's capacity to continue operating. If we conclude that there is material uncertainty, our report must highlight the relevant information reported in the annual accounts or, if these reports are inadequate, we must express an amended opinion. Our conclusions are based on the audit evidence obtained to the date of our audit report. However, future events or conditions may mean that the Company ceases to operate.
- We assess the overall presentation, structure and content of the annual accounts, including information reported, and whether the annual accounts represent underlying operations and facts so as to express a true image.

We communicate with the Company's directors regarding: the scope and time of conducting the planned audit, significant audit findings, and any significant deficiency in internal controls we detect during the audit.

Of all the significant risks notified to the entity's directors, we determine those which have been most significant in the annual account audit for the current period and which are, therefore, considered to be the most significant risks.

We describe these risks in our audit report unless legal and regulatory provisions prevent them being publicly disclosed.

Grant Thornton, S.L.P. Sociedad Unipersonal

Official Register of Account Auditors (ROAC) no. S0231

[Signature] [Official seal]

Anastasi Tejedor López

Official Register of Account Auditors (ROAC) no. 23153

28 June 2024

Annual Accounts

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SOM Innovation Biotech, S.A.

Balance sheet at 31 December 2023

ASSETS (EUROS)	Notes	2023	2022	EQUITY AND LIABILITIES (EUROS)	Notes	2023	2022
NON-CURRENT ASSETS:		119,807	206,018	EQUITY:		(12,906,073)	(8,636,102)
Intangible assets	Note 5	21,727	27,534				
Research							
Computer software		21,727	27,534				
Property, plant and equipment	Note 5	6,767	11,379	SHAREHOLDER EQUITY		(12,906,073)	(8,636,102)
Technical installations and other items		6,767	11,379	Capital	Note 8	522,138	522,138
				Authorised capital		522,138	522,138
Long-term financial investments	Note 7	91,314	167,106	Issue premium	Note 8	8,208,123	8,208,123
Other financial assets		91,314	167,106	Reserves	Note 8	26,879	26,878
				Legal and statutory		26,879	26,879
				Other reserves			
				Losses from prior periods		(17,393,242)	(12,685,796)
				Profit/(loss)		(4,269,971)	(4,707,446)
				GRANTS, DONATIONS AND LEGACIES RECEIVED	Note 8.3	-	-
				NON-CURRENT LIABILITIES:		694,386	1035,191
				Long-term debt	Note 9	694,386	1035,191
				Non-current finance lease payables	Note 6	5,979	10,127
				Other financial liabilities	Note 9.3	688,406	1025,0M
				Deferred tax liabilities	Notary		
CURRENT ASSETS:		830,547	766,740	CURRENT LIABILITIES:		13,162,042	8,573,670
Trade and other receivables	Note 10	247,863	384,435	Short-term debts	Note 9	11878,987	7,764,483
Current tax assets		239,174	383,493	Debt with financial institutions			
Other loans with Public Entities		8,689	942	Current finance lease payables	Note 6	4,151	3,880
				Other financial liabilities	Note 9.3	11,874,836	7,760,603
Short-term financial investments	Note 7	25	2,488	Trade and other payables		1283,055	809,188
Other financial assets		25	2,488	Suppliers	Note 9	733,204	532391
				Other payables	Note 9	359,578	235,477
Short-term accruals		30,162	31,220	Other debts with Public Entities	Notary	190,273	41320
Cash and cash equivalents	Note 7	552,498	348,598				
Cash		552,498	348,598				
TOTAL ASSETS		950,354	972,759	TOTAL EQUITY AND LIABILITIES		950,354	972,759

Notes 1 to 16 in the attached report are an integral part of the annual accounts at 31 December 2023.

SOM Innovation Biotech, S.A.
Profit and Loss Account for the year ending 31 December 2023

EUROS	Notes	2023	2022
CONTINUING OPERATIONS:			
Net revenue			5,000
Provision of services			
Work carried out by the company for assets			
Supplies	Note 11.1	(81,648)	(50,656)
Raw materials and other consumables used		(81,648)	(50,656)
Other operating income	Note 8.3	35,432	90,752
Operating grants taken to income		35,432	90,752
Personnel expenses	Note 11.2	(657,851)	(755,384)
Salaries and wages		(482,899)	(561,569)
Employee benefit expenses		(174,952)	(168,120)
Others			(25,694)
Other operating expenses	Note 11.3	(3,037,032)	(3,737,219)
External services		(3,034,002)	(3,702,969)
Taxes		(3,030)	(34,251)
Amortisation of fixed assets	Note 5	(13,489)	(7,623)
Non-financial and other capital grants			
Impairment and gains/(losses) on disposal of fixed assets			
Impairment and gains/(losses) on disposal of fixed assets			
Other profit/(losses)		(48,575)	8,687
RESULTS FROM OPERATING ACTIVITIES		(3,803,162)	(4,446,443)
Financial income			
Marketable securities and other financial instruments			
Third parties			
In third parties	Note 11.4	(466,091)	(504,485)
Third party debts		(466,091)	(504,485)
Exchange differences		(718)	(5,763)
FINANCIAL PROFIT/(LOSS)		(466,808)	(510,247)
PROFIT/(LOSS) BEFORE TAX		(4,269,971)	(4,956,691)
Income Tax			249,245
PROFIT/(LOSS) FOR YEAR FROM CONTINUING OPERATIONS		(4,269,971)	(4,707,446)
PROFIT/(LOSS) FOR YEAR		(4,269,971)	(4,707,446)

Notes 1 to 16 in the attached report are an integral part of the annual accounts at 31 December 2023.

SOM Innovation Biotech, S.A.
Statement of changes in equity for the year ending 31 December 2023

a) Statement of recognised income and expenses for the year ending

31 December 2023

EUROS	Notes	2023	2022
RESULT OF THE PROFIT AND LOSS ACCOUNT (I)		(4,269,971)	(4,707,446)
Income and expenses recognised directly in equity			0
Grants, donations and legacies received	Note 8.3	35,432	8,687
Grants received		35,432	8,687
Soft and/or zero-rate loans		-	-
Tax effect	Note 10.3	(8,858)	(2,172)
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY		26,574	6,515
Transfers to profit and loss account:			
Grants, donations and legacies received	Note 8.3	(35,432)	(99,439)
Grants received		(35,432)	(99,439)
Soft and/or zero-rate loans		-	-
Tax effect	Note 10.3	8,858	24,860
TOTAL AMOUNTS TRANSFERRED TO THE INCOME STATEMENT		(26,574)	(74,579)
TOTAL RECOGNISED INCOME AND EXPENSES		(4,269,971)	(4,775,510)

Notes 1 to 16 in the attached Consolidated report are an integral part of the consolidated balance sheet at 31 December 2023.

SOM Innovation Biotech, S.A.
Statement of changes in equity for the year ending 31 December 2023

b) Total Statement of Changes in Equity for the year ending 31 December 2023

EUROS	Authorised Capital	Issue Premium	Reserves	Losses from prior periods	Profit/(loss) for year	Subsidies, Donations and Legacies	Total
BALANCE, YEAR START 2022	522,138	8,208,123	26,879	(9,503,562)	(3,182,234)	68,064	(3,860,592)
Total recognised income and expenses	-	-	-	-	(4,707,446)	-	(4,707,446)
Other changes in equity	-	-	-	(3,182,234)	3,182,234	-	-
Other adjustments	-	-	-	-	-	(68,064)	(68,064)
BALANCE, YEAR END 2022	522,138	8,208,123	26,879	(12,685,796)	(4,707,446)	-	(8,636,102)
Total recognised income and expenses	-	-	-	-	(4,269,971)	-	(4,269,971)
Other changes in equity	-	-	-	(4,707,446)	4,707,446	-	-
Other adjustments	-	-	-	-	-	-	-
BALANCE, YEAR END 2023	522,138	8,208,123	26,879	(17,393,242)	(4,269,971)	-	(12,906,073)

Notes 1 to 16 in the attached Consolidated report are an integral part of the consolidated balance sheet at 31 December 2023.

SOM Innovation Biotech, S.A.
Cash Flow Statement for the year ending 31 December 2023

EUROS	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES (I):		(3,337,129)	(4,009,594)
Profit/(loss) for the period before tax		(4,269,971)	(4,707,446)
Adjustments for		545,211	516,168
Amortisation of fixed assets	Note 5	13,489	7,623
Grants recognised in the income statement	Note 8.3	-	(8,687)
Financial income	Note 11.4	-	-
Financial expenses	Note 11.4	466,091	504,485
Exchange differences		718	5,763
Other income and expenses		64,914	6,984
Changes in working capital		613,174	275,477
Debts and other receivables		136,572	(228,477)
Other current assets		2,463	(2,200)
Credit and other payables		473,867	531,297
Other current liabilities		271	(2,455)
Other non-current assets and liabilities		-	(22,688)
Other cash flows from operating activities		(225,542)	(93,793)
Interest paid		(225,542)	(93,793)
Interest received		-	-
CASH FLOWS FROM INVESTMENT ACTIVITIES (II):		5,807	(33,717)
Payments for investments		5,807	(33,717)
Property, plant and equipment	Note 5	-	(6,184)
Other financial assets	Note 7	5,807	(27,534)
		-	-
CASH FLOWS FROM FINANCING ACTIVITIES (III):		3,535,221	3,883,644
Proceeds and payments from equity instruments		4	(68,064)
Grants, donations and legacies received	Note 8.3	-	(68,064)
Collections and payments from financial liability instruments		3,535,221	3,951,708
Issue of other debts	Note 9	3,901,573	4,215,581
Refund and amortisation of other debts		(366,352)	(263,872)
		-	-
EFFECT OF EXCHANGE RATE VARIATIONS (IV)		-	-
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (I+II+III+IV)		203,900	(159,667)
Cash or cash equivalents at year start		348,598	508,265
Cash or cash equivalents at year-end		552,498	348,598

Notes 1 to 16 in the attached report are an integral part of the annual accounts at 31 December 2023.

SOM Innovation Biotech, S.A.

Report for the year ending 31 December 2023

NOTE 1. COMPANY ACTIVITY

SOM INNOVATION BIOTECH, S.A. (the Company) is a public limited company incorporated for an indefinite period in Spain on 30 December 2009 according to the Capital Companies Act.

The company activity consists of researching and developing pharmaceutical products for treating human diseases, as well as any other activity related with this corporate purpose.

Its registered tax address is at Calle Baldiri Reixac n°4, Torre I planta 7, Barcelona.

The Company's financial year starts on 1 January and ends on 31 December each year.

The Company's functional and reporting currency is the euro. Operations in a currency other than the functional currency are recorded according to the policies specified in Note 4.

NOTE 2. BASIS FOR PRESENTING ANNUAL ACCOUNTS

2.1 Regulatory financial reporting framework applicable to the Company

These annual accounts have been formulated by the directors in accordance with financial reporting regulations applicable to the Company, provided for in:

- a. Code of Commerce and other mercantile legislation.
- b. General Accounting Plan approved by Royal Decree 1514/2007, amended by Royal Decree 602/2010 and Royal Decree 1/2021 and its sector adaptations.
- c. Mandatory standards approved by the Institute for Accounting and Account Auditing implementing the General Accounting Plan and its complementary standards.
- d. Other applicable Spanish accounting regulations.

2.2 True image

The attached annual accounts have been obtained based on the Company's accounting ledgers and in accordance with the applicable financial reporting regulatory framework and, specifically, with the accounting principles and criteria contained therein, such that they show a true image of the assets, financial situation and results of the Company, as well as cash flows throughout the year. These annual accounts have been prepared by the

Company Directors on 21 June 2024 and will be subject to approval by the Ordinary General Shareholders Meeting; they are expected to be approved with no amendments.

These annual accounts omit information or breakdowns that do not require detailing due to their qualitative importance, have been considered non-material or are of no relative importance according to the concept of materiality or relative importance defined in the regulatory framework described in Note 2.1 in the attached report.

2.3 Non-mandatory accounting principles applied

No accounting principle with a significant effect has not been applied.

2.4 Critical issues regarding the measurement and estimation of uncertainty. Going concern

In preparing the attached annual accounts, estimations have been made based on past experience and other factors deemed reasonable according to current circumstances; these are the basis for establishing the carrying amount of certain assets, liabilities, income, expenses and commitments whose value cannot easily be determined using other sources. The Company continuously reviews its estimations.

Although estimates are based on the best information available at year-end 2023, future events may require them to be amended (upwards or downwards) in the coming years, which would in any case be applied prospectively. At 31 December 2023 and 2022 the Directors consider that there are no significant estimates.

The Company mainly focuses its activity on research into so-called rare or orphan diseases in order to develop safe and effective therapies for their treatment. Therefore, the main future hypotheses assumed and other relevant sources of uncertainty in estimations at the end date that could have a significant effect on annual accounts in the coming year were related to the classification of expenses incurred between research activities and development activities, as well as determining their possible activation (see Note 4.1).

The Company's activity and its phase of business mean that it has incurred significant operating losses in recent years, as well as the current year. So, at 31 December 2023, it has accumulated losses of (21,663,213) euros, including losses for 2023 of (4,269,971) euros. This generates the need for significant financial resources that guarantee it can continue the research and development activities necessary to obtain products that can be marketed or licenced to a third party. These facts indicate material uncertainty that can generate significant doubts on the Company's capacity to continue operating.

At the end of 2023, the company has negative shareholder equity of (12,906,073).

However, many of these losses were already envisaged in the Company's growth plan and are part of the expected costs of its activity. In fact, the Company has been receiving financial and strategic support from relevant investors. Specifically, on 24 May 2024 the General Shareholders Meeting agreed a capital increase for a total of 13,481,291.79, thus resetting its negative equity in 2024 without considering accumulated profit/losses for the period (Note 16).

On the date of formulating these annual accounts, the Company's Business Plan envisages various complementary channels in its funding strategy; these should materialise in a period of 12 months, namely:

- a) On the date of formulating these accounts, the Company is participating in a financing round (Series B) for a maximum of 50 million euros.
- b) The Company's due diligence process with the European Investment Bank (EIB) has been completed and the Company has already received a letter of intent from the institution on the date of preparing these accounts with the basic terms and conditions of what would be a hybrid financing mechanism that could provide the Company with 7.5 million euros.

The final agreement with the EIB was formalised on 3 November 2023 for 7.5 million euros of financing in two instalments and subject to the terms defined in the contract.

- c) Licence Invoicing: As a result of the Company's licence for the product SOM0226 to US company Corino Therapeutics Inc, and due to delays in product development by that company, an initial payment was expected in 2023 for 500,000 dollars and a second payment, also in 2023, for 1,100,000 dollar; these payments have not been received. These funds are included in the 2023 budget, although there is uncertainty regarding the date of payment, as occurred in 2022. The company regularly monitors the progress of the development milestones set in the contract that will accrue payment of the amounts indicated.

Given the repeated delay in payment of these milestones by Corino, the company has begun talks with US legal firm Mintz to explore potential legal channels to demand payment of these amounts. The result of these actions is still uncertain on the date of preparing these accounts.

The strategic decision to carry out an IPO in Euronext Brussels has been suspended given the uncertainty caused by the conflict in Ukraine,

the possibility of entering the US market is therefore being assessed. The final decision will be taken by the Board of Directors and Shareholders Meeting depending on the results of round B of financing and the origin of investors.

At 31 December 2023, the Company had negative working capital of (12,331,495) euros. Royal Decree 20/2022, of 27 December, was published on 28 December 2022 with measures to respond to the economic and social consequences of the Ukraine War and support for the reconstruction of the island of La Palma, among others. Among the measures, Art. 65 provides that losses in 2020 and 2021 will not be counted and extended until the end of 2024, the exceptional measure set out in Article 13 of Law 3/2020, of 18 September. Thus, for the purpose of the causes for wind-up provided in Articles 363 and 365 of the Capital Companies Act, with negative equity at 31 December 2023 of (12,906,073) euros, losses for 2020 and 2021 of 2,006,000 and 3,182,000 euros respectively will not be counted. As indicated above, at 31 December 2023 Company shareholders have granted various participatory loans to the Company for a total of 11,346,897 euros (Note 13.1). Pursuant to Article 20.1 d) of Royal Decree-Law 7/1996, of / June, on urgent tax measures and to promote and liberalise economic activities, these participatory loans are considered shareholder equity for the purpose of mercantile legislation and must also be considered as such when analysing the equity situation.

The annual accounts for 2023 have thus been formulated according to the going concern principle.

2.5 Comparative information

Accounting criteria were uniformly applied in 2023 and 2022.

NOTE 3. DISTRIBUTION OF PROFIT

As 2023 and 2022 resulted in losses, they are accumulated in the “Losses from prior periods” heading:

	Euros	
	2023	2022
Basis for distribution:		
Profit/(loss) generated in the year	(4,269,971)	(4,707,446)
Distribution to:		
Losses from prior periods	(4,269,971)	(4,707,446)

NOTE 4. RECOGNITION AND MEASUREMENT STANDARDS

As indicated in Note 2, the Company has applied accounting policies in accordance with the accounting principles and standards provided in the Code of Commerce,

implemented in the current General Accounting Plan (GAP 2007, GAP 2021, RD 01/21), as well as other mercantile legislation in force on the date of closing these annual accounts. Only the policies that are specific to the Company's activity and those considered significant according to the nature of its activities are detailed below.

4.1 Intangible assets

Intangible assets are generally measured initially at their acquisition price or production cost. They are later measured at cost minus the relevant accumulated amortisation and impairment losses, if any. These assets are amortised according to their useful life. When the useful life of these assets cannot be reliably estimated, they are amortised over a period of ten years.

a. Research and Development Expenses

The Company considers research to be any expense generated by the Company's activity, from conception to the preclinical phase (not included). Any expense generated by the Company from the preclinical phase is this considered to be development.

Development expenses when they meet the following conditions:

- They are specifically individualised by project and their cost is clearly established so they can be distributed over time.
- There are grounded reasons for the technical success and economic-commercial profitability of the project.

They are recognised in assets and must be amortised over their useful life (5 years). Due to the inherent uncertainty of the Company's research and development projects, it has been estimated from a technical viability perspective that conditions for the capitalisation of these costs are not met until relevant progress has been made, at least until Phase III.

After the activation of development expenses, when there is reasonable doubt as to the technical success or economic-commercial profitability of the project, the sums recorded in assets must be directly attributed to the year's losses.

In 2023 and 2022, the Company has not activated research and development expenses.

b. Computer software

In this account, the Company records expenses incurred to acquire and develop computer software, including website development costs. Computer software licences acquired from third parties are capitalised based on the costs incurred to acquire them. Software maintenance costs are recorded in the profit and loss account for the year they are incurred. Amortisation of

computer software follows the linear method during their useful life, 33% per annum.

4.2 Property, plant and equipment

Property, plant and equipment is measured at the net acquisition price of the accumulated amortisation and, where applicable, the accumulated amount of impairment losses recognised, according to the criterion mentioned in Note 4.3.

Conservation and maintenance costs incurred during the year are charged to the profit and loss account. Property, plant and equipment renewal, extension or improvement costs leading to an increase in capacity, productivity or an extension of useful life are capitalised as greater value of the goods once of the carrying amounts of the elements replaced have been derecognised.

Property, plant and equipment net of any residual value is amortised ideally by distributing the cost of the different elements of the property, plant and equipment among the years of estimated useful life, which is the period the Company expects to use them, according to the table below:

	% Accumulated	Useful life (years)
Machinery	25%	4.00
Computer hardware	25%	4.00
Motor vehicles	16%	6.25

The carrying amount of a property, plant and equipment element is derecognised on disposal by any means or when no future economic profit or benefits are expected from its use or disposal by any means.

4.3 Impairment of intangible assets and property, plant and equipment

At each year end, the Company analyses whether the value of its assets is impaired and, if so, an "impairment test" is used to check any possible loss in value that reduces the recoverable value of these assets below their carrying amount.

The recoverable amount is the greatest of the fair value minus costs to sell and value in use.

The procedure implemented by the Company for this test is as follows:

Recoverable values are calculated in the case of property, plant and equipment, impairment is calculated individually by element whenever possible. Research and development projects are analysed individually for each project.

Each year, management prepares its business plan, generally for a 3-year period. The main components of the plan are:

- Projected profit/loss
- Projected investments and working capital

Other variables that affect recoverable value calculations are:

- Type of discount to apply, understood as the weighted average of capital cost; the main variables that affect this calculation are the cost of liabilities and specific asset risks.
- Growth rate of cash flows used to extrapolate cash flow projections beyond the period covered by budgets or forecasts.

Projections are prepared based on past experience and according to best available estimates, which are consistent with information for outside sources.

These business plans are reviewed and finally approved by the Board of Directors.

If a value impairment loss must be recognised, the relevant assets are reduced in proportion to their carrying amount to the limit of the highest of the following values: fair value minus cost of sale, value in use and zero.

When a value impairment loss is subsequently reversed, the carrying amount of the asset is increased by the reviewed estimate of its recoverable amount, but such that the increased carrying amount never exceeds the carrying amount that would have been determined if not impairment losses had been recognised in previous years. This reversal of a value impairment loss is recognised as income.

4.4 Leases

Leases are classified as financial leases when their conditions indicate that the risks and rewards inherent to owning the asset under contract are substantially transferred to the lessee. Other leases are classified as operating leases.

Financial leases

1. Company as lessee

In financial lease operations where the Company is the lessee, the cost of the assets leased is recorded in the balance sheet according to the nature of the purpose of the contract, and a liability for the same amount is simultaneously be recorded. This amount will be the lowest between the fair value of the leased asset and the current value at the start of the lease of the minimum payments agreed, including the option to purchase, when there is no reasonable doubt that the option will be exercised. No profit

contingent fees, cost of services and taxes passed on to the lessor are included in the calculation. The total financial cost of the contract is charged to the profit and loss account in the year of accrual, applying the effective interest rate method. Contingent fees are recognised as an expense in the year they are incurred.

Assets recorded for this type of operations are amortised according to similar criteria applied to material assets as a whole, depending on their nature.

Operating leases

i. Company as lessee

Operating lease costs incurred during the year are charged to the profit and loss account.

Any collection or payment made when taking out an operational lease will be processed like an advanced collection or payment recognised in profit/(loss) throughout the lease period, as the benefits of the leased asset are transferred or received.

4.5 Financial instruments

4.5.1 Financial assets

Classification

Company financial assets are classified in the following categories:

- a. Financial assets at amortised cost: includes financial assets, even those accepted for trading on an organised market, for which the Company maintains the investment in order to receive cash flows from performing the agreement and the contractual conditions of the asset lead to cash flows that only correspond to principal payments and interest on the outstanding principal on specified dates.

This category generally includes:

- I. Trade receivables: originating in the sale of goods or provision of services for business with deferred payment, and
 - II. Non-trade receivables: from loan or credit operations granted to the Company with payments for a determined or determinable amount.
- b. Financial assets at fair value with changes in equity: this category includes financial assets with contractual conditions leading to cash flows that only correspond to principal payments and interest on the outstanding principal on specified dates

and not held for negotiation or from classification in the previous category. This category will also include investments in equity instruments irrevocably assigned by the Company at the time of initial recognition, provided they are not held for negotiation or must be measured at cost.

- c. Financial assets at cost: this category includes the following investments: a) equity instruments in Group companies, multigroup and associates; g) equity instruments whose fair value cannot be reliably determined and derivatives with these investments as an underlying element; c) hybrid financial assets whose fair value cannot be reliably determined unless they meet the requirements for recording at amortised cost; d) contributions in joint venture or similar contracts; e) participatory loans with contingent interest; f) financial assets that must be classified in the following category but their fair value cannot be reliably determined.

Companies are considered part of the Group when they are related to the Company by means of a relationship of control, and companies are associated when the Company exercises a significant influence over them. Multigroup also includes companies over which there is an agreement to control one or more shareholders.

- d. Financial assets at fair value with changes in the profit and loss account: includes financial assets held for negotiation and financial assets not classified in any of the previous categories. This category also includes financial assets optionally assigned by the Company at the time of initial recognition, which otherwise would have been included in another category, as this assignment eliminates or significantly reduces a measurement inconsistency or account asymmetry that would otherwise arise.

Initial value

Financial assets are generally initially recorded at the fair value of the consideration delivered plus directly attributable transaction costs. Nevertheless, transaction costs directly attributable to assets recorded at fair value with changes in the profit and loss account will be recognised in the profit and loss account for the year.

Subsequent value

Financial assets at amortised cost will be recorded by applying this measurement criteria, charging interest accrued by applying the effective interest rate method to the profit and loss account.

Financial assets included in the category of fair value with changes in equity will be recorded for their fair value without deducting any transaction costs incurred in their disposal. Changes in

fair value will be recorded directly in equity until the financial asset is removed from the balance sheet or is impaired. At this time it is recognised and the amount charged to the profit and loss account.

Financial assets at fair value with changes in the profit and loss account are measured at fair value, recording the result of variations in fair value in the profit and loss account.

Investments classified in category c) above are measured at cost minus, where applicable, the accumulated amount of valuation allowances for impairment. These allowances are calculated as the difference between carrying value and the recoverable amount, which is the highest between fair value less costs of sale and the current value of future cash flows from the investment. Unless there is better evidence of the recoverable amount of equity investments, recoverable value considers the equity of the investee entity, with allowances for tacit capital gains on the date of measurement, net of tax.

Impairment

The Company conducts an “impairment test” at least at year-end for financial assets not recorded at fair value with changes in the profit and loss account. There is objective evidence of impairment if the recoverable amount of the financial asset is lower than its carrying amount. Impairment is recorded in the profit and loss account.

The Company derecognises financial assets when they expire or rights to cash flows from the financial asset have been assigned, with substantial transfer of the risks and benefits inherent to ownership. On the contrary, the Company does not derecognise financial assets and a financial liability is recognised for a sum equal to the consideration received when financial assets are transferred while substantially retaining the risks and benefits inherent to holding them.

4.5.2 Financial liabilities

Financial liabilities assumed or incurred by the Company are classified in the following measurement categories:

- a. Financial assets at amortised cost: the Company’s trade and payables originating from the sale of goods or provision of services for company business operations, or those with no commercial nature, are not derivative instruments, from loan or credit operations received by the Company, as well as participatory loans.

These liabilities are initially measured at the fair value of the consideration received, adjusted for any directly attributable transaction costs. Subsequently, these liabilities are measured according to their amortised cost.

b. Financial liabilities at fair value with changes in the profit and loss account.

Assets and liabilities are listed separately in the balance sheet and only for their net amount when the company is entitled to offset the amounts recognised and also intends to liquidate the net amounts or simultaneously record the asset and cancel the liability.

The Company derecognises financial liabilities when the obligation generating them have expired.

4.5.3 Equity instruments

An equity instrument represents a residual stake in Company equity after deducting all liabilities.

Equity instruments issued by the Company are recorded in equity for the amount received, net of issue costs.

4.6 Foreign currency transactions

The functional currency used by the Company is the euro. Transactions in currencies other than the euros are consequently considered foreign currency transactions and are recorded according to exchange rates in force on the date of the transactions.

At year-end, monetary assets and liabilities in foreign currency are converted, applying the exchange rate on the date of the balance sheet. Profits and losses highlighted are recognised directly in the profit and loss account of the year they accrue.

4.7 Income Tax

Income tax expenses or income are the part relative to the current tax expense or income and the corresponding part of the deferred tax expense or income.

Current tax is the amount the Company pays as a result of income tax liquidations for a year. Deductions and other tax rebates to the tax payable, excluding withholdings and payments on account, as well as tax losses to be offset in subsequent years and effectively applied this year, lead to a lower current tax amount.

The deferred tax expense or income corresponds to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences identified as the amounts expected to a payable or recoverable arising from the differences between asset and liability carrying amounts and their tax value, as well as negative tax bases pending offset and credits for tax deductions not applied. These amounts are recorded by applying the

tax rate they are expected to be recovered or settled at to the relevant temporary difference or credit.

Deferred tax liabilities are recognised for all temporary differences, except those arising from initial recognition of goodwill or from other assets and liabilities of a transaction that does not affect the tax result nor the accounting result and is not a business combination.

Deferred tax assets are only recognised to the extent that the Company is likely to have future tax profits to make them effective.

Deferred tax assets and liabilities stemming from transactions directly charged or debited to equity accounts also have a balancing entry in equity.

Deferred tax assets recorded are reconsidered when each accounting period ends, with the relevant corrections when there is doubt regarding their future recovery. Deferred tax assets not recorded in the balance sheet are also assessed at the end of each period and they are recognised as their recovery with future tax benefits becomes likely.

4.8 Income and expenses

As indicated in note 1, the Company's activity is the research and development of pharmaceutical products to treat rare or orphan diseases.

The Company follows a 5-step process to determine whether income must be recognised:

1. identification of contract with a client.
2. identification of performance obligations.
3. establishment of the transaction price.
4. assignment of the transaction price to performance obligations.
5. recognition of income when the performance obligations are met

In any case, the total transaction price of a contract is distributed among the various performance obligations based on its relative independent sale prices. The transaction price of a contract excludes any amount collected on behalf of third parties.

Ordinary income is recognised at a given moment or over time, when (or as) obligations to clients are met, in other words, when or as goods or services promised to its clients are transferred.

The Company recognises liabilities for onerous contracts received in relation to performance obligations not met and records these amounts

as other liabilities in the balance sheet. Similarly, if the Company meets a compliance obligation before receiving the consideration, it recognises a contractual asset or credit in its balance sheet, depending on whether something more than time is required before the consideration is receivable.

In 2023 and 2022, the Company has no significant amounts for income from the sale of goods and/or provision of services.

Interest received from financial assets is recognised using the effective interest rate method and dividends when the shareholder's right to receive them is declared. In any case, interest and dividends accrued on financial assets after acquisition are recognised as income in the profit and loss account.

Bonuses for attending the general meeting and expenses necessary to hold it are recorded on the date they are incurred in "Other operating expenses" as they are purely compensatory.

4.9 Provisions and contingencies

When preparing annual accounts, Company directors differentiate between:

- a. Provisions: credit balances covering current obligations from past events when their cancellation is likely to cause an outflow of resources, but the amount and/or time of cancellation are indeterminate.
- b. Contingent liabilities: possible obligations arising as a result of past events, whose future materialisation is conditional on whether one or more future events independent from the will of the Company occur.

All provisions for which the likelihood of having to address the obligation is estimated to be more likely than not are included in the annual accounts. Unless considered remote, contingent liabilities are not recognised in the annual accounts; they are indicated in the notes to the report.

Provisions are measured at the actual value of the best possible estimate of the amount necessary to cancel or transfer the obligation, taking into account information available on the event and its consequences, and recording adjustments for updating the provision as a financial expense as they accrue.

Compensation to be received from a third party of the time of liquidating the obligation, provided there is no doubt that payment will be received, is recognised as an asset unless there is a legal bond to outsource part of the risk, under which the Company is not liable.

In this case, the compensation will be taken into account to estimate the amount for which the corresponding provision will be indicated.

4.10 Grants, donations and legacies

The Company uses the following criteria to account grants, donations and legacies received from third parties other than the owners:

- a. Non-refundable capital grants, donations and legacies: Are measured at the fair value of the amount or asset granted, depending on whether they are monetary or not, and are recognised in profit in proportion to the allocation to amortisation in the period for subsidised elements or, where appropriate, when there is a disposal or valuation allowance for impairment.
- b. Refundable grants: Are recorded as liabilities while they are refundable.
- c. Operating grants: Are recognised in profit when awarded except if they are used to finance operating deficits in future years, in which case they are recognised in those years. If awarded to finance specific expenses, they are recognised as the financed expenses accrue.

The Company also receives loans from various bodies at zero or below market interest rate. Funding received is recorded as a financial liability applying the provisions of Note 4.5.2 above. Accordingly, the financial liability will be initially recorded at its fair value adjusted for transactions costs. The financial liability is later measured at amortised cost applying the effective interest rate method. The difference between the amount received and fair value will be recognised as a grant in Company equity, attributed to the profit and loss account according to the purpose for which these loans at zero or below market rate were granted.

4.11 Environmental equity elements

Environmental assets are goods used on a lasting basis in Company activity. Their main purpose is to minimise environmental impact, and protect and improve the environment, as well as to reduce or eliminate future contamination.

Due to its nature, the Company's activity does not have a significant environmental impact.

4.12 Related-party transactions

The Company conducts all related-party transactions at market prices. Additionally, transfer prices are duly justified, so the Company directors consider that there are no

significant risks that could lead to considerable liabilities in the future.

4.13 Employee remuneration

Severance payments

Severance is paid to employees when the Company decides to terminate their employment contract before normal retirement age or when the employee accepts voluntary redundancy in exchange for these benefits. The Company recognises these benefits when it can prove its commitment to terminate employment according to a formal, detailed plan with no possible reversal or to provide severance payments as a result of an offer to encourage voluntary redundancy. Benefits that will not be paid in 12 months following the date of the balance sheet are discounted to their current value.

Profit sharing plans and bonuses

The Company recognises a liability and expense for bonuses and profit sharing based on a formula that takes into account the profit attributable to its shareholders after certain adjustments. The Company recognises a provision it contractually required or when past practice has created an implicit obligation.

4.14 Current and non-current items

Current assets are those related to the normal operating cycle, general considered to be one year, and also assets whose maturity, disposal or realisation is expected in the short term from the date of year-end, financial assets held for trading, except financial derivatives with a liquidation period of more than one year, and cash and other cash equivalents. Assets that do not meet these requirements are classified as non-current.

Likewise, current liabilities are related to the normal operating cycle, financial liabilities held for trading, except financial derivatives with a liquidation period of more than one year and, in general, all obligations with short-term maturity or expiry. Otherwise, they are classified as non-current.

4.15 Cash flow statement

The cash flow statement is prepared using the indirect method and the following expressions are used with the meaning indicated below:

- Operating activities: activities relating to ordinary company income, as well as other activities that cannot be classified as investment or financing.

- Investment activities: activities for the long-term acquisition, disposal or provision by other means of assets and other investments not included in cash and cash equivalents.
- Financing activities: activities that result in changes in the size and composition of equity and of liabilities not included in operating activities.

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

5.1 Property, plant and equipment

Movement in this section of the balance sheet in 2023 and 2022, as well as the most significant information affecting this heading were as follows (in euros):

	31 December 2022	Recognitions	Derecognitions	31 December 2023
Cost:				
Technical installations and machinery	4.390	-	-	4.390
Information technology equipment	16.920	-	-	16.920
Motor vehicles	34.134	-	-	34.134
Total	55.444	-	-	55.444
Accumulated Amortisation:				
Technical installations and machinery	(198)	(659)	-	(857)
Information technology equipment	(12,101)	(1,586)	-	(13,687)
Motor vehicles	(31,766)	(2,368)	-	(34,134)
Total	(44,065)	(4,612)	-	(48,678)
Net Property, Plant and Equipment	11,379	(4,612)	-	6,767

	31 December 2021	Recognitions	Derecognitions	31 December 2022
Cost:				
Technical installations and machinery	412	4,390	-	4,390
Information technology equipment	14,714	1,793	-	16,920
Motor vehicles	34,134	-	-	34,134
Total	49,260	6,184	-	55,444
Accumulated Amortisation:				
Technical installations and machinery	(412)	(198)	-	(198)
Information technology equipment	(9,725)	(1,964)	-	(12,101)
Motor vehicles	(26,304)	(5,461)	-	(31,766)
Total	(36,441)	(7,623)	-	(44,065)

Net Property, Plant and Equipment	12,819	(1,440)	-	11,379
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Elements Fully Amortised and in Use

At 31 December 2023, there are fully amortised elements for 49,238.12 euros (6,664 euros the previous year).

Financial lease assets

As indicated in Note 6 below, at year-end 2023 the Company had contracted various financial lease operations on its property, plant and equipment, specifically transport elements.

Others

The Company's policy is to arrange insurance policies to cover possible risks the various elements of property, plant and equipment are subject to. At year-end 2023 and 2022, there was no coverage deficit related to these risks.

At 31 December 2023 and 2022 there is no property, plant and equipment outside Spain, or assets that are pledged or with ownership restrictions.

5.2 Intangible Assets

Movements in this section of the balance sheet in 2023 and 2020 (in euros):

	31 December 2022		31 December 2023	
	Recognitions	Derecognitions	Recognitions	Derecognitions
Cost:				
Computer software	24,960	496	-	25,456
Som Biotech website	2,574	2,574	-	5,147
Total Cost Value	27,534	3,069	-	30,603
Accumulated Amortisation:				
Computer software		-8,877	-	-8,877
Total Accumulated Amortisation	-	-8,877	-	-8,877
Net Intangible Fixed Assets	27,534	-5,807	-	21,726

	31 December 2021		31 December 2022	
	Recognitions	Derecognitions	Recognitions	Derecognitions
Cost:				
Computer software	-	24,960	-	24,960
Som Biotech website	-	2,574	-	2,574
Total Cost Value	-	27,534	-	27,534
Accumulated Amortisation:				
Computer software	-	-	-	0
Total Accumulated Amortisation	-	-	-	-
Net Intangible Fixed Assets	-	27,534	-	27,534

NOTE 6. LEASES**6.1 Financial Leases (Company as Lessee)**

At year-end 2023 and 2022, the Company, as financial lessee, has recognised leased assets detailed as follows:

31 December 2023

	Euros		
	Fair value	Purchase option value	Outstanding capital
Motor vehicles	19,644	-	10,130
	19,644	-	10,130

31 December 2022

	Euros		
	Fair value	Purchase option value	Outstanding capital
Motor vehicles	19,644	-	14,007
	19,644	-	14,007

The Company's financial lease contract at year-end 2023 is for a vehicle. On 3 April 2021, the Company renegotiated a new payment schedule with the lessor for the purchase option of 19,826 euros with planned enforcement during 2021. The contract extension period is five years, to mature on 3 April 2026 with no purchase option on that date. Rent paid during 2023 and 2022 amounted to €3,880 and €5,461 respectively, with interest of €821 and €1,071 paid respectively.

At year-end 2023 and 2022, the Company had the following minimum lease payments contracted with lessors (including purchase options where appropriate), in accordance with current contracts in force and without considering the repercussion of common expenses, future CPI increases or future rent updates agreed contractually:

Minimum Financial Lease Fees	Euros	
	2023	2022
Less than a year	4,151	3,880
Two to five years	5,979	10,127
	10,130	14,007

6.2 Operating Leases (Company as Lessee)

At year-end 2023 and 2022, the Company has the following minimum lease payments contracted with lessors, in accordance with current contracts in force and without considering the repercussion of common expenses, future CPI increases or future rent updates agreed contractually:

Minimum Operating Lease Fees	Euros	
	2023	2022
Less than a year	25,336	25,336
Two to five years	76,009	101,345
	101,345	126,682

As lessee, the Company's most significant operating lease contract at year-end 2023 is for its offices in Barcelona. The lease contract began on 29 December 2022 with a term of 5 year, with the option to renew for an additional 5-year period if agreed by the parties. Moreover, rent paid in 2023 and 2022 amounted to 25,336 euros. In relation to contingent rent, the contract is referenced to annual CPI increases.

NOTE 7. FINANCIAL INSTRUMENTS

7.1 Long-term financial instruments

The long-term financial instrument balance at year-end 2023 and 2022 is:

Categories	Euros			
	Long-term Financial Instruments			
	Credits, Derivatives and Others		Total	
	2023	2022	2023	2022
Guarantees and Deposits	91,314	163,114	91,314	163,114
	91,314	163,114	91,314	163,114

At year-end 2023, this heading includes 87,041 euros for deposits (guarantees) pledged to secure certain loans received (163,114 euros in 2022). The remaining balance at

year-end 2023 for 4,273 euros (3,992 euros in 2022) were for guarantees related with Company operating leases.

7.2 Short-term financial instruments

The short-term financial instrument balance at year-end 2023 and 2022 is:

Classes	Euros			
	Short-term Financial Instruments			
	Credits, Derivatives and Others		Total	
	2023	2022	2023	2022
Categories				
Financial assets at amortised cost				
Guarantees and Deposits	25	2,488	25	2,488
	25	2,488	25	2,488

7.3 Information on the nature and level of risk of financial instruments

Company financial risk management is centralised in the Finance Department, which has established the necessary mechanisms to control exposure to variations in interest and exchange rates, as well as to credit and liquidity risks. The main financial risks affecting the Company are detailed below:

a. Credit risk

The Company generally has its cash and cash equivalents in financial institutions with a high credit rating. The Company's main financial assets are investments (guarantees and deposits), which represent the Company's maximum exposure to credit risk in relation to financial assets.

Also note that there is no significant concentration of credit risk with third parties as the Company only has balances with clients.

b. Liquidity risk:

In its current context of research and development activity, the Company is not generating recurring revenue as turnover, so it regularly needs significant financial resources that guarantee it can carry out the necessary research and development programmes that finally lead to the possibility of licencing its products or marketing them directly on the market. This is why the Company has frequently called new financing rounds leading to capital increases in previous years and various loans have been signed

(see Notes 2.4 and 9). At 31 December 2023, the Company has cash and cash equivalents of 552,498 euros (348,598 euros in 2022).

On the date of formulating these accounts, the Company is participating in a financing round (Series B) rolled out in 2024 to cover financial needs for the coming years.

At the date of formulating these accounts, initial meetings have been held with investors but no investment has yet materialised.

c. *Market risk (covering interest rate risk, exchange rate risk and other price risks):*

Both the Company's cash and financial debt are exposed to exchange rate risk, which could have an adverse effect on financial profit/(loss) and on cash flows. The Company has the following proportion of fixed-rate and variable debt:

Over 97% of the Company's financial debt is referenced to fixed interest rates, thus limiting its exposure to rate variability (93% of its financial debt referenced to fixed interest rates in 2022).

	2023	2022
Percentage of financial debt referenced to fixed rate	97%	93%
Percentage of financial debt referenced to variable rate	3%	7%

Regarding exchange rate risk, the Company is not exposed to significant exchange rate risk as it conducts no relevant operations in currency other than the euro.

8. EQUITY AND SHAREHOLDER EQUITY

The Company was incorporated on 30 December 2009, issuing 4,600,000 participation units with a face value of 0.01 euro each, establishing a share capital of 46,600 euros.

Since then, the Company has completed various capital increases with either cash donations or by offsetting credits.

At year-end 2023 and 2022, the Company's share capital amounts to 522,138 euros, represented by 52,213,777 named shares with a face value of 0.01 euros each, all of the same class, fully subscribed and paid up. These shares have the same policy and financial rights.

Share capital is comprised as follows at 31 December 2023 and 2022:

Shareholder	2023		2022	
	Shares	%	Shares	%
Silver Palomino SLU	11,294,762	21.6%	11,294,762	21.6%
Anangu Grup SL	7,564,383	14.5%	7,564,383	14.5%
UMA Consulting SL	2,683,654	5.1%	6,338,618	12.1%
Lancorps C&I SL	3,633,697	7.0%	3,633,697	7.0%
HTH (Cleops SRL)	3,306,802	6.3%	3,306,802	6.3%
Santi 1990 SL	3,654,964	7.0%	-	0.0%
Angloxell SLU	2,839,191	5.4%	2,839,191	5.4%
Muggio Holding SL	2,697,239	5.2%	2,697,239	5.2%
Antoni Salgado Soler	1,618,461	3.1%	1,618,461	3.1%
Laurent Burget	1,198,573	2.3%	1,198,573	2.3%
Other <2% (n=51)	11,722,051	22.5%	11,722,051	22.5%
Total	52,213,777	100.0%	52,213,777	100.0%

Company shares are not listed on the stock exchange.

8.1 Issue Premium

This reserve was created as a result of successive capital increases from 2010 to 2019. Its amount did not increase in 2023 and 2022, standing at 8,208,123 euros on 31 December 2023. It has the same restrictions and can be used for the same purposes as voluntary reserves, including conversion into share capital.

8.2 Reserves

At 31 December 2023 and 2022, the "Reserves" heading of the balance sheet is broken down as follows:

Reserves	Euros	
	2023	2022
Voluntary reserves		
Legal and statutory reserve	26,879	26,879
Total	26,879	26,879

8.2.1 Legal reserve

Pursuant to the Capital Companies Act, a public limited company must allocate a sum equal to 10% of the year's profit to the legal reserve until this reaches at least 20% of share capital. The legal reserve can be used to increase capital in the part exceeding 10% of the increased capital. Except for the purpose mentioned above, and while it does not exceed 20% of share capital, this reserve may only be allocated to offset losses and provided there are no other sufficient reserves available for this purpose.

This reserve was not fully funded at year-end 2023 and 2022.

8.3 Grants

Grants, donations and legacies received from third parties other than Shareholders are indicated below:

	Euros	
	2023	2022
Charged to profit and loss account	35,432	90,752
	35,432	90,752

9. DEBT (LOG AND SHORT-TERM)

9.1 Long-term financial liabilities

The balance of “Long-term financial debt” at year-end 2023 and 2022 is:

Categories	Euros					
	Long-term Financial Instruments					
	Debt with Financial Institutions and Financial Leases		Others		Total	
	2023	2022	2023	2022	2023	2022
Financial liabilities at amortised cost	-	-	-	-	-	-
Financial lease payables (see Note 6)	5,979	10,127	-	-	5,979	10,127
Other financial liabilities (see Note 9.3)	-	-	688,406	1,025,064	688,406	1,025,064
Total	5,979	10,127	688,406	1,025,064	694,386	1,035,191

9.2 Short-term financial liabilities

The balance of “Short-term debt” at year-end 2023 and 2022 is:

Categories	Euros					
	Short-term Financial Instruments					
	Other payables		Others		Total	
	2023	2022	2023	2022	2023	2022
Debt with financial institutions	-	-	-	-	-	-
Financial lease payables (see Note 6)	4,151	3,880	-	-	4,151	3,880
Other financial liabilities (see Note 9.3)	-	-	11,874,836	7,760,603	11,874,836	7,760,603
Suppliers	733,204	532,391	-	-	733,204	532,391
Other payables	359,578	235,477	-	-	359,578	235,477
Total	1,096,933	771,748	11,874,836	7,760,603	12,971,769	8,532,351

9.3 Details of other financial liabilities

“Other financial liabilities” is detailed as follows (in euros):

		2023		2022	
		Long-term	Short-term	Long-term	Short-term
Note 13.1	Participatory and Convertible Loans		11,346,897		7,435,400
	EN ISA loan	218,750	180,288	393,750	178,789
	RETOS 2017 loan	311,874	63,195	375,069	45,248
	Innocash loan	32,985	43,979	76,964	43,979
	RETOS 2014 loan	15,337	30,855	43,332	30,699
	Ministry of Health loan	80,000	16,667	96,667	16,667
	LST loan		183,135	-	
	Acció loan	29,461	9,820	39,282	9,820
	Other financial liabilities	688,406	11,874,836	1,025,064	7,760,603
	Other financial liabilities (long and short-term)		12,563,243		8,785,667

Participatory and Convertible Loans: See Note 13.1.

Ministry of Health Loan The loan was granted in three instalments (2010, 2011 and 2012) for a total of 250,000 euros, a 0% interest and a grace period of three years for each instalment. The balance pending amortisation at year-end 2023 is 96,667 euros. Maturities for each of the three instalments are scheduled for 2028, 2029 and 2030.

LST Loan: Loan signed on 1 June 2023 for 205,000 euros, maturing on 31/12/2023. 7% interest rate. The balance pending amortisation at year end is 170,000 euro and interest accrued at year end is 13,135 euros.

Acció 10 Loan: Loan granted in November 2010 for a total of 196,410 euros at 0% interest and with a 3-year grace period. The loan was paid in two equal instalments, i.e. 50% at the time of the resolution and the remaining 50% in 2015 when the technical and financial objectives had been met. The balance pending amortisation at year-end 2023 is 39,282 euros. Maturity scheduled in 2027.

Enisa Loan: On 13 February 2020, the Company signed a participatory loan policy granted by Empresa Nacional de Innovación, S.A. (Enisa) for 700,000 euros and with an applied interest rate of EURIBOR + 3.75%. Full maturity is planned for 2025 with amortisation beginning in 2022 (2-year grace period). The balance pending amortisation at year-end 2023 is 399,038 euros.

Innocash Loan: The loan was granted in September 2012 for a total of 441,884.00 euros at 4.76% interest and with a 3-year grace period during which only interest was paid. The balance pending amortisation at year-end 2023 is 76,964 euros. Maturity scheduled in 2025.

Ministry of Economy and Competitiveness Loan: The total loan granted is 210,088.00 euros, 107,909 euros granted for 2014, 97,831 euros for 2015 and 4,348 euros for 2016. The interest rate is 0.506%; all annual instalments have a 3-year grace period and 10-year maturity. The amount pending amortisation at year-end is 46,191 euros.

Ministry of Science, Innovation and Universities (Challenges): On 4 December 2018, notification was sent on the loan granted by the MICIN to develop a medicine associated with Huntington's disease, for a total of 442,368 euros in three annual instalments. The loan for the first year (2018) amounted to 154,358 euros, the second (2019) 162,377 euros and finally the third year (2020) it was 125,633 euros. The loan accrues an interest rate of 0% with a 3-year grace period and 7-year return period after the end of the grace period. The amount pending amortisation at year-end is 375,069 euros.

9.4 Maturity details

Details by maturity of entries in "Long and short-term debts" are as follows (in euros):

2023

	Maturity by Year					Total
	2024	2025	2026	2027	Rest	
Debt with financial institutions	-	-	-	-	-	-
Financial leases	4,151.00	4,434.10	1,545.14	-	-	10,130.24
Other debts	11,874,836.17	318,291.77	128,144.57	89,682.61	152,287.46	12,563,242.58
Suppliers	733,203.97	-	-	-	-	733,203.97
Other payables	359,577.90	-	-	-	-	359,577.90
Total	12,971,769	322,726	129,690	89,683	152,287	13,666,155

2022

	Maturity by Year						Total
	2023	2024	2025	2026	2027	Rest	
Debt with financial institutions	-	-	-	-	-	-	-
Financial leases	3880	4148	4434	1545	-	-	14,007
Other debts	7,760,603	343,882	304,283	140,196	89,683	147,020	8,785.667
Suppliers	532,391	-	-	-	-	-	532,391
Other payables	235,477	-	-	-	-	-	235,477
Total	8,532,350	348,030	308,717	141,741	89,683	147,020	9,567.54

9.5 Information on fair value

At year-end 2023 and 2022 there are no significant differences between fair values and carrying amounts of other debts and financial lease debts.

9.6 Information on average supplier payment period

For the purpose of the provisions of additional provision three of Law 15/2010, of 5 July, amended by Article 9.2 of Law 18/2022, of 28 September in accordance with Resolution dated 29 February 2016 of the Institute of Accounting and Account Auditors, details are included below with the average supplier payment period, ratio of operations paid, ratio of operations pending payment, total payments made and total payments pending:

	Days	
	2023	2022
Average supplier payment period	55	52

	Days	
	2023	2022
Ratio of transactions paid	95%	87%
Ratio of transactions pending payment	5%	13%

	Euros	
	2023	2022
Total payments made to suppliers	2,382,165	3,890,460
Total payments pending to suppliers	733,204	767,868
Volume of invoices paid within legal deadline	347,769	3,384,209
Number of invoices paid within legal deadline	135	543
Percentage of volume of invoices paid within the legal deadline of the total volume of invoices paid (%)	15%	87%
Percentage of number of invoices paid within legal deadline of the total number of invoices paid (%)	70%	95%

NOTE 10. PUBLIC ENTITIES AND TAX SITUATION**10.1 Current balances with Public Entities**

Current balances with Public Entities is broken down as follows:

Debt balances

	Euros	
	2023	2022
Tax refund	239,174	383,493
Withholdings for Payments on Account	758	758
VAT	7,931	184
	<u>247,863</u>	<u>384,435</u>

Credit balances

	Euros	
	2023	2022
Income Tax Withholdings	177,090	33,713
Social Security	6,489	7,606
VAT	6,694	
	<u>190,273</u>	<u>41,320</u>

10.2 Reconciliation accounting profit/(loss) and taxable base

The corporation tax base for 2023 amounts to a negative base of (4,269,971) euros, matching the accounting profit/(loss) for 2023 as there are no permanent or temporary differences to adjust the account profit/(loss) for the year. Current corporation tax is calculated by applying a tax rate of 25% to the tax base.

As for 2022, the corporation tax base showed a negative tax base of (4,956,691) euros, matching the Corporation Tax return filed by the Company that year.

10.3 Taxes recognised in equity

Taxes recognised directly in equity are detailed as follows:

2023

	Euros		
	Increases	Decreases	Total
Deferred tax:			
Originating in the year			
Grants	0	0	0
<i>Total deferred tax</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total tax recognised directly in equity	0	0	0

2022

	Euros		
	Increases	Decreases	Total
Deferred tax:			
Originating in the year			
Grants	2,172	(24,860)	(22,688)
<i>Total deferred tax</i>	2,172	(24,860)	(22,688)
Total tax recognised directly in equity	2,172	(24,860)	(22,688)

10.4 Deferred tax assets

Deferred tax assets not recorded

The Company has not recorded certain deferred tax assets in the attached balance sheet as their future offset is not considered to meet the requirements of probability provided in accounting regulations.

Details of the origin of those assets, by negative tax base, accredited by the Company in the last corporation tax settlements and no recorded in accounts are:

<u>Year of origin</u>	<u>Euros</u>
2012	232,672
2013	295,771
2014	546,773
2015	499,898
2017	1,150,102
2018	1,056,644
2019	1,173,002
2020	1,586,356
2021	3,182,234
2022	4,956,691
2023	4,269,971
Total	18,950,114

10.5 Deferred tax liabilities

The details of the balance for this account at year-end 2023 and 2022 are as follows:

	Euros				
	31/12/22	Recognitions	Derecognitions	Other variations	31.12.2023
Deferred tax liabilities:					
From grants	0	0	0		0
Total	0	0	0	0	0
	Euros				
	31/12/21	Recognitions	Derecognitions	Other variations	31/12/22
Deferred tax liabilities:					
From grants	22,688	2,172	(24,860)		0
Total	22,688		(22,688)		0

10.6 Years pending verification and inspection

As provided in current legislation, taxes cannot be considered fully settled until the returns submitted have been inspected by tax authorities or a period of four years has passed.

At year-end 2023, the Company has all taxes for operations from 2020 to 2023 open for inspection. Company Directors deem that settlements for the above taxes have been correct and therefore, even if any discrepancies should arise regarding the interpretation of current regulations on tax processing for operations, any resulting liabilities would not significantly affect the overall annual accounts.

NOTE 11. INCOME AND EXPENSES

11.1 Supplies

The balance of suppliers for 2023 and 2022 fully corresponds to the purchase of raw materials and consumables; their origin is 21% domestic (33% in 2022), 0% EU (13% in 2022) and 79% imports (55% in 2022).

11.2 Personnel expenses

The balance of "Employee expenses" for 2023 and 2022 is as follows:

	Euros	
	2023	2022
Personnel expenses:		
Salaries and wages	482,899	561,569
Termination benefits		25,694
Social Security payable by the company	174,952	168,120
Other employment benefit expenses		
	<u>657,851</u>	<u>755,384</u>

11.3 Other operating expenses

“Other operating expenses” in the profit and loss account for 2023 and 2022 is broken down as follows:

	Euros	
	2023	2022
Leases and royalties (see Note 6)	40,199	39,096
Repairs and maintenance		1,255
Independent professional services	2,856,188	3,462,492
Transport	1,125	6,930
Insurance premiums	17,224	21,767
Banking and similar services	7,708	10,371
Advertising, publicity and public relations		91,392
Utilities	2,996	6,745
Other services	108,562	62,913
Other taxes	3,030	34,251
Total general expenses	3,037,032	3,737,219

11.4 Financial income and expenses

The sum of financial income and expenses calculated according to the effective interest rate method was:

	Euros			
	2023		2022	
	Financial Income	Financial Expenses	Financial Income	Financial Expenses
Effective interest rate method applied		466,091		504,485

NOTE 12: RESEARCH AND DEVELOPMENT ACTIVITY

Expenses related with the Company’s Research and Development activities during 2023 and 2022 are recognised as an expense for the year (see Note 4.1) in “personnel expenses” and “independent professional services”.

As part of its Research and Development activity, the Company has set up a diverse portfolio of potential products in different phases of development using the SOM^{AI}PRO platform. Five of the

product candidates are in the clinical development phase for the treatment of orphan diseases. Two have also successfully completed clinical phase 2: SOM0226 for the treatment of TTR Amyloidosis and SOM3355 for the treatment of chorea Huntington's disease, both with an orphan drug designation by the FDA. The other product candidates are in different phases of preclinical study.

Research projects in a more advanced phase are briefly described below:

1. SOMOQ12 TAFA project

Product candidate SOM0226 is intended to treat TTR Amyloidosis.

TTR Amyloidosis (TTRA) is a slow-progression fatal disease caused when the protein Transthyretin (TTR, a protein mainly produced in the liver) dissociates, misfolds or changes shape abnormally and fibrous clumps or amyloid fibrils are formed. Depending on the specific type of TTR Amyloidosis, which may be hereditary or not, amyloid builds up in various organs, which may cause permanent damage or malfunction. This disease most commonly manifests as progressive peripheral Familial Amyloidotic Polyneuropathy (FAP), which affects body movements, sensitivity causing pain and physiological functions. Another common manifestation of the disease is progressive and fatal Familial Amyloidotic Polyneuropathy (FAP). It currently affects around 4,500 people in the main markets, but is expected to rise to over 30,000 patients in 2029 due to greater clinical awareness and the ageing population.

For this project, SOM Biotech first selected Tafamidis as the reference compound to search for approved compounds that could be repositioned as TTR stabilisers using the SOM^{AI}PRO platform and then tested several candidates in ex vivo and in vitro trials to select the final candidate drug. As a result of this process, SOM Biotech identified SOM0226 (Tolcapone), a drug previously developed for Parkinson's disease. It is effective in stabilising TTR and has good safety data; SOM Biotech further developed the drug in preclinical studies. SOM Biotech also conducted a proof-of-concept phase 2 clinical trial and observed 100% plasma TTR stabilisation in patients and healthy volunteers, providing potential stabilisation for the disease and clinical evidence of its efficacy.

The programme was licenced to Corino Therapeutics Inc, a company based in New York, and SOM Biotech received an initial payment of 1.3 million dollars. Corino Therapeutics Inc. continues to develop the drug with a new formulation and clinical studies.

2. SOMOQ25 TETRA project

This project has two potential product candidates: SOM3355 for Huntington's disease and SOM3366 for Tardive Dyskinesia.

2.a. SOM3355

This product candidate, currently developed by SOM Biotech, is intended to treat chorea in Huntington's disease.

Huntington's is a rare, hereditary neurodegenerative disorder of the central nervous system characterised by undesired choreic movements, cognitive and psychiatric impairment, and dementia.

This disease is caused by a mutation of the huntingtin gene, a neuronal protein (HTT) involved in the nervous function of the brain. Symptoms appear between the ages of 30 and 50. Subtle motor, cognitive and psychiatric deficits may be identified up to 10-15 years before onset of the disease. The classic sign is chorea, characterised by involuntary, purposeless and abrupt jerky spasmodic movements that gradually extend to all muscles.

There are no effective therapies to treat Huntington's disease that modify its course. Pharmacological intervention aims to alleviate symptoms by restoring the balance of neurotransmitters believed to be involved in the pathogenesis of Huntington's disease, especially dopamine.

In 2018-2020, SOM Biotech conducted a proof-of-concept phase 2 clinical study comparing SOM3355 (Bevantolol hydrochloride) with placebo in a double-blind, randomised and crossover study at four centres in Spain. In this study, SOM Biotech assessed the effect of SOM3355 on symptoms of chorea in patients with Huntington's disease, rated using the total maximal chorea scale (TMC Score). Thirty-two patients were randomly assigned to 2 arms of 4 sequential 6-week periods of dosage in which they received both placebo and SOM3355. The study confirmed that SOM3355 modulated choreic movement disorders with a reduction in the TMC score. These results confirmed that SOM3355 reduces chorea in patients with Huntington's disease with a good safety profile and they justify further development.

In 4Q 2021, SOM Biotech began a phase 2b clinical study with two doses of SOM2255 in a randomised, double-blind, parallel-arm study controlled with placebo. In this study, 140 Huntington's disease patients with symptoms of chorea are randomly assigned to three treatment groups during a 10-week period. The study design was approved by the Clinical Trial Committee of the European Huntington's Disease Network Enroll-HD, as well as the competent authorities in the 7 European countries where the trial was conducted.

The recruitment period began in Q2 2022 and the final results are expected to be published at the end of Q4 2024.

In July 2021, the FDA Office of Orphan Product Development granted orphan drug designation (ODD) for SOM3355 for Huntington's disease. This designation can grant SOM Biotech 7-year market exclusivity in the United States and reduces regulatory process expenses. The ODD in Europe, through the European Medicines Agency (EMA), is expected after the phase 2b study when additional clinical data are available on significant benefits.

After completion of the phase 2b study, the company is interested in offering an open label study in which all patients who wish to will receive the drug for a maximum of 2 years to compile long-term safety data. This open label study is expected to begin in 2024 when the first patients complete their dose in the phase 2b study.

2.b. SQM3366

This product candidate, currently developed by SOM Biotech, is intended to treat Tardive dyskinesia and substance use disorder, especially methamphetamine.

Tardive dyskinesia is a side effect of antipsychotic medications used to treat schizophrenia and other mental disorders. These dyskinesias are normally rigid, jerky movements of the tongue, face and limbs that cannot be controlled by the patient. The underlying cause is dopamine receptor blocking drug use.

Substance use disorder (SUD) is a mental disorder affecting the brain and behaviour caused by a person's inability to control the use of legal or illegal chemical substances, alcohol and some medicines. This includes dependence on marijuana, heroin, morphine, alcohol, methamphetamine, etc.

SO3355 (Bevantolol hydrochloride) is a mixture of two mirror-image compounds called R-SOM3355 and S-SOM3355. R-SOM3355 has been designated as SOM3366. SOM Biotech discovered that SOM3366 is much less powerful as a beta blocker, which poses the possibility of using it clinically at higher doses with less propensity for lowering blood pressure or heart rate. SOM Biotech is studying SOM3366 as a single, distinctive candidate for motor disorders involving dysregulated dopamine systems, for example, Tardive Dyskinesia, Tourette's syndrome and other indications, as well as substance use disorder.

The FDA and EMA have confirmed that, with the addition of supplementary data, legacy data from the original Bevantolol dossier can be used to support the development and marketing application of SOM3366.

SOM Biotech plans to begin a phase 1 clinical trial in Q3 2024 to ascertain the pharmacokinetic profile and safety and tolerability data at higher doses than those of SOM3355.

3. SOMOQ11 SAPRÒ project

This project discovered a product candidate called SOM1311, currently being developed by SOM Biotech. It is intended to treat Phenylketonuria.

Phenylketonuria (PKU) is a rare congenital metabolic disorder with a global prevalence of 1 in every 23,390 births. Phenylalanine hydroxylase (PAH) liver enzyme dysfunction reduces metabolism and causes higher levels of the amino acid phenylalanine in blood. If left untreated, phenylketonuria can cause mental retardation, convulsions and autistic behaviours.

A list of compounds was generated using SOM^{AI}PRO technology and their interactions with different PAH mutations and the restoration of their activity were tested. Two compounds were identified, both initially developed for illnesses other than PKU. Both compounds interact with the PAH carrying the mutations described in PKU patients, stabilising the enzyme.

SOM Biotech will interact with regulatory authorities in order to conduct a proof-of-concept trial they began in 2024. The trial should be able to enter phase 2a directly as there is safety and tolerability information on both drugs. These trials will be open as changes in phenylalanine in blood are an endpoint approved by regulatory authorities and are not influenced by placebo effects.

4. SQM0034 Duchenne project

This project aims to treat the rare disease Duchenne Muscular Dystrophy; SOM Biotech has discovered four possible product candidates in collaboration with the University of Minnesota (USA). Confirmation with animal models is expected in 2024 and proof-of-concept phase 2 design in humans in 2025.

NOTE 13. RELATED-PARTY TRANSACTIONS

13.1 Related-party transactions and balances

Related-party transactions

Details of related-party transactions during 2023 are:

Related-party transactions Transaction	31 December 2023			31 December 2022		
	Principal	Interest	Total	Principal	Interest	Total
Short-term loan with shareholder	170,000	13,135	183,135			
Participatory and Convertible Loans	10,655,371	691,526	11,346,897	6,966,000	469,400	7,435,400
Total	10,825,371	704,660	11,530,031	6,966,000	469,400	7,435,400

Company shareholders have supported it in different investment rounds with participatory and convertible loans throughout the company's life. The last financing round began in late 2023 and ended successfully in 2024. On 24 May 2024, the General Shareholders Meeting approved converting these participatory and convertible loans in capital for a total of 13,481,292 euros with the same characteristics referenced to a market interest rate of around 8%.

13.2 Board of Directors and Senior Management remuneration

Company Board of Directors remuneration in 2023 and 2022 amounted to zero.

Amounts received by senior management ("C-Suite") in 2023 and 2022 are detailed below (in euros):

	2023	2022
Remuneration	719,337	571,567

No remuneration of any kind was accrued, including pension plan contributions, advances and credits.

13.3 Information related to conflicts of interest by Directors

At the end of 2023, members of the SOM Innovation Biotech, S.A. Board of Directors have not communicated to other Board members any direct or indirect conflict that they or related parties, as defined in Article 228 of the Capital Companies Act, may have with the interests of the Company. In other words, they hold no stakes in other companies with the same, similar or complementary corporate purpose nor have they conducted any activity, on their own behalf or on behalf of others, with the Company that may be considered external to ordinary business that was not conducted under normal market conditions.

14. ENVIRONMENTAL INFORMATION

Given the Company's activities, it has no significant assets and has incurred no relevant expenses assigned to minimising environmental impact and to the protection and improvement of the environment. Furthermore, there are no risk provisions and expenses or contingencies related to the protection and improvement of the environment. Therefore, no specific breakdowns are included in this report note.

15. OTHER INFORMATION**15.1 Personnel**

The average number of employees in 2023 and 2022, detailed by category and gender distribution at the end of those years, detailed by category, are:

	2023				2022			
	Employees at Year End			Employees at Year End	Employees at Year End			Employees at Year End
	Women	Men	Total		Women	Men	Total	
Senior executives	2	2	4	4	1	1	2	2
Technicians	3	2	5	5	5	2	7	7
	5	4	9	9	6	3	9	9

During 2023 and 2022, the Company had no employees with a disability of 33% or more.

15.2 Audit fees

Fees for services provided to the Company by Grant Thornton, S.L.P. during the years ending 31 December 2023 and 2022, regardless of when they were invoiced, are as follows:

	2023	2022
Independent Annual Accounts Annual account audit services	22,995	21,900
Other services		
Total professional services	22,995	21,900

No fees were presented to the Company by any Grant Thornton, S.L.P. network company during the years ending 31 December 2023 and 2022.

NOTE 16. EVENTS AFTER CLOSURE

After 31 December 2023 there were no relevant events affecting the Company's annual accounts on that date, except for those stemming from the following events (see Note 2.4):

- o Successful completion of the internal round ending 30 January 2024, reaching a sum of 5.5 million euros, the target set.
- o As a result of completing that internal round, the General Shareholders Meeting approved a capital increase for 13,481,292 euros in late May 2024. At year-end 2024, balances for participatory and convertible loans were 11,346,897 euros (7,435,400 euros at year-end 2022).
- o On the date of formulating the accounts, preliminary conversations began with current investors to an additional 3.5M euros bridge financing to guarantee company financing until the end of the series B planned for Q2 2025 for a total of 30M to 50M euros.
- o Series B is planned to begin in Q3 2024 with strategic consultants specialised in similar operations participating along with new members of the Board of Directors. Investments of between 30M and 50M euros are expected to be raised.
- o On the date of formulating the accounts, one of the corporate strategies includes an IPO on the US stock market (Nasdaq) and/or a potential licence of SOM3355 if the results so indicate.

SOM Innovation Biotech, S.A.
Management Report
for the year ending
31 December 2023

When preparing the following management report, Company Directors have followed specific recommendations for listed small and medium-sized enterprises in the guide for preparing management reports published by the National Securities Market Commission (CNMV) despite not currently being listed.

1. COMPANY SITUATION

1.1. Organisational structure

SOM INNOVATION BIOTECH, S.A. (the “Company”, “SOM Biotech”) was incorporated on 30 December 2009, changing its legal form on 2 August 2019 from a Limited Liability Company to a Public Limited Company in accordance with the Capital Companies Act.

SOM Biotech operates in Spain, it has no subsidiaries or stakes in other companies. It is a clinical biopharmaceutical company that uses the power of artificial intelligence (“AI”) to identify the medical actions of known medicines for their use in orphan diseases. At the centre of its approach is its clinically validated and differentiated AI platform SOM^{AI}PRO, which identifies possible better treatment options based on known medicines that can be reused for new therapeutic indications in areas with uncovered high medical needs.

Following the provisions of the Spanish Capital Companies Act and the Company’s Articles of Association, the Board of Directors is responsible for managing and representing the Company in all business-related matters, except those expressly reserved for the General Shareholders Meeting. At 31 December 2023, the SOM Biotech Board of Directors comprises three members. On the date of formulating these accounts, two directors resign to give way to new members to professionalise and internationalise the company. These two new members who will join the main company shareholder are sector experts and well known in the US market, which is still the target market for the company’s most advanced asset (SOM3355).

Daily Company management also falls with the management team, which has an established track record in the pharmaceutical, biotechnology and finance industries, as well as in the scientific community. Management team members have previously played key roles in introducing multiple medicines to the market through clinical development. They have also successfully established and managed profitable partnerships with the industry.

The corporate website www.sombiotech.com offers additional information on the Company, its business activity and geographical presence, the project pipeline, publications and specialist news on the sector and the Company.

1.2. Company Operation

The SOM Biotech approach focuses on three areas with significant potential for growth:

- a) **AI-led drug** discovery makes it quicker and more economic (reducing overall expenses associated with drug discovery by 15%).
- b) **The world orphan disease market**, which has experienced strong growth at over 10%, is expected to reach 132.5 billion dollars in 2024. Medicines developed for orphan drugs also potentially have greater market exclusivity and a quicker regulatory review.
- c) **The vast and growing medicine reuse market**, which is already estimated at 31.3 million dollars in 2020. Readapting medicines represented approximately 30% of new drugs approved by the Food and Drug Administration (FDA) in recent years. Discovering new indications for existing drugs has the potential to reduce the risk of clinical development and the time necessary to market an effective drug.

The Company's approach has already enabled it to create a vast and diversified portfolio of clinical and preclinical products including its own products and those with external licence with significant potential.

The main and differentiating strength of the SOM^{AI}PRO platform is that it identifies a new action mechanism for a molecule by determining non-structural analogues of a reference compound known to be active in a chosen indication. In other words, the platform has the capacity to identify compounds with different chemical structures but with a similar biological activity. This enables the Company to identify existing drugs that could be safe and effective for treating a specific indication and identify new potential indications for a specific existing drug. In both cases, SOM Biotech believes that the possibilities for commercial success increase, achieving effective patient protection. By using SOM^{AI}PRO, SOM Biotech feels that therapeutic solutions can effectively be brought to patients with a development process that is effective in time and capital.

Thanks to the SOM^{AI}PRO platform, SOM Biotech has been able to create a solid and diversified portfolio including 5 product candidates under clinical development to treat orphan diseases.

- **SOM0226:** This product candidate is designed to treat TTR Amyloidosis and has estimated peak sales in the main markets of 1.05 billion euros, with a total of 8,947 potential patients.
- **SOM0034:** This project has four product candidates designed to treat Duchenne Muscular Dystrophy and one has estimated peak sales in the main markets of 690 million euros, with a total of 2.8 to 7.1 patients per 100,000 live births.

- **SOM3355:** This product candidate, currently developed by SOM Biotech, is designed to treat chorea in Huntington's disease and has estimated peak sales in the main markets of 1.2 billion euros for 2029 based on a total of 64,557 potential patients.
- **SOM3366:** This product candidate, currently developed by SOM Biotech, is intended to treat Tardive Dyskinesia and others and has a total estimated market value of 41.7 billion euros in the United States based on 722,262 potential patients in that country.
- **SOM1311:** This product candidate, currently developed by SOM Biotech, is intended to treat Phenylketonuria and has a total estimated value in the main markets of 3.5 billion euros, based on an average expected annual treatment cost per patient of 85,000 euros for the United States and 42,500 euros for EU5 and Japan.

Although the Company has focused to date on the discovery and development of treatments for orphan neurological diseases (which represent an estimated share of 17.1% of the 242 billion dollars of orphan drug sales in 2024), the SOM^APRO platform has the potential to identify and discover drugs for a wide range of other therapeutic areas with potentially significant market shares and opportunities, for example, heart and respiratory diseases.

2. BUSINESS EVOLUTION AND RESULTS

2.1. Evolution and trend followed by income

The Company does not yet generate recurring income given the stage of its research and development projects.

Its ambition is to generate future income by marketing its product candidates, as well as through milestones and royalties in potential external licence and partnership agreements. Specifically, SOM Biotech expects to start generating income for its products as of 2024 by licencing its most advanced assets, SOM3355. SOM Biotech can also create additional value by fostering drug discovery activities of other pharmaceutical companies and research centres using the SOM^APRO platform, not necessarily in the field of neurological conditions. These drug discovery activities aim to develop external partnerships to create value with strategic partners that can use the SOM^APRO platform to discover new action mechanisms for their patented molecules or improve existing treatments and therapies.

2.2. Evolution and trend followed by results

Results obtained in 2023, in this case negative or losses, have improved by 437,475 euros compared to the previous year (fewer

losses). This reduction is due to a thorough control of personnel expenses and greater reduction of external services.

Working capital at 31 December 2023 was (12,331,495 euros), (7,806,930) euros at 31 December 2022. This year-on-year deviation is in line with a more intensive use of the Company's financial resources as part of the evolution of its R&D projects and increased human resources to reinforce the organisational structure.

2.3. Other alternative performance methods ("APM")

As a result of a possible process to accept its shares for trading in the short-medium term, the Company now uses certain Alternative Performance Measures. At year-end 2023 and 2022, the main alternative performance measures used by the Company are indicated below:

a) Economic-financial indicators

Name	Formulas	Year	
		2023	2022
Cash flow from results	Cash flow generated by activities / Profit for the year	0.78	0.85
Liquidity ratio	Current assets / Current liabilities	0.06	0.09
Solvency ratio	(Equity + Non-current liabilities/Non-current assets)	(101.93)	(36.89)
Debt ratio	Net debt (Gross debt - Cash and financial investments) / Capital used (Equity + Net debt)	(0.05)	(0.23)
Average payment period	(Creditors / Operating costs) x 365	55	51

As the Company is in the phase of researching and developing its pipeline with no relevant sources of income as yet, ratios focus on debt and solvency to meet its medium and long-term growth expectations.

The Company began a more intensive clinical trial phase during 2022, an activity maintained during 2023.

In 2022, the Company issued payments for a total of 3.9 million euros, while payments in 2023 amounted 2.4 million euros.

The entry into force of Law 31/2014, of 3 December, amending Law 15/2010, of 5 July, which in turn amended Law 3/2004, of 29 December, establishing measures to combat trade defaults, provides the obligation for all companies to publish its average supplier and creditor payment period in the annual accounts report. Regarding

This reporting obligation, at 31 December 2023 the average supplier and creditor payment period was 55 days (52 days in 2022).

b) Environmental indicators

Environmental awareness is on the rise at national and international level and has highlighted a growing potential risk for companies. SOM Biotech has analysed the environment of its operating activities. Given the current business model focused on the development of new drugs that does not include production activities, the review did not show relevant environmental risks related with its activities.

c) Social indicators

The average number of employees in 2023 was 9, the same as 2022.

There is no significant staff turnover or relevant absenteeism or workplace accidents with sick leave.

The SOM team is stable and key company positions remain unchanged since it began its business activity.

3. CASH FLOW AND CAPITAL RESOURCES

3.1. Cash flow

In its current phase, SOM Biotech is not generating recurring revenue as turnover, so it regularly needs significant financial resources that guarantee it can carry out the necessary research and development programmes that finally lead to the possibility of licencing its products or marketing them directly on the market. This is why the Company has frequently called new financing rounds leading to capital increases in previous years and various loans have been signed.

Royal Decree 20/2022, of 27 December, was published on 28 December 2022 with measures to respond to the economic and social consequences of the Ukraine War and support for the reconstruction of the island of La Palma, among others. Among the measures, Art. 65 provides that losses in 2020 and 2021 will not be counted and extended until the end of 2024, the exceptional measure set out in Article 13 of Law 3/2020, of 18 September. Thus, for the purpose of the causes for wind-up provided in Articles 363 and 365 of the Capital Companies Act, with negative equity at 31 December 2023 of (12,906,073) euros, losses for 2020 and 2021 of 2,006,000 and 3,182,000 euros respectively will not be counted. As indicated above, at 31 December 2023 Company shareholders have granted various participatory loans to the Company for a total of 11,346,897 euros. Pursuant to Article 20.1 d) of Royal Decree-Law 7/1996, of 7 June, on urgent tax measures and to

promote and liberalise economic activities, these participatory loans are considered shareholder equity for the purpose of mercantile legislation and must also be considered as such when analysing the equity situation.

3.2. Capital resources

At year-end 2023, the total debt of SOM Biotech stood at 12,390,000 euros (8,780,000 euros at 31 December 2022). Debt with official bodies at below-market interest rates represented on that date 15% of total debt (35% at 31 December 2021):

<i>In euros</i>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Loans with financial institutions			2,706	386
Debt with official bodies	1,216,346	1,350,266	1,544,770	1,578,749
Debt with related parties	11,346,897	7,435,400	2,874,708	-
Other financial instruments	10,130	14,007	17,636	22,946
Total	12,573,373	8,799,674	4,439,820	1,602,081

During 2023, the Company signed convertible loans with its shareholders for a total of 3,911,496 euros at fixed interest rates of 7-8%.

3.3. Off-balance sheet contractual obligations and operations

In its regular business activity, the Company has conducted no significant operations that are not included in the balance sheet, with the exception of the operating lease for its offices. Minimum future payments due for non-cancellable operating leases at 31 December 2023 amount to 25,000 euros (25,000 euros at 31 December 2022), all of which are payments due in less than one year.

4. MAIN RISKS AND UNCERTAINTY

The Company is subject to the usual risks and uncertainties of its sector and market as well as those pertaining to the current economic situation.

4.1. Operating risks

a) Risks related with the discovery of products, development activities and regulatory issues

As a clinical phase biopharmaceutical company, SOM Biotech is subject to the common risks related with pharmaceutical development.

Before it can launch a product candidate on the market, SOM Biotech, its shareholders and partners must conduct preclinical studies and clinical trials to demonstrate that the product candidate has an acceptable safety profile and significant therapeutic effect. These processes are normally extensive, costly and long. Positive results in initial preclinical studies and clinical trials do not guarantee similar positive results in the next phases of development and clinical trials. SOM Biotech cannot predict with certainty when planned clinical trials may begin or when ongoing studies will be completed as numerous factors are outside its direct control and may affect this, such as the need for regulatory approvals and their schedule, permission from ethical review committees, access to patients, researchers and places for the study, events during the trial and the opinions of its shareholders and partners.

Positive results in previous preclinical studies and clinical trials are not necessarily predictive of the results of subsequent preclinical studies and clinical trials.

Although product candidates may show promising results in preclinical studies and initial clinical trials, they may not be effective in subsequent clinical trials. The percentage of product candidates that do not pass preclinical studies and clinical trials is normally very high. Product candidates in subsequent clinical trial phases may not have the safety and efficacy necessary for approval despite having progressed through the initial preclinical studies and clinical trials.

Changes in regulatory requirement and EMA or FDA guidelines (or other regulatory authorities worldwide) or unforeseen events during clinical trials can lead to changes in clinical trial protocols or additional requirements.

Changes in regulatory requirements and FDA or EMA guidelines (or other regulatory authorities worldwide) or any unforeseen event during clinical trials may force SOM Biotech to change clinical trial protocols or regulatory authorities may impose additional requirements for clinical trials. Changes in clinical trial protocols will require a new submission to regulatory authorities and ethical committees for their review and approval; this could have a negative effect on the costs, schedule or successful completion of a clinical trial.

SOM Biotech may not be able to obtain orphan drug designation for certain product candidates or maintain the benefits associated with orphan drug status, including commercial exclusivity.

In the US, the FDA granted orphan drug designation for SOM3355 for Huntington's disease in 2021. In Europe, SOM Biotech intends to apply for orphan drug designation after completing the phase 2b study when more robust significant clinical data are available the

benefits. In the future, SOM Biotech could apply for orphan drug designation for SOM3355 for SOM3355 and/or other product candidates for other indications.

b) Strategic and commercial risks

In a rapidly evolving technology industry, SOM Biotech faces competition that can lead to others discovering, developing or marketing competing products before or more successfully than SOM Biotech.

The biotechnology, pharmaceutical and drug discovery industries are generally subject to rapid, intense technological change, which requires SOM Biotech to seek rapid, creative adaptation. SOM Biotech faces, and will continue to face, competition in the development and marketing of product candidates by academic institutions, governmental bodies, research institutes and biotechnology, drug discovery and pharmaceutical companies that may have substantially more financial, research and development resources or technology infrastructure than SOM Biotech. Specifically, major pharmaceutical companies have vast experience in clinical trials, obtaining regulatory approval, recruiting patients and manufacturing pharmaceutical products. Smaller companies or those in the initial phase can be major competitors, especially when they have collaboration agreements with large, established companies.

The future commercial success of SOM Biotech will depend on the level of market acceptance of its product candidates, if approved, among patients, third-party payers, doctors and other members of the medical community.

If approved for marketing, the commercial success of SOM Biotech products will depend on the medical community and patients accepting its products as safe and effective.

If SOM Biotech cannot increase its sales, marketing and distribution capacity for current and/or future products, either with internal infrastructure or an agreement with commercial partners, SOM Biotech may not be successful in marketing its current and/or future product candidates in its main markets, if approved.

Insurance cover, prices and reimbursement of recently approved products are uncertain. Failure to obtain adequate cover, price and reimbursement for any SOM Biotech approved could limit its capacity to market those products and endanger its capacity to generate income.

Availability of reimbursement by third-party payers is essential for most patients to be able to afford treatments. SOM Biotech product candidate sales and its capacity to generate income will largely depend on the extent to which the cost of those product candidates are paid by third parties. If reimbursement is not available, or only to a limited extent, SOM Biotech and its current or future partners may be incapable of successfully marketing its product candidates.

Eligibility for cover and reimbursement does not mean that a therapy will always be paid or at a fee which covers the costs of SOM Biotech and its partners, including research, development, manufacturing, sale and distribution. If cover and reimbursement are not available, or reimbursement is only available to a limited extent, SOM Biotech may not successfully market any product candidate for SOM Biotech to obtain approval for marketing. The inability of SOM Biotech to quickly obtain cover and profitable reimbursement rates from third-party payers for any approved product developed by SOM Biotech could materially and adversely affect its business.

c) Intellectual property risks

SOM Biotech could fail to obtain or maintain patent protection for its product candidates or fail to properly maintain and protect its technology:

The success of SOM Biotech will depend on its capacity to

- obtain patent protection for SOM Biotech products and compounds discovered using SOM^{AI}PRO patented technology;
- conserve SOM Biotech trade secrets (including SOM^{AI}PRO technology) and other intellectual property rights; and
- prevent third parties from infringing SOM Biotech property rights, etc.

SOM Biotech decides the countries in which the apply for patent protection on a case by case basis. Applying for patent protection in all countries is neither economically viable nor practical and it is possible that one or more third parties may develop or market similar or identical devices to current and/or future SOM Biotech products in countries where it has not obtained patent protection. It is possible that SOM Biotech may be unable to prevent this action by third parties, which can limit its capacity to pursue those markets.

Intellectual property rights may not necessarily address all possible threat to SOM Biotech's competitive edge.

The level of protection that intellectual property rights offer SOM Biotech is uncertain as these rights have limitations and may not properly protect the SOM Biotech business, or enable it to maintain its competitive edge or capacity to market product candidates.

d) Risks related with dependence on third parties

Third parties trusted by SOM Biotech to conduct SOM Biotech clinical trials may not perform satisfactorily, even breaching deadlines,

which could cause delays or failures in SOM Biotech development programmes.

SOM Biotech and its future depend on third parties such as clinical researchers, medical institutions, contracted laboratories, partners and contract research organisations (CROs) to conduct its clinical trials and then gather and analyse data. These third parties are not SOM Biotech employees and it cannot control the quantity or timing of resources dedicated to SOM Biotech programmes. If they do not successfully meet their contractual obligations, fail to comply with scheduled deadlines, experience shutdowns, do not dedicate sufficient time and resources to SOM Biotech development programmes, or if their performance is deficient, they do not meet regulatory requirements or the protocols established by SOM Biotech, this may prevent or delay the competent regulatory authorities from granting the approvals necessary to develop and market product candidates.

SOM Biotech depends on third parties to supply and manufacture its product candidates and expects to depend on third parties to manufacture its products if approved. Development of these product candidates and marketing of any product, if approved, could be stopped or delayed if any of the third parties should not manufacture or deliver sufficient quantities, does so with insufficient quality or acceptable prices, or fails to maintain or achieve satisfactory regulatory compliance.

SOM Biotech has resorted to third-party manufacturers to produce the materials used in SOM Biotech clinical trials and intends to continue resorting to third-party manufacturers for the possible future marketing of SOM Biotech product candidates (as SOM Biotech does not currently have any production facilities). If SOM Biotech cannot obtain or retain third-party manufacturers it will not be able to develop or market its products.

e) Legal risks

Legislative reforms on pharmaceuticals and healthcare could affect the business and operating results of SOM Biotech.

The legislative panorama for pharmaceutical products and healthcare has been and still is subject to reforms in Europe, the US and other countries.

In the EU, the European Commission adopted a new pharmaceutical strategy in November 2020. The strategy will lead to a review of basic European pharmaceutical legislation in order to guarantee patient access to affordable medicines, address uncovered medical needs and support competitiveness and innovation, among other goals. Specifically, the review of regulations on orphan and paediatric medicines is one of the reforms envisaged and may affect current incentives associated with medicines for rare diseases and children.

SOM Biotech cannot predict with certainty the impact that pharmaceutical and/or healthcare reforms in the US, Europe or any other country will have on its business, but these changes could impose new or stricter regulatory requirements on its activities; reduce or eliminate incentives; or reduce income from future products. Any of these could negatively affect the business, operating results and financial situation of SOM Biotech.

Leonard Brandt Case

Lawsuit filed by Leonard Brandt on 10 November 2021 at Court of First Instance no. 42 of Barcelona.

Leonard Brandt is a US businessman who provides consultancy services on healthcare and pharmaceutical sector strategy. In 2015, SOM Biotech wanted to begin a process to expand and attract investors in North America. In September 2015, conversations began for this consultancy and on 3 December 2015, the parties signed a letter of terms. As provided in the letter of terms, Mr Brandt was to provide consultancy services to SOM Biotech: strategy, finances and corporate executive leadership, all under the framework of the SOM Biotech expansion project in the US. The agreement also stipulated that Mr Brandt would be offered the option to acquire 1% of SOM Biotech for the consultancy services a total pre-monetary fixed value of 15 million euros (i.e. €150,000) over a 3-year period. However, the letter of terms did not establish the specific terms and conditions for exercising the option, just that they were agreed and developed in a warrant contract signed by the parties on 1 November 2016.

The warrant contract replaced any prior agreements between the parties. Thus, the duration period of the option changed from the three years provided in the letter of terms dated 3 December 2015 to five years. It was also specified that Mr Brandt must pay a premium for acquiring the option right. All these terms and conditions were agreed by both parties and always at the proposal of Mr Brandt himself, who had knowledge of market standards for this type of operation. Warrants are derivative financial instruments or contracts issued by a company or financial institution. They grant the holder the option to acquire or sell an underlying asset (in this case, shares) at a pre-established price, during a given period of time, in exchange for paying a price or premium. In this case, the amount was set at 3,620 euros and with the express provision that it must be paid by Mr Brandt within 15 days following the date of signing the warrant contract (i.e., before 16 November 2016). This sum was never paid.

Despite Mr Brandt initially present some potential investors to SOM Biotech, they never invested in the business projects and the claimant's interest

waned, so SOM Biotech eventually abandoned the US expansion project.

In October 2018, as part of a financing process conducted by SOM Biotech where the capital structure was reviewed and regularised, SOM Biotech advised Mr Brandt that he had not paid the premium required in the warrant contract in the agreed 15-day period which, in addition to being a serious and essential breach, meant that Mr Brandt never acquired the option right envisaged in the contract. Despite this breach, SOM Biotech offered Mr Brandt in good faith the chance to exercise the option at that time and acquire the relevant stakes as part of the capital increase during the 2018 financing round, paying both the warrant premium and the share price. Mr Brandt rejected the offer and did not wish to acquire any stake in SOM Biotech. Furthermore, despite having reported the essential breach due to non-payment of the premium, Mr Brandt showed no intention of paying the premium and, therefore, on 22 October 2018, SOM Biotech sent a certified fax to the ECIJA law firm dealing with the case to terminate the warrant contract due to a serious and essential breach by Mr Brandt.

On 24 March 2021, more than two years after SOM Biotech informing Mr Brandt of termination of the warrant contract, Mr Brandt sent a letter to SOM Biotech declaring his opposition to termination and maintaining the validity of the warrant contract despite not having paid the premium, not within the 15-day period after signing the warrant contract or after SOM Biotech reported the breach in October 2018. SOM Biotech responded to the letter by sending another certified fax dated 23 April 2021; the company's lawyers reiterated that the warrant contract had been previously terminated.

With no more communications, Mr Brandt filed a lawsuit on 10 November 2021 at Court of First Instance no. 42 of Barcelona, requesting execution of the option he did not hold. The lawsuit was challenged by SOM Biotech through its lawyers Baker&McKenzie on 10 December 2021. The Court of First Instance no. 42 of Barcelona scheduled the prior hearing for 16 December 2022.

In summary, **with his lawsuit, Mr Brandt cannot now intend to exercise the option right he never had as he did not pay the warrant contract premium with the contractually agreed deadline**, which is also an essential breach of the warrant contract that justified its termination by SOM Biotech.

On the date of formulating these accounts, no out-of-court agreement has been reached with Mr Brandt and the hearing is pending. The directors expect a ruling that is favourable to the company's interests.

4.2. Financial risks

SOM Biotech has a limited operating history, has not yet generated recurring revenue and has incurred in operating losses, negative operational cash flows and accumulated deficit since its incorporation. Therefore, it may not be able to subsequently achieve or maintain profitability.

Since its incorporation, SOM Biotech has suffered significant net losses and negative cash flow in its operations. These losses are mainly due to costs incurred in acquiring and developing the AI-based SOM^APRO registered technology; discovery, research and development, preclinical studies and clinical development of its diversified portfolio in different phases of development; also to costs incurred in research and development and additional therapy tests in preclinical development with a view to progressing towards clinical development; and to general and administrative costs associated with Company operations. In the future, SOM Biotech expects to continue incurring significant operating costs and capital expenses as it continues to advance in discovery, research and development activities, preclinical tests, clinical trials and regulatory compliance which, along with planned general and administrative costs, may lead SOM Biotech to incur significant losses in the coming years.

SOM Biotech may experience fluctuations in revenue, operating results and cash flows as the Company completes transactions, especially research and development partnerships. Comparisons with financial profit/(loss) for one period or another may not necessarily be significant and operating profit/(loss) in prior periods should not be considered as an indication for future periods.

SOM Biotech needs substantial financing and will need additional funds in the future to continue with its research and development programmes, to conduct preclinical studies and clinical trials, for operating expenses, to pursue regulatory approval for product candidates, for the costs of submitting and processing patent applications, to apply for and defend patent claims, respond to business challenges and to make the most of business opportunities. In the long term, SOM Biotech may also need additional financing for the cost of marketing activities and agreements.

Without the necessary funds, SOM Biotech could seek funds through collaboration agreements and licences prior to the originally planned phase, in less favourable conditions to those it would have obtained otherwise or in conditions that could require it to reduce or waive significant rights to its research programmes and product candidates.

a) Credit risk

The Company generally has its cash and cash equivalents in financial institutions with a high credit rating. The Company's main financial assets are investments (guarantees and deposits), which represent the Company's maximum exposure to credit risk in relation to financial assets.

Also note that there is no significant concentration of credit risk with third parties as the Company only has balances with clients.

b) Interest rate and exchange rate risk

Both the Company's cash and financial debt are exposed to exchange rate risk, which could have an adverse effect on financial profit/(loss) and on cash flows.

Over 80% of the Company's financial debt is referenced to fixed interest rates, thus limiting its exposure to rate variability.

Regarding exchange rate risk, the Company is not exposed to significant exchange rate risk as it conducts no relevant operations in currency other than the euro.

5. IMPORTANT EVENTS DURING THE YEAR AND AFTER YEAR END

After 31 December 2023 there were no relevant events affecting the Company's annual accounts on that date, except for those stemming from the following events (see Note 2.4):

- o Successful completion of the internal round ending 30 January 2024, reaching a sum of 5.5 million euros, the target set.
- o As a result of completing that internal round, the General Shareholders Meeting approved a capital increase for 13,481,292 euros in late May 2024. At year-end 2024, balances for participatory and convertible loans were 11,346,897 euros (7,435,400 euros at year-end 2022).
- o On the date of formulating the accounts, preliminary conversations began with current investors to an additional 3.5M euros bridge financing to guarantee company financing until the end of the series B planned for Q2 2025 for a total of 30M to 50M euros.
- o Series B is planned to begin in Q3 2024 with strategic consultants specialised in similar operations participating along with new members of the Board of Directors. Investments of between 30M and 50M euros are expected to be raised.
- o On the date of formulating the accounts, one of the corporate strategies includes an IPO on the US stock market (Nasdaq) and/or a potential licence of SOM3355 if the results so indicate.

6. INFORMATION ON THE FORESEEABLE EVOLUTION OF THE ENTITY

The Company's strategy and expected evolution derived from the following aspects:

Advance in clinical development of the most advanced product candidates: SOM3355 (for the treatment of choreic movements associated with Huntington's disease), SOM3366 (for the treatment of Tardive Dyskinesia and other indications), SOM 1311 (for the treatment of Phenylketonuria) and SOM0034 (for the treatment of Duchenne Muscular Dystrophy).

In 4Q 2022, SOM Biotech began a phase 2b clinical study in multiple centres in Europe to compare SOM2255 with placebo in a randomised, double-blind, parallel-arm study controlled with placebo assessing two doses of SOM3355 in patients with Huntington's disease with choreic movements.. Final results of the phase 2b clinical study are expected to be published at the end of Q4 2024.

SOM3355 is a mixture of two mirror images of the same structure (called stereoisomers). The Company aims to advance in the clinical development of one stereoisomer, SOM3366 (or R-SOM3355), to treat Tardive Dyskinesia while also considering other indications. SOM3366 is finalising its preclinical development to begin phase 1 to 2023. As higher doses than SOM3355 are planned, more pharmacokinetic profiles and safety and tolerability studies in healthy volunteers will be necessary.

SOM Biotech also aims to complete preclinical development and begin proof-of-concept phase 2a clinical studies for the treatment of Phenylketonuria during 2024, a development programme that could contemplate two different drugs for different phenylketonuria mutation sets. SOM Biotech will apply for orphan drug designation for SOM1311 in 2025.

Identify more innovative product candidates in a wide range of therapeutic areas, including non-orphan and non-neurological diseases.

SOM Biotech currently has four product candidates in preclinical development, all related with neurological disorders; the most promising is for Duchenne Muscular Dystrophy.

SOM Biotech also intends to continue discovering and redirecting other product candidates for diseases with great, uncovered medical needs and relevant high market value. The aim is to run approximately 20 programmes at the same time with in silico and in vitro testing, filling the clinical development portfolio with at least one new drug candidate per year.

Reach commercial agreements for certain candidate products.

The Company hopes to begin generating revenue as of 2026 with its own sales team, which is expected to set up in 2025. To achieve this, SOM Biotech intends (i) to create a structured internal marketing function and (ii) set a direct strategy focused on product candidate licences. With this sales effort, SOM Biotech believes it can reach opinion leaders in a profitable way through its licensees as they are generally grouped in specialised care centres, such as hospitals.

Explore strategic associations to continue developing and marketing SOM Biotech product candidates.

SOM Biotech intends to explore opportunities for association to develop and market its own product candidates. In order to maintain a robust, diversified product portfolio, SOM Biotech management believes that associations with academic institutions, major pharmaceutical companies and complementary companies will maximise the commercial impact and revenue of its assets. SOM Biotech aims to balance risk and reward when determining if and when it must search for selective associations in relation to its different product candidates.

To date, SOM Biotech has granted licences for (i) SOM0226 (for the treatment of TTR Amyloidosis) to Corino Therapeutics Inc., and (ii) SOM0777 (for the treatment of different types of cancer, particularly Glioblastoma) to U-Cell Therapeutics Ltd. It has also signed a letter of intent with Megapharm in relation to the possible exclusive distribution and marketing of SOM3355 in Israel and Palestine. SOM Biotech also has collaboration agreements with academic institutions such as the University of Minnesota (US) and University Medical Center Hamburg-Eppendorf (Germany).

SOM Biotech also expects to explore opportunities for association for the subsequent development of reuse medicines in ophthalmology, gastroenterology, dermatology and veterinary use.

As a drug discovery platform, SOM Biotech also aims to create value by fostering drug discovery activities of other pharmaceutical companies and research centres using its platform. In this context, SOM Biotech can help pharmaceutical companies to extend and improve the quality, scope and lifecycle of their product candidates, thus maximising the value of their portfolios. Revenue can be generated with fees for these agreements and fees agreed for sales.

7. R&D&i ACTIVITIES

Like any company engaged in research with human subjects, SOM Biotech has to comply with the laws and regulations ("Applicable Regulations") of each country where it conducts its research and intends to market its products. These include regulations set by the competent national or supranational regulatory authorities and industrial standards incorporated into Applicable Regulations, which regulate almost all aspects of SOM Biotech activities.

Applicable Regulations thoroughly describe how clinical trials must be conducted in accordance with International Council of Harmonisation (ICH) Guidelines and Good Clinical Practice ("**GCP**") and how researched products must be manufactured according to internationally recognised Good Manufacturing Practice (GMP), as well as related applicable measures and applicable guidelines.

Competent Regulatory Authorities specifically include the European Medicine Agency ("**EMA**") and different national Competent Regulatory Authorities in Europe, like the Federal Institute for Drugs and Medical Devices in Germany (BfArM), the Federal Agency for Medicines and Health Products in Belgium (FAGG/AFMPS), etc. and the FDA in the United States.

SOM Biotech has signed contracts with Contract Research Organisations ("**CROs**") to conduct clinical trials, with a view to execute the various development phases of its product candidates. SOM Biotech selects CROs according to their experience in the trials or studies needed for each project.

The terms of these CRO contracts is usually for the duration of the project study, with early termination options for both parties, even for their own interest (but subject to payment of some of the costs and fees the CRO has already incurred or will incur). All CRO contracts include confidentiality and intellectual property rights clauses. Confidentiality clauses are usually applicable during a fixed period, which varies by contract between five years after termination of the contract, ten years from the effective date of the contract, or ten years after dissemination of the confidential information.

Intellectual property rights clauses grant SOM Biotech all property rights on study results and agreement performance.

The Company currently works, or has worked, with over a dozen CROs and does not materially depend on any.

SOM Biotech has signed master service agreements ("MSA") with third-party contract manufacturing organisations ("CMO") in order to outsource manufacturing, packaging and labelling of its active pharmaceutical ingredients ("API") and product candidates to conduct its clinical trials.

MSAs are for a fixed period of at least five years. Only SOM Biotech has the right to terminate MSAs due its own interest, after prior notice in writing (and subject to payment of some of the costs and fees the CMO has already incurred or will incur or certain specified cancellation costs).

Considering the important exchange of technical information necessary to perform the agreements, MSAs include the following clauses:

- a) a confidentiality clause forbidding the CMO from disclosing or using any confidential information for any purpose other than MSA performance; this clause remains in force during a fixed period that varies by MSA between seven years after termination of the MSA or ten years after expiry or termination

of the mutual confidentiality agreement between the parties that was included in the MSA by reference; and

- b) an intellectual property rights clause reserving all property rights on product candidates and contract performance results for SOM Biotech.

SOM Biotech currently works with multiple CMOs and does not materially depend on any.

Main ongoing projects and their evolution in R&D terms

c) SOM3355: Choreic movements associated with Huntington's disease

Preclinical studies and phase 1 clinical trials

SOM Biotech conducted a series of in vitro preclinical studies to confirm the biological activity of SOM3355 and, based on those results, decided that SOM3355 had scientific and commercial merits for further development. As SOM Biotech had access to phase 1/2/3 clinical trial data for existing medicine Calvan® (which used Bevantolol hydrochloride to treat high blood pressure and angina) it could pass directly to a phase 2a study (confirmed by the EMA scientific advice).

Phase 2a clinical trial

In 2018-2020, SOM Biotech conducted a proof-of-concept phase 2 clinical study comparing SOM3355 (Bevantolol hydrochloride) with placebo in a double-blind, randomised and crossover study at four centres in Spain. In this study, SOM Biotech assessed the effect of SOM3355 on symptoms of chorea in patients with Huntington's disease, rated using the total maximal chorea score (TMC Score). The study confirmed that SOM3355 modulated movement disorders and symptoms of chorea with a reduction in the TMC score.

Phase 2b clinical trial

In 4Q 2021, SOM Biotech began a phase 2b clinical study with two doses of SOM2255 in a randomised, double-blind, parallel-arm study controlled with placebo. 140 Huntington's disease patients with symptoms of chorea are randomly assigned to three treatment groups during a 10-week period. The study design was approved by the Clinical Trial Committee of the European Huntington's Disease Network Enroll-HD. The study is estimated to end in Q2 2024 and the final results are expected to be available in Q4 2024.

d) SOM3366: Tardive Dyskinesia and other indications

Preclinical studies and phase 1 clinical trial

The preclinical profile of SOM3366 is ongoing. The FDA and EMA have confirmed that, with the addition of supplementary data, legacy data from the original

Bevantolol dossier can be used to support the development and marketing application of SOM3366. SOM Biotech plans to begin the phase 1 clinical trial in 2024 to ascertain the pharmacokinetic profile and safety and tolerability data at higher doses than those of SOM3355.

e) SOM1311: Phenylketonuria

The SOM^APRO platform was applied to find small-molecule synthetic compounds that mimic the interaction of Kuvan (BH4) with PAH, but with potentially greater efficacy to increase enzyme activity or as a complement to reinforce the activity of Kuvan.

Preclinical results

A list of compounds was generated and their interactions with different PAH mutations and the restoration of activity were tested. Two compounds were identified, both for illnesses other than PKU. Both compounds interact with the PAH carrying the mutations described in PKU patients, stabilising the enzyme. One, currently in preclinical trials, increases phenylalanine metabolism when incubated with cells carrying the human mutant PAH. The other, a marketed compound, increases phenylalanine metabolism when incubated with Kuvan and cells carrying the human mutant PAH.

Phase 2a clinical trials

SOM Biotech will interact with regulatory authorities in order to conduct a proof-of-concept trial that could begin in 2024. The trial should be able to enter phase 2a directly as there is safety and tolerability information on both drugs. These trials will be open as changes in phenylalanine in blood are an endpoint approved by regulatory authorities and are not influenced by placebo effects.

f) SOM0034: Duchenne Muscular Dystrophy

The SOM^APRO platform was applied to find small-molecule synthetic compounds to treat Duchenne Muscular Dystrophy.

Preclinical results

A list of compounds was generated and their interactions with different cell models were tested at universities and research centres in Spain. Finally, in collaboration with the University of Minnesota (USA), four compounds were detected with potential as a therapeutic product and the animal model is being created to confirm the best candidate.

Phase 2a clinical trials

SOM Biotech will interact with regulatory authorities in order to conduct a proof-of-concept that could begin in 2025. The trial should be able to enter phase 2a directly as there is safety and tolerability information on the drugs identified.

8. SHAREHOLDER EQUITY ACQUISITION AND DISPOSAL

No shareholder equity was acquired or disposed by the Company in 2023.

9. OTHER RELEVANT INFORMATION

9.1. Stock information

On the date of preparing this management report, financial markets are subject to great volatility and uncertainty. The number of IPOs in European markets has been residual since March 2022, causing a delay in the IPO project initially proposed for May 2022. The company continues to actively work to restart the IPO process when investor banks and financial advisers can see favourable conditions for success. The company is now considering the most likely path to be an IPO on US markets (Nasdaq) in 2025/2026.

9.2. Dividend policy

Given the Company's current situation and the phases of its R&D&i projects, there is no policy for distributing dividends.

9.3. Corporate social responsibility

SOM Biotech is engaged and focused on providing environmentally friendly and energy efficient solutions. Company initiatives also focus on the well-being, health and safety of employees.

It has implemented an environmental policy based on the following guidelines:

- (i) Continuous improvement of our processes and employment conditions.
Full compliance with applicable legislation.
- (ii) Priority of prevention over other lines of action.
- (iii) Our employees' responsibility during our operations.

To meet these guidelines the Company has undertaken to:

- (i) Inform and train employees on the main features of our environmental policy.
- (ii) Promote the necessary measures to communicate any deficiency or suggestion for improvement.
- (iii) Foster research in new technologies to improve internal processes and achieve a higher level of environmental and employee protection.

Finally, the Group conducts environmental impact assessments on its suppliers. SOM Biotech suppliers are thus selected based on environmental

criteria and other aspects related to costs, services, products and quality.

9.4. Others

Despite following CNMV guidelines for preparing this management report, as it is not currently listed the Company has not prepared other reports or information required for listed companies as they are not applicable (e.g., non-financial information statement).

FORMULATION OF THE ANNUAL ACCOUNTS FOR THE YEAR ENDING 31 DECEMBER 2023

On 27 June 2024, the Board of Directors of **SOM INNOVATION BIOTECH, S.A** formulates these annual accounts for the year ending 31 December 2023, along with the Management Report, comprised of the attached pages 1 to 66.

Barcelona, 27 June 2024

Board of Directors

[Electronic signature]

Raúl Insa Boronat

Member

[Electronic signature]

Antoni Salgado Soler

Member

[Electronic signature]

Silvia Panigone

Chair

[These Company annual accounts have not been signed by two members of the Board of Directors (Edward Torres and Wendy Johnson) as they were appointed to these positions by the Shareholders Meeting but have not yet accepted on the date the accounts were formulated. Therefore, these Company annual accounts have been formulated and signed by 3 of the 5 members of the Company Board of Directors.]