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

Consolidated Financial Statements and Consolidated Directors' Report as of 31 December 2021

Pharma Mar, S.A.

Auditor´s report
Consolidated annual accounts at December 31, 2021
Consolidated management report

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

Independent auditor's report on the consolidated annual accounts

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

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Pharma Mar, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2021, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

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

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

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

Key audit matters

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

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Key audit matters	How our audit addressed the key audit matters
Recognition and recoverability of deferred tax assets At 31 December 2021 the Group recognizes on its balance sheet a net deferred tax asset amounting to 27,750 thousand euro, as detailed in note 24 to the accompanying annual accounts. The recognition is based on a fiscal budgeting exercise conducted for the companies making up the Spanish tax group, in accordance with the criterion described in notes 2.20 and 4 to the consolidated annual accounts. The main sources of information used to assess the recoverability of deferred tax assets are the Group's projections of expected future profits as outlined in note 4 to the consolidated annual accounts. Note 4 to the accompanying annual accounts indicates that future tax profits take into account the expected probability of success of each research and development project in the pipeline based on the current development phases of the different molecules. Evaluating the initial recognition and subsequent ability to recover the deferred tax assets recognized is a complex exercise that requires a high level of judgement and estimation by management and is subject to the risk of significant material misstatement. We therefore consider this a key audit matter.	We gained an understanding and assessed the estimation process carried out by management as well as the reasonableness of the budgets drawn up in the past compared with actual events. We focused our procedures on assessing the reasonableness of the budgets used and analyzing the Group's calculation model and methodology to estimate future tax bases. Regarding the budgets, we specifically analyzed, among other things, each product's estimated selling price and for products under development, we analyzed through external sources whether the product prices projected by management are based on comparable compounds which have been approved in the same territory and the incidence of the disease in the market. Additionally, we verified whether the probability of success assigned to each project based on its current development phase is aligned with general practice in the industry. With respect to the information set out in the notes, we assessed that it includes that required by NIC 12 on the disclosures to be included in the notes to the annual accounts. Based on the procedures described, we consider that the estimates made by the Group management with respect to initial recognition and subsequent ability to recover deferred tax assets are reasonable along with their disclosure in the accompanying annual accounts.
Revenue recognition The Group's activity as outlined in note 1 to the accompanying annual accounts primarily consists of research, development and production and marketing of bioactive substances of marine origin, for its application in oncology.	We assessed the design and implementation and operational efficiency of the relevant controls that underpin the appropriate application of the revenue recognition policy.

Key audit matters	How our audit addressed the key audit matters
As outlined in note 2.23 to the accompanying consolidated annual accounts, the Group recognizes revenues when control over its goods or services is transferred to customers. At that time revenue is recognized at the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Specifically: • Revenue from product sales is recognized when control over the asset is transferred to the customer which generally takes place when the goods are delivered to the end customer. • Revenues from licensing and development agreements are recognized as the performance obligations identified, to which a price has previously been allocated during the process of analyzing the contract, accrue, and milestones are attained. • Royalty revenue is recognized based on the agreed percentage of sales consumed by the counterparty to the agreement at a certain point in time. We focused in the audit on revenue (note 26) due to its relevance to the Group's consolidated annual accounts.	Additionally, and taking into account the specifics of the revenues obtained by the Group: • For revenues from product sales, we obtained confirmation for a sample of invoices for the year for a selection of customers and verified, also for a sample, the correct recognition of revenue in the year and the operations cut-off. Similarly, we analyzed a sample of accounting entries, selected according to certain characteristics, in order to assess the appropriate recognition of such revenues. • For revenues from licensing and development agreements, we verified, based on the analysis of the contract, that revenue is recognized in accordance with the performance obligations identified and the price allocated to each of them, analyzing whether the revenue recognized in 2021 relates to the obligations satisfied in the period. We also verified compliance with the possible milestones included in the licensing contract. • Lastly, for revenues from royalties, we verified that they conform to the percentage agreed between the parties of the sales which the counterparty to the agreement has made in the licensed territory. Similarly, for a sample of invoices outstanding at the year end, collection was verified. • We assessed the disclosures included in the notes to the annual accounts concerning revenue. As a result of our procedures, we obtained appropriate and sufficient audit evidence concerning the Group's accounting records and the information included in the consolidated annual accounts regarding this area.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2021 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

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

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

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

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2021 financial year, and its content and presentation are in accordance with applicable regulations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Pharma Mar, S.A. and its subsidiaries for the 2021 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Pharma Mar, S.A. are responsible for presenting the annual financial report for 2021 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration have been incorporated by reference in the consolidated management report.

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

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

Report to the audit commission of the Parent company

The opinion expressed in this report is consistent with the content of our additional report to the audit commission of the Parent company dated 28 February 2022.

Appointment period

The General Ordinary Shareholders' Meeting held on 15 April 2021 appointed us as auditors of the Group for a period of one year, for the year ended 31 December 2021.

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

Services provided

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

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

28 February 2022

CONSOLIDATED BALANCE SHEET AS OF 2021 YEAR-END

CONSOLIDATED BALANCE SHEET (thousand euro)	Note	31/12/21	31/12/20
ASSETS			
Non-current assets			
PROPERTY, PLANT AND EQUIPMENT	6	26,961	21,947
Investment property	7	845	845
Intangible assets	8	3,233	3,860
Right-of-use assets	9	3,644	3,552
Financial assets at amortized cost	10	10,722	20,988
Deferred tax assets	24	27,750	33,416
		73,155	**84,608**
Current assets			
Inventories	15	10,536	11,933
Trade receivables	13	50,908	24,054
Financial assets at amortized cost	10	88,532	99,306
Other assets	14	31,907	14,148
Cash and cash equivalents	16	113,348	96,210
		295,231	**245,651**
TOTAL ASSETS		**368,386**	**330,259**

CONSOLIDATED BALANCE SHEET (thousand euro)	Note	31/12/21	31/12/20
EQUITY			
Share capital	17	11,013	11,013
Share premium account	17	71,278	71,278
Own shares	17	(25,679)	(21,453)
Revaluation reserves and other reserves		19	14
Retained earnings and other reserves		121,287	41,870
Total capital and reserves attributable to equity-holders of the controlling company		**177,918**	**102,722**
Total equity		**177,918**	**102,722**
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	23	33,386	37,732
Lease liabilities	9	1,916	2,150
Deferred revenues	21	68,634	92,560
Other liabilities		186	176
		104,122	**132,618**
Current liabilities			
Supplier and other accounts payable	20	29,269	23,220
Interest-bearing debt	23	12,212	15,313
Lease liabilities	9	1,819	1,470
Provisions for other liabilities and expenses	25	7,546	6,411
Deferred revenues	21	29,667	43,603
Other liabilities	22	5,833	4,902
		86,346	**94,919**
Total liabilities		**190,468**	**227,537**
TOTAL EQUITY AND LIABILITIES		**368,386**	**330,259**

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED INCOME STATEMENT			
(thousand euro)	**Note**	**31/12/21**	**31/12/20**
Revenues from contracts with customers:			
Product sales	5 & 26	123,821	113,739
Licensing and development agreements	5 & 26	64,787	140,289
Royalties	5 & 26	40,996	15,661
Services provided		227	272
		229,831	**269,961**
Cost of goods sold	5	(16,437)	(13,718)
Gross income		**213,394**	**256,243**
Marketing expenses	29	(22,368)	(22,257)
Administrative expenses	28	(17,371)	(13,515)
R&D expenses	27	(72,170)	(53,792)
Net impairment of financial assets	3 & 13	96	(267)
Other operating expenses	28	(10,928)	(11,576)
Other gains/(losses), net	30	1,794	1,108
Operating profit		**92,447**	**155,944**
Financial expenses		(7,683)	(15,376)
Financial revenues		10,365	5,038
Net financial income	33	**2,682**	**(10,338)**
Income before taxes		**95,129**	**145,606**
Income tax		(2,270)	(8,344)
Profit or loss for the year		**92,859**	**137,262**
Attributable to:			
Equity-holders of the controlling company		92,859	137,262

Euro per share	**Note**	**31/12/21**	**31/12/20**
Basic profit/(loss) per share			
- Attributable to equity holders of the controlling company	34	5.14	7.50
Diluted profit/(loss) per share			
- Attributable to equity holders of the controlling company	34	5.13	7.49

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

A. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31/12/21	31/12/20
CONSOLIDATED PROFIT OR LOSS FOR THE YEAR	**92,859**	**137,262**
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
Value change in financial assets at fair value through other comprehensive income	4	(1)
Foreign exchange difference	(39)	6
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXES	**(35)**	**5**
COMPREHENSIVE INCOME FOR THE YEAR	**92,824**	**137,267**
ATTRIBUTABLE TO:		
Equity-holders of the controlling company	92,824	137,267
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**92,824**	**137,267**

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

B. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(thousand euro)	Share capital	Share premium account	Own shares	Revaluation reserve and other reserves	Reserves and other retained earnings	Non-controlling interests	Total equity
Balance as of 1 January 2020	**11,132**	**71,278**	**(1,499)**	**15**	**(69,552)**	**(3,918)**	**7,456**
Fair value gain / (loss), gross:							
- Financial assets at fair value through other comprehensive income (Note 12)	-	-	-	(1)	-	-	(1)
- Other revenues and expenses recognized directly in equity	-	-	-	-	6	-	6
Other comprehensive income	**-**	**-**	**-**	**(1)**	**6**	**-**	**5**
2020 income	-	-	-	-	137,262	-	137,262
Comprehensive income for the year	**-**	**-**	**-**	**(1)**	**137,268**	**-**	**137,267**
Shares purchased (Note 17)	-	-	(63,773)	-	-	-	(63,773)
Shares sold (Note 17)	-	-	24,842	-	5,429	-	30,271
Value of employee services — Employee share ownership plan (Note 36)	-	-	528	-	(160)	-	368
Dividend payments (Note 18)	-	-	-	-	(8,819)	-	(8,819)
Change of non-controlling interest in dependent companies (Note 19)	-	-	-	-	(3,918)	3,918	-
Capital reduction (Note 17)	(119)	-	18,449	-	(18,380)	-	(50)
Other movements	-	-	-	-	2	-	2
Balance as of 31 December 2020	**11,013**	**71,278**	**(21,453)**	**14**	**41,870**	**-**	**102,722**
Balance as of 1 January 2021	**11,013**	**71,278**	**(21,453)**	**14**	**41,870**	**-**	**102,722**
Fair value gain / (loss), gross:							
- Financial assets at fair value through other comprehensive income (Note 12)	-	-	-	4	-	-	4
- Other revenues and expenses recognized directly in equity	-	-	-	-	(39)	-	(39)
Other comprehensive income	**-**	**-**	**-**	**4**	**(39)**	**-**	**(35)**
2021 income	-	-	-	-	92,859	-	92,859
Comprehensive income for the year	**-**	**-**	**-**	**4**	**92,820**	**-**	**92,824**
Shares purchased (Note 17)	-	-	(40,659)	-	-	-	(40,659)
Shares sold (Note 17)	-	-	35,682	-	(2,468)	-	33,214
Value of employee services — Employee share ownership plan (Note 36)	-	-	751	-	(73)	-	678
Dividend payments (Note 18)	-	-	-	-	(10,872)	-	(10,872)
Other movements	-	-	-	1	10	-	11
Balance as of 31 December 2021	**11,013**	**71,278**	**(25,679)**	**19**	**121,287**	**-**	**177,918**

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

CONSOLIDATED CASH FLOW STATEMENT (thousand euro)	Note	31/12/21	31/12/20
Income before taxes:		**95,129**	**145,606**
Adjustments for:		**2,822**	**17,833**
Depreciation and amortization	6.8 & 9	5,583	7,211
Impairment of accounts receivable		(93)	16
Fixed asset impairment	6 & 8	(183)	368
Financial revenues	33	(370)	(336)
Financial expenses	33	3,373	3,124
Income from sale of fixed assets		33	31
Share-based payments		339	274
Deferred revenues - subsidies		(186)	(405)
Exchange differences		(5,674)	7,550
Changes in working capital		**(61,408)**	**127,941**
Inventories	15	1,398	(3,031)
Customer and other receivables	13	(26,761)	(12,630)
Other assets and liabilities		(5,555)	5,694
Supplier and other accounts payable	20	7,185	4,654
Deferred and accrued items	21	(37,675)	133,254
Other operating cash flows:		**(10,866)**	**(12,438)**
Interest paid	33	(3,373)	(3,124)
Interest received	33	370	336
Income tax received/(paid)	14	(7,863)	(9,650)
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES		**25,677**	**278,942**
Investment payments:		**(7,803)**	**(119,009)**
Property, plant and equipment, intangible assets and investment property	6.7	(7,803)	(3,002)
Other financial assets		-	(116,007)
Divestment receipts:		**26,275**	**-**
Other assets		26,275	-
TOTAL NET INVESTING CASH FLOW		**18,472**	**(119,009)**
Receipts and (payments) in connection with equity instruments:		**(7,105)**	**(33,462)**
Depreciation and amortization	17	-	(120)
Acquisition	17	(40,659)	(63,708)
Disposal	17	33,554	30,366
Receipts and (payments) in connection with financial liabilities:		**(9,438)**	**(31,539)**
Loans received	23	5,832	834
Loans repaid	23	(15,270)	(32,373)
Payment of dividends and remuneration on other equity instruments		**(10,872)**	**(8,819)**
TOTAL NET FINANCING CASH FLOW		**(27,415)**	**(73,820)**
EFFECT OF EXCHANGE RATE FLUCTUATIONS		**404**	**(7,541)**
TOTAL NET CASH FLOW FOR THE YEAR		**17,138**	**78,572**
Beginning balance of cash and cash equivalents	16	96,210	17,638
ENDING BALANCE OF CASH AND CASH EQUIVALENTS		**113,348**	**96,210**

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

Notes to the consolidated financial statements of Pharma Mar, S.A. and subsidiaries as of 31 December 2021
(Thousand euro)

1. General information

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

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

Pharma Mar, S.A.'s shares are listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and the Spanish electronic market (SIBE). PharmaMar has been part of the IBEX-35 index of blue-chip stocks since June 2020.

The products developed by Pharma Mar that, as of 31 December 2021, were being marketed or had received authorization to be marketed from the regulatory authorities were as follows:

Yondelis® (trabectedin)

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

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

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

Aplidin® (plitidepsin)

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

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

Zepzelca® (lurbinectedin)

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

As a result of that approval, Jazz Pharmaceuticals Ireland Limited (hereinafter "Jazz Pharmaceuticals"), with which PharmaMar had signed an exclusive licensing agreement in December 2019 for marketing anti-tumor compound Zepzelca® in the US to treat relapsed small-cell lung cancer, began marketing in that territory. Pursuant to the agreement and as a result of the accelerated approval, PharmaMar received a non-refundable payment of USD 100 million (€88.5 million) in June 2020, in addition to the USD 200 million (€181 million) upfront payment it had received in January 2020 for signing the licensing agreement. It may receive additional payments if the FDA grants full approval for Lurbinectedin by specific deadlines. Additionally, PharmaMar may collect up to USD 550 million for achieving sales targets, as well as royalties on net sales of lurbinectedin.

The results of the ATLANTIS randomized, multicenter Phase III trial which evaluated Zepzelca® in combination with doxorubicin against the investigator's choice of topotecan or cyclophosphamide/doxorubicin/vincristine (CAV) in adult patients with small cell lung cancer whose disease had progressed after platinum-based treatment were published in December 2020. The trial did not attain the pre-specified primary endpoint of Overall Survival (OS), comparing lurbinectedin in combination with doxorubicin with the control arm. Importantly, the results favored the lurbinectedin combination arm in terms of both the primary endpoint and key secondary and subgroup analyses.

As of 31 December 2021, PharmaMar continued to develop its other products.

The COVID-19 pandemic did not have a material impact on the valuation of the Company's assets and liabilities in 2021 or in 2020. There were no credit losses on trade or customer accounts receivable. The Company's revenues, production capacity and commercial activity were unaffected by the situation. All the Group's material agreements remain in force in the same terms. The Group did not need to avail itself of furlough or layoff measures.

The directors and managers of the Group monitor the situation constantly in order to anticipate any financial or non-financial impacts that might arise.

Climate change: analysis of financial risk and impact

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

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

Physical risks are those relating to direct damage and business interruption caused by phenomena resulting from climate change. To this end, the company has adopted policies and actions aimed at mitigating climate change and is seeking to contribute to an economy with low greenhouse gas emissions. The transitional risks of climate change are very varied, ranging from the threat of closure or prohibition of some businesses to the need to comply with increasingly stringent rules and regulations that require additional investments that had not been contemplated initially.

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

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

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

Pharma Mar belongs to the biopharmaceutical industry, which does not have a material impact on the environment: it does not use raw materials or intermediate products that involve complex transformation, nor are its facilities intensive users of energy or water, nor do they produce significant emissions or discharges.

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

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

Consolidation scope

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

The liquidation of Noscira, S.A. was registered in the Mercantile Register in November 2020. The liquidation process commenced in December 2012, when the Shareholders' Meeting of Noscira resolved to dissolve and liquidate it as it had an equity imbalance and was in one of the situations of dissolution established by article 363.1.e) of the Capital Companies Act because its equity had declined to less than one-half of its capital stock.

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

The consolidated Group's subsidiaries as of 31 December 2021 is as follows:

		Stake		
Name	Registered offices	Direct	Indirect	Total
Pharma Mar USA Inc	195 Montague St. 10th floor suite 1023. Brooklyn, NY 11201 USA	100.00%	-	100.00%
PharmaMar AG	Aeschengraben 29, CH 4051 Basel (Switzerland)	100.00%	-	100.00%
PharmaMar Sarl	6 Rue de l'Est, 92100 Boulogne Billancourt, Paris, France	100.00%	-	100.00%
Pharma Mar GmbH	Uhlandstraße 14 - 10623 Berlin - Germany	100.00%	-	100.00%
Pharma Mar Srl	Via Lombardia 2/A C/O Innov. Campus 20068, Peschiera Borromeo, Milan - Italy	100.00%	-	100.00%
Pharma Mar, Srl (Belgium)	Avenue du Port 86C, Boite 204, 1000 Brussels, Belgium	100.00%	-	100.00%
Pharma Mar Ges.m.b.H	Mooslackengasse 17, 1190 Vienna, Austria	100.00%	-	100.00%
Genómica, S.A.U.	Via de los Poblados, 1, Edif. B, Parq. Emp. Alvento, Madrid, Spain	100.00%	-	100.00%
Genómica, A.B. (*)	Ideon Science Park, Scheelevägen 17, Lund, Sweden	-	100.00%	100.00%
Genómica (Wuhan) Trading Co. Ltd. (*)	No.401-421 (Wuhan Free Trade Area) 4/F, Office Building A, No.777, Guanggu 3 Road, Wuhan East Lake High-tech Development Zone	-	100.00%	100.00%
Sylentis, S.A.U.	Pza. del Descubridor Diego de Ordás 3, Madrid	100.00%	-	100.00%

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

Below is a list of the Group's subsidiaries and the firms that audited their 2021 financial statements:

Name and domicile	Statutory auditor
Pharma Mar USA Inc	Walter & Shuffain, PC
PharmaMar AG	PwC
PharmaMar Sarl	PwC

Pharma Mar GmbH	No
Pharma Mar Srl	PwC
Pharma Mar, Srl (Belgium)	PwC
Pharma Mar Ges.m.b.H	No
Genómica, S.A.U.	KPMG
Genómica, A.B.	KPMG
Genómica Trading Co. Ltd.	XINGAOXIN
Sylentis, S.A.U.	KPMG

Description of subsidiaries

The principal activity of the Group companies, all of which were fully consolidated as of 31 December 2021 and 2020, is as follows:

- Pharma Mar USA: Business development in the US.
- Pharma Mar AG: Marketing pharmaceutical products in the Swiss market.
- Pharma Mar SARL: Marketing pharmaceutical products in the French market.
- Pharma Mar GmbH: Marketing pharmaceutical products in the German market.
- Pharma Mar S.r.L.: Marketing pharmaceutical products in the Italian market.
- Pharma Mar S.R.L. Belgium: Marketing pharmaceutical products in the Belgian market.
- Pharma Mar Ltd.: This company was definitively dissolved on 2 May 2021 once all the legal formalities had been completed and it had been registered with the UK Companies House. The dissolution process had begun in 2019.
- Pharma Mar Ges.m.b.H AT (Austria): It is primarily engaged in marketing pharmaceutical products in the Austrian market.
- Genómica, S.A.U. (Genómica): Development and marketing of diagnostic applications and related services.
- Genómica, A.B.: Marketing diagnostic applications and related services in the Scandinavian market.
- Genómica Trading Co., Ltd. (China).: Wholesale trade, import and export of Class III and Class I medical devices; R&D and sales of Class III IVD reagents; commission agency (excluding auctions) and supply of related support services.
- Sylentis, S.A.U. (Sylentis): Research, development, production and sale of products with therapeutic activity based on reducing or silencing gene expression, and pharmaceutical derivatives of same in a range of formulations and applied in various ways to all types of diseases; it does not yet have any products on the market.
- Noscira, S.A. (Liquidated in November 2020). On 18 December 2012, the Shareholders' Meeting of Noscira resolved to dissolve the company and commence the period of liquidation of same, since the company had an equity imbalance and was in one of the situations of dissolution established by article 363.1.e) of the Capital Companies Act as its equity had declined to less than one-half of its capital stock.

2. ACCOUNTING POLICIES

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

2.1 Basis of presentation

These consolidated financial statements for 2021 and those for 2020 presented for comparison were prepared in accordance with the International Financial Reporting Standards and IFRIC interpretations adopted for use in the European Union in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, by virtue of which all companies governed by the law of a Member State of the European Union and whose shares are listed on a regulated market of a Member State must prepare their consolidated accounts, for annual periods beginning on or after 1 January 2005, in accordance with the IFRS adopted by the European Union.

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

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

The accounting policies applied in preparing the consolidated financial statements as of 31 December 2021 are consistent with those used to prepare the consolidated financial statements for the year ended 31 December 2020. The material estimates made in the 2021 financial statements are also consistent with those made in the 2020 financial statements.

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

2.2 Standards, amendments and interpretations that are obligatory for all annual periods beginning on or after 1 January 2021

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

- **IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (amendments) "Interest Rate Benchmark Reform: Phase 2":** The IASB has undertaken a two-stage project to consider what exemptions, if any, to provide for the effects of benchmark interest rate ("IBOR") reform. The Phase 1 amendments, issued in September 2019, provided temporary relief from specific hedge accounting requirements for relationships affected by uncertainties arising as a result of IBOR reform ("the Phase 1 exemptions").The Phase 2 exemptions address issues that arise from implementing the reforms, including the replacement of one benchmark rate with another.

- **IFRS 4 (Amendment) "Deferral of effective date of IFRS 9":** In accordance with the deferral of the effective date of IFRS 17 "Insurance Contracts", the amendment changes the expiry date for the temporary exemption in IFRS 4 "Insurance Contracts" from applying IFRS 9 "Financial Instruments", so that undertakings will be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023 (instead of 1 January 2021).

- **IFRS 16 (Amendment) "Covid-19-Related Rent Concessions beyond 30 June 2021":** The IASB provided a one-year extension for the application period of the practical expedient under IFRS 16 "Leases" to assist lessees in accounting for lease concessions related to COVID-19.

  Accordingly, this practical expedient applies to lease concessions arising as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
  - there is no substantive change to other terms and conditions of the lease.

For the purposes of the EU-IFRS, the amendments must be applied from 1 April 2021 for annual periods beginning on or after 1 January 2020.

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

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

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

- **IFRS 10 (Amendment)**
- **IAS 28 (Amendment) "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"**
- **IAS 1 (Amendment) "Disclosure of Accounting Policies"**
- **IAS 1 (Amendment) "Classification of Liabilities as Current or Non-Current"**
- **IAS 8 (Amendment) "Definition of Accounting Estimates":**
- **IAS 16 (Amendment) "Property, Plant and Equipment — Proceeds before Intended Use"**
- **IAS 12 (Amendment) "Deferred Tax related to Assets and Liabilities arising from a Single Transaction":**
- **IFRS 17 (Amendment) "Initial Application of IFRS 17 and IFRS 9 — Comparative Information":**

2.4 Consolidation principles

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

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

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

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

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree with respect to the fair value of the identifiable net assets acquired is recognized as goodwill. If the total of the consideration transferred, the recognized non-controlling interest and previously-held equity interest is lower than the fair

value of the net assets of a subsidiary acquired in very advantageous conditions, the difference is recognized directly in profit or loss.

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

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

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

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

2.4.1 Transactions with non-controlling interests

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

2.5 Segment reporting

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

2.6 Foreign currency transactions

2.6.1 Functional and presentation currency

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

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

Regarding Pharma Mar AG, the Swiss subsidiary, Pharma Mar Ltd, the UK subsidiary, Genómica, AB, the Swedish subsidiary, and Genómica (Wuhan) Trading Co. Ltd, the Chinese subsidiary, their functional currencies in 2021 and 2020 were the Swiss franc, the pound sterling, the Swedish krona and the Chinese yuan, respectively, as their sales are in local currency. The impact of translation to euro is not material given the small volume which their transactions represent with respect to the Group.

2.6.2 Transactions and balances

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

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

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

profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equity securities classified as financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

2.6.3 Group undertakings

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

- Assets and liabilities on each balance sheet are translated at the closing exchange rate on the balance sheet date;
- revenues and expenses in each income statement and statement of other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenues and expenses are translated at the transaction dates), and
- all resulting exchange differences are recognized in other comprehensive income.

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

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

2.7 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

When the carrying amount of an asset exceeds its estimated recoverable amount, its value is written down immediately to the recoverable amount. Gains and losses on the sale of property, plant and equipment, which are calculated by comparing the proceeds with the carrying amount, are recognized in profit and loss.

2.8 Investment property

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

2.9 Intangible assets

2.9.1 *Research & development expenses*

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

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

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

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

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

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

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

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

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

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

2.9.2 Trademarks and licenses

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

2.9.2.1 Computer programs

Acquired computer software licenses are capitalized based on the costs incurred to acquire and prepare them for using the specific program. Those costs are amortized over their estimated useful lives (generally 5 years).

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

- It is technically possible to complete production of the intangible asset so that it may be available for use or sale;
- Management intends to complete the intangible asset in question for use or sale;

- There is the capacity to use or sell the intangible asset;
- The form in which the intangible asset will generate likely economic benefits in the future is demonstrable;
- Sufficient technical, financial and other resources are available to complete development and to use or sell the intangible asset; and
- The cost attributable to the intangible asset during development can be measured reliably.

2.10 Impairment losses on non-financial assets

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

2.11 Leases

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

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

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

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

- fixed payments (including in-substance fixed payments) less any outstanding lease incentive.
- variable lease payments depending on an index or rate, initially measured according to the index or rate on the initial date.
- amounts expected to be paid by the Group as residual value guarantees.
- the strike price of a purchase option if the Group is reasonably certain that it will exercise that option, and
- payment of lease termination penalties, if the Group has the choice of terminating under the lease terms.
- lease payments to be made under reasonably certain extension options are also included when measuring the liability.

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

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case in the Group's leases, the lessee's incremental borrowing rate is used, i.e. the rate that the individual lessee would have to pay to borrow the funds required to acquire an asset of similar value to the right-of-use asset in a similar economic environment in similar terms, guarantees and conditions.
To determine the incremental borrowing rate, the Group calculates its risk premium each year and applies the following indices for each functional currency:

• EUR: EURIBOR
• USD: LIBOR
• SEK: STIBOR

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

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

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

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

- the amount of the initial measurement of the lease liability
- any lease payment made on or before the initial date, less any lease incentive received
- any initial direct cost, and
- restoration costs.

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

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

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

- If the Group has not taken action to cancel a revocable contract or a contract with a maturity of less than one year, it assumes that the contract will be extended.
- The contractual terms and conditions applicable to the periods covered by the termination option were advantageous in relation to market prices.

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

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

2.11.1 Extension and termination options

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

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

2.12 Financial assets

2.12.1 Classification

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

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

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

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

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

2.12.1.1 Recognition and derecognition

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

2.12.1.2 Measurement

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

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

Debt instruments

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

- Amortized cost: Assets held for the collection of contractual cash flows, when those cash flows represent only payments of principal and interest, are measured at amortized cost. Interest

revenues from these financial assets are recognized under financial revenues according to the effective interest rate method. Any gain or loss that arises on derecognition is recognized directly in profit or loss along with gains and losses from exchange differences. Impairment is recognized separately in the income statement.

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

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

Equity instruments

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

2.12.2 Impairment

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

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

2.12.3 Derivatives and hedging

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

- fair value hedges of recognized assets or liabilities or a firm commitment (fair value hedges)

- hedges of a particular risk associated with the cash flows from recognized assets and liabilities and highly likely planned transactions (cash flow hedges), or

- hedges of net investment in a foreign operation (net investment hedges).

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

2.13 Inventories

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

Cost is determined as follows:

- Trade inventories, raw materials and other supplies: weighted average cost.
- Finished and semi-finished products and products in process: weighted average cost of the raw and ancillary materials used, plus the applicable amount of direct labor and general manufacturing expenses (based on normal production capacity).

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

2.14 Trade receivables

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

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

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

2.15 Cash and cash equivalents

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

2.16 Share capital and distribution of dividends

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

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

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

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

2.17 Government grants

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

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

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

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

2.18 Trade and other accounts payable

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

2.19 Interest-bearing debt

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

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

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

2.20 Current and deferred taxes

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

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

Deferred taxes are measured on the basis of the temporary differences arising between the tax base of the assets and liabilities and their carrying amounts in these consolidated financial statements. However, deferred taxes arising from the initial recognition of an asset or liability in a transaction other than a business combination that does not affect the accounting result or the taxable gain or loss at the transaction date are not recognized.

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

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

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

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

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

2.21 Employee benefits

2.21.1 Share-based payments

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

The fair value of the services to be provided by those employees is determined with respect to the fair value of the shares granted. That amount is recognized in profit or loss as a personnel expense over the vesting period, while simultaneously recognizing a reserve for the incentive plans, for the same amount, under equity. The Group regularly reviews its assumptions and adjusts any deviation arising from employee rotation.

2.21.2 Termination indemnities

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

2.22 Provisions

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

- the Group has a present obligation, legal or implicit, as a result of past events;
- a cash outflow is likely to be needed to settle the obligation; and
- the amount can be estimated reliably. Restructuring provisions include lease cancellation penalties and employee termination indemnities. No provisions are recognized for future operating losses.

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

Provisions are calculated at the present value of the disbursement expected to be needed to settle the obligation, using a pre-tax rate that reflects current market measurements of the time value of money and the specific risks attached to the obligation. An increase in the provision due to the passage of time is recognized as an interest expense.

2.23 Revenue from contracts with customers

Revenues are recognized when control of the goods or services is transferred to the customer. At that time, revenue is recognized for the amount of the consideration expected to be received in exchange for the transfer of committed goods and services under the contracts with customers, as well as other revenue not arising from contracts with customers that constitute the Group's ordinary business.

The amount to recognize is determined by deducting, from the amount of the consideration for the committed transfer of goods or services to customers or other revenues from the Group's ordinary activities, the amount of discounts, refunds, price reductions, incentives or rights granted to customers, as well as value added tax and other directly related taxes that must be charged to customers.

2.23.1 Product sales

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

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

2.23.2 Sale of medical supplies for clinical diagnosis

The following performance obligations are identified in contracts of this type: supply of test results, and equipment maintenance (technical assistance). These revenues are recognized when the goods are delivered to the end customer, since that is when control of the goods is transferred to the customer. Revenue for equipment maintenance is recognized generally at a moment in time, since these are agreed regular reviews performed on specific dates rather than a continuous service.

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

2.23.3 Licensing, development and other similar agreements

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

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

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

- Identification of the performance obligations.

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

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

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

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

In the marketing phase, they include:

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

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

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

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

Deferred revenues are recognized in profit or loss over the term of the related commitments as a function of the degree of progress of the project, as the obligations set out in the contract are met.

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

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

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

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

2.23.4 Royalty revenues

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

2.23.5 Variable consideration

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

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

2.23.6 Financial component of customer advances

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

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

2.23.7 Services

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk

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

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

3.2 Market risk

3.2.1 Exchange rate risk

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

The Oncology segment engages in material transactions in foreign currencies.

Mainly, they relate to licensing and development agreements in US dollars amounting to €102,646 thousand in 2021 and €154,638 thousand in 2020. Group management did not consider it necessary to establish a hedging policy in 2021 and 2020.

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

If, as of 31 December 2021, the euro had appreciated by 5% with respect to the US dollar while all other variables remained constant, income after taxes for the year would have been lower by €3,521 thousand (€5,274 thousand in 2020), mainly as a result of translation into euro of customer and other accounts receivable and debt denominated in US dollars. If, as of 31 December 2021, the euro had depreciated by 5% with respect to the US dollar while all other variables remained constant, income after taxes for the year would have been higher by €3,698 thousand (€5,538 thousand in 2020).

3.2.2 Interest rate risk on cash flows and fair values

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

Remunerated financial assets consist basically of government bonds, bank commercial paper and time deposits remunerated at floating interest rates, generally referenced to Euribor and Libor.

With respect to financial liabilities, as of 31 December 2021, interest rate risk was basically due to the Group's bank debt, of which approximately 45.3% (73.5% as of 31 December 2020) was at floating rates indexed to Euribor. As of 31 December 2021, bank debt amounted to €12,399 thousand (€13,848 thousand as of 31 December 2020).

The Group analyses its exposure to interest rate risk dynamically. It simulates a number of scenarios considering refinancing, roll-overs, alternative financing and hedging. Based on those scenarios, the Group calculates the effect on income of a given variation in interest rates.

In a given simulation, it assumes the same change in interest rates in all currencies. The scenarios are applied only to the largest interest-bearing assets and liabilities.

If, as of 31 December 2021, the interest rates on the interest-bearing debt and assets remunerated at variable interest rates had been 100 basis points higher while all other variables remained constant, income after tax would have been higher by €696 thousand (€842 thousand in 2020).

3.2.3 *Price risk*

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

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

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

3.3 Credit risk

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

3.3.1 Risk management

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

Where customers are independently rated, that rating is used. Otherwise, the Group assesses the risk on the basis of the customer's financial position, past experience and other factors. Where there is no doubt about a customer's solvency, no credit limits are set.

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

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

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

The credit quality of the financial assets and of customers with which the Group had balances as of 31 December 2021 and 2020 is set out in Note 11. The composition of the Group's financial assets is set out in Notes 12 and 13.

Regarding credit risk concentration, as of 31 December 2021, the Group had government bonds and bank products and balances at eight credit institutions amounting to €196,011 thousand (€200,824 thousand at five institutions in 2020).

3.3.2 Impairment losses on financial assets

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

- Trade accounts receivable for the sale of products.
- Financial assets at amortized cost.

3.3.2.1 Trade receivables

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

To measure expected credit losses, trade accounts receivable are grouped on the basis of the characteristics of shared credit risk and days past due.
To calculate the expected loss on trade accounts receivable, the weighted average maturity of these accounts was calculated together with their nominal amount.

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

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

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

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

3.3.2.2 Current financial assets at amortized cost

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

3.4 Liquidity risk

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

The net cash position, defined as cash and cash equivalents and current financial assets (€201,880 thousand in 2021, €195,516 thousand in 2020) less short-term borrowings (€12,212 thousand in 2021, €15,313 thousand in 2020), was positive in the amount of €189,668 thousand at the end of 2021 (positive in the amount of €180,203 thousand in 2020).

Long-term interest-bearing debt amounted to €33,386 thousand (€37,732 thousand in 2020), of which €12,063 thousand (€17,571 thousand in 2020) was in the form of research and development loans from official bodies which are repayable over 10 years, with a three-year grace period, at zero or below-market interest rates.

The Group generated operating cash flow amounting to €25,677 thousand in 2021, while it generated positive cash flow amounting to €278,942 thousand in 2020.

As indicated in Notes 1 and 26.3, in 2020 the Company collected a number of payments totaling USD 300 million (€269.5 million) in connection with the exclusive licensing agreement signed with Jazz Pharmaceuticals on 19 December 2019 for the commercialization of Zepzelca® in the United States.

The following should be noted in connection with the Group's liquidity position as of 2021 year-end:

- The Group ended 2021 with cash and cash equivalents plus current financial assets amounting to €201,880 thousand.
- The Group had non-current financial assets amounting to €10,722 thousand as of 31 December 2021.
- The Group had unused credit lines in the amount of €11,705 thousand as of 31 December 2021.
- Working capital is positive in the amount of €208,885 thousand.

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

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

The directors estimate that R&D expenditure in 2022 will be higher than in 2021 and that the other operating expenses will not increase significantly.

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

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

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

Financial liabilities, by maturity, as of 31/12/20 (thousand euro)	2021	2022-2023	2024-2026	2027 and thereafter	Total
Bank debt and other interest-bearing debt	6,502	5,114	2,854	17,880	**32,350**
Debt to official authorities	5,221	9,643	8,102	2,798	**25,764**
Finance lease liabilities	2,273	2,150	736	51	**5,210**
Suppliers	21,039	-	-	-	**21,039**
Other accounts payable	2,181	-	-	-	**2,181**
Total liabilities	**37,216**	**16,907**	**11,692**	**20,729**	**86,544**

3.4.1 Capital management

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

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

Total capital and leverage (thousand euro)	31/12/21	31/12/20
Long-term interest-bearing debt	(33,386)	(37,732)
Short-term interest-bearing debt	(12,212)	(15,313)
Cash and cash equivalents	113,348	96,210
Non-current and current financial assets	99,254	120,294
Equity	(177,918)	(102,722)
Total capital	**(10,914)**	**60,737**
Leverage	**0.00%**	**0.00%**

In 2021, Group cash and financial assets (current and non-current) led to a cash position of €212,602 thousand, which exceeded the amount of debt plus equity, with the result that there was zero leverage in 2021, as was also the case in 2020.

3.4.2 Fair value estimates

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

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

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

Fair value estimates 2021 (thousand euro)	Level 1	Level 3	Total
Loans and receivables			
Term financial assets (Note 10)	-	302	**302**
Financial assets at fair value through other comprehensive income			
- Equity securities, net (Note 12)	33	-	**33**
Total assets	**33**	**302**	**335**

The table below presents the Group's assets and liabilities at fair value as of 31 December 2020:

Fair value estimates 2020 (thousand euro)	Level 1	Level 3	Total
Loans and receivables			
Term financial assets (Note 10)	-	302	**302**
Financial assets at fair value through other comprehensive income			
- Equity securities, net (Note 12)	27	-	**27**
Total assets	**27**	**302**	**329**

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

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

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

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

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

Deferred tax assets (Note 2.20)

The Spanish undertakings in the Group have significant unused tax losses and tax credits as well as other deductible temporary differences (Note 24).

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

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

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

- Projections through 2031 are included for PharmaMar, and through 2026 for Genómica and Sylentis.

- The information for preparing the tax plan is the budget presented to the Board of Directors, which includes projections through 2026, extended to 2031 in the case of PharmaMar, using the Group's best estimates of future earnings based on past experience, and the assumptions made in the first five years of estimation.

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

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

    b) estimated sale price, and

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

- The tax plan also uses the following significant assumptions:

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

    b) Revenue growth in the oncology segment is assumed to average 15.71 %. That growth is due mainly to the good prospects for sales in the US market of lurbinectedin, a product currently under development, by our partner.

    c) Average 7.18% sustained growth in operating expenses in the oncology segment.

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

- A 1% increase in the probability assigned to revenues from Phase III research would result in the recognition of an additional €470 thousand.

- A 5% reduction in the estimated price for the main research compound (Lurbinectedin) would result in the derecognition of €1,209 thousand.

- A 5% reduction in sales of Yondelis® would result in derecognition of assets in the amount of €16 thousand.

- A 1-year delay in sales of the main compound under development, Lurbinectedin, would result in derecognition of €3,726 thousand.

- A 10% loss of market share for the main compound under development, Lurbinectedin, would result in derecognition of €1,953 thousand.

- A 10% reduction in US market share for our compound, Lurbinectedin, would result in derecognition of assets in the amount of €1,617 thousand.

Note 24.1 details the assets recognized by the Group as of 31 December 2021 and 2020 and the assets not recognized by application of this approach.

5. SEGMENT REPORTING

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

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

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

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

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

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

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

- Transactions between segments were not material in 2021 and 2020.

The qualitative elements used in aggregating segments include the following:

- Similar economic characteristics in terms of ratios such as sales margin, R&D expenses as a percentage of revenues, marketing and distribution expenses as a percentage of revenues, and the prospects for business growth.

- The nature of the companies' products, services and production processes. Similar types of customers and distribution channels

Consequently, the following three segments were identified in 2021:

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

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

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

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

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

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

Segment assets and liabilities 2021 (thousand euro)	Oncology	Diagnostics	RNAi	Group
Non-current assets	68,262	2,867	2,026	**73,155**
Current assets	287,761	6,477	993	**295,231**
Non-current liabilities	97,497	4,754	1,871	**104,122**
Current liabilities	82,221	2,373	1,752	**86,346**
Investment in fixed assets	6,690	594	690	**7,974**

Income statement information by segment for the year ended 31 December 2020 is as follows:

Segment income 2020 (thousand euro)	Oncology	Diagnostics	RNAi	Unallocated	Group
Revenues	256,738	13,163	4	56	**269,961**
Cost of goods sold	(8,724)	(4,994)	-	-	**(13,718)**
Other operating revenues / Other net gains	789	52	-	-	**841**
R&D expenses	(49,204)	(708)	(3,880)	-	**(53,792)**
Other expenses	(31,400)	(4,370)	(223)	(11,355)	**(47,348)**
Net operating income	**168,199**	**3,143**	**(4,099)**	**(11,299)**	**155,944**
Net financial income	**(9,902)**	**(122)**	**(304)**	**(10)**	**(10,338)**
Income before taxes	**158,297**	**3,021**	**(4,403)**	**(11,309)**	**145,606**
Corporate income tax (expense)/revenue	(7,754)	(767)	177	-	**(8,344)**
Profit/(loss) after tax	**150,543**	**2,254**	**(4,226)**	**(11,309)**	**137,262**
Equity-holders of the controlling company	**150,543**	**2,254**	**(4,226)**		
Income for the year (1)	150,543	2,254	(4,226)		
Corporate income tax (expense)/revenue (2)	7,754	767	(177)		
Financial income (3)	9,902	122	304		
Depreciation and amortization (4)	5,929	1,049	233		
Fixed asset impairment losses (5)	368	-	-		
Impairment and changes in trade provisions (6)	67	14	-		
EBITDA (1)+(2)+(3)+(4)+(5)+(6)	**174,563**	**4,206**	**(3,866)**		

Assets and liabilities by segment as of 31 December 2020 are presented as supplementary information:

Segment assets and liabilities 2020 (thousand euro)	Oncology	Diagnostics	RNAi	Group
Non-current assets	79,937	3,325	1,346	**84,608**
Current assets	237,491	5,736	2,424	**245,651**

Non-current liabilities	127,584	733	4,301	**132,618**
Current liabilities	90,660	2,266	1,993	**94,919**
Investment in fixed assets	2,493	373	218	**3,084**

In 2021 and 2020, there were no material transactions between reporting segments, and no goodwill impairment losses were recognized.

In 2021, the Group did not recognize any losses due to impairment of inventories or trade accounts receivable (€81 thousand in 2020).

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

Non-current assets (thousand euro)	**31/12/21**	**31/12/20**
Spain	30,874	26,466
Rest of EU	165	186
	31,039	**26,652**

Most of the Group's sales are made in Spain and other European Union countries. The euro area accounted for 94.0% of total ordinary revenues in 2021 (95.4% in 2020).

Almost all the investment in property, plant and equipment, intangible assets and investment property in 2021 and 2020 was concentrated in Spain.

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

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

Point of recognition of revenues

At a point in time	181,956	4,965	3	186,924
Over a period of time	42,714	193	-	42,907
Total revenues from contracts with customers	**224,670**	**5,158**	**3**	**229,831**

Revenues by geography in 2021 (thousand euro)	**Spain**	**Italy**	**Germany**	**Ireland**	**Rest of EU**	**USA**	**Other**	**Total**
Product sales	19,258	22,300	19,863	11,095	65,401	-	10,812	148,729
Returns, discounts	(2,123)	(5,153)	(1,649)	-	(12,582)	-	(3,401)	(24,908)
Licensing and co-development agreements	-	-	-	60,954	500		3,333	64,787
Royalties	-	-	-	37,954	-	2,314	728	40,996
Other revenues	216	-	-	-	5	-	6	227
Total revenues from contracts with customers	**17,351**	**17,147**	**18,214**	**110,003**	**53,324**	**2,314**	**11,478**	**229,831**

The following tables show the breakdown of the Group's revenues from contracts with customers based on the type of goods or services provided to customers, the geographical area and the time of transfer of goods and services, classified by reporting segment, in 2020.

Revenues by segment in 2020 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**Unallocated**	**Total**
Product sales	122,279	13,035	-	-	135,314
Returns, discounts	(21,575)	-	-	-	(21,575)
Licensing and co-development agreements	140,233	-	-	56	140,289
Royalties	15,661	-	-	-	15,661
Other revenues	140	128	4	-	272
Total revenues from contracts with customers	**256,738**	**13,163**	**4**	**56**	**269,961**
Geographies					
Spain	13,054	10,838	4	56	23,952
Italy	17,645	48	-	-	17,693
Germany	18,505	-	-	-	18,505
Ireland	153,756	-	-	-	153,756
Rest of EU	41,931	1,606	-	-	43,537
USA	2,244	-	-	-	2,244
Other	9,603	671	-	-	10,274
Total revenues from contracts with customers	**256,738**	**13,163**	**4**	**56**	**269,961**

Point of recognition of revenues					
At a point in time	116,505	13,035	4	56	129,600
Over a period of time	140,233	128	-	-	140,361
Total revenues from contracts with customers	**256,738**	**13,163**	**4**	**56**	**269,961**

Revenues by geography in 2020 (thousand euro)	**Spain**	**Italy**	**Germany**	**Ireland**	**Rest of EU**	**USA**	**Other**	**Total**
Product sales	25,093	21,648	19,878	5,382	57,130	-	6,183	135,314
Returns, discounts	(1,469)	(3,955)	(1,373)	-	(14,593)	-	(185)	(21,575)
Licensing and co-development agreements	56	-	-	135,655	1,000	-	3,578	140,289
Royalties	-	-	-	12,719	-	2,244	698	15,661
Other revenues	272	-	-	-	-	-	-	272
Total revenues from contracts with customers	**23,952**	**17,693**	**18,505**	**153,756**	**43,537**	**2,244**	**10,274**	**269,961**

6. PROPERTY, PLANT AND EQUIPMENT

The breakdown of, and changes in, this caption in 2021 and 2020 are as follows:

Property, plant and equipment (thousand euro)	**31/12/20**	**Recognitions**	**Derecognitions**	**Reclassifications and transfers**	**Exchange rate effect**	**31/12/21**
Land and structures	21,990	-	-	600	-	22,590
Technical installations and machinery	21,505	1,879	(342)	1,285	(3)	24,324
Other installations, tools and furniture	20,416	24	-	271	-	20,711
Advances & construction in progress	754	5,213	(131)	(2,127)	-	3,709
Other property, plant & equipment	2,909	397	(586)	-	-	2,720
Provisions	(1,575)	-	183	-	-	(1,392)
Cost	**65,999**	**7,513**	**(876)**	**29**	**(3)**	**72,662**
Structures	(8,896)	(518)	-	-	-	(9,414)
Technical installations and machinery	(16,251)	(1,156)	335	49	1	(17,022)
Other installations, tools and furniture	(16,774)	(568)	13	(78)	-	(17,407)
Other property, plant & equipment	(2,131)	(297)	570	-	-	(1,858)
Accumulated amortization	**(44,052)**	**(2,539)**	**918**	**(29)**	**1**	**(45,701)**
PROPERTY, PLANT AND EQUIPMENT	**21,947**	**4,974**	**42**	**-**	**(2)**	**26,961**

Property, plant and equipment (thousand euro)	31/12/19	Recognitions	Derecognitions	Reclassifications and transfers	Exchange rate effect	31/12/20
Land and structures	21,990	-	-	-	-	21,990
Technical installations and machinery	21,736	1,275	(1,511)	-	5	21,505
Other installations, tools and furniture	20,535	14	(133)	-	-	20,416
Advances & construction in progress	195	651	(79)	(13)	-	754
Other property, plant & equipment	2,713	480	(297)	13	-	2,909
Provisions	(1,207)	(368)	-	-	-	(1,575)
Cost	**65,962**	**2,052**	**(2,020)**	**-**	**5**	**65,999**
Structures	(8,378)	(518)	-	-	-	(8,896)
Technical installations and machinery	(16,661)	(1,064)	1,478	-	(4)	(16,251)
Other installations, tools and furniture	(16,257)	(649)	132	-	-	(16,774)
Other property, plant & equipment	(2,214)	(214)	297	-	-	(2,131)
Accumulated amortization	**(43,510)**	**(2,445)**	**1,907**	**-**	**(4)**	**(44,052)**
PROPERTY, PLANT AND EQUIPMENT	**22,452**	**(393)**	**(113)**	**-**	**1**	**21,947**

The most significant additions to fixed assets in 2021 were the 1,100 square meter expansion and outfitting of offices at PharmaMar's facilities, and replacement of certain laboratory equipment. The most significant additions to fixed assets in 2020 related to the acquisition of laboratory equipment for the R&D area, the construction of new warehouses, and the acquisition of audiovisual equipment.

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

Depreciation of Property, plant and equipment (thousand euro)	31/12/21	31/12/20
Cost of goods sold	196	151
Marketing expenses	413	455
Administrative expenses	1,074	1,078
Research & development expenses	856	761
Depreciation and amortization	**2,539**	**2,445**

As of 31 December 2021 and 2020, the Company did not have any property, plant and equipment under finance lease.

As of 31 December 2021 and 2020, none of the Group's property, plant and equipment was encumbered.

7. INVESTMENT PROPERTY

As of 31 December 2021, this heading contains a plot of land valued at €845 thousand which the Group owns in Tres Cantos, for which it signed a 25-year lease with a third party in 2016 (non-cancelable in the first ten years).

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

Receipts for non-cancelable operating leases on investment property (thousand euro)	**31/12/21**	**31/12/20**
Up to 1 year	63	60
1-5 years	251	300
	314	**360**

8. INTANGIBLE ASSETS

The breakdown of, and changes in, this caption in 2021 and 2020 are as follows:

Intangible assets (thousand euro)	**31/12/20**	**Recognitions**	**Derecognitions**	**Reclassifications and transfers**	**31/12/21**
Development expenses	26,373	-	-	-	26,373
Concessions, patents & trade marks	979	-	-	68	1,047
Computer software	5,056	461	(334)	(38)	5,145
Advances on intangible assets	68	-	-	(68)	-
Cost	**32,476**	**461**	**(334)**	**(38)**	**32,565**
Development expenses	(23,566)	(702)	-	-	(24,268)
Concessions, patents & trade marks	(833)	-	-	-	(833)
Computer software	(4,217)	(325)	311	-	(4,231)
Accumulated amortization	**(28,616)**	**(1,027)**	**311**	**-**	**(29,332)**
INTANGIBLE ASSETS	**3,860**	**(566)**	**(23)**	**(38)**	**3,233**

Property, plant and equipment (thousand euro)	**31/12/19**	**Recognitions**	**31/12/20**
Development expenses	26,207	166	26,373
Concessions, patents & trade marks	979	-	979
Computer software	4,558	498	5,056
Advances on intangible assets	68	-	68
Cost	**31,812**	**664**	**32,476**
Development expenses	(21,056)	(2,510)	(23,566)
Concessions, patents & trade marks	(833)	-	(833)
Computer software	(3,849)	(368)	(4,217)
Accumulated amortization	**(25,738)**	**(2,878)**	**(28,616)**
INTANGIBLE ASSETS	**6,074**	**(2,214)**	**3,860**

Development expenses

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

As of 31 December 2021 and 2020, the Group had capitalized the cost of preparing the dossier and documentation required to file a new drug application (NDA) with the FDA for Zepzelca® as monotherapy for treating patients with relapsed small cell lung cancer.

Computer software

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

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

Amortization of intangible assets (thousand euro)	**31/12/21**	**31/12/20**
Administrative expenses	17	15
Research & development expenses	1,010	2,863
Depreciation and amortization	**1,027**	**2,878**

9. RIGHT-OF-USE ASSETS

The breakdown of, and changes in, this caption in 2021 and 2020 are as follows:

Right-of-use assets, by asset type (thousand euro)	**31/12/20**	**Additions and provisions / (reversals)**	**Derecognitions**	**Reclassifications**	**Exchange rate effect**	**31/12/21**
Offices, Premises, Warehouses	3,880	1,046	(133)	172	9	4,974
Vehicles	2,734	1,161	(205)	163	(1)	3,852
Laboratory equipment	270	-	-	157	-	427
Computer hardware	12	-	-	-	-	12
Total cost	**6,896**	**2,207**	**(338)**	**492**	**8**	**9,265**
Offices, Premises, Warehouses	(1,816)	(1,120)	128	(234)	(11)	(3,053)
Vehicles	(1,349)	(822)	114	(89)	1	(2,145)
Laboratory equipment	(173)	(72)	-	(169)	-	(414)
Computer hardware	(6)	(3)	-	-	-	(9)
Accumulated amortization	**(3,344)**	**(2,017)**	**242**	**(492)**	**(10)**	**(5,621)**
Total net cost	**3,552**	**190**	**(96)**	**-**	**(2)**	**3,644**

Right-of-use assets, by asset type (thousand euro)	31/12/20	Additions and provisions / (reversals)	Derecognitions	Exchange rate effect	31/12/20
Offices, Premises, Warehouses	2,517	1,435	(72)	-	3,880
Vehicles	2,103	757	(126)	-	2,734
Laboratory equipment	453	144	(327)	-	270
Computer hardware	12	-	-	-	12
Total cost	**5,085**	**2,336**	**(525)**	**-**	**6,896**
Offices, Premises, Warehouses	(798)	(1,054)	31	5	(1,816)
Vehicles	(670)	(758)	80	(1)	(1,349)
Laboratory equipment	(270)	(73)	170	-	(173)
Computer hardware	(3)	(3)	-	-	(6)
Accumulated amortization	**(1,741)**	**(1,888)**	**281**	**4**	**(3,344)**
Total net cost	**3,344**	**448**	**(244)**	**4**	**3,552**

Payments for short-term leases of machinery and equipment and all leases of low-value assets are expensed on a straight-line basis. Leases for 12 months or less are classified as short-term leases. Leases of low-value assets include computer hardware and small items of office furniture. The Group estimated that the amount of these commitments from 2021 is €1,459 thousand.

The following table shows the impact of adopting IFRS 16 on the various segments in 2021 and 2020:

Impact of IFRS 16 (thousand euro)	Oncology	Diagnostics	RNAi	31/12/21
Financial position:				
Non-current assets:				
Usage right	2,599	355	690	3,644
Deferred tax assets - IFRS 16	20	2	3	25
Reserves	(45)	(5)	(6)	(56)
Non-current liabilities:				
Lease liabilities	1,312	138	466	1,916
Current liabilities:				
Lease liabilities	1,358	224	237	1,819
Impact on profit or loss:				
Lease expenses	1,535	416	167	2,118
Amortization of usage right	(1,460)	(399)	(158)	(2,017)
Financial expenses (Note 33)	(99)	(17)	(20)	(136)
Income tax	7	-	3	10
Net impact on profit or loss	**(17)**	**-**	**(8)**	**(25)**

Impact of IFRS 16 (thousand euro)	Oncology	Diagnostics	RNAi	31/12/20
Financial position:				
Non-current assets:				
Usage right	2,338	586	628	3,552
Deferred tax assets - IFRS 16	15	2	2	19
Reserves	(34)	(2)	(3)	(39)
Non-current liabilities:				
Lease liabilities	1,427	214	509	2,150
Current liabilities:				
Lease liabilities	965	379	126	1,470
Impact on profit or loss:				
Lease expenses	1,468	369	145	1,982
Amortization of usage right	(1,391)	(358)	(139)	(1,888)
Financial expenses (Note 33)	(92)	(15)	(10)	(117)
Income tax	4	1	1	6
Net impact on profit or loss	**(11)**	**(3)**	**(3)**	**(17)**

10. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial instruments by category 31/12/21 (thousand euro)	Loans and receivables	Assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Investments held to maturity	Total
Assets on balance sheet	**164,637**	**302**	**33**	**98,538**	**263,510**
Non-current financial assets					
Equity instruments	-	302	-	-	302
Non-current financial assets at amortized cost	-	-	-	10,006	10,006
Financial assets at fair value through other comprehensive income (Note 12)	-	-	33	-	33
Accounts receivable	381	-	-	-	381
Current financial assets					
Trade receivables (Note 13)	50,561	-	-	-	50,561
Accounts receivable (Note 13)	347	-	-	-	347
Current financial assets at amortized cost	-	-	-	88,532	88,532
Cash and cash equivalents (Note 16)	113,348	-	-	-	113,348
Liabilities on balance sheet	**78,602**	**-**	**-**	**-**	**78,602**
Non-current borrowings (Note 23)	33,386	-	-	-	33,386

Non-current lease liabilities (Note 9)	1,916	-	-	-	1,916
Current borrowings (Note 23)	12,212	-	-	-	12,212
Current lease liabilities (Note 9)	1,819	-	-	-	1,819
Supplier and other accounts payable (Note 20)	29,269	-	-	-	29,269

Financial instruments by category 31/12/20 (thousand euro)	**Loans and receivables**	**Assets at fair value through profit or loss**	**Financial assets at fair value through other comprehensive income**	**Investments held to maturity**	**Total**
Assets on balance sheet	**120,708**	**302**	**27**	**119,521**	**240,558**
Non-current financial assets					
Equity instruments	-	302	-	-	302
Non-current financial assets at amortized cost	-	-	-	20,215	20,215
Financial assets at fair value through other comprehensive income (Note 12)	-	-	27	-	27
Accounts receivable	444	-	-	-	444
Current financial assets					
Trade receivables (Note 13)	23,658	-	-	-	23,658
Accounts receivable (Note 13)	396	-	-	-	396
Supplier advances (Note 13)	-	-	-	-	-
Current financial assets at amortized cost	-	-	-	99,306	99,306
Cash and cash equivalents (Note 16)	96,210	-	-	-	96,210
Liabilities on balance sheet	**79,885**	**-**	**-**	**-**	**79,885**
Non-current borrowings (Note 23)	37,732	-	-	-	37,732
Non-current lease liabilities (Note 9)	2,150	-	-	-	2,150
Current borrowings (Note 23)	15,313	-	-	-	15,313
Current lease liabilities (Note 9)	1,470	-	-	-	1,470
Supplier and other accounts payable (Note 20)	23,220	-	-	-	23,220

11. CREDIT QUALITY OF FINANCIAL ASSETS

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

Credit quality of financial assets (thousand euro)	**31/12/21**	**31/12/20**
Accounts receivable:		
Customers without an external credit rating		
Group 1	648	2,757
Group 2	50,255	21,297
Group 3	5	-
Total accounts receivable	**50,908**	**24,054**

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

Cash at banks and bank deposits (thousand euro)	**31/12/21**	**31/12/20**
Moody's rating		
A1	253	33
A2	57,829	36,296
A3	83,229	116,090
Aa2	352	480
Aa3	37	555
Ba1	1,498	9,893
Ba2	-	1,001
Ba3	-	1,497
Baa1	20,940	20,146
Baa2	13,481	25,141
Baa3	14,036	2,641
Unrated	20,947	2,731
	212,602	**216,504**

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

12. Other financial assets

12.1 Financial assets at fair value through other comprehensive income

All of these financial assets consist of shares listed on the US market, all of them in the biopharmaceutical sector. Their fair value matches their listed market price: €33 thousand (€27 thousand in 2020).

Marking these securities to market in 2021 on the basis of their official listed prices led to a positive change of €4.2 thousand (a negative change of €0.7 thousand in 2020) that was recognized in other comprehensive income.

12.2 Investments held to maturity

Other non-current financial assets at amortized cost in 2021 include two investments of €5,000 thousand maturing in April and October 2023, the principal of which is guaranteed at maturity, after discounting interest (between -0.05% and -0.15%). In 2020, this item included an investment maturing in June 2022, amounting to €20,000 thousand, the principal of which is guaranteed at maturity with a return tied to Euribor, paying interest every three months at a rate of between 0.4% and 1.2%.

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

In 2020, this item included term deposits in US dollars (USD 118 million) amounting to €96,230 thousand at various financial institutions, referenced to Libor and maturing between April and October 2021, with yields ranging from 0.29% to 0.42%.

13. TRADE RECEIVABLES

The detail of this caption as of 31 December 2021 and 2020 is as follows:

Trade receivables (thousand euro)	31/12/21	31/12/20
Customer receivables for sales and services	50,944	24,046
Impairment	(383)	(388)
Net	50,561	23,658
Other receivables	347	396
Total	**50,908**	**24,054**

Customer receivables discounted with credit institutions amounted to €90 thousand as of 31 December 2021 (zero in 2020). Those discounts were recognized as secured loans since the Group retains the default and late payment risk.

As of 31 December 2021, accounts receivable amounting to €1,006 thousand were past due (€1,569 thousand in 2020) but had not suffered impairment. The analysis of those accounts receivable by age is as follows (thousand euro):

Accounts receivable past due and not provisioned (thousand euro)	31/12/21	31/12/20
3-6 months	448	1,101
Over 6 months	558	468
Total	**1,006**	**1,569**

The past-due accounts that had not been impaired as of 31 December 2021 and 2020 are mainly due from public hospitals belonging to the Spanish national health system and from distributors of vials for the two therapeutic uses which have been approved for Yondelis®. The average collection period from the Spanish national health system does not exceed one year. The Group does not impair past-due receivables with public authorities and expects to recover the total amount due plus any default interest that it claims. The average collection period for public authorities outside Spain is not more than one year.

In 2021, the Group arranged non-recourse factoring agreements with institutions specialized in this type of transaction for €2,711 thousand of debt owed by public authorities in Spain (€2,270 thousand in 2020).

The breakdown of the factored debt by country and the interest cost as of 31 December 2021 and 2020 is as follows:

2021	Factored	Interest	Total received
Spain	2,711	15	2,696
	2,711	**15**	**2,696**

2020	Factored	Interest	Total received
Spain	2,270	22	2,248
	2,270	**22**	**2,248**

As of 31 December 2021, no impairment loss had been recognized on accounts receivable (€81 thousand in 2020). The changes in provisions for impairment are as follows:

Change in provisions (thousand euro)	**31/12/21**	**31/12/20**
Beginning balance	**(388)**	**(307)**
Provision	-	(81)
Reversal	5	-
Ending balance	**(383)**	**(388)**

The analysis of the provision by age is as follows (thousand euro):

Age of provision (thousand euro)	**31/12/21**	**31/12/20**
Over 6 months	383	388
Total	**383**	**388**

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

Net carrying amount of customer and other accounts receivable (thousand euro)	**31/12/21**	**31/12/20**
EUR	27,371	23,144
USD	22,642	573
Other currencies	895	337
Total	**50,908**	**24,054**

The breakdown as of 31 December 2021 and 2020 of receivables from public authorities for sales and services, by geography, is as follows:

Customer receivables from public authorities (thousand euro)	**31/12/21**	**31/12/20**
Spain	1,191	1,565
Austria	185	139
Belgium	337	271
France	1,215	2,860
Germany	390	560
The Netherlands	1	-
Italy	1,702	1,861
Luxembourg	7	39
Total customer receivables from public authorities	**5,028**	**7,295**

As of 31 December 2021 and 2020, the credit rating of the accounts receivable from public authorities, by geography, is as follows:

Credit rating (thousand euro)	Credit rating	31/12/21	31/12/20
Germany	Aaau	390	560
Andalusia	BBB+	171	116
Aragon	BBB+	122	32
Asturias	Baa1	39	19
Austria	Aa1	185	139
Balearic Islands	BBB+	64	26
Belgium	Aa3	337	271
Canary Islands	BBB+	36	8
Cantabria	BBB	63	50
Castilla la Mancha	Ba1	33	45
Castilla y León	Baa1	49	400
Catalonia	Ba3	44	49
Extremadura	Baa2	109	7
France	Aaau	1,215	2,860
Galicia	Baa1	40	181
The Netherlands	Aaau	1	-
Italy	Aa3u	1,702	1,861
Luxembourg	Aaa	7	39
Madrid	Baa1	93	187
Murcia	Ba1	16	52
Navarra	AA-	188	42
Basque Country	AA-	26	30
Valencia	Ba1u	98	321
Total		**5,028**	**7,295**

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

Claims of principal and default interest from public authorities

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

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

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

During 2021 and 2020, no default interest was claimed due to the improvement in the periods of payment by the public sector.

14. OTHER CURRENT ASSETS

The breakdown of “Other current assets” as of 31 December 2021 and 2020 is as follows:

Other current assets (thousand euro)	31/12/21	31/12/20
Prepaid expenses	3,908	997
Balances with public authorities	27,999	13,151
Total	**31,907**	**14,148**

The detail of the balance with public authorities as of 31 December 2021 and 2020 is as follows:

Balances with public authorities (thousand euro)	31/12/21	31/12/20
VAT	5,439	2,656
Other	22,560	10,495
Total	**27,999**	**13,151**

The "Other" caption in 2021 includes €22,513 thousand of corporate income tax prepayments (€9,650 thousand in 2020).

15. INVENTORIES

Inventories (thousand euro)	31/12/21	31/12/20
Trade inventories	188	226
Raw materials and other supplies	605	493
Semi-finished products and products in process	9,245	10,490
Finished products	498	724
Total	**10,536**	**11,933**

The volume of products in process and semi-finished products is due broadly to the need to have sufficient inventories to market the drug Yondelis® as well as sufficient stocks of the active principle of Zepzelca® to supply our partners.

The cost of inventories recognized as an expense amounted to €18,072 thousand in 2021 (€10,959 thousand in 2020).

No material impairment losses were recognized for inventories in 2021 and 2020.

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

16. CASH AND CASH EQUIVALENTS

The detail of this caption as of 31 December 2021 and 2020 is as follows:

Cash and cash equivalents (thousand euro)	31/12/21	31/12/20
Cash on hand and at banks	113,348	96,210
Total	**113,348**	**96,210**

There were no bank overdrafts at the closing date.

17. CAPITAL AND SHARE PREMIUM

As of 31 December 2021, PharmaMar's authorized share capital amounted to €11,013 thousand (€11,013 thousand as of 31 December 2020) and was represented by 18,354,907 shares, with a par value of €0.60 per share (€0.60 per share as of 31 December 2020). All PharmaMar shares have been fully subscribed and paid.

The Company implemented a share buyback plan in March 2020. The buyback plan was capped at €30 million and established that up to 1,800,000 shares acquired in the plan would be allocated to the Employee Share Ownership Plans; the remainder up to the maximum number would be canceled.

In July 2020, the Board of Directors of PharmaMar implemented the resolutions approved at the General Shareholders' Meeting on 18 June 2020: (i) stock merge and cancellation of the shares representing the Company's capital stock to exchange them for newly issued shares, in the proportion of one new share for every 12 pre-existing shares of the Company, and raising the par value of the shares from €0.05 to €0.60; and (ii) previously, in order to balance that exchange ratio, capital was reduced by €0.15 through the cancellation of 3 shares held by the Company, each with a par value of €0.05. Following these two transactions, PharmaMar's capital stock was represented by 18,554,107 shares of €0.60 par value each.

In September, after the stock merge had been completed, the share buyback plan concluded with the following result: 150,000 shares were held by the Company as treasury stock for future Employee Share Ownership Plans and the remaining 199,200 shares acquired under the buyback plan were canceled, as provided in the plan. This cancellation reduced share capital by €119 thousand (and a restricted reserved was booked for the same amount) and voluntary reserves by €18,330 thousand.

Thousand euro/Thousand shares	Number of outstanding shares	Share capital	Share premium account	Own shares
Balance as of 1 January 2020	**221,957**	**11,132**	**71,278**	**(1,499)**
Own shares sold	2,359	-	-	8,488
Own shares purchased	(4,403)	-	-	(22,391)
Share ownership plans	128	-	-	528
Balance as of 22/07/2020	**220,041**	**11,132**	**71,278**	**(14,874)**
Effect of 1-for-12 stock merge	**18,337**	**11,132**	**71,278**	**(14,874)**
Own shares sold	188	-	-	16,355
Own shares purchased	(213)	-	-	(41,382)
Own shares purchased for cancellation	(199)	(119)	-	18,448
				-
Balance as of 1 January 2021	**18,113**	**11,013**	**71,278**	**(21,453)**
Own shares sold	419	-	-	35,682
Own shares purchased	(529)	-	-	(40,659)
Share ownership plans	8	-	-	751
Balance as of 31 December 2021	**18,011**	**11,013**	**71,278**	**(25,679)**

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

Own shares

The number of shares outstanding as of 31 December 2021 was 18,011 thousand (18,113 thousand in 2020). As of 31 December 2021, the controlling company held 344 thousand own shares (242 thousand in 2020).

In 2021, the Group acquired 529 thousand own shares (4,815 thousand in 2020) for €40,659 thousand (€63,773 thousand in 2020), and sold 419 thousand own shares (2,487 thousand in 2020), recognizing a loss of €2,468 thousand (a gain of €5,429 thousand in 2020).

According to information in the official registers of the National Securities Market Commission as of 31 December 2021, the holders of significant stakes in Pharma Mar, either directly or indirectly, amounting to over 10% are as follows:

	DIRECT STAKE		INDIRECT STAKE (1)		TOTAL STAKE
	No. of shares	%	No. of shares	%	%
José Mª Fernández Sousa - Faro (1)	**1,101,225**	**6.000%**	**937,162**	**5.106%**	**11.11%**

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

18. AVAILABILITY AND RESTRICTIONS ON RESERVES AND RETAINED EARNINGS

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

The share premium may be used for the same purposes as the Company's voluntary reserves, including conversion into capital stock, there being no restrictions as to its use or distribution other than the general ones detailed below.

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

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

The proposed distribution of 2021 income and other reserves to be submitted to the Shareholders' Meeting for approval, and the actual distribution for 2020, are as follows:

Basis of distribution (thousand euro)	**31/12/21**	**31/12/20**
Basis of distribution		
Profit or loss for the year	103,363	28,952
	103,363	**28,952**
Distribution		
Dividend	11,931	10,872
Prior years' income	91,432	18,080
	103,363	**28,952**

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

19. NON-CONTROLLING INTERESTS

The liquidation of Noscira, S.A. en liquidación, the only Group company in which there were non-controlling interests, was registered in the Mercantile Register in November 2020.

The changes in non-controlling interests in 2020 are as follows:

Non-controlling interests (thousand euro)	Minority interest
Balance as of 1 January 2019	**(3,900)**
2019 income	(18)
Balance as of 1 January 2020	**(3,918)**
Liquidation of non-controlling interests	3,918
Balance as of 31 December 2020	**-**

20. SUPPLIER AND OTHER ACCOUNTS PAYABLE

The composition of this caption is as follows:

Supplier and other accounts payable (thousand euro)	31/12/21	31/12/20
Payable for purchases and services received	26,928	21,039
Debts to related parties	961	922
Advances received for orders	1,225	1,102
Other accounts payable	155	157
Total	**29,269**	**23,220**

All payables mature within 12 months from the closing date of each year. Debt to related parties refers mainly to accrued outstanding bylaw-mandated allocations to members of Pharma Mar's Board and fees for membership of Pharma Mar's board committees (€933 thousand as of 31 December 2021, €894 thousand as of 31 December 2020), and accrued outstanding allocations to directors of Genómica who are also directors of Pharma Mar (€28 thousand as of 31 December 2021, and €28 thousand in 2020).

Information on payments for commercial transactions performed in 2021 and 2020 and amounts pending payment at the end of the year in relation to the maximum legal payment periods envisaged in Act 15/2010 is as follows:

Payment information	31/12/21	31/12/20
Average period taken to pay suppliers (days)	55	55
Proportion of transactions paid (days)	58	56
Proportion of transactions outstanding (days)	36	50
Total payments made (thousand euro)	59,944	38,335
Total payments outstanding (thousand euro)	7,986	5,362

The average supplier payment lag in the year between 1 January and 31 December 2021 was 55 days (55 days in 2020).

The foregoing disclosure refers only to companies domiciled in Spain.

21. CURRENT AND NON-CURRENT DEFERRED REVENUES

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

As indicated in Note 2.23.3, the revenue associated with licensing and co-development agreements and other similar transactions must be matched with the consideration to be provided by the Group. If the Group has a contractual obligation to provide a consideration (performance obligation), then the portion of revenue corresponding to the commitments set out in the agreement that are to be executed in subsequent periods must be recognized as deferred.

The breakdown as of 31 December 2021 and 2020 is as follows:

Non-current deferred revenues

As of 31 December 2021, this item included €67,197 thousand (€91,124 thousand in 2020) relating to the portion of the aforementioned amounts (USD 300 million or €269.5 million) under the licensing agreement with Jazz Pharmaceuticals that was not recognized as revenue in 2021 or 2020 under the standard on revenue recognition. The directors consider that all the conditions for recognition have been fulfilled.

This item also includes grants that are intended to finance property, plant and equipment within R&D projects in the oncology segment, the balance of which amounted to €1,437 thousand in 2021 (€1,436 thousand in 2020).The subsidies detailed below consist mostly of subsidized interest rates.

Non-current deferred revenues (thousand euro)	**31/12/21**	**31/12/20**
Subsidies	1,437	1,436
Deferred revenues	67,197	91,124
Total	**68,634**	**92,560**

Current deferred revenues

As of 31 December 2021, this item mainly includes the amounts under the aforementioned agreement with Jazz Pharmaceuticals that are expected to be recognized in the next twelve months.

Current deferred revenues (thousand euro)	**31/12/21**	**31/12/20**
Deferred revenues	29,667	43,603
Total	**29,667**	**43,603**

22. OTHER NON-CURRENT AND CURRENT LIABILITIES

Other non-current liabilities, amounting to €186 thousand (€176 thousand in 2020), refer mainly to provisions for taxes.

Other current liabilities amounting to €5,833 thousand (€4,902 thousand in 2020) refer basically to provisions for commercial transactions amounting to €3,612 thousand and balances owed to public authorities amounting to €1,957 thousand (€2,376 thousand in 2020).

23. INTEREST-BEARING DEBT

The breakdown of the Group's non-current and current interest-bearing debt as of 31 December 2021 and 2020 is as follows:

Breakdown of non-current debt:

Breakdown of non-current interest-bearing debt (thousand euro)	31/12/21	31/12/20
Bank debt	4,669	3,561
Bonds and other marketable securities	16,654	16,600
Interest-bearing debt to official authorities	12,063	17,571
Total	**33,386**	**37,732**

Breakdown of current debt:

Breakdown of current interest-bearing debt (thousand euro)	31/12/21	31/12/20
Bank debt	7,730	10,287
Bonds and other marketable securities	405	405
Interest-bearing debt to official authorities	4,077	4,621
Total	**12,212**	**15,313**

23.1 Bank debt

Non-current and current debt consists of bank loans, credit lines and discounted bills, as detailed in the table below as of 31 December 2021 and 2020:

	No. of products	Maturities	31/12/21	No. of products	Maturities	31/12/20
Non-current debt						
PharmaMar	1	2021-2024	456	6	2021-2024	3,561
Genómica	1	2026	4,213	-		-
Total non-current debt	**2**		**4,669**	**6**		**3,561**
Current debt						
Bank loans						
PharmaMar	6	2021-2024	3,106	8	2021-2024	5,487
Genómica	1	2022	758	-	2019	-
	7		**3,864**	**8**		**5,487**
Credit lines						
PharmaMar	7	2021-2022	3,745	7	2021-2022	4,771
Genómica	2	2022	-	2	2021	-
	9		**3,745**	**9**		**4,771**
Bills and certificates						
PharmaMar	1	2021	90	1	2021	-
	1		**90**	**1**		**-**
Interest and other accounts payable						
PharmaMar	-		31	-		29
	-		**31**	**-**		**29**
Total current debt	**17**		**7,730**	**18**		**10,287**

Non-current debt

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

Repayment schedule for non-current interest-bearing debt (thousand euro)	31/12/21	31/12/20
2022	-	3,105
2023	1,439	225
2024	1,487	231
2025	1,300	-
2026 and thereafter	443	-
Total	**4,669**	**3,561**

In March 2020, PharmaMar canceled early a mortgage loan that matured in 2024 and whose outstanding balance as of 1 January 2020 was €4,360 thousand. In that same month of 2020, it canceled early another long-term loan maturing in 2022 whose outstanding balance as of 1 January 2020 was €4,605 thousand.

Current debt

Current bank debt is broken down as follows:

Breakdown of current bank debt (thousand euro)	31/12/21	31/12/20
Bank loans	3,864	5,487
Credit lines	3,745	4,771
Discounted bills and certificates	90	-
Interest and other accounts payable	31	29
Total	**7,730**	**10,287**

Some credit lines are subject to tacit renewal, although most are renewed annually. As of 31 December 2021, the Group had nine credit lines (nine in December 2020) with a total limit of €15,450 thousand (€15,450 thousand in 2020).

The vast majority of the loans and credit lines in 2020 were at floating interest rates consisting of Euribor plus a spread of between 1.9% and 3.2%.The vast majority of the credit lines in 2021 were at floating interest rates consisting of Euribor plus a spread of between 1.75% and 3.2%, while most of the loans were at fixed rates (between 1.9% and 3.42%).

The effective interest rates as of 31 December are:

Effective interest rates	31/12/21	31/12/20
Bank overdrafts	29.00%	29.00%
Bank loans	2.19%	2.34%
Credit lines	2.50%	2.11%
Discounted notes	1.20%	1.20%

The Group's exposure to interest-bearing debt at floating rates is €5,562 thousand as of 31 December 2021 (€10,163 thousand in 2020), indexed mainly to three-month Euribor.

All the bank loans are arranged in euro.

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

Changes in liabilities due to financing activities (thousand euro)	31/12/20	Cash flows	Reclassification to short term	Other	31/12/21
Long-term bank loans	3,561	4,805	(3,697)	-	4,669
Short-term bank loans	5,487	(5,292)	3,697	(28)	3,864
Long-term bonds and other marketable securities	16,600	-	-	54	16,654
Short-term bonds and other marketable securities	405	(810)	-	810	405
Credit lines	4,771	(1,026)	-	-	3,745
Discounted bills and certificates	-	90	-	-	90
Interest and other accounts payable	29	-	-	2	31
Long-term interest-bearing debt to official authorities	17,571	(994)	(4,509)	(5)	12,063
Short-term interest-bearing debt to official authorities	4,621	(5,634)	4,509	581	4,077
Long-term lease debt	2,150	-	(1,687)	1,453	1,916
Short-term lease debt	1,470	(1,992)	1,687	654	1,819
Total liabilities related to financing activities	**56,665**	**(10,853)**	**-**	**3,521**	**49,333**

Changes in liabilities due to financing activities (thousand euro)	31/12/19	Cash flows	Reclassification to short term	Other	31/12/20
Long-term bank loans	15,291	(4,285)	(7,445)	-	3,561
Short-term bank loans	10,497	(12,454)	7,445	(1)	5,487
Long-term bonds and other marketable securities	16,549	-	-	51	16,600
Short-term bonds and other marketable securities	405	(809)	-	809	405
Credit lines	11,583	(6,812)	-	-	4,771
Discounted bills and certificates	2,241	(2,241)	-	-	-
Interest and other accounts payable	46	-	-	(17)	29
Long-term interest-bearing debt to official authorities	21,223	751	(4,603)	200	17,571
Short-term interest-bearing debt to official authorities	4,883	(5,526)	4,603	661	4,621
Long-term lease debt	1,719	-	(1,041)	1,472	2,150
Short-term lease debt	1,678	(1,865)	1,041	616	1,470
Total liabilities related to financing activities	**86,115**	**(33,241)**	**-**	**3,791**	**56,665**

23.2 Bonds and other marketable securities

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

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

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

23.3 Interest-bearing debt to public authorities

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

As of 31 December 2021, the Group had debt balances with official authorities for a total of €16,140 thousand, calculated on the basis of cash flows discounted at Euribor plus a spread based on the Group's risk (€22,192 thousand in 2020), of which €12,063 thousand were non-current (€17,571 thousand in 2020) and €4,077 thousand were current (€4,621 thousand in 2020).

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

The repayment schedule of non-current government aid is as follows:

Repayment schedule (thousand euro)	**31/12/21**	**31/12/20**
2022	-	4,370
2023	3,242	3,939
2024	2,628	3,087
2025	1,952	5,417
2026 and thereafter	4,241	758
Total	**12,063**	**17,571**

23.4 Fair value

The fair value and carrying amount of the non-current and current interest-bearing debt as of 31 December 2021 and 2020 are as follows:

	Fair value		**Carrying amount**	
Fair value and carrying amount of interest-bearing debt (thousand euro)	**31/12/21**	**31/12/20**	**31/12/21**	**31/12/20**
Non-current				
Bank loans	4,669	3,561	4,669	3,561
Due to official authorities	13,521	20,427	12,063	17,571
Bonds	17,000	17,000	16,654	16,600
Total	**35,190**	**40,988**	**33,386**	**37,732**

Current

Bank loans	3,892	5,487	3,864	5,487
Credit lines	3,745	4,771	3,745	4,771
Unmatured discounted bills and certificates	90	-	90	-
Interest payable	23	29	22	29
Due to official authorities	4,536	5,170	4,077	4,621
Bonds	405	405	405	405
Other debt	8	-	9	-
Total	**12,699**	**15,862**	**12,212**	**15,313**

24. DEFERRED TAXES AND INCOME TAX

24.1 DEFERRED TAXES

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

Net deferred tax assets (thousand euro)	**31/12/21**	**31/12/20**
Deferred tax assets	28,229	34,284
Deferred tax liabilities	(479)	(868)
Total	**27,750**	**33,416**

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

Deferred tax assets (thousand euro)	**Tax losses**	**Tax withholding**	**Intangible assets and property, plant and equipment**	**Other**	**TOTAL**
As of 1 January 2020	**25,328**	**11,181**	**2,547**	**2,505**	**41,561**
Tax withholding	-	377	-	-	377
Recognized in profit or loss	(4,833)	-	(584)	(2,237)	(7,654)
As of 31 December 2020	**20,495**	**11,558**	**1,963**	**268**	**34,284**
Tax withholding	-	(1,087)	-	-	(1,087)
Recognized in profit or loss	(4,482)	-	(490)	4	(4,968)
as of 31 December 2021	**16,013**	**10,471**	**1,473**	**272**	**28,229**

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

The "Tax withholding" column as of 31 December 2021 and 2020 includes taxes withheld from royalties and payments received under licensing agreements.

Deferred tax liabilities (thousand euro)	Capital subsidies and others	TOTAL
As of 1 January 2020	**(577)**	**(577)**
Recognized in profit or loss	(291)	(291)
As of 31 December 2020	**(868)**	**(868)**
Recognized in profit or loss	389	389
as of 31 December 2021	**(479)**	**(479)**

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

The Group performed an analysis of unused tax losses. As a result of this analysis, the Group did not take account of €314 million in unused tax losses (€291 million in 2020).

At the same date, there are also unused R&D tax credits amounting to €194,856 thousand that have not been recognized in the balance sheet (€196,178 thousand in 2020).

Those unused tax losses and deductions were not recognized in relation to deferred tax assets at the end of 2021 and 2020 as a result of the analysis performed by the Group as described in Note 4 "Accounting estimates and judgments".

The following table shows the validity periods of unused tax credits that have specific expiry dates but were not recognized as deferred tax assets as of 31 December 2021:

Tax credits generated by (thousand euro)	Total amount	2022	2023	2024	2025	2026	2027	2028	2029 and thereafter
Unused R&D tax credits	194,856	9,775	10,889	10,760	9,977	11,332	9,697	9,376	123,050
TOTAL	**194,856**	**9,775**	**10,889**	**10,760**	**9,977**	**11,332**	**9,697**	**9,376**	**123,050**

24.2 Income tax

In 2021, the corporate income tax return was filed on a group basis by the tax group headed by PharmaMar and comprising the following Group undertakings: Genómica, S.A.U, S.A. and Sylentis, S.A.U. The other companies, namely Pharma Mar USA, Pharma Mar AG, Pharma Mar SARL, Pharma Mar GmbH, Pharma Mar Srl, Pharma Mar sprl, Pharma Mar Ges.m.b.H.AT, Genómica AB and Genómica Trading Co.Ltd. (China), file individual tax returns.

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

Reconciliation of tax expense (thousand euro)	31/12/21	31/12/20
Income before taxes (thousand euro)	95,129	145,606
Tax rate (25%)	(23,782)	(36,402)
Tax effect of:		
- Exempt revenues and other minor items	15,012	5,589
- Reversal of impairment	17	7,867
- Other adjustments	1,483	14,602
- Monetization of tax credits	5,000	-
Tax revenue (expense)	**(2,270)**	**(8,344)**

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

The liquidation of Noscira was recognized in 2020 and resulted in a reduction in the tax expense of €7,867 thousand.

As of 31 December 2021, the Other adjustments item includes the effect of not recognizing all the prepaid taxes that arise from the tax losses generated in prior years based on the tax budget.

Additionally, during 2021, the company recognized €5,000 thousand in revenue under the tax expense heading as a result of monetizing research and development tax credits.

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

Tax (expense)/revenue (thousand euro)	**31/12/21**	**31/12/20**
Current tax	2,309	(399)
Deferred tax	(4,579)	(7,945)
Total	**(2,270)**	**(8,344)**

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

The amount of current tax in 2021 (€2,309 thousand) mainly contains the effect of monetization revenues indicated above.

On 6 January 2015, the Spanish tax authorities notified the company of plans to commence a partial tax audit of consolidated corporate income tax for the years 2010 to 2012, which would be confined to examining revenue from certain intangible assets reported by Pharma Mar.

On 20 January 2015, the controlling company applied to the Spanish tax authorities for the partial tax audit to be converted into a general tax audit covering the taxes and periods in question.

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

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

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

one appeal pending before the National Court, four appeals before the High Court and one appeal before the Supreme Court.

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

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

Under the partial audit of corporate income tax confined to checking the reduction in revenues from certain intangible assets reported by PharmaMar, an assessment for taxes due was issued for 2011 and 2012 (not for 2010). However, the net tax due was zero since the assessed increases in taxable bases were offset (up to 50%) with loss carryforwards from previous years and the resulting total tax liability was offset by international double taxation tax credits. An appeal has been filed with the National Court. The disputed tax assessment also included the prior regularization of the partial assessment referred to in this paragraph.

25. PROVISIONS FOR OTHER LIABILITIES AND EXPENSES

As of 31 December 2021 and 2020, this caption includes mainly outstanding remuneration to Group employees in relation to bonuses that had accrued and were outstanding, and estimated bonuses accrued and outstanding at year-end, based on the compensation systems agreed by the Group with employees.

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

Provision for other liabilities and expenses (thousand euro)	**31/12/21**	**31/12/20**
Beginning balance	**6,411**	**5,734**
Provision for expenses	6,304	7,516
Payments	(5,169)	(6,839)
Total	**7,546**	**6,411**

26. NET REVENUES

The detail of this caption as of 31 December 2021 and 2020 is as follows:

Breakdown of revenues (thousand euro)	**31/12/21**	**31/12/20**
Product sales	148,729	135,314
Returns, rebates and volume discounts	(24,908)	(21,575)
	123,821	**113,739**
Licensing and co-development agreements	64,787	140,289
Royalties	40,996	15,661
Services provided	227	272
Total	**229,831**	**269,961**

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

The Group has out-licensing and co-development agreements with a number of pharmaceutical companies. The breakdown of revenue, including royalties, in 2021 and 2020 is as follows:

Breakdown of royalties and licensing fees (thousand euro)	31/12/21	31/12/20
Jazz Pharmaceuticals Zepzelca® (lurbinectedin)	37,954	12,719
Johnson & Johnson Group Yondelis® (trabectedin)	2,314	2,243
Taiho Pharmaceuticals Co. Yondelis® (trabectedin)	728	699
Total royalties	**40,996**	**15,661**
Jazz Pharmaceuticals Zepzelca® (lurbinectedin)	60,954	135,655
Luye Pharma Zepzelca® (lurbinectedin)	-	1,257
Adium Zepzelca® (lurbinectedin)	2,000	-
Impilo Zepzelca® (lurbinectedin)	500	1,000
Eczacibasi Zepzelca® (lurbinectedin)	500	-
Lotus Zepzelca® (lurbinectedin)	500	-
Other agreements Yondelis® (trabectedin)	333	1,871
Other agreements Zepzelca® (lurbinectedin)	-	450
Other	-	56
Total licenses	**64,787**	**140,289**
Total	**105,783**	**155,950**

26.1 Yondelis®

Janssen Products LP

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

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

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

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

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

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

The amounts attributed to the development phase are recognized as revenue during the development phase based on the degree of progress with development and the project's total estimated costs. As of 31 December 2021, the Group did not have any amounts pending recognition since all the necessary obligations had been

fulfilled and the related expenses had already been incurred by PharmaMar. Consequently, PharmaMar did not recognize any amount under this heading in 2021 and 2020.

The amounts attributed to the marketing phase are royalties, which are recognized on an accrual basis. In 2021, royalties were recognized in the amount of €2,314 thousand for sales of Yondelis® (€2,244 thousand in 2020).

In August 2019, the Group and Janssen Products, LP ("Janssen") signed a new licensing agreement replacing the 2001 licensing agreement, under which Janssen reserves the right to sell and distribute in the United States, on an exclusive basis, Yondelis® and any other product that contains the active ingredient (trabectedin). The milestone payments and royalties on net sales of the product by Janssen in the United States are the same as in the 2001 licensing agreement. The Group retains exclusive rights to produce the active ingredient, trabectedin, which it will supply to Janssen for clinical and commercial purposes.

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

New agreements

As a result, since that transfer agreement, PharmaMar has entered into the following agreements to commercialize Yondelis®:

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

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

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

Taiho Pharmaceutical Co

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

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

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

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

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

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

As a result, royalties amounting to €728 thousand (€699 thousand in 2020) were recognized on sales of Yondelis® in Japan.

26.2 Aplidin®

From 2014 to 2018, the Company signed several licensing agreements for Aplidin® with partners covering a number of territories or countries; the following are still in force at the date of this report:

Specialised Therapeutics Asia Pte, Ltd

In 2015, PharmaMar signed an agreement covering commercialization of Aplidin® in Australia and New Zealand with Specialised Therapeutics Australia Pty, Ltd. and collected an upfront payment of €200 thousand.

In February 2016, PharmaMar expanded the licensing agreement with Singapore-based Specialised Therapeutics Asia Pte, Ltd (STA) to market marine-based anti-tumor compound Aplidin® for the treatment of hematological tumors in 12 Asian countries: PharmaMar received, and recognized as revenue, an up-front payment in the amount of €229 thousand.

In December 2018, Australia's Therapeutic Goods Administration (TGA) informed Specialised Therapeutics Asia Pte. Ltd. (STA) that it had approved Aplidin® for use in treating multiple myeloma in combination with dexamethasone.

The reimbursement price is currently in the process of being established.

TTY Biopharm

In 2015, PharmaMar signed a licensing agreement with TTY Biopharm for the commercialization of Aplidin® in Taiwan. The upfront payment collected upon signing the agreement amounted to €200 thousand.

The Company did not collect any amount under this agreement in 2021 and 2020.

Boryung Pharmaceutical Co.

In October 2016, a licensing agreement was signed with Boryung Pharmaceutical Co. to commercialize the marine-derived anticancer drug Aplidin® in South Korea. Under the terms of the agreement, PharmaMar collected an upfront payment of €450 thousand and will receive royalties and additional remuneration upon achieving regulatory milestones with Aplidin®. It also collected a €450 thousand regulatory milestone payment. PharmaMar will retain exclusive production rights and will supply the finished product to Boryung for commercial use.

The Company did not collect any additional amount under this agreement in 2021 and 2020.

Eip Eczacibasi Ilac Pazarlama A.S.

In May 2017, PharmaMar signed a licensing agreement with Turkish company Eip Eczacibasi Ilac Pazarlama A.S. to market marine-derived anti-tumor compound Aplidin® in Turkey for the treatment of hematological tumors. Pharma Mar received, and recognized as revenue, an up-front payment in the amount of €500 thousand.

The Company did not collect any amount under this agreement in 2021.

26.3 Zepzelca®

As of 31 December 2020, the Company had entered into licensing, development and marketing agreements with a number of partners.

Jazz Pharmaceuticals

As described in Note 1, on 19 December 2019, PharmaMar and Jazz Pharmaceuticals signed an exclusive licensing agreement for marketing anti-tumor compound Zepzelca® in the US for treating relapsed small cell

lung cancer. The agreement came into force in January 2020 upon receiving authorization by the US anti-trust authorities under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

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

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

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

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

- Granting of a license to the compound lurbinectedin, which entails assignment of the commercialization rights.

When the agreement came into force in January 2020, PharmaMar collected an upfront payment of USD 200 million (€181 million). Subsequently, in June, Zepzelca® was approved by the FDA for commercialization in the US under the accelerated approval procedure. As a result, PharmaMar collected USD 100 million (€88.5 million) as a milestone payment from Jazz Pharmaceuticals. The upfront payment was recognized as revenue in profit or loss on the basis of PharmaMar's fulfillment of its commitments under the contract.

The milestone payment was recognized as revenue as a function of the degree of progress with the clinical development activities required to attain full approval.

€38.6 million in total revenues were recognized in 2021 (€135.6 million in 2020).

Additionally, in 2021, revenues in the amount of €22.1 million (USD 25 million) were recognized under this heading due to attainment in the year of one of the commercial milestones provided for in the license agreement, when our partner reached a certain volume of sales.
Pharma Mar also received royalties from Jazz Pharmaceuticals amounting to €37,954 thousand on sales of Zepzelca® in the US in 2021 (€12,719 thousand in 2020).

Luye Pharma Group

In April 2019, the Group signed an out-licensing agreement with Luye Pharma Group for the development and marketing of Lurbinectedin for treating small cell lung cancer and potentially other indications in the territories of China, Hong Kong and Macao. Under the agreement, PharmaMar collected an upfront payment of USD 5,000 thousand (€4,452 thousand), of which €1,257 thousand were recognized as revenues in 2020 (€3,200 thousand in 2019) on the basis of progress with the ATLANTIS Phase III trials. The agreement provides for other payments for attaining regulatory or sales milestones, as well as royalties. Luye undertakes to develop Lurbinectedin for treating small-cell lung cancer in China, while PharmaMar retains exclusive production rights.

Specialised Therapeutics Asia Pte, Ltd

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

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

Boryung Pharmaceutical

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

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

Other agreements

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

Adium Pharma S.A.: for marketing in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Curaçao, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela.
Amount: €2,000 thousand

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

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

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

26.4 Other molecules

Seattle Genetics Inc.

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

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

27. RESEARCH & DEVELOPMENT EXPENSES

The following table shows the amounts spent on R&D by business segment in 2021 and 2020:

Research and development expenses 2021 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**TOTAL**
Total expenses	(61,054)	(1,632)	(9,484)	**(72,170)**
Research & development expenses	**(61,054)**	**(1,632)**	**(9,484)**	**(72,170)**

Research and development expenses 2020 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**TOTAL**
Total expenses	(49,370)	(708)	(3,880)	**(53,958)**
Capitalized expenses	166	-	-	**166**
Research & development expenses	**(49,204)**	**(708)**	**(3,880)**	**(53,792)**

28. GENERAL, ADMINISTRATION AND OTHER OPERATING EXPENSES

Consolidated general and administration expenses amounted to €17,371 thousand in 2021, 28.5% less than in 2020 (€13,515 thousand).

Other consolidated operating expenses, mainly relating to corporate functions, amounted to €10,928 thousand in 2021, 5.6% less than in 2020 (€11,576 thousand).

29. MARKETING EXPENSES

Commercial and marketing expenses amounted to €22,368 thousand, an increase of 0.5% with respect to 2020 (€22,257 thousand). Expenses under this heading in the Oncology segment increased to €20,371 thousand, compared with €20,142 thousand in 2020.

30. OTHER NET INCOME

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

Breakdown of other net income (thousand euro)	31/12/21	31/12/20
Capital subsidies	1,470	974
Other income	324	134
Total	**1,794**	**1,108**

31. BREAKDOWN OF EXPENSES BY TYPE

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

Breakdown of expenses by type (thousand euro)	31/12/21	31/12/20
Changes in finished product and product-in-process inventories	(2,797)	(1,016)
Raw materials and other supplies	20,869	11,975
Employee benefit expenses	47,507	47,367
Depreciation and amortization	5,583	7,211
Impairment/(Reversal)	(183)	368
Transport	1,333	1,015
Marketing expenses	4,014	5,538
Leases	1,417	1,265
Expenses of R&D performed by third parties	31,332	19,662
Other expenses	30,103	21,740
Total	**139,178**	**115,125**

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

32. EMPLOYEE WELFARE EXPENSES

The breakdown of employee welfare expenses is as follows:

Employee benefit expenses (thousand euro)	31/12/21	31/12/20
Salaries and wages	38,539	38,270
Indemnities	242	1,303
Social security	6,771	6,195
Pension cost	53	49
Share ownership plans	293	239
Other welfare expenses	1,609	1,311
Total	**47,507**	**47,367**

The average number of employees by category is as follows:

Average number of employees by category	31/12/21	31/12/20
Executive directors	2	2
Senior managers	8	9
Management	29	28
Middle management	54	49
Technical staff	291	271
Clerical and similar staff	61	57
Other	32	27
Total	**477**	**443**

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

(Men)	31/12/21	31/12/20
Executive directors	2	2
Senior managers	5	5
Management	15	14
Middle management	26	23
Technical staff	107	102
Clerical and similar staff	6	6
Other	22	17
Total	**183**	**169**

(Women)	31/12/21	31/12/20
Senior managers	3	4
Management	14	14
Middle management	28	26
Technical staff	184	169
Clerical and similar staff	55	51
Other	10	10
Total	**294**	**274**

The average number of employees by gender is as follows:

Average number of employees	31/12/21	31/12/20
Men	183	169
Women	294	274
Total	**477**	**443**

As of 31 December 2021, four of the eleven members of the Board of Directors were women (in 2020, three of the eleven directors were women). There were ten women among PharmaMar's 22 executives (21 executives in 2020), including executive directors at the closing date (eight women in 2020).

The Group companies have an average of six employees with disability greater than or equal to 33% (seven in 2020).

33. NET FINANCIAL INCOME

Net financial result (thousand euro)	31/12/21	31/12/20
On debts to third parties and similar expenses	(3,373)	(3,124)
Exchange loss	(4,310)	(12,252)
Financial expenses	**(7,683)**	**(15,376)**
Other interest and similar revenues from other companies	370	336
Income from financial investments	11	-
Exchange gains	9,984	4,702
Financial revenues	**10,365**	**5,038**
Total net financial income	**2,682**	**(10,338)**

In 2021, most of the exchange differences were due to marking to market, as of 31 December 2021, the portion of the amounts received from Jazz Pharmaceutical that was held in US dollars.

34. EARNINGS PER SHARE

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

Basic earnings per share in 2021 and 2020 were as follows:

Earnings per share (basic)	31/12/21	31/12/20
Income attributable to equity-holders of the controlling company (thousand euro)	92,859	137,262
Weighted average number of outstanding ordinary shares (thousand shares)	18,070	18,293
Basic earnings per share (euro)	**5.14**	**7.50**

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

Diluted earnings per share in 2021 and 2020 were as follows:

Earnings per share (diluted)	31/12/21	31/12/20
Income attributable to equity-holders of the controlling company (thousand euro)	92,859	137,262
Weighted av. no. of ordinary shares for diluted earnings per share (thousand shares)	18,085	18,325
Diluted earnings per share (euro)	**5.13**	**7.49**

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

Reconciliation of basic to diluted shares	31/12/21	31/12/20
Weighted average number of outstanding ordinary shares (thousand shares)	18,070	18,293
Adjustments for: Employee share ownership plan (thousand shares)	15	32
Weighted av. no. of ordinary shares for diluted earnings per share	**18,085**	**18,325**

35. RELATED-PARTY TRANSACTIONS

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

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

35.1 Board of Directors

The following table shows the remuneration paid in 2021 and 2020 to directors of PharmaMar:

Remuneration (thousand euro)	31/12/21	31/12/20
Fixed remuneration for executive directors	1,343	1,164
Variable remuneration for executive directors	1,076	448
Fixed remuneration for belonging to the Board of Directors	770	736
Board and Board committee meeting attendance fees	417	535
Fixed remuneration for belonging to Board committees	597	580
Remuneration for belonging to Boards of other Group undertakings	32	30
Remuneration for Lead Independent Director	18	17
Other remuneration	337	2,140
Total	**4,590**	**5,650**

The "Other remuneration" item in 2021 and 2020 refers to certain benefits paid to the Company's Chairman and Vice-Chairman, such as casualty and health insurance under the group policy for Company employees. The Chairman also has an executive office at the Company's operational headquarters, communication equipment, means of payment, support staff, security systems and personnel, and a vehicle commensurate with his functions. Additionally, each year the Company pays €12 thousand in premiums for life and saving insurance (life insurance-savings plan) for each of the two executive directors. The following extraordinary remuneration for the executive Chairman was approved by the Shareholders' Meeting on 18 June 2020: (i) the equivalent of 100% of his gross fixed remuneration for 2019 due to arranging the out-licensing agreement with Jazz Pharmaceuticals; and, if applicable, (ii) the equivalent of 100% of his gross fixed remuneration for 2019 for the approval, conditional or otherwise, of Lurbinectedin by the FDA under the accelerated approval procedure requested by the Company.

With respect to the executive director's variable remuneration, €1,076 thousand have accrued to date as a result of evaluation of objectives approved by the Board of Directors at its meeting on 31 January 2022, based on a proposal by the Appointments and Remuneration Committee.

The company has arranged a civil liability policy for the members of the Company's Board of Directors. The premium paid in 2021 amounted to €487 thousand.

35.2 Senior management remuneration and loans

Company senior management received an aggregate total remuneration of €2,455 thousand in 2021 (€3,340 thousand in 2020). The reduction between years is due mainly to the extraordinary remuneration agreed by the Board of Directors for some of the members of senior management for their decisive participation in the agreement reached with Jazz Pharmaceuticals.

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

In 2021, a company related to one member of the Board of Directors provided services to a Group company amounting to €4 thousand (€13 thousand in 2020).

36. SHARE-BASED PAYMENTS

At the end of 2021, PharmaMar and the Group companies had three share ownership plans in place for Group executives and current employees (excluding directors of Pharma Mar, S.A.). The plans implemented in 2019 and 2020 were for executives and employees who collected variable annual remuneration, had an indefinite contract (having completed any trial period) and had exceeded 50% of the targets for the year set by their department head or hierarchical superior. The Plan implemented in 2021 was aimed at all employees and executives of Group companies (excluding directors of Pharma Mar, S.A.) who had at least six months' seniority as of 31 December 2020, and applied to all employees in the same conditions.

Below are details of the essential terms and conditions of those share ownership plans. At the start of each year, each Group company that has decided to apply the Share Ownership Plans provides the Board of Directors of PharmaMar with a list of plan beneficiaries (i.e. employees who meet the conditions established in the relevant decision by the Shareholders' Meeting) which details, in the case of the plans implemented in 2019 and 2020, the degree of attainment by the beneficiary of the objectives set for the preceding year. Additionally, given that participation in such plans has been voluntary, the lists for the Plans implemented in 2019 and 2020 include only employees and executives who decided to participate and to allocate part or all of their variable remuneration to those plans; in the case of the Plan implemented in 2021, the list includes the employees and executives who chose to participate and allocate part of their salary to the Plan. Based on that information, the Board of Directors approves that such beneficiaries be granted, by their respective employers, the amounts in shares specified in such lists (in no event can such amounts exceed €12,000 per beneficiary per year), which, in the Plans implemented in 2019 and 2020, assigned to each beneficiary a coefficient based on their level of attainment of the objectives for the previous year (and which is used as a basis for calculating the amount in shares); in the Plan implemented in 2021, each beneficiary is assigned the same percentage in order to calculate the number of shares to be assigned.

In the Plans implemented in 2019 and 2020, the number of shares to be delivered to each beneficiary is the result of dividing the amount of variable remuneration allocated to the Plan, multiplied by the corresponding coefficient plus 1, by the value attributed to the shares. In the Share Ownership Plan implemented in 2021, the number of shares delivered is the result of dividing the amount of salary allocated to the Plan by the value attributed to the shares, and applying the percentage of 100% (i.e. delivering an amount of shares equivalent to the shares acquired by the beneficiary). In all the Plans, the value attributed to the shares was the lower of: a) the weighted average price of the PharmaMar share in the electronic market on the Plan's execution date; or b) the arithmetic mean of the weighted average price of the PharmaMar share in the electronic market in the month prior to the execution date.

Executives and employees who elected not to participate in the Plans implemented in 2019 and 2020 collected their variable remuneration entirely in cash, but without a multiplier being applied.

Beneficiaries hold the voting and dividend rights to the shares delivered to them from the date of effective delivery, although those shares are subject to lock-up for three years from that date (lock-up period); nevertheless, some of the shares will be released from lock-up 18 months after delivery: specifically, the number of shares resulting from dividing the total number of shares that were delivered by the assigned coefficient plus one (in the case of the Plans implemented in 2019 and 2020), or by two (in the case of the Plan implemented in 2021). The delivery of those shares, which must remain locked up for the above-mentioned lock-up period, is subject to a condition subsequent which is understood to be met in the event of voluntary severance or fair dismissal of the beneficiary. In the event of cessation of employment due to a cause other than those two, the lock-up is lifted.

36.1 Year 2018 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 29 June 2017) - Granted before the stock merge (Note 17)

On 29 June 2017, the Shareholders' Meeting of Pharma Mar, S.A. approved a new Share Ownership Plan that was executed in April 2018. The Company allocated 500,000 own shares from treasury stock to execute this plan.

In executing this plan, a total of 227,326 shares were allocated in 2018 to 149 beneficiaries at a value of €1.6723 per share.

In 2019, a total of 63,037 shares were released from lock-up under this Plan.

In relation to this Plan, a total of 46,051 shares (3,829 shares after the stock merge) were canceled: 12,844 shares (1,057 shares after the stock merge) purchased by employees and 33,207 shares (2,772 shares after the stock merge) contributed by the Company.

This Plan concluded in April 2021 since the three-year lock-up period had expired, and the shares that were under lock-up were released. A total of 118,238 shares (9,859 shares after the stock merge) were released under this Plan.

36.2 Year 2019 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 28 June 2018) - Granted before the stock merge (Note 17)

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

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

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

In relation to this Plan, a total of 20,379 shares (1,697 shares after the stock merge) were canceled in 2021: 3,140 shares (261 shares after the stock merge) purchased by employees and 17,239 shares (1,436 shares after the stock merge) contributed by the Company.

As of 31 December 2021, 99,534 shares (8,283 shares after the stock merge) contributed by the Company had not accrued.

36.3 Year 2020 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 26 June 2019) - Granted before the stock merge (Note 17)

On 26 June 2019, the Shareholders' Meeting of Pharma Mar, S.A. approved a new Share Ownership Plan that was executed in June 2019. The Company allocated 500,000 own shares from treasury stock to execute this plan.
In executing this Plan, a total of 128,408 shares were allocated in 2020 to 131 beneficiaries at a value of €4.6108 per share.

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

In relation to this Plan, a total of 14,993 shares (1,242 shares after the stock merge) were canceled in 2021: 3,308 shares (273 shares after the stock merge) purchased by employees and 11,685 shares (969 shares after the stock merge) contributed by the Company.

As of 31 December 2021, 82,652 shares (6,872 shares after the stock merge) contributed by the Company had not accrued.

36.4 Year 2021 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 18 June 2020) - Approved before the stock merge (Note 17)

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

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

In relation to this Plan, a total of 582 shares were canceled in 2021: 291 shares purchased by employees and 291 shares contributed by the Company.

As of 31 December 2021, there were 7,444 shares contributed by the Company that had not accrued.

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

On 15 April 2021, the Shareholders' Meeting of Pharma Mar, S.A. approved a new Share Ownership Plan to encourage employees and executives of Group companies to own capital in Pharma Mar, S.A. and to remain in the Group, under the same conditions for all of them. The maximum number of shares that can be allocated for the execution of this plan was set by the Shareholders' Meeting at 41,000, which will be taken from treasury stock held by the Company at the time the plan is implemented. The Shareholders' Meeting determined that the beneficiaries of this Plan would be the Group's employees and executives (excluding directors of Pharma Mar, S.A.) who are in active service at the time the plan is implemented and have at least six months' seniority as of 31 December 2021.

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

The following table shows the number of shares under each plan as of 31 December 2021, adjusted for the stock merge:

Plan / Grant date	Shares allocated in the Plan	Shares purchased by employees - canceled	Shares purchased by employees - accrued	Shares purchased by employees - not yet accrued	Shares contributed by employer - canceled	Shares contributed by employer - accrued	Shares contributed by employer - not yet accrued	Total number of shares not yet accrued	Fair value per share	Accrual period
	(1)+(2)+(3)+(4)+(5)+(6)	(1)	(2)	(3)	(4)	(5)	(6)	(3)+(6)		
Plan 16 June 2017 (Granted April 2018)	18,881	1,057	5,193	-	2,772	9,859	-	-	1.67	Apr. 21
Plan 17 June 2018 (Granted June 2019)	13,609	261	3,629	-	1,436	-	8,283	8,283	2.08	June 22
Plan 18 June 2019 (Granted May 2020)	10,641	273	2,527	-	969	-	6,872	6,872	4.61	May 23
Plan 19 June 2020 (Granted April 2021)	8,026	291	-	3,722	291	-	3,722	7,444	103.02	Apr. 24
	51,157	**1,882**	**11,349**	**3,722**	**5,468**	**9,859**	**18,877**	**22,599**		

A total of €297 thousand were recognized as reserves for the amortization of the share ownership plans in 2021 (€242 thousand in 2020). Additionally, the amount recognized in the period was €335 thousand (€414 thousand in 2020), and €7 thousand were derecognized (€7 thousand in 2020).

37. DUTY OF LOYALTY

Director conflicts of interest

Based on the disclosures presented by each of the Company's directors, they and, to the best of their knowledge and belief, their related parties did not incur in the situations of conflict of interest envisaged in article 229.1 of the Consolidated Text of the Capital Companies Act, except in the case of related-party transactions authorized by the Company's Board of Directors or its Committees, which are disclosed in Note 29 to the Separate Financial Statements, Note 36 to the Consolidated Financial Statements, and section D.3 of the Annual Corporate Governance Report for the year ended 31 December 2021, which forms part of these Financial Statements.

38. CONTINGENCIES

Contingent liabilities

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

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

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

Contingent assets

The Group did not have contingent assets as of 31 December 2021 and 2020.

39. COMMITMENTS

Operating lease commitments

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

Operating lease commitments (thousand euro)	31/12/21	31/12/20
Under 1 year	1,459	2,504
1 to 5 years	4,377	3,066
Total	**5,836**	**5,570**

40. AUDITORS' FEES

Statutory audit fees accrued by PricewaterhouseCoopers Auditores, S.L. and other firms in its network amounted to €412 thousand in 2021 (€384 thousand in 2020). In 2021, no audit services were provided apart from the statutory audit (€105 thousand in 2020). The fees for non-audit services provided to PharmaMar Group undertakings in 2021 amounted to €43 thousand in 2021 (€27 thousand in 2020).

Companies in the PwC network did not accrue any fees for tax advisory services in 2021 and 2020.

The fees accrued during the year by other auditors of subsidiaries amounted to €43 thousand for audit services in 2021 (€28 thousand in 2020) and €94 thousand for other verification services in 2021 (€7 thousand in 2020).

41. ENVIRONMENT

The Company did not need to incur significant investments during the year to protect and improve the environment. Environmental protection expenses amounted to €49 thousand in 2021 (€82 thousand in 2020).

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

42. SUBSEQUENT EVENTS

On 19 January 2022, the Company collected €13,077 thousand from the Spanish tax authorities under the heading of corporate income tax and for monetization of certain research and development tax credits under 2020 corporate income tax.

In 2022, the Company tacitly rolled over a credit line amounting to €3,000 thousand in total.

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

CONSOLIDATED DIRECTORS' REPORT 2021

1. Company situation

1.1. Organizational structure

Pharma Mar, S.A. (the Company) is the holding company of a group of companies (PharmaMar Group or the Group) whose financial disclosures are presented in three segments: Oncology, Diagnostics and RNA interference.

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

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

The Board of Directors of the Group parent company, PharmaMar, defines the general strategy. It has the following sub-committees: Executive Committee, Audit Committee, and Appointments, Remuneration and Sustainability Committee.

1.2. Operations: Business model, strategy

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

The oncology business model focuses on discovering new marine-based antitumor molecules and developing them in preclinical and clinical trials with a view to producing new drugs with therapeutic advantages for oncology patients.

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

PharmaMar sees its strengths as being:

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

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

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

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

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

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

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

- PharmaMar is investing in other opportunities, enabling it to diversify part of its business. It has a virology treatment in clinical development for patients with COVID-19 and is conducting clinical trials in ophthalmology with one of the new gene silencing technologies, interference RNA.

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

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

The key components of the Group's strategy are:

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

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

- Use its unique, marine-based technological platform to continue feeding its pipeline of compounds. Accordingly, two new molecules are expected to join the oncology clinical development pipeline.

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

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

- Continue to support Yondelis in the European oncology community and work with partners and researchers.

- Advance with clinical and pre-clinical development in the new Virology unit.

1.3 Notable events in 2021.

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

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

1) In 2021, PharmaMar signed the following new licensing and commercialization agreements:

   - Agreement with Adium Pharma, S.A. to market Zepzelca in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Curaçao, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela.

   - Agreement with Lotus Pharmaceutical Co., Ltd. for marketing anti-tumor drug Zepzelca in Taiwan.

   - Agreement with Eczacibasi Pharmaceuticals Marketing Co**.** for the commercialization of Zepzelca in Turkey.

2) In 2021, Zepzelca received approval for sale in the following territories:

   - PharmaMar partner, Specialised Therapeutics Asia (STA), received provisional approval from Australia's TGA to market Zepzelca in Australia for the treatment of patients with metastatic small cell lung cancer that had progressed during or after platinum-based chemotherapy.
   - In addition, Specialised Therapeutics Asia, Pte. Ltd. (STA) received provisional approval from the Health Sciences Authority of Singapore (HSA) to market Zepzelca in Singapore for the treatment of adult patients with relapsed metastatic small cell lung cancer.
   - PharmaMar partner, Immedica Pharma AB (Immedica), received approval from the UAE Ministry of Health and Prevention to market Zepzelca for the treatment of adult patients with metastatic small cell lung cancer that have experienced progression after platinum-based chemotherapy.
   - Our partner, Jazz Pharmaceuticals plc, received conditional marketing approval from Health Canada to market Zepzelca for the treatment of adult patients with recurrent stage III or metastatic small cell lung cancer that had experienced progression during or after platinum-based chemotherapy.

3) New orphan drug designation for Zepzelca:

   - In July, the European Medicines Agency's Committee for Orphan Medicinal Products (COMP) issued a positive opinion on orphan drug status for Zepzelca for treating mesothelioma.

Main developments in connection with **trabectedin (Yondelis**):

- Pharma Mar's partner in Australia, Specialised Therapeutics Asia, received approval from Australia's Therapeutic Goods Administration (TGA) to market Yondelis for treating patients with liposarcoma or unresectable or metastatic leiomyosarcoma who have received at least one cycle of anthracycline treatment.

As regards the new Virology line of business that Pharma Mar established in 2020 to research, develop and provide drugs for viral diseases for which there are as yet no effective treatments, initially focusing on Covid-19, the NEPTUNO Phase III clinical trial is progressing as expected.

In the diagnostics segment, the qCOVID-19 Respiratory COMBO kit was validated in January for detecting SARS-CoV-2 in direct saliva samples, with very satisfactory results. The kit, which offers a high level of sensitivity and specificity, is being marketed with the CE mark.

As regards RNAi, where we are developing drugs in the field of ophthalmology, the Phase III trial in patients with dry eye disease associated with Sjögren's Syndrome, an autoimmune disease, commenced. Over 30 hospitals in the US are participating and the trial plans to recruit 200 patients.

1.4 Impact of COVID-19

The COVID-19 pandemic did not have a material impact on the valuation of the Company's assets and liabilities in 2021 or in 2020. There were no credit losses on trade or customer accounts receivable. The Company's revenues, production capacity and commercial activity were unaffected by the situation. All the Group's material agreements remain in force in the same terms. The Group did not need to avail itself of furlough or layoff measures.

2. BUSINESS PERFORMANCE AND RESULTS

	31/12/21	31/12/20	Change
RECURRING REVENUES	**164,817**	**129,400**	**27%**
Oncology sales	118,856	100,704	18%
Diagnostics sales	4,965	13,035	-62%
Oncology royalties	40,996	15,661	162%
NON-RECURRING REVENUES	**65,014**	**140,561**	**-54%**
Oncology out-licensing agreements	64,787	140,289	-54%
Other	227	272	-17%
TOTAL REVENUES	**229,831**	**269,961**	**-15%**

(Thousand euro)

2.1. Total revenues

Group revenues totaled €229.8 million in 2021, compared with €270.0 million in 2020. The breakdown of that figure is as follows:

Recurring revenue, i.e. net sales plus royalties from sales by partners, increased by 27% year-on-year to €164.8 million in 2021 (from €129.4 million in 2020).

Net revenue in the Oncology segment amounted to €118.9 million, 18% more than in 2020 (€100.7 million). This increase is attributable to good sales performance by Zepzelca in Europe under the Temporary Authorisation for Use (TAU), which amounted to €30.2 million, a 40% increase on the €21.5 million reported in 2020. Net sales of Yondelis amounted to €69.4 million, a slight 0.7% decline on the 2020 figure, as a result of pricing pressure. It should be noted that gross sales of Yondelis in Europe increased by 3.7% year-on-year. Sales of Yondelis and Zepzelca raw materials to partners rose from €9.3 million in 2020 to €19.2 million in 2021 (+107%). Diagnostics revenue fell by €8 million year-on-year in 2021, affected by lower demand and the sharp decline in the price of COVID-19 diagnostics tests.

Royalties revenue amounted to €41.0 million in 2021, up from €15.7 million in 2020 (+162%). That figure includes royalties from Yondelis sales by our partners in the United States and Japan (€3.0 million) and from Zepzelca sales by our US partner Jazz Pharmaceuticals (€38.0 million in 2021). Royalties in the fourth quarter of 2021 are an estimate since the figures for sales by Jazz in that period were not available at the date of publishing this report.

Non-recurring revenue, mainly from out-licensing agreements, amounted to €64.8 million in 2021, compared with €140.3 million in 2020. This revenue in 2021 was principally from the recognition of €38.6 million in revenue out of the USD 300 million collected in 2020 under the Zepzelca licensing agreement with Jazz Pharmaceuticals, which is being recognized in the income statement as a function of the fulfilment of contractual commitments. €22 million were due

to attaining a milestone under the agreement relating to commercial sales targets. Of the total amount in 2020, €135.7 million related to recognition of revenue under the agreement with Jazz Pharmaceuticals.

2.2. EBITDA. Net profit.

Group EBITDA amounted to €97.8 million in 2021 (€163.6 million in 2020).

	31/12/21	31/12/20
Net income	**92,859**	**137,262**
Income tax	2,270	8,344
Interest	(2,682)	10,338
Depreciation and amortization	5,305	7,660
EBITDA	**97,752**	**163,604**

(Thousand euro)

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

The variation in EBITDA, from €163.6 million in 2020 to €97.8 million in 2021, reflects the higher amount of revenue recognized in 2020 under the licensing agreement signed with Jazz Pharmaceuticals in December 2019 (€75 million more than in 2021). This difference was partly offset by higher sales and royalties (€35 million more than in 2020). Additionally, R&D expenditure increased by €18.4 million year-on-year.

The EBITDA contribution by the business segments is as follows:

EBITDA by segment	31/12/21	31/12/20
Oncology segment	120,550	174,569
Diagnostics segment	(2,720)	4,209
RNAi segment	(9,200)	(3,865)
Unallocated	(10,878)	(11,309)
TOTAL	**97,752**	**163,604**

(Thousand euro)

Profit before taxes amounted to €95.1 million (€145.6 million in 2020) and profit after taxes amounted to €92.8 million in 2021 (€137.3 million in 2020).

2.3. R&D expenditure

R&D spending increased by 34.2% year-on-year to €72.2 million in 2021 (€53.8 million in 2020).

Oncology spent €61.1 million on R&D in 2021, including €19 million on clinical trials to develop plitidepsin (Aplidin) for the treatment of COVID-19, which are recognized in this segment. The Oncology area made progress in 2021 with trials of lurbinectedin in combination with other therapeutic agents; a new Phase III trial (LAGOON) was designed in small cell lung cancer; other trials are being designed in a range of indications; new candidates are being readied for clinical trials; and early-stage research into new compounds continues.

In 2021, the Diagnostics section resumed the NEDXA point-of-care diagnostics platform project. R&D expenditure in 2020 related to development of proprietary COVID-19 detection tests using the CLART and Real-Time technologies.

In 2021, the RNAi segment progressed with the Phase III clinical trial in dry eye disease, specifically Sjögren's syndrome, which involves and 200 patients at more than 30 hospitals in the United States. In addition, recruitment concluded for the Phase I clinical trial with SYL18001 in macular degeneration.

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

	31/12/21	31/12/20	Difference	
R&D expenses	**72,170**	**53,792**	**18,378**	**34.2%**
Oncology	61,054	49,204	11,850	24.1%
Diagnostics	1,632	708	924	130.5%
RNAi	9,484	3,880	5,604	144.4%

(Thousand euro)

2.4. Other operating expenses

Other operating expenses: marketing and commercial expenses, administrative and general expenses and Other operating expenses of the Group amounted to €50.7 million in 2021, an increase of 7% on the previous year (€47.3 million in 2020). In 2020, operating expenses were generally lower due to the Covid-19 pandemic. The "Other operating expenses" item refers mainly to expenses incurred in corporate activities (unallocated).

	31/12/21	31/12/20	Difference	
Other operating expenses	**50,667**	**47,348**	**3,319**	**7.0%**
Marketing	22,368	22,257	111	0.5%
Administration	17,371	13,515	3,856	28.5%
Other operating expenses (Corporation)	10,928	11,576	-648	-5.6%

(Thousand euro)

2,5. Personnel

The Group had an average of 477 employees in 2021 (443 in 2020). The average number of employees is 406 in Oncology, 47 in Diagnostics and 24 in RNAi.

Women accounted for 62% of the workforce in 2021.

An average of 98% of employees in the year had indefinite contracts.

The table below shows the segmentation by gender and category:

	Men	Women	Total
Executive directors	2	0	2
Senior managers	5	3	8
Management	15	14	29
Technical staff	107	184	291
Middle management	26	28	54
Clerical and similar staff	6	55	61
Other	22	10	32
TOTAL	**183**	**294**	**477**

2,6. Environmental issues

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

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

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

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

2,7. Average period taken to pay suppliers

Information on payments for commercial transactions performed in 2021 and pending payment at the end of the year in relation to the maximum legal payment periods envisaged in Act 15/2010 is as follows:

	31/12/21 Days
Average period taken to pay suppliers	55
Proportion of transactions paid	58
Proportion of transactions outstanding	36

The average supplier payment lag in the year between 1 January and 31 December 2021 was 55 days (55 days in 2020).

Payments totaled €59,944 thousand in 2021 (€38,335 thousand in 2020). The balance of outstanding payments was €7,986 thousand as of 31 December 2021 (€5,362 thousand in 2020).

3.- Liquidity and Capital

The balance of cash and cash equivalents amounted to €202.0 million euro as of 31 December 2021 (€195.5 million as of 31 December 2020). Including non-current financial assets, the total was €212.7 million as of 31 December 2021 (€216.5 million in 2020).

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

	31/12/21	31/12/20	Change
Non-current debt	**33,386**	**37,732**	**-4,346**
Bank loans	4,669	3,561	1,108
Bonds	16,654	16,600	54
Loans from official authorities	12,063	17,571	-5,508
Current debt	**12,212**	**15,313**	**-3,101**
Credit lines	3,745	4,771	-1,026
Bank loans	3,864	5,487	-1,623
Loans from official authorities	4,077	4,621	-544
Interest, etc.	526	434	92
Total interest-bearing debt	**45,598**	**53,045**	**-7,447**
Cash and cash equivalents plus current and non-current financial assets	**212,676**	**216,504**	**-3,828**
TOTAL NET CASH	**167,078**	**163,459**	**3,619**

(Thousand euro)

Total debt declined by €7.4 million in 2021. This decrease corresponds to repayments of various loans from banks and official authorities amounting to €12.9 million (€24.2 million in 2020). New loans obtained in 2021 from bank and official authorities amounted to €5.8 million (€0.8 million in 2020). The amount drawn against credit lines was reduced by €1 million.

As a result, the Group ended 2021 with a positive net cash position of €167.0 million (€163.5 in 2020).

4.- Primary Risks and Uncertainties

4.1. Situation risks

Competition.

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

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

Industrial property. Patents.

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

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

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

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

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

Regulation

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

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

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

Capital availability

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

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

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

Shareholders

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

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

4.2. Operating risks

Commodity prices

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

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

Health and safety

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

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

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

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

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

Pharma Mar, S.A., whose workforce accounts for 72.2% of the Group's employees, is certified to the OHSAS 18001 Occupational Health and Safety Management standard. Additionally, in 2020, PharmaMar's workplace health and safety systems were certified in accordance with ISO 45001, which represents a new approach based on the organization's internal and external context.

Environmental

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

The Group's production processes generally have a low risk of environmental impact (noise, smoke, discharges, etc.) and generate almost no waste.

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

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

Product development

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

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

4.3. INFORMATION RISK

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

Market disclosures

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

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

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

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

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

Information systems

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

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

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

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

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

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

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

4.4. Financial risk

4.4. A). Market risk

Price risk

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

Investments in available-for-sale equity instruments are securities of foreign biopharmaceutical companies. Nevertheless, the Group's volume of investment in this type of asset is not material in the context of its operations. The Company's policy with regard to financial assets is to place cash in low-risk highly liquid financial assets in order to ensure the availability of funds. For this reason, those financial assets are almost entirely government bonds and deposits at banks with good credit quality, with the result that their value does not fluctuate significantly.

Interest rate risk on cash flows and fair values

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

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

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

Exchange rate risk

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

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

4.4. B). Credit risk

Credit risk arises from financial assets arranged with banks, mainly deposits.

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

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

• Acquisition of fixed-income funds that invest in public- or private-sector debt (government bonds, treasury bills and commercial paper), generally secure, which pay periodic coupons.

• Acquisition of money market funds comprising short-term fixed-income securities (18 months maximum) where security is given priority in exchange for a slightly lower yield than other investments.

4.4. C). Liquidity risk

The risk of not obtaining funds to honor debt obligations when they come due.

Prudent liquidity risk management entails having sufficient cash and marketable securities, financing via sufficient committed credit facilities, and the capacity to settle market positions. The goal of the Group's financial department is to maintain flexibility in funding by having credit lines and sufficient funds in financial assets to cover obligations (Note 3).

4.5 Tax risks

Tax risk is inherent to the Company's activity and is influenced by the unique features of our tax regime, its complexity and the existence of gray areas that might lead to non-compliance or discrepancies with the tax administration in the application of the regulations. The Group must comply with a number of tax obligations, both material (i.e. payments) and formal, consisting of filing returns without necessarily having to make any payments. The Group tries to identify risks and then minimize them.

The Group does not use structures outside its own activities for the purpose of reducing its tax burden, nor does it carry out transactions with related undertakings whose sole purpose is to reduce taxable income or transfer profits to low-tax territories.

The Group does not have opaque structures for tax purposes, nor does it constitute or acquire companies in countries or territories that Spanish regulations designate as tax havens or that are on the European Union's list of non-cooperative jurisdictions.

The Group has external advisors who help it to constantly analyze new legislation, case law and decisions in the tax area and quantify their impact.

In specific issues such as transfer pricing, it has an external consultant to ensure it has the proper documentation. In one specific case of transfer pricing, a formal valuation agreement was reached with the Administration beforehand.

5.- Subsequent events.

On 19 January 2022, the Company collected €13,077 thousand from the Spanish tax authorities under the heading of corporate income tax and for monetization of certain research and development tax credits under 2020 corporate income tax.

In 2022, the Company tacitly rolled over a credit line amounting to €3,000 thousand in total.

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

6.- 2022 outlook

The year 2022 was the second full year in which lurbinectedin was commercialized in the United States for treating small cell lung cancer. After a successful launch in 2020, our partner, Jazz Pharmaceuticals, succeeded in making lurbinectedin the standard of care in this indication in the United States in less than a year.

Lurbinectedin has now achieved a market share of over 37% as second-line treatment. In addition to being a milestone for patients, who now have a new therapeutic alternative in an indication for which no new treatment had been approved in over 25 years, it also increased PharmaMar's revenues from royalties on sales and was the first commercial milestone in terms of sales volume. Additionally, lurbinectedin was approved for that same indication in other countries outside the European Union, such as Canada, the United Arab Emirates, Australia and Singapore, in 2021. And there are plans to submit the registration dossier in other countries in 2022 in order to obtain additional approvals. In relation to the clinical trials underway with lurbinectedin, a Phase III trial in small cell lung cancer (LAGOON) began in 2021 with the goal not only of obtaining approval for marketing in Europe, but of serving as a confirmatory trial for the accelerated approval obtained in the United States. Our partner, Jazz Pharmaceuticals, initiated a Phase III trial in 2021

to also gain approval as first-line treatment in the United States. This trial, being conducted in cooperation with Roche, is testing a combination of lurbinectedin and immunotherapy. If the outcome is positive, this trial will be used not only for approval in the United States but also for registration in Europe. In relation to other indications, a Phase III registration trial for the treatment of mesothelioma is expected to begin in 2022 with lurbinectedin in combination with immunotherapy, where very encouraging results have already been obtained in previous phases. Accordingly, we should end 2022 with two Phase III trials under way with lurbinectedin.

We will also continue developing other molecules in 2022. We expect to commence one or two Phase II trials with PM14, following the results obtained in earlier phases. We will also take a new molecule from our drug discovery platform to the clinical phase.

As a result, we plan to end 2022 with clear growth in the oncology pipeline, which we expect to generate positive results in subsequent years.
The Virology unit is conducting a phase III trial (NEPTUNO) with plitidepsin for treating COVID-19. We expect to finalize enrolment during the year and, if the results are as expected, we will initiate the registration phase of plitidepsin to obtain approval as a treatment for COVID-19.

In 2022, subsidiary Sylentis is expected to complete recruitment for the first Phase III trial with tivanisiran for treating dry eye disease associated with Sjögren's syndrome. If this Phase III trial is positive, it may lead to a new licensing opportunity and, in any case, we will commence the necessary trials to obtain an approval in this indication.

In 2022 we may sign new out-licensing agreements for our molecules and work is also under way to in-license a third-party oncology product that is in the commercial or regulatory phase, which would enable us to distribute it through our commercial network in Europe, providing additional revenues.

We expect to self-finance all the investment required to carry out these projects and that the revenues generated during the year will enable us to end the year with positive cash flow.

7.- R&D and Innovation

R&D and innovation are a key component of the Group's strategy, and it spent €72.2 million in this area in 2021 (€53.8 million in 2020).

Of that total, €61.1 million was spent in oncology, including €19 million to develop Aplidin as an anti-viral against COVID-19; €9.5 million in RNAi in ophthalmology; and €1.6 million in diagnostics.

The Group's main progress and results in R&D in 2021 by area of activity are as follows:

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

The activities and progress for each of the group's compounds in 2021 are detailed below:

a) Yondelis:

Soft tissue sarcoma

There were 21 post-authorization trials under way at the end of 2021, of which 14 were active. The other trials were in the process of closing or data analysis or were pending the presentation of results. Two additional trials are scheduled to commence in the coming months.

There were a number of publications in 2021 in connection with two trials with Yondelis that have concluded: One in *Annals of Oncology* with the results of the T-SAR Phase III trial comparing trabectedin with best supportive care, which was sponsored by the French Sarcoma Group; the results confirmed that Yondelis offers superior disease control compared with supportive care without limiting quality of life in soft tissue sarcoma patients. The other, in *Cancers*, with the results

of the retrospective real-life trial sponsored by the Italian Sarcoma Group, confirmed that Yondelis offers clinical benefit to advanced sarcoma patients with multiple histologies.

At the ESMO Congress 2021 held in Madrid on September 16-21, the French Sarcoma Group presented data from a Phase III trial comparing trabectedin in combination with doxorubicin vs. the standard treatment of doxorubicin alone as first-line treatment for patients with metastatic or inoperable leiomyosarcoma (LMS). The arm consisting of trabectedin+doxorubicin attained PFS of 13.5 months, compared with 7.3 months in the case of doxorubicin as monotherapy.

Four abstracts on trabectedin in soft tissue sarcoma were presented at the Connective Tissue Oncology Society (CTOS) meeting in November 2021. The OLATRASTS Phase I trial by the Spanish Sarcoma Group (GEIS) with the combination of trabectedin+olaratumab was presented orally. This trial demonstrated that the combination is safe at the full recommended doses for both drugs; translational research into the samples is ongoing.

The results of the TRAMUNE Phase I-b trial with durvalumab+trabectedin in soft tissue sarcoma or ovarian cancer were published in December. They show that the combination is manageable, and promising activity was observed in platinum-refractory ovarian cancer patients.

Ovarian cancer

A total of 11 trials in this indication were being managed in 2021; five of them are currently actively enrolling, and one is in the activation phase.

b) Zepzelca (lurbinectedin)

Small-cell lung cancer

In December 2021, PharmaMar received approval from the first ethics committee in the United States to commence the pivotal Phase III trial as second-line treatment for relapsed small cell lung cancer (the LAGOON trial) that had been agreed upon with the FDA. This is a three-arm trial comparing lurbinectedin as monotherapy or in combination with irinotecan against investigator's choice of irinotecan or topotecan. If the outcome is positive, the trial could confirm the benefits of lurbinectedin for treating small cell lung cancer when patients have experienced progression after first-line treatment with platinum.

Our partner, Jazz Pharmaceuticals, has announced the enrolment of the first patient for the IMforte Phase III trial to assess Zepzelca in combination with a PD-L1 inhibitor for treating small cell lung cancer. The trial, which is sponsored by Roche and co-financed by Jazz, will measure progression-free survival and general survival with Zepzelca in combination with atezolizumab as compared with atezolizumab as monotherapy.

The results of the ATLANTIS Phase III clinical trial were selected for presentation by Dr. Luis Paz-Ares in a Presidential Symposium at the International Association for the Study of Lung Cancer (IASLC) virtual World Conference on Lung Cancer 2021, held on September 11-14. There was also an oral presentation and four posters on lurbinectedin at that meeting.

Combination trial with Zepzelca™ (lurbinectedin)

In 2021, recruitment continued on schedule for the Phase I trial with lurbinectedin in combination with irinotecan, pembrolizumab and atezolizumab.

At the 36th Annual Meeting of the Society for Immunotherapy of Cancer (SITC), which was held online in November, Dr. Santiago Ponce presented a poster with the results of the Phase I trial in combination with atezolizumab in patients with small cell lung cancer. The combination obtained very good levels of activity combined with a manageable toxicity profile.

PharmaMar presented new data from the trial with lurbinectedin in combination with irinotecan in patients with endometrial cancer at the ASCO 2021 Virtual Meeting in June. The data showed

that the combination of lurbinectedin with irinotecan is effective in patients with advanced endometrial cancer after failure of more than one line of therapy.

Phase I trial in China

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

d) Ecubenectedin (PM14)

The main endpoint of the Phase I trial with ecubectedin is to identify the optimal dose for administration in patients with advanced solid tumors, define the compound's safety profile, and assess its pharmacokinetics and pharmacogenetics in treated patients. The expansion phase in selected tumors continues to enroll patients.

Combination trials

The Phase I/II trial with this compound in combination with irinotecan continues enrolment satisfactorily, and enrolment for the Phase Ib trial in combination with atezolizumab commenced in December 2021.

7.2.- VIROLOGY: PharmaMar

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

a) Aplidin (plitidepsin)

The NEPTUNE multicenter, randomized, controlled Phase III clinical trial to determine the efficacy and safety of two dosages of plitidepsin versus control in adult patients requiring hospitalization for the treatment of moderate COVID-19 infection continues with patient enrolment in Spain and nine other countries, mainly in Europe and Latin America.

The definitive results of the APLICOV-PC Phase I-II trial with plitidepsin against COVID-19 were published in Life Science Alliance. They showed that plitidepsin is safe to administer to COVID-19 patients and suggest a positive therapeutic impact on the course of the disease. The trial achieved its primary endpoint, safety, and evidenced clinical effectiveness. The NEPTUNE Phase III trial was designed on the basis of those results.

7.3.- DIAGNOSTICS: Genómica

The qCOVID-19 Respiratory COMBO kit was validated in January for detecting SARS-CoV-2 in direct saliva samples. The kit, which offers a high level of sensitivity and specificity, is being marketed with the CE mark.

The analysis time required using the CLART® technology was shortened from four to two hours. The first product in which this improvement was implemented is Fast CLART® Pneumovir, which has been on the market since 1 December. This kit is capable of detecting 21 respiratory viruses, including five coronaviruses, one of which is SARS-CoV-2. The kit was validated at several Spanish hospitals and offers over 95% sensitivity and specificity.

7.4.- RNA Interference, OPHTHALMOLOGY: Sylentis, S.A.

Clinical development of tivanisiran for treating dry eye disease continued in 2021. In February, we received the green light to commence a Phase III trial with SYL1001 in dry eye disease associated with Sjögren's syndrome, an autoimmune disease. Over 30 hospitals in the US are participating and the trial plans to recruit 200 patients. This is a randomized, double-masked,

placebo-controlled trial whose primary and secondary endpoints are, respectively, the efficacy (signs and symptoms) and safety of tivanisiran in patients with dry eye disease associated with Sjögren's syndrome. The first patient was enrolled in this trial in May and enrolment is advancing as expected. During the year, PharmaMar obtained a full waiver from the FDA for a pediatric trial with tivanisiran in dry-eye syndrome.

Additionally, a Phase I trial with healthy volunteers commenced with SYL1801 for the treatment and/or prevention of choroid neovascularization associated with pathologies such as age-related macular degeneration (AMD) and diabetic retinopathy. This trial, being conducted at Hospital Universitario Ramón y Cajal in Madrid, completed enrolment in December, having attained the full complement of healthy volunteers. The trial will assess the safety of several doses of SYL1801 and the product's pharmacokinetics. Work is under way to design a forthcoming Phase II trial in patients with AMD.

The company is also using Sylentis's proprietary SirFINDER 2.0 software to find other RNAi candidates for topical treatment of retinal diseases. Those new candidates' efficacy continues to be assessed using preclinical models of a number of retinal pathologies.

8.- Acquisition and disposal of own shares

As of 31 December 2021, the Company's capital amounted to €11,013 thousand and was represented by 18,354,907 bearer shares with a par value of €0.60 per share. All these shares were fully subscribed and paid and have the same political and economic rights.

The breakdown of, and changes in, own shares in 2021 are as follows:

	No. of shares	Amount
Own shares as of 31/12/20	**242,192**	**21,453**
Own shares purchased	528,779	40,659
Own shares sold	-418,579	-35,683
Employee share ownership plan	-8,026	-751
Own shares as of 31/12/21	**344,366**	**25,678**

As of 31 December 2021, the Company held 344,366 own shares (242,192 in 2020) representing 1.88% of capital stock (1.32% in 2020).

In 2021, the Company acquired own shares worth €40,659 thousand (€63,773 thousand in 2020) and sold own shares worth €35,683 thousand (€24,844 thousand in 2020). Those sales resulted in a loss of €2,468 thousand (a gain of €5,429 thousand in 2020), which was recognized in the Company's reserves. The company has a liquidity contract in place with an external firm that provides independent management of the purchase and sale of own shares.

In the scope of the employee share ownership plan, a total of 8,026 shares were allocated in 2021 to 183 beneficiaries at a value of €103.0164 per share. Additionally, a total of 582 shares were canceled under this Plan in 2021.

9.- Share information

General situation

The COVID-19 pandemic was a major factor again in 2021, which could be described as the year of the vaccine. In Spain, the pandemic situation combined with the slower pace of economic recovery compared to our neighbors, plus political tensions, resulted in our benchmark Ibex-35 index underperforming those of other European countries. At the international level, geopolitical issues played a major role. The Taliban victory in Afghanistan with the withdrawal of US troops, as well as the end of the terms of US President Donald Trump and Chancellor Merkel in Germany,

were among the main geopolitical events of 2021, which also saw incipient tension between Russia and Ukraine.

And 2021 saw the beginning of the vaccination campaigns, which are continuing worldwide. Progress with vaccination starting in the spring helped contain the spread of the virus and, above all, reduce the more serious cases. This made it possible to progressively relax social restrictions, especially in Western countries. The incipient normalization thanks to the vaccines enabled people to resume their daily lives and, consequently, started the economic recovery. However, that recovery worldwide was slowed by new waves of the virus in 2021.

The improvement in global activity and trade flagged somewhat in the second half of the year as a result of a new wave of COVID-19 caused by the Omicron variant. Nevertheless, despite that slowdown, the revival of the world economy in 2021 and the sharp upswing in demand after months of lockdown created acute tensions in commodity and energy prices that fed into the rest of the economy. The result was record inflation in both the US and Europe.

In this context, central bank economic policies continued to play a crucial role in supporting activity. Expansionary monetary policies continued to support economic recovery in 2021. However, the strong inflationary pressures that arose during the year led central banks on both sides of the Atlantic to start putting an end to their expansionary monetary policies. In fact, the US was expected to raise interest rates in 2022 in order to halt an increase in inflation that was already being viewed as structural.

Against this backdrop of economic recovery, the Spanish stock market's main index, the Ibex-35, ended 2021 at 8,713 points, having appreciated by 7.9% in the year, but it lagged the other European and North American indexes.

Share information 2021	
Total number of shares	18,354,907
Par value (euro)	0.60
Average daily trading (no. of shares)	110,531
Average daily trading (euro)	9,384,466
Trading days	256
Year trading low (9 December) (euro)	2,054,219
Year trading high (26 January) (euro)	89,331,331
Total annual trading (million euro)	2,402
Lowest share price (6 December)	52.72
Highest share price (9 February)	119.40
Share price as of 31 December	57.02
Average share price in the year	80.57
Market capitalization on 31 December (million euro)	1,046

***Source**: Bloomberg*

PharmaMar's share performance

In a record difficult year for the biotechnology industry, PharmaMar's maintained good financial performance, as it continued to generate cash and profits while advancing with the development of its projects.

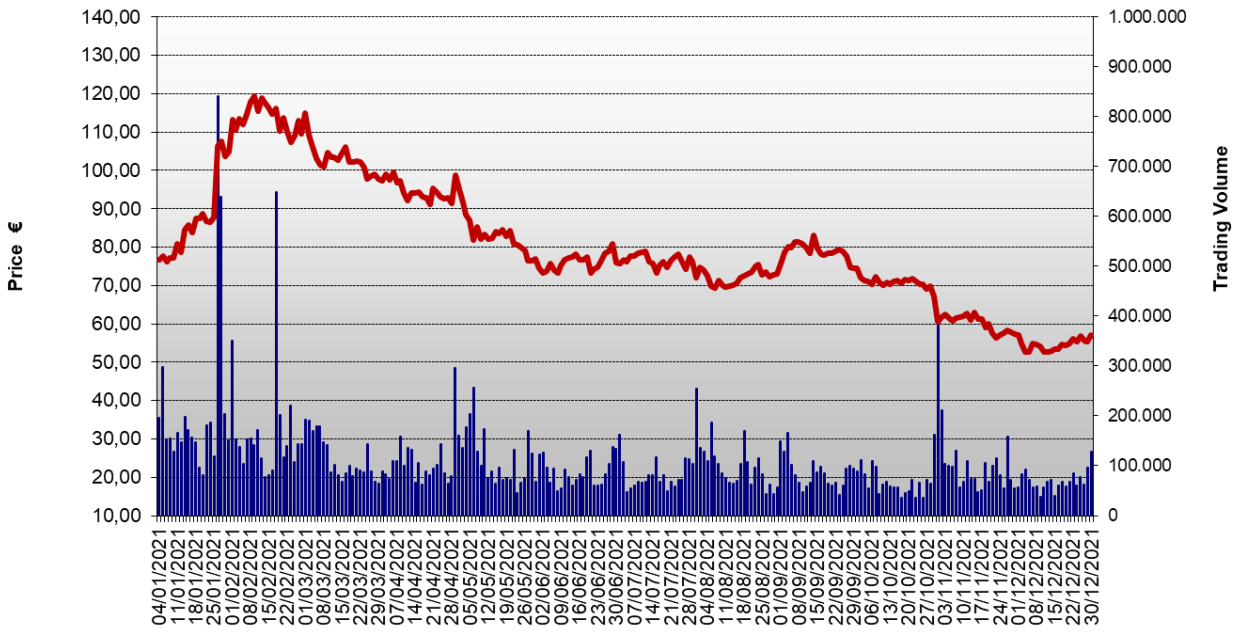
It initiated the LAGOON Phase III clinical trial to assess Zepzelca (lurbinectedin) in treating patients with relapsed small cell lung cancer. If this trial produces positive results, it will serve as a confirmatory trial in the US and will also support an application for approval as second-line treatment in Europe. Another milestone for the company was the initiation in 2021 by our US partner, Jazz Pharmaceuticals, in partnership with Roche, of a Phase III trial to assess the safety and efficacy of the combination of Zepzelca (lurbinectedin) with atezolizumab as first-line

maintenance treatment in small cell lung cancer. If the results of this trial are positive, it could support a new drug application with the FDA and enable PharmaMar to file a registration dossier with the European Medicines Agency.

The value of lurbinectedin continues to grow following the signature in 2021 of licensing agreements with Adium Pharma for a large number of countries in Latin America, Lotus Pharmaceutical for Taiwan, and Eczasibasi Pharmaceuticals for Turkey. Moreover, our partners in such countries as Singapore, the United Arab Emirates, Australia and Canada secured approval for Zepzelca to treat small cell lung cancer.

The company continued its efforts in 2021 to provide a drug to treat COVID-19. Early in the year, a publication in Science confirmed plitidepsin's powerful activity against SARS-Cov-2. Based on scientific evidence of safety and efficacy obtained in the APLICOV-PC Phase I-II trial with plitidepsin for treating patients with COVID-19, the company announced the start of the NEPTUNO Phase III trial. This clinical trial seeks to determine the efficacy and safety of two dosages of plitidepsin in adult patients requiring hospitalization for medical treatment of moderate COVID-19 infection. The trial is planned to enroll over 600 patients.

Despite all this progress with the company's projects, the share price was penalized mainly by the poor performance of the biotechnology sector in the USA, where the biotechnology indices registered a sharp correction in the fourth quarter. Despite Pharma Mar's robust financial situation and the fact that it again reported profits in the year and continued to advance in the development of its projects, its share price was not immune to the record slump by the biotechnology sector and it depreciated by 19.7% in the year.



***Source**: Bloomberg*

10.- Consolidated Non-Financial Information Statement

The consolidated non-financial disclosures are presented separately.

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

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

FINANCIAL STATEMENTS AND DIRECTORS' REPORT
OF THE PHARMAMAR GROUP
FOR THE YEAR ENDED
31 DECEMBER 2021

In compliance with the provisions of articles 34 and 35 of the Commercial Code and articles 253 and 254 of the Capital Companies Act, these financial statements and directors' report (which include the consolidated non-financial information statement referred to in article 49.7 of the Commercial Code) of the PHARMAMAR GROUP for the period from 1 January to 31 December 2021, are hereby drafted and authorized.

In accordance with the provisions of article 37 of the Commercial Code and article 253 of the Capital Companies Act, the Board of Directors signed this 97-page document on 28 February 2022.

The Board of Directors:

José Mª Fernández Sousa-Faro Chairman	Pedro Fernández Puentes Vice-Chairman
Carlos Pazos Campos Director	Eduardo Serra Rexach Director
Sandra Ortega Mera Director (representing ROSP CORUNNA Participaciones Empresariales, S.L.)	Carlos Solchaga Catalán Director
José Félix Pérez-Orive Carceller Director	Ana Palacio Vallelersundi Director
Montserrat Andrade Detrell Director	Valentín de Torres-Solanot del Pino Director
Mª Blanca Hernández Rodríguez Director *Participated in the Board of Directors meeting by means of an online connection and approved the content of the Consolidated Financial Statements and Directors' Report of the PharmaMar Group*.	

Certificate by the Secretary of the Board of Directors to the effect that, after authorization by the Board of Directors, on 28 February 2022, of the Consolidated Financial Statements and Consolidated Directors' Report (including the consolidated non-financial information statement referred to in article 49.7 of the Commercial Code) of the PHARMAMAR Group (the consolidated group of which Pharma Mar, S.A. is the parent company), the directors listed above (with the exception of Ms. Blanca Hernández Rodríguez, who participated in the Board of Directors meeting by means of an online connection and approved the content of the Consolidated Financial Statements and Directors' Report of the PharmaMar Group) signed this document by placing their signatures on the Balance Sheet, the Income Statement, the Statement of Changes in Equity, the Cash Flow Statement, the first page of the notes to financial statements, the first page of the Directors' Report (which includes the non-financial information statement referred to in article 49.7 of the Commercial Code) and the last page of the document. Which I certify in Madrid on 28 February 2022.

Secretary of the Board of Directors

Juan Gómez Pulido

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

PHARMA MAR GROUP

(Pharma Mar, S.A. and subsidiaries)

SEPARATE DISCLOSURES CONCERNING THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT (ART. 49.7 OF SPAIN'S COMMERCIAL CODE) FOR THE YEAR ENDED 31 DECEMBER 2021, FORMING PART OF THE DIRECTORS' REPORT OF THE PHARMA MAR GROUP FOR THAT YEAR

CONTENTS

0.1. ABOUT THIS REPORT

This Consolidated Non-Financial Information Statement (**NFIS**) was prepared in accordance with the requirements of Act 11/2018, dated 28 December, amending the Commercial Code, the consolidated text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Audit Act 22/2015, of 20 July, as regards non-financial information and diversity.

In compiling this report, the Global Reporting Initiative (GRI) Sustainability Reporting Standards have been used, insofar as they do not clash with Law 11/2018. The Pharma Mar Group's Corporate Social Responsibility Report that was formerly published annually was superseded by the Non-Financial Information Statement in 2018.

The Pharma Mar Group publishes this **NFIS in order to report on and disseminate its sustainable development strategy**. To this end, it sets out its commitments in environmental, social and staff-related questions, as well as matters concerning human rights and combating corruption and bribery.

Scope

This NFIS has the same consolidation scope as the financial statements of the Pharma Mar Group as of 31 December 2021, which includes Pharma Mar, S.A. itself and its direct and indirect subsidiaries (see section 1.3. Our organization). Its content was selected and drafted having regard to the materiality analysis performed by the Group. Where any of the subsidiaries is not included in an analysis, this is indicated explicitly.

Given the importance for the Pharma Mar Group of disclosing meaningful, comprehensible and comprehensive strategic information, extensive work was carried in 2021 out to prepare and verify information oversight and compilation procedures for each of the sections of the NFIS.

Due to the pandemic that commenced in 2020, this report describes, where pertinent, how this situation affected the Pharma Mar Group and the measures adopted to address it.

Materiality analysis

The materiality analysis is a key element for the Pharma Mar Group when defining long-term strategies. The analysis is carried out every two years without prejudice to the pertinent updates being incorporated each year. In 2020, the Pharma Mar Group conducted an exhaustive analysis and identified material issues by obtaining information from both internal and external sources.

For the external materiality analysis, the information was obtained by combining four external sources and weighting the results. The external sources that were analyzed are: Sustainable Asset Management (SAM), an investment firm; Sustainability Accounting

Standards Board (SASB), an NGO; the Pharma Mar Group's media analysis; and a benchmarking survey based on the materiality analyses performed by five industry peers.

To analyze the internal materiality of material issues, the people in charge of all the Pharma Mar Group's functional areas were consulted, as a result of which material issues were assigned a numerical value.

That information was used to prioritize the Group's material issues in order to guide both its strategy and the public reporting of its sustainability performance.

Based on the identification in 2020, an assessment was made in 2021 as to the existence of material changes in the organization's situation that might have a substantial impact on the material issues defined the previous year. For the analysis of internal materiality, consultations were made with the heads of the Pharma Mar Group's functional areas that are directly related to the areas analyzed in the NFIS (human resources, environment, operations and quality), and it was not found necessary to make changes with respect to the previous year. Regarding external materiality, a media analysis was conducted.

As a result of this process, the 30 material issues or aspects identified in 2020, classified into five categories, were maintained (***Figure 1***).

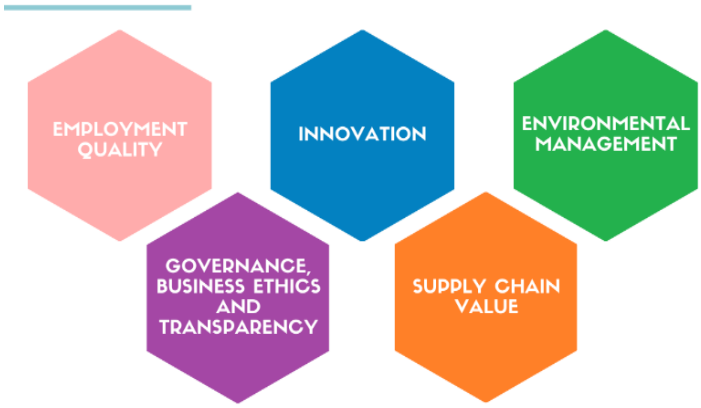


Figure 1*. Categories of material issues for the Group, encompassing the 30 material issues identified in the 2021 materiality analysis.*

Likewise, the materiality matrix makes it possible to identify the key aspects and their impacts on the company and on the five main stakeholder groups: patients, customers, suppliers, authorities and shareholders.

The full materiality matrix resulting from this analysis is shown in ***Figure 2*** and its components are enumerated in ***Annex 1***.

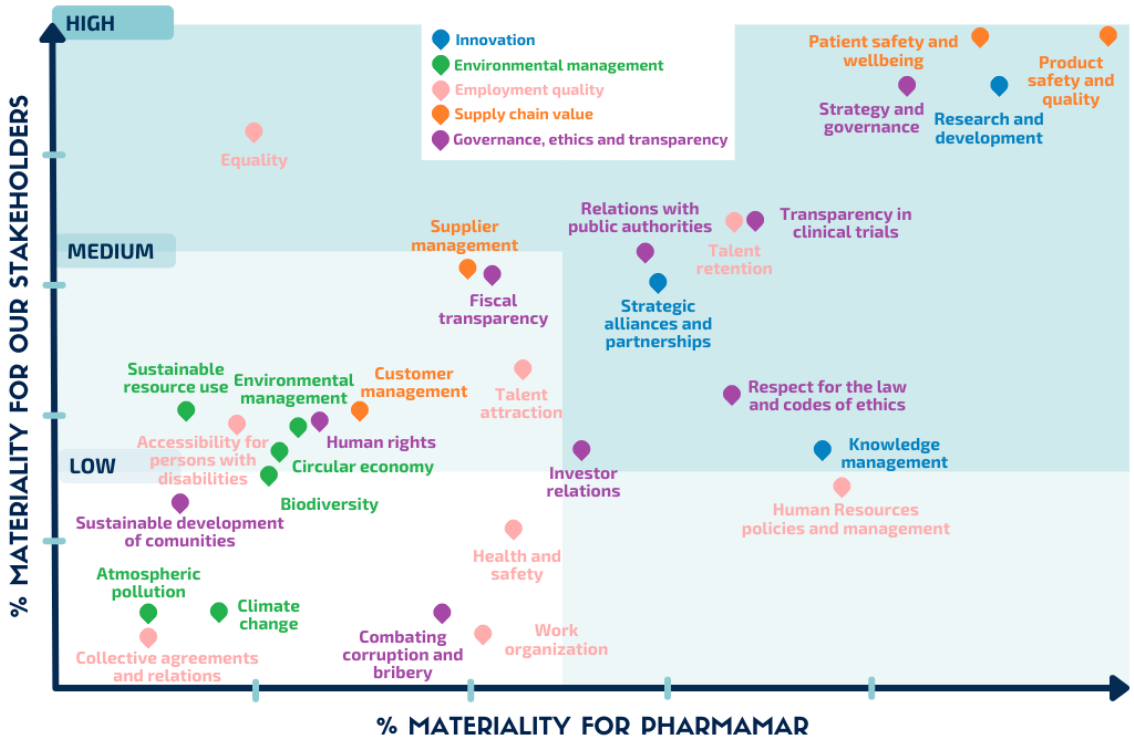


***Figure 2**. Group materiality matrix for 2021.*

No changes in internal materiality were detected in 2021 with respect to 2020. However, the analysis of the press resulted in variations in the materiality value of some material issues for our stakeholders. The issues that grew in importance are: Strategy and governance, Transparency in clinical trials, Knowledge management, Human resources management and policies, Transparency in taxation, Supplier management, Customer management, and Equality.

The main issues guiding the activity of the Pharma Mar Group and the pharmaceutical industry in general are the quality and safety of their products in order to contribute to patients' health and well-being. None of this can be achieved without highly specialized human capital that is committed to innovation.

The manufacture and marketing of pharmaceutical products are not activities that have a significant impact on the environment.

The pharmaceutical industry is heavily regulated, and its product development and marketing activities are closely monitored, as are the relations between companies and patients and prescribers, as part of the fight against corruption and bribery.

Key issues

As a result of this analysis, equality and transparent relations with investors and shareholders were included as material issues result of media analysis in 2021. Thus, it was concluded that the main material issues for the Pharma Mar Group and its stakeholders are as follows:

Related to supply chain value:

- Product safety and quality.
- Patient safety and wellbeing.

Related to innovation:

- Commitment to research and development (R&D) of new products.
- Knowledge protection, patentability and management.
- Establishment of strategic alliances and partnerships, especially with licensees, partners, research centers and universities.

Related to employment quality:

- Training and professional development for talent retention.
- Talent attraction.
- Equality.

Related to governance, business ethics and transparency:

- Business model strategy and governance.
- Transparency in clinical trials.
- Respect for the law, regulations and codes of ethics.
- Transparent relations with public authorities and governments.
- Transparency in relations with investors and shareholders.

Related to the environment. These issues are at a lower level of the matrix. Nevertheless, the following material issues are important for the Group:

- Environmental management approach and objectives.
- Circular economy and waste abatement.
- Biodiversity protection.

Commitment to sustainable development

The Pharma Mar Group's activity is linked to sustainable development in that it aims to remain a world leader in the discovery of drugs of marine origin.

In 2021, the Group's Board of Directors approved the General Sustainability Policy and the Environmental, Social and Governance (ESG) Action Plan for the years 2021-2023, which are applicable to all Group companies. In this way, it discloses its commitment to meeting the needs of patients and other stakeholders in the present, with an eye to future growth and sustainability.

The General Sustainability Policy and the ESG Action Plan are available on the Pharma Mar website. Specifically, a series of commitments, strategic objectives and monitoring indicators have been established for each of material issue category, aligned with the Sustainable Development Goals of the United Nations 2030 Agenda (***Figure 3***).

In conclusion, the main goal of Pharma Mar is to provide solutions and improve the lives of patients with serious diseases through innovative treatments, always with a **sense of responsibility, respect and commitment to the environment, society and our stakeholders**.

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

+SUSTAINABILITY
PHARMAMAR GROUP

0.2. KEY INDICATORS

In order to ensure the attainment of the sustainable development goals described in this report, key indicators have been defined for each of the Group's material issues (***Table 1***).

		2020	2021
Economic	Revenues (thousand euro)	269,962	229,831
	R&D expenditure as a percentage of revenues (%)	19.9	31.4
	Operating expenses as a percentage of revenues (%)	17.5	22.0
	No. of new patent applications	30	110
	No. of strategic agreements in place	35	46
Corporate governance	Independent directors (%)	45.5	36.4
	Women on the Board (%)	36.4	36.4
	Communication to society: No. of media impacts	33,355	42,242
Talent attraction and retention	Workforce turnover (%)	11.2	14.3
	Training hours	12,934	15,344
	No. of nationalities (cultural diversity)	18	16
	Percentage of women in management (%)	44.2	45.3
Environment	Amount of water used (m^3/day)	36.6	38.3
	Annual Chemical Oxygen Demand (COD) in industrial discharges (kg)	388.4	434.2
	CO_2 emissions (t)	2,651.1	1,877.5
Community action	No. of orphan drug designations in force	17	18
	No. of collaborations with non-profit entities	19	23
	Interns trained, as a percentage of total personnel (%)	2.2	3.8

***Table 1**. Pharma Mar Group key indicators.*

To facilitate the understanding of the data, some clarifications on the value of certain key indicators are given below.

Economic indicators: In 2021, R&D expenditure grew both in absolute terms (+€18 million) and in relative terms, due to lower revenues. The growth in the number of new patent applications in 2021 was due to the national extension of several patent applications processed and granted under the Patent Cooperation Treaty (PCT).

Talent retention indicators: Training hours have been recalculated because the training database is a dynamic one that is fed as attendance certificates are obtained for scheduled courses. In 2020, 10,551 hours were recorded, and the accumulated data extracted from the database as of the date of this report is 12,934 hours.

Environmental indicators: In 2021, the calculation of CO_2 emissions was extended to the diagnostics area, with the result that the 2020 figures were recalculated. The decrease in emissions was due to the purchase of energy with a factor provided by the supplier in 2021 that was lower than in 2020.

2021 MILESTONES

BUSINESS | **INNOVATION**

January

The journal Science confirms the potent activity of plitidepsin against al SARS-CoV-2.

PCR testing kit validation for saliva based sampling capable of detecting COVID-19.

February

Pharma Mar Group reports record results for 2020.

The United Kingdom approves the initiation of the Phase III NEPTUNO clinical trial with Aplidin® for the treatment of patients with COVID-19.

Pharma Mar Group enlarges its facilities to meet its upcoming business challenges.

March

The Group signs a new agreement with Adium to commercialize Zepzelca® (lurbinectedin) in Latin America.

FDA authorizes the initiation of Phase III trial with tivanisiran for the treatment of dry eye disease.

Commencement of Phase I clinical trial with SYL1801 for retinal diseases.

April

ESMO includes Zepzelca® (lurbinectedin) in its Clinical Practice Guidelines.

The Australian TGA approves Yondelis® (trabectedin) for Soft Tissue Sarcoma (liposarcoma and leiomyosarcoma).

The Profarma program awards Pharma Mar "Excellent" company rating .

Pharma Mar receives authorization to iniciate the Phase III NEPTUNO clinical trial with Aplidin® (plitidepsin) for the treatmenf of COVID-19.

May

Pharma Mar announces results of its APLICOV-PC study in adult patients with COVID-19 requiring hospital admission.

July

The Group receives positive opinion from EMA for Orphan Drug Designation of lurbinectedin for Mesothelioma.

September

Pharma Mar announces the approval of Zepzelca® for the treatment of metastasic Small Cell Lung Cancer in the United Arab Emirates, Australia, Singapore and Canada.

November

Pharma Mar signs a licensing and commercialization agreement with Lotus Pharmaceuticals for lurbinectedin in Taiwan.

December

Pharma Mar signs a new licensing and commercialization agreement with Eczacibasi for lurbinectedin in Turkey.

Pharma Mar and Jazz Pharmaceuticals announce initiation of confirmatory Phase III clinical trial of lurbinectedin for the treatment of patients with relapsed Small Cell Lung Cancer.

Market launch of the kit CLART® Fast Pneumovir for the simultaneous detection of respiratory viruses.

"Pharma Mar, as a world-leading pharmaceutical company in the research and development of drugs of marine origin, is particularly sensitive to sustainable development, with a firm commitment to rigorous and ethical environmental protection. Moreover, within the broad meaning of sustainability, Pharma Mar also aspires to serve as a benchmark for innovation, transparency in reporting and decision-making, quality employment, efficient use of resources and strict care for the supply chain as part of our responsibility to society and future generations. The Board of Directors assumes the broad objectives of sustainability as a fundamental part of the Group's strategy and ensures that all its corporate activities and businesses are carried out while promoting the creation of value in a sustainable manner for shareholders and other stakeholders related to its business activity and its institutional reality."

Mr. Carlos Pazos
Chairman of the Appointments,
Remuneration and Sustainability Committee.

1. About Pharma Mar

1.1. Pharma Mar Group

The Pharma Mar Group operates in three main areas focused on human health: oncology, diagnostics and RNA interference (***Figure 4***).

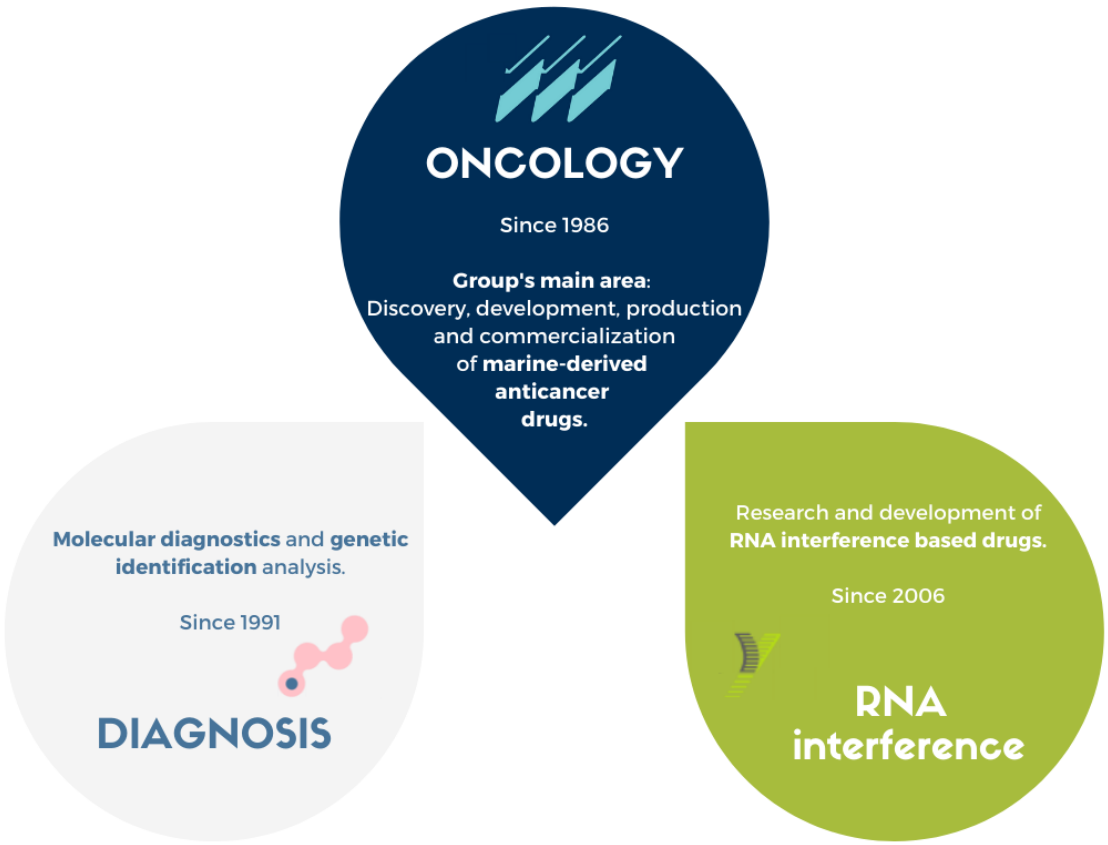


Figure 4*. The Pharma Mar Group's areas of activity.*

In the **oncology area**, Pharma Mar has a global presence with an **integrated business model** that covers most stages of the drug discovery and development process up to delivery to patients. With the approval of Yondelis®, Pharma Mar became the first group in the world to bring a marine-derived oncology drug to patients, from discovery to commercialization. Over the years, it has gathered and analyzed a collection of more than 250,000 marine samples in the search for new treatments for serious diseases.

Pharma Mar helps cancer patients with the following drugs that are on the market:

- **Yondelis®** (trabectedin). The first product developed by Pharma Mar is marketed in 74 countries as a single agent for treating patients with certain types of **advanced soft tissue sarcoma**.

  Additionally, it is marketed in combination with pegylated liposomal doxorubicin in 65 countries for treating relapsed **ovarian cancer**.

- **Aplidin®** (plitidepsin). This has been approved in Australia for use in combination with dexamethasone for treating relapsed **multiple myeloma**.

- **Zepzelca®** (lurbinectedin). Pharma Mar's third product is marketed in the United States as a single agent for the treatment of **adult patients with metastatic small cell lung cancer** that has progressed during or after platinum-based chemotherapy. In 2021, it received marketing approval in Australia, Singapore, United Arab Emirates and Canada for the same indication.

These drugs continue to be developed in other clinical trials in order to expand the number of patients who can benefit from them. The commencement of a global confirmatory Phase III trial with lurbinectedin (LAGOON) was announced in December 2021.

Pharma Mar also has an expanding pipeline, including the compound PM14 (ecubectedin), which is currently in Phase I and Phase II clinical trials for the treatment of patients with solid tumors.

In its fight against cancer, Pharma Mar is firmly committed to the search for drugs to treat rare diseases — what are referred to as **orphan drugs**. In 2021, lurbinectedin was designated as an orphan drug in the European Union for treating mesothelioma.

That brings Pharma Mar's current orphan drug designations to 18 (***Figure 5***).

- Yondelis® (trabectedin):
  - Designation for the treatment of soft tissue sarcoma in the United States, Switzerland, Japan, South Korea and Australia.
  - Designation for the treatment of ovarian cancer in the United States and Switzerland.

- Aplidin® (plitidepsin):
  - Designation for the treatment of multiple myeloma in the European Union, the United States and Switzerland.

- Zepzelca® (lurbinectedin):
  - Designation for the treatment of ovarian cancer in the European Union and the United States.
  - Designation for the treatment of small cell lung cancer in the United States, the European Union, Switzerland, Australia, South Korea.
  - Designation for the treatment of mesothelioma in the European Union (2021).

***Figure 5**. Map of current orphan drug designations.*

In the area of **molecular diagnostics and genetic identification analysis**, the Group, through its *Clinical Arrays Technology* platform (CLART®), has developed diagnostic tests for a range of viruses, such as human papillomavirus associated with cervical cancer, respiratory viruses, human herpesvirus and enteroviruses. It has also developed predictive tests for the response to oncology therapies. In 2021, the *qCOVID-19 Respiratory COMBO* real-time PCR kit was validated with the CE marking. This kit performs differential diagnosis of SARS-CoV-2, Influenza A, Influenza B and respiratory syncytial viruses using saliva samples.

In the area of **RNA interference**, a selective gene silencing method, the Group's main focus is on ophthalmology, and its most advanced compound, tivanisiran, has received FDA approval to initiate a Phase III trial in the United States for the treatment of dry eye syndrome associated with Sjögren's Syndrome. Progress is also being made in therapies against retinal degenerative diseases, and in 2021 the company received authorization from the Spanish regulatory authorities to conduct a Phase I clinical trial with the drug SYL1801 for the treatment of age-related macular degeneration. These drugs are designed and identified using siRFINDER, a proprietary software developed by the Group that uses artificial intelligence. It uses numerous design algorithms to select the optimal, most potent and safest candidates against a given target, taking into account not only the research stage but also the criteria required for further development. This type of rational design not only improves the final product in terms of specificity and safety, but also allows for better use and optimization of funds during its conception, validation and development, thus significantly reducing the costs associated with the drug development process as compared with conventional drug development. This software is the result of the Group's strong commitment to digitalization and Industry 4.0.

Although oncology is the Pharma Mar Group's main line of business, in 2020 it was created a **Virology unit** to research, develop and supply medicines for viral diseases. The unit's current priority is finding an effective treatment for SARS-CoV-2. In 2021, Pharma Mar received authorization from the health authorities in 12 countries (Spain, Portugal, France, Romania, the United Kingdom, Greece, Mexico, Colombia, Brazil, Argentina, Peru and South Africa) to conduct the NEPTUNO Phase III trial for the clinical development of plitidepsin as a treatment for COVID-19. The activity of plitidepsin against the SARS-CoV-2 virus was confirmed by a paper in *Science*[1] in January 2021 and, more recently, by a paper in *Life Science Alliance*[2] in January 2022.

[1] "Plitidepsin has potent preclinical efficacy against SARS-CoV-2 by targeting the host protein eEF1A"
[2] http://doi.org/10,26508/lsa.202101200

The Group's research efforts are supported by public co-funding of various projects, whether standalone or collaboration with research centers and other private companies.

In 2021, the Spanish Ministry of Science and Innovation co-funded the µMETonChip project through the Spanish State Research Agency. This involves the development of a new micrometastasis-on-a-chip platform for drug screening and validation, to be implemented by the Group's oncology area together with the Spanish National Cancer Research Center (CNIO) between 2021 and 2024.

In the area of RNA interference technology, the OLIGOFASTX project has been approved by the Centre for the Development of Industrial Technology (CDTI), an agency of the Spanish Ministry of Science and Innovation, as part of the "Science and Innovation Missions" funding round. This project involves a consortium of seven Spanish biotechnology companies coordinated by Pharma Mar Group to develop and promote new RNA-based therapies for the treatment of rare diseases. The project will run until 2024 and has a total budget of €7.4 million, of which €5.4 million will come in the form of a grant. In this area, it was also awarded the AgrarIA project on Artificial Intelligence applied to the agricultural production value chain 2050 as part of the "R&D Missions in Artificial Intelligence" funding by the Spanish Ministry of Economic Affairs and Digital Transformation.

These three projects are part of the Recovery, Transformation and Resilience Plan and are co-financed by the European Union with NextGenerationEU funds.

Moreover, the SECRET-ed project, which involves the oncology and RNA interference areas, was awarded funding under the European Commission's Horizon 2020 framework program. The project aims to maximize the potential of marine biotechnology. Over the next 4 years, new hybrid marine molecules will be developed for the agrochemical, pharmaceutical, cosmetic and chemical industries.

1.2. Strengths of the Pharma Mar Group

The Pharma Mar Group has identified the following as its main strengths:

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

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

- The Pharma Mar Group has a very well established commercial structure for oncology in Europe with the capacity to expand its portfolio with new products.

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

- The Group has numerous out-licensing agreements with various international partners for commercialization of its compounds outside Europe. These agreements represent an important source of revenue.

- Thanks to its platform for the discovery of new molecules, the Group has what is possibly the world's largest library of samples from marine organisms that can be used to develop therapeutic applications other than oncology, as demonstrated by ongoing developments in virology.

- A robust financial position from which to fund projects. The Group is profitable, generates cash and has reduced its debt by half in the last three years.

- In addition to oncology, which is the Group's main area, it is investing in other opportunities to diversify part of its business. Specifically, a virology treatment for patients with COVID-19 is under clinical development and the Group is clearly committed to digitalization through its proprietary siRFINDER software, which is enabling it to carry out several clinical trials in ophthalmology based on one of the most promising technologies in healthcare: RNA interference.

The Pharma Mar Group invests heavily in new compound research and development every year, in line with its commitment to seek innovative therapies to treat diseases for which there is no effective remedy.

In 2020, **Pharma Mar ranked second among Spanish groups in R&D expenditure as a percentage of revenues**, as it allocated 18.6% of revenues. It also ranked second in Spain in R&D spending per employee. In absolute terms, it ranked #348 in terms of private investment in R&D in the European Union, and #3 in Spain in terms of R&D expenditure. The Pharma Mar Group ranks #1,986[3] in the world in terms of R&D expenditure.

[3] "*The 2021 EU Industrial R&D Investment Scoreboard*" published on 17 December 2021 by the European Commission's Joint Research Center.

1.3. Our organization

As of 31 December 2021, the structure of the Pharma Mar Group is as shown in ***Figure 6***:

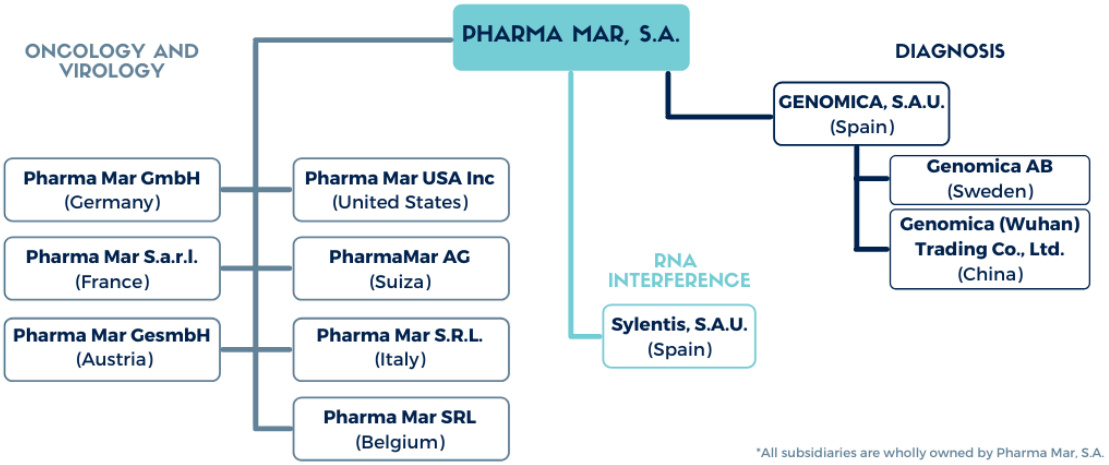


Figure 6*. Pharma Mar Group organization structure.*

1.4. Our strategy

The key components of the Pharma Mar Group's strategy are:

- Continue clinical development of lurbinectedin in small cell lung cancer and in other indications to expand its use.

- Continue clinical development of molecules currently in the pipeline to advance them through the phases of clinical trials.

- Use the unique, marine-based technology platform to continue feeding the pipeline of products in development. New molecules are expected to join the oncology clinical development pipeline.

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

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

- Continue to support Yondelis® in the European oncological community and work with partners and researchers.

- Advance with clinical and pre-clinical development in the new Virology unit.

1.5. Challenges for the pharmaceutical industry

The economic situation, the constant flow of government measures to contain healthcare expenditure, continuing concern about counterfeit products entering the supply chain, the increasing cost of research to develop new medicines, and the changes in healthcare regulations that have been introduced in recent years have had a major impact on the pharmaceuticals business. In addition, there are problems in the global supply chain that led to shortages of some raw materials and products in 2021.

The COVID-19 pandemic has led to greater public trust in the pharmaceutical industry as an essential partner in finding therapeutic solutions to unmet medical needs. This trust is a unique opportunity to analyze the challenges facing this industry and to respond to them as a key player in its contribution to social and economic progress.

Increased funding for innovation

Innovation will be the main challenge in the coming years, but it also generates new opportunities to shorten clinical development, accelerate diagnosis and improve process efficiency. The automation of both internal and external processes, and the use of information from clinical practice and digital tools make it possible to speed up drug research, improve clinical trial monitoring by shortening times, and attain better control of the medicine production and logistics chain and/or the traceability of raw materials and products from their origin to the hospital or pharmacy that supplies them to the patient.

Public-private partnerships for R&D

The challenge posed by the pandemic also highlighted the need for collaboration between the public and private sectors. In Spain, these alliances are intended to be promoted around Strategic Projects for Economic Recovery and Transformation (PERTEs). Specifically, in November 2021, the Spanish Cabinet approved the Cutting-Edge Health PERTE. This PERTE is intended to act as a backbone and driving force to boost the process of health promotion and protection based on the development and incorporation of products, innovative procedures and digital solutions that add value in the prevention, diagnosis, treatment or rehabilitation of patients in a personalized way, and enable new healthcare challenges to be met. The Cutting-Edge Health PERTE aims to integrate all the actors in the health sector, with public-private partnerships underpinning R&D[4].

Market access and relations with government

The World Health Organization (WHO) considers that access to better and more effective medicines is one of the critical challenges to improving public health worldwide[5]. In recent years, the industry has been working to make governments and health decision-makers aware of the contribution by the pharmaceutical industry to the economy, job creation, research and innovation, as an engine of development in each

[4] https://planderecuperacion.gob.es/como-acceder-a-los-fondos/pertes/perte-para-la-salud-de-vanguardia

country. Since the industry is also highly regulated and product prices are agreed with government, there is a need for more dialog between government and the industry.

Adaptation to more regulation and regulatory changes

More stringent regulations on the development of new drugs, their registration, their production and even their marketing (via price regulation) require the pharmaceutical sector to adapt to a constantly changing environment. The pharmaceutical industry must become involved in building the pillars of a sustainable healthcare system, driving its own progressive transformation as a participant with high strategic value and better addressing the health problems of society as a whole.

Greater transparency, and the role of patients

Society's demands are increasing and it expects a social commitment from all stakeholders. In this regard, pharmaceutical companies have been making considerable efforts in the area of social responsibility to ensure transparency and improve the information provided to patients, bearing in mind that in many countries, including Spain, the law prohibits the industry from talking directly to patients about products or treatments.

Greater control of the supply chain

COVID-19 also underscored the danger of concentrating production in certain countries and the consequences for production of long supply chains subject to climate shocks, pandemics and/or changes in a given country's trade policy. To address this situation, Europe is adopting a "strategic autonomy approach"[6] — a new type of globalization involving stronger alliances with like-minded partners that offers greater protection for local companies and a diversification of supply chains. In any case, the pharmaceutical industry, whose suppliers are mostly highly specialized and very diverse, needs better control of its supply chains.

1.6. Our policies and internal regulations

The Pharma Mar Group has a series of policies, procedures, plans and internal rules concerning matters that are identified as material by its materiality analysis. ***Figure 7*** shows the main internal policies and the related material issues, which are detailed in the corresponding sections.

The policies are high-level declarations by the Board of Directors. They include notably the Sustainability Policy (ESG), the Anti-Corruption Policy, and the Financial, Non-Financial and Corporate Disclosure Policy. Also noteworthy is the Director Remuneration Policy (2020-2022) approved by the General Shareholders Meeting.

In addition, each area of the Group has its own policies, issued by senior management to ensure good practices in areas such as quality, compliance and human resources,

[5] Roadmap for access 2019-2023. Comprehensive support for access to medicines and vaccines, published at https://www.who.int/medicines/access_use/Roadmap_for_access_zero_draft.pdf, retrieved on 19 February 2022.
[6] EU trade policy, published at https://ec.europa.eu/commission/presscorner/detail/en/ip_21_644 on 18 February 2021.

among other areas. They include notably the Quality, Safety and Environment Policy, the Personal Data Protection Policy, and the Telework Policy.

Other internal regulations (procedures, plans and models) were updated in 2020 and 2021 to specify how policies are to be implemented. They include the Environmental, Social and Corporate Governance Action Plan 2021-2023, the Organization and Management Model for Crime Prevention, the Integrated Quality, Safety and Environment Manual, and the Purchasing and supply management Procedure.

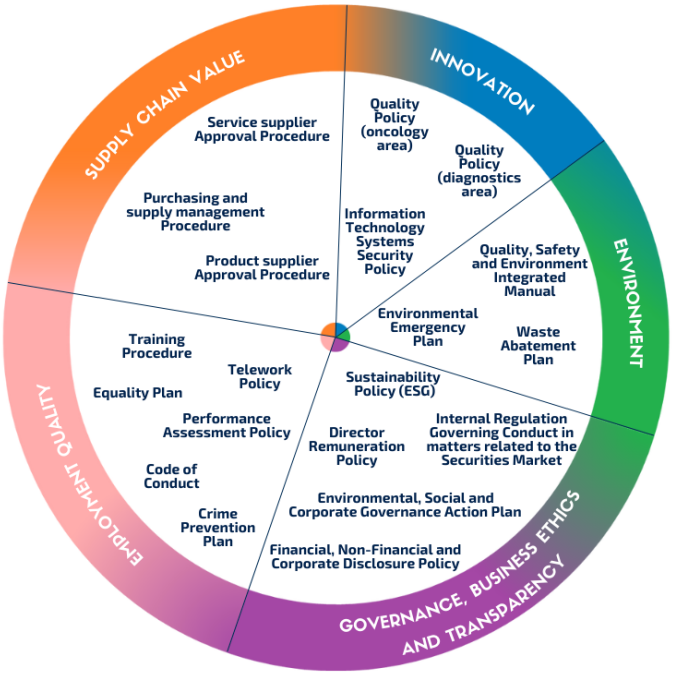


***Figure 7**. Internal policies and regulations classified according to the materiality analysis categories.*

1.7. Short-, medium- and long-term risks

Situation risks

Competition The pharmaceutical market is highly competitive and involves multinationals, small and medium-sized domestic players, and generic producers. The Pharma Mar Group's results may be affected by the launch of novel or innovative products, technical and technological progress, and the entry into the market of generics produced by competitors.
Mitigation measures: The Group invests in research and development in order to compete in this environment. Moreover, qualified, experienced professionals — of whom there are few and who are in considerable demand by competitors — are hired for positions that are vital for the efficient and timely development of new products. There is also a broad, up-to-date training program so that, where a professional needs to be replaced, the Group has the necessary personnel for the vacancy.
Materiality: Innovation; Quality Employment. Commitment to research into new products (1), People management and Human Resources policies (10), Professional training and development (talent retention) (14) and Talent attraction (15).

Timescale: Medium term.

Industrial property. Patents

Industrial property is a key asset for the Pharma Mar Group. Effective protection of industrial property is vital for ensuring a reasonable return on investment in R&D. Industrial property can be protected by registering patents, trade marks, brand names, domains, etc. Patents run for 20 years in most countries, including the USA and the European Union. The effective period of protection depends on how long drug development takes before launch. To partly offset such a long development period and the need to obtain authorization before marketing a drug, a number of markets (including the USA and the European Union) offer patent extensions in certain circumstances. Deficient protection of an invention or excessively long development times that limit the patent's useful life are risks inherent to the pharmaceutical business.

Mitigation measures: The Pharma Mar Group has a rigorous patent policy which seeks to protect both inventions obtained through its R&D activities and new formulations, production processes, medical applications and even new methods of drug administration. The Group has a system for managing its patents' life cycle, with patent departments that regularly review the patent situation in coordination with the regulatory affairs departments. It is also vigilant to detect breaches of our patents by other companies with a view to taking legal action if necessary.

Materiality: Innovation.
Knowledge protection, patentability and management (2).

Timescale: Long term.

Regulation

The pharmaceutical industry is highly regulated. Regulations cover such aspects as research, clinical trials, registration, production, technical validation of production standards, and even aspects of marketing of each drug. Regulatory requirements have become more stringent in recent times and this trend is expected to continue.
In most countries, pharmaceutical prices are controlled and regulated by the government, which has the power to authorize, disallow or even rule out reimbursement for the products. In recent years, prices have been reduced and reference prices have been approved, while the marketing and prescription of generics and biosimilar products have been facilitated.

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

Materiality: Supply chain value; Governance, business ethics and transparency.
Patient safety and wellbeing (20), Product safety and quality (21), Respect for the laws, regulations and industry codes (26), and Transparent relations with Authorities and Public Administrations (29).

Timescale: Medium term.

Capital availability

Because the markets are not always open and the Pharma Mar Group makes significant R&D investments each year, the Group seeks a range of funding sources, in both the

credit and capital markets, to finance its growth, implement its strategy and generate income in the future.
Mitigation measures: The Group has spread out its risk considerably among various credit institutions, which provides it with greater flexibility and limits the impact in the event that any of its loans are not rolled over. The Group has also issued long-term debt in order to diversify its funding sources.
Materiality: Governance, business ethics and transparency. Business model (strategy and governance) (22).
Timescale: Medium term.
Shareholders As in the case of any listed company, there is the risk that a shareholder may consider that a decision by the Board of Directors or the Group's executives is harmful to their interests as a shareholder and file a complaint.
Mitigation measures: The Group has director and executive liability insurance which covers the risk of a shareholder filing a complaint on the grounds that a decision by the Board of Directors or the Group's executives is detrimental to their interests.
Materiality: Governance, business ethics and transparency. Transparency in relations with investors and shareholders (28).
Timescale: Short term

Operating risks

Commodity prices Deviations from expected price levels and a strategy of buying and accumulating inventories of raw materials may expose the organization to excessive production costs and to losses on inventories.
Mitigation measures: The Group conducts an in-depth analysis of prices at the beginning of the year and tries to obtain a closed price for the year from its suppliers. The products' cost prices are set on this basis. These are monitored monthly in case any modifications are necessary.
Materiality: Supply chain value. Quality in managing outsourcing and suppliers (18)
Timescale: Short term
Patient safety Failure to appropriately collect, review, track or report human safety information, including adverse events, from all potential sources, and to act on any pertinent findings in a timely manner might compromise Pharma Mar Group's ability to conduct robust detection and interpretation of safety signals and to ensure that appropriate decisions are made regarding the risk/benefit profile of its products, including the completeness and accuracy of product labels and the conduct of any additional studies/analyses. This might result in harm to patients, reputational damage, product liability claims or other litigation, government investigations, regulatory action such as fines and penalties, and loss of product authorization.
Mitigation measures: The Group has a Pharmacovigilance Department which is responsible for compliance as part of a Group-wide policy. This policy ensures the protection of patients both in clinical trials and when the medicine has been authorized.

The pharmacovigilance organization monitors any adverse effects of products during clinical trials and subsequent commercialization. Information about product side effects is received from a variety of sources, including unprompted reports from healthcare professionals and patients, regulatory authorities, medical and scientific literature, conventional media and social media. Pharmacovigilance involves all employees, who must immediately report any problems related to product safety or quality; consequently, specific training on this subject is mandatory for all employees every year. The Pharmacovigilance Department is responsible for oversight, exception monitoring and training to ensure that safety information is gathered and reported to the appropriate central safety department, in accordance with the policy and the law. There is also a Quality Unit whose mission is to ensure patient safety and protection by verifying compliance with the best practices (GxP: GLP, GCP, GVP, GMP and GDP) applicable to Pharma Mar (see chapter 3. "Supply chain value"). The unit holds ultimate responsibility for ensuring that activities associated with the design, development and execution of non-clinical and clinical trials and the manufacture of active ingredients and drugs are performed systematically, in accordance with approved protocols and procedures and in compliance with all applicable legal requirements and regulations and, most importantly, while safeguarding patients' rights, safety and wellbeing.

Materiality: Supply chain value.
Quality in customer management (19), Patient safety and wellbeing (20), and Product safety and quality (21).

Timescale: Short term.

Employee health and safety

Failure to provide a safe workplace for its employees would expose the Group to sizable expenses and a loss of reputation.
Direct exposure of laboratory personnel to new natural or synthetic compounds whose possible adverse effects are unknown creates a theoretical health and safety risk in addition to the standard risk of handling chemicals.

Mitigation measures: Workplace health and safety is monitored exhaustively in pursuit of continuous improvement. The Group has implemented a workplace health and safety system which is audited regularly to ensure compliance.
The Company has also arranged casualty and third-party liability insurance.
Pharma Mar, S.A., whose workforce accounts for 72.2% of the Group's employees, is certified to the OHSAS 18001 Occupational Health and Safety Management standard. Additionally, in 2020, Pharma Mar's workplace health and safety systems were certified in accordance with ISO 45001, which represents a new approach based on the organization's internal and external context.

Materiality: Employment quality.
Health and safety (12)

Timescale: Short term.

Environmental

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

Mitigation measures: The Group's production processes generally have a very low risk of environmental impact (noise, smoke, discharges, etc.).

Waste management is outsourced to recycling and waste management companies that are authorized by the pertinent environmental administration. Regular compliance checks are conducted and, where necessary, atmospheric emissions are monitored, water purification systems are installed and the Group has designated points for depositing separated waste. Pharma Mar, S.A. is certified to the ISO 14001 standard, a management tool for the systematic oversight of the degree of interaction between the companies' activities and processes and the environment, the goal being to enhance environmental performance and minimize the impact. The environmental management system is audited annually by independent firms.

Materiality: Environmental management.
Environmental management approach and objectives (4), Circular economy and waste abatement (6), Sustainable resource use (7), and Climate change (8).

Timescale: Long term.

Product development

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

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

Materiality: Innovation.
Commitment to research and development of new products (1).

Timescale: Long term.

Information risk

Information systems and cybersecurity

If the Group's information systems malfunctioned or were not sufficiently robust, this might adversely affect the continuity of the organization's critical processes and operations.
If the computer security and access control systems failed to work properly, this might lead to unauthorized knowledge, unauthorized access to or untimely delivery of data, and misuse of confidential information.

Mitigation measures: The Pharma Mar Group is aware of the importance of computer systems to support the main business processes; for that reason, it continuously invests to maintain the infrastructure and information systems, and to keep its physical and legal security policies aligned with technological progress.
The Pharma Mar Group has a strategic plan for Information Systems whose main objective is to align the information technology strategies with the company's strategic objectives, guarantee compliance with the strict regulatory framework, and ensure efficacy, security and robustness of the information systems that support the company's business processes.
The strategic plan for Information Systems addresses key issues for attaining those goals, including:

- Organization, roles and responsibilities within the information technology (IT) unit. - Corporate computing architecture and infrastructure. - Catalog of corporate services provided by the Information Systems unit. - Quality assurance and compliance commitments. - General policies and procedures of the IT unit. - Information security policies, procedures and infrastructure. Where third-party technology infrastructures or IT solutions are used, the Group has service level agreements to minimize the impact on its operations of any degradation in those services.
Materiality: Innovation, Supply chain value. Knowledge protection, patentability and management (2), Quality in managing outsourcing and suppliers (18), and Quality in customer management (19).
Timescale: Short term.
Market disclosures The Group is obliged to disclose certain financial information and make other regulatory disclosures that must be truthful, complete and timely. Failure to comply carries the risk of punishment and of a loss of credibility. Breach of transparency and not-compliance with market integrity rules are classified as a serious or very serious violation of current law, incurring punishment under the consolidated text of the Securities Market Act, with the possibility of reputational damage to the Company and/or loss of credibility among investors.
Mitigation measures: Pharma Mar's Board of Directors and certain of the company's executives and employees have access to inside information about the Group's performance. There are control systems in place in order to be aware of who is in possession of such information at any given time, mainly in order to comply with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and with Spain's Securities Market Act, in the area of inside information. That Regulation includes a tool enabling the regulator to investigate potential market abuses relating to such information by means of the insider list of all persons with access to inside information, which the Company must compile and maintain up-to-date. The Internal Code of Conduct (IRC) Monitoring Committee, made up of five members appointed by the Board of Directors, will ensure the proper application of the IRC in matters related to the securities market.
Materiality: Governance, business ethics and transparency. Transparency in relations with investors and shareholders (28), and Transparent tax information (27).
Timescale: Short term.

***Table 2**. Short-, medium- and long-term risks.*

Financial risk

The financial risks are described in the consolidated financial statements.

2. Employment quality

Our commitment

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

2.1. People management

For the Pharma Mar Group it is fundamental to **promote a working environment based on respect and on personal and professional development**. The Group's Code of Ethics establishes the guidelines governing the conduct of all of employees in their daily work and, specifically, with regard to relations with stakeholders.

Management of human resources and relations between employees must always be based on respect, rejecting any form of physical, psychological or moral abuse, or the abuse of authority, and any other conduct that might breach a person's individual rights or dignity.

The Group's materiality analysis establishes as a material issue in terms of employment quality:

- Training and professional development (talent retention).
- Talent attraction.
- Equality.

The Group applies a number of protocols and policies that enable it to adapt to emerging challenges and demands in the labor market so as to ensure implementation of flexibility mechanisms to facilitate a work-life balance. These include most notably:

- The general Human Resources regulations relating to the regulation of work hours, the use of common areas, rest periods, vacations and, in general, the rights and duties of the company's employees in the work environment.
- Recruitment Policy (directly or through employment agencies).
- Training Procedure.
- Performance Assessment Policy.
- Telework Policy and other actions aimed at boosting flexibility.
- Control and logging of hours worked.
- Policy on hiring interns.

+EMPLOYMENT

PHARMA MAR

Additionally, the measures implemented in 2020 to prevent the spread of COVID-19 among employees remained active in 2021. Further information is provided in the section on the health and safety of the Group's employees.

2.2. The evolution of the workforce in 2021

The average number of employees was calculated taking into account the entire consolidation scope of the financial statements (see section 1. About Pharma Mar. Our organization), including all Pharma Mar's subsidiaries, direct or indirect.

In 2021, the Sygris data management platform was used to prepare this information on the Group's workforce, which makes it possible to analyze, manage and disclose sustainability information. This platform was developed by Cambridge Business Initiative (CBI), a Spanish company that develops technology solutions for smart data management. In 2020, Pharma Mar had used this platform to obtain average headcount and average remuneration figures and to calculate the gross and weighted pay gap.

Average headcounts were calculated on the basis of a 360-day year.

Breakdown of employees by gender, age, company, country and professional category

In 2021, the Pharma Mar Group employed an average of 477 people, of whom 62% were women (443 people, of whom 62% women, in 2020), as shown in ***Figure 8***.

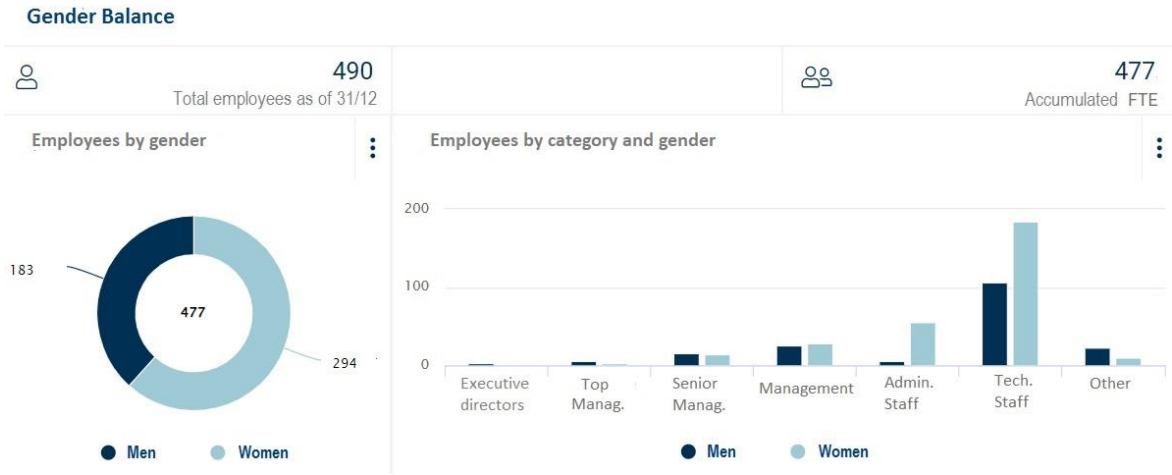


***Figure 8**. Pharma Mar Group gender breakdown *Cumulative FTE is the average of all the workers who were employed at any time during the year.*

At year-end 2021, 6.1% of the workforce was aged under 30, and 33.7% of the workforce was aged over 50 (in 2020, 4.7% and 34.5%, respectively), indicating a certain rejuvenation of the workforce.

In 2021, an average of 412 people, 86.4% of the Group's headcount, worked in Spain (375 people and 84.6%, respectively, in 2020), and an average of 65 workers, 13.6% of the Group's headcount, worked outside Spain (68 workers and 15.3%, respectively, in 2020). These figures are shown in ***Table 3***.

In 2021, 17% of the Group's employees had a nationality other than Spanish.

Av. No. employees	Spain			International		
	Pharma Mar	Genomica	Sylentis	Europe	Rest of the world	Total
Men	139	15	6	21	2	**183**
Women	205	29	18	39	3	**294**
TOTAL	**344**	**44**	**24**	**60**	**5**	**477**

***Table 3**. Average number of Pharma Mar Group employees by geography.*

Nationality	Men	Women	Total
Germany	8	12	20
Argentina	3	0	3
Austria	0	5	5
Belgium	1	5	6
Canada	0	1	1
China	0	1	1
Cuba	1	0	1
Spain	150	247	397
USA	1	1	2
France	7	8	15
Italy	8	11	19
Peru	0	1	1
United Kingdom	2	0	2
Romania	0	1	1
Russia	1	0	1
Sweden	1	1	2
TOTAL	**183**	**294**	**477**

Category	Men	Women	Total
Executive directors	2	0	2
Senior managers	5	3	8
Management	15	14	29
Middle management	26	28	54
Technical staff	107	184	291
Clerical and similar staff	6	55	61
Other	22	10	32
TOTAL	**183**	**294**	**477**

Age	Men	Women	Total
<30	11	18	29
31-40	33	64	97
41-50	64	126	190
51-60	60	75	135
>61	15	11	26
TOTAL	**183**	**294**	**477**

***Table 4**. Average number of employees classified by nationality, category and age range.*

The average number of employees by nationality (***Table 4***) was calculated using their current nationality, not their nationality of birth or previous nationality. Accordingly, employees originally from Morocco, Lebanon, Bosnia or Colombia are listed with their current nationalities (Spanish, French, etc.).

Breakdown of workforce by work day duration

In 2021, the annual average number of part-time employees was 6.7%, while 93.3% had full-time contracts (7.9% and 92.1%, respectively, in 2020). In 2021, 10% of women and 1% of men were part-time (12% and 1%, respectively, in 2020). The highest percentage of part-time workers is in the 31-40 age group: 11% (14% in 2020). These figures are shown in ***Table 5***.

Gender	Full-time	Part-time	Total
Men	181	2	183
Women	264	30	294
Total	**445**	**32**	**477**

Age	Full-time	Part-time	Total
<30	27	2	29
31-40	86	11	97
41-50	173	17	190
51-60	133	2	135
>61	26	0	26
Total	**445**	**32**	**477**

Category	Full-time	Part-time	Total
Executive directors	2	0	2
Senior managers	8	0	8
Management	29	0	29
Middle management	52	2	54
Technical staff	269	21	290
Clerical and similar staff	**55**	**7**	**62**
Other	**30**	**2**	**32**
Total	**445**	**32**	**477**

***Table 5**. Average number of employees by work day duration.*

Distribution of workforce by type of employment contract

In 2021, an annual average of 98.1% of employees had indefinite contracts, compared with only 1.9% on temporary contracts (97.9% and 2.1%, respectively, in 2020) (***Table 6***).

Gender	Indefinite	Temporary	Total
Men	181	2	183
Women	287	7	294
Total	**468**	**9**	**477**

Age	Indefinite	Temporary	Total
<30	25	4	29
31-40	94	3	97
41-50	189	1	190
51-60	134	1	135
>61	26	0	26
Total	**468**	**9**	**477**

Category	Indefinite	Temporary	Total
Executive directors	2	0	2
Senior managers	8	0	8
Management	29	0	29
Middle management	54	0	54
Technical staff	283	7	290
Clerical and similar staff	60	2	62
Other	32	0	32
Total	**468**	**9**	**477**

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

Number of terminations, by gender, age and professional category

In 2021, there were 86 new hires (61 in 2020) — 54 women and 32 men — and a total of 50 employees left the company (28 in 2020), 13 of which were involuntary terminations (16 in 2020).

Table 7 below shows the number of terminations by gender, age and professional category. The numbers are actual figures, not averages.

Age	Gender	Management	Middle management	Clerical and similar staff	Technical staff	Total
<30	Men	0	0	0	2	2
	Women	0	0	1	0	1
41-50	Men	2	2	0	1	5
	Women	0	0	1	1	2
51-60	Men	0	0	1	2	3
	Women	0	0	0	0	0
	TOTAL	**2**	**2**	**3**	**6**	**13**

Table 7*. Number of involuntary terminations by gender, age and professional category.*

Employees with disabilities, by gender and professional category

Pharma Mar, S.A. has claimed an exemption from the requirement to hire workers with disability and has made alternative arrangements with Madrid Region registered Special Employment Center number 286[7]. The arrangement entails hiring a special employment center (a travel agency); billings through that center enable Pharma Mar to fulfill its mandatory quota by spending at least three times the IPREM (Spain's multi-purpose income index) per worker with disability not hired.

Table 8 below shows the total number of employees with disabilities in the Pharma Mar Group, by gender and professional category, in 2021 and 2020.

Year	Gender	Middle management	Technical staff	Clerical and similar staff	Other	Total
2021	Men	0	2	2	0	**4**
	Women	0	1	1	0	**2**
2020	Men	1	2	1	1	**5**
	Women	0	0	2	0	**2**

Table 8*. Employees with disabilities by gender and professional category.*

[7] According to the Resolution of the Directorate General of the Public Employment Service, Department of Economy, Employment and Finance of the Madrid Regional Government dated 14 June 2016 and File 61/2016.

2.3. Wage gap and average remuneration

The Pharma Mar Group is committed to effective equality, providing equal opportunities and equal pay, regardless of gender, for jobs of equal value.

This report uses the pay gap analysis with the structure and methodology established in 2020, for which Pharma Mar received external advice from consulting firm CBI, which allowed for a more in-depth analysis of the pay gap, seeking to standardize the information and detect any distorting elements.

The gross pay gap was calculated as the percentage difference between the average pay received by men and women.

Gross Gap = [(Men's average remuneration - Women's average remuneration) / Men's average remuneration] X 100

Calculation of average remuneration:

- Both fixed and variable remuneration were taken into account, including both cash and benefits (medical insurance, company cafeteria, vehicle, etc.), and excluding overtime, severance payments and the value of shares delivered free of charge to employees who decide to participate in the employee share ownership plan. The shares are offered to all employees under the same conditions and for the same amount, but participation in the Plan is voluntary and, therefore, this is not a form of remuneration decided by the employer. Nevertheless, the amount is not material with respect to total remuneration.
- The annualized amount of the remuneration of employees who left the Company during the year includes fixed salaries and benefits. After the calculation, one-time or one-off payments, such as bonuses, are added. Since those items were annualized in 2020, the figures for that year were recalculated to facilitate comparison between years.
- The calculation refers solely to workplaces in Spain, which account for 99% of the workforce, and excludes the employees in the USA (3 employees) and China (2 employees), who account for the other 1%. This was done in order to avoid the distorting effect of applying exchange rates.
- Executive directors' fixed and variable remuneration are not included in the Group's average remuneration, although they are disclosed in the table of average remuneration by category.
- Internship contracts are not included in the calculation of average remuneration.
- Average remuneration was calculated on a cash basis unless otherwise specified. Figures are expressed in euro.

The weighted pay gap is calculated by applying econometric models that make it possible to isolate the effect on wages of differences between men and women, both in terms of their socio-economic characteristics (age, seniority, level of education or academic choices) and the jobs they hold (working hours, type of occupation, etc.).

Accordingly, adjusted pay gaps are a more reliable indicator of whether men and women receive the "same pay for the same work".

Calculation of the Pharma Mar Group pay gap

The Pharma Mar Group's factor weighted gender pay gap was 5.4% in 2021 (3.3% in 2020), calculated with the econometric model in the CBI application as the average, weighted by the number of women, of the existing pay gap between men and women who have the same attributes. In the case of people who do not have an equivalent person of the opposite gender with whom to compare, the average of the attribute in which they do coincide is taken as the value. The model used by Pharma Mar takes account of the professional category and seniority as attributes for adjustment. In the case of seniority, recognition of the person's contribution to the company and the labor market conditions at the time they were hired are used as differentiating elements. ***Table 9*** shows the calculation of the gap by professional category weighted by employee seniority.

Category	Weighted gap	Contribution to the weighted gap
Senior managers	8.1%	0.1%
Management	8.6%	0.4%
Middle management	-7.1%	-0.7%
Technical staff	10.2%	6.6%
Clerical and similar staff	-7.1%	-1.3%
Other	7.6%	0.2%
	Weighted gap	**5.4%**

Table 9*. Weighted pay gap by professional category.*

The Group's gross pay gap stands at 24.7% (25.2% in 2020, excluding the extraordinary bonus received by some employees, or 28.9% if the bonus is included).

The changes in both the gross and weighted gaps are due to employee turnover (14.3% in 2021).

Tables 10 and 11 show the pay gap in 2021 by professional category and age. In both cases, the data are additionally broken down according to whether the workplaces are located in Spain or in the rest of Europe.

Category	Pharma Mar Group	Spain	Europe
Senior managers	25.3%	25.3%	-
Management	14.6%	10.5%	29.7%
Middle management	6.4%	7.8%	-10.0%
Technical staff	11.6%	14.4%	-3.2%
Clerical and similar staff	-10.9%	-19.3%	18.3%
Other	4.5%	4.5%	-

Table 10*. Gross pay gap by professional category.*

Age range	Pharma Mar Group	Spain	Europe
<30	7.4%	7.4%	-
31-40	14.4%	4.3%	53.5%
41-50	23.9%	27.2%	4.0%
51-60	16.1%	12.6%	31.4%
>61	28.7%	32.9%	-34.4%

***Table 11**. Gross pay gap by age range.*

Average remuneration and changes, by gender, professional category and age

The average remuneration of the Pharma Mar Group's total workforce in 2021 was €74,578.10 (€73,455.59 in 2020, excluding the extraordinary bonus, or €77,085.24 if it is included). Accordingly, there was a slight increase in the average remuneration in 2021 comparative terms, excluding the extraordinary bonus paid the previous year.

Tables 12 & 13 show the Pharma Mar Group's average remuneration in 2021 by gender, professional category and age, and the comparison with 2020. Average remuneration figures are also broken down by geographic area, distinguishing between workplaces in Spain and those in other European countries.

Category	Pharma Mar Group				Spain		Europe	
	2020		2021		2021		2021	
	Men	Women	Men	Women	Men	Women	Men	Women
Executive directors*	719,562	-	674,271	-	674,271	-	-	-
Senior managers	320,234	238,213	357,360	267,091	357,360	267,091	-	-
Management	221,364	173,983	219,243	187,285	216,303	193,676	226,886	159,589
Middle management	109,100	99,049	109,077	102,133	111,385	102,650	88,304	97,142
Technical staff	67,232	57,950	65,359	57,791	60,131	51,452	94,691	97,723
Clerical and similar staff	33,801	40,437	37,802	41,927	34,095	40,671	60,046	49,044
Other	33,777	33,020	36,074	34,449	36,074	34,449	-	-

***Table 12**. Average remuneration by professional category.* *Due to the incorporation of a managing director in the diagnostics area, the number of executive directors increased from 2 to 3 although, because that person was hired in the fourth quarter, only 2 FTEs appear in preceding tables.

Age	Pharma Mar Group				Spain		Europe	
	2020		2021		2021		2021	
	Men	Women	Men	Women	Men	Women	Men	Women
<30	26,991	28,468	30,962	28,682	30,962	28,682	-	-
31-40	47,140	41,584	50,203	42,988	42,916	41,072	142,503	66,301
41-50	85,207	66,499	87,408	66,475	84,076	61,199	102,272	98,132
51-60	119,810	87,902	110,290	92,559	106,501	93,043	131,889	90,531
>61	122,072	101,205	147,637	105,315	152,616	102,473	87,888	118,101

***Table 13**. Average remuneration by age.*

The executive director category includes their fixed remuneration for executive functions and the variable remuneration paid to the executive chairman, as well as compensation in kind such as communication equipment, prestige offices, support staff, security systems and staff, and a high-end vehicle, which amounted to a total of €327 thousand in 2021 (€337 thousand in 2020).

Average remuneration for directors and executives

The average remuneration for directors and executives is calculated on an accrual basis as specified in the Annual Report on Director Remuneration.

Average director remuneration

The remuneration of the members of the Board in their capacity as such is governed by the Director Remuneration Policy 2020-2022, which was approved by the Shareholders' Meeting on 15 April 2021.

The remuneration detailed below is that received by directors for their status as such, and excludes the fixed and variable remuneration paid to executive directors for performing executive duties (also set out in the Director Remuneration Policy 2020-2022), which is disclosed in ***Table 12***.

Remuneration for directors includes fixed amounts they receive as members of the Board of Directors and its committees (Executive Committee, Audit Committee, and Appointments, Remuneration and Sustainability Committee), fees for attending meetings of the Board and committees, the remuneration for the Lead Director, and contributions to savings schemes.

Table 14 shows the breakdown by gender of each remuneration item and the remuneration corresponding to each item:

	2020				2021			
	Number		Remuneration		Number		Remuneration	
	Men	Women	Men	Women	Men	Women	Men	Women
Member of the Board	7	4	68,675	68,675	7	4	70,049	70,049
Member of the Executive Committee	3	-	135,123	-	3	-	137,826	-
Chairman - Other committees	1	1	23,315	23,315	2	-	23,781	-
Member - Other committees	4	3	17,901	17,901	3	3	18,259	18,259
Board meeting attendance fees	-	-	3,934	3,934	-	-	4,013	4,013
Committee meeting attendance fees	-	-	1,785	1,785	-	-	1,820	1,820
Lead director	1	-	17,901	-	1	-	18,259	-

Table 14*. Director classification by gender and remuneration.*

As of 31 December 2021, there were 11 directors, four of whom were women (11 directors, including four women, in 2020).

Pharma Mar's remuneration policy seeks to align the interests of the shareholders with prudent risk management and moderation and balance, bearing in mind that the quality and commitment of the members of the Board of Directors is essential for implementing the Group's strategy. Remuneration must encourage dedication without compromising independence.

Executive remuneration

The information in this item refers to average remuneration for senior executives, i.e. those who report directly to the Board of Directors or to a director[8] and who may only be appointed or removed by the Board of Directors of Pharma Mar, in accordance with Spanish law.

As of 31 December 2021, there were eight senior executives, of whom three were women (nine senior executives, of whom four were women, in 2020). As shown in the table of remuneration by category, the average remuneration for senior executives in 2021 was €357,360 for men and €267,091 for women (2020: €320,231 and €238,212, respectively).

CEO pay ratio

The CEO pay ratio is calculated as the proportion between the remuneration paid to the Pharma Mar Group's CEO and the median compensation of all employees, excluding the CEO. In 2021, the CEO was paid 28.3 times the company's median wage (22.3 in 2020). ***Table 15*** shows the CEO pay ratio vis-à-vis the average remuneration by professional category.

Category	*CEO pay ratio*
Senior managers	4.7
Management	7.5
Middle management	14.5
Technical staff	25.3
Clerical and similar staff	36.9
Other	43.0

Table 15. *CEO pay ratio vs. average remuneration by professional category.*

2.4. Labor relations

The Company is party to the **Chemical industry wage agreement** (currently number 20, in force in 2021-2023), which applies to 100% of employees in Spain.

[8] In line with the criteria set out in Article 249 bis of the Capital Companies Act.

At 2021 year-end, all the employees at the European subsidiaries were covered by a collective agreement, except in Germany, where there is no such agreement in the industry, and Sweden, where the current labor legislation applies. The applicable collective bargaining agreements are:

- "*Contratto Collettivo Nazionale dei Chimici 2019-2022*", in Italy.
- *"Convention collective nationale de l'industrie pharmaceutique. Édition du 1er juin 2020. IDCC 176"*, in France.
- *"Les conventions collectives de travail conclues au sein de la CPAE. Édition 2020"*, in Belgium.
- *"Kollektivvertrag für Angestellte und Lehrlinge in Handelsbetrieben, 1. Jänner 2021"*, in Austria.

Only the French subsidiary has a works committee.

The Group uses the intranet to provide its employees with information concerning legislation, policies and procedures, internal organization, departmental organization, and news items and activities connected with the company.

2.5. Work organization

The Spanish Chemical Industry Labor Agreement stipulates a total of 1,752 working hours per year per employee. This translates into a 40-hour week which employees may distribute so as to have Friday afternoons off. Pharma Mar employees may start their working day any time between 8:00 and 9:30.

This flexibility and the single shift seek to promote work-life balance in order to increase the time dedicated to the family and other personal activities.

Work-life balance measures in the oncology area also include a telework policy adapted to the needs of each job and each area of interest, since this option is not always available depending on the employee's duties. Teleworkers are provided with appropriate infrastructure and resources to enable them to connect with their teams from home. The efficiency of this approach is monitored based on specific metrics and goals. As of 31 December, 22.6% of the employees had opted for some form of telework.

For their convenience and to enable them to save time and money, Pharma Mar employees also have access to its cafeteria, where a daily meal is available free of charge. The company also offers a takeaway menu for employees to consume outside working hours or off the premises if they so wish. At premises where there is no cafeteria, there is a restaurant voucher system.

2.6. Managing talent through training

There is a **training procedure** focused exclusively on general training of the Group's staff. Given the heterogeneous nature of the professional categories in the organization,

these are subject to various highly skilled training regulations, demands and requirements which are managed by the various departments.

Managers indicate whether there are any employees in their departments who might benefit from specific training or an improvement in their technical, commercial or linguistic skills. Employees also take part in courses and seminars to boost their skills.

The Human Resources Department performs three functions in this connection:

- It manages, promotes and delivers the general training aimed at developing skills and languages. It also provides technical training applicable to broad interdepartmental groups.

- It approves, supervises, controls, records and keeps track of the information on all the training actions and attendance at conferences by all Group staff. These functions are executed through:
    - The Training Procedure, which includes each department's Annual Training Plan, is available to all employees on the Intranet
    - Applications for training.
    - Records of attendance.
    - Training database.

- It manages FUNDAE subsidies.

Table 16 displays the total hours of training in the Group, by professional category.

Category	2020*		2021	
	No. of people	Training hours	No. of people	Training hours
Senior managers	9	85	10	137
Management	20	638	27	878
Middle management	93	2,786	105	4,020
Technical staff	109	3,858	147	4,100
Clerical and similar staff	180	5,520	205	6,126
Other	4	47	3	83
Total	**415**	**12,934**	**497**	**15,344**

Table 16*. Total training hours by professional category. * Training hours were recalculated because the training database is a dynamic one that is fed as attendance certificates are obtained for scheduled courses. Therefore, in some cases, the reported data may not match that reported in the previous NFIS. In 2020, 10,551 hours were recorded, and the accumulated data extracted from the database as of the date of this report is 12,934 hours.*

2.7. Universal access for persons with disabilities

Pharma Mar's facilities are **accessible to people with reduced mobility**. This accessibility begins as soon as they arrive at the facilities, where there are reserved parking spaces for persons with disabilities. All accesses have ramps. There are elevators inside the facilities. There are wheelchair-accessible toilets which are fully equipped to facilitate their use.

2.8. Committed to equality and diversity

In 2021, Pharma Mar was one of the 30 companies to be included in the Ibex Gender Equality Index, the first index in Spain that measures the presence of women in management positions and whose objective is to promote gender equality in line with the UN's Sustainable Development Goal 5. To be included in the index, women must represent between 25% and 75% of the Board of Directors and between 15% and 85% of senior management.

The Pharma Mar Group Code of Conduct does not tolerate any type of discrimination based on gender, race, sexual orientation, religious beliefs, political opinions, nationality, social background, disability or any other circumstance that might be a cause of discrimination. All vacancies are open to both genders and remuneration is established in accordance with candidate's experience and effective capabilities.

There is also a Plan for Equal Opportunities between Women and Men[9], which sets out the company's commitments in connection with:

- Access to employment.
- Promotion.
- Training.
- Remuneration.
- Work-life balance.
- Occupational health.

The plan is currently being updated to bring it into line with Royal Decrees 901/2020 and 902/2020, dated 13 October, which regulate equality plans and their registration, as well as equal pay for women and men. At the end of 2021, the Sagardoy consulting firm completed the remuneration audit in the oncology area of the Pharma Mar Group, and the rest of the process to complete the update of the Equality Plan is pending.

In order to promote diversity, job offers are published widely and the company always seeks the best candidate for each position, regardless of their origin. For example, there are 16 different nationalities working in the Pharma Mar Group (18 in 2020), with a very positive impact in terms of the variety of languages, origins and cultures.

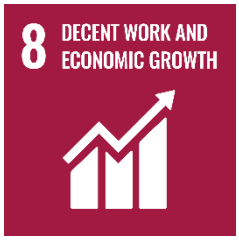
Moreover, Pharma Mar Spain has a Protocol for Action on Workplace Harassment.

2.9. Health and safety

This section on health and safety refers to Pharma Mar, S.A. (which accounts for 72% of the Group's workforce); however, the absenteeism, and accident data and COVID-19 rate data refer to the entire Group.

[9] In accordance with Organic Act 3/2007, of 22 March

Pharma Mar has had a risk management system for over twelve years. Until 2020, it conformed to **OHSAS 18001; since 2020, it has conformed to the ISO 45001** standard for occupational health and safety management systems, audited by Lloyds Register Quality Assurance. This certification is evidence of Pharma Mar's strong commitment to best practices in this domain and the priority it attaches to its employees. This certification evidences that employee health is an integral part of the company's management system, in line with SDG8, which aims to ensure healthy lives and promote well-being for all, at all ages.



Pharma Mar carries out a broad program of occupational risk prevention. Training and awareness-raising programs are conducted to ensure employees' safety[10]. A total of 13 courses in this area were taught during the year.

There are also occupational risk prevention plans, a self-protection and emergency plan, as well as evacuation plans and drills, which are given to each employee individually and are available to all employees on the corporate intranet. All offices have signage indicating emergency exits and fire extinguishers. All safety systems are periodically tested by specialized companies to ensure that they are fit for use if necessary and that the facilities are always maintained in compliance with safety standards.

Four drills were conducted in different areas of the company's facilities in 2021.

With regard to employee healthcare, the Group goes beyond the strict requirements of the law. Check-ups include broad blood and urine analyses to enable employees to monitor their general state of health.

A newer concept, arising from the objective of effectively integrating safety into everything the company does, is "participatory ergonomics", based on the identification and prevention of ergonomic risk in the workplace based on tools and protocols that provide for the direct participation by both the company and the workers. In this regard, the Group provides all the ergonomic elements that any employee might need (approved chairs, ergonomic mice, footrests, etc.).

Lost time[11] at the Pharma Mar Group totaled 28,904 hours in 2021 (33,479 hours in 2020). The increase in lost time in the last two years as compared with the preceding years is attributable to COVID-19.

As for the Group's accident rate, there were eight workplace accidents in 2021 (6 that resulted in lost time and 2 that did not) and four commuting accidents (3 that resulted in lost time and one that did not).

Below are the accident incidence, frequency and severity rates for the oncology area in 2021 and 2020 and those for the industry for the same period (***Table 17***).

[10] In accordance with Act 31/1995, of 8 November.

[11] The Group calculates time lost as including temporary disability (sick leave due to common illnesses and work accidents, excluding paid leave for maternity, paternity, vacations, etc.).

	Oncology area 2020	Industry 2020	Oncology area 2021	Industry 2021
Incident rate	0.00	13.56	5.66	6.42
Frequency rate	0.00	7.53	3.14	3.57
Absolute frequency	3.54	20.09	11.00	11.96
Severity rate	0.00	0.11	0.27	0.09

***Table 17**. Workplace accident incidence, frequency and severity rate in oncology*

There were zero accidents in the diagnostics and RNAi areas in 2021 (zero in 2020).

The increase in accident severity in the oncology areas in comparison with the industry in 2021 is due to two cases of long-term leave (three and six months). No occupational illnesses or illnesses having a direct relationship with the activities performed by the Group have been reported.

In 2021, there were 74 positive tests for COVID-19 in the Group, compared with 61 in 2020. All the hygiene and safety measures adopted the previous year in relation to COVID-19 were maintained.

Additionally, in 2021, more than 5,500 antigen tests were performed on our employees on a routine basis to ensure safety in the workplace. Over 200 PCR tests were performed as a preventive measure. In 2020, 1,700 PCR tests were performed, due to the fact that antigen tests were not available until the end of that year.

General expenses directly related to COVID-19 protection amounted to €94,130.36 in 2021, broken down in ***Table 18***. The use of antigen testing and the reduction in the price of PCR tests and masks led to a reduction in COVID-19-related costs (€265,439 in 2020) without undermining employee protection.

COVID-19 expenses	2020	2021
Protective equipment	40,086.00	17,089.96
Diagnostic tests	225,353.00	77,040.30
Grand total	**265,439.00**	**94,130.26**

***Table 18**. Expenses related to COVID-19.*

A new Contingency and Business Continuity Plan was created in 2021 to address emerging risks. The purpose of this plan is to define the actions and measures to be taken to ensure continuity in the face of the risk that may arise due to a pandemic in order to avoid interruption and ensure normal conduct of business in the face of such a threat.

Business continuity management seeks to sustain production and critical business services at previously defined and accepted levels by structuring procedures, technology and information in order to protect stakeholders' interests and the company's reputation, finances, critical assets and other value-generating aspects.

3. Supply chain value

Our commitment

is to incorporate environmental, social and governance factors into our relationships with third parties and to promote the creation of long-term value.

The Pharma Mar Group interacts with a large number of suppliers of products and services, who constitute one of its main stakeholder groups. For this reason, the responsibility for ensuring the quality of products and the well-being of patients are material issues for the Group.

3.1. Supplier management

The Procurements Department manages the supplier selection process in conjunction with the department requesting the product or service. The goal is to achieve mutual benefit for the company and the supplier as well as fulfilling commitments and playing a leading role in sustainability, by ensuring that procurements respect both society and the environment.

The Procurements Department has implemented and systematized supplier selection and assessment processes, which must be applied to ensure impartiality, ethical behavior and transparency. Accordingly, the Group **asks suppliers to behave in a socially responsible manner** and, to this end, is in the process of implementing an Audit Paper to require documentation that demonstrates this behavior.

Local suppliers are given preference over non-local suppliers, and domestic suppliers over international suppliers, thus promoting the economic development of the locality, region and country. Procurements are made in conditions of equality without increasing the Group's risk or diminishing its competitive advantage.

The Procurement Department and suppliers work closely together to optimize supply. This has resulted in, inter alia, improvements in online purchasing and in delivery times from certain suppliers, to the satisfaction of both parties.

Employees involved in procurements must comply with and promote compliance with basic ethical standards in relations with contractors, suppliers and the market. These rules are set out expressly in the Code of Conduct.

Approval of suppliers

As a general rule, **all suppliers of products and services must be approved**, although the approval requirements vary in accordance with the product or service they offer.

The approval process is implemented in coordination with the areas involved so as to guarantee that the chosen supplier meets the minimum legal requirements as regards

quality and sustainable procurement (e.g. gender equality and workplace safety). To this end, documentary proof of the supplier's environmental and quality certifications is always requested.

In 2021, two on-site supplier audits were conducted despite the health protocols imposed as a result of the pandemic situation. Both audits addressed ISO 14001 certification and sustainability measures.

3.2. Procurement Policy

The Procurement Policy seeks to optimize the expenditure in each procurement category and ensure that it contributes the greatest possible value from the supply markets. Procurement decisions take account of at least the following aspects:

- **Security** of supply: The extent to which a supplier is able to supply the good or service.
- **Quality**: The extent to which the good or service meets the required specifications.
- **Service**: The extent to which the good or service ensures compliance with the delivery, production or technical support conditions.
- **Cost**: The extent to which the price of the goods or services matches their actual value in the market.
- **Innovation**: The extent to which the good or service contributes an advantage or added value.
- **Regulatory**: The extent to which the supplier, the good or the service meets the current regulatory standards.
- **Sustainability**: The extent to which the supplier meets the company's sustainability standards and to which the good or service is respectful of society or the environment over its life cycle.

3.3. Geographical distribution of suppliers

All of the Group's suppliers are reflected in ***Table 19***. Most of them belong to OECD or United Nations member countries; accordingly they comply with labor legislation and respect human rights. Suppliers from the rest of the world are mainly engaged to protect industrial property and provide research and development services, and specific value-added contracts are signed with them.

Number of Group suppliers by territory as of 31 December 2021		
Spain	1,270	62.5 %
European Union	499	24.6 %
Rest of Europe	96	4.7 %
USA and Canada	88	4.3 %
Rest of the world	79	3.9 %

Table 19*. Number of suppliers by territory.*

72% of suppliers are located in Spain.

3.4. Supply of products

In principle, the Group's suppliers are not considered to pose special supply risks. However, the situation resulting from COVID-19 brought a number of challenges that inevitably affected the supply of some of the products that the Group needs to carry out its business; however, it was able to overcome them successfully.

In addition, *Brexit* triggered additional global supply challenges at the beginning of the year, which the Group was also able to resolve successfully. To alleviate this situation, some UK suppliers established warehouses in Ireland and the Netherlands, which enabled the Group to continue to purchase products from UK companies as they were shipped from their warehouses in European Union member countries. To guarantee deliveries, Pharma Mar manages some of its procurements through Spanish company Chemosapiens, which handles all customs formalities.

The Group has been carrying out purchasing processes and risk analysis in recent years to find alternative suppliers. This activity has proven to be highly effective in the current situation of widespread shortages, as there were no delays in production or deliveries in 2021.

The materials and processes affected are listed below, together with the measures taken to ensure their supply:

Plastic laboratory material for R&D. At the beginning of the year, the products posing the greatest supply difficulties over the following six months were stockpiled. Three people in the Procurement Department were assigned for this purpose: two of them negotiate and purchase, and the third person tracks deliveries to ensure they are timely.

Plastic for manufacturing containers. Given the strategic nature of this supply, inventories are sufficient for several months. This material is being stockpiled through December 2022. Many suppliers had already sold out of their product, so the procurement process carried out in 2018 to analyze alternatives proved particularly useful. This made it possible to have several options on hand, without having to start from scratch.

Solvents and reagents for manufacturing. Significant quantities of the items most in demand are being purchased through programmed orders. The risk analysis carried out since 2017 to increase the number of products with more than one manufacturer has played an essential role in this regard. This analysis is carried out in conjunction with the Quality Control Department and requires a detailed study (since these are GMP products) and a lengthy approval process for new suppliers.

Packaged products (boxes, package inserts, cases and labels for Yondelis® and Zepzelca®). New suppliers have been approved to protect against possible shortages.

Semiconductors (affects computer lease renewals). The previous contract was extended early in 2021 and the model was finally changed, while maintaining the same brand.

3.5. Consumer relations

The Pharma Mar Group defines the patients who receive its oncology treatments as "consumers" and the buyers of diagnostic products as "customers". All of them constitute an essential stakeholder group, as the company's goal is to improve the health of patients affected by serious diseases.

For oncology patients, safety is viewed within the framework of the pharmaceutical industry, one of the most stringently regulated in the world. The health authorities supervise key aspects in relation to drugs, such as their quality, efficacy and safety. As a result, to continue operating as a pharmaceutical laboratory, **Pharma Mar must comply with a complex set of industry-specific regulations**, including the following:

- Good Laboratory Practices (GLP), which ensure the reliability of non-clinical drug trials in terms of safety.

- Good Clinical Practices (GCP), which ensure the integrity of clinical drug trials and the well-being of participants.

- Good Manufacturing Practices (GMP), which guarantee the quality of the active ingredients and drugs produced.

- Good Pharmacovigilance Practices (GVP), which guarantee the authenticity of the data collected in pharmacovigilance activities.

- Good Distribution Practices (GDP), which guarantee the quality of medicines at all points in the chain.

Pharma Mar oversees compliance with all these regulations by monitoring and auditing each stage of the process, starting with GLP standards in preclinical trials. It can then ensure that the clinical trials are scientifically and ethically sound by applying GCP standards to the trial protocol approved by the health authorities.

Good Manufacturing Practices (GMP) applied by Pharma Mar reduce the risks associated with the production of drugs, both those that are commercialized and those used in clinical trials.

Good Distribution Practices (GDP) ensure that the quality of medicines is maintained at all stages of the supply chain: from Pharma Mar's warehouses to the pharmacy in the hospital where the drugs are administered to patients.

GDP also include measures to protect patients from the risk of counterfeit drugs reaching the supply chain. To this end, the European Union introduced the Falsified Medicines Directive[12], which requires each unit of medicine to carry a unique identifier

and an anti-tampering device. Pharma Mar has adapted its facilities and processes to conform to that Directive.

Good Pharmacovigilance Practices (GVP) make it possible to assess the risks associated with a medicine at any given time. Pharma Mar has updated its pharmacovigilance system files and periodically issues up-to-date reports on product safety. Furthermore, all its employees receive training in pharmacovigilance so that they can fulfil the obligation to report any adverse effects of any of the company's products of which they become aware.

To ensure compliance with these standards, Pharma Mar devised a **Quality Policy** for the oncology area and introduced a **quality assurance system**, as described in the Quality Manual. This system identifies those responsible at all levels of the organization, provides for proper management of human and financial resources, establishes appropriate action indicators, and fosters continuous improvement processes.

There is also a Quality Unit and a Quality Board that meets every six months to oversee implementation of the quality assurance system in all areas of the company.

Both Pharma Mar's partners and the health authorities perform regular inspections to confirm compliance with all those practices and with the legal and/or voluntary agreements established by the company.

In this regard, Pharma Mar has been inspected by the Spanish Agency of Medicines and Medical Devices (2008, 2011, 2014, 2017 and 2019) plus a specific audit of the pharmacovigilance system (2020), the *European Medicines Agency* (2007 and 2019), the US *Food and Drug Administration* (2009, 2015 and 2019) and Japan's *Pharmaceuticals and Medical Devices Agency* (2015 and 2020). There were no audits by health authorities in the oncology area in 2021.

Through the diagnostics area, the company offers consumers molecular diagnostic and genetic identification methods using reliable, automatic tools that meet the highest quality standards. As a result, the company is certified to ISO 9001 (quality management systems) and ISO 13485 (medical device quality systems). It is also accredited by Entidad Nacional de Acreditación (ENAC) to be in conformity with ISO 17025:2015 (laboratory quality) in connection with genetic forensics.

As a manufacturer of in vitro diagnostic (IVD) medical devices, the Group has the corresponding operating license granted by the Spanish Agency of Medicines and Medical Devices (AEMPS) under number 7311-PS. In addition, since the company performs clinical analyses in-house using its own IVD kits, it is licensed as a clinical analysis center with number CS 14383.

A quality system review is carried out annually with the participation of the entire management team. This review addresses the validity of the **Quality Policy** in the

[12] Directive 2011/62/EU, which is binding from February 2019.

diagnostics area, among other material relevant aspects. The most recent report is dated 27 May 2019.

All in vitro diagnostic (IVD) products manufactured by the Group comply with the requirements of Directive 98/79/EC of the European Parliament and of the Council, which establishes a product classification system under which the CLART ENTHERPEX and CLART STDs kits require external assessment by a notified body (in these cases, the AEMPS, with number 0318). The other IVD kits developed by the Group are self-certified, which means that the manufacturer is responsible for ensuring compliance with the essential requirements of the aforementioned Directive. All IVD products have the requisite declarations of conformity.

The health authorities perform regular inspections to confirm compliance with all those practices and with the legal and/or voluntary agreements established by the diagnostics area.

In November 2021, the diagnostics area underwent Phase I of the audit to adapt to Regulation 2017/746 of the European Parliament and of the Council, which repealed Directive 98/76/EC mentioned above. Although it was due to come into force on 26 May 2022, the European Commission decided to establish a moratorium due to the pandemic situation and the lack of authorized Notified Bodies (NBs). Nevertheless, the Group is already undergoing the certification process, with TÜV Rheinland (ON0197) as notified body.

Quality complaints

The Quality Unit handles and resolves complaints, regardless of how they are received, from healthcare professionals, institutions, patients or others.

Operating procedures are in place to establish the manner and timeline for resolving the complaint, as well as the obligation to implement improvements in the event such an opportunity is detected. Moreover, the quality complaints database is periodically cross-checked against that of safety, maintained by the Department of Pharmacovigilance, so as to determine whether any adverse effects caused by the drug might be associated with deficiencies in their quality.

During 2021, the oncology area received a total of eleven complaints in the Quality Department. None of them related to material risks to patient safety and none resulted in a product recall.

The diagnostics area received eighteen complaints. They referred not only to IVD products but also to the equipment used and the genetic identification services. The company is currently in the process of modifying its system for handling customer complaints by implementing the *SalesForce* application in the commercial area, as well as *Dot Compliance*, a commercial software package for quality management. The complaints that were received did not have a negative impact on the company's sales or customer base.

Data protection

The Pharma Mar Group attaches the utmost importance to the privacy of its patients', customers', employees' and suppliers' data and it approaches this issue in various ways:

In compliance with the data protection legislation, the company has a General Data Protection Policy that may be consulted on the Pharma Mar intranet. That policy sets out the reasons and purposes for processing the personal data of the company's employees, of patients taking part in clinical trials, of the researchers involved in such trials, and of any third party whose data are handled by Pharma Mar.

Pharma Mar keeps a unified register of all data processing for which it is the controller, in accordance with the European Data Protection Regulation. It logs data processing activities and lists their purpose, a description of the categories of data subjects and categories of personal data, any transfers of personal data to a third country, and the technical and organizational security measures that are in place.

During 2021, considering the type of personal data processed in the oncology area, a Data Protection Officer (DPO) was appointed and registered with the Spanish Data Protection Agency, although such an appointment is not yet mandatory under the General Data Protection Regulation (GDPR) and the Spanish Organic Law on Data Protection (LOPD). This appointment reinforces Pharma Mar's commitment to data privacy and demonstrates the importance of this issue for the Group.

Also in 2021, a specific on-site training plan on this subject was launched for all Group employees who have access to particularly sensitive personal data or who deal with personal data regularly as part of their jobs. The aim is to guarantee that employees are aware of the requirements of the data protection legislation and can ensure that they are properly complied with. This training plan is scheduled to end during the first quarter of 2022, while remaining active for new hires.

Privacy requirements are also included in all contracts entered into with any entity with which personal data is processed. This includes the performance of pharmacovigilance and clinical trial activities (centers, investigators and subcontracted companies). In clinical trials, particular attention is paid to the processing of the data of participating patients, by obtaining informed consent in which they are informed of their rights clearly and in detail. Before patients participate in trials, they must sign informed consent forms and approval of the related ethics committees must be obtained.

Pharma Mar has implemented both internal and perimeter security measures to protect its IT resources from attacks and unwanted external access. These security standards are described in the Information Systems Security Policy.

The Clinical Quality Assurance Department verifies compliance with these privacy requirements and ensures that information relating to health data is not collected in an unfair, unlawful or fraudulent manner. This verification is carried out either in its internal

audits of the Pharmacovigilance Quality System and the Clinical Development Department or in the scheduled audits of the centers participating in the clinical trials. Whenever these audits disclose an opportunity for improvement or a breach in this connection, remedial actions are established that must be approved before being implemented by the Clinical Quality Assurance Department.

No complaints were received in 2021 regarding this issue and there were no security breaches. In addition, the corrective and preventive measures arising from the pharmacovigilance audit of Pharma Mar by the Spanish Agency of Medicines and Health Products at the end of 2020 were implemented in 2021.

4. We protect the environment

Our commitment

is to conserve and make rational use of resources, minimizing environmental impact and paying special attention to marine resources and climate change risks.

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

Below is information on the Group's commitment to environmental issues in connection with the oncology and diagnostics areas. The oncology area is the only one that carries out activities with significant environmental implications since it has its own facilities.

No environment-related risks or incidents occurred in 2021.

4.1. Environmental management approach

Pharma Mar's environmental performance has been **certified under the ISO 14001 environmental management standard** for more than 12 years. This approach has resulted in continuous improvement and a reduction in resource consumption, while ensuring compliance with the demanding legal requirements to which the oncology area facilities are subject.

Pharma Mar's environmental objectives relate to both the Group's activities and the life cycle of its products and are aligned with the United Nations Sustainable Development Goals, especially SDG 14 "Life below Water".

The oncology area's significant environmental aspects — both direct and indirect — are assessed each year by means of an internal procedure. They include aspects related to atmospheric pollution, industrial discharges, waste management and consumption of raw materials. This information is reported to senior management so that it can assess the area's environmental performance and take any necessary decisions towards achieving the goals established in the environmental policy.

As already mentioned in the "Commitment to sustainable development" section, in 2021 the Group approved an **Environmental, Social and Corporate Governance Action Plan** detailing, among other aspects, its environmental strategy for the years 2021-2023.

Pharma Mar is also a member of the **Spanish Green Growth Group** (Grupo Español para el Crecimiento Verde), an association created to foster public-private cooperation and help address the current environmental challenges. The goals of the Spanish Green Growth Group are as follows:

Grupo Español Crecimiento Verde

- Influence the development of a low carbon economy that is compatible with the goal of economic growth and job creation.
- Convey to society and government the potential for a green economic growth model for Spain.
- Work on common positions with a view to international negotiations on climate change, and combat climate change via public-private partnerships.

4.2. Pollution

The Group's facilities comply with the pollution requirements under current legislation. This legislation requires a bond to be posted to insure against environmental risks[13].

The company **meets all the legal requirements established in the Integrated Environmental Permit** issued by the Madrid Regional Government. The measures implemented to prevent pollution at the facilities make it possible to maintain these parameters below 50% of the limit granted in the permit, with the result that any discharges are considered to be non-serious. These measures include:

- Minimization of atmospheric emissions by means of HEPA particle filters in process areas and scrubbers for gases from the laboratory fume cupboards.
- Control of hazardous waste produced and minimization of the impact using waste separation programs.
- Control of process water using a purifying plant that adjusts the chemical parameters to ensure that industrial water discharges are within the allowed limits.
- Product storage areas are built of concrete, and drain towards the water purification system to avoid risks of chemical spills and leaks.

Pharma Mar has implemented mechanisms to control and reduce its environmental impact, which have led to an increase in energy efficiency in recent years.

During 2021, the Group expanded the oncology area facilities to increase storage capacity and office space. In relation to these projects, the Group's philosophy of reducing environmental impact and contributing to SDG 11 "Sustainable Cities and Communities" has enabled it to achieve the following energy efficiency rating:

- The office expansion, which added a 1,100 m^2 building adjoining the existing building, obtain a building energy rating (BER) of **A**.

- The company's warehouse expansion, which provided an additional 3,600 m^3 of storage capacity, obtained a BER of **B**, with results very close to category A.

[13] In accordance with the implementing legislation under Environment Ministry (APM) Order 1040/2017, of 23 October, establishing the date from which a mandatory financial guarantee of €2,000,000 must be arranged by companies with an ISO 14001-compliant environmental management system, pursuant to Environmental Liability Act 26/2007.

Pharma Mar's facilities **do not have a significant impact on carbon emissions.** Scope 1 direct emissions are generated by the hot water boilers required for space heating and compliance with the comfort parameters required by the law[14]. Scope 2 emissions, which are more abundant than Scope 1 emissions, are due to consuming the electricity needed to keep both the production facilities and the cold rooms in operation 24 hours a day, 365 days a year. The cold rooms are necessary to preserve our marine samples, raw materials and intermediates, as well as the final product for commercialization.

At the end of 2021, 16% of the Pharma Mar Group's fleet of vehicles were hybrid or electric (26%, considering only vehicles in Spain).

With regard to the environmental impact of the **suppliers** with whom it works, the Group adheres to the International Standards for Phytosanitary Measures (ISPMs), which set out guidelines for reducing risks linked to wood packaging (pallets). These standards recommend heat treatment as an alternative to methyl bromide fumigation, as methyl bromide is an ozone-depleting gas. In order to help protect the ozone layer, the Procurements Department requires that its packaging suppliers have certificates and identifying marks to the effect that the wooden pallets it receives were heat treated. This has been a requirement for years now and suppliers are reminded of it with every order.

Since 2018, agreements have been reached with suppliers serving the largest order volumes and good delivery periods to concentrate orders in order to reduce the number of deliveries, which not only improves pricing but also reduces the environmental impact of shipping, as well as reducing handling by staff within the supply chain. This approach is adopted while always ensuring that the global supply crisis does not impact orders.

Noise levels are compliant with the criteria established in the Colmenar Municipal Regulations[15]. Since the company is located in an industrial estate at least 500 meters from the nearest home, there is no risk of noise pollution for local residents.

Light pollution is not considered to be significant as there is no nocturnal activity and the only light left on at night is that needed for surveillance of the premises.

Emissions

Source of the emissions	2019	2020	2021
Electricity (t CO_2)*	1,952.59	1,948.82	1,159.51
Natural gas (fuel) (t CO_2)	698.87	702.31	718.03

Table 20*. Emission calculations** Emissions are calculated using a market-based approach, i.e., using the factor provided by the electricity supplier. This conversion factor was 0.23 in 2021 in oncology (0.39 in 2020 and 2019) and 0.22 in 2021 in diagnostics (0.23 and 0.28 in 2020 and 2019, respectively). Published 2019 and 2020 emission figures were recalculated to include the diagnostics area.

[14] Royal Decree 486/1997, of 14 April.
[15] Official Gazette of the Madrid Regional Government (BOCM) 216.

4.3. Circular economy and waste abatement and management

Pharma Mar's activity is subject to the pharmaceutical industry regulations concerning the control of raw materials involved in manufacturing medicines. This regulation forbids the reuse of materials in the production process.

The environmental impact of the drugs that are sold may be considered to be insignificant because of the strict production process and the stringent regulations governing their storage and disposal.

However, the Group wants to go further in waste abatement and has taken steps in this direction in recent years. Some are detailed below:

Returnable barrels

Since 2014, returnable barrel circuits have been implemented for the products used in the greatest volume: solvents for manufacturing and R&D.

This supply system[16] offers major advantages, such as minimizing packaging waste, reducing storage costs and reducing the risk of fire and spills.

The use of returnable packaging increased by 100.5% in 2021 with respect to 2020.

	2019	2020	2021
Returnable barrels	379	426	854

Reducing plastics

In 2018, an employee awareness campaign was launched to reduce the use of plastic cups and replace them with reusable cups. Since then, plastic cup usage has declined by 46% despite the growth in the workforce.

	2018	2019	2020	2021
Cup usage	117,400	83,100	63,200	68,600

By the end of 2021, plastic cups had been replaced by cardboard cups at all of the company's water fountains[17].

In 2019, it was decided to eliminate the use of plastic bags for protecting the lab garments delivered by the laundry. After an audit by the Purchasing and Quality Assurance Departments at the supplier's facilities, it was decided to eliminate the bags, since this measure did not affect the garments.

[16] Deposit and return system under Act 11/1997, Royal Decree 782/1998 and the Order of 27 April 1998.
[17] In compliance with Directive 2019/904 of the European Parliament and of the Council of 5 June 2019 on the reduction of the impact of certain plastic products on the environment.

Since 2019, this has resulted in the elimination of approximately 76,000 items of single-use plastic.

	2019	2020	2021
Plastic bags eliminated	19,709	25,820	29,864

Reduction in the use of disposable lab coats

Since 2021, cloth lab coats have been used instead of disposable coats; as a result, visitors and Pharma Mar staff who do not have their own lab coats have been using rented cloth coats. The table shows that the use of disposable garments has been reduced, particularly since this measure came into force in the second half of the year.

Disposable lab coat use at Pharma Mar:

	2018	2019	2020	2021
Disposable lab coats	5,840	4,000	6,400	6,000

Reduction in the use of paper towels

Since 2017, the paper towel dispenser system in rest rooms has cut paper usage by 46%.

Waste management at Pharma Mar is aimed at minimizing the amount and hazard status of waste generated, and prioritizing waste recycling and re-use. To ensure optimum compliance in this regard, the company has implemented an integrated waste management system that ensures proper waste collection and treatment. The company engages waste management companies that achieve the highest level of waste recovery, giving preference to local suppliers, which reduces the environmental impact of shipping waste to recycling or reuse sites.

The company is duly authorized for hazardous waste, which means the waste must be logged, inventoried, stored and processed by waste managers authorized by the relevant authority in accordance with the applicable legislation. This information is reported in the Annual Hazardous Waste Declaration, which must be submitted each year along with the environmental records.

Biological waste is managed by Cespa Gestión Residuos, S.A. (a member of the Ferrovial group), while chemical waste is managed by various managers, each best suited to the specific waste, including Destilerias Requim, S.A. and GVC Gestión y Valorización Integral del Centro, S.L.

Also, in compliance with the requirements of the integrated environmental authorization, Pharma Mar compiles an Annual Packaging Declaration that is submitted to the Madrid Regional Government.

Actions to reduce food waste

This is not considered to be a material issue for Pharma Mar. However, in its commitment to environmental protection, in addition to taking consideration of the importance of a healthy diet, the Group considered sustainability when choosing the company EUREST to produce the meals made available to most of its employees at the Colmenar Viejo facilities. In addition to its Environmental Policy, EUREST has a food waste reduction program consisting of educational activities, workshops and awareness campaigns for employees, customers and users to combat food waste. That company has also released a mobile application to measure the different types of waste on a daily basis and check the impact that the above actions have on them.

4.4. Sustainable resource use

Pharma Mar is aware of the need to minimize the use of natural resources in its operations. Since the ISO 14001 environmental management standard was implemented, the company has been implementing a program to **reduce water and electricity consumption** that has made the plant highly efficient from both standpoints. Electricity consumption has been minimized, in both lighting and climate control in the facility and the cold stores for product storage. Colmenar Viejo's continental climate places a high demand on the plant's heating and cooling systems.

The following measures were taken in 2021 to reduce resource usage:

Reducing electricity consumption

- Replacing conventional bulbs with low-wattage LED bulbs.

Reducing water consumption

- Identification and reuse of non-contaminated water from the factory's processes: e.g. from the production of purified water.
- Implementation of a more efficient system of bacteriostatics in the toilets to reduce water consumption. The system is patented by a Spanish company, thus supporting R&D by domestic suppliers.

The implementation of efficiency measures with regard to the consumption of reagents and solvents is limited by two factors: Firstly, pharmaceutical regulations call for stringent controls and prior authorization of any changes in either the raw materials used or the amounts involved. In practice, this means that, once a process has been approved by the authorities, it is very difficult to amend it. Secondly, the company's R&D process requires a large range of raw materials.

Resource usage

Resource type	2019	2020	2021
Electricity (MWh)*	5,196	5,285	5,117
Natural gas (fuel) (MWh)	3,443	3,460	3,537
Water (m^3)	8,572	8,012	8,378
Commodities (kg)	23,584	37,371	92,838
Breakdown of raw materials (kg)			
Laboratory solvents and reagents	17,926	33,402	91,486
Other ancillary raw materials and reagents	5,658	3,969	1,352

***Table 21**.Resource consumption in the oncology area* *Electricity usage figures also include the diagnostic area; consequently, usage figures for 2019 and 2020 were recalculated to include this area.

Table 21 shows resources consumption by the oncology area. In 2021, despite the significant increase in production, electricity, natural gas and water consumption remained constant due to the fact that the consumption by production equipment represents a minimal proportion of total consumption. In contrast, raw material consumption was directly affected by the increase in production.

As for the diagnostics area, its water consumption is included in the lease for its facilities and it does not use natural gas. Electricity consumption is shown in ***Table 21***. Raw materials in this area comprise laboratory chemical reagents — 2,350 kilograms in 2021.

4.5. Climate change

In its commitment to researching marine organisms, Pharma Mar is acutely aware of the consequences of climate change on the marine ecosystem. Consequently, **it is constantly considering alternatives in order to reduce greenhouse gas emissions** generated directly or indirectly at the plant.

The bulk of the company's greenhouse gas emissions are generated by the combustion gases from hot water and steam boilers needed for the facility to operate. To reduce this effect, the old steam boiler was replaced with a more energy-efficient one in 2021.

In addition, oncology area facilities were expanded by 1,100 m^2 in 2021. Heat for sanitary hot water and climate control in this new area is produced using electricity, which reduces the consumption of natural gas per square meter.

Cooling systems, which are essential to meeting a range of needs, may also generate greenhouse gas emissions. To minimize the risks, this equipment is subjected to a strict maintenance program to avoid, for example, small leaks in the systems that would lead to unwanted emissions.

An energy consumption monitoring program was introduced in 2021 based on linear regression models that make it possible to identify savings opportunities that contribute to adaptation to climate change and to reducing greenhouse gas emissions, which will be implemented in 2022. This system enables excess consumption to be detected early and its causes to be identified.

Additionally, in 2021, Pharma Mar took the following steps to minimize its energy impact:

- Fairing on the boiler air inlets to increase their energy efficiency.
- Replacement of outdoor light poles with LED spikes.

The final target for reducing greenhouse gases is to achieve a 5% reduction in gas and electricity consumption with respect to the baselines determined in the energy models for 2022.

European Union green taxonomy

The Pharma Mar Group is part of the biopharmaceutical industry; its activities include research and development of new drugs, and the manufacture and marketing of pharmaceutical products, which are not a significant source of CO_2 emissions.

The Group analyzed the economic activities of all its divisions and functions in light of the activities listed in Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021, concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (the "Climate Delegated Act") and concluded that its economic activities are not covered by that Act and, consequently, are not eligible for the European Union Taxonomy.

However, the Group considers that there are a series of secondary activities that are necessary for the performance of the economic activities and might be considered as eligible, such as the construction or expansion and maintenance of facilities for the performance of the economic activities, provided that they comply with the description of their respective economic activity. In order to determine these activities, the Group firstly took note of industry practices in this area. It subsequently analyzed how these activities are carried out in the Group to determine whether they can be considered as eligible activities.

	Total (thousand euro)	Proportion of taxonomy-eligible activities	Proportion of taxonomy-ineligible activities
Revenues	229,913	0%	100%
Capex	10,181	8.8%	91.2%
Opex	75,551	0%	100%

***Table 22**. Proportion of taxonomy-eligible and ineligible activities with respect to total revenue, capex and opex.*

The indicators (KPIs) shown in ***Table 22*** were determined on the basis of Annex I under Article 8 of the Climate Delegated Act, as follows:

Revenue KPI, is the result of dividing taxonomy-eligible revenue (numerator) by the Group's total revenue (denominator).

Since none of the economic activities are taxonomy eligible, the numerator is zero.

The denominator of the Revenue KPI coincides exactly with consolidated revenues per Pharma Mar's Consolidated Financial Statements, which can be found on page 3 of Pharma Mar's Consolidated Financial Statements 2021, calculated in accordance with International Accounting Standard (IAS) 1, paragraph 82 (a).

Capex KPI is the result of dividing taxonomy-eligible capex (numerator) by the Group's total capex (denominator).

Total capex (denominator) includes all additions in the year of intangible assets, property, plant and equipment and right-of-use assets, before amortization, depreciation or impairment, excluding fair value changes. These additions can be found on page 39 (recognition of property, plant and equipment, calculated in accordance with IAS 16 Property, Plant and Equipment, paragraph 73 (e) (i) and (iii)), page 41 (recognition of intangible assets, calculated in accordance with IAS 38 Intangible Assets, paragraph 118 (e) (i)), and page 42 (right-of-use assets, calculated in accordance with IFRS 16 Leases, paragraph 53 (h)), of Pharma Mar's 2021 Consolidated Financial Statements.

Eligible capex (numerator) includes the amount of asset acquisitions derived from the eligible activities described in ***Table 23.***

Opex KPI is the result of dividing the taxonomy-eligible opex (numerator) by the Group's total opex (denominator).

Total opex (denominator) is that which is related directly and exclusively to:

- Uncapitalized research and development expenses, in the amount reported in the Consolidated Group Income Statement on page 3 of Pharma Mar's Consolidated Financial Statements 2021.
- The volume of non-capitalized leases determined in accordance with IFRS 16 includes expenses for short-term leases and low-value leases, as reported on page 77 of Pharma Mar's Consolidated Financial Statements 2021.
- Maintenance, repair and other expenses, provided that they are directly related to the day-to-day use of the facilities, plant and equipment used in the business activities and have been determined on the basis of the maintenance and repair costs allocated to our internal cost centers. These expenses can be found in various line items of the income statement (page 3 of the Consolidated Financial Statements). They include personnel costs, outside services and materials used, as well as scheduled and unscheduled maintenance and repair costs.

In relation to eligible opex, the main items to be considered in the numerator were analyzed and it was concluded that the proportion of eligible opex is close to zero.

The Pharma Mar Group has identified the economic activities listed in ***Table 23*** as giving rise to capex or opex that can be considered eligible for the Taxonomy on an individual basis.

Description of expenses and investments that are eligible under the EU Green Taxonomy	Linkage with Annex I under article 8 of the Delegated Climate Act
Design and installation of climate control equipment in the facility extension	7.3 Installation, maintenance and repair of energy efficiency equipment.
Maintenance of energy-efficient motors.	7.3 Installation, maintenance and repair of energy efficiency equipment.
Replacement of lighting with LEDs.	7.3 Installation, maintenance and repair of energy efficiency equipment.
Detection of gas leaks and gas flow rates. Repair of the gas control valve.	7.5 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings.
Purchase of a 22 kW solar plant (49 panels).	7.6 Installation, maintenance and repair of energy efficiency equipment.
Maintenance of the uninterruptible power supply system at the Data Processing Center.	8.1 Data processing, hosting and related activities.
Maintenance of air conditioning in the Data Processing Center.	8.1 Data processing, hosting and related activities.
Maintenance and upgrade of air conditioning.	8.1 Data processing, hosting and related activities.
Upgrade of the Data Processing Center air conditioning system control card.	8.1 Data processing, hosting and related activities.

Table 23*. Individually eligible capex/opex and related economic activities.*

To allocate capex and opex, the related purchases and expenses were identified, as well as the main related economic activity in accordance with the Climate Delegated Act. This ensures that no item of capex or opex is considered more than once.

4.6. Protection of biodiversity

Although research and development includes a process of extracting marine organisms, this is done in a minimally invasive manner while always guaranteeing compliance with international conventions such as:

- Rio Declaration on Environment and Development.
- Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- UN Convention on Biological Diversity, relating to access to genetic resources and fair and equitable sharing of the benefits arising from their utilization.

Additionally, the Pharma Mar Group is a signatory of the **Pact for Biodiversity**, which aims to promote economic development that is compatible with biodiversity conservation.

When collecting marine samples, Pharma Mar takes account of two existing international lists: the Red List of Threatened Species, and the CITES list.

Samples are collected selectively by hand, taking all necessary steps to minimize the impact on the natural environment, such as:

- Collection by specialized divers. Using scuba diving equipment, the divers use their extensive experience and training to identify those species that may be of interest for the discovery of new chemical entities.
- Non-use of mechanical systems, such as drag nets.
- Marine survey robot with an umbilical cord that is operated from the surface and provides a view of the seabed in real time. This makes it possible to choose sampling areas and minimizes human interaction with the ecosystem.
- Collection of no more than 100 grams of each marine organism.

The samples are collected under permits provided by the various countries in the areas they indicate, either directly by Pharma Mar or in partnership with local universities. All of this information is compiled in the expedition log, showing the exact location of the marine ecosystem involved, which can be used by local authorities as an environmental indicator.

The company defends the **sustainable use of the sea's valuable resources and the equitable distribution of its findings**. In this way, Pharma Mar not only contributes to the development of new treatments from just a few grams of sample, but also furthers knowledge and conservation of local marine ecosystems.

During 2020 and 2021, eight expeditions were conducted in which local teams, following Pharma Mar guidelines, were in charge of collecting samples of marine organisms.

The research Pharma Mar conducts based on these samples continues to respect the environment, since the aim is to **chemically synthesize molecules of interest**. This provides a supply of the compound without having to resort to the natural organisms that produce it.

Pharma Mar has discovered hitherto unreported marine organisms on its expeditions. For example, the company discovered a new species, *Streptomyces Pharma Marensis*, which was isolated from marine sediment and characterized by Pharma Mar researchers.

5. Our commitment to society

Our commitment

is to promote the research and development of novel therapies and diagnostics that improve patient's lives while promoting the dissemination of scientific knowledge in the communities in which we operate.

With regard to social commitment and innovation, the Pharma Mar Group promotes an environment of well-being and progress through activities in the following areas:

- **Community actions**. Initiatives that contribute to the development of society. They are grouped into the areas of health, social welfare, education and promotion of research, communications and local development (***Figure 9***).
- **Actions in relation to industry groups**. Works with foundations, not-for-profit entities and associations that work in the biopharmaceutical industry. The aim is to promote values such as research and development, the dissemination of knowledge and health, equal opportunities and any other values that are aligned with the company's ethical and material principles.

5.1. Community action

In 2021, the Group and its employees adapted to the health situation shaped by COVID-19 to carry out community action activities in each the areas of interest. A total of €100,913.50 was spent on these initiatives. They included notably:

Health area

- Support for the organization of a trek on the Way of Saint James by a group of women undergoing breast cancer treatment, in cooperation with Fundación para la Investigación Biomédica del Hospital Puerta del Hierro.

- Launch of Pharma Mar's new website, featuring the new "Your health" area, where patients with serious illnesses and their families and caregivers can find all kinds of information and resources to help them cope better with all aspects of their illness.

Social welfare area

- Donation of 10 laptops to Fundación Hombres Nuevos, which is dedicated to eradicating injustice and extreme poverty and received the Prince of Asturias Award for Concord in 1998.

- Donation of 14 armchairs and 38 chairs for meeting rooms to the Colmenar Viejo City Council Department of Social Policy, Elderly and Equality, which allocated them to the Addiction Information Center and to local non-profit social entities.

***Figure 9**. Summary of the Pharma Mar Group's community action initiatives in 2021.*

- Participation in the Spanish Green Growth Group, to promote a sustainable, circular and efficient economy.

- Participation in a round table discussion at a business seminar on "The Private Sector and its firm commitment to society".

- Membership of Círculo de Empresarios, which promotes the free market and entrepreneurship and engages in cooperation programs with society.

- Outsourcing of advertising materials and graphic design work to workshops for persons with disabilities, such as Trébore, a Fundación Paideia Galiza initiative.

- Change of supplier of Christmas hampers in 2021 to a company that works with ILUNION, a special employment center of the Fundación ONCE.

Education and research area

- Involvement in the 3rd Premios Hipatia “Mujeres en la Ciencia” awards offered by El Economista in recognition of the achievements of women researchers. The Group participated as a jury member and in the round table discussion on "The gender gap in STEM: let's create role models".

- Participation in the SUMMIT4OCEANS congress on the blue economy, organized by Seville City Council, in a round table on "Blue Acceleration: the trajectory of human expansion in the oceans".

- Collaboration with the Spanish Society for Quality Assurance in Research, which fosters the exchange of information and promotes quality assurance training for research teams.

- Participation in a webinar on "Artificial Intelligence applied to Industry and Health," organized by Ayming.

- Participation in the Dialogues on the Future of Science and Innovation, organized by the Spanish government's National Office of Foresight & Statistics within the framework of Spain 2050, in a round table on "Is private R&D spending profitable? A success story".

- Agreements with numerous universities, business schools and secondary schools in Spain and other countries as part of a training program for interns. A total of 18 interns were trained in 2021, up from ten in 2020.

- Donation of five balances and four balance printers by Sartorius to the Palomeras-Vallecas Secondary School in Madrid.

Communications area

- Scientific publications in a range of prestigious international journals and specialist press, in the fields of oncology, pharmacology, therapeutics and diagnosis. According to the latest ASEBIO report, Pharma Mar ranks #2 among Spanish groups in terms of the number of publications in high-impact scientific journals[18].

- Dissemination of science through 42 publications in the form of podcasts, webinars, press reports and/or infographics in social media on oncology, marine biology, COVID-19 and molecular biology.

- Information and awareness-raising on cancer in the press and (mainly) social media in connection with national and international days relating to various pathologies and health events (28 publications).

- Publication of volume 17 of the book "El mundo submarino de Pharma Mar" (Pharma Mar's Undersea World), which contains photographs of marine organisms taken on expeditions by our marine biologists, from which the company extracts the compounds for R&D and innovation.

Local development area

[18] https://asebio.com/conoce-el-sector/informe-asebio

- Cooperation with ASEYACOVI, the Association of Entrepreneurs, Traders and Self-employed Workers of Colmenar Viejo, and the Family Business Association of Madrid, an independent group of family executives from the Community of Madrid which defends Madrid interests and organizes activities for its members.

- Selection of small companies in the municipality of Colmenar Viejo for renovation work on the facilities: re-upholstering, carpentry, corporate image, etc. in order to foster local development.

- Work with Fundación Empresa-Universidad Gallega, a not-for-profit entity specialized in transferring knowledge, innovation and technology from Galicia's universities to business and society at large.

- Regular guided visits for authorities and students, with explanatory talks pitched to the appropriate level. Because of the COVID-19 situation, no visits were arranged in 2021.

- The Group companies in Spain are established in the municipalities of Colmenar Viejo, Tres Cantos and Madrid, all in the Madrid region, and at the Parc Científic de Barcelona. They all contribute to local development by creating and maintaining stable employment, paying taxes and participating in the activities mentioned above.

5.2. Actions in relation to industry groups (contributions, donations, sponsorship)

The Group allocated a total of €382,003.88 to its work with foundations, non-profit organizations and associations operating in the biopharmaceutical industry.

Notable contributions included:

- Collaboration with **patient associations**, including Sarcoma Patients Euronet (SPAEN), Fundación Mari Paz Jiménez Casado and Fundación Casa del Corazón.

- Collaboration with **medical associations**, including the Asociación de Médicos Gallegos and biomedicine groups working on independent research projects in cancer and epidemiology.

- Collaboration with ASEBIO, the Spanish Association of Bioenterprises, to promote biotechnology.

- Sponsorship of, and participation in, and presentations at, numerous **scientific conferences and meetings**.

These contributions were made in accordance with the provisions of the Farmaindustria Ethics Code, to which the Pharma Mar Group subscribes.

6. Business ethics and transparency

Our commitment

is to guide and direct the Group's activities in line with best practices in the areas of governance, ethics and integrity.

The Pharma Mar Group is firmly committed to respect for human rights and to an environment of trust and transparency in business. This chapter details the means by which both commitments are implemented.

6.1. Human rights

The Group companies and subsidiaries are located in the European Union and the United States and comply with current legislation governing employment and respect for the Universal Declaration of Human Rights. The Pharma Mar Group is subject to European regulations, which are based on eight fundamental conventions of the International Labour Organization (ILO). Among other aspects, the conventions refer to freedom of association and collective bargaining.

In 2020, the Pharma Mar Group updated its compliance procedures by approving a **Crime Prevention Plan.** This plan updates existing policies — such as the Code of Conduct or Code of Ethics, in force since 2016 — and incorporates new ones, as indicated in ***Figure 10*** and detailed in this chapter.

***Figure 10**. Commitment to ethics and composition of the Pharma Mar Group's Crime Prevention Plan.*

The updated **Code of Conduct** sets out the principles that should guide the conduct of all Group employees, both among themselves or in their professional relationships with customers, partners and suppliers.

The document explicitly requires non-discrimination in the workplace. It requires all relations between employees to be based on strict respect for each person's dignity and rejects all forms of abuse or conduct that might violate their rights. The Pharma Mar Group does not tolerate any type of discrimination based on gender, race, sexual orientation, religious beliefs, political opinions, nationality, social background, disability or any other circumstance.

The Group also has a **Catalog of Prohibited Conduct** which, among other unlawful acts, prohibits any offense related to the violation of workers' rights. This catalog expressly mentions child labor and forced labor, strictly prohibiting any deception or abuse of an employee's situation to impose working conditions that harm or suppress his or her rights.

The Group has a **Whistleblower Channel** through which any employee may make good faith reports of breaches of the Code of Conduct in a confidential manner without fear of reprisals. Complaints and reports are managed and analyzed via an appropriate, independent, confidential process and the information is shared only with the persons who are strictly necessary in the process of investigation and resolution.

The Whistleblower Channel is available via:

- Corporate intranet.
- Email: comitecumplimiento@PharmaMar.com
- Postal mail: Plaza Descubridor Diego de Ordás, 3. 28003 Madrid.

To date, there have been no complaints in relation to human rights breaches, forced or mandatory labor, or child labor.

6.2. Combating corruption and bribery

In order to ensure the strictest ethical compliance, the Group has various committees, departments and documents as shown in ***Figure 10***.

It has a **Compliance Department**, which reports directly to the Chairman, with functions related to Criminal Law Compliance[19] and Pharmaceutical Compliance, ensuring compliance with regulations and industry self-regulatory codes.

Persons governed by the Code of Conduct — namely, all employees and executives of the companies that form part of the Group, including the Board of Directors and senior management — must be alert in order to avoid forbidden behavior in the Group's relations with other persons and organizations. In particular, it sets out measures to

[19] In accordance with the provisions of Spain's Criminal Code in connection with the criminal liability of legal persons.

prevent bribery and corruption and prohibits the use of unethical practices to influence persons outside the company in order to obtain a benefit.

Those persons may not make, offer or receive any payment in cash or in kind or any other benefit which might be considered to be unethical or to alter the professional relationships between the parties. They are also prohibited from making payments, in any form and of any amount, to secure or expedite the performance of any process or action before any judicial body, public administration or government agency.

As part of the Crime Prevention Plan, the former Conduct Committee —which monitored compliance with the Code of Conduct — has been replaced by a **Compliance Committee**. The Committee's main functions are:

- Ensuring compliance with ethical standards within the company.
- Communicating all matters relating to compliance with the rules governing the Group.
- Performing pertinent supervisory and oversight functions.
- Investigating reports received through the Group's Whistleblower Channel.

The Compliance Committee comprises the Head of the Compliance Department, the Company Secretary, the Head of Human Resources and the Head of the Virology Unit, and it is open to receive reports regarding ethical, anti-corruption and/or compliance matters at the following address: comitecumplimiento@Pharma Mar.com

In addition to this Committee, which deals with corporate matters, the Pharma Mar Group has taken steps to ensure scrupulous compliance with the regulations applicable to its specific industry. To this end, it has created a **Pharmaceutical Oncology and Virology Compliance Committee**, which ensures that it works in accordance with the ethical codes of the pharmaceutical industry, such as those of the European Federation of Pharmaceutical Industries and Associations (EFPIA) and Farmaindustria, among others. This Committee comprises managers from the Oncology and Virology Unit, together with the Compliance Department.

During 2021, the Compliance Department conducted an external compliance audit focused on medicine promotion activities, interaction with healthcare professionals, anti-corruption, and compliance with the Code of Ethics, among other matters. The audit was conducted not only at Pharma Mar Spain, as the parent company, but also at the company's various European subsidiaries (France, Germany, Italy, Austria and Belgium).

Since 2021, all internal compliance regulations are published on the website in the "Corporate Responsibility and Ethics" section. In addition, internal training was stepped up during the year to ensure that all Group employees are aware of these standards.

In the area of external regulations, Pharma Mar also shares the fundamental ethical values of the Code of Ethics of the **Spanish Association of Biotechnology Companies (ASEBIO)**, of which it is a member.

The company has also adopted **Farmaindustria's Code of Good Practice in the Pharmaceutical Industry**. This Code is based on the European Code of Good Practice for the Promotion of Medicinal Products, approved by **EFPIA**.

In line with these last two codes, the company publishes an annual **transparency report** on its corporate website in which it discloses all transfers of value (in cash or in kind) in relationships with healthcare professionals, healthcare associations and patient organizations, not only in Spain but also in the case of all European subsidiaries. This highlights the activities carried out by the pharmaceutical industry, and in this case Pharma Mar, such as the key role it plays in training healthcare professionals. At the same time, it is a sign of the rigor and independence with which these relationships are conducted, which are beneficial to healthcare professionals, national healthcare systems and, most importantly, patients.

This support for healthcare organizations and professionals is published in the following categories:

- Donations to healthcare organizations.
- Support for scientific and professional training activities and meetings.
- Working with patient associations.
- Remuneration for professional services.
- Research and development.

Aspects relating to money laundering are not considered to be material at the Group due to the characteristics of the sector in which it operates and the markets in which it is present.

6.3. Tax information

The Pharma Mar Group prioritizes compliance with its obligations to pay the taxes which are due in each territory.

The Pharma Mar Group paid a total of €1,392,528 in corporate income tax in 2021 (€482,803 in 2020) in the countries where it operates. ***Table 24*** details the tax paid, considering all tax payments made in each country on 2020 income, on a cash basis, as well as payments on account of income taxes in 2021.

Under the system of minimum installments on book profit, the Group made tax prepayments totaling €13,798,615. Under the accrued tax base method, which is the same method used to settle corporate income tax, the amount payable in 2022 will be offset by prepayments made in 2021, with the result that Pharma Mar has recognized an account receivable for the difference.

Earnings (before taxes) are detailed by country as indicated in the Notes to the Consolidated Financial Statements (Note 24. “Deferred taxes and income tax”).

COUNTRY	Profit (before taxes)	Income tax prepaid on 2021 profit	Income tax paid on 2020 profit	Income tax paid in 2021
Germany	280,685	116,674		116,674
Austria	7,856	5,453		5,453
Belgium	45,437	13,000		13,000
Spain	94,448,427	12,863,025		0
France	75,910			0
Italy	304,718	797,544	454,079	1,251,623
Sweden	-5,858			0
Switzerland	3,062		337	337
China	-42,624			0
US	11,552	2,921	2,521	5,441
Total	**95,129,165**	**13,798,615**	**456,937**	**1,392,528**

***Table 24**. Corporate income tax calculation*

Grants recognized in 2020 amounted to €870,001.04 (€303,491.31 in 2020), of which €299,765.92 were charged by cash in the year (€39,630.27 in 2020).

The table below shows the content required by Act 11/2018, of 28 December, amending the Commercial Code, the consolidated text of the Capital Companies Act approved by Royal Decree Act 1/2010, of 2 July, and Audit Act 22/2015, of 20 July, as regards non-financial information and diversity.

Requirements of Act 11/2018 in Connection with Non-Financial Disclosures and Diversity

SCOPE	CONTENTS	MATERIAL ISSUE	CONSOLIDATION SCOPE	RELATED GRI STANDARDS/REPORTING CRITERIA	Section
GENERAL					
Business model	Brief overview of the group's business model including:	Yes	General	102-1	0.1 0.3 1.1-1.5.
	1.) its business environment,			102-2	
	2.) its organization and structure,			102-3	
	3.) the markets in which it operates,			102-4	
	4.) its goals and strategies,			102-6	
	5.) the main factors and trends that might affect its future performance,			102-7	
	6.) statement from senior decision-maker.			102-14	
Policies	A description of the policies applied by the group to these matters, including: 1.) due diligence procedures applied for identifying, assessing, preventing and mitigating material risks and impacts, 2.) verification and control procedures, including the measures that have been adopted.	Yes	General	103 Management approaches in each sphere within the broad economic, environmental and social areas	1.6.
Policy outcomes	The results of these policies, which must include the relevant non-financial key performance indicators to enable: 1.) monitoring and assessment of progress made, and 2.) the comparability between companies and sectors, in accordance with national, European and international frameworks of reference used for each subject matter.	Yes	General	103 Management approaches in each sphere within the broad economic, environmental and social areas	1.6. 4.2. 4.4.
Short-, medium- and long-term risks	The main risks relating to these matters linked to the group's activities, including, where relevant and proportionate, its commercial relations, products or services that might have negative effects on these scopes.	Yes	General	102-15	1.7.
KPIs	Key indicators of non-financial performance relating to the specific business activity that meet the criteria of comparability, materiality, relevance and reliability.	Yes	General	General or specific GRI standards of the economic, environmental and social areas, reported in the following blocs	0.2.

ENVIRONMENTAL MATTERS				
Overall environmental				
1.) Detailed information on the current and foreseeable effects of the company's activities on the environment and, where applicable, on health and safety, assessment procedures or environmental certification; 2.) Resources devoted to the prevention of environmental risks; 3.) Application of the precautionary principle, the amount of provisions and guarantees for environmental risks.	Yes	General	103 Management approach in each sphere of the environmental area	4.1.
Pollution				
1.) Measures to prevent, reduce or remedy carbon emissions that severely affect the environment;	Yes	General	103 Management approach to emissions / biodiversity	4.2.
2.) considering any kind of atmospheric pollution that is specific to an activity, including noise and light pollution.	No		-	
Circular economy and waste abatement and management				
Circular economy. Waste: Measures to prevent, recycle, re-use, other waste recovery and abatement approaches.	Yes	General	103 Management approach to effluents and waste	4.3.
Actions to reduce food waste.	No		-	
Sustainable resource use				
Water consumption and water supply in accordance with local limits.	Yes	General	303-1	4.4.
Consumption of raw materials and measures adopted to use them more efficiently.			103 Management approach to materials 301-1	
Direct and indirect energy consumption, measures adopted to enhance energy efficiency and the use of renewable energies.			103 Management approach to energy 302-1 302-1	
Climate change				
The main greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces.			103 Management approach to emissions 305-1 305-2	
Measures adopted to adapt to the consequences of climate change.	Yes	General	103 Management approach to emissions	
Voluntary medium- and long-term goals to reduce greenhouse gas emissions and the steps taken for that purpose.			103 Management approach to emissions	4.2. 4.5.
European Union green taxonomy.	Yes	General	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 and related delegated regulations.	

Protection of biodiversity				
Measures adopted to preserve or restore biodiversity.	Yes	General	103	4.6.
Impact of activities/operations in protected areas.			304-2	
SOCIAL AND PERSONNEL MATTERS				
Employment				
Total number of employees and distribution by gender, age, country and professional category.			103 Management approach to employment 102-8 405-1	2.2.
Total number and distribution of employment contract types.			102-8	
Annual average of indefinite contracts, temporary contracts and part-time contracts by gender, age and professional category.			102-8 405-1	
Number of terminations by gender, age and professional category.			401-1	
Average remuneration and comparative figures broken down by gender, age and professional category or equal value; pay gap, remuneration for equal jobs or average remuneration at the company.	Yes	General	103 Management approach to diversity and equal opportunities 405-2	2.3.
Average remuneration for directors and executives, including variable remuneration, per diem expenses, indemnities, payments into long-term savings schemes and any other benefit, broken down by gender. CEO pay ratio.			103 Management approach to diversity and equal opportunities 102-38	
Implementation of policies to foster disconnection from work.			103 Management approach to employment	2.5.
Employees with disabilities.			405-1	2.2.
Work organization				
Organization of working hours.			103 Management approach to employment	2.5.
Number of hours lost.	Yes	General	403-2	2.9.
Measures aimed at facilitating work-life balance and encouraging both parents to share the responsibility in this area.			103 Management approach to employment	2.1 2.5.
Health and safety				
Occupational health and safety conditions.	Yes	General	103 Management approach to occupational health and safety	2.9.
Workplace accidents, in particular their frequency and severity, occupational diseases, broken down by gender.			403-2 403-3	
Labor relations				
Organization of dialog with employees, including procedures to inform and consult and negotiate with staff;	Yes	General	103 Management approach to labor relations	2.4.

Percentage of employees covered by collective bargaining agreements, by country;			102-41	
Outcome of collective bargaining agreements, especially in the field of occupational health and safety.			403-1	
Training				
Training policies implemented. Total number of training hours by professional category.	Yes	General	103 Management approach to training and education	2.1. 2.6.
Universal access for persons with disabilities		General	103 Management approach to diversity, equal opportunities and non-discrimination	2.7.
Equality				
Measures adopted to foster equal treatment and equal opportunities between men and women; Equality Plans (Chapter III of Organic Act 3/2007, of 22 March, concerning effective equality between men and women), measures adopted to promote employment, protocols to combat sexual and gender-based harassment, integration and universal accessibility of persons with disabilities;	Yes	General	103 Management approach to diversity and equal opportunities	2.8.
The policy against all kinds of discrimination and the policy on managing diversity, if any.				6.1.
HUMAN RIGHTS				
Due diligence in connection with human rights. Avoidance of the risk of human rights violations, and measures to mitigate, manage and remedy any abuses that occur.			103 Management approach to the evaluation of human rights and non-discrimination, 102-16, 102-17	6.1.
Reports of human rights violations.			406-1	
Promotion of and compliance with the provisions of the fundamental conventions of the International Labour Organization in connection with freedom of association and the right to collective bargaining.	Yes	General	103 Management approach to non-discrimination	
The elimination of discrimination in respect of employment and occupation.			103 Management approach to non-discrimination 406-1	2.1. 6.1.
The elimination of forced or mandatory labor. The effective abolition of child labor.			103 Management approach to non-discrimination	6.1.
CORRUPTION AND BRIBERY				
Measures adopted to prevent corruption and bribery. Communication and training about anti-corruption policies and procedures.	Yes	General	103 Management approach to non-discrimination 102-16 , 205-2	6.2.

Anti-money laundering measures.	No		-	
Contributions to foundations and non-profit entities.	Yes		413-1	5.1. 5.2.
Company				
The impact of the company's activity on local development and employment.	Yes	General	103 Management approach to local communities and indirect economic impacts, 413-1	2.1. 5.1.
The impact of the company's activity on local communities and the territory.			413-1	
Relations with agents in the local communities and the forms of engagement with them.			102-43	5.1.
Association or sponsorship actions.	Yes		102-12, 102-13	5.2.
Outsourcing and suppliers				
* Inclusion of social, gender equality and environmental factors in the procurement policy;	Yes	General	102-9	3.1.
* Consideration of supplier's and subcontractor's social and environmental responsibility.			103 Management approach to procurement practices	3.2.
Audit and supervisory systems and their outcome.			103 Management approach to procurement practices	3.1.
Consumers				
Consumer health and safety metrics.	Yes	General	103 Management approach to customers' health and safety, marketing and labeling, and customer privacy	3.5.
Grievance mechanisms, complaints and outcomes.			103	
Tax information				
Profit breakdown by country. Income tax paid. Public subsidies received.	Yes	General	103 Management approach to economic performance 201-4	6.3.

Annex 1

Full list of material issues for the Pharma Mar Group

	No.	Material issues (Law 11/2018)
Innovation	1	Commitment to research and development of new products.
	2	Knowledge protection, patentability and management.
	3	Strategic alliances and partnerships (with licensees, partners, research centers and universities).
Environmental management	4	Environmental management approach and objectives.
	5	Atmospheric pollution.
	6	Circular economy and waste abatement.
	7	Sustainable resource use: - Water, energy and commodities.
	8	Climate change - Greenhouse gas emissions and risk management.
	9	Biodiversity protection.
employment quality	10	People management and human resources policies.
	11	Work organization.
	12	Health and safety.
	13	Collective agreements and labor relations.
	14	Training and professional development (talent retention).
	15	Talent attraction.
	16	Universal access for persons with disabilities.
	17	Equality.
Supply chain value	18	Quality in managing outsourcing and suppliers.
	19	Quality in customer management.
	20	Patient safety and wellbeing.
	21	Product safety and quality.
Governance, business ethics and transparency	22	Business model (strategy and governance).
	23	Respect for human rights.
	24	Combating corruption and bribery.
	25	The company's commitments to sustainable development of communities.
	26	Respect for the laws, regulations and industry codes.
	27	Transparent tax information.
	28	Transparency in relations with investors and shareholders.
	29	Transparent relations with public authorities and governments.
	30	Transparency in clinical trials.

SEPARATE DISCLOSURES CONCERNING THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT (ART. 49.7 OF SPAIN'S COMMERCIAL CODE) FOR THE YEAR ENDED 31 DECEMBER 2021, FORMING PART OF THE DIRECTORS' REPORT OF THE PHARMAMAR GROUP FOR THAT YEAR

In compliance with the provisions of articles 34, 44 and 49 of the Commercial Code and articles 253 and 254 of the Capital Companies Act, this separate report concerning the consolidated non-financial information statement for the period from 1 January to 31 December 2021, as referred to in article 49.7 of the Commercial Code, is drafted and authorized as part of the Directors' Report of the PharmaMar Group for the period from 1 January to 31 December 2021.

In accordance with the provisions of the Commercial Code and the Capital Companies Act, the Board of Directors signed this 76-page document on 28 February 2022.

The Board of Directors:

Mr. José María Fernández Sousa-Faro Chairman	Mr. Pedro Fernández Puentes Vice-Chairman
Mr. Carlos Pazos Campos Director	Mr. Eduardo Serra Rexach Director
Ms. Sandra Ortega Mera Director (representing ROSP CORUNNA Participaciones Empresariales, S.L.)	Mr. Carlos Solchaga Catalán Director
Mr José Félix Pérez-Orive Carceller Director	Ms Ana Palacio Vallelersundi Director
Ms. Montserrat Andrade Detrell Director	Mr. Valentín de Torres-Solanot del Pino Director
Ms. Mª Blanca Hernández Rodríguez Director *Participated in the Board of Directors meeting by means of an online connection and approved these separate disclosures concerning the consolidated non-financial information statement.*	

Certificate by the Secretary to the Board of Directors to certify that, following authorization by the members of the Board of Directors, at its meeting of 28 February 2022, of the separate report concerning the consolidated non-financial information statement for the period from 1 January to 31 December 2021, as referred to in article 49.7 of the Commercial Code, which is part of the Directors' Report of the PHARMAMAR Group for the period from 1 January to 31 December 2021, the directors listed above (with the exception of Ms. Blanca Hernández Rodríguez, who participated in the Board of Directors meeting by means of an online connection and approved the content of the separate report on the consolidated non-financial information statement) signed the first and last pages of this document. Which I certify in Madrid on 28 February 2022.

Secretary of the Board of Directors:

Juan Gómez Pulido

STATEMENT OF LIABILITY WITH RESPECT TO THE CONTENT OF THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors declare that, to the best of their knowledge, the consolidated financial statements for the year ended 31 December 2021, authorized by the Board of Directors at a meeting on 28 February 2022, and prepared in accordance with the applicable accounting standards, give a true and fair view of the net worth, financial position and results of PHARMA MAR, S.A. and of the subsidiaries included in consolidation, taken as a whole, and that the consolidated directors' report includes a true and fair analysis of the development and results of the business and the position of PHARMA MAR, S.A., taken as a whole, and of the subsidiaries included in consolidation.

Madrid, 28 February 2022

The Board of Directors:

Name	Tax ID no.	Position	Signature
José María Fernández Sousa-Faro		Chairman	
Pedro Francisco Fernández Puentes		Vice-Chairman	
Eduardo Serra Rexach		Director	
ROSP CORUNNA Participaciones Empresariales, S.L. (represented by Sandra Ortega Mera)		Director	
Carlos Solchaga Catalán		Director	
Ana Palacio Vallelersundi		Director	
Montserrat Andrade Detrell		Director	
Valentin de Torres-Solanot del Pino		Director	
José Félix Pérez-Orive Carceller		Director	
Mª Blanca Hernández Rodríguez		Director	*Participated in the Board of Directors meeting by means of an online connection and approved this statement of liability with respect to the content of the Annual Financial Report of Pharma Mar, S.A. and its Consolidated Group.*
Carlos Pazos Campos		Director	

Certificate by the Secretary of the Board of Directors to the effect that, after authorization by the Board of Directors, on 28 February 2022, of the Consolidated Financial Statements and Consolidated Directors' Report of PHARMA MAR, S.A. for the year ended 31 December 2021, the directors listed above (with the exception of Ms. Blanca Hernández Rodríguez, who participated in the Board of Directors meeting by means of an online connection and approved the content of the Financial Statements and Directors' Report of the PharmaMar Group) signed this statement of director liability, which I certify in Madrid on 28 February 2022.

Secretary of the Board of Directors

Juan Gómez Pulido