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Pharma Mar, S.A.

Financial statements and directors' report as of 31 December 2021

Pharma Mar, S.A.

Auditor´s report
Annual accounts at December 31, 2021
Management report

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

Independent auditor's report on the annual accounts

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

Report on the annual accounts

Opinion

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

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2021, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and in particular, with the accounting principles and criteria included therein.

Basis for opinion

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

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

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

Key audit matters

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

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 03129

Key audit matters	How our audit addressed the key audit matters
Recognition and recoverability of deferred tax assets	
At 31 December 2021 the Company recognizes on its balance sheet a deferred tax asset and liability amounting to 21,583 thousand euro and 830 thousand euro, respectively, as detailed in note 21 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 2.2 and 4.11 to the annual accounts. The main sources of information used to assess the recoverability of deferred tax assets are the Company's projections of expected future profits as outlined in note 2.2. to the annual accounts. Note 2.2 to the accompanying annual accounts indicates that future tax profits take into account the expected probability of success of each research and development project in the pipeline based on the current development phases of the different molecules. Evaluating the initial recognition and subsequent ability to recover the deferred tax assets recognized is a complex exercise that requires a high level of judgement and estimation by management and is subject to the risk of significant material misstatement. We therefore consider this a key audit matter.	We gained an understanding and assessed the estimation process carried out by management as well as the reasonableness of the budgets drawn up in the past compared with actual events. We focused our procedures on assessing the reasonableness of the budgets used and analyzing the Company's calculation model and methodology to estimate future tax bases. Regarding the budgets, we specifically analyzed, among other things, each product's estimated selling price and for products under development, we analyzed through external sources whether the product prices projected by management are based on comparable compounds which have been approved in the same territory and the incidence of the disease in the market. Additionally, we verified whether the probability of success assigned to each project based on its current development phase is aligned with general practice in the industry. With respect to the information set out in the notes, we assessed that it includes that required by section 12 of the General Chart of Accounts on the disclosures to be included in the notes to the annual accounts. Based on the procedures described, we consider that the estimates made by Company management with respect to initial recognition and subsequent ability to recover deferred tax assets are reasonable along with their disclosure in the accompanying annual accounts.
Revenue recognition	
The Company's activity as outlined in note 1 to the accompanying annual accounts primarily consists of research, development and marketing of bioactive substances, particularly of marine origin, for use in patients, mainly in antitumour, antiviral, immunomodulator and tropical disease treatments.	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 4.14 to the accompanying annual accounts, the Company recognizes revenues when control over its goods or services is transferred to customers. At that time revenue is recognized at the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer Specifically: • Revenue from product sales is recognized when control over the asset is transferred to the customer which generally takes place when the goods are delivered to the end customer. • Revenues from licensing and development agreements are recognized as the performance obligations identified, to which a price has previously been allocated during the process of analyzing the contract, accrue, and milestones are attained. • 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 22.1) due to its relevance to the Company's annual accounts.	Additionally, and taking into account the specifics of the revenues obtained by the Company: • For revenues from product sales, we obtained confirmation for a sample of invoices for the year for a selection of customers and verified, also for a sample, the correct recognition of revenue in the year and the operations cut-off. Similarly, we analyzed a sample of accounting entries, selected according to certain characteristics, in order to assess the appropriate recognition of such revenues. • For revenues from licensing and development agreements, we verified, based on the analysis of the contract, that revenue is recognized in accordance with the performance obligations identified and the price allocated to each of them, analyzing whether the revenue recognized in 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 Company's accounting records and the information included in the annual accounts regarding this area.

Other information: Management report

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

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

a) Verify only that the statement of non-financial information, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as referred to in the Auditing Act, 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 management report and the annual accounts as a result of our knowledge of the Company obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

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

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

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

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

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

Auditor’s responsibilities for the audit of the annual accounts

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Pharma Mar, S.A. for the 2021 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

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

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

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

Report to the audit commission

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

Appointment period

The General Ordinary Shareholders' Meeting held on 15 April 2021 appointed us as auditors 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 1997.

Services provided

Services provided to the audited entity and its subsidiaries for services other than the audit of the accounts are disclosed in note 32 to the annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

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

28 February 2022

Pharma Mar, S.A.
Balance sheet as of 2021 year-end
(Thousand euro)

ASSETS	Note	31/12/21	31/12/20
A) Non-current assets		**134,709**	**134,630**
I. INTANGIBLE ASSETS		**2,806**	**3,619**
1. Development	6	2,106	2,807
2. Computer software	6	700	812
II. PROPERTY, PLANT AND EQUIPMENT		**23,635**	**18,843**
1. Land and structures	7	11,867	11,602
2. Technical installations and other tangible fixed assets	7	8,182	6,487
3. Advances & construction in progress	7	3,586	754
III. Investment property		**845**	**845**
1. Land	8	845	845
IV. Non-current investment in group and associated undertakings		**75,345**	**61,164**
1. Equity instruments	11	53,967	53,967
2. Loans to Group undertakings	14 & 29	21,378	7,197
V. NON-CURRENT FINANCIAL ASSETS		**10,495**	**20,474**
1. Equity instruments	12	335	330
2. Loans to third parties		6	6
3. Other financial assets	14 & 15	10,154	20,138
VI. Deferred tax assets	21	**21,583**	**29,685**
B) Current assets		**279,734**	**233,421**
II. Inventories		**9,619**	**11,117**
1. Raw materials and other supplies	13	174	125
2. Products in process	13	9,048	10,329
3. Finished products	13	397	663
III. Trade and other accounts receivable		**74,704**	**35,344**
1. Customer receivables for sales and services	14	44,166	18,699
2. Receivable from group and associated undertakings	14 & 29	4,296	4,519
3. Sundry debtors	14	195	190
4. Personnel	14	113	110
5. Current tax assets	23	22,538	10,486
6. Other receivables from public authorities	23	3,396	1,340
IV. Current investment in group and associated undertakings		**97**	**1,644**
1. Loans to undertakings	14 & 29	-	775
2. Other financial assets	14 & 29	97	869
V. Current financial assets		**88,030**	**97,163**
1. Other financial assets	15	88,030	97,163
VI. Accruals	14	**3,750**	**891**
VII. Cash and cash equivalents		**103,534**	**87,262**
1. Cash	16	103,534	87,262
Total assets (A+B)		**414,443**	**368,051**

Pharma Mar, S.A.
Balance sheet as of 2021 year-end
(Thousand euro)

TOTAL EQUITY AND LIABILITIES	Note	31/12/21	31/12/20
A) Equity		**238,619**	**153,115**
A-1) Capital and reserves		**237,433**	**151,666**
I. Capital		**11,013**	**11,013**
1. Share capital	17	11,013	11,013
II. Share premium account	17	**71,278**	**71,278**
III. Reserves		**285,377**	**287,875**
1. Legal and bylaw reserves	18	2,203	2,203
2. Other reserves	18	283,174	285,672
IV. (Own shares and equity instruments)	17	**(25,679)**	**(21,453)**
V. Prior years' income		**(207,919)**	**(225,999)**
1. (Prior years' loss)	18	(207,919)	(225,999)
VII. Income for the year		**103,363**	**28,952**
A-2) Value adjustments		**18**	**14**
II. Hedge transactions		**18**	**14**
A-3) Subsidies, donations and legacies received	6 & 19	**1,168**	**1,435**
B) Non-current liabilities		**95,822**	**125,550**
I. Long-term provisions		**150**	**150**
1. Other provisions		150	150
II. Non-current debt		**27,645**	**33,431**
1. Bonds and other marketable securities	20	16,653	16,600
2. Bank debt	20	456	3,561
3. Other financial liabilities	20	10,536	13,270
IV. Deferred tax liabilities	21	**830**	**845**
V. Long-term accruals	20	**67,197**	**91,124**
C) Current liabilities		**80,002**	**89,386**
III. Current debt		**11,404**	**14,731**
1. Bonds and other marketable securities	20	405	405
2. Bank debt and debt to official authorities	20	10,154	13,343
3. Other financial liabilities	20	845	984
IV. Current accounts payable to group and associated undertakings	20 & 29	**4,093**	**2,532**
V. Trade and other accounts payable		**34,665**	**28,538**
1. Due to suppliers	20	379	232
2. Due to group and associated undertakings	20 & 29	2,212	3,176
3. Sundry creditors	20	23,933	18,526
4. Personnel (compensation payable)	20	5,872	4,581
5. Other debt to public authorities	23	1,044	921
6. Customer advances	20	1,225	1,102
VI. Short-term accruals	20	**29,840**	**43,584**
Total net equity and liabilities (A+B+C)		**414,443**	**368,051**

Pharma Mar, S.A.
Statement of income for the year ended
31 December 2021
(Thousand euro)

STATEMENT OF INCOME	Note	31/12/21	31/12/20
A) Continuing operations			
1. Net revenues	22.1 & 22.2	**215,405**	**247,720**
a) Product sales		108,992	90,371
b) Licensing and development agreements		64,787	140,233
c) Royalties		40,996	15,661
d) Other revenues		630	1,455
2. Variation in finished goods and work-in-process inventories	13	**(1,962)**	**2,520**
3. Capitalized in-house work	6	**-**	**4,506**
4. Purchases		**(16,808)**	**(8,569)**
b) Raw materials and other consumables consumed	22,4	(3,840)	(2,650)
c) Outside work		(12,968)	(5,919)
5. Other operating revenues		**62**	**57**
a) Ancillary and other current revenues		62	57
6. Staff expenses	22,5	**(34,826)**	**(34,764)**
a) Wages, salaries and similar		(29,096)	(29,658)
b) Employee welfare expenses		(5,730)	(5,106)
7. Other operating expenses	22,6	**(55,009)**	**(48,146)**
a) Outside services		(54,453)	(47,451)
b) Taxes other than income tax		(556)	(678)
c) Losses, impairment and changes in trade provisions		-	(17)
8. Depreciation and amortization	6 & 7	**(2,681)**	**(12,583)**
9. Recognition of subsidies for non-financial assets and other	19	**694**	**1,160**
10. Impairment losses and income from disposal of assets	6.1 & 22.7	**144**	**(118,936)**
a) Impairments and losses	6.1 & 22.7	144	(58,397)
b) Income from disposals and other	6.1 & 22.7	-	(60,539)
A.1) OPERATING INCOME (1+2+3+4+5+6+7+8+9+10)		**105,019**	**32,965**
11. Financial revenues	24	**777**	**569**
b) Marketable securities and other financial instruments		**777**	**569**
b 1) Group and associated undertakings		402	233
b 2) Third parties		375	336
12. Financial expenses	24	**(2,249)**	**(2,593)**
a) Debts to third parties		(2,249)	(2,593)
13. Exchange differences	24	**5,836**	**(7,490)**
14. Impairment losses and income from disposal of financial instruments	24	**-**	**135**
a) Impairments and losses		-	135
A.2) FINANCIAL INCOME (11+12+13+14)		**4,364**	**(9,379)**
A.3) INCOME BEFORE TAXES (A.1 + A.2)		**109,383**	**23,586**
15. Income tax	23	**(6,020)**	**5,366**
A.4) INCOME FOR THE YEAR FROM CONTINUING OPERATIONS (A.3+15)		**103,363**	**28,952**
A.5) INCOME FOR THE YEAR (A.4)		**103,363**	**28,952**

Pharma Mar, S.A.
Statement of changes in equity for
the year ended 31 December 2021

A) STATEMENT OF RECOGNIZED REVENUES AND EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2021 (thousand euro)

STATEMENT OF CHANGES IN NET EQUITY	Note	31/12/21	31/12/20
A) INCOME, PER INCOME STATEMENT		**103,363**	**28,952**
Revenues and expenses recognized directly in equity			
I. Valuation of financial instruments		5	-
I. Subsidies, donations and legacies received	19	338	423
II. Tax effect	19	(86)	(106)
B) TOTAL REVENUES AND EXPENSES RECOGNIZED DIRECTLY IN EQUITY (I+II+III)		**257**	**317**
Transfers to profit or loss			
III. Subsidies, donations and legacies received	19	(694)	(1,159)
IV. Tax effect	19	174	290
C) TOTAL TRANSFERS TO PROFIT OR LOSS (III+IV)		**(520)**	**(869)**
TOTAL RECOGNIZED REVENUES AND EXPENSES (A + B + C)		**103,100**	**28,400**

Pharma Mar, S.A.
Statement of changes in equity for the year ended 31 December 2021

B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021 (thousand euro)

	Share capital (Note 17)	Share premium account (Note 17)	Reserves (Note 18)	(Own shares and equity instruments) (Note 17.3)	Prior years' income	Income for the year (Note 3)	Subsidies, donations and legacies received (Note 19)	Value adjustments	TOTAL
Ending balance 2019	**11,132**	**71,278**	**300,990**	**(1,500)**	**(234,838)**	**17,659**	**1,987**	**15**	**166,723**
Total recognized revenues and expenses	-	-	-	-	-	28,952	(552)	-	28,400
Capital reduction	(119)	-	(18,380)	18,449	-	-	-	-	(50)
Other changes in net equity	-	-	-	-	-	-	-	(1)	(1)
Share ownership plans (Note 17.3 & 26)	-	-	(165)	528	-	-	-	-	363
Transactions with shares (purchases) (Note 17.3)	-	-	-	(63,773)	-	-	-	-	(63,773)
Transactions with shares (sales) (Note 17.3)	-	-	5,430	24,843	-	-	-	-	30,273
Distribution of dividends	-	-	-	-	-	(8,820)	-	-	(8,820)
Distribution of income (Note 3)	-	-	-	-	8,839	(8,839)	-	-	-
Closing balance 2020	**11,013**	**71,278**	**287,875**	**(21,453)**	**(225,999)**	**28,952**	**1,435**	**14**	**153,115**
Total recognized revenues and expenses	-	-	-	-	-	103,363	(267)	-	103,096
Other changes in net equity	-	-	-	-	-	-	-	4	4
Share ownership plans (Note 17.3 & 26)	-	-	(31)	751	-	-	-	-	720
Transactions with shares (purchases) (Note 17.3)	-	-	-	(40,660)	-	-	-	-	(40,660)
Transactions with shares (sales) (Note 17.3)	-	-	(2,467)	35,683	-	-	-	-	33,216
Distribution of dividends	-	-	-	-	-	(10,872)	-	-	(10,872)
Distribution of income (Note 3)	-	-	-	-	18,080	(18,080)	-	-	-
Closing balance 2021	**11,013**	**71,278**	**285,377**	**(25,679)**	**(207,919)**	**103,363**	**1,168**	**18**	**238,619**

Pharma Mar, S.A.
Statement of Cash Flows for
the year ended 31 December 2021
(Thousand euro)

	Notes	31/12/21	31/12/20
A) OPERATING CASH FLOW			
1. Income before taxes		**109,383**	**23,586**
2. Adjustments to income		**(1,801)**	**140,283**
a) Depreciation and amortization (+)	6, 7, 8	2,681	12,582
b) Impairment losses		(183)	58,416
d) Subsidies recognized (-)	19	(694)	(1,159)
e) Income from derecognitions and disposals of property, plant and equipment (+/-)	6, 7, 24	40	60,538
f) Income from derecognitions and disposals of financial instruments (+/-)		-	(135)
g) Share-based payments		718	528
h) Financial revenues (-)	24	(777)	(569)
i) Financial expenses (+)	24	2,250	2,593
j) Exchange differences (+/-)	24	(5,836)	7,490
3. Changes in working capital		**(59,722)**	**126,817**
a) Inventories (+/-)	13	1,499	(2,827)
b) Debtors and other accounts receivable (+/-).	14	(34,028)	(8,974)
d) Creditors and other accounts payable (+/-).	20	7,687	47,495
f) Other non-current assets and liabilities (+/-)		(34,880)	91,124
4. Other operating cash flow		**(9,671)**	**(11,743)**
a) Interest paid (-)		(2,256)	(2,609)
c) Interest received (+)		777	589
d) Corporate income tax receipts/payments	23	(8,192)	(9,722)
5. Operating cash flow (+/-1+/-2+/-3+/-4)		**38,189**	**278,944**
B) INVESTING CASH FLOW			
6. Investment payments (-)		**(19,923)**	**(129,141)**
a) Group and associated undertakings.		(13,406)	(6,219)
b) Intangible assets	6	(248)	(4,969)
c) Property, plant and equipment	7	(6,270)	(1,792)
e) Other financial assets		1	(116,161)
7. Divestment receipts (+)		**25,363**	**580**
a) Group and associated undertakings.	11	-	580
e) Other financial assets		25,363	-
8. Investing cash flow (7-6)		**5,440**	**(128,562)**
C) FINANCING CASH FLOW			
9. Receipts and payments in connection with equity instruments		**(7,106)**	**(33,076)**
c) Acquisition of own equity instruments (-)		(40,669)	(63,773)
d) Disposal of own equity instruments (+)		33,225	30,274
e) Subsidies, donations and legacies received (+)	19	338	423
10. Receipts and payments in connection with instruments representing financial liabilities		**(8,970)**	**(27,591)**
a) Issuance		**1,904**	**2,528**
2. Bank debt and debt to official authorities (+)	20	1,904	2,173
3. Debt to group and associated undertakings (+)	20	-	355
b) Refund and amortization of:		**(10,874)**	**(30,119)**
2. Bank debt and debt to official authorities (-)	20	(10,874)	(30,119)
11. Payment of dividends and remuneration on other equity instruments.		**(10,873)**	**(8,820)**
12. Financing cash flow (+/-9+/-10-11)		**(26,949)**	**(69,487)**
D) EFFECT OF EXCHANGE RATE VARIATIONS		(409)	(7,490)
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		**16,271**	**73,405**
Beginning cash and cash equivalents		87,262	13,857
Ending cash and cash equivalents		103,534	87,262

Pharma Mar, S.A.

NOTES TO FINANCIAL STATEMENTS (thousand euro)

1. COMPANY BUSINESS

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

PharmaMar's main activity is research, development and marketing of bio-active principles, particularly those of marine origin, for application in human medicine, especially in the antitumor, antiviral and immunomodulation fields and the area of tropical diseases, as well as management, support and development of its investees in the biopharmaceutical business (diagnostics and RNAi) and the subsidiaries whose object is to market oncology products (Yondelis®) in Europe. In 2020, it created a new unit: Virology.

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 its first compound, Yondelis®, to treat soft tissue sarcoma; commercial sales began in the fourth quarter of 2007.

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

In 2015, Yondelis® (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 use in treating multiple myeloma in combination with dexamethasone. The approval covers treating patients who have relapsed after three lines of treatment. PharmaMar licensed Aplidin® to its partner STA for Australia, New Zealand and several Southeast Asian countries from December 2015.

In December 2017, the Company received a negative opinion from the European Medicines Agency's Committee for Medical Products for Human Use (CHMP) 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 asked that the European Medicines Agency re-examine 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® (lurbinectedin) for treating patients with small-cell lung cancer who had experienced progression after platinum-based chemotherapy. Zepzelca® received accelerated approval based on the Overall Response Rate (ORR) and Duration of Response (DoR).

As a result of that approval, Jazz Pharmaceuticals Ireland Limited (hereinafter "Jazz Pharmaceuticals"), with which PharmaMar had signed an exclusive licensing agreement in December 2019 for marketing anti-tumor compound Zepzelca® in the US to treat relapsed small-cell lung cancer, began marketing in that territory. 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 Zepzelca® by specific deadlines. Additionally, PharmaMar may collect up to USD 550 million for achieving sales targets, as well as royalties on net sales of Zepzelca®.

The results of the ATLANTIS randomized, multicenter Phase III trial which evaluated Zepzelca® (lurbinectedin) 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.

The other compounds are in the research and development phase.

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

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

The Company's directors consider that the 2021 financial statements, which were authorized on 28 February 2022, will be approved without changes by the Shareholders' Meeting.

In accordance with the provisions of Royal Decree 1.159/2010, of 17 September, on 28 February 2022, the Company authorized the Consolidated Financial Statements as of 31 December 2021 for the group of companies of which it is the controlling company, which disclose a consolidated net profit of €92,859 thousand, equity (including net profit for the year) of €177,918 thousand, assets amounting to €368,386 thousand and revenues amounting to €229,831 thousand.

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

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

Clinical development of Aplidin® (plitidepsin) for treating COVID-19 patients continued in 2021. After successful conclusion of the APLICOV PC Phase II trial to assess the efficacy and safety of plitidepsin in COVID-19 patients requiring hospitalization, the NEPTUNE multicenter, randomized, controlled Phase III clinical trial in adult patients requiring hospitalization for the treatment of moderate COVID-19 infection commenced in 2021 and, as of 31 December 2021, was enrolling patients in Spain and nine other countries, mainly in Europe and Latin America. Approximately €19 million were spent in 2021 (€5 million in 2020).

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.

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.

2. BASIS OF PRESENTATION

2.1 True and fair view

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

On 30 January 2021, Spain's Official State Gazette published Royal Decree 1/2021, dated 12 January, which amended the General Accounting Plan approved by Royal Decree 1514/2007, of 16 November 2007; the General Accounting Plan for Small and Medium-Sized Companies approved by Royal Decree 1515/2007, of 16 November 2007; the Rules for the Preparation of Consolidated Financial Statements approved by Royal Decree 1159/2010, of 17 September; and the Rules for the Adaptation of the General Accounting Plan to Non-Profit Entities approved by Royal Decree 1491/2011, of 24 October. Additionally, as a consequence of Royal Decree 1/2021, a resolution of the Spanish Accounting and Audit Institute (ICAC) establishing the rules for recognition, measurement and production of financial statements for the recognition of revenues from the delivery of goods and services (hereinafter "Revenue Resolution") was published in the Official State Gazette on 13 February 2021.

In accordance with section 1) of the First Transitional Provision of Royal Decree 1/2021, the Company elected to apply the new standards taking 1 January 2021 as the transition date, and the figures for the year 2020 included for the purposes of comparison in the 2021 financial statements have not been restated in accordance with the new standards.

The main differences between the accounting and classification standards used in 2020 and those applied in 2021 with an impact on the Company are the financial instruments that have been reclassified as a function of our management approach or business model for managing financial assets and the contractual terms of the cash flows they produce.

Financial assets are classified into the following main categories:

- **Amortized cost**: This category encompasses the former "Loans and accounts receivable" and "Investments held to maturity" accounts insofar as they are held with the goal of obtaining cash flows arising from contractual performance, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  This category also includes trade accounts receivable and non-trade accounts receivable.

- **Cost**: This category mainly comprises investments in group, multi-group and associated undertakings:

Financial liabilities are classified into the following main categories:

- **Amortized cost**: This category includes all financial liabilities except those that must be measured at fair value through profit or loss. Accordingly, it includes the former "Debt and accounts payable" items, including loans at below market interest rates, and "Debt and accounts payable" for both trade and non-trade transactions.

Regarding the changes in the standards for recognition of revenues, the Company has reviewed the new standards and considers that there are no impacts to recognize in 2021.

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

2.2 Critical aspects of measuring and estimating uncertainty

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

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

Deferred tax assets

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

Deferred tax assets due to tax losses carried forward and unused tax credits are recognized to the extent that the Company is likely to obtain future taxable income enabling them to be offset. Accordingly, for the purpose of the 2021 financial statements, the projections of revenues and expenses were re-estimated using management's best estimates about the Company's business and the current and foreseeable economic situation.

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

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

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

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

- The information for preparing the tax budget is the budget presented to the Board of Directors, which includes projections through 2026, extended to 2031 using the Company's best estimates of future earnings based on past experience, and the assumptions made in the first 5 years of estimation.

- The main variables used in projections for the Oncology segment are as follows: a) the probability assigned to ongoing developments (revenue expected for each product under development is assigned a probability of occurrence based on the degree of progress with ongoing development); b) the estimated selling price; and c) a penetration rate as a function of the number of patients that could potentially be treated with the product under development.

- The tax budget also uses the following significant assumptions:

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

    - Revenue growth in the oncology segment is assumed to average 15.70%. That growth is due mainly to the good sales prospects for Zepzelca®, a product currently under development, by our partner in the US market.

    - Sustained growth in expenses in the oncology segment is assumed to average 7.18%.

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

- A 1% increase in the probability assigned to revenues from compounds in Phase III development would result in the recognition of an additional €470 thousand.
- A 5% reduction in the estimated price for the main compound under development (Zepzelca®) would result in the derecognition of assets in the amount of €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 assets in the amount of €3,726 thousand.
- A 10% reduction in market share for the main compound under development (Zepzelca®) would result in derecognition of assets in the amount of €1,953 thousand.
- A 10% reduction in market share for the main compound under development (Zepzelca®) would result in derecognition of assets in the amount of €1,617 thousand.

Recognition of revenues under licensing and/or development agreements

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

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

- The economic basis of the transaction.
- The nature of the components of the transaction (payments, asset swaps, etc.).
- The valuation and distribution, on a fair value basis, of each item of consideration.
- The transfer of material risks and benefits deriving from ownership of the goods and the assumption of future obligations.
- The degree of progress with the project (milestones).

2.3 Comparative information

The amounts for 2020 are presented alongside those for 2021 for comparison purposes.

2.4 Grouping of items

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

3. APPLICATION OF RESULTS

The proposed distribution of 2021 income which will be presented to the Shareholders' Meeting, and the actual distribution approved for 2020 by the shareholders on 15 April 2021, are as follows:

(thousand euro)	2021	2020
BASIS OF DISTRIBUTION		
Income for the year	103,363	28,952
	103,363	**28,952**
DISTRIBUTION		
Dividend (*)	11,931	10,872
Prior years' losses	91,432	18,080
	103,363	**28,952**

(*) The ordinary dividend declared by the Board of Directors is €0.65 gross for each qualifying share on the date payment is made, less any applicable withholding tax. Based on the number of shares currently outstanding (18,354,907 shares) and in the absence of treasury stock, that distribution would entail distributing a dividend for a maximum total amount of €11,930,689.55. The total amount distributed as dividends will be determined at the time of distribution based on the shares that the Company holds in treasury stock at that time.

The distribution of income for the year ended 31 December 2021 which will be proposed to the Shareholders' Meeting, in accordance with article 274 of the Consolidated Text of the Capital Companies Act, approved by the Legislative Royal Decree of 2 July 2010, will consist of distributing a dividend of €11,931 thousand to the Company's shareholders and of offsetting "Prior years' losses" in the amount of €91,432 thousand.

4. ACCOUNTING AND VALUATION STANDARDS

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

4.1 Intangible assets

Intangible assets are recognized initially if:

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

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

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

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

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

4.1.1 Research & Development expenses

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

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

Research expenditure is expensed in the year it is incurred.

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

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

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

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

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

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

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

Fulfillment of those conditions is assessed each year.

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

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

For the purposes of subsequent remeasurement:

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

As of 31 December 2021 and 2020, the only capitalized development expenses related to the registration dossier for Zepzelca® in small-cell lung cancer, which recently received approval for marketing from the U.S. FDA (Note 6.1). As of 31 December 2021, there are no indications of impairment as the asset is generating economic returns that provide ample assurance of its recoverability.

Measurement of research and development projects

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

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

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

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

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

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

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

4.1.2 Computer software

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

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

4.2 Property, plant and equipment

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

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

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

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

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

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

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

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

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

4.3 Investment property

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

4.4 Leases

Where the Company is the lessee - Operating lease

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

Where the Company is the lessor

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

4.5 Impairment of non-financial assets

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

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

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

4.6 Financial assets

4.6.1 Financial assets at amortized cost

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

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

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

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

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

Initial measurement

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

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

Subsequent re-measurement

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

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

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

Impairment

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

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

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

4.6.2 Financial assets at fair value through equity

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

Initial measurement

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

Subsequent re-measurement

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

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

Accrued interest, calculated using the effective interest rate method, and accrued dividends are recognized in profit or loss.
When such assets must be measured due to derecognition or other reasons, the weighted average value by homogeneous groups approach is used.

In the exceptional case that the fair value of an equity instrument is no longer reliable, prior adjustments

recognized directly in equity are treated in the same way as for impairment of financial assets at cost.

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

Impairment

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

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

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

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

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

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

4.6.3 Financial assets at cost

This measurement category includes:

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

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

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

Initial measurement

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

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

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

Subsequent re-measurement

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

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

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

Impairment

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

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

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

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

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

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

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

4.7 Inventories

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

The cost price is obtained as follows:

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

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

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

4.8 Equity

Share capital is represented by ordinary shares.

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

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

4.9 Financial liabilities

Financial liabilities at amortized cost

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

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

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

Initial measurement

Financial liabilities in this category are measured initially at fair value, which is the transaction price, i.e. the fair value of the consideration received, adjusted for directly attributable transaction costs.
Nevertheless, trade accounts payable maturing at over one year which do not have a contractual interest rate, and capital calls by third parties whose amount is expected to be paid in the short term, are measured at their nominal value provided that the effect of not discounting the cash flows is not material.

Subsequent re-measurement

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

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

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

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

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

4.10 Subsidies received

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

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

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

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

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

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

4.11 Current and deferred taxes

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

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

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

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

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

At each accounting close, deferred tax assets are remeasured and impairment is recognized to the extent that there are doubts as to their recovery in the future. Also, at each accounting close, the deferred tax assets not

recognized on the balance sheet are remeasured and are recognized to the extent that they are likely to be recovered against future taxable income.

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

Consolidated income tax

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

The companies comprising the tax group in 2021 are: Genómica, S.A.U. and Sylentis, S.A.U., with Pharma Mar, S.A. as leading company.

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

4.12 Employee benefits

4.12.1 Share-based compensation

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

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

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

4.12.2 Termination indemnities

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

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

4.13 Provisions and contingent liabilities

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

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

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

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

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

4.14 Recognition of revenues

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

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

4.14.1 Revenue from the sale of products

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

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

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

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

- Sales to the distributor in Portugal: sales are recognized once the product is delivered to that distributor, since that is the point at which the significant risks and benefits inherent to ownership of the goods are transferred.

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

Distribution costs are recognized as period expenses.

4.14.2 Licensing, development and other similar agreements

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

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

The Company takes account of the following 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).

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

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

Or they may arise during the commercialization phase:

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

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

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

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

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

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

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

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

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

4.14.3 Royalties

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

4.14.4 Interest revenues

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

4.14.5 Dividends

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

4.14.6 Provision of services

The Company provides advisory and support services to Group undertakings.

4.15 Foreign currency transactions

4.15.1 Functional and presentation currency

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

4.15.2 Transactions and balances

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

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

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

4.16 Related-party transactions

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

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

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

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

4.17 Business combinations

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

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

4.18 Non-recourse factoring

The Company derecognizes financial assets when it assigns/sells the rights to the cash flows of the financial asset and has transferred the risks and rewards inherent to ownership, such as factoring of trade accounts receivable in which the Company does not retain any credit or default risk (Note 14.3).

5. RISK POLICY AND MANAGEMENT

5.1 Financial risk factors

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

5.1.1 Market risk

5.1.1.1 Price risk

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

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

5.1.1.2 Exchange rate risk

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

Transactions denominated in currencies other than the euro, basically in US dollars, Japanese yen, Swiss francs and pounds sterling, amounted to €126,753 thousand in the year ended 31 December 2021 (€160,693 thousand in 2020) (Note 22.3). The main transactions in foreign currency in 2021 were revenues from Jazz Pharmaceuticals (Note 22.1.3).

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 €3,523 thousand (€5,273 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 €3,699 thousand (€5,536 thousand in 2020).

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

5.1.1.3 Interest rate risk on cash flows and fair values

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

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

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

5.1.2 Credit risk

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

The banks and financial institutions with which the Company works generally have independent ratings. Where customers have an independent rating, that rating is used; otherwise, the Company assesses the

risk based on the customer's financial position, past experience and other factors. Where there is no doubt about a customer's solvency, no credit limits are set.

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

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

The credit quality of the financial assets and of customers with which the Company had balances as of 31 December 2021 and 2020 is set out in Note 10.3.

5.1.3 Liquidity risk

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

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

The net cash position, defined as cash and cash equivalents and current financial assets (€191,564 thousand in 2021, €184,425 thousand in 2020) less short-term borrowings (€11,404 thousand in 2021, €14,731 thousand in 2020), was positive in the amount of €180,160 thousand at the end of 2021 (€169,694 thousand in 2020).

Long-term interest-bearing debt amounted to €27,645 thousand as of 31 December 2021 (€33,431 thousand in 2020), of which €10,527 thousand (€13,261 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.

Operating cash flow amounted to €38,188 thousand in 2021 and €278,944 thousand in 2020. In 2021, cash flow was mainly from PharmaMar's direct sales in Europe of its products that are on the market (Yondelis® and Zepzelca®) plus royalties from sales by our partners in their respective territories. In 2020, cash flow was mainly due to receipts under the Zepzelca® license to Jazz Pharmaceuticals, which generated €269.5 million in that year (Note 1).

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

- PharmaMar ended 2021 with cash and cash equivalents plus current financial assets amounting to €191,564 thousand.
- PharmaMar had unused credit lines in the amount €10,498 thousand as of 31 December 2021.
- Working capital is positive in the amount of €199,732 thousand.

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

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

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

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

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

31/12/21 (thousand euro)	2022	2023	2024	2025	2026	2027 and thereafter	TOTAL non-current	TOTAL
Bonds and other marketable securities	**405**	**-**	**-**	**-**	**-**	**17,000**	**17,000**	**17,405**
Bank loans	6,725	225	231	-	-	-	456	7,181
Debt to official authorities	3,885	3,316	2,487	1,755	1,479	2,657	11,694	15,579
Bank debt and debt to official authorities	**10,610**	**3,541**	**2,718**	**1,755**	**1,479**	**2,657**	**12,150**	**22,760**
Other financial liabilities	**845**	**-**	**-**	**-**	**-**	**-**	**-**	**845**
Current accounts payable to group and associated undertakings	**4,093**	**-**	**-**	**-**	**-**	**-**	**-**	**4,093**
Suppliers	**379**	**-**	**-**	**-**	**-**	**-**	**-**	**379**
Debt to group and associated undertakings	**2,212**	**-**	**-**	**-**	**-**	**-**	**-**	**2,212**
Sundry creditors	**23,933**	**-**	**-**	**-**	**-**	**-**	**-**	**23,933**
Personnel (compensation payable)	**5,872**	**-**	**-**	**-**	**-**	**-**	**-**	**5,872**
Balances with public authorities	**1,044**	**-**	**-**	**-**	**-**	**-**	**-**	**1,044**
Customer advances	**1,225**	**-**	**-**	**-**	**-**	**-**	**-**	**1,225**
TOTAL	**50,618**	**3,541**	**2,718**	**1,755**	**1,479**	**19,657**	**29,150**	**79,768**

31/12/20 (thousand euro)	2021	2022	2023	2024	2025	2026 and thereafter	TOTAL non-current	TOTAL
Bonds and other marketable securities	**405**	**-**	**-**	**-**	**-**	**17,000**	**17,000**	**17,405**
Bank loans	10,102	3,105	225	231	-	-	3,561	13,663
Debt to official authorities	3,790	3,885	3,316	2,487	1,636	3,424	14,748	18,538
Bank debt and debt to official authorities	**13,892**	**6,990**	**3,541**	**2,718**	**1,636**	**3,424**	**18,309**	**32,201**
Other financial liabilities	**984**	**-**	**-**	**-**	**-**	**-**	**-**	**984**
Current accounts payable to group and associated undertakings	**2,532**	**-**	**-**	**-**	**-**	**-**	**-**	**2,532**
Suppliers	**232**	**-**	**-**	**-**	**-**	**-**	**-**	**232**
Debt to group and associated undertakings	**3,176**	**-**	**-**	**-**	**-**	**-**	**-**	**3,176**
Sundry creditors	**18,526**	**-**	**-**	**-**	**-**	**-**	**-**	**18,526**
Personnel (compensation payable)	**4,581**	**-**	**-**	**-**	**-**	**-**	**-**	**4,581**
Balances with public authorities	**921**	**-**	**-**	**-**	**-**	**-**	**-**	**921**
Customer advances	**1,102**	**-**	**-**	**-**	**-**	**-**	**-**	**1,102**
TOTAL	**46,351**	**6,990**	**3,541**	**2,718**	**1,636**	**20,424**	**35,309**	**81,660**

5.2 Fair value estimates

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

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

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

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

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

6. INTANGIBLE ASSETS

The breakdown and changes in the "Intangible Assets" account as of 31 December 2021 and 2020 are as follows:

2021

(thousand euro)	Development	Computer software	TOTAL
Cost			
Balance as of 31/12/20	291,004	4,745	295,749
Recognitions	-	248	248
Derecognitions (Notes 22.7 & 6.1)	(26,672)	(334)	(27,006)
Transfers	-	(38)	(38)
Balance as of 31/12/21	**264,332**	**4,621**	**268,953**
Impairment			
Balance as of 31/12/20 (Notes 22.7 & 6.1)	(27,028)	-	(27,028)
Transfer to derecognition due to impairment (Note 22.7)	26,672	-	26,672
Balance as of 31/12/21	**(356)**	**-**	**(356)**
Accumulated amortization			
Balance as of 31/12/20	(261,169)	(3,933)	(265,102)
Provisions	(701)	(298)	(999)
Derecognitions	-	310	310
Balance as of 31/12/21	**(261,870)**	**(3,921)**	**(265,791)**
Net carrying amount 31/12/21	**2,106**	**700**	**2,806**

2020

(thousand euro)	Development	Computer software	TOTAL
Cost			
Balance as of 31/12/19	405,071	4,281	409,352
Recognitions	4,506	464	4,970
Derecognition due to impairment (Notes 22.7 & 6.1)	(58,029)	-	(58,029)
Derecognition due to disposal (Notes 22.7 & 6.1)	(60,544)	-	(60,544)
Balance as of 31/12/20	**291,004**	**4,745**	**295,749**
Impairment			
Balance as of 31/12/2019 (Notes 22.7 & 6.1)	(27,028)	-	(27,028)
Balance as of 31/12/20	**(27,028)**	**-**	**(27,028)**
Accumulated amortization			
Balance as of 31/12/19	(250,557)	(3,577)	(254,134)
Provisions	(10,612)	(356)	(10,968)
Balance as of 31/12/20	**(261,169)**	**(3,933)**	**(265,102)**
Net carrying amount 31/12/20	**2,807**	**812**	**3,619**

6.1 Development

The Company continued to develop the molecules in its pipeline during 2021.

In 2021, derecognition due to impairment amounting to €26,672 thousand corresponds to the impairment provision that had been recognized in 2018 in relation to PM184, a compound under development. In 2021,

after analyzing the latest results, the Company decided to discontinue the development of this molecule, and derecognized the previously impaired balance.

Recognitions in Development in 2021 related mainly to the Phase III clinical trial in small cell lung cancer. Derecognition due to impairment, amounting to €58,029 thousand, was recognized after it became known in December 2020 that the ATLANTIS multicenter, randomized Phase III trial had not met the pre-established primary endpoint of overall survival. Therefore, since there were doubts about the recoverability of the investment, the Company wrote off the total amount that had been capitalized in connection with that clinical trial. Derecognition due to disposal, in the amount of €60,544 thousand, relates to the amounts capitalized for Zepzelca® corresponding to the market that Pharma Mar assigned to Jazz on a permanent basis under the licensing agreement.

Recoverability analysis

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

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

Yondelis®

As of 31 December 2021, there is no amount of capitalized expenses relating to Yondelis® as it had been fully amortized.

Zepzelca®(lurbinectedin)

As of 31 December 2021, capitalized development expenses, which amount to €2,105 thousand, correspond to the amounts PharmaMar allocated to preparing the registration dossier for the Phase II basket clinical trial with lurbinectedin in small cell lung cancer, which was submitted to the US FDA in December 2019 to request approval to market that compound. In June 2020, a positive response was received from the FDA under the accelerated approval procedure, with the result that Zepzelca® began to be marketed in the United States by our licensing partner for that territory, Jazz Pharmaceuticals. As a result of that agreement, in 2020, PharmaMar received USD 300 million (€269.5 million) from Jazz in the form of an upfront payment for signing the Zepzelca® licensing agreement and for meeting regulatory milestones; in 2021, it received €37,954 thousand (€12,719 thousand in 2020) in royalties on sales.

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

6.2 Capitalized financial expenses

There were no capitalized financial expenses as of 2021 and 2020 year-end.

6.3 Intangible assets located in other countries

There are no intangible assets located in other countries

6.4 Intangible assets acquired from group and associated undertakings

No assets were acquired from group or associated undertakings in 2021 and 2020.

6.5 Fully amortized assets

The assets that were fully amortized as of 31 December 2021 and 2020 are as follows:

FULLY AMORTIZED INTANGIBLE ASSETS (thousand euro)	31/12/21	31/12/20
Development (Yondelis®)	239,596	239,596
Computer software	3,265	3,146
TOTAL	**242,861**	**242,742**

6.6 Derecognitions

Derecognitions in 2021, amounting to €26,672 thousand, relate to the provision for impairment recognized in 2018 in relation to PM184, a compound under development. In 2021, after analyzing the latest results, the Company decided to discontinue the development of this molecule, and derecognized the previously impaired balance.

Derecognition due to impairment in 2020, amounting to €58,029 thousand, was recognized after it became known in December 2020 that the ATLANTIS multicenter, randomized Phase III trial had not met the pre-established primary endpoint of overall survival. Therefore, since there were doubts about the recoverability of the investment, the Company wrote off the total amount that had been capitalized in connection with that clinical trial.

Derecognition due to disposal, in the amount of €60,544 thousand, relates to the amounts capitalized for Zepzelca® corresponding to the market that Pharma Mar assigned to Jazz on a permanent basis under the licensing agreement.

6.7 Assets designated as collateral and subject to ownership restrictions

As of 31 December 2021 and 2020, there were no intangible assets subject to ownership restrictions or pledged as collateral for liabilities.

6.8 Subsidies received to finance R&D

As of 31 December 2021, the Company had €1,168 thousand (€1,435 thousand in 2020) under "Official capital subsidies" to finance research and development activities. €1,042 thousand of that balance (€1,435 thousand in 2020) relate to the subsidy component that is calculated to exist in repayable loans obtained at zero or below-market interest rates from official authorities to finance research and development activities, as compared with finance obtained at market rates. (Notes 5.2 & 19).

7. PROPERTY, PLANT AND EQUIPMENT

The detail and changes in the Property, Plant and Equipment account as of 31 December 2021 and 2020 are as follows:

2021

(thousand euro)	Land and structures	Installations	Construction in progress and advances	TOTAL
Cost				
Balance as of 31/12/20	21,988	33,321	754	56,063
Recognitions	-	1,312	5,088	6,400
Transfers	600	1,536	(2,125)	11
Derecognitions	-	(657)	(131)	(788)
Balance as of 31/12/21	**22,588**	**35,512**	**3,586**	**61,686**
Impairment				
Balance as of 31/12/20	(1,491)	-	-	(1,491)
Reversal of impairment (Note 22.7)	183	-	-	183
Balance as of 31/12/21	**(1,308)**	**-**	**-**	**(1,308)**
Accumulated amortization				
Balance as of 31/12/20	(8,895)	(26,834)	-	(35,729)
Provisions	(518)	(1,163)	-	(1,681)
Other transfers	-	(29)	-	(29)
Derecognitions	-	696	-	696
Balance as of 31/12/21	**(9,413)**	**(27,330)**	**-**	**(36,743)**
Net carrying amount 31/12/21	**11,867**	**8,182**	**3,586**	**23,635**

2020

(thousand euro)	Land and structures	Installations	Construction in progress and advances	TOTAL
Cost				
Balance as of 31/12/19	21,988	34,001	196	56,185
Recognitions	-	1,143	649	1,792
Transfers	-	13	(13)	-
Derecognitions	-	(1,836)	(78)	(1,914)
Balance as of 31/12/20	**21,988**	**33,321**	**754**	**56,063**
Impairment				
Balance as of 31/12/2018	(1,123)	-	-	(1,123)
Reversal of impairment (Note 22.7)	(368)	-	-	(368)
Balance as of 31/12/20	**(1,491)**	**-**	**-**	**(1,491)**
Accumulated amortization				
Balance as of 31/12/19	(8,377)	(27,567)	-	(35,944)
Provisions	(518)	(1,097)	-	(1,615)
Derecognitions	-	1,830	-	1,830
Balance as of 31/12/20	**(8,895)**	**(26,834)**	**-**	**(35,729)**
Net carrying amount 31/12/20	**11,602**	**6,487**	**754**	**18,843**

As of 31 December 2021, the net carrying amount of land and structures was €5,392 thousand and €6,479 thousand, respectively (€5,208 thousand and €6,394 thousand, respectively, in 2020).

The most significant additions to fixed assets in 2021 were the 1,093 square meter expansion of the offices at PharmaMar's facilities, the warehouse expansion, and the laboratory equipment upgrade. The most significant additions to fixed assets in 2020 relate to laboratory equipment for the R&D area as well as audiovisual equipment installed that year, the adaptation of three production labs, and warehouse expansion.

7.1 Partial reversal of impairment

In 2021, the Company reversed €183 thousand of impairment on a plot of land in Colmenar Viejo based on an external appraisal (it had recognized €368 thousand in impairment in 2020).

7.2 Assets acquired from Group and associated undertakings

No fixed assets were acquired from Group or associated undertakings in 2021 and 2020.

7.3 Fully depreciated assets

As of 31 December 2021, the Company was using assets with a carrying amount of €22,784 thousand which had been fully depreciated (€22,839 thousand as of 31 December 2020).

7.4 Property, plant and equipment pledged as collateral

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

7.5 Assets acquired under finance leases

There were no finance leases outstanding as of the end of 2021 and 2020.

7.6 Subsidies received

No fixed assets financed by subsidies from public authorities were acquired in 2021 and 2020.

7.7 Insurance

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

7.8 Assets located in other countries

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

8. Investment property

As of 31 December 2021, the Company had land which was held for appreciation and rental income as "Investment property" for a total net amount of €845 thousand (€845 thousand in 2021). It is a plot of land located at Avda.de la Industria no. 52, in Polígono Industrial de Tres Cantos (Madrid), which is under a 25-year lease that may not be terminated in the first 10 years.

Revenues under this heading amounted to €62 thousand in 2021 (€57 thousand in 2020).

9. OPERATING LEASES

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

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

OPERATING LEASE COMMITMENTS (thousand euro)	31/12/21	31/12/20
Less than 1 year	1,866	1,691
1 to 5 years	1,064	1,141
TOTAL	**2,930**	**2,832**

The expense recognized in profit or loss amounted to €1,850 thousand in 2021 (€1,726 thousand in 2021).

10. ANALYSIS OF FINANCIAL INSTRUMENTS

10.1 Analysis by category

The carrying amount of each category of financial instrument established in the accounting and measurement rules for "Financial Instruments", except for investments in the equity of group, multi-group and associated undertakings (Note 11) and assets and liabilities with public authorities (Note 23), is as follows:

10.1.1 Current and non-current financial assets and liabilities

2021 (thousand euro)	Financial assets at amortized cost	Financial assets at fair value through equity	Financial assets at cost	TOTAL
Non-current financial assets				
Financial assets – Group undertakings (Note 14.2)	21,378	-	-	**21,378**
Non-current financial assets (Notes 12 & 14)	-	335	6	**341**
Other financial assets (Notes 14.1 & 15)	10,154	-	-	**10,154**
Current financial assets				
Customer and other accounts receivable (Note 14.3)	44,166	-	-	**44,166**
Customer and other accounts receivable - Group and associated undertakings (Notes 14 & 29)	4,296	-	-	**4,296**
Financial assets – Group undertakings (Notes 14 and 29)	97	-	-	**97**
Current financial assets (Note 15)	88,030	-	-	**88,030**
Other financial assets (Note 14)	4,058	-	-	**4,058**
TOTAL	**172,179**	**335**	**6**	**172,520**

	Financial assets at amortized cost	TOTAL
Non-current financial liabilities		
Bonds and other marketable securities (Note 20.1)	16,653	**16,653**
Bank loans (Note 20.2)	456	**456**
Other financial liabilities (Note 20.3)	10,536	**10,536**
Current financial liabilities		
Bonds and other marketable securities (Note 20.1)	405	**405**
Bank loans (Notes 20.2 & 20.3)	10,154	**10,154**
Other financial liabilities	845	**845**
Current accounts payable – Group and associated undertakings (Notes 20 & 29)	4,093	**4,093**
Due to Group undertakings (Notes 20 & 29)	2,212	**2,212**
Suppliers	379	**379**
Sundry creditors	23,933	**23,933**
Personnel (compensation payable)	5,872	**5,872**
Customer advances	1,225	**1,225**
TOTAL	**76,763**	**76,763**

2020 (thousand euro)	Loans and accounts receivable / payable	Available-for-sale assets	Investments held to maturity	TOTAL
Non-current financial assets				
Financial assets – Group undertakings (Note 14.2)	7,197	-	-	**7,197**
Non-current financial assets (Notes 12 & 14)	6	330	-	**336**
Other financial assets (Notes 14.1 & 15)	138	-	20,000	**20,138**
Current financial assets				
Customer and other accounts receivable (Note 14.3)	18,699	-	-	**18,699**
Customer and other accounts receivable - Group and associated undertakings (Notes 14 & 29)	4,519	-	-	**4,519**
Financial assets – Group undertakings (Notes 14 and 29)	1,644	-	-	**1,644**
Current financial assets (Note 15)	-	-	97,163	**97,163**
Other financial assets (Note 14)	1,191	-	-	**1,191**
	33,394	**330**	**117,163**	**150,887**
Non-current financial liabilities				
Bonds and other marketable securities (Note 20.1)	16,600	-	-	**16,600**
Bank loans (Note 20.2)	3,561	-	-	**3,561**
Other financial liabilities (Note 20.3)	13,270	-	-	**13,270**
Current financial liabilities				
Bonds and other marketable securities (Note 20.1)	405	-	-	**405**
Bank loans (Notes 20.2 & 20.3)	13,343	-	-	**13,343**
Other financial liabilities	984	-	-	**984**
Current accounts payable – Group and associated undertakings (Notes 20 & 29)	2,532	-	-	**2,532**
Due to Group undertakings (Notes 20 & 29)	3,176	-	-	**3,176**
Suppliers	232	-	-	**232**
Sundry creditors	18,526	-	-	**18,526**
Personnel (compensation payable)	4,582	-	-	**4,582**
Customer advances	1,102	-	-	**1,102**
TOTAL	**78,313**	**-**	**-**	**78,313**

10.2 Analysis by maturity

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

FINANCIAL ASSETS / LIABILITIES BY MATURITY (thousand euro) 2021	2022	2023	2024	2025	2026	Subsequent years	Total non-current	TOTAL
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**-**	**-**	**-**	**-**	**-**	**335**	**335**	**335**
Equity instruments (Note 12)	-	-	-	-	-	335	335	335
Financial assets at cost	**-**	**-**	**-**	**-**	**-**	**6**	**6**	**6**
Loans to third parties	-	-	-	-	-	6	6	6
Financial assets at amortized cost	**140,647**	**10,154**	**-**	**-**	**-**	**21,378**	**31,532**	**172,179**
Financial assets – Group undertakings (Notes 14.2 & 29)	97	-	-	-	-	21,378	21,378	21,474
Other financial assets (Note 14.1)	-	154	-	-	-	-	154	154
Sundry debtors	195	-	-	-	-	-	-	195
Personnel	113	-	-	-	-	-	-	113
Accruals	3,750	-	-	-	-	-	-	3,750
Customer receivables for sales and services (Note 14.3)	44,166	-	-	-	-	-	-	44,166
Customer receivables - Group and associated undertakings (Notes 14.4 & 29)	4,296	-	-	-	-	-	-	4,296
Other financial assets (Note 15)	**-**	10,000	**-**	**-**	**-**	**-**	10,000	10,000
Short-term deposits (Note 15)	88,030	-	-	-	-	-	-	88,030
TOTAL	**140,647**	**10,154**	**-**	**-**	**-**	**21,719**	**31,873**	**172,520**
Financial Liabilities at amortized cost								
Bonds and other marketable securities (Note 20.1)	**405**	**-**	**-**	**-**	**-**	**16,653**	**16,653**	**17,058**
Bank loans and credit lines (Note 20.2)	6,726	225	231	-	-	-	456	7,181
Debt to official authorities (Note 20.3)	3,428	2,918	2,219	1,565	1,347	2,487	10,536	13,964
Bank debt and debt to official authorities	**10,154**	**3,143**	**2,450**	**1,565**	**1,347**	**2,487**	**10,992**	**21,145**
Current accounts payable – Group and associated undertakings (Notes 20 & 29)	**4,093**	**-**	**-**	**-**	**-**	**-**	**-**	**4,093**
Supplier accounts payable - Group and associated undertakings (Notes 20 & 29)	**2,212**	**-**	**-**	**-**	**-**	**-**	**-**	**2,212**
Suppliers	**379**	**-**	**-**	**-**	**-**	**-**	**-**	**379**
Sundry creditors	**23,933**	**-**	**-**	**-**	**-**	**-**	**-**	**23,933**
Personnel (compensation payable)	**5,872**	**-**	**-**	**-**	**-**	**-**	**-**	**5,872**
Customer advances	**1,225**	**-**	**-**	**-**	**-**	**-**	**-**	**1,225**
Other financial liabilities	**845**	**-**	**-**	**-**	**-**	**-**	**-**	**845**
TOTAL	**49,118**	**3,143**	**2,450**	**1,565**	**1,347**	**19,140**	**27,645**	**76,763**

FINANCIAL ASSETS / LIABILITIES BY MATURITY (thousand euro) 2020	2021	2022	2023	2024	2025	Subsequent years	Total non-current	TOTAL
ASSETS AVAILABLE FOR SALE	**-**	**-**	**-**	**-**	**-**	**336**	**336**	**336**
Equity instruments (Note 12)	-	-	-	-	-	330	330	330
Loans to third parties	-	-	-	-	-	6	6	6
LOANS AND ACCOUNTS RECEIVABLE	**26,053**	**138**	**-**	**-**	**-**	**7,197**	**7,335**	**33,388**
Financial assets – Group undertakings (Notes 14.2 & 29)	1,644	-	-	-	-	7,197	7,197	8,841
Other financial assets (Note 14.1)	-	138	-	-	-	-	138	138
Sundry debtors	190	-	-	-	-	-	-	190
Personnel	110	-	-	-	-	-	-	110
Accruals	891	-	-	-	-	-	-	891
Customer receivables for sales and services (Note 14.3)	18,699	-	-	-	-	-	-	18,699
Customer receivables - Group and associated undertakings (Notes 14.4 & 29)	4,519	-	-	-	-	-	-	4,519
INVESTMENTS HELD TO MATURITY	**97,163**	**20,000**	**-**	**-**	**-**	**-**	**20,000**	**117,163**
Other financial assets (Note 15)	**-**	20,000	-	-	-	-	20,000	20,000
Short-term deposits (Note 15)	97,163	-	-	-	-	-	-	97,163
TOTAL	**123,216**	**20,138**	**-**	**-**	**-**	**7,533**	**27,671**	**150,887**
FINANCIAL LIABILITIES								
Bonds and other marketable securities (Note 20.1)	**405**	**-**	**-**	**-**	**-**	**16,600**	**16,600**	**17,005**
Bank loans and credit lines (Note 20.2)	10,102	3,105	225	231	-	-	3,561	13,663
Debt to official authorities (Note 20.3)	3,241	3,374	2,971	2,245	1,473	3,207	13,270	16,511
Bank debt and debt to official authorities	**13,343**	**6,479**	**3,196**	**2,476**	**1,473**	**3,207**	**16,831**	**30,174**
Current accounts payable – Group and associated undertakings (Notes 20 & 29)	**2,532**	**-**	**-**	**-**	**-**	**-**	**-**	**2,532**
Supplier accounts payable - Group and associated undertakings (Notes 20 & 29)	**3,176**	**-**	**-**	**-**	**-**	**-**	**-**	**3,176**
Suppliers	**232**	**-**	**-**	**-**	**-**	**-**	**-**	**232**
Sundry creditors	**18,526**	**-**	**-**	**-**	**-**	**-**	**-**	**18,526**
Personnel (compensation payable)	**4,582**	**-**	**-**	**-**	**-**	**-**	**-**	**4,582**
Customer advances	**1,102**	**-**	**-**	**-**	**-**	**-**	**-**	**1,102**
Other financial liabilities	**984**	**-**	**-**	**-**	**-**	**-**	**-**	**984**
TOTAL	**44,882**	**6,479**	**3,196**	**2,476**	**1,473**	**19,807**	**33,431**	**78,313**

The "Non-current financial assets - Group undertakings" account as of 31 December 2021 and 2020 contained the loans indicated in Note 14.2. Those loans were classified as non-current since they have no fixed maturity and the directors do not intend to repay them in the short term.

10.3 Credit quality of financial assets

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

ACCOUNTS RECEIVABLE (thousand euro)	31/12/21	31/12/20
Customers without an external credit rating		
New customers (under 6 months)	106	2,610
Pre-existing customers (over 6 months)	44,060	16,089
TOTAL CUSTOMER RECEIVABLES FOR SALES AND SERVICES	**44,166**	**18,699**
Moody's rating		
A2	50,605	35,747
A3	83,198	110,057
Ba1	1,498	9,893
Ba2	-	1,001
Ba3	-	1,497
Baa1	10,104	36
Baa2	11,837	21,058
Baa2u	-	3,017
Baa3	14,038	-
Unrated	20,285	2,119
TOTAL CASH AND CASH EQUIVALENTS PLUS CURRENT FINANCIAL ASSETS	**191,565**	**184,425**
Baa1	10,000	20,000
TOTAL CASH AND CASH EQUIVALENTS PLUS NON-CURRENT FINANCIAL ASSETS	**10,000**	**20,000**

11. HOLDINGS IN GROUP UNDERTAKINGS

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

The registered office and line of business of each of PharmaMar's direct and indirect investees as of 31 December 2021 are summarized below:

Company	Registered offices	Line of business
Genómica, S.A.U. - Madrid (Spain)	Via de los Poblados, 1, Edif. B, Parq. Emp. Alvento, Madrid, Spain	Research, development and commercialization of biotechnology applications, diagnosis and services related to these activities.
Genómica, A.B. - (Sweden)	Ideon Science Park, Scheelevägen, 17 Lund, Sweden	Research, development and commercialization of biotechnology applications, diagnosis and services related to these activities.
Genómica Trading Co. Ltd. (China)	No.401-421 (Wuhan Free Trade Area) 4/F, Office Building A, No.777, Guanggu 3 Road, Wuhan East Lake High-tech, Development Zone	Wholesale trade, import and export of Class III and Class I medical devices; R&D and sales of Class III IVD reagents; commission agency (excluding auctions) and supplier of related support services.
Sylentis, S.A.U. - Madrid (Spain)	Pza. del Descubridor Diego de Ordás 3, Madrid	Research, development, production and sale of products with therapeutic activity based on reducing or silencing gene expression. The Company does not have any products on the market.
Pharma Mar, USA Inc. - NY (USA)	195 Montague St. 10th floor suite 1023. Brooklyn, NY 11201 USA	Marketing of pharmaceutical products.
PharmaMar, AG - Basel (Switzerland)	Aeschengraben 29, CH 4051 Basel (Switzerland)	Marketing of pharmaceutical products.
Pharma Mar, Sarl - Paris (France)	6 Rue de l'Est, 92100 Boulogne Billancourt, Paris, France	Marketing of pharmaceutical products.
Pharma Mar, GmbH - Berlin (Germany)	Uhlandstraße 14 - 10623 Berlin - Germany	Marketing of pharmaceutical products.
Pharma Mar, Srl - Milan (Italy)	Via Lombardia 2/A C/O Innov. Campus 20068, Peschiera Borromeo, Milan - Italy	Marketing of pharmaceutical products.
Pharma Mar, Srl - Brussels (Belgium)	Avenue du Port 86C, Boite 204, 1000 Brussels, Belgium	Marketing of pharmaceutical products.
Pharma Mar Ges.m.b.H - Vienna (Austria)	Mooslackengasse 17, 1190 Vienna, Austria	Marketing of pharmaceutical products.

11.2 PharmaMar stakes in Group undertakings

The detail of the holdings in group companies as of 31 December 2021 and 2020 is as follows:

Name and domicile	Statutory auditor	2021		2020	
		Percentage of ownership		Percentage of ownership	
		Direct %	Indirect %	Direct %	Indirect %
Genómica, S.A.U. - Madrid (Spain)	KPMG	100.00%	-	100.00%	-
Genómica, A.B. - Sweden (*)	KPMG	-	100.00%	-	100.00%
Genómica Trading Co. Ltd. (China) (*)	XINGAOXIN	-	100.00%	-	100.00%
Sylentis, S.A.U. - Madrid (Spain)	KPMG	100.00%	-	100.00%	-
Pharma Mar USA INC - NY (USA)	Walter & Shuffain	100.00%	-	100.00%	-
PharmaMar AG - Basel (Switzerland)	PwC	100.00%	-	100.00%	-
Pharma Mar Sarl - Paris (France)	PwC	100.00%	-	100.00%	-
Pharma Mar GmbH - Berlin (Germany)	-	100.00%	-	100.00%	-
Pharma Mar Srl - Milan (Italy)	PwC	100.00%	-	100.00%	-
Pharma Mar, Ltd - London (United Kingdom) (**)	-	-	-	100.00%	-
Pharma Mar, Srl - Brussels (Belgium)	PwC	100.00%	-	100.00%	-
Pharma Mar Ges.m.b.H- Vienna (Austria)	-	100.00%	-	100.00%	-

(*) Genómica A.B. and Genómica Ltd. are wholly-owned subsidiaries of Genómica, S.A.U.
(**) Liquidated in May 2021

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

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

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

The changes in the holdings in group companies in 2021 and 2020 are as follows:

Company	Cost	Provision	Balance as of 31/12/20	Derecognition due to liquidation	Provision	Balance as of 31/12/21
HOLDINGS IN GROUP UNDERTAKINGS						
Genómica, S.A.U.	20,860	(18,798)	2,062	-	-	2,062
Sylentis, S.A.U.	49,068	-	49,068	-	-	49,068
Pharma Mar, USA INC	5,010	(5,010)	-	-	-	-
PharmaMar, AG	107	(52)	55	-	-	55
Pharma Mar, Sarl	1,641	(37)	1,604	-	-	1,604
Pharma Mar, GmbH	500	(29)	471	-	-	471
Pharma Mar, Srl	500	-	500	-	-	500
Pharma Mar, Ltd	70	(70)	-	(70)	70	-
Pharma Mar, Srl (Belgium)	150	(43)	107	-	-	107
Pharma Mar Ges.m.b.H	100	-	100	-	-	100
	78,006	**(24,039)**	**53,967**	**(70)**	**70**	**53,967**

Company	Cost	Provision	Balance as of 31/12/19	Recognition due to capital increase	Derecognition due to liquidation	Provision	Balance as of 31/12/20
HOLDINGS IN GROUP UNDERTAKINGS							
Genómica, S.A.U.	17,514	(15,452)	2,062	3,346	-	(3,346)	2,062
Sylentis, S.A.U.	49,068	-	49,068	-	-	-	49,068
Pharma Mar, USA INC	5,010	(5,010)	-	-	-	-	-
PharmaMar, AG	107	(52)	55	-	-	-	55
Pharma Mar, Sarl	1,641	(37)	1,604	-	-	-	1,604
Pharma Mar, GmbH	500	(29)	471	-	-	-	471
Pharma Mar, Srl	500	-	500	-	-	-	500
Pharma Mar, Ltd	70	(70)	-	-	-	-	-
Pharma Mar, Srl (Belgium)	150	(43)	107	-	-	-	107
Pharma Mar Ges.m.b.H	100	-	100	-	-	-	100
Noscira, S.A.	44,254	(44,254)	-	-	(44,254)	44,254	-
	118,914	**(64,947)**	**53,967**	**3,346**	**(44,254)**	**40,908**	**53,967**

In May 2021, Pharma Mar, Limited, a subsidiary in the United Kingdom, was definitively dissolved 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.

On 28 July 2020, the General Meeting of Noscira, S.A. approved the liquidation and extinction of the Company, and the liquidation was registered on 15 October 2020.

Also, in June 2020, Genómica, S.A.U. increased capital by offsetting accounts payable to the Company in the amount of €3,346 thousand. The loan had been fully impaired; consequently, when the capital increase was performed, the provision for impairment of the loan was reclassified as impairment of the holding in the Group undertaking.

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

The amounts of capital, reserves, period income and other information of interest as of 31 December 2021 and 2020, as stated in each company's separate financial statements, and the net carrying amount at which PharmaMar has recognized its holding in each subsidiary, are as follows:

Company	2021 Capital	Reserves	Other items	Operating profit	2021 income	Total capital and reserves	Carrying amount at parent company
Genómica, S.A.U.	607	119	4,425	(2,442)	(1,788)	3,362	2,062
Genómica, A.B. (**)	6	-	280	(8)	(6)	280	-
Genómica Trading Co. Ltd. (**)	195	-	(168)	(41)	(43)	(16)	-
Sylentis, S.A.U.	2,443	17,891	(11,859)	(2,169)	(2,077)	6,397	49,068
Pharma Mar, USA INC	5,010	(4,977)	-	16	8	41	-
Pharma Mar, Sarl	1,641	(333)	-	80	73	1,381	1,604
Pharma Mar, GmbH	25	887	-	291	161	1,072	471
PharmaMar, AG	107	(6)	-	3	2	104	55
Pharma Mar, Srl	500	1,778	-	308	143	2,422	500
Pharma Mar, Srl (Belgium)	150	(9)	-	49	27	168	107
Pharma Mar Ges.m.b.H	35	141	-	8	7	183	100
TOTAL	**10,718**	**15,491**	**(7,322)**	**(3,905)**	**(3,493)**	**15,394**	**53,967**

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

Company	2020 Capital	Reserves	Other items	Operating profit	2020 income	Total capital and reserves	Carrying amount at parent company
Genómica, S.A.U.	607	(13)	3,044	2,868	2,016	5,653	2,062
Genómica, A.B. (**)	6	-	103	288	183	292	-
Genómica Trading Co. Ltd. (**)	195	-	(98)	(69)	(72)	24	-
Sylentis, S.A.U.	2,443	127	17,784	(11,801)	(12,129)	8,225	49,068
Pharma Mar, USA INC	5,010	(4,989)	-	39	9	30	-
Pharma Mar, Sarl	1,641	(426)	-	83	93	1,308	1,604
Pharma Mar, GmbH	25	659	-	330	228	911	471
PharmaMar, AG	107	-	-	4	4	111	55
Pharma Mar, Srl	500	1,508	-	333	271	2,279	500
Pharma Mar, Ltd	70	(53)	-	-	-	17	-
Pharma Mar, Srl (Belgium)	150	(43)	-	46	34	141	107
Pharma Mar Ges.m.b.H	35	148	-	(6)	(7)	176	100
TOTAL	**10,789**	**(3,082)**	**20,833**	**(7,884)**	**(9,370)**	**19,167**	**53,967**

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

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

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

In the case of other investees in the biopharmaceutical business whose research projects are at an early stage (e.g. Sylentis, S.A.U.), business projections do not provide the most reliable evidence of recoverable value. In this case, the Company mainly uses appraisals by independent experts based on the company's ongoing projects, and other references based on deals signed in the market for comparable pharmaceutical compounds at similar stages of development. An independent appraisal of Sylentis, S.A.U. gives an amount well in excess of the recognized cost of the investment and the loans granted to that company.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY

Holdings in companies

	Line of business	Percentage of ownership 2021 Direct %	Percentage of ownership 2020 Direct %
Instituto BIOMAR	Pharmaceutical research	3.49%	3.49%
Pangaea Biotech SA	Consulting services	0.10%	0.12%
Johnson & Johnson	Manufacture of pharmaceuticals, consumer products, and medical devices and diagnostics	0.00001%	0.00001%

The value of those holdings is as follows:

(thousand euro)	31/12/21	31/12/20
Instituto BIOMAR	252	252
Pangaea Biotech SA	50	50
Johnson&Johnson	33	28
	335	**330**

Those holdings are as follows:

- Unlisted securities: Instituto Biomar y Pangaea Biotech, available-for-sale financial investments in biopharmaceutical companies. The balance of this item as of 31 December 2021 and 2020 was €302 thousand.

- Listed securities: Johnson&Johnson. The available-for-sale financial assets consist of biopharmaceutical company shares that are listed on the US market. Their fair value matches their listed market price. The balance of this item was €33 thousand as of 31 December 2021 (€28 thousand in 2020).

No impairment losses were recognized in 2021 and 2020 on available-for-sale financial assets.

13. Inventories

The Group classifies inventories as follows:

(thousand euro)	31/12/21	31/12/20
Raw materials and other supplies	174	125
Semi-finished products and products in process	9,048	10,329
Finished products	397	663
	9,619	**11,117**

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

No material impairment losses were recognized for inventories in 2021 and 2020. No inventories have been committed as collateral for obligations or debt.

The Company has arranged several insurance policies to cover the risks to which the inventories are exposed. The cover of these policies is deemed to be sufficient.

14. Financial assets at amortized cost

Loans and accounts receivable are classified as follows:

(thousand euro)	31/12/21	31/12/20
LONG-TERM FINANCIAL ASSETS AT AMORTIZED COST	**21,538**	**7,341**
Long-term deposits and guarantees provided (Note 14.1)	154	138
Loans to third parties	6	6
Financial assets – Group undertakings (Notes 14.2 & 29)	21,378	7,197
SHORT-TERM FINANCIAL ASSETS AT AMORTIZED COST	**52,619**	**26,061**
Customer receivables (Note 14.3)	44,166	18,699
Customer receivables - Group and associated undertakings (Notes 14.4 & 29)	4,296	4,519
Current investment – Group and associated undertakings (Notes 14.2 & 29)	97	1,644
Sundry debtors	195	190
Personnel	113	110
Accruals	3,750	891
Long-term deposits and guarantees provided	2	8
TOTAL	**74,157**	**33,402**

14.1 Deposits and sureties

Long-term deposits and guarantees as of 31 December 2021 and 2020 relate to deposits for leases.

14.2 Loans to Group undertakings

The "Non-current financial assets - Group undertakings" account as of 31 December 2021 contained the following loans to Group undertakings:

(thousand euro)	31/12/21	31/12/20
Sylentis, S.A.U.	19,934	7,197
Genómica, S.A.	1,819	375
Impairment	(375)	(375)
	21,378	**7,197**

Those loans were classified as non-current since they have no fixed maturity and the directors do not intend them to be repaid in the short term.

In June 2020, in the process of finalizing the liquidation of Noscira, the Board of Directors of PharmaMar resolved to condone the outstanding balance of all loans granted by Pharma Mar to Noscira, once Noscira had used its entire available cash balance to repay those loans. The loan to Noscira amounting to €7.6 million arose as a result of subrogation in 2013 by Zeltia, S.A. (merged company) to two loans granted by Centro de Desarrollo Tecnológico e Industrial (CDTI) to Noscira, S.A. (in liquidation) for that amount, in which Zeltia, S.A. acted as guarantor. The subrogation was under the same conditions and for the same term as the original contract, i.e. zero interest rate and a 10-year maturity. That loan had been fully impaired.

The loan to Genómica, S.A. has been impaired in its entirety due to doubts about its recoverability.

The "Current financial assets – Group undertakings" account comprises the following items:

(thousand euro)	31/12/21	31/12/20
Current financial assets		
Corporate income tax receivable (Note 23)	-	670
VAT receivable (Note 23)	44	9
Current accounts with Group undertakings	53	190
Loans to Group undertakings	-	775
	97	**1,644**

The balances with Group undertakings under current financial assets and liabilities in 2021 consist mainly of those arising between the parent company and the subsidiaries as a result of tax consolidation for value added tax (Note 23). In 2020, it also included a credit balance as a result of corporate income tax, as well as a short-term loan granted to Genómica, S.A.U. amounting to €775 thousand.

14.3 Customer receivables

The detail of customer balances by age is as follows:

(thousand euro)	31/12/21	31/12/20
Current balances	**42,117**	**16,278**
Balances past-due but not provisioned	**2,049**	**2,421**
Up to 3 months	1,509	1,771
3-6 months	244	655
Over 6 months	296	(5)
TOTAL CUSTOMER RECEIVABLES	**44,166**	**18,699**

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

Balances with official authorities

As of 31 December 2021, accounts receivable from public authorities amounted to €3,474 thousand (€3,599 thousand euro in 2020).

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

(thousand euro)	Credit rating	2021
Andalusia	BBB+	169
Madrid	Baa1	21
Balearic Islands	BBB+	64
Valencia	Ba1u	13
Castilla y León	Baa1	37
Castilla la Mancha	Ba1	15
Aragon	BBB+	115
Catalonia	Ba3	43
Cantabria	BBB	25
Galicia	Baa1	37
Canary Islands	BBB+	29
Extremadura	Baa2	109
Basque Country	AA-	24
Murcia	Ba1	16
Navarra	AA-	188
Asturias	Baa1	39
TOTAL		**944**

(thousand euro)	Credit rating	2020
Andalusia	BBB+	114
Madrid	Baa1	42
Balearic Islands	BBB+	27
Valencia	Ba1u	258
Castilla y León	Baa1	19
Castilla la Mancha	Ba1	41
Aragon	BBB+	21
Catalonia	Ba3	26
Cantabria	BBB	27
Galicia	Baa1	127
Canary Islands	BBB+	4
Extremadura	Baa2	7
Basque Country	AA-	29
Murcia	Ba1	52
Navarra	AA-	29
Asturias	Baa1	3
TOTAL		**826**

Debt owed by public authorities as of 2021 and 2020 year-end in other territories where the Company operates was as follows:

(thousand euro)	Credit rating	31/12/21
France	Aaau	2,225
Austria	Aa1	260
Benelux	Aaa	45
TOTAL		**2,530**

(thousand euro)	Credit rating	31/12/20
France	Aaau	2,596
Austria	Aa1	139
Benelux	Aaa	38
TOTAL		**2,773**

In 2021, the Company collected €2,711 thousand of debt owed by various public administrations by arranging non-recourse factoring contracts with financial institutions that specialize in transactions of this type (€2,270 thousand in 2020).

Debt owed by official authorities that was more than three months past-due amounted to €129 thousand as of 31 December 2021 (€245 thousand in 2020), and no impairments had been recognized on those amounts.

14.4 Receivable from group and associated undertakings

The balances and transactions with group undertakings in 2021 and 2020 are detailed in Note 29.

15. SHORT-TERM FINANCIAL ASSETS

Other non-current financial assets in 2021 include two investments of €5,000 thousand each maturing in April and October 2023, the principal amounts of which are guaranteed at maturity. The balance of this item in 2020 was €20,000 thousand.

Other current financial assets in 2021 mainly include term deposits amounting to €20 million maturing on 10 June 2022 and USD 67,985 thousand (€96,230 thousand in 2020) at various financial institutions tied to Libor and maturing between January and April 2022, with yields ranging from 0.10% to 0.39%.

16. CASH AND CASH EQUIVALENTS

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

(thousand euro)	31/12/21	31/12/20
Cash on hand and at banks	103,534	87,262
TOTAL	**103,534**	**87,262**

17. SHARE CAPITAL AND SHARE PREMIUM

17.1 Share capital

As of 31 December 2021, the Company's capital stock was represented by 18,354,907 fully subscribed and paid ordinary shares (18,354,907 ordinary shares in 2020) with a par value of €0.60 each, which are listed on the four Spanish stock exchanges.

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 and held by the Company as treasury stock until the shares are delivered; 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.

The buyback plan concluded in September 2020, after the stock merge had been completed, with the following result: Of the shares acquired under the buyback plan, 150,000 shares will be held by the Company as treasury stock for future Employee Share Ownership Plans (Note 17.3 Own shares) 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 reserve was recognized for the same amount) and voluntary reserves by €18,329 thousand.

Changes in share capital in 2021 and 2020 are shown in the following table:

Euro	
Share capital of Pharma Mar, S.A. 31/12/2019	**11,132,464**
Capital reduction	(119,520)
Share capital of Pharma Mar, S.A. 31/12/20	**11,012,944**
Share capital of Pharma Mar, S.A. 31/12/21	**11,012,944**

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

	DIRECT STAKE		INDIRECT STAKE (1)		TOTAL
	No. of shares	%	No. of shares	%	%
José Mª Fernández Sousa-Faro	1,101,225	6.000	937,162	5.106	11.106

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

17.2 Share premium account

The share premium account may be used for the same purposes as the Company's voluntary reserves, including conversion into capital stock, there being no restrictions as to its use or distribution. As of 31 December 2021, the share premium account amounted to €71,278 thousand (€71,278 in 2020).

17.3 Own shares

Changes in own shares in 2021 and 2020 are as follows:

	No. of shares	Amount (euro)
Balance as of 31/12/20	242,192	(21,453,361)
Own shares purchased	528,779	(40,659,428)
Sales	(418,579)	35,682,811
Share ownership plan	(8,026)	751,378
Balance as of 31/12/21	**344,366**	**(25,678,600)**

	No. of shares	Amount (euro)
Balance as of 31/12/2019	691,988	(1,500,395)
Own shares purchased	4,403,398	(22,390,842)
Sales	(2,358,379)	8,488,262
Cancellation of shares	(3)	17
Share ownership plan	(128,408)	528,142
Balance at 22/07/20	**2,608,596**	**(14,874,816)**
Stock merge 22/07/20	**217,383**	**(14,874,816)**
Own shares purchased	411,990	(41,382,296)
Sales	(187,981)	16,355,252
Cancellation of shares	(199,200)	18,448,499
Balance as of 31/12/20	**242,192**	**(21,453,361)**

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 €5,366 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.

Shares worth €18,449 thousand were acquired for cancellation in 2020. Of that amount, €119 thousand was a reduction in share capital and €18,329 thousand was a reduction in reserves.

Within the scope of the Employee Share Ownership Plan, in 2021 a total of 8,026 shares (128 thousand in 2020, before the stock merge) were awarded to 183 beneficiaries (131 beneficiaries in 2020) at a price per share of €103.0164 (€4.6108 before the stock merge), which generated a gain of €74 thousand (€64 thousand in 2020). Additionally, a total of 582 shares were canceled under this plan in 2021 (4,669 shares in 2020, before the stock merge).

18. RESERVES AND PRIOR YEARS' INCOME

The detail of the Company's reserves as of 31 December 2021 and 2020 is as follows:

(thousand euro)	31/12/21	31/12/20
LEGAL AND BYLAW RESERVES	**2,203**	**2,203**
Legal reserve	2,203	2,203
Other reserves	**283,174**	**285,673**
Voluntary reserves	68,346	70,814
Merger reserve	215,160	215,160
Reserve for canceled capital	120	120
Other reserves	31	31
Difference due to redenomination of share capital in euro	2	1
Own shares and equity instruments	(485)	(454)
TOTAL	**285,377**	**287,875**

The balance of the "Prior years' loss" item is €207,919 thousand in 2021 (€225,999 thousand in 20200).

The changes in reserves in 2021 and 2020 were as follows:

(thousand euro)	31/12/20	Gain/loss on own shares	Share ownership plan	31/12/21
Legal reserve				
Legal reserve	2,203	-	-	2,203
Other reserves				
Voluntary reserves	70,814	(2,467)	-	68,347
Merger reserve	215,160	-	-	215,160
Reserve for canceled capital	119	-	-	119
Other reserves	31	-	-	31
Difference due to redenomination of share capital in euro	2	-	-	2
Own shares and equity instruments	(454)	-	(31)	(485)
TOTAL	**287,875**	**(2,467)**	**(31)**	**285,377**

(thousand euro)	31/12/19	Cancellation of shares	Share ownership plan	31/12/20
Legal reserve				
Legal reserve	2,226	(23)	-	2,203
Other reserves				
Voluntary reserves	83,860	(13,046)	-	70,814
Merger reserve	215,160	-	-	215,160
Reserve for canceled capital	-	119	-	119
Other reserves	31	-	-	31
Difference due to redenomination of share capital in euro	2	-	-	2
Own shares and equity instruments	(289)	-	(165)	(454)
TOTAL	**300,990**	**(12,950)**	**(165)**	**287,875**

18.1 Legal reserve

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

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

The legal reserve amounted to €2,203 thousand in 2021 (€2,203 thousand in 2020). In 2020, the legal reserve was adjusted by €23 thousand with respect to 2019 due to the capital reduction carried out in October.

18.2 Other reserves

Voluntary reserves: In 2021, the balance of voluntary reserves was reduced by €2,467 thousand as a result of transactions with own shares, with the result that the balance as of 31 December 2021 was €68,347 thousand.

In 2020, voluntary reserves were reduced by €13,046 thousand, mainly as a result of the cancellation of 199,200 shares in November, which led to a decrease in voluntary reserves of €18,330 thousand. This decrease was partially offset by the gain on transactions with own shares, which amounted to €5,430 thousand.

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

The reserve for canceled capital, which amounted to €119 thousand as of 2021 year-end, was created as a result of the capital reduction in November 2020 and is restricted.

Other reserves: these consist of a reserve amounting to €31 thousand as of 31 December 2021 and 2020 for Differences in conversion to PGC 2007 because of the treatment of exchange gains that had accrued but not been realized.

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

Own shares and equity instruments: Amounted to €485 thousand, an increase of €31 thousand with respect to 2020 (€454 thousand) as a result of accrual of expenses during the lock-up period of the employee stock ownership plan.

18.3 Limitations on dividend distribution

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

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

19. Subsidies, donations and legacies received

As of 31 December 2021, the "Subsidies, donations and other legacies received" item of the Company's equity includes €1,168 thousand of subsidies for loans from official authorities at zero or below-market interest rates (Notes 5.2 & 6.9). The balance of this item in 2020 was €1,435 thousand.

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

The changes in these subsidies are as follows:

(thousand euro)	31/12/21	31/12/20
BEGINNING BALANCE	**1,435**	**1,987**
Increase	253	317
Recognized in profit or loss	(520)	(869)
ENDING BALANCE	**1,168**	**1,435**

In 2020, the Company derecognized certain compounds due to technical developments and, consequently, recognized the associated subsidies in profit or loss (Note 6).

20. DEBTS AND ACCOUNTS PAYABLE

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

(thousand euro)	31/12/21	31/12/20
Bonds and other marketable securities (Note 20.1)	16,653	16,600
Bank loans (Note 20.2)	456	3,561
Debt to official authorities (Note 20.3)	10,536	13,270
Deferred revenues	67,197	91,124
NON-CURRENT DEBTS AND ACCOUNTS PAYABLE	**94,842**	**124,555**
Bonds and other marketable securities (Note 20.1)	405	405
Bank loans (Note 20.2)	6,635	10,102
Debt to official authorities (Note 20.3)	3,519	3,241
Other financial liabilities	845	984
Suppliers	379	232
Debt to group undertakings (Note 29)	2,212	3,176
Accounts payable to related parties (Notes 20.4 & 29)	4,093	2,532
Sundry creditors	23,933	18,526
Personnel	5,872	4,581
Customer advances	1,226	1,102
Deferred revenues	29,840	43,584
CURRENT DEBTS AND ACCOUNTS PAYABLE	**78,959**	**88,465**
TOTAL DEBTS AND ACCOUNTS PAYABLE	**173,801**	**213,020**

Current deferred revenues of €29,840 thousand and €43,584 thousand as of 31 December 2021 and 2020, respectively, relate primarily to the portion of the upfront payment plus the FDA approval milestone for Zepzelca® in the amount of USD 300 million (€269.5 million) received in 2020 under the Zepzelca® licensing agreement entered into with Jazz Pharmaceuticals, which was not recognized as revenue in 2020 by application of the revenue recognition standards and is expected to be recognized in the twelve months following the end of each of the two years.

The balance of non-current deferred revenues (€67,197 thousand and €91,124 thousand, respectively, as of 31 December 2021 and 2020) relates mainly to the portion of the payments under the agreement with Jazz Pharmaceuticals that is expected to be recognized as revenues in a period of more than twelve months.

Total deferred revenue relating to the contract with Jazz Pharmaceuticals Ireland Ltd includes an amount of €94,306 thousand short- and long-term as of 31 December 2021 (€133,708 thousand as of 31 December 2020).

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

20.1 Bonds and other marketable securities

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

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

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

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

Unpaid accrued interest amounted to €458 thousand as of 31 December 2021 (€455 thousand in 2020).

20.2 Bank debt

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

(thousand euro)	31/12/21 Non-current	31/12/21 Current	31/12/20 Non-current	31/12/20 Current
Bank loans	456	3,105	3,561	5,487
Credit lines	-	3,508	-	4,588
Interest payable	-	22	-	27
TOTAL DEBTS AND ACCOUNTS PAYABLE	**456**	**6,635**	**3,561**	**10,102**

The Company did not arrange any bank debt in 2021.

The limit of the credit lines is €14,000 thousand (€14,000 thousand in 2020), of which the Company had drawn (including credit cards) €3,508 thousand as of 31 December 2021 (€4,588 thousand in 2020). The credit lines bore average interest of 1.80% in 2021 (1.9738% in 2020).

The maturity calendar of the bank debt in 2021 and 2020 is detailed in Note 10.2.

20.3 Debt to official authorities

The amounts under this item, recognized at amortized cost as non-current debt, amounted to €10,527 thousand as of 31 December 2021 (€13,261 thousand in 2020).

A total of €3,428 thousand were recognized as current under this heading in 2021 (€3,241 thousand in 2020).

These transactions do not accrue interest, except for €7,356 thousand that bear interest at between 0.06% and 1% (in 2020: €8,777 thousand bearing interest between 0.06% and 1%).

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

In 2021, two subsidized loans were received for a nominal amount of €832 thousand, with an initial fair value of €620 thousand, repayable in 10 years with a three-year grace period.

The maturities of the amounts due to official authorities which are recognized at fair value as of 31 December 2021 and 2020 are detailed in Note 10.2.

20.4 Due to Group undertakings

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

(thousand euro)	31/12/21	31/12/20
Current financial liabilities		
Corporate income tax payable (Note 23)	3,813	2,208
VAT payable (Note 23)	280	324
	4,093	**2,532**

The balances with Group undertakings under current financial assets and liabilities in 2021 consist mainly of those arising between the Company and its subsidiaries as a result of tax consolidation—both corporate income tax and value added tax (Note 23).

20.5 Information on deferral of payments to suppliers

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:

	2021	2020
Average time taken to pay suppliers (days)	59	58
Proportion of transactions paid (days)	64	58
Proportion of transactions outstanding (days)	32	53
Total payments made (thousand euro)	44,509	25,964
Total payments outstanding (thousand euro)	7,279	4,725

21. DEFERRED TAXES

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

(thousand euro)	31/12/21	31/12/20
Deferred tax assets	**21,583**	**29,685**
Timing differences (Note 23)	1,478	1,895
Tax credits (Note 23)	9,632	16,230
Tax withholdings receivable	10,473	11,560
DEFERRED TAX LIABILITIES	**830**	**845**
Timing differences	830	845
DEFERRED TAXES (NET)	**20,753**	**28,840**

The "Tax withholdings receivable" account as of 31 December 2021 and 2020 included taxes withheld from royalties and payments received from the Johnson & Johnson Group by virtue of the agreements signed in 2001 and 2011, and from Taiho Pharmaceutical Co. Ltd. and Chugai Pharmaceutical Co., among others.

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

Deferred tax assets (thousand euro)	Tax credits	Timing differences	Withholdings	TOTAL
Balance as of 31 December 2019	**9,665**	**3,095**	**11,183**	**23,943**
Charge (credit) to profit or loss	6,565	(1,200)	-	5,365
Other movements	-	-	377	377
Balance as of 31 December 2020	**16,230**	**1,895**	**11,560**	**29,685**
Charge (credit) to profit or loss	(6,598)	(417)	-	(7,016)
Other movements			(1,087)	(1,087)
Balance as of 31 December 2021	**9,632**	**1,478**	**10,473**	**21,583**

DEFERRED TAX LIABILITIES (thousand euro)	Subsidies, donations and legacies received	Capitalized financial expenses	TOTAL
Balance as of 31 December 2019	**331**	**180**	**511**
Charge (credit) to profit or loss	331	187	518
Charge to equity	(184)	(1)	(185)
Balance as of 31 December 2020	**478**	**366**	**844**
Charge (credit) to profit or loss	-	73	73
Charge to equity	(89)	2	(87)
Balance as of 31 December 2021	**389**	**441**	**830**

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

(thousand euro)	31/12/21	31/12/20
Subsidies, donations, legacies, etc.	(88)	(184)
TOTAL	**(88)**	**(184)**

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

22. REVENUES AND EXPENSES

22.1 Net revenues

The net amount of revenues is broken down as follows:

(thousand euro)	31/12/21	31/12/20
Product sales	108,992	90,371
Royalty revenues	40,996	15,661
Licensing agreement revenues	64,787	140,233
Provision of corporate services	630	1,455
TOTAL	**215,405**	**247,720**

Point of recognition of revenues	31/12/21	31/12/20
At a point in time	172,691	107,487
Over a period of time	42,714	140,233
Total revenues from contracts with customers	**215,405**	**247,720**

22.1.1 Revenue from the sale of products

The “Revenue from the sale of products” item basically refers to commercial sales of Yondelis® for treating soft tissue sarcoma and relapsed ovarian cancer, made by PharmaMar in the European Union (€59,560 thousand in 2021 and €59,566 thousand in 2020).

It also includes sales of intermediates or raw materials for Yondelis®, Aplidin® and Zepzelca® (lurbinectedin) (€19,198 thousand in 2021 compared with €9,270 thousand in 2020).

It also includes sales of Zepzelca® in certain European countries, mainly under the TAU (Temporary Authorization for Use) program in France, amounting to €30,234 thousand (€21,535 thousand in 2020).

22.1.2 Royalties

Royalties on sales of Yondelis®:

Royalties on sales of Yondelis® by Janssen Products LP ("Janssen") in the US amounted to €2,314 thousand in 2021 (€2,243 thousand in 2020). In August 2019, PharmaMar and Janssen signed an agreement under which Janssen transferred to PharmaMar all rights to Yondelis® 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).

Royalties on sales of Yondelis® in Japan by Taiho Pharmaceutical, Ltd. amounted to €728 thousand in 2021 (€699 thousand in 2020).

PharmaMar plans to market Yondelis® in the transferred territories via new partners and, to this end, it has arranged the contracts described in Note 22.1.3.

Royalties on Zepzelca sales:

Royalties on sales of Zepzelca® by Jazz Pharmaceuticals in the United States amounted to €37,954 thousand in 2021 (€12,719 thousand in 2020).

22.1.3 Licensing revenues

The Company has licensing and development agreements with a number of pharmaceutical companies. Revenues under this heading amounted to €64,787 thousand in 2021 (€140,233 thousand in 2020). The Zepzelca® (lurbinectedin) licensing agreement entered into with Jazz Pharmaceuticals in December 2019 came into effect in January 2020. PharmaMar collected an upfront payment of USD 200 million (€181 million) in January 2020. Subsequently, in June, Zepzelca® (lurbinectedin) was approved for commercialization in the US by the FDA under the accelerated approval procedure, triggering a payment by Jazz Pharmaceuticals to PharmaMar of USD 100 million (€88.5 million). By application of the accounting standard on revenue recognition, revenues from the licensing agreement are recognized on the basis of the degree of progress and/or compliance with the commitments acquired by PharmaMar under the agreement; consequently, a total of €38,619 thousand in revenues were recognized under that licensing agreement in 2021 (€135,655 thousand in 2020). Additionally, a commercial milestone under that same agreement with Jazz Pharmaceuticals was attained in 2021, resulting in the accrual of revenues in the amount of €22,073 thousand.

€3,833 thousand were recognized as revenues under other licensing agreements (€4,578 thousand in 2020).

The breakdown of revenues in 2021 and 2020 is as follows:

(thousand euro)	31/12/21	31/12/20
Jazz Pharmaceuticals (Zepzelca®)	60,954	135,655
Luye Pharma (Zepzelca®)	-	1,257
Impilo (Zepzelca®)	500	1,000
Eczacibasi (Zepzelca®)	500	-
Lotus (Zepzelca®)	500	-
Adium (Zepzelca®)	2,000	-
Other agreements (Zepzelca®)	33	450
Other agreements (Yondelis®)	300	1,871
TOTAL	**64,787**	**140,233**

Yondelis®

Janssen Products LP

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

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

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

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

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

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

The amounts attributed to the development phase are recognized as revenue during the development phase based on the degree of progress with development and the project's total estimated costs. Since 2017, all the related obligations have been fulfilled and the related expenses have been incurred by PharmaMar. Consequently, PharmaMar did not recognize any amount under this heading.

The amounts attributed to the marketing phase are royalties, which are recognized on an accrual basis. In 2021, royalties were recognized in the amount of €2,314 thousand for sales of Yondelis® (€2,243 thousand in 2020). In August 2019, the Company and Janssen Products, LP ("Janssen") signed a new licensing agreement that replaces the 2001 licensing agreement, under which Janssen reserves the right to sell and distribute, on an exclusive basis, Yondelis® and any other product that contains the active ingredient (trabectedin) in the United States. 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, PharmaMar and Janssen signed a framework transfer agreement under which Janssen transferred to PharmaMar all rights to the compound in the other territories licensed to Janssen, i.e. all the countries in the world except the United States, Europe and Japan (the latter licensed to Taiho Pharmaceuticals Co. Ltd).

New agreements

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

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 Company as a result of the agreement include the following:

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

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

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

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

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

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, Specialised Therapeutics Australia Pty, Ltd. and PharmaMar signed an agreement covering commercialization of Aplidin® in Australia and New Zealand.

In February 2016, Pharma Mar extended that licensing agreement to 12 Asian countries.

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

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 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 payments. 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® for the treatment of hematological tumors in Turkey.

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

Megapharm

In December 2017, PharmaMar signed a licensing agreement with Megapharm Ltd for the commercialization of Aplidin in Israel and the Palestinian territories.

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

Zepzelca® (lurbinectedin)

As of 31 December 2021, 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® (lurbinectedin) in the US for treating relapsed small cell lung cancer. The agreement came into force in January 2020 upon receiving authorization by the US anti-trust authorities under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

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

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

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

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

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

When the agreement came into force in January 2020, PharmaMar collected an upfront payment of USD 200 million (€181 million). Subsequently, in June, Zepzelca® (lurbinectedin) received conditional approval from the FDA for commercialization in the US under the accelerated approval procedure. As a result, PharmaMar collected USD 100 million (€88.5 million) as a milestone payment from Jazz Pharmaceuticals. The upfront payment and the development milestone payment were recognized as revenue in profit or loss on the basis of PharmaMar's fulfillment of its commitments under the contract. €38,618 thousand in total revenues were recognized in 2021 (€135,655 thousand 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).

An addendum to the December 2019 lurbinectedin license agreement for the United States with Jazz Pharmaceuticals Ireland Limited was signed in October 2020 in order to grant Jazz an exclusive license to market lurbinectedin in Canada. PharmaMar collected an upfront payment of USD 1,000 thousand (€848 thousand) for signing this addendum. The terms of the 2019 license agreement granting Jazz exclusive rights to the United States remain unchanged. USD 1,000 thousand (€864 thousand) were collected under this agreement in 2021 for the approval in Canada.

Luye Pharma Group

In April 2019, the Group signed an out-licensing agreement with Luye Pharma Group for the development and marketing of Zepzelca® for treating small cell lung cancer and potentially other indications in the territories of China, Hong Kong and Macao. Under the terms of the agreement, PharmaMar collected an upfront payment of USD 5,000 thousand (€4,452 thousand). €1,257 thousand were recognized as revenue in 2020 since PharmaMar had fulfilled the commitments it had made under the licensing agreement. The agreement provides for other payments for attaining regulatory or sales milestones, as well as royalties. Luye undertakes to develop Zepzelca® for treating small cell lung cancer in China, while PharmaMar retains exclusive production rights.

Specialised Therapeutics Asia Pte, Ltd (STA)

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

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

Boryung Pharmaceutical

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

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.
- Lotus Pharmaceutical CO.: for marketing anti-tumor drug lurbinectedin in Taiwan.
- Eczacibasi Pharmaceuticals Marketing Co.: for marketing lurbinectedin in Turkey.

In 2020, Pharma Mar 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.

Megapharm

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

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

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 which was recognized as period revenue and it may collect subsequent payments if Seattle Genetics continues with clinical development of the ADCs.

22.2 Breakdown of revenues

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

(thousand euro)	31/12/21	31/12/20
Spain	13,300	13,085
European Union	188,236	222,485
Americas	2,314	2,244
Japan	728	1,911
Other OECD countries	4,500	3,501
Other countries	6,327	4,494
TOTAL	**215,405**	**247,720**

22.3 Foreign currency transactions

The detail of foreign currency transactions is as follows:

(thousand euro)	31/12/21	31/12/20
Licensing revenues	105,783	152,574
Sales	15,033	1,418
Purchases and services received	5,854	6,701
TOTAL	**126,670**	**160,693**

22.4 Merchandise, raw materials and other consumables consumed

(thousand euro)	31/12/21	31/12/20
Purchased in Spain	3,421	2,254
Purchased in other EU countries	835	557
Imports	47	156
Change in inventories	(463)	(317)
TOTAL	**3,840**	**2,650**

22.5 Personnel expenses

(thousand euro)	31/12/21	31/12/20
Wages, salaries and similar	28,933	28,616
Indemnities	163	1,042
Employee welfare expenses		
Employer social security	4,537	4,204
Other welfare expenses	1,193	902
TOTAL	**34,826**	**34,764**

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

NUMBER IN CATEGORY (MEN)	31/12/21	31/12/20
Executive directors	2	2
Senior managers	5	5
Management	6	6
Middle management	18	17
Clerical and similar staff	4	4
Technical staff	82	75
Other	22	17
TOTAL	**139**	**126**

NUMBER IN CATEGORY (WOMEN)	31/12/21	31/12/20
Executive directors	0	0
Senior managers	3	4
Management	6	5
Middle management	16	15
Clerical and similar staff	40	37
Technical staff	130	116
Other	10	10
TOTAL	**205**	**187**

TOTAL	**344**	**313**

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

NUMBER IN CATEGORY (MEN)	31/12/21	31/12/20
Executive directors	2	2
Senior managers	5	5
Management	5	6
Middle management	18	17
Clerical and similar staff	4	5
Technical staff	83	76
Other	22	22
TOTAL	**139**	**133**

NUMBER IN CATEGORY (WOMEN)	31/12/21	31/12/20
Executive directors	0	0
Senior managers	3	4
Management	7	4
Middle management	18	15
Clerical and similar staff	40	39
Technical staff	136	127
Other	10	10
TOTAL	**214**	**199**

TOTAL	**353**	**332**

There were an average of 4 employees in the year with disability of 33% or greater — 2 administrative staff and 2 technicians — the same as at 2020 year-end.

22.6 Outside services

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

(thousand euro)	31/12/21	31/12/20
Research & Development expenses	25,890	18,198
Leases and fees	1,931	1,784
Repairs and upkeep	2,000	2,199
Independent professional services	10,423	9,574
Transport	1,148	908
Insurance premiums	1,071	868
Advertising and public relations	6,572	8,672
Utilities	834	828
Other services	4,584	4,420
Other taxes	556	678
Losses, impairment and changes in trade provisions	-	17
TOTAL	**55,009**	**48,146**

22.7 Impairment losses and income from disposal of assets and others

In 2021, as indicated in Note 6.7, the €26,672 thousand shown as derecognition due to impairment corresponds to the impairment recognized in 2018 in relation to PM184, a compound under development. In 2021, after analyzing the latest results from clinical trials, the Company decided to discontinue the development of this molecule, and derecognized the previously impaired balance.

As also stated in Note 6.6, derecognition due to impairment, amounting to €58,029 thousand, was recognized in 2020 after it became known in December 2020 that the ATLANTIS multicenter, randomized Phase III trial had not met the pre-established primary endpoint of overall survival. Therefore, since there were doubts about the recoverability of the investment, the Company wrote off the total amount that had been capitalized in connection

with that clinical trial. Derecognition due to impairment in the amount of €60,544 thousand relates to the part of the amount capitalized in connection with Zepzelca® relating to the market that PharmaMar assigned to Jazz under the license agreement.

Additionally, as stated in Note 7.1, in 2021, based on an external appraisal, the Company reversed impairment of a plot of land in Colmenar Viejo in the amount of €183 thousand (impairment amounting to €368 thousand had been recognized in 2020).

23. INCOME TAX AND TAX SITUATION

The balances with public authorities as of 31 December 2021 and 2020 are as follows:

	2021		2020	
(thousand euro)	Payable	Receivable	Payable	Receivable
Income tax prepayments	21,979	-	9,723	-
Advance tax revenues under audit	559	-	763	-
Total current tax revenues	**22,538**	**-**	**10,486**	**-**
Personal income tax	-	577	-	487
Social security	-	467	-	434
VAT	3,396	0	1,340	-
Other receivables from public authorities	**3,396**	**1,044**	**1,340**	**921**

In 2021, the Company filed corporate income tax returns on a consolidated basis. The following companies are included in the group's consolidated tax return: Genómica, S.A.U., Pharma Mar, S.A. and Sylentis, S.A.U.

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

The reconciliation of net revenues and expenses in 2021 to the income tax base is as follows:

2021		
(thousand euro)	Income Statements	
BALANCE OF REVENUES AND EXPENSES IN THE YEAR	103,363	**-**
	Increase	**Decrease**
Corporate income tax	6,020	-
Permanent differences	178	(86,973)
Timing differences:		
Arising in the year	293	(470)
Arising in prior years		(1,781)
TAX BASE	**-**	**20,630**
Tax losses carried forward	-	(3,553)
TAXABLE INCOME	**-**	**17,077**

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

(thousand euro)	31/12/21	31/12/20
Current tax	(4,269)	-
Deferred taxes and capitalized tax losses	(7,088)	5,383
Other	666	(17)
Monetization	4,671	-
TOTAL TAX (REVENUE)/EXPENSE	**(6,020)**	**5,366**

The corporate income tax expense is the result of applying the 25% tax rate to taxable income, after deducting tax losses. The gross amount of tax payable was €4,269 thousand. That amount of tax payable was subsequently reduced by applying €1,999 thousand in tax withholdings and credits. Of the resulting net tax payable, each company in the tax group has an account receivable for the amount of tax loss contributed by it. The result was a liability to the tax authorities amounting to €666 thousand that was offset against €12,863 thousand in tax that was prepaid in 2021. This amount, together with the pre-payments made in 2020, constitute a corporate income tax receivable from the tax authorities amounting to €21,979 thousand.

In 2021, the company recognized €4,671 thousand in revenue as a result of monetizing research and development tax credits, and it took €666 thousand in tax credits for research and development.

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

The increase in permanent differences in 2020 relates mainly to the impairment of the holding in Genómica in the amount of €3,346 thousand (Note 11.3).

The reduction in permanent differences in 2021 relates mainly to:

- The application of Article 23 of the Consolidated Text of the Corporate Income Tax Act in connection with revenue from the transfer of certain intangible assets created by the company, amounting to €60,048 thousand.
- Reversal of impairment on intangible assets was recognized as an increment of €26,672 thousand in the taxable base 2018.

In 2021, the timing differences are due mainly to reversal of amortization taken in previous years that was not tax deductible, in the amount of €1,781 thousand.

Once any tax losses contributed by other Group companies had been offset, as of 31 December 2021 the tax losses generated by the Company that were available for offset in subsequent tax years are as follows:

Year	(thousand euro) Taxable income as of 31/12/20	Used in 2021	Earned in 2021	Unused as of 31/12/21
2007	13,018	3,553	-	9,465
2008	7,317	-	-	7,317
2010	2,245	-	-	2,245
2011	3,691	-	-	3,691
2012	24,835	-	-	24,835
2015	39,798	-	-	39,798
2016	6,275	-	-	6,275
2017	39,723	-	-	39,723
2018	112,777	-	-	112,777
2019	11,000	-	-	11,000
2020	44,452	-	-	44,452
TOTAL	**305,131**	**3,553**	**-**	**301,578**

As of 31 December 2021, the unused tax credits earned by the Company, mainly for R&D, were as follows:

Year earned	(thousand euro) Amount of credit as of 31/12/21	Used in previous years	Used in 2021	Earned in 2021	Unused as of 31/12/21	Expiring in
2003	13,023	-	(666)	-	12,357	2,021
2004	9,400	-	-	-	9,400	2,022
2005	10,565	-	-	-	10,565	2,023
2006	10,251	-	-	-	10,251	2,024
2007	9,477	-	-	-	9,477	2,025
2008	10,059	-	-	-	10,059	2,026
2009	8,625	-	-	-	8,625	2,027
2010	8,211	-	-	-	8,211	2,028
2011	7,980	-	-	-	7,980	2,029
2012	6,915	-	-	-	6,915	2,030
2013	9,076	-	-	-	9,076	2,031
2014	11,403	(3,866)	-	-	7,537	2,032
2015	13,827	(4,247)	-	-	9,580	2,033
2016	19,213	(6,250)	-	-	12,963	2,034
2017	16,559	(6,042)	-	-	10,517	2,035
2018	14,197	(5,839)	-	-	8,358	2,036
2019	10,800	(4,129)	-	-	6,671	2,037
2020	12,288	-	-	-	12,288	2,038
2021	-	-	-	12,892	12,892	2,039
TOTAL	**201,869**	**(30,373)**	**(666)**	**12,892**	**183,722**	

The Company took R&D tax credits in the amount of €666 thousand. The "Used" column relates entirely to the amounts used to secure monetization of the research and development tax credits.

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

(thousand euro)	Corporate income tax
Genómica	1,277
Sylentis	2,536
TOTAL PAYABLE	**3,813**

(thousand euro)	VAT
Genómica	44
TOTAL RECEIVABLE	**44**
Sylentis	280
TOTAL PAYABLE	**280**

In June 2003, the Company (Zeltia, the merged company) sold an item of property, plant and equipment for €36,069 thousand. The total amount obtained from the sale was reinvested in subsequent years as follows:

In the year ended 31 December 2003, the Company applied the system envisaged in article 21 of Act 43/1995, dated 27 December, on Corporate Income Tax, to the amount of €27,054 thousand. That benefit was obtained due to the sale of certain items of property, plant and equipment for a sale price of €36,069 thousand. The total amount was reinvested as follows: €16,384 thousand in the year ended 31 December 2002 (from 16 June 2002), €18,892 thousand in the year ended 31 December 2003, and €794 thousand in the year ended 31 December 2004. These acquisitions did not obtain any other tax benefit.

In 2004, the Group sold certain items of property, plant and equipment for €3,178 thousand. It also availed itself of the benefits of article 21 of Act 43/1995, dated 27 December, on Corporate Income Tax. That amount was partly reinvested in 2004 (€2,015 thousand) and in 2005 (€1,768 thousand).

The breakdown of these reinvestments in euro, by asset type, is as follows:

(euro)	Brands	Structures	Laboratory equipment	Other	TOTAL
Since June 2002	-	14,225	500	1,659	16,384
2,003	8,700	6,353	1,317	2,522	18,892
2,004	-	521	-	2,288	2,809
2,005	-	122	-	1,646	1,768
TOTAL	**8,700**	**21,221**	**1,817**	**8,115**	**39,853**

In 2006, Noscira (in liquidation) ceased to form part of the tax group as a result of a capital increase in which the holding in that subsidiary was reduced to below 75%. Noscira (in liquidation) is one of the companies in which the extraordinary gains obtained by the tax group in previous years had been reinvested. For greater legal certainty and so as not to forfeit the reinvestment tax credit earned in previous years, the assets (from June 2002 to December 2005) of Noscira (in liquidation) were replaced with assets acquired by PharmaMar in 2006.

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

As of 31 December 2021, that VAT tax group was comprised of Pharma Mar, S.A., as lead company, together with Genómica, S.A.U. and Sylentis, S.A.U., since the Company considered that all of them, both controlling company and controlled companies, met the requirements of articles 163 quinquies and 163 sexies of the Value Added Tax Act and their Boards of Directors or equivalent governing bodies had approved the proposal to create a group under the Special VAT Group regime provided by Act 38/2006, using the "simple aggregation system".

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

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

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

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

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

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

24. FINANCIAL INCOME

The detail of financial income is as follows:

(thousand euro)	31/12/21	31/12/20
Financial revenues	**777**	**569**
Marketable securities and other equity instruments	**777**	**569**
Group and associated undertakings (Note 29.2)	402	233
Third parties	375	336
Financial expenses	**(2,249)**	**(2,593)**
On debts to third parties	(2,249)	(2,593)
Exchange differences	**5,836**	**(7,490)**
IMPAIRMENT AND INCOME FROM DISPOSAL OF FINANCIAL INSTRUMENTS	**-**	**135**
Impairment of group undertakings	-	135
FINANCIAL INCOME	**4,364**	**(9,379)**

Revenues from marketable securities and other instruments of Group undertakings refer basically to interest received on loans granted to Group undertakings.

In 2021 and 2020, most of the exchange differences were due to marking to market as of 31 December 2021 the Company's deposit in dollars at year-end.

Impairment of group undertakings: the liquidation of Noscira in 2020 resulted in reversal of €580 thousand of the total impairment booked in the past. That amount was partly offset by €445 thousand of impairment recognized on the loan to Genómica.

25. 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.

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.

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.

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.

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 that had not accrued.

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

On 15 April 2021, the Shareholders' Meeting of Pharma Mar, S.A. approved a new Share Ownership Plan to encourage employees and executives of Group companies to own capital in Pharma Mar, S.A. and to encourage them 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 awarded under 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).

26. CONTINGENCIES

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

A tax inspection of the Spanish Group for the years 2010, 2011, 2012 and 2013 concluded in September 2016 for the following taxes: corporate income tax, VAT, personal income tax (withholdings), non-residents' personal income tax, and withholdings from income from capital. PharmaMar's management has made its best estimates of the tax risk represented by the tax assessments that are in dispute (Note 23). This tax risk is not material in relation to the financial statements.

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

27. COMMITMENTS

27.1 Purchase and sale commitments

The Company does not have any purchase or sale commitments.

27.2 Operating lease commitments

The minimum future payments for non-cancelable operating leases as of 31 December 2021 and 2020 are detailed in Note 9.

27.3 Share-based incentive plans

- Under the seventeenth plan (June 2018) for delivery of shares free of charge, 99,534 shares (8,283 shares after the stock merge) under lock-up as of 31 December 2021 will be released in June 2022.

- Under the eighteenth plan (June 2019) for delivery of shares free of charge, 82,652 shares (6,872 shares after the stock merge) delivered and subject to lock-up as of 31 December 2021 will be released in May 2023.

- Under the nineteenth plan (June 2020) for delivery of shares free of charge, 7,444 shares delivered and under lock-up as of 31 December 2021 will be released in two tranches: 3,722 shares in October 2022 and 3,722 shares in May 2024.

27.4 Other commitments

The company has provided comfort letters to credit institutions. Those comfort letters were mainly for Genómica, for a total of €1,500 thousand.

The Company has also obtained several credit and guarantee lines from financial institutions in the amount of €1,318 thousand under which the Company is listed as a borrower alongside Genómica and Pharma Mar USA. PharmaMar is jointly and severally liable for the full amounts drawn against those credit and guarantee lines, including amounts drawn by Genómica and PharmaMar USA.

28. DIRECTOR AND SENIOR MANAGEMENT REMUNERATION

28.1 Director remuneration

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

(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. Additionally, 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.

28.2 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 in 2020.

28.3 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 the Company amounting to €4 thousand (€13 thousand in 2020).

28.4 Directors' duty of loyalty

Based on the disclosures presented by each of the Company's directors, they and, to the best of their knowledge and belief, their related parties did not incur in situations of conflict of interest as envisaged in article 229 of the Consolidated Text of the Capital Companies Act, except where they were authorized (see Note 28.3 Companies related to the directors and executives and their close relatives).

29. OTHER TRANSACTIONS WITH RELATED PARTIES

29.1 Balances with group companies

The detail of accounts payable to and receivable from group undertakings as of 31 December 2021 and 2020 is as follows:

(thousand euro) 2021	Non-current assets	Current assets	Current liabilities
Loans and other financial assets/liabilities	**21,378**	**97**	**4,093**
Genómica, S.A.U.	1,444	47	1,276
Sylentis, S.A.U.	19,934	50	2,817
Trade accounts receivable/payable	**-**	**4,296**	**2,212**
Pharma Mar, USA	-	-	285
Pharma Mar, Srl	-	4	342
Pharma Mar, GmbH	-	2,325	141
Pharma Mar, Sarl	-	269	1,052
Pharma Mar, Srl (Belgium)	-	1,110	186
Pharma Mar, Ges.m.b.H.	-	88	138
PharmaMar, AG	-	500	68
TOTAL	**21,378**	**4,393**	**6,305**

(thousand euro) 2020	Non-current assets	Current assets	Current liabilities
Loans and other financial assets/liabilities	**7,197**	**1,644**	**2,532**
Genómica, S.A.U.	-	1,454	659
Sylentis, S.A.U.	7,197	190	1,873
Trade accounts receivable/payable	**-**	**4,519**	**3,176**
Pharma Mar, USA	-	-	242
Pharma Mar, Srl	-	5	1,367
Pharma Mar, GmbH	-	2,387	176
Pharma Mar, Sarl	-	1,021	1,043
Pharma Mar, Srl (Belgium)	-	741	31
Pharma Mar, Ges.m.b.H.	-	26	200
Pharma Mar, AG	-	339	64
Genómica, S.A.U.	-	-	53
TOTAL	**7,197**	**6,163**	**5,708**

Under non-current assets, loans and other financial assets refer to loans granted by the Company to its subsidiaries, Genómica and Sylentis. In 2021, there was a loan to Genómica amounting to €1,819 thousand that had been partly impaired in the amount of €375 thousand (€375 thousand in 2020).

Current assets consist principally of accounts receivable (€4,296 thousand as of 31 December 2021 and €4,519 thousand as of 31 December 2020), i.e. the amount yet to be received for the sale of PharmaMar products to subsidiaries operating under the distribution model.

Current liabilities with Group undertakings in 2021 are broken down in the table:

(thousand euro) 2021	Taxes	Services delivered	TOTAL
Genómica, S.A.U.	1,276	-	1,276
Sylentis, S.A.U.	2,817	-	2,817
Pharma Mar USA	-	285	285
PharmaMar, AG	-	68	68
Pharma Mar, Srl	-	342	342
PharmaMar, GmbH	-	141	141
Pharma Mar, Sarl	-	1,052	1,052
Pharma Mar, Srl (Belgium)	-	186	186
Pharma Mar, Ltd	-	-	-
Pharma Mar, Ges.m.b.H.	-	138	138
TOTAL	**4,093**	**2,212**	**6,305**

Taxes due are debts owed by the parent company to its subsidiaries as a result of tax consolidation of both corporate income tax and value added tax. In both cases, the amounts outstanding with the tax administration are recognized at PharmaMar, the head of the group, which also recognizes the account payable to its subsidiaries. Specifically, (€3,813 thousand) relate to corporate income tax and €280 thousand to VAT pending recovery in connection with 2021.

29.2 Transactions with Group undertakings

The amounts of the Company's transactions with Group undertakings as of 31 December 2021 and 2020 are as follows:

TRANSACTIONS WITH GROUP UNDERTAKINGS EXPENSES (thousand euro)	2021	2020
Services received		
Genómica, S.A.U.	18	53
Pharma Mar, GmbH	489	725
Pharma Mar, USA	1,179	1,490
PharmaMar, AG	221	214
Pharma Mar, Sarl	1,269	1,150
Pharma Mar, Srl	342	1,367
Pharma Mar, Srl (Belgium)	155	175
Pharma Mar, Ges.m.b.H.	960	765
Total expenses	**4,633**	**5,939**

TRANSACTIONS WITH GROUP UNDERTAKINGS REVENUES (thousand euro)	2021	2020
Sales		
PharmaMar, AG	1,633	1,418
Pharma Mar, Srl	13,377	13,723
Pharma Mar, GmbH	13,706	13,716
Pharma Mar, Sarl	2,304	2,427
Pharma Mar, Srl (Belgium)	1,914	1,759
Services provided		
Genómica, S.A.U.	37	18
Sylentis, S.A.U.	15	13
Pharma Mar, Srl	71	73
Pharma Mar, GmbH	1,147	1,280
PharmaMar, AG	3	3
Pharma Mar, Srl (Belgium)	119	80
Pharma Mar, Sarl	133	106
Pharma Mar, GesmbH	62	33
Financing		
Genómica, S.A.U.	34	82
Sylentis, S.A.U.	368	151
Noscira, S.A. en liquidación	-	9
TOTAL REVENUES	**34,923**	**34,892**

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

30. SURETIES AND GUARANTEES

The sureties and guarantees provided by banks for subsidies and advances received by the Company from public authorities amounted to €3,952 thousand as of 31 December 2021 (€4,709 thousand in 2020). €508 thousand relate to guarantees that had to be presented for Yondelis® distribution tenders.

31. ENVIRONMENT

There were no material investments in environmental matters in 2021 and 2020.

The most significant installations that the Company has at present include:

- Atmospheric emissions: To control and clean emissions, the Company has scrubbers for gas from fume cupboards, absolute particle filters in the production area, and particle filters in the R&D department.
- Industrial discharges: the Company installed a network that separates industrial water, two tanks to homogenize discharges, and a discharge valve, pursuant to Madrid Region Law 10/93.
- Waste: the Company invested in the construction of two warehouses to store waste prior to removal and disposal.

Environmental protection and improvement expenses amounted to €70 thousand in 2021 (€58 thousand in 2020) and relate mainly to waste disposal by third parties.

The Company is not aware of any significant environmental contingencies as a result of its activities.

32. AUDITORS' FEES

The fees accrued by PricewaterhouseCoopers Auditores, S.L. and other firms in its network amounted to €412 thousand in 2021 (€385 thousand in 2020) for the statutory audit of Pharma Mar, S.A. and dependent companies. In

2021, no audit services were provided apart from the statutory audit (€105 thousand in 2020). Fees for other non-audit services amounted to €43 thousand in 2021 (€27 thousand in 2020).

33. 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.

1. COMPANY SITUATION

1.1 Organizational structure

The main activity of Pharma Mar, S.A. (the "Company" or "PharmaMar") is research, development and commercialization of bio-active principles, particularly those of marine origin, for application in human medicine, especially in the antitumor field, as well as management, support and development of its investees, mainly in the biopharmaceutical business (diagnostics and RNAi).

In 2020, PharmaMar commenced a new line of activity in the virology area, where it is researching the antiviral activity against COVID-19 of plitidepsin, a compound in its pipeline.

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

1.2 Operations: Business model, strategy

PharmaMar's main line of business is currently oncology, specifically: the development and commercialization of anti-tumor drugs of marine origin.

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

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

PharmaMar invests heavily in R&D and innovation in Oncology and it is firmly committed to R&D to bring new drugs to market.

PharmaMar sees its strengths as being:

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

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

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

- Generation of revenues in the Oncology business from direct sales of proprietary products.

- Out-licensing agreements in advantageous conditions for several of its compounds that have been signed and are in force, producing sizeable revenues.

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

- A robust financial position to fund its projects.

- The Company is investing in other opportunities, enabling it to diversify part of its business. As a result, it has a virology treatment for patients with COVID-19 under clinical development.

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

The key components of PharmaMar's strategy are:

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

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

- Use its unique, marine-based technological platform to continue feeding its pipeline of compounds. 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 Zepzelca® outside the US and Europe through partnerships with third parties that might increase its value.

- 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.

1.3 Effects 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

2.1 Total revenues

Net sales amounted to €109 million, consisting almost entirely of sales of Yondelis® (€59 million) and in 2021 also included sales of intermediates of Yondelis®, Aplidin® and Zepzelca® to our partners in the amount of €19,198 thousand, as well as sales of Zepzelca® in certain European countries, mainly under the TAU (Temporary Authorization for Use) program in France, for a total amount of €30.2 million. Net sales amounted to €90.4 million in 2020.

Royalties relate mainly to sales of Zepzelca® by Jazz Pharmaceuticals in the United States. These royalties amounted to €38 million in 2021. PharmaMar also collected royalties amounting to €3 million from Janssen Products and Taiho Pharmaceutical Co for sales of Yondelis® (€2.9 million in 2020).

Revenues from **licensing and other development agreements** amounted to €64.8 million in 2021 (€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 International revenues

Out of total 2021 revenues, 94%, i.e. €202 million, came from sales and transactions in other countries (95%, €235 million in 2020).

2.3 Gross margin

The gross margin was 85% of total revenues in 2021 (91% in 2020) (*).

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

2.4 R&D expenditure

PharmaMar spent €61.1 million on R&D in 2021 (€49.2 million in 2020), of which €19 million were for the development of plitidepsin (Aplidin) for treating COVID-19. 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.

2.5 Operating expenses

The breakdown of operating expenses is shown in the next table. Personnel expenses in 2021 are similar to those of the previous year (up 0.2% y/y):

(thousand euro)	31/12/21	31/12/20	Change
Staff expenses	34,826	34,764	0.2%
Outside services	54,453	47,451	14.8%
Purchases	16,808	8,569	96.1%
Taxes other than income tax	556	678	-18.0%
Depreciation and amortization	2,681	12,583	-78.7%
Bad debts	-	17	
Fixed asset impairment	(26,856)	58,397	
Fixed asset derecognition	26,712	60,539	
	109,180	**222,998**	

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

The increase in Procurements reflects the increase in production during 2021.

In 2021, fixed asset derecognition in the amount of €26,672 thousand relates to the impairment booked in 2018 in connection with PM184, a compound under development. In 2021, after analyzing the latest results, the Company decided to discontinue the development of this molecule, and derecognized the previously impaired balance.

The impairment recognized in 2020 relates mainly to the ATLANTIS Phase III trial. That trial 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 who had experienced progression after platinum-based treatment. The trial did not attain the pre-specified primary endpoint of Overall Survival (OS); consequently, the Company derecognized the entire amount capitalized for this clinical trial: €58,029 thousand.

Fixed asset derecognition in 2020 in the amount of €60,539 thousand relates to the amounts capitalized for Zepzelca® corresponding to the market that Pharma Mar had assigned to Jazz on a permanent basis under the licensing agreement.

2.6 Profit or loss for the year

The Company reported an after-tax profit of €103.4 million in 2021, mainly as a result of higher revenues recognized under out-licensing agreements, specifically the agreement with Jazz Pharmaceuticals.

2.7 Other events that impacted the 2021 financial statements

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.
   - Specialised Therapeutics Asia, Pte. (STA) also obtained provisional approval from the Singapore Health Sciences Authority (HSA) to commercialize Zepzelca® in Singapore for treating metastatic small cell lung cancer in adults who had experienced progression.
   - 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.

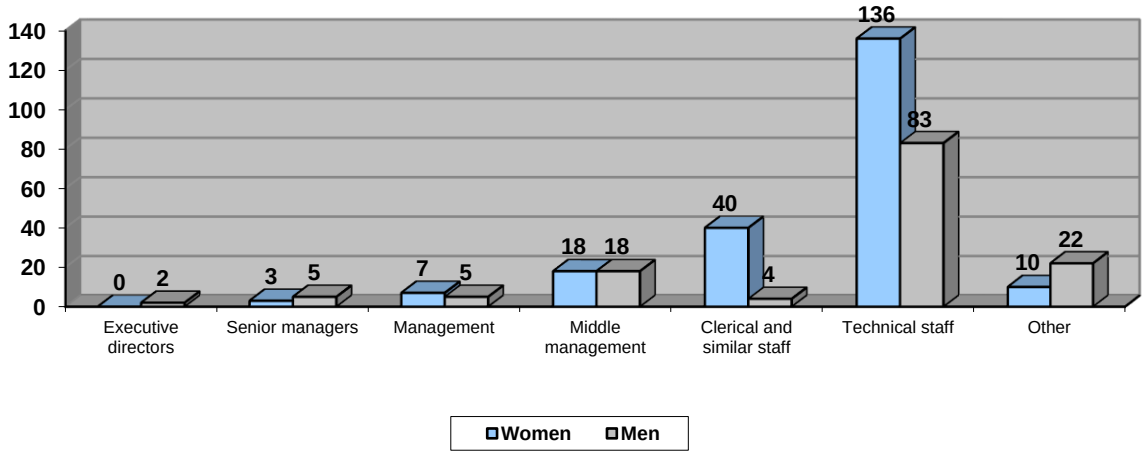
As regards the new Virology line of business that Pharma Mar established in 2020 to research, develop and provide drugs for viral diseases for which there are as yet no effective treatments, initially focusing on Covid-19, the NEPTUNO Phase III clinical trial is progressing as expected.

2.8 Personnel

PharmaMar had 353 employees at year-end (332 in 2020).

Women account for 61% of the workforce (60% in 2020).

The graph below illustrates segmentation by gender and category:



2.9 Environmental issues

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

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

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

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

2.10 Average period taken to pay suppliers

Information on payments for commercial transactions performed in 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:

	2021	2020
Average time taken to pay suppliers (days)	59	58
Proportion of transactions paid (days)	64	58
Proportion of transactions outstanding (days)	32	53
Total payments made (thousand euro)	44,509	25,964
Total payments outstanding (thousand euro)	7,279	4,725

The average supplier payment lag in the year between 1 January and 31 December 2021 was 59 days (58 days in 2020).

3. LIQUIDITY AND CAPITAL

The balance of "cash + cash equivalents" amounted to €103.5 million euro as of 31 December 2021 (€87.3 million euro in 2020).

The "Current financial assets" item, amounting to €88 million, mainly includes term deposits in US dollars (USD 77 million) at various financial institutions tied to Libor and maturing between January and April 2022, with yields ranging from 0.10% to 0.39%. The balance in 2020 was €97.1 million.

Current debt amounted to €11.4 million (€14.7 million in 2020) and non-current debt to €27.6 million (€33.4 million in 2020).

PharmaMar had a net cash balance of €163.0 million as of 31 December 2021.

The Company did not arrange any bank debt in 2021 and 2020.

As of 31 December 2021, the Company had €10.5 million available in credit lines.

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

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

4. MAIN RISKS AND UNCERTAINTIES

4.1 Situation risks

Competition.

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

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

Industrial property. Patents.

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

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

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

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

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

Regulation

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

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

To offset the risk of a constant flow of new legal and regulatory requirements, PharmaMar makes its decisions and designs its business processes on the basis of developing innovative products in therapeutic areas where treatment options are very limited. The Group also constantly obtains exhaustive 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 makes significant R&D investments each year, the group seeks a range of funding sources, in both the credit and capital markets, to finance its growth, implement its strategy and generate income in the future.

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

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

Shareholders

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

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

4.2 Operating risks

Health and safety

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

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

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

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

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

Pharma Mar, S.A. has obtained OHSAS 18001 certification of its workplace health and safety systems. Additionally, in 2020, 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 or property as a result of pollution.

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

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

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

Product development

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

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

4.3 INFORMATION RISK

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

Market disclosures

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

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

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

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

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

Information systems

Failure to apply proper access controls in information systems (data and software) may lead to unauthorized discovery, unauthorized access to data or the untimely delivery of same, and improper use of confidential information.

Lack of important information at a crucial time may adversely affect the continuity of the organization's critical processes and operations.

As technology progresses, PharmaMar adapts its physical and legal security policies in connection with the information and communication systems.

PharmaMar has several data processing centers. As far as possible, those centers use the same technology so as to minimize technological diversity, and share services that are susceptible to use by more than one business unit (basically in the area of security, support and maintenance).

Access to information is controlled on a person-by-person basis using current technology, and there are redundant fault-tolerant systems in mission-critical areas together with procedures to restore those systems in the shortest possible time. Data integrity is guaranteed using backup systems.

PharmaMar uses third-party technology infrastructures and has service level agreements with those third parties to minimize the impact of any degradations; it also generally has redundant or duplicate infrastructures.

4.4 Financial risk

4.4.1. Market risk

Price risk

The Company is exposed to price risk of available-for-sale equity instruments and of 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 Company's volume of investment in this type of asset is not material in the context of its operations. 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.

4.4.2. Credit risk

Credit risk arises from financial assets arranged with banks, mainly deposits.

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

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

• Acquisition of fixed-income funds that invest in public- or private-sector debt (government bonds, treasury bills and commercial paper), generally secure, which pay periodic coupons.

• Acquisition of money market funds comprising short-term fixed-income securities (18 months maximum) where security is given priority in exchange for a slightly lower yield than other investments.

4.4.3. Liquidity risk

The risk of not obtaining funds to honor debt obligations when they come due.

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

4.5 Tax risks

Tax risks are inherent to the Company's activity and are influenced by the unique features of our tax regime, its complexity and the existence of gray areas that might lead to non-compliance or discrepancies with the tax administration in the application of the regulations. The Company must

comply with a number of tax obligations, both material (i.e. payments) and formal, consisting of filing returns without having to make any payments. The Company tries to identify risks and then minimize them.

The Company does not use structures outside its own activities for the purpose of reducing its tax burden, nor does it carry out transactions with related undertakings whose sole purpose is to reduce taxable income or transfer profits to low-tax territories.

The Company does not have opaque structures for tax purposes nor does it constitute or acquire companies in countries or territories that Spanish regulations designate as tax havens or that are on the European Union's list of non-cooperative jurisdictions.

The Company has external advisors who help it to constantly analyze new legislation, case law and decisions in the tax area and quantify their impact.

In specific issues such as transfer pricing, it has an external consultant to ensure it has the proper documentation. In one specific case of transfer pricing, a formal valuation agreement was reached with the Administration beforehand.

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. OUTLOOK FOR 2022

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 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 revenue 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 PharmaMar's strategy, and it spent €61.1 million in this area in 2021, of which €19.4 million to develop Aplidin as an antiviral against COVID-19.

The main progress and results in R&D in 2021 are as follows:

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, which 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 the 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.

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 trials 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 Japan

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.

Ecubectedin (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.

Virology

In 2020, the Company 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.

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.

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.

As of 31 December 2020, the Company held 344,366 own shares representing 1.88% of capital stock.

In 2021, the Company acquired own shares worth €40,659 thousand and sold own shares worth €35,683 thousand. The result of those sales was a loss of €2,468 thousand, recognized under 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.

The breakdown of, and changes in, own shares in 2021 are as follows:

	No. of shares
Balance as of 31/12/20	242,192
Own shares purchased	528,779
Sales	(418,579)
Share ownership plan	(8,026)
Balance as of 31/12/21	**344,366**

As of 31 December 2020, the Company held 242,192 own shares representing 1.32% of capital stock.

In 2020, the Company acquired own shares worth €63,773 thousand and sold own shares worth €24,844 thousand. The result of those sales was a gain of €5,366 thousand, recognized under reserves.

Shares worth €18,449 thousand were acquired for cancellation. Of that amount, €119 thousand was a reduction in share capital and €18,330 thousand was a reduction in reserves.

Within the scope of the Employee Share Ownership Plan, a total of 128 thousand shares (before the 1-for-12 stock merge) were awarded in 2020 to 131 beneficiaries at a price per share of

€4.6108 (before the stock merge). Additionally, a total of 4,669 shares (before the 1-for-12 stock merge) were canceled under this plan in 2020.

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 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

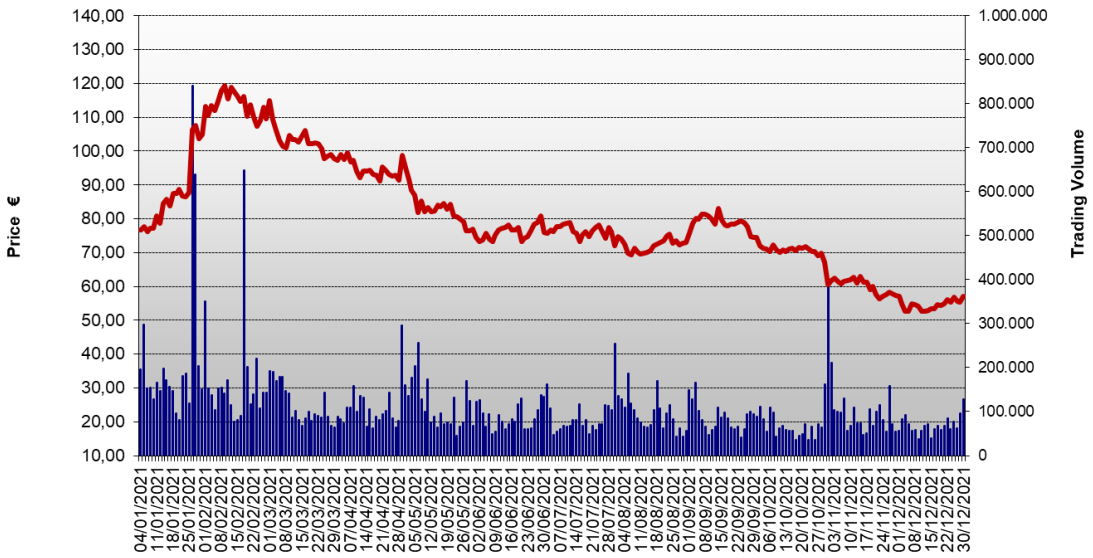
In a record difficult year for the biotechnology industry, PharmaMar's maintained good financial performance, as it continued to generate cash and profits while advancing with the development of its projects.

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 Eczacibasi 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. NON-FINANCIAL INFORMATION STATEMENT

Although the company is obliged to present a Non-Financial Information Statement as it had more than 250 employees at 31 December 2021, it has availed itself of the full exemption on the grounds that the company's information is contained in the Non-Financial Information Statement of the Group comprising PharmaMar and dependent companies, as it is the controlling company of that Group. The financial statements of PharmaMar and dependent companies are filed with the Madrid Mercantile Register.

The Annual Corporate Governance Report and the Annual Report on Director Remuneration are an integral part of this Directors' Report and may be viewed at www.cnmv.es.

FINANCIAL STATEMENTS AND DIRECTORS' REPORT OF PHARMA MAR, S.A.
FOR THE YEAR ENDED
31 December 2021

These Financial Statements and Directors' Report of PHARMA MAR, S.A. for the period from 1 January 2021 to 31 December 2021 were drafted and authorized in compliance with the provisions of articles 34 and 35 of the Commercial Code and articles 253 and 254 of the Capital Companies Act.

In accordance with the provisions of article 37 of the Commercial Code and article 253 of the Capital Companies Act, the Board of Directors signed this 99-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.)	Mr. 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 telematic link, and approved the content of the Financial statements and directors' report of Pharma Mar, S.A*.	

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 Financial Statements and Directors' Report of PHARMA MAR, S.A. for the year ended 31 December 2021, the Directors listed above 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 and the last page of the document, with the exception of Ms. Blanca Hernández Rodríguez, who participated in the Board of Directors by telematic link, and approved the content of the Financial statements and directors' report of Pharma Mar, S.A. Which I certify in Madrid on 28 February 2022.

Secretary of the Board of Directors

Juan Gómez Pulido

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL REPORT

The members of the Board of Directors state that, to the best of their knowledge, the separate financial statements for the year ended 31 December 2021 that were authorized by the Board on 28 February 2022, were drafted in line with the applicable accounting standards and provide a true and fair view of the net worth, financial situation and results of PHARMA MAR, S.A., and that the directors' report contains a faithful analysis of the business performance and results of PHARMA MAR, S.A.

Madrid, 28 February 2022

The Board of Directors:

Name	**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	
Mr. Carlos Solchaga Catalán		Director	
Ana Palacio Vallelersundi		Director	
Montserrat Andrade Detrell		Director	
Valentín 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 telematic link, and approved this statement of responsibility for the content of the Financial statements of Pharma Mar, S.A.*
Carlos Pazos Campos		Director	

Certificate by the Secretary of the Board of Directors to the effect that, after authorization by the members of the Board of Directors, on 28 February 2022, of the Financial Statements and Directors' Report of PHARMA MAR, S.A. for the year ended 31 December 2021, all of the Directors listed above signed this Directors' Statement of Responsibility, with the exception of Ms. Blanca Hernández Rodríguez, who participated in the Board of Directors by telematic link, and approved the content of the Financial statements and directors' report of Pharma Mar, S.A. Which I certify in Madrid on 28 February 2022.

Secretary of the Board of Directors

Juan Gómez Pulido